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6 IN THE UNITED STATES DISTRICT COURT
7 FOR THE DISTRICT OF ARIZONA

8 Verco Decking, Inc.,
9 Plaintiff/Counterclaim-Defendant,
10 vs.
11 Consolidated Systems, Inc.,
12 Defendant/Counterclaim-Plaintiff.
13

No. CV-11-2516-PHX-GMS

ORDER

14 Pending before the Court is Plaintiff's Rule 12 Motion to Dismiss Counterclaims
15 and Strike Affirmative Defenses. (Doc. 49.) For the following reasons, the Motion is
16 granted in part and denied in part.

17 **BACKGROUND**

18 On December 20, 2011, Verco Decking, Inc. ("Verco") filed a Complaint for
19 Patent Infringement against Consolidated Systems, Inc. ("CSI"). (Doc. 1.) Verco alleges
20 that CSI infringed United States Patent No. 6,212,932 ("the '932 patent") and 6,397,469
21 ("the '469 patent"). (*Id.* at 2–6.) The '932 patent is a device patent covering a tool used to
22 form structural louvers, and the '469 patent is a method patent covering, *inter alia*, the
23 use of the '932 tool to secure workpieces together. (*Id.*) CSI filed an Answer (Doc. 7),
24 which it later amended (Docs. 18, 19), asserting various counterclaims and affirmative
25 defenses. Verco moved to dismiss and strike some of the counterclaims and affirmative
26 defenses in both the original and amended answers. (Docs. 14, 16, 23.)

27 On June 7, 2012, the U.S. Patent and Trademark Office ("PTO") granted CSI's
28 request for *ex parte* reexamination procedures of the '932 and '469 patents. (Doc. 28 at

1 2.) This Court granted a stay pending the outcome of the reexamination and denied
2 without prejudice Verco's motions to dismiss and strike. (Doc. 28.) As a result of the *ex*
3 *parte* reexamination, the PTO rejected all of the claims in the '932 and '469 patents in
4 March 2013. (Doc. 44-5.)

5 Although this was a final rejection of the patents, Verco submitted an after-final
6 Request for Reconsideration. (Doc. 44-5.) As a result of the reconsideration, the PTO
7 issued reexamination certificates for the '932 and '469 patents in May and June 2013.
8 (Docs. 31, 32.) The reconsideration of the reexamination of the '932 device patent found
9 it patentable but the language of Claim 1 was amended. (Doc. 32-1.) Claims 2–9 of the
10 '932 patent were not amended but are dependent on the amended claim. (*Id.*) The
11 reconsideration of the reexamination of the '469 method patent resulted in confirmation
12 of claims 1–15 without amendment. (Doc. 32-2.) After the PTO's reconsideration of the
13 reexaminations, this Court lifted the stay. (Doc. 33.)

14 Verco then filed an Amended Complaint, incorporating the outcome before the
15 PTO. (Doc. 35.) CSI filed an Answer and Verco again moved to dismiss and strike some
16 of the counterclaims and affirmative defenses. (Docs. 37, 43.) CSI filed an Amended
17 Answer and the Court found the motion to dismiss and strike to be moot. (Docs. 44, 50.)
18 Verco now brings this Motion to Dismiss Counterclaims and Strike Affirmative Defenses
19 based on CSI's Amended Answer. (Doc. 49.)

20 DISCUSSION

21 I. Motion to Dismiss

22 Verco moves for the Court to dismiss several of CSI's counterclaims. Those
23 requests are denied as to the claims of invalidity in Counts I and II, but granted as to the
24 claim of intervening rights in Count VI.

25 A. Legal Standard

26 Federal Rule of Civil Procedure 12(b)(6) is designed to "test the legal sufficiency
27 of a claim." *Navarro v. Block*, 250 F.3d 729, 732 (9th Cir. 2001). To survive dismissal
28 for failure to state a claim pursuant to Rule 12(b)(6), a complaint must contain more than

1 “labels and conclusions” or a “formulaic recitation of the elements of a cause of action”;
2 it must contain factual allegations sufficient to “raise a right to relief above the
3 speculative level.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007). While “a
4 complaint need not contain detailed factual allegations . . . it must plead ‘enough facts to
5 state a claim to relief that is plausible on its face.’” *Clemens v. DaimlerChrysler Corp.*,
6 534 F.3d 1017, 1022 (9th Cir. 2008) (quoting *Twombly*, 550 U.S. at 570). “A claim has
7 facial plausibility when the plaintiff pleads factual content that allows the court to draw
8 the reasonable inference that the defendant is liable for the misconduct alleged.” *Ashcroft*
9 *v. Iqbal*, 556 U.S. 662, 678 (2009) (citing *Twombly*, 550 U.S. at 556). The plausibility
10 standard “asks for more than a sheer possibility that a defendant has acted unlawfully.”

