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Only the Westlaw citation is currently available.

United States District Court, D. Kansas.

MIDWEST GRAIN PRODUCTS, INC., Plaintiff,  
v.  
ENVIROFUELS MARKETING, INC., Defendant.

Civ.A. No. 95-2355-EEO.

Dec. 4, 1995.

Richard P. Senecal, Duncan - Senecal Law Offices,  
Atchison, KS, William C. Odle, John H. Calvert, Peter F.  
Daniel, Lathrop & Norquist, Kansas City, MO, for Midwest  
Grain Products, Inc.

William J. Skepnek, Stevens, Brand, Golden, Winter &  
Skepnek, Lawrence, KS, William D. Nay, Tulsa, OK, for  
Envirofuels Marketing, Inc.

### MEMORANDUM AND ORDER

EARL E. O'CONNOR, District Judge.

\*1 This matter is before the court on plaintiff's Motion to Strike or Make More Definite and Certain Defendant's Counterclaim (Doc. #7). Defendant Envirofuels Marketing, Inc. ("Envirofuels") has responded and opposes the motion. For the reasons set forth below, plaintiff's motion is granted.

Plaintiff Midwest Grain Products, Inc. ("Midwest") bases its motion on Federal Rules of Civil Procedure 12(e), 12(f), and 9(b). We find that Federal Rule of Civil Procedure 9(b) applies and is dispositive to the instant motion. Rule 9(b) provides:

In all averments of fraud or mistake, the circumstances constituting fraud or mistake shall be stated with particularity.

The purpose of Rule 9(b) is to enable a defending party to prepare an effective response to charges of fraud and to protect the defending party from unfounded charges of wrongdoing which might injure its reputation and goodwill. *N.L. Indus., Inc. v. Gulf & Western Indus., Inc.*, 650 F. Supp. 1115, 1129-30 (D. Kan. 1986). However, Rule 9(b) must be read in light of the provisions of Rule 8 for notice pleading. See *Seattle First National Bank v. Carlstedt*, 800 F.2d 1008, 1011 (10th Cir. 1986).

The law is well established that in order to comply with Rule 9(b)'s particularity requirement, the party alleging fraud must describe with specificity "the circumstances constituting the fraud, including such matters as the time,

place, and content of false representations, as well as the identity of the person making the representation and what was obtained or given thereby." *Smith v. MCI Telecommunications Corp.*, 678 F. Supp. 823, 825 (D. Kan. 1987). See also *NAL II, Ltd. v. Tonkin*, 705 F. Supp. 522, 526 (D. Kan. 1989) (a complaint for fraud must set out the "who, what, where and when" of the alleged fraud"); *Wayne Inv. v. Gulf Oil Corp.*, 739 F.2d 11 (1st Cir. 1984) (the party alleging fraud must specify the time, place, and content of the alleged false representation, even if those matters are peculiarly within the knowledge of the opposing party).

Envirofuels, in its counterclaim, paragraph D. of the prayer for relief, seeks damages for fraud. Midwest aptly notes that "the sole statement in the Counter-claim that even remotely suggests facts supportive of a fraud claim is stated in Paragraph 58," which provides:

Defendant took actions which were intended to and did lull Plaintiff into a false sense of security concerning its relationship with Plaintiff and ARCO.

Envirofuels, in its response to Midwest's motion, wholly fails to address the issue of compliance with Rule 9(b). As a general response, Envirofuels asserts that "the very fact that a responsive pleading has already been filed belies plaintiff's assertion that the counterclaim must be made more definite to enable plaintiff to respond to it." However, Midwest, in its reply to the counterclaim, specifically objected to paragraphs 58 and 59 as being "vague and ambiguous." The court finds that Envirofuels' counterclaim has alleged fraud in only the most conclusory and general fashion. Envirofuels has failed to specify the time, place and content of any misrepresentation or false statement by any representative of Midwest.

\*2 Midwest also seeks to strike Envirofuels' affirmative defense contained in paragraph 47 of Envirofuels' answer, on the grounds that the fraud asserted therein was not set forth with the requisite particularity under Rule 9(b). The court finds that Envirofuels' affirmative defense of fraud does not comply with Rule 9(b) inasmuch as it fails to sufficiently allege the time, place, or specific content of the false representations, or the identity of the person making the representations and what was obtained or given thereby. See *Smith v. MCI Telecommunications Corp.*, 678 F. Supp. at 825.

Accordingly, because Envirofuels has failed to comply with the requirements of Rule 9(b), the court will grant Midwest's motion. However, the court will not strike Envirofuels' counterclaim or affirmative defense. Insufficient allegations of fraud are subject to the liberal amendment provisions of Rule 15 of the Federal Rules of Civil Procedure. *N.L. Indus., Inc.*, 650 F. Supp. at 1130. The courts in this district freely grant leave to amend rather than dismiss the

(Cite as: 1995 WL 769265 (D.Kan.))

complaint in cases such as this. *See id. See also NAL II, Ltd.*, 705 F. Supp. at 526; *Meyer v. Cloud County Bank & Trust*, 647 F. Supp. 974, 976 (D. Kan. 1986). Thus, Envirofuels will be allowed to amend its counterclaim and affirmative defense to conform to the requirements of Rule 9(b).

IT IS THEREFORE ORDERED that Plaintiff Midwest's Motion to Strike or Make More Definite and Certain Defendant's Counterclaim is granted. Defendant Envirofuels must, within ten (10) days of the date of this order, provide a more definite statement of its counterclaim and affirmative defense.

Dated this 4th day of December, 1995, at Kansas City, Kansas.

