

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

NOMADIX, INC., ) Case No. CV 14-08256 DDP (VBKx)  
)  
Plaintiff, ) **ORDER GRANTING IN PART AND**  
) **DENYING IN PART MOTION TO**  
v. ) **DISMISS/STRIKE COUNTERCLAIMS AND**  
) **DEFENSES**  
)  
HOSPITALITY CORE SERVICES )  
LLC, d/b/a BLUEPRINT RF, ) [Dkt. No. 54]  
)  
Defendant. )  
\_\_\_\_\_ )

Presently before the Court is Plaintiff's motion to dismiss certain counterclaims and strike corresponding affirmative defenses.

**I. BACKGROUND**

Plaintiff alleges that Defendant has infringed multiple patents<sup>1</sup> of a system that redirects users' web browsers to a portal page so they may access a computer network in various locations. (Lezama Decl., Ex. 9, column 3, line 40. See also Dkt. No. 47 at

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<sup>1</sup>The patents at issue are U.S. Patent Nos. 6,636,894 ("the '894 patent"), 6,868,399 ("the '399 patent"), 8,156,246 ("the '246 patent"), 8,266,266 ("the '266 patent"), 8,266,269 ("the '269 patent"), 8,364,806 ("the '806 patent"), 8,788,690 ("the '690 patent"). (FACC at 15.)

1 1-3 (background section of Court's prior order, discussing the  
2 patents at issue in more detail).) Defendant alleges that  
3 Plaintiff's system is essentially the same as a procedure that  
4 became available for public use in 1998. (Defendant's First  
5 Amended Counterclaim ("FACC"), ¶ 42.)

6 Defendant alleges that for some of the patents, Plaintiff  
7 failed to make the required disclosures of prior art in the field.<sup>2</sup>  
8 (Id. at ¶ 13.) For example, the '894 patent includes a process  
9 whereby a gateway device facilitates a "handshake" with the  
10 computer, allowing the user to be redirected to a portal page.  
11 (Lezama Decl., Ex. 9, lines 25-40.) Defendant alleges that this  
12 same procedure is disclosed in Plaintiff's other prior art  
13 references, including Short et al. (Assigned to Nomadix, Inc.)  
14 WO98/404990, but Plaintiff neglected to submit these disclosures to  
15 the patent examiner. (FACC, ¶ 18.)

16 Defendant provides other similar examples of omitted prior  
17 art. (Id. at ¶¶ 19-24, 26-30.) E.g., Defendant alleges that  
18 Patent No. 6,182,139 ("the '139 patent") describes a materially  
19 similar gateway procedure which Plaintiff failed to disclose. (Id.  
20 at ¶ 26.) Allegedly, for the series of patents at issue, Plaintiff  
21 purposely omitted this information in order to intentionally  
22 deceive the patent examiner. (Id. at ¶ 14.) In some of  
23 Plaintiff's patent applications, Defendant alleges, it did make  
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25  
26 <sup>2</sup>"Prior art" may consist of references to any documentary or  
27 non-documentary sources, such as academic publications, other  
28 patents, or known unpatented inventions, that help "to determine  
the novelty and nonobviousness of claimed subject matter in a  
patent application or patent." 1 Donald S. Chisum, Chisum on  
Patents at G1-18 (Matthew Bender ed., 2015).

1 prior art disclosures, but this information was buried in lengthy  
2 disclosure sections. (Id. at ¶ 12.)

3 Defendant further alleges that Plaintiff's patents are not  
4 enforceable due to either "inequitable conduct" on Plaintiff's part  
5 during prosecution, "prosecution laches," estoppel, or unclean  
6 hands. (Id. at ¶¶ 82-85.)

7 Defendant also alleges that the '894, '246, '266, '269 and  
8 '806 patent (the "captive portal" patents) are duplicative since  
9 they discuss nearly identical processes. (Id. at ¶ 8.)

10 Defendant also alleges that it "designed around" Plaintiff's  
11 patents by "practicing prior art" - that is, its allegedly  
12 infringing systems are simply combinations of known, pre-existing  
13 inventions or technology. (Id. at ¶ 62.)

14 Specific allegations as to each patent are as follows:

15 **- the '894 and '399 patents:**

16 Defendant alleges that "Nomadix failed to submit its own  
17 material prior art publications to the Patent Office," including an  
18 international patent application ("WO 98/40990") and a series of  
19 papers written by Leonard Kleinrock, a "named inventor" of the  
20 Nomadix patents. (Id. at ¶¶ 13-15.) Defendant alleges that the  
21 patents contain claims as to redirection technology that are  
22 materially similar to the prior publications, (id. at ¶¶ 17-19),  
23 and further alleges in general terms an intent to deceive the  
24 patent examiner. (Id. at ¶¶ 15, 18, 20.)

