

18-1724

**United States Court of Appeals
for the Federal Circuit**

DODOCASE VR, INC., fka Dodocase, Inc.

Plaintiff-Appellee,

v.

MERCHSOURCE, LLC, dba Sharper Image,

Defendant-Appellant,

THREESIXTY BRANDS GROUP, LLC, dba Sharper Image,

Defendant

*Appeal from the United States District Court
for Northern District of California in No. 3:17-cv-07088-EDL
Magistrate Judge Elizabeth D. Laporte*

**BRIEF OF ACUSHNET COMPANY, CONSUMER ELECTRONICS
ASSOCIATION, EFORCITY CORP., ENGINE, GARMIN
INTERNATIONAL, INC., PUBMATIC, INC., SAS INSTITUTE INC.,
VIZIO, INC. AND XILINX, INC. AS *AMICI CURIAE* IN SUPPORT OF
PETITION FOR PANEL REHEARING, FOR *EN BANC REHEARING*
*FILED BY APPELLANT MERCHSOURCE, LLC***

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CERTIFICATE OF INTEREST

Counsel for *Amici Curiae* Acushnet Company, Consumer Electronics Association, eForCity Corp., Engine, Garmin International, Inc., PubMatic, Inc., SAS Institute Inc., Vizio, Inc. and Xilinx, Inc. (hereinafter collectively, "*Amici*") certifies the following:

1. The full name of every party or *Amici* represented by me is:

Acushnet Company, Consumer Electronics Association, eForCity Corp., Engine, Garmin International, Inc., PubMatic, Inc., SAS Institute Inc., Vizio, Inc. and Xilinx, Inc.

2. The names of the real party in interest represented by me are:

Not applicable.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or *Amici* represented by me are:

None.

4. The names of all law firms and the partners or associates that appeared for the party or *Amici* now represented by me in the trial court or agency or are expected to appear in this court (and who have not or will not enter an appearance in this case) are:

None.

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this Court's decision in the pending appeal: *DODOCASE VR, INC., fka Dodocase, Inc. v. MERCHSOURCE, LLC, dba Sharper Image et al.*, No. 3:17-cv-07088-ED (ND. Cal.).

DATED: June 3, 2019

/s/ Lannie Rex Sears

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I. INTEREST OF AMICI CURIAE

*Amici curiae*¹ are, Acushnet Company, Consumer Electronics Association, eForCity Corp., Engine, Garmin International, Inc., PubMatic, Inc., SAS Institute Inc., Vizio, Inc. and Xilinx, Inc. This brief is being filed with an accompanying Motion for Leave pursuant to Federal Rules of Appellate Procedure “Fed. R. App. P.”), Rule 29.

Amici have no personal interest in the outcome of the underlying case. Some of the *Amici* are corporate and business entities and others are technology industry trade and policy organizations.

Some of the *Amici* are parties to patent-licenses (or as with the trade and policy organizations, like Consumer Electronics Association and Engine, they have members who are parties to patent-licenses or work with high-technology, growth oriented start-ups to support the development of technology entrepreneurship) and in said capacities, all are involved in agreements relating to the licensing of patent rights which contain forum-selection-clauses. Thus, all have a common interest in the appropriate use of forum-selection-clauses and in avoiding and preventing them from being inappropriately used and interpreted. All of them have been frequent targets of frivolous and abusive lawsuits asserting weak or improperly

¹ Per Fed. R. App. P. 29.

granted patents, and have strong interest in preserving the right to petition under the America Invents Act (“AIA”) for Patent Trial and Appeal Board (“PTAB”) review of the validity of patent claims.

II. SUMMARY OF ARGUMENT

The panel opinion at issue holds that standard, generic forum-selection-clause language from a patent-license bars the licensee from pursuing statutory AIA review of the licensed patents and that patent-license forum-selection-clauses cover AIA post-grant proceedings as a matter of law.

The panel opinion creates a new and improper barrier for patent-licensees to AIA review. The decision essentially establishes a new *per se* rule that AIA reviews are further controlled by the often standard, boilerplate forum-selection-clause of any patent-license or agreement conferring patent rights—potentially precluding all AIA review by the U.S. Patent and Trademark Office (“PTO”). While it sounds like hyperbole, the panel’s new opinion literally impacts every existing licensee of patent rights containing a forum-selection-clause (*i.e.*, nearly every such agreement). In this regard, the *Amici* are deeply concerned that such newly created and unintended contractual restrictions on licensees that prevent AIA review are contrary to Supreme Court and Federal Circuit precedent and important public policy.

