

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
LUFKIN DIVISION

BLACKBOARD, INC.	§	
	§	
<i>Plaintiff,</i>	§	
	§	Civil Action No. 9:06CV155
v.	§	
	§	
DESIRE2LEARN, INC,	§	JUDGE RON CLARK
	§	
<i>Defendant.</i>	§	
	§	

**ORDER ON PLAINTIFF’S MOTION TO DISMISS
DEFENDANT’S CLAIM OF INEQUITABLE CONDUCT**

Before the court is Plaintiff’s Motion to Dismiss Desire2Learn’s Inequitable Conduct Counterclaim and to Strike Desire2Learn’s Second Affirmative Defense [Doc. # 21]. Plaintiff Blackboard, Inc. (“Blackboard”) alleges that Defendant Desire2Learn, Inc.’s counterclaim and affirmative defense of inequitable conduct fail to meet the pleading requirements of Fed. R. Civ. P. 9(b). Because Desire2Learn, Inc. (“D2L”) properly pled the “who, what, when, and where” of its inequitable conduct claim, the court finds that the requirements of Rule 9(b) are met.

I. Background

Blackboard alleges that D2L infringes U.S. Patent No. 6,988,138 (“the ` 138 patent”). The ` 138 patent teaches systems and methods for implementing an online educational system by allowing an instructor to interact with students and transmit course lectures, textbooks, and literature via the internet. Blackboard states that D2L’s e-Learning Technology Suite infringes on this patent. In its Answer, D2L alleges that the ` 138 patent is unenforceable because of inequitable conduct.

II. Standard of Review

A motion to dismiss or strike for failure to satisfy the requirements of Fed. R. Civ. P. 9(b) is treated as a motion under Rule 12(b)(6) for failure to state a claim upon which relief can be granted. *See Lovelace v. Software Spectrum, Inc.*, 78 F.3d 1015, 1017 (5th Cir. 1996).¹ On a motion under Fed. R. Civ. P. 12(b)(6), the court must decide whether the facts alleged, if true, would entitle the plaintiff to some legal remedy. *Conley v. Gibson*, 355 U.S. 41, 45-46 (1957). Unless a Fed. R. Civ. P. 12(b)(6) motion is converted to a summary judgment motion, the court may not consider material outside the complaint. *See Powe v. Chicago*, 664 F.2d 639, 642 (7th Cir.1981). The court must accept as true all well pleaded facts and review them in the light most favorable to the plaintiff. *Piotrowski v. City of Houston*, 51 F.3d 512, 514 (5th Cir.1995). A pleading “need not specify in exact detail every possible theory of recovery--it must only ‘give the defendant fair notice of what the plaintiff’s claim is and the grounds upon which it rests.’” *Thrift v. Estate of Hubbard*, 44 F.3d 348, 356 (5th Cir.1995) (quoting *Conley*, 355 U.S. at 47). “[A] complaint should not be dismissed for failure to state a claim unless it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief.” *Conley*, 355 U.S. at 45-46. “The motion to dismiss for failure to state a claim is viewed with disfavor and is rarely granted.” 5A Charles A. Wright & Arthur R. Miller, *Fed. Prac. & Proc.* § 1357 (2d ed. 1990).

¹ The law of the regional circuit governs dismissal under Rule 9(b) because this issue is not unique to patent law. *See Advanced Cardiovascular Systems, Inc. v. Medtronic, Inc.*, 265 F.3d 1294, 1304 (Fed. Cir. 2001).

III. Analysis

Fed. R. Civ. P. 9(b) requires that “the circumstances constituting fraud or other mistake shall be stated with particularity.” At a minimum, Rule 9(b) requires allegations of the particulars of “who, what, when, where, and how of the alleged fraud.” *U.S. v. Bell Helicopter Textron, Inc.*, 417 F.3d 450, 453 (5th Cir. 2005) (citations and quotation omitted). While intent may be generally averred under Rule 9(b), “case law amply demonstrates that pleading [intent] requires more than a simple allegation that a defendant had fraudulent intent.” *Tuchman v. DSC Communications Corp.*, 14 F.3d 1061, 1068 (5th Cir. 1994).