25 **- the '399 and '690 patents:**

26 Defendant also alleges that Plaintiff's attorney made  
27 misleading statements distinguishing another reference to prior art  
28 with regard to the '399 patent. (Id. at ¶ 21.) Defendant alleges

1 that Plaintiff "extended its misleading arguments" as to the '399  
2 patent when it "silently allowed the claims of the '690 patent to  
3 be granted" without comment on the prior art relevant to both.  
4 (Id. at ¶ 21, 23.) Defendant also alleges that the '690 patent  
5 application "include[d] unreasonably voluminous prior-art  
6 disclosures having the effect of obscuring the most important  
7 prior-art references (commonly referred to as "burying" the most  
8 important references). (Id. at ¶ 12.) Defendant also alleges that  
9 Plaintiff failed to disclose prior art ("Brendel" and "RFC 1919")  
10 having to do with "TCP/IP handshakes" and "transparent proxying."  
11 (Id. at ¶¶ 26-30.) Defendant alleges that Plaintiff's attorney  
12 knew of the references and intentionally or recklessly omitted  
13 them. (Id. at ¶ 31.)

14 **- the '246, '266, '269, and '806 patents:**

15 Defendant alleges that Plaintiff also "buried" the most  
16 important prior art references in the applications for these  
17 patents. (Id. at ¶¶ 12, 24.) Defendant alleges that Plaintiff's  
18 attorney omitted the Brendel and RFC 1919 prior art from some of  
19 the applications and "buried" them in a mass of other references in  
20 other applications. (Id. at ¶¶ 26-31, 39.) Defendant also alleges  
21 that these patents depend on the '894 patent, and therefore they  
22 are "infected" with the inequitable conduct alleged as to that  
23 patent. (Id. at 38.)

24 Defendant therefore alleges counterclaims seeking declaratory  
25 judgments that their systems do not infringe Plaintiff's patents,  
26 that the patents are invalid, and/or that the patents are  
27 unenforceable on equitable grounds.

28

1 Plaintiffs have filed this motion to dismiss those  
2 counterclaims and strike associated affirmative defenses.

## 3 **II. LEGAL STANDARD**

4 In order to survive a motion to dismiss for failure to  
5 state a claim, a complaint need only include "a short and plain  
6 statement of the claim showing that the pleader is entitled to  
7 relief." Bell Atl. Corp. v. Twombly, 550 U.S. 544, 55 (2007)  
8 (quoting Conley v. Gibson, 355 U.S. 41, 47 (1957)). A complaint  
9 must include "sufficient factual matter, accepted as true, to state  
10 a claim to relief that is plausible on its face." Ashcroft v.  
11 Iqbal, 556 U.S. 662, 678 (2009) (quoting Twombly, 550 U.S. at  
12 570). When considering a Rule 12(b)(6) motion, a court must  
13 "accept as true all allegations of material fact and must construe  
14 those facts in the light most favorable to the plaintiff." Resnick  
15 v. Hayes, 213 F.3d 443, 447 (9th Cir. 2000).

16 A court may strike any "redundant, immaterial, impertinent, or  
17 scandalous matter" from a pleading. Fed. R. Civ. P. 12(f). "A  
18 'redundant' matter consists of allegations that constitute a  
19 needless repetition of other averments . . . ." Wilkerson v.  
20 Butler, 229 F.R.D. 166, 170 (E.D. Cal. 2005). "'Immaterial' matter  
21 is that which has no essential or important relationship to the  
22 claim for relief or the defenses being pleaded. 'Impertinent'  
23 matter consists of statements that do not pertain, and are not  
24 necessary, to the issues in question." Fantasy, Inc. v. Fogerty,  
25 984 F.2d 1524, 1527 (9th Cir. 1993) rev'd as to other matters, 510  
26 U.S. 517 (1994).

27 "[T]he function of a 12(f) motion to strike is to avoid the  
28 expenditure of time and money that must arise from litigating

1 spurious issues by dispensing with those issues prior to trial . .  
2 . ." Sidney-Vinstein v. A.H. Robins Co., 697 F.2d 880, 885 (9th  
3 Cir. 1983).

### 4 **III. DISCUSSION**

5 As an initial matter, the Court notes that the parties' briefs  
6 in this motion and especially the counterclaim are densely written  
7 and filled with both technical jargon and unexplained patent terms  
8 of art. While none of this is fatal to the parties' arguments, it  
9 does increase the likelihood of misunderstanding and outright  
10 error.

11 A federal judge in Illinois recently adopted the following  
12 requirement of the lawyers in a patent case: "All submissions must  
13 be brief and nontechnical and eschew patent-law jargon. Since I am  
14 neither an electrical engineer nor a patent lawyer, and since this  
15 case will be tried to a jury, the parties' lawyers must translate  
16 technical and legal jargon into ordinary language." New Medium LLC  
17 v. Barco N.V., No. 05 C 5620, 2009 WL 1098864, at \*1 (N.D. Ill.  
18 Apr. 15, 2009). The Court expects the same in future filings in  
19 this case.

#### 20 **A. Non-Infringement**

21 Defendant's first counterclaim seeks declaratory judgment that  
22 their systems do not infringe Plaintiff's patents because they  
23 merely "practice[] prior art" - that is, they rely on technology  
24 that predates Plaintiff's patents. (FACC, ¶¶ 58-62.)

25 However, the Federal Circuit has explained that "practicing  
26 prior art" is not a defense to an infringement claim.

27 Spectramed's argument is that Baxter, in order to establish  
28 literal infringement, must prove . . . [that] Spectramed's

1 accused devices must not be an adoption of the combined  
2 teachings of the prior art. This is not a correct statement of  
3 the law governing patent infringement. There is no requirement  
4 that the accused device be nonobvious in light of the prior  
5 art, or otherwise be itself patentable . . . . Questions of  
6 obviousness in light of the prior art go to validity of the  
7 [plaintiff's] claims, not to whether an accused device  
8 infringes.

