

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

-----  
ALMONDNET, INC.,

OPINION and ORDER

Plaintiff,

10-cv-298-bbc

v.

MICROSOFT CORPORATION,

Defendant.  
-----

Plaintiff AlmondNet, Inc. contends that defendant Microsoft Corporation is infringing three of plaintiff's United States patents. Defendant has filed several affirmative defenses and three counterclaims against plaintiff, including a counterclaim for infringement of defendant's United States Patent No. 6,632,248 (the '248 patent). Now before the court is plaintiff's motion to dismiss defendant's counterclaim for infringement of the '248 patent for failure to state a claim upon which relief may be granted.

I will grant plaintiff's motion to dismiss defendant's counterclaim because defendant's counterclaim fails to provide proper notice of plaintiff's allegedly infringing products and fails to identify the claims of the '248 patent at issue. However, I will grant defendant leave to amend its answer and counterclaim to resolve the pleading deficiency.

## BACKGROUND

On August 30, 2010, this court set a deadline of September 17, 2010 for the parties to amend their pleadings without leave of the court and a deadline of September 24, 2010 for the disclosure of asserted patent claims and preliminary infringement contentions. Dkt. #14. On September 17, 2010, defendant filed its first amended answer and counterclaims, adding a counterclaim in which it asserted that plaintiff infringes defendant's '248 patent. Dkt. #15. Defendant's infringement allegations are found in paragraphs 9 and 14 of the amended answer:

9. Microsoft is the owner of all right, title, and interest in the '248 patent, which AlmondNet is directly infringing and/or inducing others to infringe and/or contributing to the infringement of by making, using, offering to sell, or selling in the United States, or importing into the United States, products or processes that practice inventions claimed in the '248 patent.

14. AlmondNet has been and/or is directly infringing and/or inducing others to infringe and/or contributing to the infringement of the '248 patent by, among other things, making, using, offering to sell or selling in the United States, or importing into the United States, products and/or services, including various products and services that are covered by one or more claims of the '248 patent.

On September 24, 2010, defendant served its "disclosure of asserted claims and preliminary infringement contentions" on plaintiff, identifying claims 1-4, 3-13, and 16-20 of the '248 patent as being infringed by plaintiff's post-search advertising service. Dkt. #21-

1. The claim chart attached to the infringement contentions identifies the alleged location

of each element of each asserted claim in plaintiff's post-search advertising service.

Also on September 24, 2010, plaintiff filed its motion to dismiss defendant's counterclaims for failure to state a claim upon which relief may be granted.

### OPINION

Plaintiff contends that defendant's counterclaim for infringement of the '248 patent should be dismissed because it does not identify the claims of the '248 patent that plaintiff allegedly infringes, plaintiff's products or services that are allegedly infringing the '248 patent or the basis for its assertion that plaintiff indirectly infringes the '248 patent. Thus, plaintiff argues, defendant's counterclaim fails to satisfy Fed. R. Civ. P. 8, and the pleading standards articulated by the Supreme Court in Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 555 (2000), and Ashcroft v. Iqbal, 129 S. Ct. 1937, 1949 (2009). Defendant contends that its pleading satisfies Rule 8, citing several cases in which district courts have found pleadings similar to defendant's counterclaim to be sufficient. E.g., One World Technologies, Ltd. v. Robert Bosch Tool Corp., 2004 WL 1576696, \*2 (N.D. Ill. July 13, 2004); Jackson v. Illinois Bell Telephone Co., 2002 WL 1466796, \*3 (N.D. Ill. July 8, 2002).

This court has stated repeatedly that in the context of alleged patent infringement, a plaintiff must identify in its pleadings both the allegedly infringing products and the claims of the patent that are being asserted. E.g., Ricoh Co., Ltd. v. Asustek Computer, Inc., 481

F. Supp. 2d 954, 959 (W.D. Wis. 2007) (“Failing to identify the infringing product in a patent case is akin to failing to identify the retaliatory action in a civil rights case.”); Taurus IP, LLC v. Ford Motor Co., 539 F. Supp. 2d 1122, 1127 (W.D. Wis. 2008) (“[P]laintiff’s failure to specify which claims it believes are infringed by a defendant’s products places an undue burden on the defendant, who must wade through all the claims in a patent and determine which claims might apply to its products to give a complete response.”); Extreme Networks, Inc. v. Enterasys Networks, Inc., 2007 WL 5448209, \*2 (W.D. Wis. Dec. 31, 2007) (“[I]f a defendant does not have notice of the asserted claims, it has no notice at all. If it does not know what it is accused of infringing, it cannot possibly prepare a defense.”) This approach is consistent with the Supreme Court’s opinions in Twombly, 550 U.S. at 555 (“[A] plaintiff’s obligation to provide the ‘grounds’ of his ‘entitle[ment] to relief’ requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do.”), and Iqbal, 129 S.Ct. at 1949 (“A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.”). See also Bender v. LG Electronics U.S.A., Inc., 2010 WL 889541, \*6 (N.D. Cal. Mar. 11, 2010) (dismissing amended complaint that failed to identify accused products); Bender v. Motorola, Inc., 2010 WL 726739, \*3-4 (N.D. Cal. Feb. 26, 2010) (dismissing amended complaint that failed to identify accused products or facts underlying patentee’s induced infringement claim).

