



## **Exergen Corp. v. Wal-Mart Stores, Inc.:** **Heightened Pleading Standard for Inequitable Conduct**

The Federal Circuit recently articulated a high standard for pleading inequitable conduct in *Exergen Corp. v. Wal-Mart Stores, Inc.*, when it affirmed a district court's decision denying a defendant's motion to add an inequitable conduct defense.<sup>1</sup> While it is well-settled that allegations of fraud—such as inequitable conduct—must be plead with particularity pursuant to Federal Rule of Civil Procedure 9(b), the *Exergen* court's application of that law to the facts of the case demonstrates that a high level of particularity is required for pleading inequitable conduct.

### **I. The District Court Denied SAAT's Motion to Amend**

In the *Exergen* case, the plaintiff, Exergen, sued the defendant, SAAT, for infringement of three patents, the '813 patent, the '205 patent, and the '685 patent.<sup>2</sup> SAAT sought to amend its answer to add an inequitable conduct defense against Exergen's '685 patent, which if successful would render the patent unenforceable.<sup>3</sup> In its proposed amended pleading, SAAT articulated three specific instances of alleged inequitable conduct during the prosecution of the '685 patent-in-suit: (1) Exergen's previously filed '808 patent was material and not cumulative and intentionally withheld during prosecution with an intent to deceive; (2) the '998 patent cited in an IDS during the prosecution of the '205 patent was material and not cumulative and intentionally withheld with an intent to deceive; and (3) Exergen's statements to overcome rejections during prosecution were contradicted by specific statements from its own website, and the misrepresentation and omission was material and not cumulative and was made with an intent to deceive.<sup>4</sup> The district court denied SAAT's motion to amend because SAAT failed to plead fraud with particularity pursuant to Federal Rule of Civil Procedure 9(b).<sup>5</sup>

### **II. The Federal Circuit Demands Sufficient Identification of Who, What, Where, When, Why, and How**

On appeal, the Federal Circuit first recognized that whether inequitable conduct is plead with particularity is governed by Federal Circuit law and that allegations of fraud must be stated with particularity pursuant to Rule 9(b) while conditions of mind may be averred generally.<sup>6</sup> The court then explained that to plead the circumstances of inequitable conduct with the requisite particularity, the pleading must identify the "who, what, where, when, and how" of the material misrepresentation or omission.<sup>7</sup> It also asserted that while knowledge and specific intent to deceive may be averred generally, the pleading must "include sufficient allegations of underlying facts from which a court may reasonably infer that a specific individual (1) knew of the withheld material information or of the falsity of the material misrepresentation, and (2) withheld or misrepresented this information with a specific intent to deceive the PTO."<sup>8</sup> Indeed, the court recognized that because one of the purposes of Rule 9(b) is "to protect those whose reputation would be harmed as a result of being subject to fraud charges," a district court may require that such filings be made under seal or require redaction of individuals' names.<sup>9</sup>



Considering the specific facts of the case, the court concluded that SAAT failed to adequately identify the who, what, where, why, and how of the representation and omissions and thus failed to plead inequitable conduct with the required specificity. With respect to “who,” the court explained that the pleading referred generally to “Exergen, its agents and/or attorneys,” but failed to adequately name the specific individual associated with the filing or prosecution of the application who both knew of the material information and deliberately withheld or misrepresented it.<sup>10</sup> With respect to the “what” and “where,” the court explained that the pleading failed to identify which claims, and which limitations in those claims, the withheld references were relevant to, and where in those references the material information was found.<sup>11</sup> With respect to the “why” and “how,” the court asserted that the pleading stated generally that the withheld references were “material” and “not cumulative to the information already of record,” but did not identify the particular claim limitations, or combination of claim limitations, that were absent from the prior art in the record.<sup>12</sup> The court asserted that such allegations are necessary to explain “why” the withheld information is material and not cumulative and “how” an examiner would have used it in assessing the patentability of the claims.<sup>13</sup>