9 Baxter Healthcare Corp. v. Spectramed, Inc., 49 F.3d 1575, 1583  
10 (Fed. Cir. 1995). Defendant does not dispute this point in its  
11 opposition.

12 This is not to say Defendant cannot plead noninfringement.  
13 For example, the counterclaim alleges that Defendant "designed  
14 around" Plaintiff's patent, (FACC, ¶ 62), which is a perfectly  
15 legitimate defense. TiVo Inc. v. EchoStar Corp., 646 F.3d 869, 883  
16 (Fed. Cir. 2011) ("[L]egitimate design-around efforts should always  
17 be encouraged as a path to spur further innovation."). But the  
18 Court emphasizes that reliance on prior art alone is insufficient  
19 to overcome an infringement claim.

## 20 **B. Enforceability of Plaintiff's Patents**

21 Defendant's third counterclaim seeks declaratory judgment that  
22 Plaintiff's patents are not enforceable under a variety of  
23 equitable doctrines.

### 24 **1. Inequitable Conduct**

25 Defendant alleges that Plaintiff engaged in "inequitable  
26 conduct" during the prosecution of its patents by failing to  
27 disclose prior art and by "burying" the art in a way that made it  
28 hard for the patent examiners to find.

1 "Inequitable conduct is an equitable defense to patent  
2 infringement that, if proved, bars enforcement of a patent."  
3 Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1285  
4 (Fed. Cir. 2011). "To prevail on a claim of inequitable conduct,  
5 the accused infringer must prove that the patentee acted with the  
6 specific intent to deceive the PTO" by withholding or  
7 misrepresenting a "*known* material reference." Id. at 1290  
8 (emphasis in original). "[T]he remedy for inequitable conduct is  
9 the 'atomic bomb' of patent law. Unlike validity defenses, which  
10 are claim specific, inequitable conduct regarding any single claim  
11 renders the entire patent unenforceable." Id. at 1288 (citations  
12 omitted). The Federal Circuit therefore requires that the party  
13 invoking the doctrine "prove by clear and convincing evidence that  
14 the applicant knew of the reference, knew that it was material, and  
15 made a deliberate decision to withhold it." Id. at 1290.

16 At the pleading stage, of course, Defendant is not required to  
17 provide evidence of knowledge, materiality, and intent. But those  
18 elements must still be pled, and because the doctrine sounds in  
19 fraud, they must be pled with the particularity required by Rule  
20 9(b) - that is, the party must identify "the specific who, what,  
21 when, where, and how of the material misrepresentation or omission  
22 committed before the PTO." Exergen Corp. v. Wal-Mart Stores, Inc.,  
23 575 F.3d 1312, 1326-28 (Fed. Cir. 2009). "[I]ntent, knowledge, and  
24 other conditions of a person's mind," however, "may be alleged  
25 generally." Fed. R. Civ. P. 9(b).

26 With the above legal standards in mind, the Court begins with  
27 some observations as to Plaintiff's arguments in favor of  
28 dismissal.



1     **a.     Identity of Specific Individuals**

2             Plaintiff argues that Defendant's pleading is insufficient  
3 because it identifies, for example, "Nomadix including Mr. Edwards"  
4 as having knowledge of, and withholding or misrepresenting,  
5 material references. (FACC, ¶ 18.) Plaintiff analogizes to two  
6 cases. First, in Exergen, the court held that it was not  
7 sufficiently particular to plead that "Exergen, its agents and/or  
8 attorneys . . . both knew of the material information and  
9 deliberately withheld or misrepresented it." Exergen, 575 F.3d at  
10 1329. But here Defendant does not merely refer to "agents" or  
11 "attorneys"; it names specific individuals. Second, in Everlight  
12 Electronics Co. v. Nichia Corp., the court held that although a  
13 plaintiff company had named individuals associated with the  
14 company, it had not "identified the 'who' of the material  
15 misrepresentations because they have not identified 'the specific  
16 individual associated with the filing or prosecution of [Nichia's  
17 patents-in-suit] who both knew of the material information and  
18 deliberately withheld or misrepresented it.'" 907 F. Supp. 2d 866,  
19 872 (E.D. Mich. 2012) (quoting Exergen, 575 F.3d at 1329). But in  
20 this case, Mr. Edwards and two other identified individuals, Mr.  
21 Duan and Mr. Kesler, were the attorneys who filed the patent  
22 applications. Thus, to the extent that the pleadings identify  
23 these specific individuals who were "associated with the filing or  
24 prosecution of" Nomadix's patents, they are adequately pled as to  
25 the "who" prong.

26             Plaintiff nonetheless argues that the pleading is inadequately  
27 particular because in some places it refers to the company rather  
28 than the attorney. (E.g., FACC, ¶ 24 ("Nomadix failed to bring [a]

1 reference to the examiner's attention . . . .").) The Court does  
2 not find such occasional references to the corporate identity to be  
3 fatal, however, where the attorneys who filed the patent  
4 applications are clearly identified and are alleged to have the  
5 requisite knowledge.