1995 WL 769265, 1995 WL 769265 (D.Kan.)

END OF DOCUMENT

**H**

United States District Court,  
S.D. New York.

YURMAN DESIGN INC., Plaintiff,  
v.  
CHAINDOM ENTERPRISES, INC., and Shieler Trading  
Corporation, Defendants.

No. 99 Civ. 9307(JFK).

Sept. 30, 2002.

Copyright holder brought action against competitor for copyright infringement. Competitor filed counterclaims, alleging that holder's copyright of bracelet was invalid and unenforceable, and that holder committed fraud by failing to disclose allegedly derivative nature of its additional designs of bracelet. On holder's motion to dismiss counterclaims for failure to state claim, and to dismiss or strike competitor's affirmative defenses, the District Court, Keenan, J., held that: (1) competitor, in asserting fraud-based affirmative defenses to copyright infringement action, did not plead fraud with requisite particularity, and thus defenses would be stricken; (2) holder affixed proper copyright notice to its work when it was published, and thus copyright registration was valid; (3) holder did not commit fraud on Copyright Office by not disclosing information that "D.Y.," its source identifier, was not registered trademark of its design at time of application for copyright; and (4) holder did not commit fraud by failing to disclose to Copyright Office the allegedly derivative nature of its additional designs of bracelet, which it had previously copyrighted, when it applied for copyrights for new designs.

Motion granted.

West Headnotes

**[1] Copyrights and Intellectual Property** 82  
99k82 Most Cited Cases


**[1] Federal Civil Procedure** 636  
170Ak636 Most Cited Cases

Competitor, in asserting fraud-based affirmative defenses to copyright infringement action by copyright holder, did not plead fraud with requisite particularity, and thus defenses would be stricken. Fed.Rules Civ.Proc.Rule 9(b), 12(f), 28 U.S.C.A.


**[2] Copyrights and Intellectual Property** 50.1(2)  
99k50.1(2) Most Cited Cases

Copyright holder affixed proper copyright notice to its work when it was published, and thus copyright registration was

valid; source identifier, which was initials "D.Y.," was recognizable to purchasing audience of holder, and more detailed identifier would not have affected their recognition of holder's work in marketplace.

**[3] Copyrights and Intellectual Property** 50.20  
99k50.20 Most Cited Cases

Copyright holder did not commit fraud on Copyright Office by not disclosing information that "D.Y.," its source identifier, was not registered trademark of its design at time of application for copyright, absent evidence that Copyright Office would have rejected application had it known it was not registered trademark.

**[4] Copyrights and Intellectual Property** 50.20  
99k50.20 Most Cited Cases

Copyright holder did not commit fraud by failing to disclose to Copyright Office the allegedly derivative nature of its additional designs of bracelet, which it had previously copyrighted, when it applied for copyrights for new designs; copyright applicants were not required to disclose that their works were derived from other works they had created. Salans Hertzfeld Heilbronn Christy & Viener, New York, New York, Maxim H. Waldbaum, Lori D. Greendorfer, for Plaintiff, of counsel.

Cooper & Dunham LLP, New York, New York, Robert D. Katz, Robert T. Maldonado, for Defendant Chaindom Enterprises, Inc., of counsel.

Wade, Clark, Mulcahy, New York, New York, Dennis M. Wade, Suzanne O'Keefe, for Defendant Shieler Trading Corporation, of counsel.

*OPINION AND ORDER*

KEENAN, J.

\*1 Plaintiff Yurman Design Inc. ("Yurman") moves pursuant to Rules 9(b), 12(f), and 12(b)(6) of the Federal Rules of Civil Procedure, to dismiss or strike defendant Chaindom Enterprises, Inc.'s ("Chaindom") first and second counterclaims, [FN1] and second, sixth and eighth affirmative defenses. For the reasons outlined below, plaintiff's motion is granted.

FN1. Plaintiff had also argued that the second counterclaim should be dismissed for lack of standing because there is no case or controversy in connection with Registration No. V Au 405-161 ("David Yurman 1993 Collection"). Chaindom stipulates to the dismissal of Registration No. VAU 405-161 from its affirmative defenses and second counterclaim.

*Background*

The factual background of this case has been set out in great detail in previous opinions of this Court with which familiarity is assumed. See *Yurman Design Inc. v. Chaindom Enterprises, Inc.*, No. 99 Civ. 9307, 2001 WL 725291 (S.D.N.Y., June 27, 2001); *Yurman Design, Inc. v. Chaindom Enters., Inc.*, No. 99 Civ. 9307, 2000 WL 897141 (S.D.N.Y. July 5, 2000); *Yurman Design, Inc. v. Chaindom Enters., Inc.*, No. 99 Civ. 9307, 1999 WL 1075942 (S.D.N.Y. Nov.29, 1999), *aff'd*, --- F.3d ---, 2001 WL 138376 (2d Cir. Feb.15, 2001). As a result, only the facts relevant to this motion will be restated.

Yurman brought this copyright infringement action alleging that defendants infringed the design of several of its bracelets. On November 29, 1999, this Court granted Yurman's petition for a preliminary injunction enjoining defendants from the manufacture and sale of the bracelets at issue.

Yurman now moves to dismiss or strike Chaindom's first and second counterclaims, and second, sixth and eighth affirmative defenses. Plaintiff contends that these affirmative defenses are virtually identical to those this Court dismissed in July 2000. See *Yurman Design, Inc. v. Chaindom Enters., Inc.*, No. 99 Civ. 9307, 2000 WL 897141 (S.D.N.Y. July 5, 2000). In that decision, this Court granted Yurman's motion to strike Chaindom's eighth and ninth affirmative defenses which alleged that the copyright registration was fraudulently obtained. Those defenses were dismissed under Rule 9(b) for failure to plead the affirmative defenses with the requisite particularity for a fraud claim. Plaintiff argues that again the affirmative defenses here fail to specify any facts supporting a claim for fraud on the Copyright Office and should be stricken under the law of the case doctrine.

