

**IN THE UNITED STATES DISTRICT COURT
DISTRICT OF DELAWARE**

STRIKEFORCE TECHNOLOGIES, INC.,
1090 King Georges Post Road
Edison, New Jersey 08837,

Plaintiff,

v.

PHONEFACTOR, INC.
7301 West 129th Street
Overland Park, Kansas 66213,

And

FIRST MIDWEST BANCORP, INC.
One Pierce Place, Suite 1500
Itasca, Illinois 60143-9768,

Defendants.

Case No. 1:13-cv-00490-RGA-MPT

**SECOND AMENDED COMPLAINT
FOR PATENT INFRINGEMENT**

Jury Trial Demanded

StrikeForce Technologies, Inc. (hereinafter “Plaintiff”), files this Amended Complaint for patent infringement against PhoneFactor, Inc. and First Midwest Bancorp, Inc. (hereinafter “Defendants”), and, in support thereof, further states and alleges as follows:

THE PARTIES

1. Plaintiff, StrikeForce Technologies, Inc. is a corporation incorporated in the state of Wyoming, with its principal place of business located at 1090 King Georges Post Road, Edison, New Jersey 08837.

2. Upon information and belief, Defendant PhoneFactor, Inc. (“PhoneFactor”) is a corporation incorporated in the state of Delaware, having its principal place of business at 7301 West 129th Street, Overland Park, Kansas 66213. The registered agent for process of service is Corporation Service Company located at 2711 Centerville Road, Suite 400, Wilmington, DE 19808.

3. Upon information and belief, Defendant First Midwest Bancorp, Inc. (“First Midwest”), is a corporation incorporated in the state of Delaware, with its principal place of business at One Pierce Place, Suite 1500, Itasca, Illinois 60143-9768. The registered agent for process of service is United States Corporation Company, 2711 Centerville Road, Suite 400, Wilmington, DE 19808. On further information and belief, Defendant First Midwest Bancorp, conducts banking operations in the name of First Midwest Bank.

JURISDICTION AND VENUE

4. This is a civil action for patent infringement under the laws of the United States, Title 35 United States Code §§ 1, *et seq.*

5. This Court has subject-matter jurisdiction over this action under 28 U.S.C. §§ 1331 (federal question) and 1338(a) (patent-exclusive jurisdiction).

6. This Court has personal jurisdiction over Defendants because the Defendants are incorporated in the state of Delaware.

7. Venue is proper under 28 U.S.C. §§ 1391(b) and (c) and § 1400(b), because Defendants are subject to personal jurisdiction in this judicial district.

FACTUAL BACKGROUND

8. On January 11, 2011, the United States Patent and Trademark Office duly and legally issued U.S. Patent No. 7,870,599, entitled “Multichannel Device Utilizing a Centralized Out-of-Band Authentication System (COBAS)” (“the ’599 Patent”). On December 27, 2011, the United States Patent and Trademark Office duly and legally issued Ex Parte Reexamination Certificate No. 7,870,599C1. A true and correct copy of the ’599 Patent, including the ’599C1 Certificate, is attached hereto as Exhibit A.

9. On July 9, 2013, the United States Patent and Trademark Office duly and legally issued U.S. Patent No. 8,484,698, entitled “Multichannel Device Utilizing a Centralized Out-of-

Band Authentication System (COBAS)” (“the ’698 Patent”). A true and correct copy of the ’698 Patent is attached hereto as Exhibit A.

10. On April 29, 2014, the United States Patent and Trademark Office duly and legally issued U.S. Patent No. 8,713,701, entitled “Multichannel Device Utilizing a Centralized Out-of-Band Authentication System (COBAS)” (“the ’701 Patent”). A true and correct copy of the ’701 Patent is attached hereto as Exhibit A.

11. Plaintiff, StrikeForce Technologies, Inc. is the owner by assignment of the ’599 Patent, the ’698 Patent and the ’701 Patent (collectively the “Patents”).

12. The Patents are directed to multichannel security systems and methods for authenticating a user seeking to gain access to, for example, Internet websites and VPN networks, such as those used for conducting banking, social networking, business activities, and other online services. Such technology is sometimes known as “out-of-band” authentication. When coupled with more traditional processes, they are more commonly known as two factor authentication.

13. StrikeForce offers a product that performs out-of-band authentication, known as ProtectID[®]. Since at least as early as February 10, 2011, the statutory patent notice was placed on the ProtectID[®] product.

