

No. 20-55439

**IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT**

NOMADIX, INC.

Plaintiff-Appellee,

v.

GUEST-TEK INTERACTIVE ENTERTAINMENT LTD.

Defendant-Appellant.

On Appeal from the United States District Court
for the Central District of California
No. 2:19-cv-04980-AB-FFM
Hon. André Birotte Jr.

APPELLANT'S OPENING BRIEF

Thomas D. Warren
Erick K. Kuyلمان
WARREN TERZIAN LLP
700 S. Flower St., Suite 1000
Los Angeles, CA 90017
(216) 304-4970
tom.warren@warrenterzian.com
erick.kuyلمان@warrenterzian.com

*Attorneys for Defendant-Appellant
Guest-Tek Interactive Entertainment Ltd.*

CORPORATE DISCLOSURE STATEMENT

Pursuant to Federal Rule of Appellate Procedure 26.1(a), Appellant Guest-Tek Interactive Entertainment Ltd. certifies that no parent corporation or any publicly held corporation owns 10% or more of its stock.

Date: September 2, 2020

/s/ Thomas D. Warren

Thomas D. Warren

WARREN TERZIAN LLP

Attorneys for Defendant-Appellant

Guest-Tek Interactive Entertainment Ltd.

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INTRODUCTION

This case involves the application of a forum selection clause to bar a licensee from challenging the validity of the licensor's patents before the Patent Trial and Appeal Board (PTAB). The district court wrongly interpreted the forum selection clause in the license agreement to bar such actions, and wrongly issued a permanent injunction to stop the PTAB proceedings in their tracks literally days before the Board was going to render its decisions. The lower court's decision is contrary to statute, contract, equity, and congressional intent, and must be reversed.

In 2010, appellant Guest-Tek Interactive Entertainment Ltd. entered into a license agreement with appellee Nomadix, Inc., in which Guest-Tek agreed to pay royalties in exchange for licensing rights in several of Nomadix's patents. The two companies, which are competitors, provide internet access portals for guests in hotels. A dispute arose concerning royalties, and in 2016 Nomadix sued Guest-Tek. In response, in addition to defending itself in the lawsuit, Guest-Tek challenged the validity of Nomadix's patents in agency proceedings before the PTAB.

For 18 months, Nomadix sparred with Guest-Tek before the PTAB, pressing its case that its patents were valid. Nomadix was largely successful in the beginning. But in 2019, the PTAB granted two of Guest-Tek's petitions for inter

partes review, finding that there was a reasonable likelihood that Guest-Tek would invalidate two of the patents.

At that moment, Nomadix changed course, complaining for the first time that the forum selection clause in the parties' license agreement barred Guest-Tek from bringing administrative claims before the PTAB. Nomadix waited so long to change course that it could not even assert that claim in the 2016 lawsuit, forcing it to file another lawsuit (this one) to assert the claim.

The district court erred in holding that the forum selection clause prevented Guest-Tek from bringing petitions before the PTAB, for a whole host of reasons. The language of the forum selection clause says nothing about agency proceedings, and the PTAB would not need to reference the license agreement to analyze patent validity. Moreover, Congress established the PTAB and the inter partes review process after the license agreement was signed, and the parties could not have intended for the forum selection clause to bar a procedure that did not even exist at the time. Nor should barring use of those proceedings be inferred, because Congress set up the inter partes review process to facilitate any third party's ability to challenge the validity of a patent, with a lower burden of proof to show invalidity than in litigation, all with the goal of ensuring that invalid patents are not used to stifle competition and innovation. And if that were not enough, Nomadix also forfeited or was judicially estopped from claiming that Guest-Tek could not

bring proceedings in the PTAB, because Nomadix willingly participated in those proceedings until things stopped going its way.

The district court compounded its error by wrongly granting Nomadix a permanent injunction, requiring Guest-Tek to withdraw the proceedings in which the PTAB had already found a reasonable likelihood that two of Nomadix's patents were invalid, literally *days before* the PTAB was going to render its decisions—decisions that would have superseded any judicial finding as to patent validity.

The district court had previously denied a preliminary injunction, correctly reasoning that Nomadix could make no case for irreparable harm having actively participated in the PTAB proceedings for a year and a half. In granting a permanent injunction, the district court disregarded the same equities that underpinned its earlier denial of preliminary injunction—and the arguments against injunctive relief were even stronger at the permanent injunction stage, given that the parties had fully litigated their positions before the PTAB, which was on the verge of issuing its decisions. And more fundamentally, in granting the injunction, the district court wrongly applied California law instead of the federal standards for injunctive relief, requiring reversal.

The Court should reverse the grant of summary judgment and vacate the permanent injunction, allowing Guest-Tek to refile its PTAB petitions.

JURISDICTIONAL STATEMENT

The district court had diversity jurisdiction under 28 U.S.C. § 1332. The district court entered a final judgment granting appellee a permanent injunction on April 22, 2020. ER3–6. Guest-Tek timely filed a notice of appeal on April 24, 2020. ER29–34. This Court has jurisdiction under 28 U.S.C. §§ 1291 and 1292(a)(1).

ISSUES PRESENTED

1. Guest-Tek and Nomadix entered into a patent license agreement with a forum selection clause that provides for disputes to be litigated in the Central District of California or, if there is no federal jurisdiction, in California state court. But the forum selection clause says nothing about administrative challenges to patent invalidity before the PTAB, and the inter partes review process did not even exist when the parties signed the license agreement. Did the district court err in holding that the forum selection clause unambiguously prevented Guest-Tek from challenging the validity of Nomadix’s patents before the PTAB?

2. By statutory design, in order to ensure that invalid patents do not stifle competition or innovation, any third party may challenge patent validity before the PTAB, the burden of proof to establish invalidity is lower before the PTAB than it is in federal court, and PTAB decisions as to patent invalidity supersede invalidity

decisions in federal court. Should forum selection clauses be interpreted in a manner consistent with this statutory framework?

3. Anyone may challenge the validity of a patent before the PTAB. Did the district court err in finding that by virtue of its interpretation of the forum selection clause, Guest-Tek was the only entity in the world that could not challenge the validity of Nomadix's patents before the PTAB?

4. Nomadix waited 18 months after Guest-Tek filed its first inter partes review petition before invoking the forum selection clause, and only then because the PTAB issued decisions that Nomadix did not like. Nomadix waited so long that it could not even raise the forum selection clause issue in the parties' ongoing 2016 lawsuit, forcing it to file a second lawsuit in 2019. Having actively participated in PTAB proceedings until things were not going its way, should the district court have found that Nomadix was barred from challenging the PTAB proceedings based on the forum selection clause?

5. After denying a preliminary injunction to Nomadix because of a lack of irreparable harm, the district court granted a permanent injunction on the eve of the PTAB's decision as to the validity of two of Nomadix's patents, requiring Guest-Tek to withdraw its inter partes review proceedings after a full trial, only days before the PTAB was going to rule. The district court applied the wrong

standard for a permanent injunction, and the traditional factors for equitable relief were not met. Did the district court err in granting the permanent injunction?