In the alternative, plaintiff argues that the defenses should be stricken under Fed.R.Civ.P. 12(f) on the basis of legal insufficiency because there are no legal or factual issues to be resolved. Finally, plaintiff argues that it will be prejudiced by including these defenses because of the expense and delay entailed in litigating them.

*Discussion*

*A. Law of the case doctrine*

Under the law of the case doctrine, Yurman argues that these defenses should be struck as they are nearly identical to those this Court dismissed in July 2000. In that decision, the Court dismissed Chaindom's eighth and ninth affirmative defenses under Rule 9(b) for failure to plead the defenses with particularity the way in which the copyright registration was fraudulently obtained. Those defenses failed to specify the statements that Defendants maintain

were fraudulent or to explain why the statements were fraudulent. Plaintiff argues that again these defenses fail to specify any facts supporting a claim for fraud on the Copyright Office.

\*2 Under the law of the case doctrine, once a court decides a rule of law, that decision should govern in later stages of the same case. *Steinfeld v. Marks*, No. 96 Civ. 0552, 1997 WL 563340, at \*2 (S.D.N.Y. Sept. 8, 1997). It is in the court's discretion to apply the doctrine. *Id.*

Chaindom's language in the defenses is virtually identical and arguably broader by the use of the language "one or more" copyright registrations. The defenses do not allege the fraud with more particularity as required. Juxtaposing them most easily demonstrates their similarity:

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July 2000 case	Present
-----	
Eighth affirmative defense:	Sixth
Affirmative defense:	
"Upon information and belief, "Plaintiff's claims are barred the copyright registration set forth herein was fraudulently obtained in that the plaintiff is neither author nor owner of information to the United States Copyright Office as set of said registration." Chaindom's counterclaims." Am. Ans. ¶ 38.	by the hands by failure States forth in
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Ninth affirmative defense:	Eighth
affirmative defense:	
"Upon information and belief, the copyright registration set forth herein as fraudulently obtained in that the plaintiff fraudulently obtained in that did not represent that the plaintiff provided false work was a derivative of a information to the previously authored work." Copyright Office and did not	asserted the factual

represent that the works were  
derivative works, as described  
in  
Chaindom's counterclaims,  
infra."  
Am. Ans. ¶ 40.

Alternatively, Yurman argues that these defenses independently do not meet the requirements of Rule 9(b). Plaintiff argues that again these defenses fail to specify any facts supporting a claim for fraud on the Copyright Office.

[1] Defendants must plead their affirmative defenses alleging fraud with the particularity required by Fed.R.Civ.P. 9(b). See *Park & Lexington 25th Street Corp. v. Federal Ins. Co.*, No. 93 Civ. 6939, 1995 WL 217552, \*1 (S.D.N.Y. Apr.13, 1995); *Telectronics Proprietary, Ltd. v. Medtronic, Inc.*, 687 F.Supp. 832, 841 (S.D.N.Y.1988). Rule 9(b) provides: "In all averments of fraud or mistake the circumstances constituting fraud or mistake shall be stated with particularity." To state a claim with the required particularity, a complaint "must: (1) specify the statements that the plaintiff contends were fraudulent, (2) identify the speaker, (3) state where and when the statements were made, and (4) explain why the statements were fraudulent." See *Stevelman v. Alias Research Inc.*, 174 F.3d 79, 84 (2d Cir.1999) (citation omitted). Although Rule 9(b) also provides that "[m]alice, intent, knowledge, and other condition of mind of a person may be averred generally," the Second Circuit has established that plaintiffs must nonetheless "allege facts that give rise to a strong inference of fraudulent intent." See *Chill v. General Elec. Co.*, 101 F.3d 263, 266 (2d Cir.1996) (citation omitted).

\*3 Under Rule 9(b), these defenses do not independently plead fraud with the requisite particularity. Independent of their similarity to the previously dismissed defenses, these defenses warrant dismissal for their insufficiency.

Chaindom correctly note that the issue here is not whether they will be successful on their claims but whether their pleadings are sufficient to proceed. The Court finds that the evidence will not prove sufficient on these claims nor do they meet the necessary pleading requirements.

Under Fed.R.Civ.P. 12(f), the Court in its discretion or "upon the court's own initiative at any time" may order stricken from any pleading "any insufficient defense." See Fed. R. Civ. P 12(f). Therefore, Chaindom's second, sixth and eight affirmative defenses are stricken. Chaindom's failure to allege these defenses with more particularity after being afforded a second opportunity to do so weighs in favor of dismissal. The Court will not grant Chaindom leave to replead.

#### B. Motion to dismiss

Yurman moves to dismiss Chaindom's first and second counterclaims. A motion to dismiss for failure to state a claim pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure should be granted only if it "appears beyond doubt that the plaintiff can prove no set of facts in support of his claim that would entitle him to relief." *Cooper v. Parsky*, 140 F.3d 433, 440 (2d Cir.1998) (quoting *Conley v. Gibson*, 355 U.S. 41, 45-46, 78 S.Ct. 99, 2 L.Ed.2d 80 (1957)). The factual allegations set forth in the complaint must be accepted as true, see *Zinerman v. Burch*, 494 U.S. 113, 118, 110 S.Ct. 975, 108 L.Ed.2d 100 (1990), and the court must draw all reasonable inferences in favor of plaintiff. See *Thomas v. City of New York*, 143 F.3d 31, 36 (2d Cir.1998). The issue on a motion to dismiss "is not whether ... plaintiff will ultimately prevail but whether the claimant is entitled to offer evidence to support the claims." *Villager Pond, Inc. v. Town of Darien*, 56 F.3d 375, 378 (2d Cir.1995) (citation omitted). Nevertheless, the complaint must contain allegations concerning each of the material elements necessary to sustain recovery under a viable legal theory. See *Connolly v. Havens*, 763 F.Supp. 6, 9 (S.D.N.Y.1991).

