

**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Norfolk Division**

JAGUAR LAND ROVER LIMITED,)

Plaintiff,)

v.)

**BENTLEY MOTORS LIMITED, and)
BENTLEY MOTORS, INC.,)**

Defendants.)

Case No.: 2:18-cv-320

REDACTED

ORDER

This matter is before the Court on Defendants Bentley Motors Limited and Bentley Motors Inc.'s ("Bentley") Motion for Leave to Amend Answer and Counterclaims ("Motion for Leave to Amend") and memorandum in support. ECF Nos. 200-201. Plaintiff Jaguar Land Rover's ("JLR") filed an opposition, ECF No. 261, and Bentley filed a reply ECF No. 277.¹ The Court also granted both parties leave to file notices of supplemental authority based on the Patent and Trial Appeal Board's ("PTAB") decision to deny Bentley's petition for inter partes review ("IPR") of the patent at issue (*see* ECF No. 298), and both JLR and Bentley filed supplemental authority. ECF No. 300, 303. The motion was referred to the undersigned on February 24, 2020 and the Court held a hearing on April 17, 2020.² For the following reasons, Bentley's Motion for Leave to Amend is **GRANTED IN PART** and **DENIED IN PART**.

¹ Both parties also filed sealed, unredacted portions of their memoranda. *See* ECF No. 205 (Bentley's memorandum in support), ECF No. 262 (JLR's opposition), and ECF No. 280 (Bentley's reply). Where appropriate, the Court will cite to the sealed documents.

² Pursuant to the General Orders issued by the Chief Judge of the Eastern District of Virginia in Case No. 2:20mc7, the hearing was conducted by teleconference, with all participants appearing by phone.

Bentley's Motion for Leave to Amend seeks to amend its Answer and Counterclaims in three respects. ECF No. 201 at 4. First, Bentley seeks to add an inequitable conduct affirmative defense and counterclaim. *Id.* Second, Bentley seeks to add an affirmative defense based on lack of standing. *Id.* Finally, Bentley seeks to add factual information to its preexisting noninfringement affirmative defense and counterclaim. *Id.* The Court will address each in turn below.

I. LEGAL STANDARD

Federal Rule of Civil Procedure 15(a) permits leave to amend a pleading "when justice so requires." Under Rule 15(a), the Fourth Circuit's policy is to "liberally allow amendment[.]" *Galustian v. Peter*, 591 F.3d 724, 729 (4th Cir. 2010) (citing *Coral v. Gonse*, 330 F.2d 997, 998 (4th Cir. 1964)). As such, leave to amend "should be denied *only when* the amendment would be prejudicial to the opposing party, there has been bad faith on the part of the moving party, or the amendment would be futile." *Edwards v. City of Goldsboro*, 178 F.3d 231, 242 (4th Cir. 1999) (emphasis in original) (quoting *Johnson v. Oroweat Foods Co.*, 785 F.2d 503, 509 (4th Cir. 1986)); accord *Pennell v. Vacation Reservation Ctr., LLC*, No. 4:11cv53, 2011 WL 6960814, at *1 (E.D. Va. Sept. 20, 2011).

A proposed amendment is futile where the amendment fails to state a claim as required by Rule 12(b)(6). *Lewis v. Jayco, Inc.*, Civil Action No. 3:19cv578, 2019 U.S. Dist. LEXIS 148598, at *9 (E.D. Va. Aug. 29, 2019); *Rambus, Inc. v. Infineon Techs. AG*, 304 F. Supp. 2d 812, 819 (E.D. Va. 2004) (stating that a Court may deny a motion to amend on futility grounds if the amendment is "clearly insufficient on its face."). Accordingly, the Court will use the 12(b)(6) standard to assess the futility of Bentley's proposed amendments. *See Lewis*, 2019 U.S. Dist.

LEXIS 148598, at *9 (using the standard of Rule 12(b)(6) to address futility of a proposed amended pleading).

Under Rule 12(b)(6), the Court “must assume all well-pleaded factual allegations in the [pleading] to be true and determine whether, viewed in the light most favorable to the [amending party], they ‘plausibly give rise to an entitlement to relief.’” *Lewis*, 2019 U.S. Dist. LEXIS 148598, at *10 (citing *Ashcroft v. Iqbal*, 556 U.S. 662, 676-79 (2009)). Thus, to analyze futility of an amendment, it is necessary to assess “the allegations of the claim in perspective of the substantive law on which it is based.” *Rambus*, 304 F. Supp. 2d at 819. When making such a determination, The Fourth Circuit has stated:

To survive a Rule 12(b)(6) motion, factual allegations must be enough to raise a right to relief above the speculative level and have enough facts to state a claim to relief that is plausible on its face. Moreover, the court need not accept the [plaintiff’s] legal conclusions drawn from the facts, nor need it accept as true unwarranted inferences, unreasonable conclusions, or arguments.