STATEMENT OF THE CASE

I. In 2010, The Parties Negotiated A License Agreement Containing A Forum Selection Clause.

Guest-Tek and Nomadix are in the business of providing internet access solutions for guests in hotels. In 2010, after the two companies had gotten into a dispute over whether Guest-Tek was infringing on Nomadix's patents, they entered into a license agreement in which Nomadix granted Guest-Tek a nonexclusive license in several Nomadix patents in exchange for quarterly royalty payments. ER186–187.¹

The license agreement contains a forum selection clause that provides, in relevant part:

8.10 Forum Selection. Subject to clauses 7.1 and 7.2, all disputes arising out of or in connection with this Agreement shall be brought in the United States District Court for the Central District of California (“District Court”) and the Parties each consent to the personal jurisdiction of that court. . . . To the extent that any dispute arising out of this Agreement may not be brought in the District Court, such dispute shall be brought in a California Superior Court in Los Angeles County or Orange County (“Superior Court”) and the Parties each consent to the personal jurisdiction of such

¹ References to Guest-Tek's excerpts of record are denoted “ER” followed by the relevant page numbers.

Superior Court any Party may make any objection favoring litigation in the District Court.

ER200.

II. In 2011, The USPTO Established A New Streamlined Process, Inter Partes Review, To Challenge The Validity Of Patent Claims.

In 2011, a year after the parties entered into their license agreement, Congress passed the Leahy-Smith America Invents Act. 35 U.S.C. § 100 *et seq.* The act made several fundamental changes to the American patent landscape, among them changing from a “first to invent” system to a “first inventor to file” system, and expanding the definition of prior art, making it harder to obtain patents as a result. 35 U.S.C. § 102(a).

The Act also abolished the Board of Patent Appeals and replaced it with the Patent Trial and Appeal Board, and significantly streamlined the ability to challenge the validity of patents. 35 U.S.C. § 6. It replaced the much-criticized inter partes reexamination procedure, which involved written submissions to a patent examiner, with an inter partes review process that allowed for discovery and hearing before three administrative law judges of the PTAB. 35 U.S.C. §§ 311, 316, 318. Any person who is not the owner of a patent can file a petition for a review of a patent before the PTAB. 35 U.S.C. § 311(a). The PTAB grants a petition for review, and institutes an inter partes review, when there is a reasonable likelihood that the petitioner would prevail with respect to at least one claim

challenged. *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1354 (2018). Patent invalidity need be proven only by a preponderance of the evidence standard. 35 U.S.C. § 316(e).

Unlike inter partes reexamination, which often took five to eight years to conclude, the PTAB must rule on an inter partes review within 12 months (with a six-month extension under narrow circumstances) after the review begins. 35 U.S.C. § 316(a)(11). In this way, the administrative process for challenging the validity of patents went from the much-derided inter partes reexamination process, involving written submissions to a single patent examiner without discovery that might not be resolved for years and years, to a streamlined procedure for discovery and a full hearing before three patent administrative law judges. 35 U.S.C. § 316(c).

III. In 2016, Nomadix Sued Guest-Tek, Alleging It Breached The License Agreement.

In October 2016, Nomadix sued Guest-Tek, alleging that Guest-Tek had underpaid royalties under the license agreement (the “2016 case”). Complaint, *Nomadix, Inc. v. Guest-Tek Interactive Entertainment Ltd.*, No. 2:16-cv-08033-AB-FFM (C.D. Cal. Oct. 28, 2016), ECF No. 1.² The 2016 case, which is pre-trial and ongoing before Judge Birotte in the Central District of California (who also

² References to filings in the 2016 case are in the format “2016 Case, ECF No.”

presided over this case below), involves claims that certain Guest-Tek internet solutions are covered by Nomadix patents and are, therefore, royalty bearing. *Id.* Among its defenses, Guest-Tek contends that Nomadix's patents are invalid. Answer to Amended Complaint, 2016 Case, ECF No. 70 (Twelfth Affirmative Defense (Patent Invalidity)).

IV. In 2017, Guest-Tek Began Seeking Inter Partes Review Of Several Nomadix Patents, And Nomadix Did Not Claim That Doing So Violated The Forum Selection Clause.

After Nomadix sued Guest-Tek, Guest-Tek filed several PTAB petitions for inter partes review, challenging the validity of certain of Nomadix's licensed patents. ER88–89. Specifically, Guest-Tek petitioned the PTAB to review five of Nomadix's patents: U.S. Patent No. 8,266,266, challenged on December 22, 2017, in IPR2018-00376; U.S. Patent No. 8,725,899, challenged on December 28, 2017, in IPR2018-00392; U.S. Patent No. 8,725,899 (the “899 patent”), challenged on September 5, 2018, in IPR2018-01660; U.S. Patent No. 8,266,266 (the “266 patent”), challenged on September 7, 2018, in IPR2018-01668; U.S. Patent No. 7,953,857 (the “857 patent”), challenged on November 12, 2018, in IPR2019-00211; U.S. Patent No. 8,626,922 (the “922 patent”), challenged on November 12, 2018, in IPR2019-00253; and U.S. Patent No. 8,606,917 (the “917 patent”), challenged on June 18, 2019, in IPR2019-01191. *Id.*

When Guest-Tek began challenging the validity of these patents before the PTAB in December 2017, Nomadix did not object or seek an injunction in the 2016 case based on the forum selection clause. Supplemental Complaint, 2016 ECF No. 274 (alleging only breach no-challenge provision). Rather, it aggressively litigated before the PTAB. Nomadix had early success with this approach, as the PTAB denied Guest-Tek's first two petitions to review in April 2019. ER122–125.

But in late May 2019, the PTAB granted two of Guest-Tek's petitions for inter partes review of two of Nomadix's patents. ER97–100. At that point, faced with the PTAB's conclusion that two of its patents were likely invalid, Nomadix began complaining that it was prejudiced by having to litigate before the PTAB, and that the forum selection clause barred such proceedings—some 18 months after Guest-Tek filed its first petition. ER139–141, 148–155.

V. In 2019, After Guest-Tek Began Winning In The PTAB, Nomadix Filed A Separate Lawsuit Against Guest-Tek Claiming Guest-Tek Violated The Forum Selection Clause.

Nomadix's about-face about litigating before the PTAB was procedurally problematic, because while it had asserted a myriad of claims against Guest-Tek in the 2016 case, it had never claimed that Guest-Tek had breached the forum selection clause of the license agreement—and by late May 2019, it was well past the deadline to amend its pleadings. *See* Order re Jury Trial, 2016 Case, ECF No.

56; Order Granting Leave to Supplement Pleadings, 2016 Case, ECF No. 261 (recognizing that “the deadline to amend pleadings was February 26, 2018”).