#### 1. First Counterclaim

[2] In its Amended Answer, Chaindom asserts in its first counterclaim the invalidity and unenforceability of the copyright registration for bracelet B4027. Chaindom claims that Yurman failed to affix a proper copyright notice to its work when it was published in 1985. Chaindom claims that this failure invalidates the copyright registration and places bracelet B4027 in the public domain. Chaindom claims that "the initials 'D.Y.'" were not an abbreviation by which the plaintiff could be recognized in 1985." Am. Ans. ¶ 61.

Chaindom also claims that Yurman committed fraud on the Copyright Office by presenting false factual statements to the Office regarding its notice by not claiming David Yurman as its source identifier. Chaindom alleges that Yurman misrepresented to the Copyright office that "D.Y." was a source identifier for Yurman Design in 1985.

\*4 The Court finds that it defies common sense not to recognize the initials "D.Y." as a source identifier for David Yurman. D.Y. is a registered trademark of Yurman Design and is used in Yurman's advertising. See *Greendorfer*. Aff. ¶ 4. The purchasing audience of Yurman would have recognized the initials. A more detailed identifier would not have affected the buyers' recognition of Yurman's work in the marketplace.

[3] Further, a claim of fraud on the Copyright Office requires a showing that: "(1) the registrant intentionally and deliberately omitted information from the copyright

application in question; and (2) that the Copyright Office probably would have rejected the application had the omitted information been disclosed." *O.T. Pickell Builders, Inc. v. Witowski*, No. 96 Civ. 4233, 1998 WL 664949, at \*5 (N.D.Ill. Sept. 16, 1998). There is no proof that even if Yurman had intentionally omitted the information that "D.Y." was not a registered trademark of Yurman design at the time of the application the Copyright Office would have rejected the application. This omission falls under the umbrella of innocent mistake more than that of evil intent.

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Therefore, Chaindom's first counterclaim is dismissed.

## 2. Second Counterclaim

[4] In its second counterclaim, Chaindom claims that Yurman committed fraud by failing to disclose the allegedly derivative nature of its additional designs from bracelet B4027. Chaindom claims that the differences in the design of the B4157, B4260 and B4995 bracelets, and bracelet B4027, are "de minimis, constitute no more than trivial variations, and fail to meet the minimal threshold for originality established by the Copyright Act." Am. Ans ¶ 71. This argument rests on the false premise that a copyright applicant must disclose that its work is derived from another work the applicant has created. A work will be considered a derivative work only if it would be considered an infringing work if the material that it has derived from a pre-existing work had been taken without the consent of the copyright proprietor of such pre-existing work. *Twentieth Century Fox Film Corp. v. Marvel Enters., Inc.*, 155 F.Supp.2d 1, 24 n. 37 (S.D.N.Y.2001), (citing 1 Nimmer on Copyright § 3.01 (1986)), *aff'd in part on other grounds*, 277 F.3d 253, 2002 WL 46950 (2d Cir. Jan. 14,2002). Whether properly copyrighted or in the public domain, bracelet B4027 was undisputedly designed by Yurman. Therefore, even if Yurman derived the additional designs from B4027 the works would not be infringing works. *See, e.g., Gund, Inc. v. Swank, Inc.*, 673 F.Supp. 1233 (S.D.N.Y.1987) (finding that failure to identify a work as derivative in a copyright application where the original work was "the subject of a separate Gund copyright and thus not in the public domain," did not invalidate the copyright).

Accordingly, Chaindom's second counterclaim is dismissed.

### *Conclusion*

For the reasons stated above, Yurman's motion to dismiss Chaindom's second, sixth and eighth affirmative defenses is granted. Yurman's motion to dismiss Chaindom's first and second counterclaims is granted.

\*5 SO ORDERED.

2002 WL 31358991 (S.D.N.Y.), 2002 Copr.L.Dec. P 28,510

**H**

United States District Court,  
N.D. California.

XILINX, INC., a Delaware Corporation, Plaintiff,  
v.  
ALTERA CORPORATION, a California Corporation,  
Defendant.

No. C 93-20409 RMW (EAI).

Oct. 25, 1993.

ORDER GRANTING PLAINTIFF'S MOTION TO  
STRIKE

WHYTE, District Judge.

\*1 The motion to strike of plaintiff XILINX, INC. ("Xilinx"), was heard on October 22, 1993. The court has read the moving papers and the opposition papers of defendant ALTERA CORPORATION ("Altera") and heard the oral argument of counsel. GOOD CAUSE APPEARING therefor,

The court grants plaintiff's motion to strike defendant's affirmative defense of inequitable conduct in the United States Patent and Trademark Office because defendant has not pleaded fraud with particularity as required by Federal Rule of Civil Procedure 9(b). The court also grants plaintiff's motion to strike defendant's affirmative defense of unclean hands, because that defense is not pleaded sufficiently to give fair notice to plaintiff.