14. On or about February 26, 2009, Defendant PhoneFactor submitted to the U.S. Patent and Trademark Office application no. 12/394,016, which included claims directed to out-of-band authentication.

15. On May 2, 2011, StrikeForce Technologies’ counsel sent a letter to Defendant PhoneFactor’s counsel giving him actual notice of the ’599 Patent.

16. On October 10, 2012, StrikeForce Technologies' counsel sent a letter to Defendant PhoneFactor's Chief Executive Officer giving him actual notice of the '599 Patent.

17. Neither PhoneFactor nor its counsel has responded to either of those letters.

18. On March 11, 2014, StrikeForce Technologies' counsel provided counsel for PhoneFactor with actual notice of the '698 Patent and '701 Patent by sending an e-mail communication.

19. First Midwest was incorporated in Delaware in 1982, and is headquartered in the Chicago suburb of Itasca, Illinois. First Midwest's primary asset is its wholly owned subsidiary First Midwest Bank ("FMB"). First Midwest dominates, controls, and directs the activities of FSB.

20. On information and belief, First Midwest and FMB are headquartered at the same location, One Pierce Place, Suite 1500, Itasca, Illinois 60143-9768. First Midwest describes itself as "one of Illinois' largest independent publically traded banking companies with assets of \$8.1 billion as of December 31, 2012." Nearly all of the value in First Midwest's \$8.1 billion in assets is attributable to its wholly owned subsidiary FMB. On information and belief, the balance sheet of FMB is consolidated into the balance sheet of First Midwest for purpose of making securities filings.

21. On information and belief, FMB has no independent decision-making capabilities and all facets of its operations are dominated, controlled and directed by First Midwest. The control exerted by First Midwest reflects the fact that all financial gains and losses by FMB inure directly to the benefit or detriment of First Midwest and its shareholders.

22. The official web page for FMB contains numerous "Investor Relations" pages containing information related to corporate governance, stock information and how one can

invest in the company. All of the information on these pages relates to First Midwest Bank and not FMB. On information and belief, the only way in which to invest in the operations of FMB, is to acquire shares in First Midwest.

23. The official web page for FMB includes a page titled "Governance Documents," which contains PDF versions of FMB's governance policies and procedures. These include: (i) the Code of Ethics for Senior Financial Officers; (ii) Code of Ethics and Standards of Conduct; (iii) Related Person Transaction Policies and Procedures; and (iv) Compensation Committee Charter. Although applicable to FMB, each of these governance/ethics policies were adopted by the Board of Directors of First Midwest and do not appear to have been independently adopted or approved by FMB.

24. All of the significant officers of First Midwest are also officers of FMB. The Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Treasurer, Corporate Secretary and Chief Risk Officer of First Midwest hold the identical positions within FMB. On information and belief, First Midwest has a Board of Directors while FMB has no board of directors or shares a common Board of Directors with First Midwest.

25. For all purposes related to this litigation and the infringement of the Patents, First Midwest and FMB are alter egos of one another. Working together, First Midwest and FMB constitute a joint enterprise that acts to infringe one or more of the Patents. As such each act of one entity is attributable to the other. First Midwest and FMB further enjoy an agency and fiduciary relationship whereby First Midwest has assented to the infringing acts of FMB and FMB acts on behalf of and at the direction of First Midwest.

26. On August 25, 2010, PhoneFactor and First Midwest's subsidiary and alter ego, FMB, entered into a contract called "Phone Factor Service Agreement" (the "Agreement"). The Agreement had a term of three years.

27. Pursuant to the Agreement, PhoneFactor provided First Midwest's subsidiary and alter ego FMB with services, including, *inter alia*, out-of-band authentication services. In addition, the Agreement granted to FMB a non-exclusive, non-transferable, worldwide license to use the software provided by PhoneFactor in connection with the services it provided to FMB.

COUNT I

Direct Infringement of the '599 Patent

28. Plaintiff incorporates by this reference the averments set forth in paragraphs 1 through 27.

29. Upon information and belief, each Defendant has infringed the '599 Patent in this district and elsewhere by making, using, offering for sale, or selling systems and methods for out-of-band authentication, all in violation of 35 U.S.C. § 271(a). Defendant PhoneFactor has infringed the '698 Patent in this district and elsewhere by making, using, offering for sale, or selling systems and methods for out-of-band authentication, including the following products: PhoneFactor, PhoneFactor v3.0, PhoneFactor Free, PhoneFactor Standard, PhoneFactor Extended Edition, PhoneFactor App, PhoneFactor App for Windows Phone, Biometric Authentication, Transaction Verification, Phone Verification and PhoneFactor Service. Under the Agreement set out in Paragraphs 26-27, FMB's customers could use and have used the licensed PhoneFactor Extended Edition product.