Adopting a nationwide rule regarding the application of forum-selection-clauses to AIA review could be beneficial by preventing unnecessary, collateral litigation over such clauses and promoting uniform, consistent results. However, the rule that should be adopted should not permit boilerplate forum-selection-clauses to unintentionally preclude AIA review. Accordingly, the Federal Circuit should rehear the matter *en banc* to resolve this matter and affirm that standard contractual forum-selection provisions do not preclude AIA review of a patent's validity.

III. ARGUMENT

The panel opinion holds that patent invalidity questions are “necessarily” within the scope of any forum-selection-clause in any patent-license. This means that AIA reviews are prohibited under most patent-licenses. The holding and result are material and wide-reaching departures from existing precedent and contrary to public policy. The Court should consider the matter *en banc*.

A. The Panel Opinion Alters The Contractual Expectations And Rights Of Parties To Existing Patent-Licenses

- 1. Nearly all existing and past patent-licenses likely contain a forum-selection-clause whose scope is retroactively impacted by the panel opinion.*

Patent-license agreements are contracts that generally contain the same general, boilerplate provisions seen in other contracts. Such provisions include

clauses for integration, counterparts, force majeure, headings, choice of law, dispute resolution, and, of course, forum-selection. *See, e.g.*, <https://www.nolo.com/legal-encyclopedia/common-boilerplate-provisions-contracts-32654.html> (last visited May 27, 2019). Nearly every existing patent-license agreement between unrelated entities likely has a forum-selection-clause that has now been retroactively and materially affected by the panel opinion. Likewise, this opinion would even affect licenses for patents that predate the existence of the PTAB.

Current patent-licenses are not the only ones affected by the panel decision. Another common boilerplate provision is a clause specifying that certain named contract provisions remain effective even after the expiration or termination of the contract. *See, e.g.*, <https://www.upcounsel.com/survival-clause-in-contract> (last visited May 27, 2019). Forum-selection-clauses are usually included in a “survival clause”. Thus, if the panel’s decision stands, former licensees will discover that long-forgotten boilerplate forum-selection-clauses may unintentionally preclude AIA review of patents they no longer license.²

² This appears to be the case for MerchSource. The patent owner terminated the MLA before filing the motion for TRO/PI, but the MLA has a survival clause covering the forum-clause.

Amici recognize that *en banc* review is rare for non-precedential opinions, but the panel opinion is a significant departure from existing precedent and significantly alters to the body of law. Fed. Cir. R. 32.1(b). Further, all Federal Circuit decisions, particularly on patent matters, are precedential to lower courts, so district courts will have to apply the panel opinion in other cases nationwide. Given the potentially wide and unfortunate applicability of the holding that AIA reviews necessarily fall within patent-license forum-selection-clauses, the Court should treat the panel opinion as precedential for purposes of considering *en banc* review.

2. *Contracting parties understood and expected that contractual restrictions on licensee validity challenges were not enforceable under Lear.*

It has long been well-known that contractual restrictions on licensee challenges to patent validity are unenforceable under *Lear*,³ at least in the absence of a litigation settlement agreement, consent judgment, or a time-bar. *Lear v.*

³ For example, clause permitting patent owner to terminate the license if the licensee challenged validity was unenforceable under *Lear* because it “operates to discourage licensee” from challenging validity. *Canon Inc. v. Tesseron Ltd.*, 115 F. Supp. 3d 391, 396 (S.D.N.Y. 2015). *See also Rates Tech. Inc. v. Speakeasy, Inc.*, 2011 WL 1758621, at *4 (S.D.N.Y. May 9, 2011), *aff’d*, 685 F.3d 163 (2d Cir. 2012) (liquidated damages clauses requiring \$12 million if the licensee challenged validity was unenforceable under *Lear*).

Adkins, 395 U.S. 653 (1969); *Flex-Foot, Inc. v. CRP, Inc.*, 238 F.3d 1362 (Fed. Cir. 2001).

But the new rule undermines and restricts *Lear* in a way no one anticipated or would have considered in drafting a license forum-clause. No one ever read *Texas Instruments* as expansively as the panel opinion now does to cover AIA reviews (or even invalidity challenges in general). Indeed, the dicta from *Texas Instruments* on which the panel relies⁴ is 19 years old (pre-AIA) and, per a Westlaw search, was cited only *twice* before by any court, federal or state. *General Protecht Group, Inc. v. Leviton Manufacturing Company, Inc.*, 651 F.3d 1355, 1359 (Fed. Cir. 2011) and *Rovi Guides, Inc. v. Comcast Corp.*, No. 216CV00322JRGRSP, 2016 WL 6217201, at *4 (E.D. Tex. Oct. 25, 2016). Both *General Protecht* and *Rovi* were patent infringement, *not invalidity*, proceedings, and neither case applied the dicta as a rule, but instead analyzed whether interpretation of the license was necessary to adjudicate infringement (the same analysis used in most jurisdictions). Thus, extending the *Texas Instruments* dicta to AIA proceedings is a significant departure from precedent and long-established rules.