I. Background

On June 7, 1993, Xilinx filed suit against Altera alleging infringement of two patents: United State Patent No. 4,870,302 ("the '302 patent" or "Freeman patent") and United States Patent No. 4,642,487 ("the '487 patent" or "Carter patent"). Both these patents deal with integrated circuits which perform logic functions.

In its answer filed on July 28, 1993, Altera asserted a number of affirmative defenses. The two affirmative defenses which are the subject of Xilinx's motion to strike are at page five of Altera's Answer and are as follows:

20. Upon information and belief, the '302 and '487 patents are unenforceable because they were obtained by Xilinx through inequitable conduct in the United States Patent and Trademark Office.

22. Upon information and belief, Xilinx's claims for equitable relief are barred by the doctrine of unclean hands.

Xilinx argues that both these affirmative defenses must be

pleaded with particularity pursuant to Federal Rule of Civil Procedure 9(b).

II. Legal Standards

Motions to strike are governed by Federal Rule of Civil Procedure 12(f) which provides that "the court may order stricken from the pleading any insufficient defense ...."

Federal Rule of Civil Procedure 9(b) provides:

In all averments of fraud or mistake, the circumstances constituting fraud or mistake shall be stated with particularity.

As such, "allegations of fraud must be pleaded with specificity as to time, place and content of any misrepresentations or else be stricken." *Intel Corp. v. Hyundai Electronics America, Inc.*, 692 F.Supp. 1113, 1116 (N.D. Cal. 1987).

III. Analysis

Notably, the Federal Circuit has never ruled on the issue of whether or not Federal Rule 9(b) applies to the affirmative defense of inequitable conduct. Xilinx argues that the Federal Circuit implicitly adopted this rule when it affirmed the district court's decision in *Solarex Corporation v. Arco Solar, Inc.*, 870 F.2d 642 (Fed. Cir. 1989), *affirming*, 121 F.R.D. 163 (E.D.N.Y. 1988). However, the issue of Rule 9(b)'s application to the affirmative defense of inequitable conduct was not on appeal and was not addressed by the Federal Circuit.

Despite the lack of Federal Circuit guidance, a growing number of district courts have held that Rule 9(b) is applicable to averments of inequitable conduct on the Patent Office. *See e.g., Intel, supra*, 692 F.Supp. at 1115 (Aguilar, J.); *Micro Motion, Inc. v. Exac Corp.*, 112 F.R.D. 2, 3 (N.D.Cal. 1985) (Aguilar, J.); *IPPV Enterprises v. Cable/Home Communications*, 25 U.S.P.Q.2d 1895 (S.D. Cal. 1993); *Energy Absorption Sys. v. Roadway Safety Servs.*, 28 U.S.P.Q.2d 1079 (N.D. Ill. 1992); *Sun-Flex Co., Inc. v. Software Computer Products Corp.*, 18 U.S.P.Q.2d 1171 (N.D.Ill. 1990); *Wolf v. Wagner Spray Tech. Corp.*, 10 U.S.P.Q.2d 1690 (S.D.N.Y. 1989); *Scripps Clinic & Research Foundation, Inc. v. Baxter Travenol Laboratories, Inc.*, 7 U.S.P.Q.2d 1562 (D. Del. 1988); *G & H Technology, Inc. v. United States*, 227 U.S.P.Q. 491 (Cl.Ct. 1985).

\*2 As the above citations indicate, at least two of the district court cases holding that 9(b) applies are from this district. Notably, however, there is also a case from this district which on its face holds the opposite. In *Quantum Corp. v. Western Digital Corp.*, 10 U.S.P.Q.2d 1712 (N.D. Cal. 1988), Judge Aguilar refused to strike the following affirmative defense under Rule 9(b):

U.S. Patents 4,396,959; 4,639,863; and Re. 32,075, are invalid for failure to comply with the requirements of Title 35, U.S.Code and are unenforceable.

leave to file an amended pleading in compliance with this order within twenty days of the date of this order.

1993 WL 767688, 1993 WL 767688 (N.D.Cal.), 33 U.S.P.Q.2d 1149

In so holding, the court stated, "plaintiff's reliance on Rule 9(b) is misplaced. Inequitable conduct before the Patent Office does not give rise to the level of common law fraud which is the subject of Rule 9(b)." *Quantum, supra*, 10 U.S.P.Q.2d at 1713. The court's opinion did not distinguish, discuss or even recognize its prior holdings to the contrary in *Micro Motion* and *Intel*. The court seemed to rely to some extent on the fact that the affirmative defense pleaded by the defendants was one of the defenses cited in 35 U.S.C. § 282. How or why this moved the court to hold differently than it had in the past is unclear, however,

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Despite the holding in *Quantum*, the majority of district courts have held that Rule 9(b) does apply and this court agrees. One of the most recent district court decisions dealing with this issue noted that, "the Federal Circuit has expressed frustration with the large number of unsupported allegations of inequitable conduct in patent case." *IPPV, supra* 25 U.S.P.Q.2d at 1895 (citing *Burlington Industries, Inc. v. Dayco Corporation*, 849 F.2d 1814, 1818 (Fed. Cir. 1988) and *FMC Corporation v. Manitowoc Company*, 835 F.2d 1411, 1415 (Fed. Cir. 1987)).

Given the Federal Circuit's expressed frustration and the weight of authority in favor of applying Rule 9(b), the court holds that Rule 9(b)'s particularity requirements apply to the affirmative defense of inequitable conduct.

