

The Confusing and Often Contradictory World of Pleading Defenses and Counterclaims in Patent Cases

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Defendants seeking to plead affirmative defenses and counterclaims in patent cases face a confusing world of inconsistent pleading standards and contradictory applications of those standards. Courts generally agree that the standards set forth in *Twombly*¹ and *Iqbal*² apply to counterclaims by infringement defendants, but the application of the *Twombly/Iqbal* standard to counterclaims varies widely from court to court. There is less clarity regarding which pleading standards should apply to affirmative defenses. District courts across the country have adopted several different (and often conflicting) standards and rules for determining the sufficiency of such pleadings. Furthermore, even in situations where courts purport to use a similar standard for pleading affirmative defenses, the application of these standards remains very court determinative.

The situation faced by defendants is markedly different than that of patent plaintiffs. Defendants usually must assert their defenses and counterclaims within 21 days of being served with a complaint³, and these pleadings are often held to the “plausible factual allegation” standard of *Twombly* and *Iqbal*. By contrast, the Federal Circuit has clearly established that patent plaintiffs do not need to meet the *Twombly/Iqbal* standard for pleading patent infringement.⁴ Instead, plaintiffs need only provide the information specified in Form 18 of the Appendix to the Federal Rules of Civil Procedure (FRCP), which requires less information.⁵ Recent patent reform bills have addressed pleading standards in patent cases, but such efforts have focused on raising the standards for plaintiffs, rather than clarifying the standards for accused infringers.

¹ *Bell Atl. Corp. v. Twombly*, 127 S. Ct. 1955, 1964 (2007).

² *Ashcroft v. Iqbal*, 129 S. Ct. 1937, 1941 (2009).

³ Fed. R. Civ. P. 12. Though, defendants often obtain extensions.

⁴ *In re Bill of Lading Transmission & Processing Sys. Patent Litig.*, 681 F.3d 1323, 1334 (Fed. Cir. 2012).

⁵ Form 18 applies to a pleading for **direct** infringement.

Thus, given the lack of any forthcoming guidance on the issues of pleading affirmative defenses and counterclaims, upon being served with a complaint for patent infringement, what is an accused infringer to do? This article provides an overview of the current law of pleading requirements in patent cases and contains recommendations for practitioners faced with these issues.

I. Background

Rule 8 of the FRCP governs the pleading standards in Federal Cases. Rule 8(a)(2) states that a complaint must contain “a short and plain statement of the claim showing that the pleader is entitled to relief.”⁶ The Supreme Court has examined and clarified the standard set forth in Rule 8(a)(2) in *Twombly* and *Iqbal*. The Court clarified the proper application of Rule 8, stating that a complainant must plead facts that “plausibly give rise to an entitlement to relief.”⁷ In other words, a complainant must do more than provide mere conclusory allegations.

Rule 8(c) governs the standards for pleading affirmative defenses and specifies that “[i]n responding to a pleading, a party must affirmatively state any avoidance or affirmative defense.”⁸ The Supreme Court’s *Twombly* and *Iqbal* decisions did not address Rule 8(c). However, other courts have recognized that Rule 8(c) sets a lower standard than that of *Twombly* and *Iqbal*. For example, in *Tyco Fire Prods. LP v. Victaulic Co.*, 777 F. Supp. 2d 893, 900 (E.D. Pa. 2011), the judge reasoned that in light of the differences between Rules 8(a) and 8(c), *Twombly* and *Iqbal* do not apply to affirmative defenses. As such, the Court concluded “[a]n affirmative defense need not be plausible to survive; it must merely provide fair notice of the issue involved.”⁹ Similarly, in a District of Nevada case, the Court (citing *Tyco*) came to the conclusion that affirmative defenses “need not contain facts making the defense plausible, as under *Iqbal*”¹⁰

⁶ Fed. R. Civ. P. 8(a)(2).

⁷ *Iqbal*, 129 S. Ct. 1941.

⁸ Fed. R. Civ. P. 8(c).

⁹ *Id.*

¹⁰ *Rockwell Automation, Inc. v. Beckhoff Automation, LLC*, 23 F. Supp. 3d 1236, 1241-42 (D. Nev. 2014).

