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Federal Circuit Affirms Summary Judgment of Invalidity

In *Accenture Global Services, GmbH v. Guidewire Software, Inc.*, (Appeal No. 11-1486), the Federal Circuit affirmed the district court's grant of summary judgment of invalidity under 35 U.S.C. § 101.

The Defendant moved for summary judgment, asserting that the patent-in-suit was invalid because the claims were "drawn to abstract ideas that fail the machine-or-transformation test." Relying on the Supreme Court opinion in *Bilski*, the district court held the patent to be invalid under 35 U.S.C. § 101, stating that it was "directed to concepts for organizing data rather than to specific devices or systems, and limiting the claims to the insurance industry does not specify the claims sufficiently to allow for their survival." Accenture appealed the invalidity finding as to the system claims, but not the method claims.

The Federal Circuit reasoned that because the patent's method claims have been found to be patent ineligible, the first step was to compare the substantive limitations of the method claim and the system claim to see if the system claim offers a "meaningful limitation" to the abstract method claim, which was adjudicated to be patent-ineligible. Under this analysis, the Federal Circuit compares the two claims to determine what limitations overlap, then identify the system claim's additional limitations. In other words, the Federal Circuit must determine whether the system claim offers meaningful limitations "beyond generally linking 'the use of the [method] to a particular technological environment.'" *Id.* (quoting *Bilski*, 130 S. Ct. at 3230).

The Federal Circuit held that because, under the above two-part test, "the system claim does not, on its own, provide substantial limitations to the claim's patent ineligible abstract idea," and because appellant could not provide substantial limitations to separate the appealed system claims from the ineligible method claims, the system claims are ineligible. The Court, therefore, Affirmed the summary judgment of invalidity under § 101.

Chief Judge Rader dissented stating that "Appellant's failure to appeal the invalidation of the method claims estops it from arguing that the elements contained therein (and shared by the systems claims) are directed to patent-eligible subject matter." He stated that no precedent from the Federal Circuit or the Supreme Court supports the idea, and that it creates "unsound policy." "The court today sends a signal that cautious litigants must appeal everything to avoid losing important claims."

Federal Circuit Transfers Appeal

In *David Wawrzynski v. H.J. Heinz Company* (Appeal No. 2012-1624), the Federal Circuit concluded that it lacked jurisdiction over the merits issues in the appeal.

Mr. Wawrzynski allegedly designed a method for dipping and wiping a food article in a specially configured condiment package. A user introduces a food article, such as a French fry, into the container through the slit and dips it into the condiment. As the food article exits the container, the flexible cap wipes away excess condiment from the food article, reducing the likelihood of a drip or spill. He was awarded U.S. Patent No. 5,676,990 (the '990 patent) covering this method.

Mr. Wawrzynski subsequently presented his condiment packaging idea to Heinz. After a meeting between Mr. Wawrzynski and Heinz, Heinz informed Mr. Wawrzynski that the company was not interested in the product ideas and did not wish to receive additional information from him. Months later, Heinz released its new "Dip & Squeeze®" packet.

On October 5, 2010, Mr. Wawrzynski filed a lawsuit against the Heinz in state court asserting claims relating to the Dip & Squeeze®. Heinz had the action removed to Federal District Court on the basis of diversity jurisdiction. Mr. Wawrzynski filed an amended complaint, including allegations of breach of an implied contract and unjust enrichment, and in its general allegations referenced the '990 patent. Heinz filed an answer which alleged, *inter alia*, that Heinz did not infringe the '990 patent and that the patent was invalid.

Mr. Wawrzynski filed a motion to dismiss Heinz's counterclaim on the grounds that the counterclaim did not present a case or controversy under federal law since Mr. Wawrzynski's complaint was asserting state law claims, not patent infringement. He later covenanted not to sue Heinz on the '990 patent. Heinz moved for summary judgment of non-infringement, and the district court granted Heinz's motion.

On appeal, Mr. Wawrzynski argued that the district court's ruling that his state law claims are preempted by federal patent law were separate and distinct from his patent. Mr. Wawrzynski also appealed the district court's ruling that it had subject matter jurisdiction over Heinz's counterclaim.

The Federal Circuit ruled that the complaint contained only claims to breach of implied contract and unjust enrichment, and did not contain typical patent infringement allegations. The Federal Circuit ruled further that Mr. Wawrzynski's sparse background discussion of his patent did not make a *well-pleaded* complaint for patent infringement, and therefore the Court lacked subject matter jurisdiction over the appeal. In the interests of justice, rather than dismiss the appeal, the Federal Circuit ordered a transfer of the appeal to the United States Court of Appeals for the Third Circuit.

Federal Circuit Reverses Grant Of Summary Judgment Of Inequitable Conduct

In *Network Signatures, Inc. v. State Farm Mutual Auto* (Appeal No. 2012-1492), the Federal Circuit reversed and remanded the district court's grant of summary judgment of inequitable conduct.

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The U.S. owned U.S. Patent No. 5,511,122 (the '122 patent) relating to internet security which was developed by a scientist at the Naval Research Laboratory (NRL). The NRL permitted the patent to lapse for nonpayment of the 7.5-year maintenance fee. Two weeks after the lapse became effective, the NRL received an inquiry from the predecessor to Network Signatures, Inc. about licensing the patent. The NRL then petitioned the Patent and Trademark Office (PTO) to accept delayed payment of the fee. The PTO granted the petition and the patent was licensed.

Network Signatures then sued State Farm for infringement of the '122 patent. State Farm asserted that the patent was permanently unenforceable on the ground that the NRL patent attorney had engaged in inequitable conduct by "falsely representing" to the PTO that the NRL's non-payment of the maintenance fee was "unintentional." The district court granted summary judgment of inequitable conduct, and held the patent unenforceable.

The Federal Circuit held that failing to provide the reason for delay did not establish inequitable conduct. The Federal Circuit held further that the attorney complied with the USPTO's standard procedures using its standard form, which included a preprinted statement that the delay was unintentional and required no further details about the reasons.

Accordingly, the judgment was reversed and the case was remanded for proceedings on the merits of the complaint.

Federal Circuit Reverses Grant Of Summary Judgment Of Invalidity

In *High Point Design LLC v. Buyer's Direct, Inc.* (Appeal No. 2012-1455), the Federal Circuit reversed the grant of summary judgment of invalidity.

BDI is the owner of U.S. Design Patent No. D598,183 (the '183 patent) and the manufacturer of slippers known as SNOOZIES®. The district court granted a motion for summary judgment on the grounds that the '183 patent was invalid on because the claimed design was both (1) obvious in light of the prior art and (2) primarily functional rather than primarily ornamental.

On appeal, the Federal Circuit reversed the grant of summary judgment of obviousness, holding the district court erred in applying the ordinary observer standard to assess the obviousness of the design patent at issue; erred by categorically disregarding an expert declaration; erred by not providing sufficient detail to its verbal description of the claimed design to evoke a visual image consonant with that design; improperly resolved genuine issues of material fact; and failed to properly consider the secondary considerations of nonobviousness.

The Federal Circuit additionally found that the district court erred in finding the claimed design was primarily functional rather than ornamental because it completely covered the foot for warmth and protection and had a fuzzy interior for comfort. The Federal Circuit held that the functionality of the design, not the function of the slipper itself, needed to be considered.

Accordingly, the Federal Circuit reversed the grant of summary

judgment of invalidity and remanded the case for further proceedings consistent with the Federal Circuit's opinion.

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