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4 UNITED STATES DISTRICT COURT
5 NORTHERN DISTRICT OF CALIFORNIA

6
7 DODOCASE VR, INC.,
8 Plaintiff,

9 v.

10 MERCHSOURCE, LLC, et al.,
11 Defendants.

Case No.17-cv-07088-EDL

**ORDER GRANTING PLAINTIFF'S
MOTION FOR PRELIMINARY
INJUNCTION**

Re: Dkt. No. 24

12 On February 16, 2018, Plaintiff Dodocase VR, Inc. filed a motion for a temporary
13 restraining order or preliminary injunction against Defendants MerchSource, LLC
14 (“MerchSource”) and ThreeSixty Brands Group LLC (“ThreeSixty”) (together, “Defendants”).
15 Specifically, the motion requests a Court order requiring Defendants to withdraw the petitions
16 filed with the Patent Trial and Appeal Board (“PTAB Petitions”) on January 15, 2018, which seek
17 a determination that the patents that are the subject of this litigation are invalid. Defendants
18 opposed the motion on February 27, 2018, and Plaintiff filed its reply on March 1, 2018. The
19 Court held a hearing on March 6, 2018. For the reasons stated on the record during the hearing
20 and for those set forth below, the Court GRANTS Plaintiff’s motion for a preliminary injunction
21 and ORDERS Defendants, and in particular MerchSource as the filing entity and real-party-in-
22 interest ThreeSixty as necessary, to (1) send the email to the PTAB by Sunday March 25, 2018
23 requesting a conference call to facilitate the withdrawal of the PTAB Petitions, and (2) if the
24 PTAB grants permission to file motions to dismiss the petitions, file the motions by 12:00 p.m. on
25 April 3, 2018. The content of the email and motions to dismiss must comply with the
26 requirements discussed below. Plaintiff need not post a bond for the reasons explained below.

27 **I. BACKGROUND**

28 On December 13, 2017, Plaintiff filed its original complaint seeking declaratory judgment

1 and injunctive relief. Dkt. No. 1. Plaintiff manufactures accessories for mobile devices, including
2 virtual reality accessories for smartphones. Id., ¶¶ 6, 7. Plaintiff has been awarded multiple
3 patents for its virtual reality accessories, including three patents that are at issue in this case. Id., ¶
4 9. Those three patents are United States Patent No. 9,420,075, entitled “Virtual Reality Viewer
5 and Input Mechanism,” issued August 16, 2016 (the “‘075 Patent”); United States Patent No.
6 9,723,117, entitled “Virtual Reality Viewer and Input Mechanism,” issued on August 1, 2017 (the
7 “‘117 Patent”); and United States Patent No. 9,811,184, entitled “Virtual Reality Viewer and Input
8 Mechanism,” issued on November 7, 2017 (the “‘184 Patent”). Id. The complaint refers to these
9 three patents collectively as the “Dodocase Patents.” Id. The original complaint sought: (1) a
10 declaration that certain Dodocase Patents are valid and enforceable; and (2) an injunction against
11 Defendants from breaching the patent license agreement between Defendants and Plaintiff. Id., ¶
12 4.

13 MerchSource designs, sources, and distributes a wide-range of consumer goods, including
14 toys, electronics, and home decor, to large retailers. Id., ¶ 11. MerchSource is wholly owned by
15 ThreeSixty. Id., ¶ 14. Plaintiff alleges that MerchSources sells, manufactures, designs, and/or
16 imports certain products under the brand name “Sharper Image” that threaten to infringe the
17 Dodocase Patents. Id., ¶ 12.

18 On or about June 16, 2016, MerchSource contacted Plaintiff about obtaining a license to
19 the ‘075 Patent. Id., ¶ 21. Subsequently, on or about October 3, 2016, MerchSource and Plaintiff
20 entered into a Master License Agreement regarding the Dodocase Patents (“MLA”). Id., ¶ 22.
21 The MLA states that “MerchSource desires to manufacture and sell virtual reality viewer products
22 having a capacitive touch input mechanism containing the Licensed IP.” Id., ¶ 23. The MLA also
23 provides that “MerchSource shall not (a) attempt to challenge the validity or enforceability of the
24 Licensed IP; or (b) directly or indirectly, knowingly assist any Third Party in an attempt to
25 challenge the validity or enforceability of the Licensed IP except to comply with any court order
26 or subpoena.” Id., ¶ 28. Further, the MLA includes the following forum selection provision:
27 “THE PARTIES AGREE . . . THAT DISPUTES SHALL BE LITIGATED BEFORE THE
28 COURTS IN SAN FRANCISCO COUNTY OR ORANGE COUNTY, CALIFORNIA.” Dkt. No.