Philips v. Pitt Cty. Mem’l Hosp., 572 F.3d 176, 180 (4th Cir. 2009) (citations and quotations omitted). “Determining whether a complaint states a plausible claim for relief” is “a context-specific task that requires the reviewing court to draw on its judicial experience and common sense.” *Iqbal*, 556 U.S. at 679 (2009).

II. DISCUSSION

I. Bentley’s Proposed Inequitable Conduct Affirmative Defense and Counterclaim

While both bad faith on the part of the moving party and prejudice to the opposing party are considered under Rule 15(a), the instant dispute centers around whether Bentley’s assertion of an inequitable conduct counterclaim and affirmative defense would be futile. Therefore, the Court will address futility first.

“Inequitable conduct is an equitable defense to patent infringement that, if proved, bars enforcement of the patent.” *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1285 (Fed. Cir. 2011). To prove inequitable conduct, an alleged infringer must demonstrate both materiality and intent—that is, when applying for the patent, the applicant misrepresented or omitted material information with the specific intent to deceive the PTO. *Id.* at 1287. Materiality of information is determined using a “but-for” standard. *Id.* at 1291. In describing “but-for” materiality, the Federal Circuit has held:

When an applicant fails to disclose prior art to the PTO, that prior art is but-for material if the PTO would not have allowed a claim had it been aware of the undisclosed prior art. Hence, in assessing the materiality of a withheld reference, the court must determine whether the PTO would have allowed the claim if it had been aware of the undisclosed reference.

Id. at 1291 (Fed. Cir. 2011). Stated differently, if the PTO had been aware of the undisclosed reference and still would have allowed the claim, the prior art is not material. *See id.*

Inequitable conduct is subject to the heightened pleading standard of Federal Rule of Civil Procedure Rule 9(b). *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1326-27 (Fed. Cir. 2009). Rule 9(b) states that “[i]n alleging fraud or mistake, a party must state with particularity the circumstances constituting fraud or mistake.” Fed. R. Civ. P. 9(b). Accordingly, to meet Rule 9(b)’s heightened pleading requirement, a party asserting an inequitable conduct counterclaim must provide “the particularized factual bases” for the alleged conduct, including “identification of the specific who, what, when, where, and how of the material misrepresentation or omission committed before the PTO.” *Exergen*, 575 F.3d at 1327.

According to Bentley, it was revealed during discovery that [REDACTED]

[REDACTED] failed to disclose certain prior art (“the Porsche 959 prior

art”) to the Patent and Trademark Office (“PTO”). ECF No. 201 at 9. Bentley claims that the Porsche 959 prior art is material “because it was published in 1986 and 1987 and anticipates the ‘828 Patent by disclosing all of the limitations of at least claims 14, 16, 26, 30, 31, 32, 47, 48, 52, and 56 of the ‘828 patent.” *Id.* Importantly, as Bentley itself notes, “Bentley has relied on the **exact same material** as the primary reference in a current pending Petition to the PTO for [IPR] of the validity of the ‘828 Patent.” *Id.* (emphasis added). Bentley further states that “[t]o the extent that an IPR is instituted by the PTO in response to Bentley’s Petition, the materiality of the Porsche 959 information is firmly established.” *Id.*

Concurrent with the pending litigation in this Court, Bentley filed a petition for IPR with the PTAB based on the Porsche 959 prior art.⁴ ECF No. 201 at 9. In its petition for IPR, Bentley challenged the patentability of claims 21, 24, 30, 32-34, 37, 39, 41-43, 45, and 46 on the grounds that the claims were obvious based on the Porsche 959 prior art. ECF No. 275, attach. 1 at 1. On February 20, 2020, the day before Bentley’s reply brief was due, the PTAB issued a decision denying institution of IPR based on the Porsche 959 prior art references. *Id.* Specifically, the PTAB held that Bentley “failed to show a reasonable likelihood that claims 30 and 32 are unpatentable as obvious over the [Porsche 959 prior] [a]rt” (*id.*, attach. 1 at 15) and with respect to the remaining claims, the PTAB held Bentley “failed to establish, on this record, that the Porsche 959 [prior] [a]rt describes controlling a plurality of subsystems in the manner required” and therefore “has not demonstrated a reasonable likelihood of establishing that [the remaining claims]