11 *Id.* However, there is no

12 probability requirement at the pleading stage; it simply calls
13 for enough fact to raise a reasonable expectation that
14 discovery will reveal evidence. And, of course, a well-
15 pleaded complaint may proceed even if it strikes a savvy
16 judge that actual proof of those facts is improbable, and “that
17 a recovery is very remote and unlikely.”

18 *Twombly*, 550 U.S. at 556.

19 When analyzing a complaint for the failure to state a claim under Rule 12(b)(6),
20 “[a]ll allegations of material fact are taken as true and construed in the light most
21 favorable to the nonmoving party.” *Smith v. Jackson*, 84 F.3d 1213, 1217 (9th Cir. 1996).
22 However, legal conclusions couched as factual allegations are not given a presumption of
23 truthfulness, and “conclusory allegations of law and unwarranted inferences are not
24 sufficient to defeat a motion to dismiss.” *Pareto v. FDIC*, 139 F.3d 696, 699 (9th Cir.
25 1998). Counterclaims are just claims made by a defendant and the rules and cases
26 establishing pleading standards for claims in complaints apply equally to counterclaims
27 in answers. *See Starr v. Baca*, 652 F.3d 1202, 1216 (9th Cir. 2011).

28 There is no special exception to these general pleading standards that applies to
patent cases. While the Federal Circuit recently held that the sufficiency of a claim for

1 “direct infringement is to be measured by the specificity required by Form 18,” that
2 holding is limited to claims for which there are sample pleadings in the Appendix of
3 Forms. *In re Bill of Lading Transmission & Processing Sys. Patent Litig.*, 681 F.3d 1323,
4 1336 (Fed. Cir. 2012) (“The Forms are controlling only for causes of action for which
5 there are sample pleadings.”). Because there are no sample pleadings in the Appendix of
6 Forms for claims alleging invalidity or intervening rights, those counterclaims are not
7 governed by any of the forms, including Form 18. The claims are governed instead by the
8 general pleading requirements established in *Twombly* and *Iqbal*. *See id.* at 1337.

9 **B. Invalidity**

10 Verco asks the Court to dismiss Counts I and II, which seek a declaratory
11 judgment that the ‘932 and ‘469 patents are invalid. Verco argues that CSI’s allegations
12 of invalidity are not plausible because nine of the ten previous patents that CSI identified
13 were already reviewed by the PTO and the final one was known to CSI before
14 reexamination. Verco argues that because CSI presents no truly new evidence and faces a
15 higher standard of proof in this Court than it did in front of the PTO, it is unlikely that
16 CSI will succeed here after failing there.

17 The validity of a patent can be challenged through a reexamination proceeding at
18 the PTO or through a suit in the district courts. These two forums “take different
19 approaches,” “consider different evidence,” “have different standards of proof,” “and on
20 the same evidence could quite correctly come to different conclusions.” *Ethicon, Inc. v.*
21 *Quigg*, 849 F.2d 1422, 1428 (Fed. Cir. 1988).

22 Counts I and II allege invalidity and will not be dismissed for failure to state a
23 claim. CSI identifies the statutory provisions which form the legal basis for its claims and
24 provides references to previous patents which form the factual basis. This provides Verco
25 with adequate notice and presents a claim that is plausible on its face and not speculative.

26 Verco’s motion, although utilizing the term plausibility, is actually an argument
27 about probability. Verco argues that it is unlikely that CSI will succeed with no new
28 evidence and a higher standard of review. But even if the Court accepted the argument

1 that a win in this Court is unlikely after the loss at the PTO, a motion to dismiss cannot be
2 granted merely because the judge finds the claims improbable. Furthermore, this Court is
3 free to reach a different conclusion than the PTO. In fact, the PTO has vacillated in its
4 own conclusions; first granting the patents after prosecution, then invalidating them
5 during reexamination, before finally confirming the patents again after reconsideration.