30. Upon information and belief, since before the filing of this lawsuit, Defendant PhoneFactor has had actual or constructive knowledge of the '599 Patent at least through its filing and prosecuting the '016 application.

31. Since before the filing of this lawsuit, Defendant PhoneFactor has had actual notice of the '599 Patent by virtue of the letters sent by StrikeForce's counsel to PhoneFactor and its counsel in May 2011 and October 2012.

32. As a direct and proximate result of Defendants' acts of infringing the '599 Patent, Plaintiff has suffered injury and monetary damages for which Plaintiff is entitled to relief in the form of damages for lost profits and in no event less than a reasonable royalty to compensate for Defendants' infringement.

33. Upon information and belief, Defendants have knowingly, willfully, and deliberately infringed the '599 Patent, in conscious disregard of Plaintiff's rights, making this case exceptional within the meaning of 35 U.S.C. § 285 and justifying treble damages pursuant to 35 U.S.C. § 284.

34. Upon information and belief, Defendants will continue to directly infringe the '599 Patent, causing immediate and irreparable harm to Plaintiff unless this Court enjoins and restrains Defendants' activities, specifically the acts of making, using, selling, offering for sale, and importing as mentioned above.

35. Upon information and belief, the direct infringement of the '599 Patent by Defendants has deprived, and will deprive, Plaintiff of sales proceeds, subscription fees, licensing fees, royalties and other related revenue which Plaintiff would have made or would enjoy in the future; has injured Plaintiff in other respects; and will cause Plaintiff added injury and damage unless Defendants are enjoined from infringing the '599 Patent on all products and web services Defendants will make, use, offer for sale, sell, import, distribute, market, or advertise until the expiration of the '599 Patent.

COUNT II

Direct Infringement of the '698 Patent

36. Plaintiff incorporates by this reference the averments set forth in paragraphs 1 through 35.

37. Upon information and belief, Defendant PhoneFactor has infringed the '698 Patent in this district and elsewhere by making, using, offering for sale, or selling systems and methods for out-of-band authentication, including the following products: PhoneFactor, PhoneFactor v3.0, PhoneFactor Free, PhoneFactor Standard, PhoneFactor Extended Edition, PhoneFactor App, PhoneFactor App for Windows Phone, Biometric Authentication, Transaction Verification, Phone Verification and PhoneFactor Service, all in violation of 35 U.S.C. § 271(a).

38. Upon information and belief, since at least March 17, 2014, Defendant PhoneFactor has had actual or constructive knowledge of the '698 Patent at least by virtue of the March 17, 2014 letter sent by StrikeForce's counsel to PhoneFactor's counsel.

39. As a direct and proximate result of Defendant PhoneFactor's acts of infringing the '698 Patent, Plaintiff has suffered injury and monetary damages for which Plaintiff is entitled to relief in the form of damages for lost profits and in no event less than a reasonable royalty to compensate for Defendant PhoneFactor's infringement.

40. Upon information and belief, Defendant PhoneFactor has knowingly, willfully, and deliberately infringed the '698 Patent, in conscious disregard of Plaintiff's rights, making this case exceptional within the meaning of 35 U.S.C. § 285 and justifying treble damages pursuant to 35 U.S.C. § 284.

41. Upon information and belief, Defendant PhoneFactor will continue to directly infringe the '698 Patent, causing immediate and irreparable harm to Plaintiff unless this Court enjoins and restrains Defendant PhoneFactor's activities, specifically the acts of making, using, selling, offering for sale, and importing as mentioned above.

42. Upon information and belief, the direct infringement of the '698 Patent by Defendant PhoneFactor has deprived, and will deprive, Plaintiff of sales proceeds, subscription fees, licensing fees, royalties and other related revenue which Plaintiff would have made or would enjoy in the future; has injured Plaintiff in other respects; and will cause Plaintiff added injury and damage unless Defendant PhoneFactor is enjoined from infringing the '698 Patent on all products and web services Defendant PhoneFactor will make, use, offer for sale, sell, import, distribute, market, or advertise until the expiration of the '698 Patent.