1 34, § 13.4 (emphasis in original). Further, “[t]he laws of the State of California shall govern any
2 dispute arising out of or under this Agreement” Id.

3 Starting on or about June 9, 2017, MerchSource began contacting MerchSource to express
4 dissatisfaction with the MLA. Id., ¶ 24. On or about July 10, 2017, MerchSource told Plaintiff
5 that in light of its perception that Plaintiff was not enforcing its intellectual property sufficiently,
6 MerchSource would “have no choice but to impute a zero percent royalty rate under the [MLA] in
7 order to be similarly advantaged.” Id., ¶ 25. On October 5, 2017, MerchSource told Plaintiff that
8 it reviewed the claims in the patent application for what would later become the ‘184 Patent and
9 determined that the relevant claims were invalid, so it would not pay any royalties on the products
10 sold under that patent. Id., ¶ 27. Plaintiff responded that refusal to pay royalties despite its
11 continued manufacture, use, sale, and/or offer for sale of products using the Dodocase Patents
12 constituted a breach of the MLA. Id., ¶ 29. One day after the deadline to cure the breach, on
13 November 17, 2017, MerchSource provided a royalty check and royalty report. Id., ¶ 32.

14 On December 22, 2017, Defendants filed a motion for an extension of time to answer or
15 otherwise respond to the complaint. Dkt. No. 14. In their motion, Defendants stated that they
16 required more time to investigate the complaint’s allegations, in part due to the fact that the
17 twenty-one day answer period under Rule 12 included the year-end holidays and relevant
18 MerchSource personnel and its attorneys had previously scheduled travel, holiday, and vacation
19 plans during that time. Id. The Court granted Defendants’ request for a twenty-nine day extension
20 over the objection of Plaintiff. Dkt. Nos. 15 & 18.

21 On January 12, 2018, counsel for Plaintiff and Defendants held a telephone conference to
22 discuss potential resolution of this case, including renegotiation of the MLA’s royalty option.
23 Johnson Decl., ¶ 3; Mot. at 4. Before the meeting, Defendants’ counsel asked Plaintiff to sign a
24 non-disclosure agreement to allow MerchSource to keep the discussions confidential and to
25 provide information and documents, including the draft PTAB Petitions, that it considered to be
26 protected by privilege or attorney work product. Id., ¶ 4-5. According to Plaintiff, it did not
27 execute the non-disclosure agreement because it believed that such an agreement would be
28 unethical in light of Plaintiff’s obligations of disclosure to the Patent Office for continuing

1 applications and in future licensing discussions or litigation with third parties. Mot. at 4.

2 Although Plaintiff did not sign the non-disclosure agreement, the parties still held the
3 scheduled meeting. Johnson Decl., ¶ 9. They could not, however, reach agreement on resolution,
4 and Defendants stated that they were prepared to file challenges to the Dodocase Patents with the
5 PTAB. Johnson Decl., ¶ 6. On January 15, 2018, Defendants identified the three alleged prior art
6 references for Plaintiff for the first time. Id., ¶ 12. Plaintiff reviewed the information and told
7 Defendants that they did not think the alleged prior art supported their claim of invalidity. Mot. at
8 4.

9 Defendants then filed three separate PTAB Petitions, challenging each of the three
10 Dodocase Patents, on January 15, 2018. Dkt. No. 23, Am. Compl., ¶ 52. The PTAB Petitions rely
11 on the same three “primary references”: (1) U.S. Patent Publication No. 2013/0141360, which
12 issued as U.S. Patent 9,423,827 (“Compton”); (2) a comment posted on a blog entitled, “Why
13 Google Cardboard is Actually a Huge Boost for Virtual Reality” (“Gigaom”); and (3) a YouTube
14 video entitled, “Use Google Cardboard without Magentometer (Enabling Magnetic Ring Support
15 to Every Device)” (“Tech#”). Id., ¶ 52. Plaintiff alleges that none of these alleged prior art
16 references invalidate the Dodocase Patents. Id., ¶¶ 54-62.

17 On February 2, 2018, Defendants answered the complaint and filed a counterclaim against
18 Plaintiff. Dkt. No. 22. The counterclaim sought declaratory judgment that each of the three
19 Dodocase Patents is invalid for at least the reasons set forth in the PTAB Petitions. Id.,
20 Counterclaim, ¶¶ 6-26.