The *Twombly* and *Iqbal* decisions led to confusion in patent cases because Rule 84 of the Federal Rules of Civil Procedure states that “the forms in the Appendix suffice under these rules and illustrate the simplicity and brevity that these rules contemplate.”¹¹ One of the Forms, Form 18, contains an example of a “Complaint for Patent Infringement.” As described by the Federal Circuit, Form 18 requires:

(1) an allegation of jurisdiction; (2) a statement that the plaintiff owns the patent; (3) a statement that defendant has been infringing the patent ‘by making, selling, and using [the device] embodying the patent’; (4) a statement that the plaintiff has given the defendant notice of its infringement; and (5) a demand for an injunction and damages.¹²

Several parties alleged that the information contained in Form 18 would be insufficient to state a plausible claim under the *Twombly/Iqbal* standard. In response, the Federal Circuit held that the information specified in Form 18 is sufficient to state a claim for patent infringement in a complaint, even if it may not meet *Twombly/Iqbal*.¹³ The Federal Circuit has explained that “Form 18 and the Federal Rules of Civil Procedure do not require a plaintiff to plead facts establishing that each element of an asserted claim is met. Indeed, a plaintiff need not even identify which claims it asserts are being infringed.”¹⁴

Form 18 governs pleading standards for patent **complaints**, but does not govern the standards for pleading affirmative defenses or counterclaims brought in response to a complaint. District courts for the most part agree that the *Twombly/Iqbal* standard governs counterclaims. However, there is disagreement, even between judges in the same District, as to the level of specificity required to meet the standard of *Twombly/Iqbal* in counterclaims (particularly for counterclaims of noninfringement or

¹¹ Fed. R. Civ. P. 84.

¹² See *In re Bill of Lading Transmission & Processing Sys. Patent Litig.*, 681 F.3d 1323 (Fed. Cir. 2012).

¹³ *Id.* 1334 (“Accordingly, to the extent the parties argue that *Twombly* and its progeny conflict with the Forms . . . , the Forms control . . . Thus, whether R+L’s amended complaints adequately plead direct infringement is to be measured by the specificity required by Form 18.”).

¹⁴ *Id.* at 1335.

invalidity).¹⁵ There is even less agreement as to the pleading standard that applies to affirmative defenses. Judges in the Northern District of California, Southern District of Texas, and Northern District of Illinois have held that the *Twombly/Iqbal* standard applies to affirmative defenses.¹⁶ By contrast, judges in the Eastern District of Pennsylvania, District of Nevada, and District of Arizona have held that the *Twombly/Iqbal* standard does not apply to affirmative defenses.¹⁷

II. A Confusing Landscape

Accused infringers generally have 21 days to analyze and plead any counterclaims. Additionally, discovery has not begun and the accused infringer may have little information regarding the claims they may want to assert. Furthermore, the accused infringer must also analyze and decide on any affirmative defenses they wish to plead. Confronted with these time pressures, accused infringers must also deal with an unsettled legal landscape governing these pleadings.

A. Pleading Counterclaims

District courts have generally agreed that the *Twombly/Iqbal* standard applies to counterclaims.¹⁸ In coming to this conclusion, Courts have pointed to the express language of Rule 8(a)(2) and the fact that counterclaims are themselves complaints. However, the application of the *Twombly/Iqbal* standard to counterclaims – particularly declaratory judgment counterclaims for noninfringement or invalidity – varies widely.

¹⁵ *Compare CryoLife, Inc. v. C.R. Bard, Inc.*, 2015 WL 1069397, *4 (D. Del. Mar. 10, 2015) (finding a relatively bare bones counterclaim sufficiently plead) with *EMC Corp. v. Zerto, Inc.*, 2014 WL 3809365, *1-*2 (D. Del. July 31, 2014) (finding relatively bare bones pleading insufficiently plead).

¹⁶ See, e.g., *BlackBerry Limited v. Typo Products LLC*, 2014 WL 1867009, *5 (N.D. Cal. May 8, 2014); *Oleksy v. General Elec. Co.*, 2013 WL 3233259, *17-*18 (N.D. Ill. June 26, 2013); *Moody v. Aqua Leisure Intern.*, 2011 WL 2604840, *2-*3 (S.D. Tex. Jun. 30, 2011).