COUNT III

Direct Infringement of the '701 Patent

43. Plaintiff incorporates by this reference the averments set forth in paragraphs 1 through 42.

44. Upon information and belief, Defendant PhoneFactor has infringed the '701 Patent in this district and elsewhere by making, using, offering for sale, or selling systems and methods for out-of-band authentication, including the following products: PhoneFactor, PhoneFactor v3.0, PhoneFactor Free, PhoneFactor Standard, PhoneFactor Extended Edition, PhoneFactor App, PhoneFactor App for Windows Phone, Biometric Authentication, Transaction Verification, Phone Verification and PhoneFactor Service, all in violation of 35 U.S.C. § 271(a).

45. Upon information and belief, since at least March 17, 2014, Defendant PhoneFactor has had actual or constructive knowledge of the '701 Patent at least through the March 17, 2014 letter described above.

46. As a direct and proximate result of Defendant PhoneFactor's acts of infringing the '701 Patent, Plaintiff has suffered injury and monetary damages for which Plaintiff is entitled to relief in the form of damages for lost profits and in no event less than a reasonable royalty to compensate for Defendant PhoneFactor's infringement.

47. Upon information and belief, Defendant PhoneFactor has knowingly, willfully, and deliberately infringed the '701 Patent, in conscious disregard of Plaintiff's rights, making this case exceptional within the meaning of 35 U.S.C. § 285 and justifying treble damages pursuant to 35 U.S.C. § 284.

48. Upon information and belief, Defendant PhoneFactor will continue to directly infringe the '701 Patent, causing immediate and irreparable harm to Plaintiff unless this Court enjoins and restrains Defendant PhoneFactor's activities, specifically the acts of making, using, selling, offering for sale, and importing as mentioned above.

49. Upon information and belief, the direct infringement of the '701 Patent by Defendant PhoneFactor has deprived, and will deprive, Plaintiff of sales proceeds, subscription fees, licensing fees, royalties and other related revenue which Plaintiff would have made or would enjoy in the future; has injured Plaintiff in other respects; and will cause Plaintiff added injury and damage unless Defendant PhoneFactor is enjoined from infringing the '701 Patent on all products and web services Defendant PhoneFactor will make, use, offer for sale, sell, import, distribute, market, or advertise until the expiration of the '701 Patent.

COUNT IV

Active Inducement of Infringement of the '599 Patent

50. Plaintiff incorporates by this reference the averments contained in paragraphs 1 through 49.

51. Upon information and belief, Defendant PhoneFactor has, under 35 U.S.C. § 271(b), indirectly infringed, and continues to indirectly infringe the '599 Patent by, *inter alia*, inducing others to make, use, sell, offer for sale, and/or import into the United States the above-mentioned products and services covered by the '599 Patent, and distributing, marketing, and/or advertising those products and web services covered by the '599 Patent in this judicial district and elsewhere in the United States. Defendant FMB has, under 35 U.S.C. § 271(b), indirectly infringed the '599 Patent by, *inter alia*, inducing others to make, use, sell, offer for sale, and/or import into the United States the above-mentioned products and services covered by the '599 Patent, and distributing, marketing, and/or advertising those products and web services covered by the '599 Patent in this judicial district and elsewhere in the United States.

52. The customers of Defendants directly infringe the claims of the '599 Patent by, for example, placing every element of the claimed systems into use, having control over those systems when used, and directly benefiting from the use of those systems. For example, Defendants' customers utilize the two factor authentication system claimed in the '599 Patent based on the marketing and providing of such an authentication system to them for use in securely gaining access to, for example, various Internet websites and VPN networks.

53. Upon information and belief, Defendant PhoneFactor is also aware that it provides its customers with products and web services that are used in a manner that infringes the '599 Patent, since Defendant PhoneFactor has had actual notice of the '599 Patent by virtue of the letters sent by StrikeForce's counsel to PhoneFactor and its counsel in May 2011 and October 2012.

54. Upon information and belief, Defendant PhoneFactor specifically intends for its customers to use its products and web services and knows that its customers are using its products and web services in an infringing manner.

55. Upon information and belief, Defendant PhoneFactor specifically encourages and instructs their customers to use its products and web services in a manner that Defendant PhoneFactor knows constitutes infringement of the '599 Patent.