⁴See *Texas Instr.*, 231 F.3d at 1331 (“[T]he governing law clause in the present case, as in any patent-license agreement, necessarily covers disputes concerning patent issues.”).

B. The Federal Circuit Should Maintain The Public Policy Rule Of *Lear* That Contractual Provisions Attempting To Restrict A Licensees Right To Petition For AIA Review Are Void

The panel opinion plainly creates new law on interpreting forum-selection-clauses vis-à-vis the AIA. Given the range of possible language used in such clauses, and the potential variances in interpretations across all the different jurisdiction, a uniform rule does offer some advantages.

However, the uniform rule announced by the panel is contrary not just to law, but to public policy. The Court *en banc* should instead follow *Lear* and prohibit contractual restrictions on filing AIA petitions. Preserving AIA review for licensees is very important and in the public interest and is extremely important for at least two reasons. First, licensees are often the only parties with incentive to challenge invalid patents. This fact was expressly recognized by the Supreme Court in *Lear*:

Licensees may often be the only individuals with enough economic incentive to challenge the patentability of an inventor's discovery. If they are muzzled, the public may continually be required to pay tribute to would-be monopolists without need or justification.

Lear, 395 U.S. at 670–71.

Lear cannot be circumvented simply by now allowing other contract provisions, like a forum-selection-clause, to restrict licensees from challenging validity. As the Supreme Court explained in *Blonder Tongue v. University of*

Illinois Foundation, Lear was rooted in a “line of cases eliminating obstacles to suit by those disposed to challenge the validity of a patent.”⁵ Any provision that reduces a licensee’s “economic incentive to challenge” validity operates to discourage such challenges and threatens the public interest.⁶ As the district court in *Canon* concluded:

The logic of *Lear* does not require explicit bans, automatic-breach provisions, or the complete removal of any and all incentives to challenge a patent. Nor does it require case-by-case fact-finding to determine the extent to which a license or contract has left a party with an incentive to challenge a patent monopoly. ***Provisions like the one at issue here operate to muzzle parties and discourage them from challenging patents. The public interest in identifying invalid patents requires that such provisions be nullified.***

Canon, 115 F. Supp. 3d at 396 (emphasis added).

Second, Congress created the AIA as a more efficient and economical process for the critical task of patent review compared to district court proceedings. AIA proceedings at the PTAB offer simplified and focused procedures, lower costs, speedier resolution, and judges with more expertise—to encourage validity challenges. Indeed, to further encourage such validity challenges, the statutory regime of the AIA does not recognize common law “defenses” to AIA review, nor does it impose standing, forum, venue, or many other procedural restrictions.

⁵ 402 U.S. 313, 345 (1971).

⁶ *See supra* n.5.

Allowing patent owners to contractually create conditions and limits on AIA review that Congress did not see fit to include in the statute impermissibly frustrates the Congressional intent embodied in the AIA. Contractual restrictions on a licensee's ability to challenge validity are further plainly contrary to *Lear* and should be rejected.

IV. CONCLUSION

For the reasons set forth above, the Court should rehear the matter *en banc*.

Date: June 3, 2019

Respectfully submitted,

/s/ Lannie Rex Sears

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CERTIFICATE OF COMPLIANCE

Pursuant to Fed. R. App. P. 27(d) and 32(g), the undersigned hereby certifies that this motion complies with the type-volume limitation of Circuit Rule 27(d).

1. Exclusive of the accompanying documents as authorized by Fed. R. App. P. 27(a)(2)(B) and the exempted portions of the motion as provided by Fed. R. App. P. 27(d)(2) and 32(f), the motion contains 1762 words.

The motion has been prepared in proportionally spaced typeface using Microsoft Word 2013 in a 14-point Times New Roman font for text and 12-point Times New Roman font for footnotes. As permitted by Fed. R. App. P. 32(g), the undersigned has relied upon the word count feature of this word processing system in preparing this certificate.

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CERTIFICATE OF SERVICE

I hereby certify that, on this 3rd day of June, 2019, I filed the foregoing with the Clerk of the United States Court of Appeals for the Federal Circuit via the CM/ECF system, which will send notice of such filing to all registered CM/ECF users.

/s/ Lannie Rex Sears _____

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