6 **b. Knowledge**

7 Plaintiffs argue that Defendants do not specifically allege  
8 the requisite knowledge on the part of Nomadix's attorneys, for two  
9 reasons. First, Plaintiffs point to language stating that the  
10 attorneys "knew or reasonably should have known" of material  
11 references. Plaintiffs point out that the standard is actual  
12 knowledge, and "should have known" does not suffice to meet that  
13 standard. (Mot. at 9.) Plaintiff is correct that the phrase "knew  
14 or reasonably should have known" misstates the standard. But it  
15 does *include* an allegation of actual knowledge, and could therefore  
16 easily be amended or simply construed<sup>3</sup> to state the correct  
17 standard, as long as facts reasonably supporting an inference of  
18 knowledge are also alleged. Exergen, 575 F.3d at 1327 n.4&5  
19 (allegations requiring an inference of scienter satisfy Rule 9(b)  
20 as long as the facts provide a basis for making such an inference  
21 and the inference is a reasonable one).

22 Plaintiff also argues that some of the allegations are  
23 conclusory and inadequate, because it is not enough to allege that  
24 a company should have known the contents of its own prior

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26 <sup>3</sup>See, e.g., Segal v. Fifth Third Bank, N.A., 581 F.3d 305, 310  
27 (6th Cir. 2009) "Courts may look to—they must look to—the substance  
28 of a complaint's allegations . . . . Otherwise . . . enforcement  
would reduce to a formalistic search through the pages of the  
complaint for magic words . . . and nothing more.").

1 applications. (Mot. at 8 (citing Exergen, 575 F.3d at 1330).)  
2 That is true, but Defendant is alleging something more specific:  
3 that the lawyers charged with engaging in patent prosecution for  
4 Nomadix were aware of the contents of the company's previous patent  
5 applications as to very similar systems or mechanisms. That is a  
6 plausible inference from their role in patent prosecution and their  
7 duty of due diligence, which presumably includes investigating the  
8 company's own prior patents.

9 Indeed, in most cases, the allegation here is that Plaintiff's  
10 attorney's knew of specific parts of the prior patent applications,  
11 which was not the case in Exergen. Plaintiff states in the motion  
12 that the pleading fails to allege knowledge of "*the specific*  
13 *portions* of [the] prior art that were allegedly material." (Mot.  
14 at 9.) This argument is somewhat baffling, however, in light of  
15 extensive references to specific portions of prior art. (E.g.,  
16 FACC, ¶ 18 (stating that Edwards knew or should have known of page  
17 3 and page 13 of Short et al. (Assigned to Nomadix, Inc.)  
18 WO98/404990); id. at ¶ 21 ("Nomadix (including Mr. Edwards) knew or  
19 reasonably should have known of the materiality of 5,987,430 at  
20 Fig. 21 and column 18 beginning at line 21."); id. at ¶ 22 ("See  
21 Van Horne 5,987,430 at Fig. 9 (blocks 641, 643 645 describe the  
22 DHCP process); and column 15 beginning at line 61 . . . ."); id. at  
23 ¶ 24 ("Nomadix including Mr. Kesler knew or reasonably should have  
24 known of the materiality [of] Van Horne 5,987,430 at Fig. 21 and  
25 column 18 beginning at line 21 . . . .").

26 **c. Intent**

27 As with knowledge, intent may be pled generally, and the  
28 pleading may rely on inferences. Additionally, it is well-

1 established that "[t]he requirements of Rule 9(b) may be 'relaxed  
2 as to matters peculiarly within the opposing party's knowledge,' if  
3 the plaintiffs cannot be expected to have personal knowledge of the  
4 facts prior to discovery." In re Gupta Corp. Sec. Litig., 900 F.  
5 Supp. 1217, 1228 (N.D. Cal. 1994) (quoting Wool v. Tandem Computers  
6 Inc., 818 F.2d 1433, 1439 (9th Cir. 1987)). Obviously, intent is  
7 almost always peculiarly within the opposing party's knowledge, and  
8 it is appropriate to allow some leeway to a pleading party.<sup>4</sup>

9 Plaintiff appears to argue (Reply at 19) that, to show  
10 deceptive intent, a party should point to some sort of "smoking  
11 gun" statement, as was alleged in iLife Technologies Inc v.  
12 AliphCom, No. 14-CV-03345-WHO, 2015 WL 890347, at \*1 (N.D. Cal.  
13 Feb. 19, 2015) (counterclaimant alleged that inventor stated in  
14 email, "I know how to take down our fall detection patents . . .  
15 and a really determined effort to invalidate the patents, if  
16 performed skillfully could succeed"). While such a statement is  
17 certainly sufficient to establish intent, it will rarely be the  
18 case that a party can provide, at the pleading stage, such a  
19 specific piece of evidence, and Rule 9(b) does not require that  
20 they do so.

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23 <sup>4</sup>Wright and Miller also argue that courts applying Rule 9(b)  
24 must "take account of the general simplicity and flexibility  
25 contemplated by the federal rules," noting that the forms  
26 accompanying the Federal Rules give, as an example of a pleading  
27 satisfying Rule 9(b), the following: "Defendant C.D. on or about .  
28 . . conveyed all his property, real and personal to defendant E.F.  
for the purpose of defrauding plaintiff and hindering and delaying  
the collection of the indebtedness evidenced by the note above  
referred to." 5A Fed. Prac. & Proc. Civ. § 1298 (3d ed.). "The  
forms in the Appendix suffice under these rules and illustrate the  
simplicity and brevity that these rules contemplate." Fed. R. Civ.  
P. 84.