21 As a result of the failed negotiations, the PTAB Petitions, and Defendant MerchSource’s
22 failure to make their royalty payment for the fourth quarter of 2017, Plaintiff terminated the MLA
23 on February 14, 2018. Am. Compl., ¶¶ 50-51. Plaintiff filed an amended complaint that alleged
24 that MerchSource further breached the MLA after the original complaint by: (1) filing PTAB
25 petitions in contravention of the MLA’s venue and “no-challenge” provisions and disclosing
26 alleged prior art for the first time in support of that challenge on January 15, 2018; (2) failing to
27 make its required royalty payment on January 30, 2018; and (3) failing to provide assurances that
28 its marking obligations would be satisfied with respect to the newly-issued ‘117 and ‘184 Patents.

1 Id., ¶ 4. Plaintiff alleges that MerchSource took these actions in an attempt to obtain a more
2 favorable royalty rate. Id., ¶ 5. Plaintiff’s amended complaint included a claim for breach of
3 contract and/or infringement against MerchSource. Id., ¶¶ 86-109.

4 Two days later, on February 16, 2018, Plaintiff filed this motion for a temporary
5 restraining order or preliminary injunction. Dkt. No. 24. Defendants filed an amended answer
6 and counterclaim on February 28, 2018. Dkt. No. 31.

7 **II. LEGAL STANDARD**

8 Federal Rule of Civil Procedure 65 provides federal courts with the authority to issue
9 temporary restraining orders and preliminary injunctions. Fed. R. Civ. P. 65(a)-(b). An injunction
10 is a matter of equitable discretion and is “an extraordinary remedy that may only be awarded upon
11 a clear showing that the plaintiff is entitled to such relief.” Winter v. Natural Resources Defense
12 Council, Inc., 555 U.S. 7, 22 (2008); see also Munaf v. Geren, 553 U.S. 674, 689-90 (2008). The
13 same general legal general standards govern the issuance of temporary restraining orders and
14 preliminary injunctions. See New Motor Vehicle Bd. v. Orrin W. Fox Co., 434 U.S. 1345, 1347
15 n.2 (1977); Stuhlbarg Int’l Sales Co., Inc. v. John D. Brush & Co., Inc., 240 F.3d 832, 839 n.7 (9th
16 Cir. 2001).

17 A preliminary injunction preserves the status quo and the rights of the parties until a final
18 judgment on the merits can be rendered. See Granny Goose Foods, Inc. v. Bhd. of Teamsters &
19 Auto Truck Drivers Local No. 70 of Alameda Cnty., 415 U.S. 423, 439 (1974); U.S. Philips Corp.
20 v. KBC Bank N.V., 590 F.3d 1091, 1093-94 (9th Cir. 2010). A preliminary injunction “should not
21 be granted unless the movant, by a clear showing, carries the burden of persuasion.” Mazurek v.
22 Armstrong, 520 U.S. 968, 972 (1997) (per curiam) (citation omitted) (emphasis in original).

23 A “prohibitory” injunction restores the status quo as it existed before the controversy at
24 issue arose. See Pac. Sunwear of Cal. Inc. v. KP Fashion Co., 2009 WL 10670246, at *6 (C.D.
25 Cal. Mar. 20, 2009) (finding that the plaintiff was seeking a prohibitory injunction to stop the
26 defendant from infringing its trademarks, therefore restoring the status quo as it existed before the
27 alleged infringement) (citing Stanley v. Univ. of S. Cal., 13 F.3d 1313, 1320 (9th Cir. 1994)
28 (holding that a prohibitory injunction preserves the status quo ante litem); GoTo.com, Inc. v. Walt

1 Disney Co., 202 F.3d 1199, 1210 (9th Cir. 2000) (“The status quo ante litem refers not simply to
2 any situation before the filing of a lawsuit, but instead to ‘the last uncontested status which
3 preceded the pending controversy’”) (citation omitted)). By contrast, a mandatory injunction
4 goes beyond restoring the status quo that preceded the dispute and “orders a responsible party to
5 ‘take action.’” Garcia v. Google, Inc., 786 F.3d 733, 740 (9th Cir. 2015) (quoting Marlyn
6 Nutraceuticals, Inc. v. Mucos Pharma GmbH & Co., 571 F.3d 873, 879 (9th Cir. 2009) (citation
7 omitted)). The Ninth Circuit has held that mandatory injunctions, “which go[] well beyond
8 simply maintaining the status quo [p]endente lite, [are] particularly disfavored, and should not be
9 issued unless the facts and law clearly favor the moving party.” Anderson v. United States, 612
10 F.2d 1112, 1115 (9th Cir. 1979) (quoting Martinez v. Mathews, 544 F.2d 1233, 1243 (5th Cir.
11 1976)). See also Garcia, 786 F.3d at 740.