¹⁷ See, e.g., *Tyco Fire Prods. LP v. Victaulic Co.*, 777 F. Supp. 2d 893, 900 (E.D. Penn. 2011); *Rockwell Automation, Inc.* 23 F. Supp. 3d at 1241-42; *Verco Decking, Inc. v. Consolidated Systems, Inc.*, 2013 WL 6844106, *4-*5 (D. Ariz. Dec. 23, 2013).

¹⁸ But see *Elan Pharm. Int'l Ltd. v. Lupin Ltd.*, 2010 WL 1372316, at *5 (D.N.J. Mar. 31, 2010); *Teirstein v. AGA Med. Corp.*, 2009 WL 704138, at *5 (E.D. Tex. Mar. 16, 2009); *Microsoft Corp. v. Phoenix Solutions, Inc.*, 741 F. Supp. 2d 1156, 1159 (C.D. Cal. 2010); *Pfizer, Inc. v. Apotex, Inc.*, 726 F. Supp. 2d 921, 937-38 (N.D. Ill. 2010).

For example, in *Senju*¹⁹, Judge Robinson in the District of Delaware explained that the *Twombly/Iqbal* standard should apply to counterclaims even though Form 18 requires a lower standard for plaintiffs. Judge Robinson explained, that

the District of Delaware has not adopted any local patent rules regarding the pleading standard for invalidity counterclaims or requiring that factual contentions be served promptly after a counterclaim of invalidity is advanced. Moreover, Form 18 still requires that some factual underpinning be presented, a factual underpinning absent from Apotex's pleading. Most significantly, the fact that Form 18 (rather than *Twombly* and *Iqbal*) remains the standard for pleading infringement claims is an insufficient justification for deviating from *Twombly* and *Iqbal* for pleading other causes of action....²⁰

Other judges have come to similar conclusions and held *Twombly/Iqbal* to apply to counterclaims of noninfringement or invalidity.²¹

However, despite general agreement that *Twombly/Iqbal* applies to counterclaims, courts vary in their application of the standard to counterclaims. Some courts have found bare bones pleadings sufficient, even under the *Twombly/Iqbal* standard, while others have not.

In *CryoLife*²², for example, the Court found CryoLife's relatively bare bones pleadings of invalidity and non-infringement met the *Twombly/Iqbal* standard. In its counterclaim of invalidity, CryoLife simply stated the claims were "invalid for failure to comply with one or more of the conditions for patentability set forth in Title 35 of the United States Code, including, but not limited to, 35 U.S.C. §§ 102 and/or 103."²³ CryoLife identified three pieces of prior art to support its 102/103 invalidity challenge and provided no further commentary. Based on this simple pleading, the Court concluded CryoLife sufficiently pleaded invalidity. Similarly, in asserting a counterclaim of non-infringement, the Court found CryoLife's pleading that "[t]he use, offer for sale, and/or sale of CryoLife's PerClot products has

¹⁹ *Senju Pharm. Co., Ltd. v. Apotex, Inc.*, 921 F. Supp. 2d 297, 302-03 (D. Del. 2013).

²⁰ *Id.*

²¹ See, e.g., *Deerpoint Group, Inc. v. Acqua Concepts, Inc.*, 2014 WL 7178210, *4-*5 (E.D. Cal. Dec. 16, 2014); *Wi3, Inc. v. Actiontec Electronics, Inc.*, 2014 WL 6627582, *2-*4 (W.D.N.Y. Nov. 21, 2014); *Fitness Anywhere LLC v. Woss Enterprises LLC*, 2014 WL 4802432, *2-*3 (N.D. Cal. Sept. 26, 2014).

²² *CryoLife, Inc.*, 2015 WL 1069397 at *4.