1 The Court does note, however, that Defendant in several places  
2 pleads that Plaintiff's attorneys acted with intent or  
3 recklessness. That is not the correct standard, but as with the  
4 "knew or should have known" pleading discussed above, intent can be  
5 alleged by inference as long as the facts pled reasonably support  
6 the inference. Exergen, 575 F.3d at 1327 n.4&5.

7 **d. Materiality**

8 Plaintiff argues that Defendant has not successfully alleged  
9 materiality, because Defendant does not specifically tie particular  
10 claims in the patent applications to specific allegedly material  
11 portions of the allegedly omitted references. (Mot. at 10.) As  
12 the Court notes above, however, there are in fact adequate  
13 references to specific material. (See, e.g., FACC, ¶ 18.)

14 Plaintiff also argues that Defendant's more specific pleadings  
15 as to materiality are implausible. (Id. at 10-11.) However, there  
16 is a line between determining plausibility and attempting to divine  
17 what the facts will show or come to ultimate conclusions. "[A]  
18 court must take the allegations as true, no matter how skeptical  
19 the court may be." Ashcroft v. Iqbal, 556 U.S. 662, 696 (2009).  
20 Particularly in a patent case like this, where the arguments depend  
21 on close comparison of descriptions of complex technologies, there  
22 is a danger of taking a side on the underlying fact of similarity  
23 or difference between the two inventions. At the pleading stage,  
24 an allegation that a specific portion of a prior art reference  
25 contains a description of a technique or component that is also  
26 used in the patent application will suffice to show materiality.

27 **e. Conclusions**

1 With the above as guiding principles, the Court concludes as  
2 follows.

3 As to all patents, Defendant sufficiently alleges the "who" of  
4 the inequitable conduct counterclaim by identifying specific  
5 attorneys who are alleged to have engaged in the inequitable  
6 conduct.

7 As to the '399 and '690 patents, Defendant sufficiently  
8 alleges materiality, knowledge, and intent. Defendant alleges  
9 specific portions of prior art that are material to the patent  
10 applications and alleges sufficient facts to support an inference  
11 that Plaintiff's lawyer had sufficient state of mind, because  
12 Defendant alleges that he knew of the prior art and affirmatively  
13 misrepresented it to the patent examiner. (FACC, ¶ 21.) This  
14 certainly supports an inference of intent to deceive. The "knew or  
15 should have known" and "intent or recklessness" language discussed  
16 above does not correctly state the standard as to knowledge and  
17 intent, but because the facts alleged strongly support an inference  
18 of both knowledge and intent, the Court finds that the claim is  
19 adequately pled.

20 As to the '894 patent, Plaintiff argues that Defendant's  
21 allegation of materiality of WO 98/40990 is undermined by fact that  
22 the patent survived a reexamination in which different prior art  
23 was submitted that "disclose[d] a TCP/IP handshake in connection  
24 with a gateway redirection procedure in which the gateway proxies  
25 (spoofs) the requested address." (FACC, ¶ 26.) The sections of WO  
26 98/40990 that Defendant pleads as material describe "the nomadic  
27 router pretending to be the host which the router expects to  
28 communicate with," (FACC, ¶ 18), which appears to describe

1 essentially the same process. Plaintiff therefore argues that  
2 Defendant has not pled facts suggesting that but for the omission  
3 of WO 98/40990, the patent examiner would not have granted the '894  
4 patent.

5 However, the ultimate grant of a patent is not dispositive on  
6 the question of materiality, although it can be highly probative.  
7 Molins PLC v. Textron, Inc., 48 F.3d 1172, 1179 (Fed. Cir. 1995).  
8 The pleading adequately alleges that WO 98/40990 was material prior  
9 art.

10 Plaintiff argues that Defendant fails to adequately plead the  
11 requisite mental state as to the '894 patent. The counterclaim  
12 states only that "Mr. Edwards[] was, or should have been, aware of  
13 the relevance of these references [i.e., the international patent  
14 application and the academic papers], which were published by a  
15 named inventor or Nomadix itself." (FACC, ¶ 20.) Apart from the  
16 erroneous "or should have been" framing, however, Defendant alleges  
17 sufficient facts to raise an inference of knowledge. As discussed  
18 above, it is a plausible inference that Edwards knew of Nomadix's  
19 own prior art, because he was an attorney charged with prosecuting  
20 a patent as to very similar technology on the company's behalf, and  
21 a reasonable attorney would familiarize himself with the company's  
22 relevant prior art. And for reasons discussed above (see note 4  
23 and accompanying text), the Court finds that Defendant's general  
24 pleading as to intent satisfies Rule 9(b), given the totality of  
25 the circumstances alleged.

26 As to the remaining patents, the claims get somewhat more  
27 complicated. According to the patent documents submitted by  
28 Plaintiff, it would appear that the '266, '246, '269, '806, and

1 '690 patents all directly descend from the '849 patent, and the  
2 '246, '269, '806, and '690 patents descend from the '266 patent.  
3 (Decl. Mark Lezama ISO Mot. Dismiss, Exs. 9-14.)