6 **C. Intervening Rights**

7 Verco also asks the Court to dismiss Count VI, which seeks a declaratory
8 judgment that CSI has intervening rights in the ‘469 method patent. Verco argues that
9 CSI’s claim fails because intervening rights are predicated upon the existence of a new or
10 amended claim, and the claims in the ‘469 method patent are neither new nor amended.

11 The doctrine of intervening rights is codified in 35 U.S.C. § 252 and “originated as
12 a defense against patents modified through reissue procedures.” *Marine Polymer Techs.,*
13 *Inc. v. Hemcon, Inc.*, 672 F.3d 1350, 1362 (Fed. Cir. 2012). The doctrine has since been
14 extended by statute to the context of reexaminations. *Id.* (citing 35 U.S.C. §§ 307(b),
15 316(b)) “Intervening rights do not accrue, however, where the accused product or activity
16 infringes a claim that existed in the original patent and remains ‘without substantive
17 change’ after reissue.” *Id.* at 1362. The first question when assessing intervening rights
18 under § 307(b), is “whether the asserted claim is ‘amended or new;’ if the answer is no,
19 that ends the inquiry.” *Id.* at 1363. The second question is “whether those literal
20 amendments to the claim language had effected substantive changes in claim scope.” *Id.*

21 Here, Count VI alleging intervening rights is dismissed because the relevant facts
22 are undisputed and the claim is not plausible on its face. The statute creating intervening
23 rights after reexamination proceedings and the *Marine Polymer* case interpreting it
24 clearly require that there must be a new or amended claim. There is no dispute that the
25 claims in the ‘469 method patent are neither new nor amended. Because there are no
26 amended or new claims, the Court does not even have to consider the second question
27 about whether the amendments were substantial changes.

28 CSI’s other arguments do not resolve its failure to meet the threshold requirement

1 of a new or amended claim. CSI argues that the amended language in the first claim of
2 the '932 device patent will affect the scope and construction of the claims in both patents.
3 While this will likely be the case during claim construction, the court in *Marine Polymer*
4 made it clear that the issue was whether there was a new or amended claim and not
5 whether other things that happened during the reexamination might affect the
6 interpretation of a claim whose words remained unchanged. *Id.* at 1365. CSI further
7 argues that the patents were initially filed as a single patent and that it would be
8 impractical to grant intervening rights as to the device and not to the method. But
9 intervening rights can only be granted on new or amended claims and not on the patent as
10 a whole. Even if the '932 and '469 patents were still combined as a single patent, CSI
11 would only be able to assert intervening rights as to the one claim that was amended. *Id.*
12 at 1362 (Noting that intervening rights are available “only with respect to ‘amended or
13 new’ claims in the reexamined patent.”).

14 **II. Motion to Strike**

15 Next, Verco moves for the Court to strike several of CSI’s affirmative defenses
16 and also to strike the remaining references to inequitable conduct. Those requests are
17 denied in part and granted in part.

18 **A. The Affirmative Defenses**

19 Federal Rule of Civil Procedure 12(f) provides that a “court may strike from a
20 pleading an insufficient defense.” “Motions to strike are generally regarded with disfavor,
21 but are proper when a defense is insufficient as a matter of law.” *Torres v. Goddard*,
22 2007 WL 4287812, at *3–4 (D. Ariz. Dec. 3, 2007). “The key to determining the
23 sufficiency of pleading an affirmative defense is whether it gives plaintiff fair notice of
24 the defense.” *Wyshak v. City Na’l Bank*, 607 F.2d 824, 827 (9th Cir. 1979).

25 Federal Rule of Civil Procedure 8 provides the general rules for all pleadings, but
26 it is divided into separate subparts governing the pleading of claims, defenses, and
27 affirmative defenses. The subpart governing affirmative defenses is Rule 8(c), which
28 provides that “[i]n responding to a pleading, a party must affirmatively state any