Inequitable conduct occurs when a patentee breaches his or her duty to the U.S. Patent and Trademark Office (“PTO”) of candor, good faith, and honesty. *See Bruno Independent Living Aids, Inc. v. Acorn Mobility Servs., Ltd.*, 394 F.3d 1348, 1351 (Fed. Cir. 2005).

Inequitable conduct requires misrepresentation or omission of a material fact, together with an intent to deceive the PTO. *Id.* “[I]n the absence of a credible explanation, intent to deceive is generally inferred from the facts and circumstances surrounding a knowing failure to disclose material information.” *Id.* at 1354. At trial, both of these distinct elements must be shown by clear and convincing evidence, “and then weighed to determine whether the equities warrant a conclusion that inequitable conduct occurred.” *Id.* at 1351. (citations and quotations omitted).

Here, both parties agree that Rule 9(b) applies to D2L’s allegation of inequitable conduct. Blackboard argues that D2L failed to properly plead the “who” and “what” of its inequitable conduct claim. D2L states that it properly pled the individuals who owed a duty on behalf of Blackboard to disclose information to the PTO, and alleged the material prior art that was not disclosed.

D2L devotes 30 paragraphs and 5 pages to describing the defense of inequitable conduct. D2L alleges that Blackboard had a continuing duty to disclose all material prior art that Blackboard was aware of and that was not before the PTO. D2L specifically lists the names of the inventors (Robert Alcorn, Daniel Cane, Michael Chasen, Timothy Chi, Stephen Gilfus, Scott Perian, and Matthew Pittinsky), the prosecuting attorneys (Wayne Kennard, Wilmer Cutler Pickering, Marc Kaufman, and Anthony Barkume), and three other individuals (Matthew Small, Lisa Sotir, and Deborah Everhard) who allegedly owed this duty of disclosure to the PTO on behalf of Blackboard.² D2L claims that Blackboard, including each of these individuals, breached this duty by failing to disclose material prior art to the PTO.

D2L has also alleged specific facts which, if true, support an inference of intent to deceive by Blackboard and its employees. D2L cites a letter by Chasen, a co-inventor and President and CEO of Blackboard, a speech given by Small, the General Counsel for Blackboard, and publications involving Chasen, Pittinsky, a co-inventor and Chairman of the Board of Blackboard, and Alcorn, a co-inventor, as evidence that Blackboard knew of the alleged material prior art during the prosecution of the '138 patent and failed to disclose it. Viewing the pleading in the light most favorable to D2L, the court concludes that D2L properly pled who breached the duty of candor to the PTO and alleged specific facts to support its claim for intentional misconduct.

Additionally, D2L describes two types of material prior art that allegedly were not disclosed to the PTO: (1) Prior Art of Acquired Entities, and (2) Prior Art relating to the

² In its response, D2L states that each of the alleged individuals were employed, or were retained, by Blackboard at the time of the prosecution of the '183 patent. Blackboard did not dispute this claim in its reply.

Instructional Management System Project within the National Learning Infrastructure Initiative (the "IMS project"). Blackboard does not challenge the sufficiency of D2L's pleading relating to the IMS project.

In regard to the failure to disclose prior art of acquired entities, D2L lists the alleged acquired entities involved, and states that the e-learning products developed, marketed and sold by these companies were material prior art that was not disclosed. At this stage, the court must accept these allegations as true. Given that D2L specifically lists the companies, describes the type of products developed, and argues that all of the e-learning products were material, the court finds the pleading meets the requirements of Rule 9(b). Blackboard will be able to challenge the merits of D2L's inequitable conduct claim at a later stage in the proceedings.³

IT IS THEREFORE ORDERED that Plaintiff's Motion to Dismiss Desire2Learn's Inequitable Conduct Counterclaim and to Strike Desire2Learn's Second Affirmative Defense [Doc. # 21] is **DENIED**.

So **ORDERED** and **SIGNED** this **6** day of **November, 2006**.



Ron Clark, United States District Judge

³ Because the court finds that D2L's pleading is sufficient under Rule 9(b), the court does not reach the issue of whether Blackboard's motion was timely filed.