⁴ In addition to filing a petition for institution of IPR based on the Porsche 959 prior art, Bentley also filed a second petition for IPR based on the Mitsubishi Lancer Evolution VII. ECF No. 261 at 11. On March 10, 2020 the PTAB also denied IPR with respect to that petition. *See* ECF No. 308 (Joint Notice of PTAB’s Decision in IPR2019-01539).

are unpatentable as obvious.” *Id.*, attach. 1 at 16. In other words, the PTAB expressly considered the Porsche 959 prior art references (which are the subject of Bentley’s inequitable conduct claims) and found that Bentley could not demonstrate a reasonable likelihood that such references would have rendered any claim of the ‘828 patent unpatentable.⁵

The Court is presented with a somewhat unique situation here. To plead an inequitable conduct claim, Bentley must sufficiently plead materiality—that “but for” the Porsche 959 prior art, the PTO would not have allowed a claim in the ‘828 patent. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] However, after

Bentley filed its proposed amended counterclaim, the PTAB specifically considered the Porsche 959 prior art, and determined that the Porsche 959 prior art did not demonstrate a reasonable likelihood of unpatentability. *See* ECF No. 282, attach. 1; ECF No. 303, ECF No. 308. Accordingly, despite Bentley’s assertion in its counterclaim, the Court *knows* that the PTAB considered the Porsche 959 prior art and did not find it material to patentability.

While the Court must accept all factual allegations in the pleading as true, the Court need not accept factual allegations “that contradict matters properly subject to judicial notice or by exhibit.” *Veney v. Wyche*, 293 F.3d 726, 730 (4th Cir. 2002). The PTAB’s decision is properly subject to judicial notice. *See Jeffrey J. Nelson & Assocs. v. LePore*, Civil Action No. 4:11cv75, 2012 U.S. Dist. LEXIS 93097, at *13 (E.D. Va. July 5, 2012) (“a court may consider official public records, documents central to a plaintiff’s claim, and documents sufficiently referred to in the complaint, so long as the authenticity of these documents is not disputed, without converting the

⁵ With the Court’s leave, both JLR and Bentley filed a memorandum addressing the PTAB’s decision. *See* ECF No. 282, attach. 1; ECF No. 303.

motion into a motion for summary judgment.”) (quoting *Phillips v. LCI Int’l, Inc.*, 190 F.3d 609, 618 (4th Cir. 1999)); *Doe v. Old Dominion Univ.*, Civil Action No. 2:17cv15, 2017 U.S. Dist. LEXIS 228131, at *15-16 (E.D. Va. June 26, 2017) (“The court may take judicial notice of public court records and parties’ admissions even if they are attached only to the motion to dismiss.”) (citing *Zak v. Chelsea Therapeutics Int’l, Ltd.*, 780 F.3d 597, 606-07 (4th Cir. 2015)). See also 5C Charles Alan Wright & Arthur R. Miller, *Federal Practice and Procedure* § 1363 n. 39 (3d ed. 2004). Here, the PTAB’s decision declining to institute IPR with respect to the ‘828 patent directly contradicts Bentley’s assertion that the Porsche 959 prior art is material, and the Court need not accept it as true.

In light of the PTAB’s decision denying IPR, assuming all other factual allegations as true, and assuming that Bentley pleaded such factual allegations with the requisite particularity, Bentley’s inequitable conduct counterclaim does not “plausibly give rise to an entitlement to relief.” *Iqbal*, 556 U.S. at 679. Under the but for materiality standard required to demonstrate an inequitable conduct claim, Bentley’s allegations do not plausibly give rise to an entitlement to relief because Bentley cannot show that “but for” the Porsche 959 prior art, the PTO would not have issued JLR the ‘828 patent. See e.g., *Francis v. Giacomelli*, 588 F.3d 186, 195 (4th Cir. 2009) (finding that “patently untrue” allegations in a complaint did not plausibly state a claim for relief under *Twombly* and *Iqbal*). In fact, the opposite is true because the PTAB expressly reviewed “the exact same material” (ECF No. 201 at 9) while considering Bentley’s petition for IPR and determined that the Porsche 959 prior art would not render the patent at issue unpatentable.⁶

The supplemental authority Bentley submitted to the Court following the PTAB’s decision attempts to minimize the impact of the PTAB’s decision in several respects. ECF No. 303. First,

⁶ Because the Court has determined that Bentley cannot make a plausible showing of materiality, the Court finds it unnecessary to address Bentley’s allegations regarding the intent prong of an inequitable conduct analysis.