4 Defendant alleges that Plaintiff failed to submit WO 98/40990  
5 and the so-called "Brendel" prior art when applying for these later  
6 patents. Plaintiff argues, however, that these omissions do not  
7 matter, because the parent patent applications included these  
8 references. For example:

9 The '246 patent descends directly from the '266 patent, and  
10 the same PTO examiner handling both cases considered WO  
11 98/40990 in examining the '266 patent. Similarly, the '246  
12 patent ultimately descends from the '894 patent, and the PTO  
13 considered Brendel when reexamining the '894 patent.

14 (Reply at 20 (citations omitted).)

15 Prior art disclosed as to a parent application need not be  
16 disclosed again in continuation applications. ATD Corp. v. Lydall,  
17 Inc., 159 F.3d 534, 547 (Fed. Cir. 1998) (affirming summary  
18 judgment of no inequitable conduct because information in a parent  
19 application need not be resubmitted); Brunswick Corp. v. United  
20 States, 34 Fed. Cl. 532, 593 (1995) (no inequitable conduct where  
21 the prior art is "included in the file for plaintiff's parent  
22 application, which the CIP examiner is *required* to review as part  
23 of the same prosecution"); MPEP § 609.02(A)(2) The examiner will  
24 consider information which has been considered by the Office in a  
25 parent application when examining . . . a continuation-in-part  
26 application filed under 37 CFR 1.53(b). A listing of the  
27 information need not be resubmitted in the continuing application .  
28 . . .").



1        Thus, as Plaintiff argues, it is not, by itself, inequitable  
2 conduct not to include the reference to WO 98/40990 in the '246  
3 application, because that application explicitly refers back to the  
4 '266 application. The same thing is true of the others that refer  
5 back to '266.

6        Plaintiff points out that even on Defendant's pleadings, the  
7 reexamination of '894 took place before the applications for these  
8 patents, Brendel was considered in the reexamination, and the above  
9 patents are continuations of the '894 patent. (FACC, ¶¶ 26-27;  
10 Opp'n at 13.)

11        However, as to continuations of the '894 patent, it is not as  
12 clear that the Brendel reference would have been included in the  
13 later patent application. Plaintiff points to no case, and the  
14 Court is aware of none, stating that an applicant for a  
15 continuation patent need not submit information that was *not*  
16 submitted with the parent application and was only submitted for a  
17 *reexamination* of the parent. Particularly where, as in this case,  
18 the reexamination yielded no amendments to the patent, (Lezama  
19 Decl., Ex. 9 at 1308), it is not clear that a patent examiner  
20 considering a later continuation application would necessarily have  
21 scoured the reexamination record for new references not listed in  
22 the parent application. And where information has been submitted  
23 as to the parent application in some technical sense, but not  
24 actually considered, it should be resubmitted with the continuation  
25 patent application. MPEP § 609.02(B)(2). Thus, it is not clear  
26 that the ADT rule applies here.

27        Defendant also alleges that the applications for these patents  
28 "bury" references to other material prior art, including WO

1 98/40990 and something called "RFC 1919,"<sup>5</sup> in a mass of other, less  
2 relevant references. Plaintiff cites to Fiskars, Inc. v. Hunt Mfg.  
3 Co. for the proposition that "[a]n applicant can not be guilty of  
4 inequitable conduct if the reference was cited to the examiner."  
5 221 F.3d 1318, 1327 (Fed. Cir. 2000). But other cases have held  
6 that "'burying' a particularly material reference in a prior art  
7 statement containing a multiplicity of other references can be  
8 probative of bad faith." Molins PLC v. Textron, Inc., 48 F.3d  
9 1172, 1184 (Fed. Cir. 1995). Fiskars did not deal directly with  
10 the burying question and likely does not foreclose an inequitable  
11 conduct claim based on intentional burying. Robert Brendan Taylor,  
12 *Burying*, 19 Mich. Telecomm. & Tech. L. Rev. 99, 107-08 (2012).

13 Exactly under what circumstances "burying" supports an  
14 inference of bad faith is unclear from the cases. Nonetheless,  
15 "[i]ntent [to deceive] need not be proven by direct evidence; it is  
16 most often proven by a showing of acts, the natural consequences of  
17 which are presumably intended by the actor." Molins, 48 F.3d at  
18 1180. Thus, for example, in CIVIX-DDI, LLC v. Hotels.com, L.P.,  
19 the applicant cited an enormous number of prior art references  
20 (nearly 600), and it was alleged that the patent examiner had  
21 actually asked for clarification because of the volume of  
22 references. 711 F. Supp. 2d 839, 849 (N.D. Ill. 2010). In eSpeed,  
23 Inc. v. Brokertec USA, L.L.C., the applicant's supporting  
24 declarations and exhibits "amounted to over two thousand pages" and

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25  
26 <sup>5</sup>The counterclaim does not clearly identify RFC 1919, but it  
27 does state that it "describes a standard procedure known as  
28 'transparent proxying' in which a gateway conducts a connection  
handshake while proxying (spoofing) a requested website as a part  
of sending a response message while proxying (spoofing) the  
requested website." (FACC, ¶ 29.)

1 were worded so as to obscure the relationship with prior art. 417  
2 F. Supp. 2d 580, 598 (D. Del. 2006) aff'd, 480 F.3d 1129 (Fed. Cir.  
3 2007). Thus, "burying" is really nothing more than a species of  
4 the Rule 9(b) intent standard, which requires specific facts  
5 supporting an inference of an intent to deceive. In the burying  
6 cases, the volume of paper in combination with other facts provided  
7 that factual basis.