The affirmative defense of unclean hands presents a slightly different issue, however. In *Intel*, the court held that the pleading requirements of Rule 9(b) applied to the defense of unclean hands if the allegation of unclean hands involved the elements of fraud. *Intel, supra*, 692 F.Supp. at 1117. In this case, Altera's opposition to the motion to strike makes clear that the defense of unclean hands is not based on allegations of fraud on the Patent Office as was the case in *Intel*. Rather, it appears from the opposition that Altera is claiming that Xilinx brought this suit in bad faith. Thus, Rule 9(b) does not technically apply. However, Xilinx should at least be notified of the nature of the alleged defense of unclean hands. As such, the court strikes this affirmative defense but will not hold Altera to the particularity requirement of Rule 9(b).

#### IV. Order

Given the above discussion and GOOD CAUSE APPEARING therefor,

The court grants Xilinx's motion to strike Altera's affirmative defenses of "inequitable conduct" and "unclean hands" at paragraphs 20 and 22 of the Answer. Pursuant to Federal Rule of Civil Procedure 15 (a), Altera is granted



**C**

United States District Court, D. Arizona.

James E. TREATCH, A-Communications, L.L.C. and JJ &  
D, L.L.C.,  
Plaintiffs/Counter-defendants,  
v.  
NEXTEL COMMUNICATIONS, INC.,  
Defendant/Counter-Plaintiff

No. CIV981212-PHX-RGS.

Aug. 13, 1999.

Marvin A Glazer, Cahill Sutton & Thomas PLC, Phoenix,  
AZ, for James E Treatch, an individual, pla.

Marvin A Glazer, Cahill Sutton & Thomas PLC, Phoenix,  
AZ, for A- Communications LLC, a Nevada limited liability  
company, pla.

Marvin A Glazer, Cahill Sutton & Thomas PLC, Phoenix,  
AZ, for JJ & D LLC, a Nevada limited liability company,  
pla.

Robert Conley Kahrl, Jones Day Reavis & Pogue, North  
Point, Cleveland, OH, Barry R Sanders, Allen Price &  
Padden PC, Phoenix, AZ, William H Oldach, III, Jones Day  
Reavis & Pogue, Washington, DC, Hilda C Galvan, Jones  
Day Reavis & Poque, Dallas, TX, for Nextel  
Communications, Inc., a Delaware corporation, dft.

Marvin A Glazer, Cahill Sutton & Thomas PLC, Phoenix,  
AZ, for James E Treatch, pla.

Marvin A Glazer, Cahill Sutton & Thomas PLC, Phoenix,  
AZ, for A- Communications LLC, a Nevada limited liability  
company, and JJ and D, LLC a Nevada limited liability  
company, pla.

Marvin A Glazer, Cahill Sutton & Thomas PLC, Phoenix,  
AZ, for James E Treatch, counter-defendant.

Marvin A Glazer, Cahill Sutton & Thomas PLC, Phoenix,  
AZ, for A- Communications LLC, counter-defendant.

#### ORDER

STRAND, J.

#### I. INTRODUCTION

\*1 On July 6, 1998, Plaintiffs James Treatch, A-Communications, L.L.C. and JJ & D, L.L.C. filed their complaint against Defendant Nextel Communications, Inc. alleging claims of patent infringement. Plaintiffs amended

their complaint on August 17, 1998. Defendant filed its answer on November 13, 1998, and asserted a counterclaim under the Federal Declaratory Judgments Act, 28 U.S.C. §§ 2201, *et seq.* Defendant's counterclaim seeks a declaration by the Court that it has not infringed upon Plaintiffs' patent and that Plaintiffs' patent is invalid. Currently pending before the Court is Plaintiffs' Motion to Strike allegations of inequitable conduct asserted in Defendant's affirmative defenses and counterclaims. After having considered the issues raised in the parties' pleadings, the Court finds that Defendant has failed to plead fraud with particularity as required by Fed.R.Civ.P. 9(b); accordingly, the Court will grant Plaintiffs' Motion to Strike.

#### II. DISCUSSION

In their Motion to Strike, pursuant to Fed.R.Civ.P. 12(f), Plaintiffs contend that portions of Defendant's answer and counterclaim which allege that Plaintiffs engaged in "inequitable conduct" during prosecution of their application upon which the '052 Patent issued must be stricken since Defendant's allegations fail to satisfy Fed.R.Civ.P. 9(b) particularity requirements. The Court agrees.

Rule 12(f) provides:

Upon motion made by a party before responding to a pleading or, if no responsive pleading is permitted by these rules, upon motion made by a party within 20 days after the service of the pleading upon the party or upon the court's own initiative at any time, the court may order stricken from any pleading any insufficient defense or any redundant, immaterial, impertinent, or scandalous matter.

Further, Rule 9(b) provides:

Fraud, Mistake, Condition of the Mind. In all averments of fraud or mistake, the circumstances constituting fraud or mistake shall be stated with particularity.

In its response to Plaintiffs' Motion to Strike, citing *Scripps Clinic v. Baxter Travenol*, 7 U.S.P.Q.2d 1562 (D.Del.1988), Defendant argues that since it has alleged "inequitable conduct" rather than "fraud," it is not required to satisfy the pleading requirements of Rule 9(b). In *Scripps*, much like the case here, the court was faced with the issue of whether it should strike allegations of inequitable conduct set forth in the defendant's answer for failing to satisfy the pleading requirements of Rule 9(b).