Bentley argues the Court should not consider the PTAB's decision declining to institute IPR of the '828 patent based on the Porsche 959 prior art because Bentley filed a request for rehearing of that decision. *Id.* at 2. That argument now falters because the PTAB has since denied Bentley's request for rehearing. *See* ECF No. 316, attach. 1 (issued on March 13, 2020). Second, Bentley argues that the Court should completely refrain from examining the merits of its inequitable conduct counterclaim and affirmative defense and only examine whether Bentley has sufficiently pleaded inequitable conduct. ECF No. 303 at 4. However, this argument ignores the Court's requirement to consider whether an amendment is futile under Federal Rule of Civil Procedure 15(a), and accordingly whether any amendment would withstand a motion to dismiss. *See Rambus*, 304 F. Supp. 2d at 819. It also fails to consider the effect of the PTAB's decision, which renders Bentley's materiality allegations implausible.

Bentley also argues that the PTAB's decision regarding the "plurality of subsystems" is not the focus of Bentley's inequitable conduct claim. Rather, according to Bentley, the focus of the inequitable conduct claim is the driver selection of a driving surface, and the feature of two off-road modes and an on-road mode. ECF No. 303 at 3. This argument ignores the overall conclusion of the PTAB—that the Porsche 959 prior art references do not demonstrate a reasonable likelihood that *any of the* claims in the '828 patent are unpatentable as obvious. *See* ECF No. 275, attach. 1 at 16. Therefore, Bentley cannot meet the "but for" materiality prong, because the PTAB has already considered the Porsche 959 prior art and found that it does not demonstrate a reasonable likelihood of showing that any claim of the '828 patent is unpatentable.⁷ *See Ironburg*

⁷ The Court can still consider Bentley's arguments regarding the Porsche 959 prior art with respect to Bentley's invalidity claims. *See Va. Innovation Scis., Inc. v. Samsung Elecs. Co.*, 983 F. Supp. 2d 713, 764-765 (E.D. Va. 2014) (noting that PTAB rulings are not "controlling authority" and that the Court is free to reach a conclusion opposite of the PTAB). Here, the PTAB's decision only affects Bentley's proposed inequitable conduct allegations because it informs the Court that the PTAB did not find the Porsche 959 prior art material, whereas in other cases where a party has not petitioned for IPR, the court merely uses its judgment to determine whether the examiners would have found prior art material.

Inventions, Ltd. v. Valve Corp., No. C17-1182 TSZ, 2019 U.S. Dist. LEXIS 194890, at *20-21 (W.D. Wash. Nov. 8, 2019) (finding defendant could not defeat summary judgment on inequitable conduct claim because after the PTAB denied IPR, defendant could not demonstrate the prior art alleged to have been withheld from the PTO was material). Extending that reasoning, even assuming JLR withheld the Porsche 959 prior art with the requisite intent, Bentley cannot demonstrate that but for JLR's omission, the examiner would not have issued the patent, and therefore cannot demonstrate materiality. *See Therasense*, 649 F.3d at 1291 (remanding to the District Court to determine whether the PTO would not have granted the patent "but for" plaintiff's failure to disclose); *Taro Pharm. N. Am. v. Suven Life Scis., Ltd.*, Civil Action No. 11-2452 (JAP), 2012 U.S. Dist. LEXIS 89702, at *17 (D.N.J. June 28, 2012) (granting motion to dismiss inequitable conduct claim where patent examiner had all of the relevant materials, expressly considered them, and granted the patent).

Although Bentley's proposed inequitable conduct affirmative defense does not need to be pleaded with the same particularity, that affirmative defense still fails for the same reasons outlined above. *See Malibu Media, LLC v. Popp*, No. 1:14-cv-00700-GBL-JFA, 2015 U.S. Dist. LEXIS 100219, at *9 (E.D. Va. Apr. 13, 2015) (recognizing that an affirmative defense need only be asserted in a short and plain statement but still striking it as insufficient as a matter of law). Therefore, because Bentley cannot establish "but for" materiality, Bentley's inequitable conduct counterclaim and affirmative defense are not plausible on their face and amendment would be futile. As such, Bentley's Motion for Leave to Amend with respect to its inequitable conduct counterclaim and affirmative defense is **DENIED**.