²³ *Id.*

not infringed, does not infringe, and would not, when marketed and sold, directly or indirectly infringe any valid claim of the '461 patent, either literally or under the doctrine of equivalents” sufficient when supplemented by CryoLife's statement that the “products behave in use like the prior art which was argued by the patentee to be fundamentally different during prosecution.”²⁴

Similarly, in *Fitness Anywhere*²⁵, the Court found Defendant’s simple allegation “that the Asserted Patents are invalid for failing to comply with the specific statutory subparts of ‘§§ 101, 102, 103 and/or 112’” sufficient where (1) Defendant did not assert all grounds of invalidity and unenforceability under the Patent Act and (2) Defendant explained these grounds of invalidity in detail in their affirmative defenses.²⁶

By contrast, other courts have dismissed more detailed pleadings as insufficient under *Twombly/Iqbal*. For example, in *Beco Dairy Automation, Inc.*²⁷, the Court dismissed Beco’s counterclaims alleging invalidity under four separate statutes, even though Beco’s counterclaims set forth numerous and independent grounds for invalidating patent claims (e.g., prior public use, prior offer to sell, prior printed publication, abandonment, and others).²⁸ The Court found the counterclaims void of factual underpinnings and held that because Beco failed to identify facts “necessary to sustain recovery under some viable legal theory,” its claims were not plausible.²⁹

To confound matters even further, in some instances, courts have found that bare bones counterclaims are insufficient even under a lower version of *Twombly/Iqbal*. For example, in *EMC Corp. v. Zerto, Inc.*³⁰, the District of Delaware held that “counterclaims of invalidity do not need detailed

²⁴ *Id.*

²⁵ *Fitness Anywhere LLC*, 2014 WL 4802432.

²⁶ *Id.* *2.

²⁷ *Beco Dairy Automation, Inc. v. Global Tech Sys., Inc.*, 2015 WL 925588 (E.D. Cal. Mar. 3, 2015).

²⁸ *Id.* *9.

²⁹ *Id.* *4.

³⁰ *EMC Corp.* 2014 WL 3809365.

factual allegations” to satisfy *Twombly/Iqbal*.³¹ Nonetheless, the Court found that Zerto’s counterclaims of invalidity, which recited: “[o]ne or more claims ... is invalid for failure to comply with the conditions for patentability specified by Title 35 of the United States Code, including without limitation 35 U.S.C. §§ 101, 102, 103 and 112” lacked sufficient factual matter to satisfy the pleading standards of Rule 8.³² The Court found these “bare-bones legal conclusions devoid of any supporting factual allegations.”³³

However, to the extent that courts have found counterclaim pleadings insufficient for failure to meet *Twombly/Iqbal*, they generally have granted leave to amend.³⁴

B. Pleading Affirmative Defenses

Unlike counterclaims, where there exists a general consensus of what standard applies, there is clear disagreement as to whether the *Twombly/Iqbal* standard applies to pleading affirmative defenses.

The Northern District of California and the Northern District of Illinois have held that the pleading standard of *Twombly/Iqbal* applies. In coming to this conclusion, courts have relied on the similarity between affirmative defense pleadings and counterclaim pleadings, particularly for noninfringement and invalidity defenses. Courts have also pointed to the presence or lack of local patent rules which would require other disclosures of the basis for invalidity or noninfringement positions.

For example, in the Northern District of Illinois, in *Oleksy v. Gen. Elec. Co.*, the Court explained its reason for applying the *Twombly/Iqbal* standard to affirmative defenses.³⁵ In this case, GE asserted the affirmative defense that the patent they were accused of infringing was invalid based on prior use. GE also asserted a counterclaim for a declaratory judgment that the patent was invalid based on prior use based largely on the same facts. The Court noted this action was “illustrative of potential problems”

³¹ *Id.* *2.

³² *Id.*

³³ *Id.*

³⁴ See e.g., *EMC Corp.*, 2014 WL 3809365, at *4 (granting leave to amend); *Beco Dairy Automation, Inc.* 2015 WL 925588, at *4; *GE Lighting Solutions, LLC v. Lights of Am., Inc.*, 2013 WL 1874855, at *1 (N.D. Ohio May 3, 2013).

