



May 19, 2023

Categories:

[Gibbons](#)

[Patent](#)

Authors:

[Charles H. Chevalier](#)

[Christine A. Gaddis](#)

District of New Jersey Grants Motion to Dismiss Inequitable Conduct Counterclaim and Strike Affirmative Defenses

In *2109971 Ontario Inc. d/b/a Xcella Furniture v. Best Deals Discount Furniture LLC*, the United States District Court for the District of New Jersey recently granted plaintiff 2109971 Ontario Inc.'s ("Xcella Furniture") motion to dismiss defendant Best Deals Discount Furniture's ("Best Deals") counterclaim for inequitable conduct as well as strike 29 of Best Deals's affirmative defenses. The underlying case relates to Best Deals's alleged infringement of a design patent related to articles of furniture.

With respect to the inequitable conduct counterclaim, the district court found that Best Deals had failed to apply the correct legal standard for evaluating such a claim, which is that set forth in the Federal Circuit's decision in *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1326 (Fed. Cir. 2009). The district court noted that under *Exergen*, inequitable conduct "'must be pled with particularity under Rule 9(b),' " which requires that the pleading "'identify the specific who, what, when, where, and how of the material misrepresentation or omission committed before the PTO.'" *Id.* at *5 (quoting *Exergen*, 575 F.3d at 1326-28). Best Deals, relying on cases from the District of Delaware that pre-dated *Exergen*, had argued that it needed only to "'allege that there has been relevant prior art and acts sufficient to allege fraud.'" *Id.* at *4.

The district court then concluded that Best Deals had failed to satisfy the "why" element of inequitable conduct because it had alleged only "simplistic legal conclusions, formulaic recitations, and bald assertions" that the "information was 'material' because it related to 'patentability'" and that the Counterclaim Defendants had "'engaged in material misconduct' and 'made affirmative misrepresentations of material fact,'" but did not explain what those facts were or why they were material. *Id.* at *6-7. Thus, the district court dismissed Best Deals's inequitable conduct counterclaim.

The inequitable conduct portion of the opinion shows that allegations of inequitable conduct must include specific factual allegations, as district courts will not accept recitations of legal conclusions, and that plaintiffs have the option of using a motion to dismiss to respond to an inequitable conduct counterclaim that fails to meet the *Exergen* pleading standard.

Turning to Xcella's motion to strike 29 of Best Deals's affirmative defenses, the district court noted that motions to strike affirmative defenses under Fed. R. Civ. P. 12(f) are "not favored" and should not be granted "'unless the insufficiency of the defense is clearly apparent.'" *Id.* at *7–8 (quoting *Cipollone v. Liggett Grp., Inc.*, 789 F.2d 181, 188 (3d Cir. 1986)). Nevertheless, the district court did strike many of the affirmative defenses, finding that they were merely "rote recitations, conclusory, and prejudicial to Plaintiff." *Id.* at *15. Examples of the stricken defenses included those based on: "inequitable conduct; patent misuse; equitable estoppel; damages limited by statutes, statute of limitations" and others. *Id.* at *11. These particular defenses were stricken without prejudice, and Best Deals was granted leave to amend pursuant to Fed. R. Civ. P. 15.

The district court did dismiss several of the defenses with prejudice: (1) Best Deals's improper venue defense based on its admission in the complaint that venue was proper in the District of New Jersey. *Id.* at *16–17; (2) Best Deals's damage limitation for later discovered evidence because it was clearly apparent that the "defense [was] meritless"; and (3) Best Deals's reservation of rights and affirmative defenses and incorporation of all other affirmative defenses because "the insufficiency of both [was] 'clearly apparent' and meritless." *Id.* at *16–17.

The portion of the opinion striking the vast majority of Best Deals's affirmative defenses demonstrates that parties should avoid kitchen-sink type lists of affirmative defenses in pleadings without some sort of related factual allegations. Although motions to strike affirmative defenses are generally disfavored, if asked to review the sufficiency of such allegations, a district court may, as was the case here, require more than a bare bones list.

Gibbons will continue to monitor and report developments in patent litigation in the District of New Jersey.

© 2026 FBT Gibbons LLP. May be considered attorney advertising in some jurisdictions.