The court also concluded that the facts of the case did not give rise to a reasonable inference of intent to deceive.<sup>14</sup> With respect to the prior art references, the court asserted that the pleading provided no factual basis to infer that any specific individual who owed a duty of disclosure knew of the allegedly material information in the references.<sup>15</sup> The court explained that a reference may be many pages long with teachings relevant to different applications for different reasons, so “one cannot assume that an individual, who generally knew that a reference existed, also knew of the specific material *information* contained in that reference.”<sup>16</sup> With respect to the alleged misrepresentation, the court asserted that no facts were alleged from which one could reasonably infer that, at the time of the allegedly false statement, the individual who made the statement to the PTO was aware of an allegedly contradictory statement on Exergen’s website.<sup>17</sup> The court concluded that “The mere fact that an applicant disclosed a reference during prosecution of one application, but did not disclose it during prosecution of a related application, is insufficient to meet the threshold level of deceptive intent required to support an allegation of inequitable conduct.”<sup>18</sup>

### III. Meet Rule 9(b)’s Pleading Requirements by Providing Sufficient Detail

While the adequacy of the pleading related to the facts of the case, the *Exergen* court’s detailed discussion of the Rule 9(b) pleading requirements for inequitable conduct provide both a reason for district courts to deny motions to amend and a roadmap for alleged infringers to follow when pleading inequitable conduct. If a party sufficiently sets forth the “who” (*e.g.* the name of the specific individual who knew of the material and deliberately withheld or misrepresented it), “what” (*e.g.* what claims and what limitations in those claims are relevant), “where” (*e.g.* where in the withheld prior art references the material information was found), “why” (*e.g.* why the withheld information is material and not cumulative), and “how” (*e.g.* how an examiner would have used the information



in assessing the patentability of the claims), its inequitable conduct pleading should be sufficient. In its opinion, the *Exergen* court also suggested that a party should set forth “when,” but does not elaborate on this element. If the party sets forth the “when” (*e.g.* time that the conduct occurred), it seems that this element should be met as well.

From the facts of the *Exergen* case, it appears that SAAT could have met this standard with a more detailed pleading. But it seems that SAAT did not attempt to re-plead its inequitable conduct claim with more detail. In many cases it will be difficult to meet the pleading standard set forth in *Exergen* at the beginning of the case before any discovery, which is why some courts (such as the District of Minnesota<sup>19</sup>) may allow a party to engage in discovery related to a defense of inequitable conduct without pleading the defense first.

The *Exergen* court was reviewing the district court’s denial of a motion to amend a pleading—something it reviews for an abuse of discretion. Thus, this opinion appears to give district courts broader leeway in denying motions to amend when they have inequitable conduct defenses. But if a district court allows a party’s inequitable conduct claim, the *Exergen* decision should have little impact on the viability of the claim.

The takeaway from the *Exergen* case is simple: make sure your inequitable conduct defense is plead with sufficient detail. If your inequitable conduct claim sets forth the who, what, where, when, why, and how of the conduct alleged, you should not have any issues with the procedural pleading requirements. Proving your claim may be another matter.

---

<sup>1</sup> *Exergen Corp. v. Wal-Mart Stores, Inc.*, Nos. 06-1491, 07-1180, 2009 U.S. App. LEXIS 17311 (Fed. Cir. Aug. 4, 2009).

<sup>2</sup> *Id.* at \*4.

<sup>3</sup> *Id.* Before the district court, SAAT sought to amend its answer to add an inequitable conduct defense against Exergen’s ’685 and ’813 patents, but focused only on the ’685 patent on appeal. *Id.* at \*27. The substantive elements of inequitable conduct are: “(1) an individual associated with the filing and prosecution of a patent application made an affirmative misrepresentation of a material fact, failed to disclose material information, or submitted false material information; and (2) the individual did so with a specific intent to deceive” the U.S. Patent and Trademark Office. *Id.* at \*33 n.3.

<sup>4</sup> *Id.* at \*27-31.

<sup>5</sup> *Id.* at \*27.

<sup>5</sup> *Id.* at \*31-34.

<sup>7</sup> *Id.* at \*37.

<sup>8</sup> *Id.* at \*38.

<sup>9</sup> *Id.* at \*40 n.9.



<sup>10</sup> *Id.* at \*39-40.

<sup>11</sup> *Id.* at \*40-41.

<sup>12</sup> *Id.* at \*41.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.* at \*41-43.

<sup>15</sup> *Id.*

<sup>16</sup> *Id.* at \*43 (emphasis in original).

<sup>17</sup> *Id.* at \*43-44.

<sup>18</sup> *Id.* at \*44-45.

<sup>19</sup> *See* D. Minn. Local Rules Form 4 & 2005 Advisory Committee's Note to Rule 16.2 and Forms 4 and 5.