



## Greenblum & Bernstein, P.L.C. LITIGATION NEWSLETTER Recent Litigation News in Intellectual Property

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### Federal Circuit Affirms Dismissal Of False Marking Suit

In *Kenneth C. Brooks v. Dunlop Manufacturing Inc.* (Appeal No. 2012-1164), the Federal Circuit affirmed the district court's dismissal of a complaint asserting false marking.

Kenneth Brooks sued Dunlop Manufacturing Inc. (hereafter "Dunlop") under the then-prevailing version of 35 U.S.C. §292(a) and (b), alleging that Dunlop marked a product with the number of a patent that was both expired and invalid. §292 provided for a *qui tam* action intended to prevent deception of the public due to false marking of unpatented articles. §292 allowed any person to sue, on behalf of the United States, anyone who marked an unpatented article as "*patented*" or "*patent pending*".

Shortly after Brooks filed suit, Congress enacted the America Invents Act (AIA), amending §292 by eliminating the *qui tam* actions under that section. Dunlop moved to dismiss the case and Brooks responded that Congress's elimination of

*qui tam* actions constituted a taking of his property without just compensation and violated the Due Process Clause. According to Brooks, the retroactive application of amendments to §292 effectuated by AIA to pending actions was unconstitutional and the pre-AIA version of §292 was an offer to enter into a unilateral contract with Congress. The United States intervened to defend the constitutionality of the new 35 U.S.C. §292.

The district court reasoned that the retroactive application of amended §292 to pending actions was a rational means of pursuing a legitimate legislative purpose and that no contractual rights were created in a *qui tam* plaintiff. On appeal, the Federal Circuit held that Congress's retroactive elimination of the *qui tam* provision from §292 does not violate the Due Process Clause or the Intellectual Property Clause of the Constitution. Accordingly, the Federal Circuit affirmed the dismissal.

### Federal Circuit Reverses Judgment Of Nonobviousness

In *Soverain Software LLC, v. Newegg Inc.* (Appeal No. 2011-1009), the Federal Circuit reversed the district court's judgment of nonobviousness and held the patents-in-suit invalid as obvious.

Soverain Software LLC sued Newegg Inc. for infringement of three patents relating to an electronic commerce system, wherein a merchant's products are offered and purchased online, through computers interconnected by a network. Newegg presented evidence of obviousness, however the district court did not allow the question of obviousness to go to the jury on the basis that there was insufficient evidence to support a finding of obviousness, and that the question would simply "*confuse the jury*". Newegg argued that it was wrongfully deprived of a jury determination on the question of obviousness and appealed.

Referring to the decisions *KSR International Co. v. Teleflex* and *Graham v. John Deere Co.*, the Federal Circuit restated that the question of obviousness is

a question of law based on underlying facts that looks to: (1) the scope and content of the prior art; (2) the difference between the prior art and the claimed invention; (3) the level of ordinary skill in the field of the invention; and, (4) any relevant objective considerations. The Federal Circuit reversed the district court's judgment and held that Newegg had presented sufficient evidence to support a finding of obviousness, and, that in view of the prior art *CompuServe Mall*, the asserted patent claims were invalid as obvious. Accordingly, the Federal Circuit reversed the district court's judgment of nonobviousness and vacated the judgment of infringement and damage award.

## Federal Circuit Affirms Judgment Of Noninfringement

In *Parallel Networks, LLC v. Abercrombie & Fitch Co.* (Appeal No. 2012-1227), the Federal Circuit affirmed the district court's grant of summary judgment of noninfringement.

Parallel Networks, LLC owns a patent entitled "*Method and Apparatus for Client-Server Communication Using a Limited Capability Client Over a Low-Speed Communications Link*". This patent-in-suit addressed perceived problems using generic software applications on "handheld and credit-card-size computers" often operated over low-speed or wireless networks. The patent claimed an applet - a small program designed to perform a specific task on a client computer - geared to these devices and speeds.

Parallel Networks sued 120 different defendants for infringement. Each defendant operated a website that provided applets in response to user requests. The district court ruled during claim construction, that the "data manipulation service" and the "particularized data" were both necessary components of the claimed applet as it is initially generated *before* it is transferred to the client. According to the district court, the accused websites did not infringe because they did not meet every claim limitation. Subsequently, Parallel Networks argued that it "reanalyzed" the allegedly infringing websites and found some that might meet a single-transmission limitation. Parallel Networks then sought leave to amend its complaint. The district court denied the motion to amend.

On appeal, the Federal Circuit affirmed the district court's order denying Parallel Networks' motion to amend its infringement contentions because the district court's claim construction was not an intervening change in the law; and Parallel Networks had no good explanation for not asserting its amended infringement contentions earlier. Accordingly, the Federal Circuit affirmed the district court's judgment of noninfringement.

## Federal Circuit Reverses Motion To Dismiss

In *Roger J. Hall v. Bed Bath & Beyond Inc.* (Appeal No. 2011-1165, -1235), the Federal Circuit reversed the district court's dismissal the plaintiff's design patent infringement claim.

Hall owns a design patent entitled "*Tote Towel*" which claims a towel with bindings around all the edges, zippered pockets at both ends, and an angled cloth loop in the middle. Hall began producing the Tote Towel soon after the patent application was filed, with a label marked "*patent pending*."

While the patent application was still pending, Hall met Bed Bath & Beyond ("BB&B") to discuss whether BB&B would be interested in retail sales of the Tote Towel and left samples of his packaged Tote Towel (with "*patent pending*" marking). BB&B later had copies of the Tote Towel manufactured in Pakistan which were sold in BB&B stores. After the Tote Towel patent issued, Hall sued BB&B (and other defendants) for design patent infringement, unfair competition under the Lanham Act and misappropriation and unfair competition under New York statutory and common law.

BB&B moved to dismiss the complaint, and the district court found that Hall's patent infringement complaint did not contain "any allegations to show what aspects of the Tote Towel merit design patent protection, or how each

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Defendant has infringed the protected patent claim." The district court therefore granted the motion to dismiss.

On appeal, the Federal Circuit noted that Hall had presented a lengthy complaint, stating that the resemblance is such as to deceive an ordinary observer, in accordance with the *Gorham* test for infringement. Hall's assertion that the accused towel is "virtually identical in design" to Hall's Tote Towel was plausible. Thus, the pleading requirements for design patent infringement were easily met. The Federal Circuit ruled that the claim for patent infringement was improperly dismissed on the pleadings, and accordingly, reversed the district court.

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