56. As the result of Defendant PhoneFactor's activities as aforesaid, and their customer's activities in utilizing the systems of the claims of the '599 Patent, Defendant PhoneFactor is liable for indirect infringement.

57. As a direct and proximate result of Defendant PhoneFactor's acts of infringing the '599 Patent, Plaintiff has suffered injury and monetary damages for which Plaintiff is entitled to relief in the form of damages for lost profits and in no event less than a reasonable royalty to compensate for Defendant PhoneFactor's infringement.

58. Upon information and belief, Defendant PhoneFactor has knowingly, willfully, and deliberately induced infringement of the '599 Patent in conscious disregard of Plaintiff's rights, making this case exceptional within the meaning of 35 U.S.C. § 285 and justifying treble damages pursuant to 35 U.S.C. § 284.

59. Upon information and belief, Defendant PhoneFactor will continue to induce

infringement of the '599 Patent, causing immediate and irreparable harm to Plaintiff unless this Court enjoins and restrains Defendant PhoneFactor's activities, specifically the acts of making, using, selling, offering for sale, and importing as mentioned above.

60. Upon information and belief, the induced infringement of the '599 Patent by Defendant PhoneFactor has, and will, deprive Plaintiff of sales, licensing fees, royalties and other related revenue which Plaintiff would have made or would enjoy in the future; has injured Plaintiff in other respects; and will cause Plaintiff added injury and damage unless Defendant PhoneFactor is enjoined from inducing infringement of the '599 Patent for all products and web services Defendants will make, use, offer for sale, sell, import, distribute, market, or advertise until the expiration of the '599 Patent.

COUNT V

Active Inducement of Infringement of the '698 Patent

61. Plaintiff incorporates by this reference the averments contained in paragraphs 1 through 60.

62. Upon information and belief, Defendant PhoneFactor has, under 35 U.S.C. § 271(b), indirectly infringed, and continues to indirectly infringe the '698 Patent by, *inter alia*, inducing others to make, use, sell, offer for sale, and/or import into the United States the above-mentioned products and services covered by the '698 Patent, and distributing, marketing, and/or advertising those products and web services covered by the '698 Patent in this judicial district and elsewhere in the United States.

63. The customers of Defendant PhoneFactor directly infringe the claims of '698 Patent by, for example, placing every element of the claimed systems into use, having

control over those systems when used, and directly benefiting from the use of those systems. For example, Defendant PhoneFactor's customers utilize the two factor authentication system claimed in the '698 Patent based on the marketing and providing of such an authentication system to them for use in securely gaining access to, for example, various Internet websites and VPN networks.

64. Upon information and belief, Defendant PhoneFactor is also aware that it provides its customers with products and web services that are used in a manner that infringes the '698 Patent, since Defendant PhoneFactor has had actual notice of the '698 Patent by virtue of the March 17, 2014 letter sent by StrikeForce's counsel to PhoneFactor's counsel.

65. Upon information and belief, Defendant PhoneFactor specifically intends for its customers to use its products and web services and knows that its customers are using Defendant PhoneFactor's products and web services in an infringing manner.

66. Upon information and belief, Defendant PhoneFactor specifically encourages and instructs their customers to use its products and web services in a manner that Defendant PhoneFactor knows constitutes infringement of the '698 Patent.

67. As the result of Defendant PhoneFactor's activities as aforesaid, and their customer's activities in utilizing the systems of the claims of the '698 Patent, Defendant PhoneFactor is liable for indirect infringement.

68. As a direct and proximate result of Defendant PhoneFactor's acts of infringing the '698 Patent, Plaintiff has suffered injury and monetary damages for which Plaintiff is entitled to

relief in the form of damages for lost profits and in no event less than a reasonable royalty to compensate for Defendant PhoneFactor's infringement.

69. Upon information and belief, Defendant PhoneFactor has knowingly, willfully, and deliberately induced infringement of the '698 Patent in conscious disregard of Plaintiff's rights, making this case exceptional within the meaning of 35 U.S.C. § 285 and justifying treble damages pursuant to 35 U.S.C. § 284.

70. Upon information and belief, Defendant PhoneFactor will continue to induce infringement of the '698 Patent, causing immediate and irreparable harm to Plaintiff unless this Court enjoins and restrains Defendant PhoneFactor's activities, specifically the acts of making, using, selling, offering for sale, and importing as mentioned above.