So, in June 2019, Nomadix filed a separate lawsuit against Guest-Tek, alleging solely a breach of the forum selection clause and seeking preliminary and permanent injunctive relief against Guest-Tek’s PTAB proceedings. ER52–71, 146–147, 148–155. Guest-Tek argued that Nomadix had forfeited any claim of breach of the forum selection clause by participating in PTAB proceedings for 18 months, that the separate lawsuit should be dismissed for improper claim splitting, or, at a minimum, that the 2016 and 2019 lawsuits should be consolidated, but the district court allowed the 2019 case to proceed separately. ER20–24, 105–121.

A. The District Court Denied Nomadix’s Motion for a Preliminary Injunction.

Shortly after filing its complaint, Nomadix sought a preliminary injunction against Guest-Tek. ER146–147. The district court denied Nomadix’s motion for preliminary injunction because Nomadix failed to show that a denial of a preliminary injunction would result in irreparable harm or that money damages could not cure any alleged breach of the forum selection clause. ER24–28. The district court noted that “Nomadix’s claim of irreparable harm is undercut by its approximately 18-month delay in seeking a preliminary injunction[,]” and that “Guest-Tek first petitioned the PTAB for inter partes review of Nomadix’s patents

on December 22, 2017, at which point Nomadix suffered the same purported loss of its bargained-for benefit as it claims now.” ER27–28. Further, the court observed that Nomadix did not make the requisite showing that its losses could not be adequately compensated by monetary damages. ER28 (“Nomadix has provided no showing that its losses cannot be compensated by monetary damages.”).

B. Nevertheless, the District Court Granted Summary Judgment and Issued a Permanent Injunction.

On November 8, 2019, Nomadix moved for summary judgment, arguing that Guest-Tek’s PTAB petitions breached the forum selection clause because they were disputes concerning the license agreement that were not brought in the Central District of California. ER99–103. The district court agreed, even though the forum selection clause did not cover agency proceedings and the PTAB did not even exist at the time the license agreement was signed. ER11–19.

Nomadix then moved for a permanent injunction, seeking to halt the PTAB proceedings in their tracks. ER52–71. At that moment, the two inter partes review proceedings had been fully litigated, fully briefed, and argued to the three-administrative law judge panel, and the PTAB’s deadline for issuing its decisions was only weeks away. ER40. Meanwhile, the trial in the 2016 case had yet (and has yet) to occur.

The district court, applying California law, granted the permanent injunction, despite having earlier denied a preliminary injunction based on the same showing. ER9. The district court determined that, under California Civil Code section 3422, monetary compensation would not afford Nomadix adequate relief because “such damages would not secure to Nomadix its whole rights under the forum selection clause to litigate patent validity” in the district court. *Id.*

The district court ordered Guest-Tek to withdraw the ongoing inter partes review proceedings. ER3–6. Guest-Tek sought a stay of the order pending the outcome of this appeal, which was denied. ER1–2. Following the denial, Guest-Tek withdrew the inter partes review proceedings.

SUMMARY OF THE ARGUMENT

The district court erred in holding that the forum selection clause prevented Guest-Tek from challenging the validity of Nomadix’s patents before the PTAB. The forum selection clause, by its very terms, only applies to proceedings that can be brought in federal or state court, which is not true of administrative challenges to patent invalidity before the PTAB. Moreover, the PTAB and inter partes review did not even exist at the time the parties drafted and executed the license agreement, so the parties could not have contemplated that the forum selection clause would apply to proceedings before the PTAB.

The forum selection clause also does not apply because, in reviewing a patent, the PTAB does not need to interpret, analyze, or otherwise reference the license agreement, which has no bearing to do with whether the asserted prior art renders a claim invalid. At bottom, a patent invalidity determination depends on an interpretation of statute, not contract.

Furthermore, Congress established inter partes review by statutory framework to provide a streamlined administrative review of previously granted patents by current and former patent experts who are administrative law judges. The process, which is contemplated to occur at the same time as patent litigation, employs a lower standard of review and has truncated timelines. And because of the deference afforded to the USPTO, PTAB decisions supersede district court decisions on the issue of patent invalidity. The district court should have interpreted the forum selection clause in a manner consistent with this statutory framework, but did not.

Inter partes review is an adjudication of public rights as to the validity of a patent. The right to petition for patent invalidity is a public right, and anyone can bring such a claim before the PTAB. By misinterpreting the forum selection clause, the district court erroneously held that Guest-Tek is the only entity in the world that cannot challenge the validity of Nomadix's patents before the PTAB.

And the district court should have determined that Nomadix was precluded from challenging the PTAB proceedings. Nomadix waited 18 months after Guest-Tek filed its first petitions before invoking the forum selection clause—so long that it could not even raise the forum selection clause issue in the parties’ ongoing 2016 case. Having benefited from 18 months of PTAB decisions denying Guest-Tek’s earlier PTAB petitions, Nomadix should have been precluded from complaining about the use of the PTAB after its decisions started going against them.

The district court further erred in granting a permanent injunction because it wrongly applied California injunction standards. The district court should have applied federal injunction standards to determine whether a permanent injunction was justified, but it did not do so. And its failure to do so prejudiced Guest-Tek, because the federal factors weigh against granting a permanent injunction to Nomadix. Nomadix’s self-inflicted delay in seeking an injunction belied its claim of irreparable injury, monetary damages were an adequate remedy, and there was a strong public policy in favor of having the PTAB determine patent validity. And even under the California standard, the district court got it wrong, for the same reasons that the district court earlier denied a motion for preliminary injunction.

Accordingly, the permanent injunction should be vacated and Guest-Tek should be permitted to reassert its withdrawn claims before the PTAB.

STANDARD OF REVIEW

A district court's grant of summary judgment is reviewed de novo. *Lee v. ING Groep, N.V.*, 829 F.3d 1158, 1160 (9th Cir. 2016). The Court reviews the grant of a preliminary injunction for abuse of discretion. *Columbia Pictures Indus., Inc. v. Fung*, 710 F.3d 1020, 1030 (9th Cir. 2013).

ARGUMENT

I. The Forum Selection Clause Does Not Bar Guest-Tek From Challenging The Validity Of Nomadix's Patents Before The PTAB.

The district court erred in granting summary judgment to Nomadix on the scope of the forum selection clause in the license agreement because the clause does not unambiguously bar Guest-Tek's administrative challenges to Nomadix's patents before the PTAB.

A. By Its Own Terms, the Forum Selection Clause Applies Only to Litigation, Not Agency Proceedings.

The forum selection clause applies to "all disputes arising out of or in connection with" the license agreement, which admittedly is broad language. But the clause equates "dispute" with "litigation":

[A]ll *disputes* arising out of or in connection with this Agreement shall be brought in the United States District Court for the Central District of California ("District Court") and the Parties each consent to the personal jurisdiction of that court. . . . To the extent that any *dispute* arising out of this Agreement may not be brought in the District Court, such *dispute* shall be brought in a California Superior Court in Los Angeles County or Orange County

(“Superior Court”) and the Parties each consent to the personal jurisdiction of such Superior Court . . . any Party may make any objection favoring *litigation* in the District Court.