Defendant's counterclaim does not provide notice to plaintiff of the grounds for its infringement claim and does not identify either the claims of the '248 patent that plaintiff allegedly infringes or the allegedly infringing products. Therefore, I will grant plaintiff's motion to dismiss defendant's infringement counterclaim.

The remaining question is whether defendant should be granted leave to amend its answer and counterclaim to include detailed information about its infringement counterclaim. Although courts "should freely give leave" to amend pleadings "when justice so requires," Fed. R. Civ. P. 15(a)(2), "leave is inappropriate where there is undue delay, bad faith, dilatory motive on the part of the movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party by virtue of allowance of the amendment, or futility of the amendment." Villa v. City of Chicago, 924 F.2d 629, 632 (7th Cir. 1991) (citing Foman v. Davis, 371 U.S. 178, 183 (1962)). Where a scheduling order is in place, as it is here, modification of the order requires a showing of "good cause." Fed. R. Civ. P. 16(b)(4); see also Trustmark Insurance Co. v. General & Cologne Life Re of America, 424 F.3d 542, 553 (7th Cir. 2005) ("To amend a pleading after the expiration of the trial court's Scheduling Order deadline to amend pleadings, the moving party must show 'good cause.'")

Although plaintiff asserts that it would be prejudiced if defendant is allowed to amend its counterclaim, most of its concerns about prejudice ring hollow in light of the

scheduling order in this case. Defendant had until September 17, 2010 to amend its complaint without court approval. Defendant's infringement counterclaim filed on September 17 was vague, but one week later on September 24, 2010, defendant provided plaintiff a claim chart that identified the specific claims at issue in the '248 patent and the specific aspects of plaintiff's post-search advertising service that allegedly infringe the patent. Thus, although plaintiff complains that it has had inadequate time to analyze and investigate defendant's claims, plaintiff was deprived of only one week of investigation time. Moreover, the deadline to exchange claims construction terms was not until October 29, 2010, more than one month after plaintiff received notice of defendant's infringement counterclaim. Motions requesting claims construction are not due until January 7, 2011 and the deadline for dispositive motions is not until June 20, 2011. Given this schedule, there is time to address changes in the lawsuit precipitated by the amendment without prejudice to either party.

Still, there remains the question whether defendant acted with undue delay, bad faith or dilatory motive or whether it had good cause to request leave to amend. "Rule 16(b)'s good cause standard primarily considers the diligence of the party seeking amendment." Id. (quotation marks and citation omitted). I conclude that defendant was diligent in seeking leave to amend its counterclaim and there is no evidence that it delayed unduly, acted in bad faith or with dilatory motive. Defendant alleges that it believed its amended complaint and

counterclaims satisfied the federal pleading standards and that this court's preliminary pretrial conference order made it unnecessary to plead specific claims and infringing products and services, given the order's requirement that the parties identify "each claim in each patent being asserted against each accused device." Dkt. #14. When plaintiff moved to dismiss defendant's counterclaim, defendant responded and moved to amend its answer and counterclaim to incorporate the claim chart it provided previously to plaintiff. Moreover, the Court of Appeals for the Seventh Circuit has instructed that leave to amend should generally be granted when a claim is dismissed for pleading deficiencies that may be repaired. Barry Aviation Inc. v. Land O'Lakes Municipal Airport Commission, 377 F.3d 682, 687 (7th Cir. 2004). Therefore, I will grant defendant's request for leave to file a second amended complaint.

#### ORDER

IT IS ORDERED that

1. Plaintiff AlmondNet, Inc.'s motion to dismiss defendant Microsoft Corp.'s counterclaim for infringement, dkt. #18, is GRANTED.
2. Defendant is GRANTED leave to file a second amended answer and counterclaims. Defendant's second amended answer, dkt. #21-2, is now the operative

pleading in the case.

Entered this 19th day of November, 2010.

BY THE COURT:

/s/

BARBARA B. CRABB

District Judge