71. Upon information and belief, the induced infringement of the '698 Patent by Defendant PhoneFactor has, and will, deprive Plaintiff of sales, licensing fees, royalties and other related revenue which Plaintiff would have made or would enjoy in the future; has injured Plaintiff in other respects; and will cause Plaintiff added injury and damage unless Defendant PhoneFactor is enjoined from inducing infringement of the '698 Patent for all products and web services Defendant PhoneFactor will make, use, offer for sale, sell, import, distribute, market, or advertise until the expiration of the '698 Patent.

COUNT V

Active Inducement of Infringement of the '701 Patent

72. Plaintiff incorporates by this reference the averments contained in paragraphs 1 through 71.

73. Upon information and belief, Defendant PhoneFactor has, under 35 U.S.C. § 271(b), indirectly infringed, and continues to indirectly infringe the '701 Patent by, *inter alia*, inducing others to make, use, sell, offer for sale, and/or import into the United States the above-mentioned products and services covered by the '701 Patent, and distributing, marketing, and/or advertising those products and web services covered by the '701 Patent in this judicial district and elsewhere in the United States.

74. The customers of Defendant PhoneFactor directly infringe the claims of '701 Patent by, for example, placing every element of the claimed systems into use, having control over those systems when used, and directly benefiting from the use of those systems. For example, Defendant PhoneFactor's customers utilize the two factor authentication system claimed in the '701 Patent based on the marketing and providing of such an authentication system to them for use in securely gaining access to, for example, various Internet websites and VPN networks.

75. Upon information and belief, Defendant PhoneFactor is also aware that it provides its customers with products and web services that are used in a manner that infringes the '701 Patent, since Defendant PhoneFactor has had actual notice of the '701 Patent by virtue of the March 17, 2014 letter sent by StrikeForce's counsel to PhoneFactor's counsel.

76. Upon information and belief, Defendant PhoneFactor specifically intends for its customers to use its products and knows that its customers are using Defendant PhoneFactor's products and web services in an infringing manner.

77. Upon information and belief, Defendant PhoneFactor specifically encourages and instructs their customers to use its products and web services in a manner that Defendant PhoneFactor knows constitutes infringement of the '701 Patent.

78. As the result of Defendant PhoneFactor's activities as aforesaid, and their customers activities in utilizing the systems of the claims of the '701 Patent, it is liable for indirect infringement.

79. As a direct and proximate result of Defendant PhoneFactor's acts of infringing the '701 Patent, Plaintiff has suffered injury and monetary damages for which Plaintiff is entitled to relief in the form of damages for lost profits and in no event less than a reasonable royalty to compensate for Defendant PhoneFactor's infringement.

80. Upon information and belief, Defendant PhoneFactor has knowingly, willfully, and deliberately induced infringement of the '701 Patent in conscious disregard of Plaintiff's rights, making this case exceptional within the meaning of 35 U.S.C. § 285 and justifying treble damages pursuant to 35 U.S.C. § 284.

81. Upon information and belief, Defendant PhoneFactor will continue to induce infringement of the '701 Patent, causing immediate and irreparable harm to Plaintiff unless this Court enjoins and restrains Defendant PhoneFactor's activities, specifically the acts of making, using, selling, offering for sale, and importing as mentioned above.

82. Upon information and belief, the induced infringement of the '701 Patent by Defendant PhoneFactor has, and will, deprive Plaintiff of sales, licensing fees, royalties and other related revenue which Plaintiff would have made or would enjoy in the future; has injured

Plaintiff in other respects; and will cause Plaintiff added injury and damage unless Defendant PhoneFactor is enjoined from inducing infringement of the '701 Patent for all products and web services Defendant PhoneFactor will make, use, offer for sale, sell, import, distribute, market, or advertise until the expiration of the '701 Patent.

COUNT VI

Contributory Infringement of the 599 Patent

83. StrikeForce incorporates by this reference the averments set forth in paragraphs 1 through 82.

84. Upon information and belief, Defendant PhoneFactor has under 35 U.S.C. § 271(c), indirectly infringed, and continues to indirectly infringe the '599 Patent by, *inter alia*, knowingly providing to its customers a material component of an out-of-band authentication system that was especially made or adapted for use in that system, which is not a staple article or commodity of commerce and which has no substantial, non-infringing use.