ER200 (emphasis added).

Equating “dispute” with “litigation” is only reasonable, given the fact that the forum in which “disputes” must be brought is either federal or state court. *Id.* What this means, however, is that agency proceedings are not contemplated by the forum selection clause, as they are not brought in court.

Indeed, all forum selection clauses are meant to do is prohibit a party from later arguing that a particular litigation forum is inconvenient or less convenient. “When parties agree to a forum-selection clause, they waive the right to challenge the preselected forum as inconvenient or less convenient for themselves or their witnesses, or for their pursuit of the litigation.” *Atl. Marine Const. Co. v. U.S. Dist. Court for W. Dist. of Tex.*, 571 U.S. 49, 64 (2013). They are not supposed to be read to waive a party’s right to *another* method of relief that does not constitute litigation. As a result, contract interpretation principles dictate that if the parties had wished for the forum selection clause to bar the parties from bringing administrative proceedings, it would have had expressly do so. *See Klamath Water Users Protective Ass’n v. Patterson*, 204 F.3d 1206, 1210 (9th Cir. 1999), *opinion amended on denial of reh’g*, 203 F.3d 1175 (9th Cir. 2000) (“[W]hen the terms of a

contract are clear, the intent of the parties must be ascertained from the contract itself.”).

B. The Forum Selection Clause Could Not Bar Proceedings Before the PTAB, as the PTAB Did Not Even Exist When the License Agreement Was Signed.

Moreover, the parties could not have intended that proceedings before the PTAB be barred, because the PTAB did not even *exist* at the time the license agreement was signed. ER132. The district court’s rejoinder was that the parties did not “intend[] to limit the forum-selection clause’s prohibition to only those fora then in existence.” ER17. But that is not the right inquiry. As the Supreme Court observed in *M/S Bremen v. Zapata Off-Shore Co.*, a forum selection clause provision is enforceable only to the extent it was “clearly foreseeable at the time of contracting,” which obviously was not the case here. 407 U.S. 1, 18 (1972).

Indeed, the district court’s analysis runs smack into basic principles of waiver, which require knowing relinquishment of a right. *See, e.g., Nanouk v. United States*, No. 3:15-CV-00221-RRB, 2016 WL 10611811, at *2 (D. Alaska Aug. 23, 2016) (“Waiver consists of a voluntary and intentional relinquishment of a known right[.]”) (citing *United States v. Chichester*, 312 F.2d 275, 282 (9th Cir. 1973)); *Dietz Int’l Pub. Adjusters of Cal., Inc. v. Evanston Ins. Co.*, 796 F. Supp. 2d 1197, 1208 (C.D. Cal. 2011), *aff’d*, 515 F. App’x 680 (9th Cir. 2013) (“[W]aiver is the

intentional relinquishment of a known right after knowledge of the facts.”) (quoting *Waller v. Truck Ins. Exchange, Inc.*, 11 Cal. 4th 1, 31–32 (1995)).

As the America Invents Act had not been enacted when the parties signed the license agreement, neither party could be said to have knowingly waived its right to bring a petition to the PTAB, which did not yet exist. The license agreement became effective on December 30, 2010, while review before the PTAB did not become available until 2012. *Compare* ER182 (license agreement executed in 2010), *with* Pub. L. No. 112–29, § 6(a), 125 Stat. 284, 299–304 (2011) (enacted at 35 U.S.C. § 311) (establishing inter partes review in 2012).

This fact distinguishes this case from the unpublished decision in *Dodocase VR, Inc. v. MerchSource, LLC*, 767 F. App’x 930 (Fed. Cir. 2019). In *Dodocase*, the court read a forum selection clause to preclude inter partes review. *Id.* at 934–35. But the parties in *Dodocase* executed the forum selection clause in 2016, years after the American Invents Act was enacted, and years after inter partes review and the PTAB were created. *See id.* at 932. The district court in *Dodocase* enforced the forum selection clause on this basis, holding that “Defendant MerchSource was aware of the availability of PTAB proceedings when it entered into the [license agreement].” *Dodocase VR, Inc. v. MerchSource, LLC*, No. 17-CV-07088-EDL, 2018 WL 1456718, at *10 (N.D. Cal. Mar. 23, 2018), *order amended and*

superseded, No. 17-CV-07088-EDL, 2018 WL 1475289 (N.D. Cal. Mar. 26, 2018), *aff'd and remanded*, 767 F. App'x 930 (Fed. Cir. 2019).

It is true that, when the license agreement was signed, the administrative procedure known as “inter partes reexamination” was in existence. ER17. As a preliminary matter, that should not have precluded Guest-Tek from seeking inter partes reexamination in 2010 or 2011, because the language of the forum selection clause only covers litigation disputes. ER200.

But in any event, the inter partes review process created by Congress in 2011 is a wholly different animal, designed to fix the problems with inter partes reexamination. The inter partes review process was designed to “provid[e] a more efficient system for challenging patents that should not have issued” by the government and to “establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.” H.R. Rep. No. 112-98, pt. 1, at 39–40 (2011). The changes included providing discovery and a full hearing before three administrative law judges of the newly created PTAB instead written submissions to one patent examiner, much broader participation rights, and requiring decisions regarding patent validity in a vastly shorter period of time *See* H.R. Rep. No. 112–98, pt. 1, at 46–47 (2011) (H.R. Rep.); *compare* 35 U.S.C. § 312(a) (2006 ed.) (repealed), *with* 35 U.S.C. § 314(a). Because Guest-Tek could not have foreseen the creation of the PTAB or

inter partes review, it could not have intentionally and voluntarily waived its right to pursue claims in that forum.

C. The Forum Selection Clause Also Does Not Apply Because Inter Partes Review Does Not Depend on the Terms of the License Agreement.

The forum selection clause, by its terms, applies only to disputes “arising out of or in connection with” the license agreement. ER200. It is true that Guest-Tek did not challenge the validity of Nomadix’s patents before the PTAB until after its litigation with Nomadix began. *Compare* Complaint, 2016 Case, ECF No. 1, with ER89. But that does not change the fact that inter partes review proceedings are statutorily independent of litigation, and do not require the PTAB to analyze the license agreement to determine patent invalidity. *See MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1290–91 (Fed. Cir. 2015) (observing that patent rights are derived from federal law). Rather, the PTAB only need compare the challenged patent to the prior art to make such a determination. *See* 35 U.S.C. §§ 102–03. So the PTAB proceedings cannot be said to arise out of or in connection with the license agreement.