1 avoidance or affirmative defense.” This Court has previously rejected arguments that
2 affirmative defenses should be subjected to the heightened pleading standards of
3 *Twombly* because Rule 8(c) lacks the language from Rule 8(a) requiring a “short and
4 plain statement of the claim showing the pleader is entitled to relief.” *J & J Sports*
5 *Prods., Inc. v. Khachatrian*, CV-10-1567-GMS-PHX, 2011 WL 720049, at *1 n.1 (D.
6 Ariz. Feb. 23, 2011). Some courts, citing to Rule 8(b), have found that affirmative
7 defenses which merely state a cause of action, such as laches, are insufficient. *See, e.g.,*
8 *Qarbon.com Inc. v. eHelp Corp.*, 315 F. Supp. 2d 1046, 1049 (N.D. Cal. 2004). Rule 8(b)
9 is the subpart governing defenses, and similar to the language in Rule 8(a), it requires that
10 a party “state in short and plain terms its defenses.” However, this Court finds it
11 persuasive that affirmative defenses are governed by a separate subpart and chooses to
12 follow those courts that do not import the requirements for defenses from Rule 8(b). *See,*
13 *e.g., Pickern v. Chico Steakhouse, LP*, 12-CV-02586-TLN-CMK, 2013 WL 4051640
14 (E.D. Cal. Aug. 8, 2013).

15 Accordingly, the only pleading requirement for an affirmative defense, as opposed
16 to a defense or a claim, is that “a party must affirmatively state” it. Fed. R. Civ. P.
17 8(c)(1). That affirmative statement merely needs to give fair notice by meeting traditional
18 notice-pleading standards. *See Wyshak*, 607 F.2d at 827 (citing *Conley v. Gibson*, 355
19 U.S. 41, 47–48 (1957)). Although the Supreme Court has abrogated the notice-pleading,
20 “any set of facts” standard from *Conley*, it did so only in the context of claims in a
21 complaint. *See Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 554–63 (2007). The pleading of
22 affirmative defenses is governed by a separate subpart of Rule 8 and this Court declines
23 to read in the requirements from other subparts of Rule 8 or the cases interpreting them.

24 Here, Verco moves to strike CSI’s second, fifth, sixth, and seventh affirmative
25 defenses. For the following reasons, the Court will not strike these affirmative defenses.

26 Verco asks the Court to strike CSI’s Second Affirmative Defense, which alleges
27 that the patents are invalid. The affirmative defense of invalidity is sufficiently pleaded
28 because it gives Verco fair notice. In fact, Verco all but concedes that it has been fairly

1 apprised when it recognizes the affirmative defense as “the same insufficient invalidity
2 arguments that failed before the USPTO during reexamination.” (Doc. 49:14–15.)
3 Although Verco believes that CSI’s attempt to relitigate these claims is implausible, CSI
4 is not required to plead its affirmative defenses in a way that meets the plausibility
5 standard from *Twombly* for pleading claims.

6 Next, Verco asks the Court to strike CSI’s Fifth and Sixth Affirmative Defenses,
7 but only to the extent that they rely on the invalidity of the patents-in-suit. At the outset,
8 it is not clear how the Court would even grant such relief. Although the Court may strike
9 an insufficient defense, it cannot rewrite CSI’s pleadings or remove the parts of sentences
10 that reference invalidity. Regardless and for the reasons just discussed, Verco has been
11 given fair notice of the invalidity claims and the Fifth and Sixth Affirmative Defenses are
12 not insufficiently pleaded to the extent they rely on invalidity.

13 Verco also raises additional arguments against the Fifth and Sixth Affirmative
14 Defenses, essentially arguing that they are insufficiently pleaded and lack factual support.
15 Again seeking a piecemeal edit, Verco suggests that the Court could strike the part of the
16 Fifth Affirmative Defense related to estoppel while leaving the part related to laches.
17 These arguments fail because the Fifth and Sixth Affirmative Defenses give fair notice
18 and do not need to meet a higher pleading standard.

19 Finally, Verco asks the Court to strike CSI’s Seventh Affirmative Defense, but
20 only to the extent that it includes the ‘469 method patent. This request to strike is
21 predicated on the legal argument discussed above that CSI can have no intervening rights
22 as to the ‘469 patent. Although the Court granted the motion to dismiss Count VI, there is
23 no reason to strike the Seventh Affirmative Defense. In it, CSI does not claim that it has
24 intervening rights as to the ‘469 patent. It merely alleges generally that Verco’s claims
25 “are barred by CSI’s intervening rights.” This Court will not strike this affirmative
26 defense because it gives Verco fair notice as to the alleged intervening rights in the ‘932
27 patent.