12 A plaintiff seeking a preliminary injunction must establish that it is likely to succeed on the
13 merits, that it is likely to suffer irreparable harm in the absence of preliminary relief, that the
14 balance of equities tips in its favor, and that an injunction is in the public interest. Winter, 555
15 U.S. at 20. Alternatively, the plaintiff may demonstrate that the likelihood of success is such that
16 “serious questions going to the merits were raised and that the balance of hardships tips sharply in
17 the plaintiff’s favor,” so long as the other two elements of the Winter test are met. Alliance for the
18 Wild Rockies v. Cottrell, 632 F.3d 1127, 1131-32 (9th Cir. 2011) (quoting Clear Channel
19 Outdoor, Inc. v. City of Los Angeles, 340 F.3d 810, 813 (9th Cir. 2003)).

20 **III. DISCUSSION**

21 Plaintiff seeks an order requiring Defendants to withdraw the three PTAB Petitions that
22 they filed on January 15, 2018 concerning the Dodocase Patents that are at issue in this case.
23 Plaintiff contends that the PTAB Petitions were filed in violation of the “no-challenge” and
24 “forum selection” clauses in the MLA.

25 **A. Likelihood of Success**

26 Plaintiff argues that it is likely to prevail based on the “no challenge” or the forum
27 selection clause of the MLA.
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1. “No-Challenge” Clause

The MLA’s “no-challenge” clause provides that a licensee may not challenge the validity of the licensed patent:

MerchSource shall not (a) attempt to challenge the validity or enforceability of the Licensed IP; or (b) directly or indirectly, knowingly assist any Third Party in an attempt to challenge the validity or enforceability of the Licensed IP except to comply with any court order or subpoena.

Dkt. No. 34, MLA, § 6.4.

Plaintiff attempts to distinguish Lear, Inc. v. Adkins, 395 U.S. 653 (1969), which rejected the patent licensee estoppel doctrine and held that a licensee who repudiates a patent license agreement has the right to challenge the validity of any licensed patent, rendering “no-challenge” clauses unenforceable. Id. at 673. More recently, the Supreme Court held that a licensee can challenge the validity of a licensed patent without repudiating the contract when it continues to fulfill its contractual duty to pay royalties. See Medimmune, Inc. v. Genentech, Inc., 549 U.S. 118, 135 (2007).

Lear sets forth the policy weighing against enforcement of restrictive contract provisions in patent licenses in this often cited passage:

Surely the equities of the licensor do not weigh very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain. 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. We think it plain that the technical requirements of contract doctrine must give way before the demands of the public interest in the typical situation involving the negotiation of a license after a patent has issued.

Lear, 395 U.S. at 670-71. Plaintiff argues that the public policy that underlies Lear and its progeny is not present here because Defendants requested that Plaintiff enter into a non-disclosure agreement before they would share alleged prior art with Plaintiff during the course of unsuccessful settlement negotiations. Therefore, Plaintiff argues, Defendants rejected a public challenge of the validity of the Dodocase Patents when they sought to obtain a confidential settlement from Plaintiff that would have shielded the alleged prior art from public view.

1 It is of little surprise that Defendants should try to keep their settlement negotiations
2 confidential and subject to a non-disclosure agreement, as confidential settlement negotiations are
3 the norm. (The tongue-in-cheek expression of “shock” in the film *Casablanca* comes to mind.)
4 What matters for purposes of this analysis is that Defendants ultimately went public with their
5 claims of invalidity by filing the PTAB Petitions. MerchSource, as a licensee with an economic
6 incentive to challenge the patents once it could not successfully renegotiate the license, cannot be
7 enjoined under principles of equity from mounting these validity challenges by enforcement of the
8 “no-challenge” clause.