Ninth Circuit law provides that if a claim can be adjudicated “without analyzing whether the parties were in compliance with the contract,” a forum selection clause does not apply to that claim. *Manetti-Farrow, Inc. v. Gucci Am., Inc.*, 858 F.2d 509, 514 (9th Cir. 1988). Such is the case here. While invalidity is a

defense to Nomadix’s claim for breach of the license agreement, resolution of the invalidity issue does not hinge on the terms of the license agreement. *See Medimmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 135 (2007) (licensee can challenge the validity of a patent without repudiating the license agreement).

In *In re Orange, S.A.*, 818 F.3d 956 (9th Cir. 2016), this Court held that a plaintiff’s non-contractual claims were not subject to a forum selection clause in the parties’ NDA—which applied to “[a]ny and all dispute, controversy, claim or question arising out of or relating to” the agreement—because “[n]othing in the claims required the district court to interpret, let alone reference, the NDA to issue a ruling on [plaintiff’s] claims.” *Id.* at 959–61, 962.

That analysis applies equally here. *See also Henry v. Cent. Freight Lines, Inc.*, 2017 WL 4517836, at *2 (E.D. Cal. Oct. 10, 2017) (“When interpreting a forum-selection clause, phrases such as “arising under,” “arising hereunder,” and “arising out of” should be construed to encompass “only those disputes concerning ‘the interpretation and performance of the contract itself.’”) (quoting *Cape Flattery Ltd. v. Titan Mar., LLC*, 647 F.3d 914, 922 (9th Cir. 2011); *Yan Guo v. Kyani, Inc.*, 311 F. Supp. 3d 1130, 1139 (C.D. Cal. 2018) (same); *Bagdasarian Prods., LLC v. Twentieth Century Fox Film Corp.*, No. 2:10-CV-02991-JHN, 2010 WL 5154136, at *3 (C.D. Cal. Aug. 12, 2010) (“[S]ubsequent decisions have applied the *Manetti-Farrow* test to a variety of forum selection clauses.”).

D. The Forum Selection Clause Also Does Not Apply Because There Is No Causal Connection Between the PTAB Proceedings and Nomadix's Claims in the 2019 Case.

The district court determined that there was “some logical or causal connection to the License Agreement” because an invalidation of the patents as a result of inter partes review could result in a Guest-Tek defense to “Nomadix’s claim for breach of Guest-Tek’s royalty obligations under the License Agreement.” ER15.

But inter partes review will have no impact on Guest-Tek’s defenses in the 2019 case. Nomadix’s claim for unpaid royalties is at issue in the 2016 case. Complaint, 2016 Case, ECF No. 1. Nomadix chose to file this separate action in 2019. ER148–156. Nomadix does not argue, and Guest-Tek does not contend, that the PTAB’s determinations as to Nomadix’s challenged patents will give Guest-Tek a defense to the breach of contract claim here. ER72–77, 90–104. Therefore, the outcome of inter partes review has no logical connection or causal connection to the claims and defenses in this action. *Compare Ford Motor Co. v. Todecheene*, 221 F. Supp. 2d 1070, 1083 (D. Ariz. 2002) (declining to enforce a forum selection clause because “[n]o part of the agreement is relevant to the Todecheenes’ prima facie case or to Ford’s defenses”), *with Zaitzeff v. Peregrine Fin. Grp., Inc.*, No. CV0802874MMMJWJX, 2008 WL 11408422, at *8 (C.D. Cal. June 23, 2008)

(finding that claim fell within scope of forum selection clause because it related to a defense raised in the action).

E. The Forum Selection Clause Should Be Interpreted Within the Statutory Framework Established by Congress.

The nature and purpose of inter partes review is not the same as litigation between private parties. The USPTO’s regulatory regime exists independent of a district court’s substantive jurisdiction to hear a case or common law cause of action. The right to a patent ““derives from an extensive federal regulatory scheme’ and is created by federal law.” *MCM Portfolio LLC*, 812 F.3d at 1290–91 (quoting *Stern v. Marshall*, 564 U.S. 462, 490 (2011)).

Inter partes review entails an independent administrative review, performed by the PTAB, to reexamine an earlier administrative grant of a patent. *See Saint Regis Mohawk Tribe v. Mylan Pharms., Inc.*, 896 F.3d 1322, 1328 (Fed. Cir. 2018) (“IPR is an act by the agency in reconsidering its own grant of a public franchise.”). As the Supreme Court observed in *Cuozzo Speed Techs., LLC v. Lee*, “[I]n [] significant respects, inter partes review is less like a judicial proceeding and more like a specialized agency proceeding.” 136 S. Ct. 2131, 2143 (2016). The purpose of patent reexaminations “is to correct errors made by the government . . . and if need be to remove patents that never should have been granted.” *Patlex*

Corp. v. Mossinghoff, 758 F.2d 594, 604 (Fed. Cir. 1985) (observing that a private contract that prevents reexamination is void as a matter of public policy).

PTAB petitions require the petitioner to establish unpatentability “by a preponderance of the evidence,” while in district court a challenger must prove invalidity by “clear and convincing evidence.” *Compare* 35 U.S.C. § 316(e), *with Microsoft Corp. v. i4i Ltd. Partnership*, 564 U.S. 91, 95 (2011).

As a matter of course, district courts must defer to the PTAB’s findings on patent validity. The PTAB can invalidate patent claims previously held valid by a district court. *See Novartis AG v. Noven Pharm. Inc.*, 853 F.3d 1289, 1293–96 (Fed. Cir. 2017). The agency may also intervene in a judicial proceeding to defend its decision, even if the private petitioner previously dropped her petition for inter partes review. *See Cuozzo Speed Techs., LLC*, 136 S. Ct. at 2144 (observing that the USPTO “may intervene in a later judicial proceeding to defend its decision—even if the private challengers drop out”).

The PTAB’s decision as to patent validity may also have a preclusive effect on claims and defenses put forth in a parallel judicial proceeding. *See Papst Licensing GMBH & Co. KG v. Samsung Elecs. Am., Inc.*, 924 F.3d 1243, 1250–53 (Fed. Cir. 2019) (PTAB’s findings precluded relitigation of the same issues as to the patent involved in review proceeding); *Nestle USA, Inc. v. Steuben Foods, Inc.*, 884 F.3d 1350, 1351 (Fed. Cir. 2018) (observing that issue preclusion applies in

the administrative context where the PTAB makes a determination as to patent invalidity in an inter partes review). Statutory estoppel is triggered when the PTAB issues a final written decision, and it forecloses a losing inter partes review party from reasserting the same unpatentability arguments with respect to the same patent claims in any later proceeding brought in district court. *See* 35 U.S.C. § 315(e)(2); *Star Envirotech, Inc. v. Redline Detection, LLC*, No. SACV 12-08161 JGB, 2015 WL 4744394, at *3 n.3 (C.D. Cal. Jan. 29, 2015) (“IPR estoppel attaches once the PTAB issues a final written decision.”).

