

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

WISCONSIN TECHNOLOGY
VENTURE GROUP, LLC,

Plaintiff,

v.

FATWALLET, INC.,

Defendant.

ORDER

12-cv-326-bbc

In this patent infringement case, plaintiff Wisconsin Technology Venture Group, LLC contends that defendant Fatwallet, Inc. is infringing plaintiff's United States Patent no. 8,032,418 related to internet searching. Now before the court is a motion filed by plaintiff to strike portions of defendant's answer and counterclaims on the ground that defendant failed to seek leave under Fed. R. Civ. P. 15(a) to amend its answer and counterclaims, dkt. #45, and a motion filed by defendant to strike certain of plaintiff's infringement claims for plaintiff's alleged failure to comply with this court's claim construction procedures. Dkt. #53.

I will resolve plaintiff's motion first. In an order entered August 29, 2012, I granted plaintiff's motion to dismiss defendant's invalidity counterclaim, concluding that defendant had failed to plead facts sufficient to satisfy Fed. R. Civ. P. 8 with respect to that claim. I stated that defendant could file an amended counterclaim that complied with Rule 8, but

defendant never did so. On December 26, 2012, the magistrate judge granted the parties' stipulation for plaintiff to file a "narrower, simpler complaint," but stated that the remainder of the schedule for the case would not be altered. Dkt. #27. After plaintiff filed its amended complaint, defendant filed an answer in which it added a counterclaim for invalidity, an affirmative defense and counterclaim challenging plaintiff's standing to sue and new allegations related to its counterclaim of noninfringement. Dkt. #36. Plaintiff contends that these additions should be stricken in full because defendant did not seek permission from plaintiff or the court to amend its answer and counterclaims. Further, because plaintiff's amended complaint did not add new claims or theories to the case, defendant was not permitted to amend its answer and counterclaims as a matter of course under Fed. R. Civ. P. 15(a)(3).

Under Rule 15(a)(3), defendant was required to respond to plaintiff's amended complaint. However, I agree with plaintiff that its amendment was not an opportunity for defendant to amend its own defenses and counterclaims unless those amendments were in direct response to plaintiff's amended complaint. Dorr-Oliver Inc. v. Fluid-Quip, Inc., No. 93-C-842, 1994 WL 11650, *2 (N.D. Ill. Jan. 6, 1994) ("When a plaintiff files an amended complaint which changes the theory or scope of the case, the defendant is allowed to plead anew as though it were the original complaint filed by the plaintiff. However, if an amended complaint does not change the theory or scope of the case, a defendant must seek leave of court pursuant to Rule 15(a) before it can amend a counterclaim."). Further, although I stated in the August 29 order that defendant could file an amended complaint, defendant was required to do so within a reasonable amount of time, not nearly five months later.

The only allegations in defendant's amended complaint that can be said to be in direct response to new allegations in plaintiff's amended complaint are those that defendant added to its noninfringement. In particular, shortly after plaintiff sought leave to and filed its amended complaint, defendant asked plaintiff to clarify whether the amended complaint was accusing defendant's newest product of infringement. The product had not existed at the time plaintiff filed its original complaint and thus, defendant had not included allegations relating to the newest product in its noninfringement counterclaim. Plaintiff responded that it was accusing defendant's newest product in its amended complaint, dkt. #50-5, so defendant amended its noninfringement counterclaim to include allegations relating to its newest product. Because plaintiff's amended complaint expanded the scope of the case to include accusations against defendant's newest product, defendant was entitled to amend its answer accordingly. Thus, I am denying plaintiff's motion to strike the allegations that defendant added to its counterclaim of noninfringement.

Defendant contends that it also added its invalidity counterclaim in response to plaintiff's allegations against defendant's newest product. It contends that after plaintiff accused the new product of infringement, defendant realized that plaintiff was interpreting the '418 patent in a way that rendered it invalid. Dft.'s Br., dkt. #49, at 8. However, defendant makes no effort to explain this argument and it does not make much sense in light of defendant's invalidity accusations. In its new counterclaim, defendant contends that several claims of the '418 patent are invalid because they are obvious or anticipated by prior art or because they are indefinite. Defendant does not explain why these invalidity arguments apply only because plaintiff has now accused its newest product of infringement.

