



PTAB's Denial of IPR Petition Forecloses Defendant's Inequitable Conduct Claim in District Court

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The defendant filed the IPR petition during the course of the infringement litigation. The defendant's petition relied on the same prior art references that underpinned its proposed inequitable conduct claim. However, while the defendant's motion to amend to add that claim was pending in the district court, the PTAB denied institution of the IPR. In doing so, the PTAB "expressly considered the . . . prior art references (which are the subject of [the defendant]'s inequitable conduct claim[]) and found that [the defendant] could not demonstrate a reasonable likelihood that such references would have rendered any claim of the [asserted] patent unpatentable." Order at 6.

The district court subsequently denied the defendant's motion to amend. The court first explained that leave to amend under Rule 15(a) "should be denied . . . [when] the amendment would be futile," and that an "amendment is futile where [it] fails to state a claim as required by Rule 12(b)(6)." *Id.* at 2. The court then explained that, despite its general obligation under Rule 12(b)(6) to "accept all factual allegations in [a] pleading as true, [it] need not accept factual allegations 'that contradict matters properly subject to judicial notice,'" such as the PTAB's decision. *Id.* at 6 (quoting *Veney v. Wyche*, 293 F.3d 726, 730 (4th Cir. 2002)).

The court next examined the impact of the PTAB's decision on the defendant's proposed inequitable conduct claim. The court observed that "[t]o plead an inequitable conduct claim, [the defendant] must sufficiently plead materiality—that 'but for' the [undisclosed] prior art, the [Patent and Trademark Office] would not have allowed a claim in the [asserted] patent." *Id.* In turn, the court stressed that, regardless of the defendant's allegations of materiality in

the proposed amendment, “the Court *knows* that the PTAB considered the [defendant’s relied-upon] prior art and did not find it material to patentability.” *Id.* (emphasis in original).

The court thus concluded that, “[i]n light of the PTAB’s decision denying IPR,” and even “assuming all [of the defendant’s] other factual allegations as true,” the proposed amendment did “not plausibly give rise to an entitlement to relief because [the defendant] cannot show that ‘but for’ the [relied-upon] prior art, the PTO would not have issued [] the [asserted] patent.” *Id.* at 7. In reaching its holding, the court rejected the defendant’s argument that it “should completely refrain from examining the merits of [the] inequitable conduct counterclaim and affirmative defense and only examine whether [the defendant] has sufficiently pleaded inequitable conduct.” *Id.* at 8. As the court observed, “this argument ignores the [] requirement to consider whether any amendment is futile . . . , and accordingly whether any amendment would withstand a motion to dismiss.” *Id.*

Practice Tip: The *Jaguar* decision exemplifies that a PTAB’s refusal to institute an IPR, even if not binding on a district court, can still have significant ramifications in infringement litigation involving the same patent. Although filing an IPR petition is a common tactic for alleged infringers, they should recognize that a negative ruling from the PTAB might effectively foreclose an inequitable conduct claim in district court. Similarly, a plaintiff facing an inequitable conduct claim based on failure to disclose prior art should consider whether the PTAB previously assessed the patentability of the asserted claims in light of that prior art.

Jaguar Land Rover Ltd. v. Bentley Motors Limited, No. 2:18-cv-320 (E.D. Va. Apr. 30, 2020)

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