These principles are consistent with traditional deference given to administrative agencies over the issues within their purview. *See Auer v. Robbins*, 519 U.S. 452, 461 (1997) (agency’s construction of regulation is of “controlling weight unless it is plainly erroneous or inconsistent with the regulation”) (internal quotations omitted); *Chevron, U.S.A., Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837, 843–44 (1984) (observing that, if the specific question at issue is unanswered by Congress, the interpretive power shifts to the agency, where the agency may provide a reasonable interpretation of that statute and the court must defer to that interpretation); *Skidmore v. Swift & Co.*, 323 U.S. 134, 140 (1944) (permitting sliding-scale approach to determine the appropriate weight to afford to an administrative interpretation and observing that while agency decisions are not binding, they still carry persuasive weight); *Aunyx Corp. v. Canon U.S.A., Inc.*, 978

F.2d 3, 7 (1st Cir. 1992) (“Normally, decisions of administrative agencies are entitled to res judicata effect when the agency acted in a judicial capacity.”).

Given the statutory primacy of PTAB proceedings, the district court should not have read the forum selection clause as barring Guest-Tek’s access to inter partes review.

F. The Upshot of the District Court’s Holding is that Guest-Tek is the Only Entity in the World That Cannot Challenge the Validity of Nomadix’s Patents Before the PTAB.

Unlike private litigation, inter partes review is an adjudication of public rights between the government and the patentee. *See Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1368 (2018) (holding that inter partes review is a review of a grant of a patent—which involves rights as between the public and the patentee—not an adjudication of a dispute between two private parties); *Regents of Univ. of Minn. v. LSI Corp.*, 926 F.3d 1327, 1339 (Fed. Cir. 2019) (“IPR evaluation of patent validity concerns public rights . . . [because] IPR is in key respects a proceeding between the government and the patent owner.”) (quotation omitted).

As a result, third parties have a right to challenge patents through inter partes review. 35 U.S.C. § 311. To initiate inter partes review, a party does not need to have a “concrete stake in the outcome,” and standing is not required. *Cuozzo Speed Techs.*, 136 S. Ct. at 2143–44. Indeed, even if a petitioner drops its petition for

patent review, the PTAB may determine to proceed with its patent review on its own. 35 U.S.C. § 303(a). Thus, regardless of Nomadix and Guest-Tek's rights and obligations under the license agreement, third parties have an independent, statutory right to seek review of Nomadix's asserted patents that the USPTO granted in the first instance. *See* 35 U.S.C. § 311 (standing to file petition for inter partes review); *see also Regents of Univ. of Minn*, 926 F.3d at 1339 (inter partes review was "designed to allow the USPTO to harness third parties for the agency to evaluate whether a prior grant of a public franchise was wrong").

Given the fact that any third party has standing to challenge the validity of Nomadix's patents, the upshot of the district court's interpretation of the forum selection clause is that Guest-Tek is the only entity in the world that cannot challenge the validity of Nomadix's patents before the PTAB. This result defies both logic and the statutory underpinnings of the America Invents Act. Patent licensees such as Guest-Tek "may often be the only individuals with enough economic incentive to challenge the patentability of an inventor's discovery. Indeed, if they are muzzled, the public may continually be required to pay tribute to would be monopolists without need or justification." *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969) (holding that licensee who repudiates a license agreement has the right to challenge the validity of any licensed patent, rendering a "no-challenge" clauses unenforceable).

II. Because Nomadix Failed To Challenge The PTAB Proceedings Until Those Proceedings Took A Turn For The Worse, It Should Have Been Barred From Challenging Them.

Nomadix actively participated in the PTAB proceedings from September 2017 to 2019 without raising any argument that Guest-Tek was barred from the forum, and it had initial success, defeating Guest-Tek’s early petitions. ER122–125. It was only after the PTAB granted two of Guest-Tek’s petitions and instituted inter partes review proceedings that Nomadix began to object. ER122–123, 126–145. And that is because, for the first time, it feared that it would lose—because for the PTAB to grant a petition and commence an inter partes review, it must find a reasonable likelihood that the petitioner will prevail on at least one claim. *See SAS Inst., Inc.*, 138 S. Ct. at 1354.

The district court should have held that, having assented to the forum and having benefited from its rulings for 18 months, Nomadix could not later challenge the use of the forum. Whether the principle is one of forfeiture or judicial estoppel, Nomadix should not be allowed to embrace the PTAB when it suits it and seek to bar use of the PTAB when it does not it.

Forfeiture is “the failure to make the timely assertion of a right.” *United States v. Olano*, 507 U.S. 725, 733 (1993). Indeed, Nomadix waited so long to assert that the forum selection clause barred PTAB proceedings that it could not

even bring a claim on that basis in the 2016 case, forcing it to bring a second lawsuit—this case—to raise it.

Judicial estoppel, meanwhile, is designed to prevent a party from playing fast and loose with judicial proceedings, embracing a position in one situation only to abandon it in another. “Judicial estoppel is an equitable doctrine that precludes a party from gaining an advantage by asserting one position, and then later seeking an advantage by taking a clearly inconsistent position.” *Arconic, Inc. v. APC Inv. Co.*, No. 19-55181, --- F.3d ---, 2020 WL 4579511, at *7 (9th Cir. Aug. 10, 2020) (quoting *Hamilton v. State Farm Fire & Cas. Co.*, 270 F.3d 778, 782 (9th Cir. 2001)). Here, Nomadix successfully defeated Guest-Tek’s early petitions before the PTAB, ER124, and they are attempting to use the PTAB’s rejection of those petitions as evidence of the validity of those patent claims at trial in 2016 case. Joint Exhibit List, 2016 Case, ECF No. 538 (listing decisions denying institution of inter partes review). Having participated in PTAB proceedings without complaint and having benefited from doing so, Nomadix cannot now claim that such proceedings are barred when the PTAB’s rulings start to go against them.

III. The District Court Erred In Granting A Permanent Injunction And Forcing Guest-Tek To Withdraw The Inter Partes Review Proceedings On The Eve Of The PTAB’s Decisions.

In June 2019, the district court properly denied Nomadix’s request for a preliminary injunction to halt the then-pending PTAB proceedings, holding that

Nomadix’s decision to wait 18 months before raising the issue cut against their claim of irreparable harm, and holding further that monetary damages would sufficiently compensate Nomadix should the district court ultimately determine that parallel proceedings in the PTAB were barred by the forum selection clause. ER27–28 (“Nomadix has therefore failed to show that extreme or very serious damage will result from denial of its preliminary injunction motion.”)].

Nevertheless, in April 2020, after discovery, briefing, and trial before the PTAB had already occurred, and only days before the PTAB was to have rendered its decisions, the district court granted Nomadix a permanent injunction requiring Guest-Tek to terminate the PTAB proceedings—even though the case for an injunction at that point in time was even weaker than it had been when the preliminary injunction was denied. ER7–10. The district court erred in granting the permanent injunction, and the Court should vacate it.

A. The District Court Abused Its Discretion in Granting a Permanent Injunction Based on California Law Instead of the Stricter Federal *eBay* Factors.