85. The Defendant PhoneFactor had and has knowledge of the '599 Patent by virtue of the letters sent by StrikeForce's counsel to PhoneFactor and its counsel in May 2011 and October 2012.

86. As a direct and proximate result of Defendant PhoneFactor's acts of infringing the '599 Patent, Plaintiff has suffered injury and monetary damages for which Plaintiff is entitled to relief in the form of damages for lost profits and in no event less than a reasonable royalty to compensate for Defendant PhoneFactor's infringement.

87. Upon information and belief, Defendant PhoneFactor has knowingly, willfully, and deliberately contributed to infringement of the '599 Patent in conscious disregard of Plaintiff's rights, making this case exceptional within the meaning of 35 U.S.C. § 285 and

justifying treble damages pursuant to 35 U.S.C. § 284.

88. Upon information and belief, Defendant PhoneFactor will continue to contribute to infringement of the '599 Patent, causing immediate and irreparable harm to Plaintiff unless this Court enjoins and restrains Defendant PhoneFactor's activities, specifically the acts of making, using, selling, offering for sale, and importing as mentioned above.

89. Upon information and belief, the contributory infringement of the '599 Patent by Defendant PhoneFactor has, and will, deprive Plaintiff of sales, licensing fees, royalties and other related revenue which Plaintiff would have made or would enjoy in the future; has injured Plaintiff in other respects; and will cause Plaintiff added injury and damage unless Defendants are enjoined from inducing infringement of the '599 Patent on all products and web services Defendant PhoneFactor will make, use, offer for sale, sell, import, distribute, market, or advertise until the expiration of the '599 Patent.

COUNT VII

Contributory Infringement of the 698 Patent

90. StrikeForce incorporates by this reference the averments set forth in paragraphs 1 through 89.

91. Upon information and belief, Defendant PhoneFactor has under 35 U.S.C. § 271(c), indirectly infringed, and continues to indirectly infringe the '698 Patent by, *inter alia*, knowingly providing to its customers a material component of an out-of-band authentication system that was especially made or adapted for use in that system, which is not a staple article or commodity of commerce and which has no substantial, non-infringing use.

92. The Defendant PhoneFactor had and has knowledge of the '698 Patent by virtue of the March 17, 2014 letter sent by StrikeForce's counsel to PhoneFactor's counsel.

93. As a direct and proximate result of Defendant PhoneFactor's acts of infringing the '698 Patent, Plaintiff has suffered injury and monetary damages for which Plaintiff is entitled to relief in the form of damages for lost profits and in no event less than a reasonable royalty to compensate for Defendant PhoneFactor's infringement.

94. Upon information and belief, Defendant PhoneFactor has knowingly, willfully, and deliberately contributed to infringement of the '698 Patent in conscious disregard of Plaintiff's rights, making this case exceptional within the meaning of 35 U.S.C. § 285 and justifying treble damages pursuant to 35 U.S.C. § 284.

95. Upon information and belief, Defendant PhoneFactor will continue to contribute to infringement of the '698 Patent, causing immediate and irreparable harm to Plaintiff unless this Court enjoins and restrains Defendant PhoneFactor's activities, specifically the acts of making, using, selling, offering for sale, and importing as mentioned above.

96. Upon information and belief, the contributory infringement of the '698 Patent by Defendant PhoneFactor has, and will, deprive Plaintiff of sales, licensing fees, royalties and other related revenue which Plaintiff would have made or would enjoy in the future; has injured Plaintiff in other respects; and will cause Plaintiff added injury and damage unless Defendants are enjoined from inducing infringement of the '698 Patent on all products and web services Defendant PhoneFactor will make, use, offer for sale, sell, import, distribute, market, or advertise until the expiration of the '698 Patent.

COUNT VII

Contributory Infringement of the 701 Patent

97. StrikeForce incorporates by this reference the averments set forth in paragraphs 1 through 96.

98. Upon information and belief, Defendant PhoneFactor has under 35 U.S.C. § 271(c), indirectly infringed, and continues to indirectly infringe the '701 Patent by, *inter alia*, knowingly providing to its customers a material component of an out-of-band authentication system that was especially made or adapted for use in that system, which is not a staple article or commodity of commerce and which has no substantial, non-infringing use.

99. The Defendant PhoneFactor had and has knowledge of the '701 Patent by virtue of the March 17, 2014 letter sent by StrikeForce's counsel to PhoneFactor's counsel.