In response to the defendant's allegation that its averments did not set forth a defense of "fraud," the *Scripps* court recognized that "[w]hile the terms fraud and inequitable conduct are sometimes used synonymously, they are distinct defenses covering different conduct and leading to different consequences." *Id.* at 1563. Specifically, the *Scripps* court held that "[f]raud involves the 'misrepresentation of a

material fact' to the PTO [Patent and Trademark Office] while inequitable conduct involves the omission of a material fact, as well as the misrepresentation of information." *Id.* (quoting *J.P. Stevens & Co., Inc. v. Lex Tex Ltd., Inc.*, 747 F.2d 1553, 1559 (Fed.Cir.1984), cert. denied, 474 U.S. 822 (1985)). Therefore, the *Scripps* court held that "a charge of fraud on the PTO is subject to the strict pleading requirements of Rule 9(b)." 7 U.S.P.Q.2d at 1563; see also *Micro Motion, Inc. v. Exac Corp.*, 112 F.R.D. 2 (N.D.Cal.1985).

\*2 With respect to whether the pleading requirements of Rule 9(b) applied to charges of inequitable conduct, the *Scripps* court recognized that the law was "unclear whether such a charge is subject to Rule 9(b)" and without ruling on the issue held that the defendant's pleading nonetheless satisfied the particularity requirements of Rule 9(b).

More recently, in *Xilinx Inc. v. Altera Corp.*, 33 U.S.P.Q.2d 1149 (N.D.Cal.1994), the court addressed whether it should strike the defendant's affirmative defense of inequitable conduct because the defendant failed to plead inequitable conduct with particularity. In *Xilinx*, the defendant's answer alleged "[u]pon information and belief, the '302 and '487 patents are unenforceable because they were obtained by Xilinx through inequitable conduct in the United States Patent and Trademark Office." 33 U.S.P.Q.2d at 1150.

While noting that the Federal Circuit had never ruled on the issue whether Federal Rule 9(b) applies to the affirmative defense of inequitable conduct and although recognizing that in the prior case *Quantum Corp. v. Western Digital Corp.*, 10 U.S.P.Q.2d 1712 (N.D.Cal.1988), another court in the same district held that Rule 9(b) did not apply to allegations of inequitable conduct, the *Xilinx* court followed the majority of other district courts and held that "Rule 9(b)'s particularity requirements apply to the affirmative defense of inequitable conduct." *Xilinx*, 33 U.S.P.Q.2d at 1151; see also *Micro Motion, Inc. v. Exac Corp.*, 112 F.R.D. at 3; *IPPV Enterprises v. Cable/Home Communications*, 25 U.S.P.Q.2d 1894, 1896 (S.D.Cal.1992); *Energy Absorption Sys., Inc. v. Roadway Safety Servs., Inc.*, 28 U.S.P.Q.2d 1079 (N.D.Ill.1993).

Applying the holding in the *Xilinx* case to the present action, the Court finds that Defendant's allegations of inequitable conduct must satisfy Rule 9(b)'s particularity requirement. Rule 9(b) has been interpreted to require that "allegations of fraud are specific enough to give defendants notice of the particular misconduct which is alleged to constitute the fraud charges so that they can defend against the charge and not just deny that they have done anything wrong." *Neubronner v. Milken*, 6 F.3d 666, 671 (9th Cir.1993). A pleading is sufficient under Rule 9(b) if it identifies the circumstances constituting fraud so that the defending party

can prepare an adequate response. *Id.* at 672. Paragraph 16 of Defendant's Answer alleges "[o]n information and belief, the '052 Patent is unenforceable due to inequitable conduct during prosecution of the underlying application." (See Doc. 14 at ¶ 16). Additionally, paragraph 6 of Defendant's counterclaim avers "[o]n information and belief, the '052 Patent is unenforceable due to inequitable conduct during prosecution of the underlying application." The Court finds that Defendant's allegations of inequitable conduct fail to satisfy Rule 9(b)'s pleading requirements. Accordingly, the Court will grant Plaintiff's Motion to Strike and deem stricken the portions of Defendant's answer and counterclaim asserting inequitable conduct on the part of Plaintiffs.

\*3 IT IS THEREFORE ORDERED granting Plaintiff's Motion to Strike. The Court will deem stricken the portions of Defendant's answer and counterclaim asserting inequitable conduct on the part of Plaintiffs. (Doc. 15).

1999 WL 33283820, 1999 WL 33283820 (D.Ariz.), 52 U.S.P.Q.2d 1638

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Only the Westlaw citation is currently available.

United States District Court, M.D. North Carolina.

POINT DX INC., a Delaware Corporation, Plaintiff,  
v.  
VOXAR LIMITED, Defendant.

No. Civ. 1:01CV01130.

Sept. 20, 2002.

MEMORANDUM OPINION

BULLOCK, J.

\*1 On December 21, 2001, Point DX Inc. ("Plaintiff") filed this action against Voxar Limited ("Defendant") alleging patent infringement in violation of 35 U.S.C. § 271 *et seq.* Defendant asserts as an affirmative defense and counterclaim that the patents in suit are unenforceable because they were obtained through fraud and inequitable conduct.

This matter is before the court on Plaintiff's motion to strike as insufficient or, in the alternative, to dismiss, pursuant to Federal Rules of Civil Procedure 12(f) and 12(b)(6), Defendant's allegations of fraud and inequitable conduct. For the following reasons, the court will grant Plaintiff's motion to dismiss without prejudice and allow Defendant twenty (20) days to file an amended answer and counterclaim.

FACTS

Plaintiff is the exclusive licensee of several patents that relate to the methods and systems for conducting computer-assisted three-dimensional visualization of internal organs. Defendant is a manufacturer of medical imaging software products and has developed custom imaging software packages for original equipment manufacturers. Plaintiff alleges that Defendant's medical imaging software products infringe one or more claims of its four patents.