The district court, relying on a 30-year-old district court case, held that California law governed whether it should grant a permanent injunction: “Because Nomadix seeks a permanent injunction to enforce its meritorious California breach of contract claim, California law governs whether a permanent injunction should

issue.” ER8 (citing *Sullivan By and Through Sullivan v. Vallejo City Unified Sch. Dist.*, 731 F. Supp 947, 956 (E.D. Cal. 1990)).

But that was an incorrect statement of the law. While, in a diversity case, the preliminary question of whether injunctive relief is an available remedy for a cause of action is decided by looking to state law, *see Sims Snowboards, Inc. v. Kelly*, 863 F.2d 643, 645–46 (9th Cir. 1988), federal law defines the contours of the remedy. *Sonner v. Premier Nutrition Corp.*, No. 18-15890, --- F.3d ---, 2020 WL 4882896, at *7 (9th Cir. June 17, 2020). In *Sonner*, this Court made clear that laxer state standards for granting an injunction do not expand a federal court’s ability to grant injunctive relief, even in diversity cases. “It has been a fundamental principle for well over a century that state law cannot expand or limit a federal court’s equitable authority.” *Id.* at *7; *see also id.* at *5 (“Since [*Guar. Trust Co. of N.Y. v. York*, 326 U.S. 99, 105 (1945)], the Court has never held or suggested that state law can expand a federal court’s equitable powers, even if allowing such expansion would ensure a similar outcome between state and federal tribunals.”).

Other circuits agree. *See Davilla v. Enable Midstream Partners L.P.*, 913 F.3d 959, 972–73 (10th Cir. 2019) (“[T]he practice of borrowing state rules of decision does not apply with equal force to determining appropriate remedies, especially equitable remedies, as it does to defining actionable rights.”); *Fid. & Deposit Co. of Md. v. Edward E. Gillen Co.*, 926 F.3d 318, 326 (7th Cir. 2019)

(“[P]ost-*Erie* Supreme Court precedent suggests federal courts’ equitable powers are limited, not by state law, but to the traditional powers exercised by English courts of equity, even in diversity cases.”); *Perfect Fit Indus., Inc. v. Acme Quilting Co.*, 646 F.2d 800, 806 (2d Cir. 1981) (“State law does not govern the scope of the equity powers of the federal court; and this is so even when state law supplies the rule of decision.”); *Clark Equip. Co. v. Armstrong Equip. Co.*, 431 F.2d 54, 57 (5th Cir. 1970) (federal courts have “the power to enforce State-created substantive rights by well-recognized equitable remedies even though such remedy might not be available in the courts of the State”); *Hertz v. Record Publ’g Co. of Erie*, 219 F.2d 397, 398 n.2 (3d Cir. 1955) (“Federal remedies are not limited or affected by state law.”).

The district court’s application of California law had a substantial impact on the permanent injunction analysis. The district court held that under California Civil Code section 3422, a permanent injunction was warranted if “(1) pecuniary compensation would not afford adequate relief, (2) it would be extremely difficult to ascertain the amount of compensation which would afford adequate relief, (3) the restraint is necessary to prevent a multiplicity of judicial proceedings, *or* (4) the obligation arises from a trust.” ER8 (citing CAL. CIV. CODE § 3422) (emphasis added). The California standard is a disjunctive test—if a movant meets *any* of the four criteria, a permanent injunction may issue. As a result, the district court

looked only to one of the factors—whether money damages would afford adequate relief—in deciding that an injunction was warranted. ER9–10.

In contrast, the more stringent federal standard for granting a permanent injunction, set forth in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), is a conjunctive test—it precludes permanent injunctive relief unless the movant can show *all* of the following factors: (1) irreparable harm, (2) inadequate remedies available at law, such as monetary damages, to compensate for that harm, (3) “considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted,” and (4) “the public interest would not be disserved by a permanent injunction.” *Id.* at 391.

Because the district court applied the wrong law to the question of whether a permanent injunction should issue, it abused its discretion as a matter of law. “A legal error is an abuse of discretion.” *Tattersalls, Ltd. v. DeHaven*, 745 F.3d 1294, 1297 (9th Cir. 2014). The Court should vacate the grant of a permanent injunction as a result.

And applying the federal standard is applied to the facts here, a preliminary injunction should never have issued. As to the one factor the district court did analyze, the court got it wrong, failing to explain how it could have held that monetary damages were an inadequate remedy at law when it had held exactly the

opposite when denying a preliminary injunction earlier in this case. And the request for a permanent injunction fails the other *eBay* factors as well.

B. Nomadix’s Fear That It Would Lose in the PTAB Was Not Irreparable Harm.

The first two *eBay* factors mirror the what the district court considered, namely the first part of California Civil Code section 3422. *Compare eBay Inc.*, 547 U.S. at 391 ((1) “[movant] suffered an irreparable injury,” (2) “remedies available at law, such as monetary damages, are inadequate to compensate for that injury”), with CAL. CIV. CODE § 3422 (“pecuniary compensation would not afford adequate relief”). *See L.A. Mem’l Coliseum Comm’n v. NFL*, 634 F.2d 1197, 1202 (9th Cir. 1980) (“[M]onetary injury is not normally considered irreparable.”); *DVD Copy Control Assn., Inc. v. Kaleidescape, Inc.*, 176 Cal. App. 4th 697, 722 (2009) (“[T]o say that the harm is irreparable is simply another way of saying that pecuniary compensation would not afford adequate relief[.]”).

In September 2019, the district court concluded that Nomadix was not entitled to a preliminary injunction because it failed to show irreparable harm or that monetary damages were an inadequate form of relief. “Nomadix’s claim of irreparable harm is undercut by its approximately 18-month delay in seeking a preliminary injunction,” held the district court, citing this Court for the proposition that a “long delay before seeking a preliminary injunction implies a lack of

urgency and irreparable harm.” ER27–28 (quoting *Oakland Tribune, Inc. v. Chronicle Publ. Co., Inc.*, 762 F.2d 1374, 1377 (9th Cir. 1985)). The district court noted that whatever harm Nomadix claimed existed by virtue of having to litigate patent validity before the PTAB, it suffered that harm starting in December 2017, when Guest-Tek filed its first inter partes review petition—“at which point Nomadix suffered the same purported loss of its bargained-for benefit as it claims now”—but failed to object to it for a year and a half. ER28.

By the time Nomadix sought a permanent injunction months later, the case for an injunction was that much weaker. By that point, the PTAB proceedings were essentially done. All of the discovery and briefing had been completed. The parties had already completed oral argument on the pending petitions, and the PTAB had taken the matters under submission. *Guest Tek Interactive Ent. Ltd. v. Nomadix, Inc.*, IPR Nos. 2019-00211, -00253, Paper No. 32 at 1–3, 74 (Feb. 25, 2020). The only thing left for the PTAB to do was to issue final written decisions on the invalidity of the challenged patent claims—which it was set to render no later than May 28 and May 30, 2020. Yet the district court inexplicably granted the permanent injunction, ordering Guest-Tek to withdraw those petitions, literally days before the PTAB was about to issue its decisions.