³⁵ *Oleksy v. Gen. Elec. Co.*, 2013 WL 3233259, at *17 (N.D. Ill. June 26, 2013).

that would result if different pleading standards for counterclaims and affirmative defenses were adopted.³⁶ The Court noted that if different standards were applied, “it would then be required to review the same factual allegations under two different standards and could potentially reach a result where it found the affirmative defenses were sufficiently pled but the counterclaim was not despite the fact they relied on the exact same factual allegations.”³⁷ Refusing to adopt a rule that would lead to such results, the Court held that affirmative defenses must comply with the pleading requirements set forth in *Twombly*. However, in view of local rules that required contention disclosures, the Court acknowledged it “must be cognizant to not prematurely strike invalidity affirmative defenses for failing to set forth the necessary detail required by *Twombly*.”³⁸

Similarly, courts in the Northern District of California have also concluded that *Twombly/Iqbal* applies to affirmative defenses. For example, in *Blackberry Limited*,³⁹ the Court held that affirmative defense pleadings should require “some valid factual basis” beyond “some conjecture that [the defense] may somehow apply.”⁴⁰ The Court seemed particularly willing to strike claims that recited conclusory catch-all language, stating that “[a]pplying the same standard [to counterclaims and defenses] will also serve to weed out the boilerplate listing of affirmative defenses which is commonplace in most defendants’ pleadings where many of the defenses alleged are irrelevant to the claims asserted.”⁴¹ The Court went on to strike several affirmative defenses which the Court concluded lacked “**any** facts and therefore [were] insufficiently pleaded.”⁴²

Other courts have come to the opposite conclusion. For example, courts in the District of Nevada, Eastern District of Pennsylvania, Northern District of Ohio, and District of Arizona have

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Id.* *18.

³⁹ *BlackBerry Limited*, 2014 WL 1867009.

⁴⁰ *Id.* *5 (citation omitted).

⁴¹ *Id.* (citation omitted).

⁴² *Id.* (emphasis in original).

concluded that *Twombly/Iqbal* does not apply to affirmative defenses.⁴³ These courts have often relied on a distinction between Rule 8(a)(2) which requires a showing versus Rule 8(c) which requires a statement.

In *GE Lighting Solutions*⁴⁴, a judge in the Northern District of Ohio held that while *Twombly/Iqbal* applied to counterclaims, the judge would not apply the same standard to similarly pleaded affirmative defenses. In coming to its conclusion, the Court relied on Sixth Circuit precedent that the Federal Rules require a lower standard for pleading defenses, and held that an affirmative defense may be pleaded in “general terms” so long as it gives the plaintiff fair notice of the nature of the defense.⁴⁵ The Court recognized that this would apply two different standards to similar language, noting that “an invalidity counterclaim asserted without any factual support will be dismissed under 12(b)(6) while an identically worded affirmative defense will not.”⁴⁶ The Court concluded that “even though Defendants’ affirmative defenses lack factual content” they were sufficient under the Rules.⁴⁷

Similarly, in *Verco Decking*⁴⁸, a judge in the District of Arizona concluded that *Twombly/Iqbal* did not apply to pleading affirmative defenses and based its holding on the language of Rule 8. Specifically, the Court, citing Rule 8, explained that “the only pleading requirement for an affirmative defense, as opposed to a defense or a claim, is that ‘a party must affirmatively state’ it.”⁴⁹ The Court specifically stated that such defenses need only comply with notice pleading requirements.⁵⁰ The Court also declined to read the requirements of Rule 8(a)(2) into Rule 8(c). Based on these conclusions, the Court did not strike the Defendant’s affirmative defenses.

⁴³ *E.g.*, *Rockwell Automation, Inc.*, 23 F. Supp. 3d at 1241-42; *Verco Decking, Inc.*, 2013 WL 6844106 at *4-*5; *GE Lighting Solutions, LLC*, 2013 WL 1874855 at *3-*4; *Tyco*, 777 F Supp. 2d at 896, 903.

⁴⁴ *GE Lighting Solutions, LLC*, 2013 WL 1874855.

⁴⁵ *Id.* * 4 (citations omitted).

⁴⁶ *Id.*

⁴⁷ *Id.*

⁴⁸ *Verco Decking, Inc.*, 2013 WL 6844106.

⁴⁹ *Id.* *5.

⁵⁰ *Id.*

However, even when an accused infringer can identify the standard likely to be applied by a particular district court judge – much as with counterclaims, there are wide discrepancies in the sufficiency of an affirmative defense pleading, under either the *Twombly/Iqbal* standard or the lower notice pleading standard of Rule 8(c).