9 **2. Forum Selection Clause**

10 Alternatively, Plaintiff contends that Defendant MerchSource’s breach of the MLA’s
11 forum selection clause supports its motion for injunctive relief. The forum selection clause
12 provides: “THE PARTIES AGREE . . . THAT DISPUTES SHALL BE LITIGATED BEFORE
13 THE COURTS IN SAN FRANCISCO COUNTY OR ORANGE COUNTY, CALIFORNIA.”
14 MLA, § 13.4 (emphasis in original). It also states that “The laws of the State of California shall
15 govern any dispute arising out of or under this Agreement . . .” *Id.* Plaintiff argues that the
16 concerns expressed in *Lear* about balancing the public right to freely use inventions that do not
17 have valid patents against the private right to contract are not present when considering Defendant
18 MerchSource’s alleged breach of the forum selection clause, because the forum provided by the
19 MLA is an adequate forum to challenge the validity of the Dodocase Patents. *Lear* did not
20 consider a request for injunctive relief on the basis of an alleged breach of a forum selection
21 clause, so *Lear* is not dispositive of this motion.

22 Defendants do not argue otherwise, but instead contend that Plaintiff cannot meet its
23 burden under the four-prong *Winter* test on its claim that Defendant MerchSource breached the
24 forum selection clause when it filed the PTAB Petitions. For the following reasons, Plaintiff has
25 met its burden on the likelihood of success.

26 **a. Exclusivity of Forum Selection Clause**

27 In evaluating whether Plaintiff is likely to be successful in its breach of contract claim, the
28 threshold question, which was not raised by Defendants in opposing this motion, is whether the

1 forum selection clause at issue is mandatory or permissive, i.e., whether Defendant MerchSource
2 agreed that the courts of San Francisco and Orange Counties are the sole fora to litigate disputes,
3 or only that it would not contest the jurisdiction of those courts in the event that a dispute was filed
4 there.

5 Defendants waived any argument of nonexclusivity by not raising it. The Court will
6 nonetheless address it and concludes that even if Defendants had not waived the argument,
7 Defendants were well advised not to raise it because it would have failed. Federal law governs the
8 interpretation of forum selection clauses. See Manetti-Farrow, Inc. v. Gucci Am., Inc., 858 F.2d
9 509 (9th Cir. 1988). Courts look to “general principles for interpreting contracts.” Cnty. of Santa
10 Clara v. Astra United States, Inc., 588 F.3d 1237, 1244 (9th Cir. 2009), rev’d on other grounds,
11 563 U.S. 110 (2011). “Contract terms are to be given their ordinary meaning, and when the terms
12 of a contract are clear, the intent of the parties must be ascertained from the contract itself.”
13 Klamath Water Users Protective Ass’n v. Patterson, 204 F.3d 1206, 12010 (9th Cir. 1999) (citing
14 Hal Roach Studios, Inc. v. Richard Feiner & Co, Inc., 896 F.2d 1542, 1549 (9th Cir. 1989)); see
15 also Hunt Wesson Foods, Inc. v. Supreme Oil Co., 817 F.2d 75, 77 (9th Cir. 1987). A written
16 contract “must be read as a whole and every part interpreted with reference to the whole.”
17 Shakey’s Inc. v. Covalt, 704 F.2d 426, 434 (9th Cir. 1983) (citation omitted). “Preference must be
18 given to reasonable interpretations as opposed to those that are unreasonable, or that would make
19 the contract illusory.” Id.

20 In Hunt Wesson, the Ninth Circuit held that the following forum selection clause was
21 permissive, explaining that “in cases in which forum selection clauses have been held to require
22 litigation in a particular court, the language of the clauses clearly required exclusive jurisdiction:”

23 Buyer and Seller expressly agree that the laws of the State of
24 California shall govern the validity, construction, interpretation and
25 effect of this contract. The courts of California, County of Orange,
shall have jurisdiction over the parties in any action at law relating
to the subject matter or the interpretation of this contract.

26 Hunt Wesson, 817 F.2d at 76-77. Two years later, in Docksider Ltd. v. Sea Tech., Ltd., 875 F.2d
27 762 (9th Cir. 1989), the Ninth Circuit distinguished Hunt Wesson when it held that the following
28 forum selection clause was mandatory:

1 This agreement shall be deemed to be a contract made under the
2 laws of the State of Virginia, United States of America, and for all
3 purposes shall be interpreted in its entirety in accordance with the
4 laws of said State. Licensee hereby agrees and consents to the
jurisdiction of the courts of the State of Virginia. Venue of any
action brought hereunder shall be deemed to be in Gloucester
County, Virginia.