If we are being honest, the only real “irreparable harm” here to Nomadix was the fact that the PTAB was on the verge of making decisions that would be

binding on the district court as to the validity of Nomadix's patents. And since the PTAB had already signaled, by granting the inter partes review petitions, that there was a probability that Nomadix's patents were invalid, Nomadix had every right to fear what the PTAB would say.

But losing a monopoly over an invalid patent is not irreparable harm. The PTAB was expressly designed to ensure that invalid patents are not enforceable. As such, the fact that "the PTAB may be less likely to affirm the validity [of] its patents than a district court" is not grounds for an injunction, and "the cancellation of an improvidently issued patent is not the sort of injury that weighs in favor of [an] injunction request." *NuCurrent Inc. v. Samsung Elecs. Co.*, No. 19cv798, 2019 WL 2776950, at *5 (S.D.N.Y. July 2, 2019). Indeed, Nomadix cannot claim that it will be irreparably harmed if the PTAB determines that its patent claims are invalid because it is axiomatic that a patent owner does not have a valid interest in maintaining an invalid patent. "[T]here can be neither legal nor equitable ownership of a void patent." *Grindle v. Welch*, 146 F. Supp. 44, 47 (N.D. Cal. 1956), *aff'd*, 251 F.2d 671 (9th Cir. 1957). Thus, if Nomadix's patent claims are determined to be invalid, it cannot be irreparably harmed by their cancellation because it has no right to them in the first place.

It is also understandable that the district court would be reluctant to have to incorporate findings from the PTAB into its own upcoming trial, as the PTAB's

findings as to invalidity would supersede any contrary finding before the district court—even though the burden of proof for invalidity in the PTAB is lower than it is in district court. *Novartis AG*, 853 F.3d at 1296 (Fed. Cir. 2017). But district courts deal with this all the time. Congress intended for there to be parallel proceedings (which occur with great frequency) and that PTAB findings—by patent judges, not juries—should control. *See Cuozzo Speed Techs., LLC*, 136 S. Ct. at 2139–40, 2146 (recognizing that USPTO’s “significant power to revisit and revise earlier patent grants” and recognizing the dual-track system’s long presence in the patent realm).

Therefore, the district court should have denied the permanent injunction for the same reasons it denied a preliminary injunction—that Nomadix could not claim irreparable harm because it had allegedly “suffered the same purported loss of its bargained-for benefit” when Guest-Tek filed its first PTAB petitions in December 2017, but sat on its rights for years. ER28.

C. The Balance of Hardships Does Not Favor a Permanent Injunction.

Had the district court properly applied *eBay*, it would have also had to consider the balance of the hardships—the movant’s harm without an injunction compared to the non-movant’s harm from a wrongfully issued injunction. *See Stormans, Inc. v. Selecky*, 571 F.3d 960, 987–88 (9th Cir. 2009).

The balance of hardships favors Guest-Tek. Having failed to contend that the PTAB was an inappropriate forum for years, Nomadix led Guest-Tek to spend years and countless resources challenging patent invalidity before the PTAB, only to have the rug pulled out from the inter partes review hearings days before the PTAB would likely have ruled in Guest-Tek's favor. This was extraordinarily unjust for Guest-Tek. And as set forth above, the risk that Nomadix would lose before the PTAB is not a hardship, as no one has the right to assert a patent claim that is invalid.

D. The Public Interest Weighs Against Injunctive Relief.

Had the district court properly applied *eBay*, it also would have had to consider the public interest in granting an injunction, another factor weighing in Guest-Tek's favor.

The public interest in cancelling invalid patents outweighs Nomadix's alleged interest in a forum-selection clause. As the Supreme Court observed, patent examinations reflect the public's "paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope." *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 816 (1945). In *Lear*, the Supreme Court determined that prohibiting licensees from challenging the validity of a patent that they had licensed runs afoul of public policy "in permitting

full and free competition in the use of ideas which are in reality part of the public domain.” *Id.* at 670.

The Supreme Court has held that patent validity determinations override contractual disputes because of the federal policy that “requires that all ideas in general circulation be dedicated to the common good unless they are protected by a valid patent.” *Lear*, 395 U.S. at 668, 673. Underscoring this policy, the Supreme Court observed that a licensor’s interests under a contract do “not weigh very heavily” against a licensee’s (and the public’s) interest in “full and free competition in the use of ideas which are in reality a part of the public domain.” *Id.* at 670. Recently, in *Oil States Energy Services*, the Supreme Court again recognized that there is a strong public policy in allowing the USPTO to reexamine its grant of patents. 138 S. Ct. at 1375. The Supreme Court held that inter parties review proceedings fell within the public-rights doctrine observing that, in discharging its constitutional function, the USPTO “take[s] from the public rights of immense value, and bestow[s] them upon the patentee.” *Id.* at 1373 (quoting *United States v. American Bell Telephone Co.*, 128 U.S. 315, 370 (1888)).

To vindicate those public rights, the Court should not intervene to preclude the PTAB from reaching a final written decision on patent invalidity. The public is entitled to see the administrative patent review process through to its completion.

As the *eBay* factors *all* favor Guest-Tek, and as a permanent injunction is unwarranted if even *one* of the factors favors Guest-Tek, the district court abused its discretion in granting a permanent injunction.

E. The Propriety of the Permanent Injunction Is Not Moot, Because Guest-Tek Can Refile Its PTAB Petitions.

Should the Court vacate the permanent injunction, Guest-Tek will be able to refile its withdrawn PTAB petitions, so the issue is not moot. *See* 35 U.S.C. § 315(e)(1).

CONCLUSION

The judgment should be reversed and the permanent injunction vacated.

Date: September 2, 2020

/s/ Thomas D. Warren

Thomas D. Warren

Erick K. Kuylman

WARREN TERZIAN LLP

700 S. Flower St., Suite 1000

Los Angeles, CA 90017

(216)304-4970

Attorneys for Defendant-Appellant

Guest-Tek Interactive Entertainment Ltd.

CERTIFICATE OF COMPLIANCE

This brief complies with the type-volume limitation of Ninth Circuit Rule 32-1 because this brief contains 9,496 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(f).

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Date: September 2, 2020

/s/ Thomas D. Warren

Thomas D. Warren

WARREN TERZIAN LLP

Attorneys for Defendant-Appellant

Guest-Tek Interactive Entertainment Ltd.

CERTIFICATE OF SERVICE

I hereby certify that on September 2, 2020, I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Ninth Circuit by using the appellate CM/ECF system.

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Date: September 2, 2020

/s/ Thomas D. Warren

Thomas D. Warren

WARREN TERZIAN LLP

Attorneys for Defendant-Appellant

Guest-Tek Interactive Entertainment Ltd.