For example, in *Tyco*, the Court held that an affirmative defense which alleged only that the patent was “invalid and/or unenforceable for failure to comply with the conditions of patentability specified in Title 35 of the United States Code, including, without limitation, at least §§ 101, 102, 103 and 112” was sufficiently pleaded under the lower standards of Rule 8(c).⁵¹ By contrast, the Court in *Rockwell Automation*, applying the same standard, held that a pleading which stated “[t]he asserted claims of the patents in suit are invalid for failing to comply with the requirements of the patent laws of the United States, 35 U.S.C. § 1 et seq., including, but not limited to, §§ 101, 102, 103, and/or 112” was insufficiently pleaded.⁵² Similarly, the Court in *Fleming* held that a pleading which stated “[t]he ‘038 patent and the ‘653 patent and the ‘905 patent are invalid for failure to comply with the requirements of Title 35, United States Code, including but not limited to Sections 102–103, 112, and/or 251” was insufficient under any standard.⁵³

Again however, as with counterclaims, courts have generally shown willingness to grant leave to amend insufficiently pleaded affirmative defenses.

C. No End in Sight

There does not appear to be an imminent solution to this morass. As of this publication, the Federal Circuit has not taken up these issues, and the authors are not aware of any pending circuit decisions on point. Additionally, while pleading standards have been a central issue in multiple patent

⁵¹ *Tyco*, 777 F Supp. 2d at 896, 903.

⁵² *Rockwell Automation*, 23 F. Supp. 3d at 1248. However, even though the Court found the pleading insufficient under the rules, the Court did not dismiss or strike the claim in view of the parties impending disclosure of infringement and invalidity contentions under the Local Rules, which would moot the issue.

⁵³ *Fleming v. Escort, Inc.*, 2013 WL 870632, *4 (D. Idaho Mar. 6, 2013).

reform bills, these bills exclusively deal with efforts to increase the pleading requirements for plaintiffs alleging infringement to a higher standard than Form 18. Notably absent from any proposed patent reform bills is any discussion of pleading standards for affirmative defenses or counterclaims.

For example, both the “Innovation Act” of 2013 and the “Protecting American Talent and Entrepreneurship Act of 2015” (“the PATENT Act”) include provisions relating to pleading standards in patent cases. Both pieces of legislation propose raising the standard for pleading patent infringement in a complaint, rather than lowering (or even clarifying) the standard for defendants’ counterclaims and defenses. Thus, while the proposed legislation may put the parties to a patent lawsuit on a more even footing in regards to the correct **standard** for pleading claims (albeit not affirmative defenses), it is unclear what ameliorative effect, if any, this would have on the confusing and overlapping **applications** of those standards to patent counterclaims, let alone affirmative defenses.

III. What Does this Mean for Practitioners?

Given the lack any forthcoming guidance or clarity on this issue, upon being served with a complaint for patent infringement, what is an accused infringer to do when putting together their defense case?

The first thing to do is decide what possible affirmative defenses and counterclaims you may want to assert. Next, what is clear from a review of this issue is that if you are considering either or both of these options, you must first identify the current patent landscape in your district. Specifically, you should determine whether or not your district has local patent rules that may shed light on the pleading standards (or any later filings that would relate to it). The next step is to determine what legal standard courts in your district, or your judge, have applied in previous cases. As discussed above, what is sufficient under *Twombly* and *Iqbal* in one jurisdiction may not even meet the lower standard of Rule 8(c) in another. With this information in hand, then you can begin developing your affirmative defenses and counterclaim strategy.

In the context of counterclaims, you can expect that *Twombly/Iqbal* will apply. In the context of affirmative defenses, the exact standard will vary by judge or district. To the extent you wish to plead both an affirmative defense and counterclaim using the same facts (e.g., invalidity or noninfringement), you should be aware that a different standard may apply to each of them. The safest thing to do is to draft both your affirmative defenses and counterclaims to meet the *Twombly/Iqbal* standard to the extent possible. However, although the standards vary, courts have shown an increased willingness to dismiss claims that merely contain boilerplate language under any of the standards.

Additionally, in a district that requires relatively specific pleadings, you may opt not to include weaker defenses or counterclaims where less factual information is available to you at the time and you do not expect to develop additional facts within a reasonable time frame. Finally, given this unsettled landscape, if you are faced with a motion to dismiss, be sure to request leave to amend, and at all times after filing the answer, continue your factual investigation so that you would be a position to amend the pleadings in a meaningful way.

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