5 Id. at 763-64. In holding that this forum selection clause was mandatory and jurisdiction was
6 exclusive to the courts of Gloucester County, Virginia, although it did not expressly cite the terms
7 “exclusive” or “solely,” the Ninth Circuit explained that “[t]his mandatory language makes clear
8 that venue, the place of suit, lies exclusively in the designated county. Thus, whether or not
9 several states might otherwise have jurisdiction over actions stemming from the agreement, all
10 actions must be filed and prosecuted in Virginia.” Id. at 764. By contrast, the court confirmed
11 that “[w]hen only jurisdiction is specified the clause will generally not be enforced without some
12 further language indicating the parties’ intent to make jurisdiction exclusive.” Id. (citing Keaty v.
13 Freeport Indonesia, Inc., 503 F.2d 955, 956 (5th Cir. 1974) (“This agreement shall be construed
14 and enforced according to the law of the State of New York and the parties submit to the
15 jurisdiction of the courts of New York,” held permissive and not a mandatory forum selection
16 clause); Manetti-Farrow, 858 F.2d at 511 (“For any controversy regarding interpretation or
17 fulfillment of the present contract, the Court of Florence has sole jurisdiction,” held mandatory
18 and enforced)).

19 While the MLA’s forum selection clause is distinguishable from Docksider because it does
20 not explicitly specify venue, it is also distinguishable from the provisions at issue in Hunt Wesson
21 and Keaty because it does not merely state that the courts in San Francisco and Orange Counties
22 have jurisdiction. Instead, it states that “disputes shall be litigated” (emphasis added) in those
23 courts, mandatory language akin to an express statement of exclusivity. Considered as a whole,
24 the Court concludes that the MLA’s forum selection language stating not only that the parties
25 agreed that subject matter and personal jurisdiction are proper in the courts in San Francisco and
26 Orange Counties, but also that disputes “shall be litigated” in those courts, make this a mandatory
27 forum selection clause. Defendants did not argue otherwise.

28 **b. Scope of the Forum Selection Clause**

1 One of the parties’ main disputes over the likelihood of success prong is whether the forum
2 selection clause extends to PTAB proceedings. Defendants argue that the venue selection clause
3 simply does not apply to the PTAB proceedings because they have nothing to do with the license
4 agreement. Plaintiff, unsurprisingly, argues the opposite.

5 Defendants contrast the facts of this case with the facts in Manetti-Farrow, in which the
6 Ninth Circuit held that the forum selection clause in an exclusive dealership contract governed
7 both tort and contract claims. The exclusive dealership contract provided that disputes under the
8 contract would be litigated in Florence, Italy. Manetti-Farrow, 858 F.2d at 511. The plaintiff
9 brought several tort-based claims against the defendants in federal court in California based on
10 their allegedly wrongful termination of the dealership contract. Id. at 511-12. The district court
11 held that the claims were all covered by the forum selection clause and dismissed the case because
12 the claims needed to be litigated in Italy. Id. The Ninth Circuit upheld the dismissal, concluding
13 that the forum selection clause governed the tort claims because they related to the parties’
14 “central conflict over the interpretation” of the dealership contract. Id. at 514.

15 Defendants’ reliance on the Manetti-Farrow case is unavailing. A comparison of the
16 Manetti-Farrow forum selection clause with the one at issue here demonstrates why. The Manetti-
17 Farrow clause specifically applied to disputes involving “any controversy regarding interpretation
18 or fulfillment of the present contract,” id. at 511. By contrast, the MLA’s forum selection clause
19 does not mention “interpretation” or “fulfillment” of the contract. Instead, the MLA provides that
20 “the laws of the State of California shall govern any dispute arising out of or under this
21 Agreement,” which “disputes” “shall be litigated before the courts in San Francisco County or
22 Orange County, California.” MLA § 13.4 (emphasis added). In holding that the touchstone for
23 analyzing the scope of the Manetti-Farrow clause was whether the claims related to the parties’
24 “central conflict over the interpretation” of the contract, the Ninth Circuit necessarily focused on
25 the precise terms of the forum selection clause before it, and held that the forum selection
26 provision which focused on contract disputes extended to related tort claims. So this Court must
27 do so as well.

