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## Inequitable Conduct: Solid Factual Basis Required to Satisfy Rule 9(b)

### **California Costume Collections, Inc. v. Pandaloon, LLC, No. 221CV01323JWHJEMX, 2022 WL 1062056 (C.D. Cal. Apr. 7, 2022)**

By: Edward Runyan & Anthony Hao | May 6, 2022

In a design patent infringement dispute between California Costume Collections, Inc. (“CCC”) and Pandaloon, LLC (“Pandaloon”), Judge Holcomb of Central District of California granted Pandaloon’s motion to dismiss CCC’s claim that U.S. Design Patent No. D806,325 (“the ’325 patent”) for a “Pet Costume” was unenforceable due to inequitable conduct. In granting Pandaloon’s motion, Judge Holcomb found that CCC failed to meet the pleading standards for inequitable conduct. This article will explain inequitable conduct claims in patent litigation, and take a closer look at Judge Holcomb’s reasoning.

In general, an inequitable conduct claim alleges that during the prosecution of a patent, the patent applicant misrepresented or withheld material information from the patent office with a specific intent to deceive. A pleading party must allege with specificity: “(1) knowledge of the uncited reference; (2) knowledge of the reference's materiality; and (3) the specific intent to deceive the PTO by withholding that reference.” *California Costume Collections, Inc. v. Pandaloon, LLC*, 2022 WL 1062056, at \*5.

In *California Costume Collections*, CCC filed a declaratory judgment against Pandaloon for unenforceability of the ’325 patent due to inequitable conduct. Pandaloon filed a motion to dismiss the inequitable conduct claim, arguing that (1) neither of the two prior art costumes CCC asserted were “but for” material and (2) CCC failed to plead its inequitable conduct claim with particularity.

In his ruling, the Judge denied the motion with respect to materiality but granted it with respect to the pleading standards. First, regarding materiality, the Court ruled that since a first prior art reference was considered by the examiner, it could not be “but-for” material even though CCC did not disclose it during prosecution. *Id.* at \*3-4. Interestingly, the Court noted that withholding this reference might be used as circumstantial evidence for arguing deceptive intent for withholding a second prior art reference. *Id.* at \*4. The Court found that the second prior art reference and the patented design are not so dissimilar that materiality could be resolved on a motion to dismiss. *Id.* at \*5

As to pleading standards, the Court found that CCC failed to adequately plead knowledge of the prior art costumes--CCC only alleged “on information and belief” that those prior art costumes were widely available. *Id.* at \*6. Secondly, although pleading on “information and belief” is permitted when essential information lies uniquely within another party’s control, CCC still failed to plead knowledge of materiality because it did not provide any facts upon which its belief was based. Thirdly, CCC failed to adequately plead specific intent to deceive because it again did not plead any facts or circumstances from which an inference of intent to deceive could be drawn. *Id.* Finally, the Court granted CCC’s leave to amend its complaint in the interest of justice, and because Pandaloon would not be prejudiced by an amended complaint.