2. Bentley's Proposed Lack of Standing Affirmative Defense

Bentley's proposed lack of standing affirmative defense arises from the parties' dispute whether JLR owns the patent at issue. Bentley's proposed lack of standing affirmative defense asserts that JLR "does not own the asserted '828 patent, and did not own it when it commenced this action, and thus [JLR] has no standing to assert claims for infringement of the '828 patent." ECF No. 205, attach. 2 at 27. JLR argues that this amendment is futile because JLR owns the '828 patent.⁸ ECF No. 261 at 21. The parties dispute which instrument transferred the '776 patent (the precursor to the '828 patent at issue), and the validity of the transfer of the patent. ECF No. 261 at 21-25; ECF No. 277 at 16-19. Unlike Bentley's proposed amendments related to inequitable conduct, the Court cannot, under these circumstances, determine Bentley's allegations are "clearly insufficient on [their] face[]" (*Rambus*, 304 F. Supp. 2d at 819), and therefore cannot deny amendment on futility grounds. Nor does the Court find any bad faith on the part of Bentley or prejudice to JLR in allowing this defense. *See Edwards*, 178 F.3d at 242 ("[D]elay alone is an insufficient reason to deny leave to amend. Rather, the delay must be accompanied by prejudice, bad faith, or futility."). Bentley submitted the proposed amendment within the deadline imposed by the Rule 16(b) Scheduling Order, and JLR has not argued it would be prejudiced by Bentley's assertion of a lack of standing defense. Accordingly, Bentley's Motion for Leave to Amend with respect to its lack of standing affirmative defense is **GRANTED**.

⁸ JLR's brief in opposition relies on information the Court was unable to find in the briefing related to this motion. JLR's opposition states "Bentley also seeks leave to assert a "new" lack of standing defense in its discovery response to JLR's Interrogatory No. 19." ECF No. 261 at 21. In support of JLR's arguments, JLR cites to "Mem. At 14-16." JLR argument continues, referring to the same "Mem." The Court was unable to determine what "Mem." JLR is referring to, considering Bentley's memorandum in support of the Motion for Leave to Amend, in its entirety, does not exceed 12 pages. Nor are these allegations JLR refers to in Bentley's proposed amended answer and counterclaim. It is also unclear why, at this stage, JLR is apparently relying on one of Bentley's interrogatory responses to support its opposition to Bentley's proposed amended affirmative defense. In any event, the Court considered JLR's arguments as set forth in its opposition.

3. Bentley's Proposed Amendments to Its Noninfringement Defense and Counterclaim

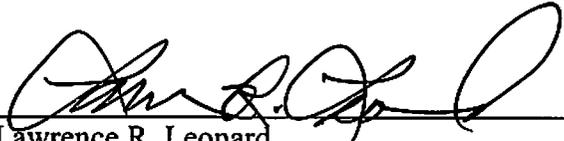
Bentley also seeks to amend its answer and counterclaims to add factual information to its preexisting noninfringement defense and counterclaim. *See* ECF No. 200, attach. 2 at 20-21, ¶¶ 128-131. According to Bentley, the additional factual information related to its noninfringement defense and counterclaim is to “conform to the contentions and interrogatory responses that Bentley provided during the course of discovery...” ECF No. 201 at 4. At the hearing, JLR represented that it does not oppose these amendments, and the Court does not find any bad faith on the part of Bentley or prejudice to JLR in allowing these amendments. Accordingly, Bentley’s Motion for Leave to Amend to include additional factual information in its noninfringement affirmative defense and counterclaim will be **GRANTED**.

III. CONCLUSION

For the reasons stated above, Bentley’s Motion for Leave to Amend is **GRANTED IN PART** and **DENIED IN PART**. Bentley’s Motion is **DENIED** with respect to its proposed inequitable conduct affirmative defense and counterclaim, and **GRANTED** with respect to its proposed lack of standing affirmative defense and **GRANTED** with respect to the addition of factual information to its noninfringement affirmative defense and counterclaim. Bentley is **DIRECTED** to file an Amended Answer and Counterclaim in accordance with this Order.

The Clerk is **DIRECTED** to forward a copy of this order to all counsel of record.

It is so **ORDERED**.


Lawrence R. Leonard
United States Magistrate Judge

Norfolk, Virginia
April 30, 2020