28 Here, under the precise language of the forum selection clause in the MLA, “arising out of

1 or under” defines the scope of “disputes” subject to the forum selection clause. Thus, the relevant
2 question for this Court to consider is whether the PTAB Petitions constitute a “dispute” that
3 “aris[es] out of or under” the MLA. Neither party nor the Court has identified cases that construe
4 this exact language. However, the Ninth Circuit has addressed similar “arising . . . under”
5 provisions in arbitration agreements. Other courts have relied upon the Ninth Circuit’s
6 interpretation of arbitration clauses when interpreting similarly-worded forum selection clauses.
7 See, e.g., Bastami v. Semiconductor Components Indus., LLC, 2017 WL 1354148, at *9-10 (N.D.
8 Cal. Apr. 13, 2017). In Republic of Nicaragua v. Standard Fruit Co., 937 F.2d 469, 474 (9th Cir.
9 1991), for example, the court held that the phrase “any and all disputes arising under the
10 arrangements contemplated hereunder” “must be interpreted liberally.” Simula, Inc. v. Autoliv,
11 Inc., 175 F.3d 716, 720 (9th Cir. 1999) (discussing Republic of Nicaragua, 937 F.2d at 474)).
12 Thus, the Court has considered the Ninth Circuit’s interpretation of similar phrases in arbitration
13 clauses when determining the interpretation of the forum selection clause in this case, recognizing
14 that the Ninth Circuit’s arbitration clause cases must be understood in the context of the federal
15 policy of favoring arbitration as a method for dispute resolution. See Simula, 175 F.3d at 720.
16 The Court concludes that the PTAB proceedings challenging the validity of the licensed patents
17 after Plaintiff sought to enforce the license in this forum fall within the scope of the forum
18 selection clause as they “aris[e] out of or under” the terms and performance of the contract.

19 Indeed, Defendants’ own counterclaim demonstrates the close relationship between the
20 PTAB Petitions and the MLA. In the counterclaim, Defendants seek a declaratory judgment that
21 the Dodocase Patents are invalid on at least the same grounds as those included in their PTAB
22 Petitions, and asks for an award of “all costs, expenses and attorneys’ fees, including all fees, costs
23 and expenses associated with [the PTAB Petitions], as the prevailing party pursuant to the MLA
24 section 13.11.” Dkt. No. 22 at 16; Dkt. No. 31 at 20 (emphasis added). Under Federal Rule of
25 Civil Procedure 11, Defendants needed a good faith basis for this fee and expense request under
26 the license agreement. See Fed. R. Civ. P. 11(b).

27 That the PTAB Petitions “aris[e] out of or under” the MLA is further substantiated by the
28 fact that Defendant MerchSource’s justification for its refusal to make royalty payments (an

1 alleged breach of the MLA) is that the Dodocase Patents are invalid and unenforceable. Both
2 Plaintiff and Defendants have raised the issue of validity and enforceability with this Court
3 through their complaint and counterclaim, and validity and enforceability are the same issues that
4 Defendant MerchSource has placed before the PTAB. But for the parties' licensor-licensee
5 relationship, and Defendants' interest in reducing or eliminating the royalties provided for under
6 the MLA based on the claim of invalidity, there is no indication that Defendant MerchSource
7 would be pursuing the PTAB proceedings at all, and, indeed, it only did so after this attempt to
8 renegotiate the MLA based on alleged invalidity of the patents failed and Plaintiff filed this suit
9 alleging breach of the MLA. Defendants' defense to this suit is that the patents are invalid, and
10 they are attempting to use the PTAB proceedings to nullify Plaintiff's breach of contract or
11 infringement claims here. The claim of invalidity is impossible to disentangle from the question
12 of whether Defendants may be liable in this case because Defendant MerchSource breached its
13 obligations under the terms of the agreement. For these reasons, the Court concludes that the
14 PTAB Petitions "aris[e] out of or under" the MLA and the licensee's rights and obligations created
15 by that agreement.

16 Defendants' additional argument that the MLA's forum selection clause is not applicable
17 to the PTAB proceedings because anyone, including uninterested parties, can initiate PTAB
18 proceedings for post-grant patent review is also unpersuasive. That others who are not subject to
19 an exclusive forum selection clause are permitted to initiate PTAB proceedings does not resolve
20 the question of whether Defendants are precluded from doing so based on the MLA's agreed-to
21 forum selection clause.