100. As a direct and proximate result of Defendant PhoneFactor's acts of infringing the '701 Patent, Plaintiff has suffered injury and monetary damages for which Plaintiff is entitled to relief in the form of damages for lost profits and in no event less than a reasonable royalty to compensate for Defendant PhoneFactor's infringement.

101. Upon information and belief, Defendant PhoneFactor has knowingly, willfully, and deliberately contributed to infringement of the '701 Patent in conscious disregard of Plaintiff's rights, making this case exceptional within the meaning of 35 U.S.C. § 285 and justifying treble damages pursuant to 35 U.S.C. § 284.

102. Upon information and belief, Defendant PhoneFactor will continue to contribute to infringement of the '6701 Patent, causing immediate and irreparable harm to Plaintiff unless this Court enjoins and restrains Defendant PhoneFactor's activities, specifically the acts of making, using, selling, offering for sale, and importing as mentioned above.

103. Upon information and belief, the contributory infringement of the '701 Patent by Defendant PhoneFactor has, and will, deprive Plaintiff of sales, licensing fees, royalties and other related revenue which Plaintiff would have made or would enjoy in the future; has injured Plaintiff in other respects; and will cause Plaintiff added injury and damage unless Defendants are enjoined from inducing infringement of the '701 Patent on all products and web services Defendant PhoneFactor will make, use, offer for sale, sell, import, distribute, market, or advertise until the expiration of the '701 Patent.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff, StrikeForce Technologies, Inc., respectfully requests this Court to:

- A. Enter judgment for Plaintiff that the '599 Patent, '698 Patent and '701 Patent were duly and legally issued, are valid, enforceable, and have been infringed, directly and/or indirectly, by Defendants;
- B. Enter judgment for Plaintiff that Defendants have willfully infringed, and are willfully infringing, one or more claims of the '599 Patent, '698 Patent and '701 Patent;
- C. Order Defendants to account in written form for and to pay to Plaintiff actual damages to compensate Plaintiff for Defendants' infringement of the '599 Patent, '698 Patent and '701 Patent through and including the date of entry of the judgment on the jury's verdict, including but not limited to, damages for lost profits and in no event less than a reasonable royalty, together with interest and costs under 35 U.S.C. § 284.
- D. Award Plaintiff treble damages due to Defendants' deliberate, willful, and knowing conduct;

E. Issue a preliminary injunction restraining the Defendants, their directors, officers, agents, employees, successors, subsidiaries, assigns, affiliates and all persons acting in privity or in concert or participation with any of them from the continued infringement, direct or contributory, or active inducement of infringement by others, of the '599 Patent, '698 Patent and '701 Patent;

F. Issue a permanent injunction restraining the Defendants, their directors, officers, agents, employees, successors, subsidiaries, assigns, affiliates and all persons acting in privity or in concert or participation with any of them from the continued infringement, direct or contributory, or active inducement of infringement by others, of the '599 Patent, '698 Patent and '701 Patent;

G. Direct Defendants to file with this Court, and to serve on Plaintiff, a written report under oath setting forth in detail the manner and form in which Defendants have complied with the injunction;

H. In lieu of a permanent injunction, order the Defendants to pay to Plaintiff monetary damages that will be suffered as a result of Defendants' continuing post-verdict infringement of the '599 Patent, '698 Patent and '701 Patent by requiring the Defendants to take a compulsory license at a reasonable royalty rate to be determined by the Court on all products that Defendants make, use, offer for sale, sell, import, distribute, market, or advertise that infringe the '599 Patent, '698 Patent and '701 Patent until the expiration of the '599 Patent, '698 Patent and '701 Patent, which royalty payments shall commence three months after entry of the judgment and shall be made quarterly thereafter, and shall be accompanied by an accounting of the sales of infringing products by the Defendants;

I. Order such other measures in the form of audit rights, interest on late payments,

and appropriate security to protect Plaintiff's rights;

J. Order Defendants to pay Plaintiff its costs, expenses, and fees, including reasonable attorneys' fees pursuant to 35 U.S.C. § 285, and pre-judgment and post-judgment interest at the maximum rate allowed by law; and

K. Grant Plaintiff such other and further relief as the Court may deem just and proper.

JURY DEMAND

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, Plaintiff demands that the issues in this case be tried by a jury.

Dated: July 2, 2014

/s/Steven L. Caponi
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