Therefore, defendant has provided no persuasive reason why it should be permitted to add an invalidity counterclaim without seeking leave to do so or why it should be granted leave to do so at this stage in the case. Accordingly, I am granting plaintiff's motion to strike that counterclaim.

The final issue in plaintiff's motion concerns defendant's new counterclaim and affirmative defense related to plaintiff's ownership of the '418 patent and its standing to sue. It is not appropriate to challenge standing through a "counterclaim," so I am granting plaintiff's motion to strike that. With respect to defendant's affirmative defense, I agree with plaintiff that defendant should have sought leave to add the affirmative defense before it did so. Further, although defendant contends that the issue of standing cannot be waived, that is true only with respect to standing under the Constitution. Lewis v. Casey, 518 U.S. 343, 349 (1996); National Organization for Women, Inc. v. Scheidler, 510 U.S. 249, 255 (1994). The rule of standing regarding patent ownership is "prudential rather than constitutional in nature," Prima Tek II, L.L.C. v. A-Roo Co., 222 F.3d 1372, 1377-78 (Fed. Cir. 2000), and prudential standing may be waived. RK Co. v. See, 622 F.3d 846, 851-52 (7th Cir. 2010); In re Ray, 597 F.3d 871, 875 (7th Cir. 2010).

That being said, defendant explains in its response brief that it added the standing objection only after it obtained sufficient discovery regarding the chain of title for the '418 patent. Dft.'s Br., dkt. #49, at 9-10. Defendant submitted evidence showing that the parties exchanged information related to ownership of the '418 patent from September 2012 to January 2013, shortly before defendant filed its answer to plaintiff's amended complaint. Dkt. #50, exhs. 7-12. Under the circumstances, I conclude that defendant may amend its

answer to include the standing defense.

With respect to defendant's motion to strike certain of plaintiff's infringement claims, defendant contends that plaintiff violated this court's claim construction procedures by failing to properly "respond" to defendant's proposed claim constructions. In particular, defendant says that although the parties exchanged claim terms and proposed constructions on February 15, 2013, in accordance with the deadlines set forth in the pretrial conference order, dkt. #12 at 2, plaintiff refused to provide responsive constructions for the majority of terms defendant had provided to plaintiff. Defendant contends that the court should "strike each asserted claim from this case for which [plaintiff] has refused to participate in the claim construction process." Dft.'s Br., dkt. #53, at 2.

I am denying defendant's motion. Defendant provided 27 claim terms to plaintiff, proposing constructions for 12 of them and identifying the rest as "indefinite." Dkt. #63-2. Plaintiff was not required by this court's procedures to provide responsive constructions to all of those claim terms identified by defendant. Under this court's procedures, the parties were given a deadline by which they were required to "exchange each party's list of all terms for which that party intends to request construction by the court during summary judgment motions practice, along with its proposed constructions." Dkt. #12 at 2. They were also given a "response" deadline, by which they could "supplement and amend [their] disclosures." Id. This procedure was intended to be of assistance for the parties by enabling them to exchange information about the claim terms in dispute. It was not intended to be a method by which one party could seek dismissal of another party's claims. Further, although Magistrate Judge Crocker has explained in other cases that "a party may not seek

construction of a claim not disclosed in the initial exchange of terms without leave of court,” Dashwire, Inc. v. Synchronoss Technologies, Inc., Case. No. 11-cv-257-bbc (W.D. Wis. July 28, 2011), nothing in this court’s procedures or previous orders suggests that a party’s claims would be dismissed on the basis of its refusal to provide responsive constructions. Such a result would be extremely unfair, particularly in a case such as this in which one party identifies 27 claim terms for construction, makes no effort to explain why construction is necessary to resolve any disputed issue of infringement or validity and then faults the opposing side for failing to respond specifically to every term identified. Accordingly, I am denying defendant’s motion.

ORDER

IT IS ORDERED that

1. Plaintiff Wisconsin Technology Venture Group, LLC’s motion to strike, dkt. #45, is GRANTED IN PART and DENIED IN PART. The motion is GRANTED with respect to defendant Fatwallet, Inc.’s counterclaims of invalidity and lack of standing. The motion is DENIED in all other respects.

2. Defendant’s motion to strike, dkt. #53, is DENIED.

Entered this 1st day of April, 2013.

BY THE COURT:

/s/

BARBARA B. CRABB

District Judge