In its answer, Defendant denies that its products infringe any valid patent. Furthermore, Defendant includes as an affirmative defense and counterclaim that the patents in suit were obtained as a result of fraud and inequitable conduct. Defendant alleges that Plaintiff failed to disclose material information and made material misstatements to the United States Patent and Trademark Office ("PTO"). On May 23, 2002, Plaintiff filed a motion to strike or dismiss Defendant's allegations of fraud and inequitable conduct,

arguing that Defendant failed to plead these allegations with particularity in violation of Federal Rule of Civil Procedure 9(b).

DISCUSSION

Federal Rule of Civil Procedure 9(b) provides that "[i]n all averments of fraud ..., the circumstances constituting fraud ... shall be stated with particularity." Fed.R.Civ.P. 9(b). Like an allegation of fraud, an allegation of inequitable conduct before the PTO is subject to the enhanced pleading requirements of Rule 9(b). *See Rhone-Poulenc Agro S.A. v. Monsanto Co.*, 73 F.Supp.2d 537, 538 (M.D.N.C.1999); *Wicker Group v. Standard Register Co. Inc.*, 33 U.S.P.Q.2d 1678, 1679 (E.D.Va.1994). Any pleading invoking the doctrine of inequitable conduct must plead the "time, place, and contents of the alleged fraudulent misrepresentation, as well as the identity of the person making the misrepresentation and what was obtained thereby." *Rhone-Poulenc*, 73 F.Supp.2d at 539 (quoting *Breeden v. Richmond Cmty. Coll.*, 171 F.R.D. 189, 195 (M.D.N.C.1997)). This mandate is intended to give parties against whom a charge of inequitable conduct is made "specific notice of the particular statements or omissions" constituting the inequitable conduct, which thereby ensures that they have sufficient information to formulate an appropriate response. *Id.*; *see also Harrison v. Westinghouse Savannah River Co.*, 176 F.3d 776, 784 (4th Cir.1999) (stating purposes of Rule 9(b)).

\*2 Plaintiff asserts that Defendant's answer and counterclaim fails to give any specifics concerning what material information was withheld and what material misstatements were made to the PTO. Defendant's sixth affirmative defense reads:

The '762 Patent, the '162 Patent, the '366 Patent and the '319 Patent are unenforceable as they were obtained as a result of fraud and inequitable conduct arising from failures to disclose material information and the making of material misstatements to the United States Patent and Trademark Office ('PTO'), with the intent to deceive; including, without limitation, intentionally misleading and making material misrepresentations to the PTO in obtaining the '762 Patent, the '162 Patent, the '366 Patent and the '319 Patent by failing to disclose material prior art.

(Def.'s Answer and Countercl. at 7.) Paragraph 10 of Defendant's counterclaim essentially makes the same allegations as those stated in the sixth affirmative defense. Plaintiff argues that the only indication of what material information was not disclosed is the vague reference to some unidentified "material prior art."

Defendant contends that it has satisfied the particularity requirement of Rule 9(b). It argues that Plaintiff has ignored

other paragraphs in its answer and counterclaim that provide additional information. Specifically, Defendant points to its second affirmative defense, which states in relevant part:

[I]f the claims of the patent are interpreted in a manner that results in the claims encompassing the Voxar medical imaging products, then the claims also encompass the relevant prior art, which includes but is not limited to prior art in the areas of *volume rendering, three-dimensional walk-through animation of human organs, 'fly-through' and center line calculation* and, therefore, are invalid.

(Def.'s Answer and Countercl. at 6) (emphasis added). Defendant argues that the inclusion of the prior art subject areas is specific enough to provide Plaintiff with adequate notice of the relevant prior art. The court disagrees.

Defendant's answer and counterclaim, even when viewed in its entirety, fails to provide the specificity required when pleading inequitable conduct. Defendant's reference to the prior art in the areas of volume rendering, walk-through animation, "fly-through," and center line calculation do not provide specific notice of the particular statements or omissions constituting the inequitable conduct. In fact, as Plaintiff correctly observes, many references identified and disclosed on the face of the subject patents could be characterized consistent with these subject areas. As such, Plaintiff is provided little guidance as to the specific prior art Defendant alleges it intentionally withheld.

In addition to a claim that Plaintiff failed to disclose relevant prior art, Defendant claims Plaintiff made material misstatements. Yet Defendant's answer and counterclaim is silent as to any circumstances related to this charge. Defendant does not identify who made the misstatements or what the misstatements were. Plaintiff is provided essentially no guidance on this claim and it cannot fairly be said that Plaintiff has enough information to formulate an appropriate response. Accordingly, Plaintiff's motion to dismiss the sixth affirmative defense and Paragraph 10 of Defendant's answer and counterclaim will be granted.

\*3 Defendant requests, in the alternative, leave to amend its answer and counterclaim. Federal Rule of Civil Procedure 15(a) provides that leave to amend "shall be freely given when justice so requires ." Fed.R.Civ.P. 15(a). Only when leave to amend is sought in bad faith or with a dilatory motive should it be denied. *Foman v. Davis*, 371 U.S. 178 (1962). Defendant's request for leave to amend does not appear to be made in bad faith or with the intent to cause delay. Therefore, Defendant will be granted leave to amend, with greater particularity as required by Rule 9(b), its answer and counterclaim.

#### CONCLUSION

For the reasons set forth in this opinion, Plaintiff's motion to

dismiss Defendant's sixth affirmative defense and Paragraph 10 of Defendant's counterclaim will be granted. Defendant's request for leave to amend its answer and counterclaim also will be granted. Defendant shall file its amended answer and counterclaim within twenty (20) days of the date of this order.

An order in accordance with this memorandum opinion shall be entered contemporaneously herewith.

2002 WL 31189696 (M.D.N.C.)

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