8 Here Defendant's position is that "over 1,000 references  
9 consuming on the order of 10,000 pages" in the various patent  
10 applications is excessive and "buries" the key prior art. (Opp'n  
11 at 22-23.) This, in turn, gives rise to an inference of bad faith  
12 - i.e., an intent to deceive.

13 To prove intent under a burying theory, Defendant will have a  
14 high bar to clear at trial. See Star Scientific, Inc. v. R.J.  
15 Reynolds Tobacco Co., 537 F.3d 1357, 1366 (Fed. Cir. 2008) (to  
16 prove intent to deceive by circumstantial evidence, "the inference  
17 must not only be based on sufficient evidence and be reasonable in  
18 light of that evidence, but it must also be the single most  
19 reasonable inference able to be drawn from the evidence to meet the  
20 clear and convincing standard."). But at the pleading stage, given  
21 the totality of the facts pled - multiple overlapping and cross-  
22 referenced applications, some of which may have omitted a key  
23 reference that was only available in the '894 reexamination, and  
24 which (Defendant alleges) are overstuffed with irrelevant  
25 references - the Court finds that Defendant adequately states a  
26 counterclaim for inequitable conduct.

27 **C. Prosecution Laches, Estoppel, and/or Unclean Hands**  
28

1 Prosecution laches is an equitable defense to a charge of  
2 patent infringement that renders a patent unenforceable due to "an  
3 unreasonable and unexplained delay in prosecution that constitutes  
4 an egregious misuse of the statutory patent system under the  
5 totality of the circumstances." Cancer Research Tech. Ltd. v. Barr  
6 Labs., Inc., 625 F.3d 724, 728 (Fed. Cir. 2010). To state a claim  
7 for prosecution laches, the defendant must allege actual prejudice  
8 to either the defendant or the public. Id. at 729.

9 Defendant's theory of prosecution laches is essentially that  
10 Plaintiff has submitted multiple, prolix, and unreasonably complex  
11 patent applications, allegedly as continuations of earlier patents  
12 in the basic technology, but in reality simply intended to multiply  
13 the time it takes the Patent Office to issue the patents, thereby  
14 creating an "unreasonable and unexplained delay." (See FACC, ¶ 84;  
15 Opp'n at 22-23.)

16 The Federal Circuit has instructed that "[t]here are  
17 legitimate grounds for refiling a patent application which should  
18 not normally be grounds for a holding of laches, and the doctrine  
19 should be used sparingly lest statutory provisions be unjustifiably  
20 vitiated." Symbol Technologies, Inc. v. Lemelson Med., Educ. &  
21 Research Found., 422 F.3d 1378, 1385 (Fed. Cir. 2005). However,  
22 the court there also held that:

23 [R]efiling an application solely containing previously-allowed  
24 claims for the business purpose of delaying their issuance can  
25 be considered an abuse of the patent system. In particular,  
26 multiple examples of repetitive refilings that demonstrate a  
27 pattern of unjustifiably delayed prosecution may be held to  
28 constitute laches. Taken singly, the delay in the prosecution

1 on any one particular application will surely not appear to  
2 merit relief by the courts in equity. On the other hand, an  
3 examination of the totality of the circumstances, including  
4 the prosecution history of all of a series of related patents  
5 and overall delay in issuing claims, may trigger laches.  
6 Id. at 1385-86 (citation omitted).

7 In Symbol, an inventor submitted numerous continuation-in-part  
8 applications, both while the parent application was still pending  
9 and afterward. Id. at 1380. The parent patent issued seven years  
10 after the original application was filed. Id. Ultimately, the  
11 issuance of the patents in that case may have been delayed by as  
12 much as 39 years. Id. The trial court made an explicit finding  
13 that the inventor "systematically extended the pendency of his  
14 applications by sitting on his rights, and sequentially filing one  
15 application at a time so that he could maintain copendency while  
16 waiting for viable commercial systems to be designed and marketed."  
17 Symbol Technologies, Inc. v. Lemelson Med., Educ. & Research  
18 Found., Ltd. P'ship, 301 F. Supp. 2d 1147, 1156 (D. Nev. 2004).  
19 The district court found, and the Federal Circuit affirmed, the  
20 prosecution laches rendered the patents unenforceable. Symbol, 422  
21 F.3d at 1384. Thus, Defendant's theory that filing multiple,  
22 redundant continuations-in-part over a number of years, in order to  
23 delay patent issuance and effectively extend one's patent monopoly  
24 as the field develops, is a potentially viable one.

25 However, the facts of this case do not lend themselves to a  
26 theory of prosecution laches. First, as Plaintiff points out, the  
27 doctrine had greater application in prior decades when patent terms  
28 were measured from the date the application was *approved*. The

1 possibility of extending the lifetime of one's monopoly created a  
2 perverse incentive to unreasonably prolong the prosecution process.  
3 That incentive has now been removed by a change to the patent  
4 statutes setting the term from the date of *filing*. 35 U.S.C. §  
5 154(a)(2) ("Such grant shall be for a term beginning on the date on  
6 which the patent issues and ending 20 years from the date on which  
7 the application for the patent was filed . . . ."); Cancer  
8 Research, 625 F.3d 724 at 732 ("[T]he facts of this case are not  
9 likely to be frequently repeated, as patent terms are now measured  
10 from effective filing date."). In this case, Plaintiff cannot  
11 extend its monopoly past the 20-year mark, no matter how many  
12 continuation applications it files, because all those offspring  
13 patents would have a priority date that is the same as the parent.  
14 35 U.S.C. § 154(a)(2); Mohsenzadeh v. Lee, 5 F. Supp. 3d 791, 794  
15 (E.D. Va. 2014).