28

1 **B. The Remaining References to Inequitable Conduct**

2 In addition to allowing a court to strike insufficient defenses, Rule 12(f) also
3 allows a court to strike “any redundant, immaterial, impertinent, or scandalous matter.”
4 “Immaterial matter is that which has no essential or important relationship to the claim
5 for relief or the defenses being pleaded.” *Skydive Ariz., Inc. v. Quattrochi*, 2006 WL
6 2460595, at *3 (D. Ariz. Aug. 22, 2006) (quoting *Fantasy, Inc. v. Fogerty*, 984 F.2d
7 1524, 1527 (9th Cir. 1993), rev’d on other grounds, 510 U.S. 517 (1994)). “Impertinent
8 matter consists of statements that do not pertain, and are not necessary to the issues in
9 question.” *Id.* (internal quotations omitted). “Scandalous material is that which ‘cast[s]
10 an excessively adverse light on the character of an individual or a party.’” *Reichert v.*
11 *Nat’l Credit Sys., Inc.*, 2005 WL 55549677, at *4 (D. Ariz. March 31, 2005) (quoting
12 *OKC Corp. v. Williams*, 461 F. Supp. 540, 550 (N.D. Tex. 1978)).

13 The “function of a 12(f) motion to strike is to avoid the expenditure of time and
14 money that must arise from litigating spurious issues by dispensing with those issues
15 prior to trial.” *Sidney–Vinstein v. A.H. Robins Co.*, 697 F.2d 880, 885 (9th Cir. 1983).
16 “Motions to strike are generally viewed with disfavor, and will usually be denied unless
17 the allegations in the pleading have no possible relation to the controversy, and may
18 cause prejudice to one of the parties.” *Osei v. Countrywide Home Loans*, 692 F. Supp. 2d
19 1240, 1247 (E.D. Cal. 2010) (citing 5A C. Wright & A. Miller, *Federal Practice and*
20 *Procedure* § 1380 (2d ed.1990)).

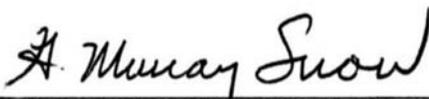
21 Here, although previous versions of the answer contained an affirmative defense
22 and counterclaim based on inequitable conduct, the current Amended Answer does not.
23 (Docs. 37, 44.) The Amended Answer does contain two paragraphs that reference
24 deceptive intent and inequitable conduct in the “Factual Allegations Common to All
25 Counts” portion of the Counterclaim section. (Doc. 44 at 16:9–11, 17:14–19.) It also
26 contains a prayer for relief in the Counterclaim section that asks the Court to declare the
27 patents unenforceable because of inequitable conduct during the reexamination
28 proceedings. (Doc. 44 at 23:25–27.)

1 The two references to deceptive intent and inequitable conduct in the facts section
2 cannot be struck as insufficiently pleaded defenses. They are only included as factual
3 allegations to support the counterclaims. They can only be struck if they can be
4 considered a “redundant, immaterial, impertinent, or scandalous matter.” Here the
5 references, while couched in legal terms, are part of the factual foundation of the claims
6 and they at least pertain to and have an important relationship with the claims and issues
7 raised. They also do not cast an excessively adverse light on the character of Verco.
8 Therefore, the Court will not strike the two paragraphs in the factual allegation.

9 Finally, the Court strikes without prejudice the prayer for relief that is based on
10 inequitable conduct because in its current form it is an insufficient defense. Although CSI
11 previously included inequitable conduct as an affirmative defenses and a counterclaim,
12 the current Amended Answer only contains a prayer for relief based on inequitable
13 conduct. (Docs. 37, 44.) CSI admits that it intended to withdraw the claims of inequitable
14 conduct. (Doc. 55 at 2 n.2.) The prayer for relief that remains is an insufficient defense
15 that the Court now strikes. The Court makes no finding on the merits of an inequitable
16 conduct defense in this case. CSI may, if otherwise permitted, attempt to amend its
17 pleadings to include an inequitable conduct defense or counterclaim in the future.

18 **IT IS HEREBY ORDERED** that Plaintiff’s Rule 12 Motion to Dismiss
19 Counterclaims and Strike Affirmative Defenses (Doc. 49) is **granted in part and denied**
20 **in part.**

21 Dated this 20th day of December, 2013.

22
23 
24 _____
25 G. Murray Snow
26 United States District Judge
27
28