16 Second, Plaintiff's '894 patent (parent to nearly all the  
17 other patents at issue) was issued in a reasonable four-year  
18 timeframe, and none of the continuation applications were filed  
19 until the parent application was approved. Thus, there appears to  
20 have been no delay of the issuance of the parent patent. That  
21 patent set out many, if not most, of the claims at issue - indeed,  
22 one of Defendant's arguments for invalidity is that Plaintiff's  
23 patents are largely redundant with previous patents, including  
24 '894. (FACC, ¶¶ 64-67.) Thus, the industry may be presumed to  
25 have been aware of the general outline of Plaintiff's claims, and  
26 its presumptive legal right to those claims, at least since the  
27 issuance of the '894 patent. This makes it less likely that others  
28

1 in the industry could be substantially prejudiced by uncertainty as  
2 to Plaintiff's claims.

3 Finally, even if the patent issuance had been delayed,  
4 Defendant must allege more than the general harm that comes from an  
5 extended patent monopoly. Rather, in claiming prejudice, it must  
6 plead that "either the accused infringer or others invested in,  
7 worked on, or used the claimed technology during the period of  
8 delay." Cancer Research Tech. Ltd. v. Barr Labs., Inc., 625 F.3d  
9 724, 729 (Fed. Cir. 2010). Defendant does not plead such facts.

10 The Court therefore finds that Defendant's pleading does not  
11 adequately allege prosecution laches.

12 Defendant also argues that Plaintiff's multiple, prolix, and  
13 complex patent applications are not in good faith, but are intended  
14 to create a "legal thicket" for would-be challengers to the  
15 patents, significantly raising the cost of administrative  
16 challenges as to both the per-patent fees charged by the Patent  
17 Office and the lawyer-hours required to review long, dense patent  
18 documents. (Opp'n at 24-25.) Defendant therefore argues that some  
19 equitable reason must exist to declare the patents unenforceable,  
20 whether prosecution laches, estoppel, unclean hands, or some other  
21 theory. (FACC, ¶¶ 84-85.) Defendant also asks the Court to  
22 "extend the law to recognize this defense" if it is not supported  
23 by existing cases. (Id.)

24 The defense of unclean hands is essentially a cousin to  
25 inequitable conduct that lowers the materiality threshold on a  
26 showing of "egregious misconduct" like perjury or the suppression  
27 of evidence. See Human Genome Sciences, Inc. v. Genentech, Inc.,  
28 No. 2:11-CV-6519-MRP, 2011 WL 7461786, at \*8 (C.D. Cal. Dec. 9,

1 2011); Network Signatures, Inc. v. State Farm Mut. Auto. Ins. Co.,  
2 No. SACV 11-00982 JVS, 2012 WL 2357307, at \*7 (C.D. Cal. June 13,  
3 2012) rev'd on other grounds, 731 F.3d 1239 (Fed. Cir. 2013).

4 Defendant does not explain how this doctrine could be extended to  
5 encompass its equitable complaints about the multiplicity,  
6 prolixity, and complexity of Plaintiff's patents. Similarly, the  
7 Court is not aware of any theory of estoppel that would provide  
8 Defendant the relief it seeks.

9       Moreover, by allowing for continuation patents, 35 U.S.C. §  
10 120, Congress has determined that some multiplicity of patents on  
11 the same subject matter is appropriate, even if that means that  
12 there is some increase in costs to parties seeking review of  
13 patents. Moreover, Congress has recently reexamined the  
14 administrative review process, suggesting that it is aware of, and  
15 has taken into account, the interaction between that process and  
16 the availability of continuation patents. Leahy-Smith America  
17 Invents Act, Pub.L. No. 112-29, 125 Stat. 284 (2011). Where  
18 Congress has set a balance of rights between competing interests,  
19 courts should not lightly undertake to adjust that balance.

20       Of course, if the continuation patents are frivolously filed,  
21 they may be declared invalid. Defendant has asserted a  
22 counterclaim requesting Plaintiff's patents be declared invalid,  
23 and likely that is its best remedy here.

#### 24 **IV. CONCLUSION**

25       The motion to dismiss (and strike related affirmative  
26 defenses) is GRANTED IN PART. Defendant's counterclaim for non-  
27 infringement is adequately pled, with the caveats discussed above.  
28 Defendant's counterclaim for inequitable conduct is adequately pled



1 as to all patents. Defendant's counterclaim as to prosecution  
2 laches is DISMISSED. Defendant's counterclaims as to estoppel and  
3 unclean hands are DISMISSED. All affirmative defenses  
4 corresponding to the DISMISSED counterclaims are likewise stricken.  
5

6 IT IS SO ORDERED.

7  
8 Dated: June 29, 2015

  
DEAN D. PREGERSON  
United States District Judge

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