22 Finally, Defendants argue that if the forum selection clause precludes the PTAB
23 proceedings, it is unenforceable because of the strong public policy of permitting the United States
24 Patent and Trademark Office to correct its mistakes. Forum selection clauses are "presumptively
25 valid" and are fully enforced "absent some compelling and countervailing reason." Murphy v.
26 Schneider Nat'l Inc., 362 F.3d 1133, 1140 (9th Cir. 2004) (quoting M/S Bremen v. Zapata Off-

1 Shore Co., 407 U.S. 1, 12 (1972)).¹ The Ninth Circuit has recognized as a potential countervailing
2 factor whether enforcement would “contravene a strong public policy of the forum in which suit is
3 brought,” Murphy, 362 F.3d at 1140 (quoting Richards v. Lloyd’s of London, 135 F.3d 1289,
4 1294 (9th Cir. 1998) (internal citations omitted)), although these cases concerned a choice
5 between courts, not between a court and an administrative agency.

6 Plaintiff relies on Bremen, where the Supreme Court considered whether the forum
7 selection clause in a contract should have been enforced. It held that the lower courts erred in
8 requiring the party seeking to enforce the forum selection clause to show that the venue selected in
9 the contract was preferable to a different venue. 407 U.S. at 15. The Supreme Court explained
10 that “[t]he correct approach would have been to enforce the forum clause specifically unless
11 Zapata could clearly show that enforcement would be unreasonable and unjust, or that the clause
12 was invalid for such reasons as fraud or overreaching.” Id. However, Bremen did not need to
13 consider or resolve the question of whether a forum selection clause should be overridden based
14 on public policy concerns, which is the relevant question here. Similarly, Plaintiff points to
15 Richards, which enforced a forum selection clause that specified that the securities-related
16 disputes at issue be resolved in England under English law. 134 F.3d at 1295. In reaching that
17 conclusion, the court explained that the Securities Exchange Act of 1934 did not preclude forum
18 selection clauses and rejected the “parochial” argument that all legal disputes must be resolved in
19 United States courts under United States law. Id. (quoting Scherk v. Alberto-Culver Co., 417 U.S.
20 506, 519 (1974)). This case emphasizes the presumption of validity of forum selection clauses,
21 even when they might be used to avoid the United States’ securities law regime, but it does not
22 directly bear on the precise question of whether a forum selection clause that precludes a party
23 from initiating a PTAB challenge is enforceable in light of relevant public policy.

24
25 _____
26 ¹ Plaintiff also argues that the Ninth Circuit explained in Murphy that certain circumstances should
27 be considered when determining enforceability of a forum selection clause in an employment
28 contract, including power differentials, educational background, business expertise, and financial
ability to bear the cost and inconvenience of the chosen forum. Murphy, 362 F.3d at 1040-41.
Plaintiff goes on to argue that those factors favor enforcement of the provision here. They are of
limited applicability to a forum selection clause negotiated between business entities, rather than a
contract between an employer and employee.

1 As Defendants point out, the Federal Circuit has recognized the advantages that Congress
2 foresaw from PTAB proceedings in upholding their constitutionality:

3 Congress created the PTO, “an executive agency with specific
4 authority and expertise” in patent law . . . and saw powerful reasons
5 to utilize the expertise of the PTO for an important public purpose --
6 to correct the agency’s own errors in issuing patents in the first
7 place. Reacting to “a growing sense that questionable patents were
8 too easily obtained and are too difficult to challenge,” Congress
9 sought to “provid[e] a more efficient system for challenging patents
10 that should not have issued” and to “establish a more efficient and
11 streamlined patent system that will improve patent quality and limit
12 unnecessary and counterproductive litigation costs.”

13 MCM Portfolio LLC v. Hewlett-Packard Co., 812 F.3d 1284, 1290-91 (Fed. Cir. 2015) (internal
14 citations omitted). In arguing that there is a strong public policy that the PTO have the
15 opportunity to reexamine issued patents, Defendants also cite a 2006 PTO decision in which the
16 PTO concluded that contracts that bargain away the right to PTO review of patents violate public
17 policy. The PTO relied on Lear when it concluded that “a contractual provision preventing a party
18 from seeking reexamination would be void as being contrary to public policy.” Inter Partes
19 Reexamination Proceeding, Decision on Patent to Vacate Order Granting Reexamination, Control
20 No. 95/000,123, at 5 (Office of Patent Legal Admin. June 7, 2006). The PTO denied a party’s
21 request to vacate the administrative proceedings on the basis that they violated a private agreement
22 to litigate patent disputes solely in the federal court, reasoning that the parties’ agreement does not
23 relieve the PTO of its statutory duty to conduct a reexamination after it concluded that a
24 substantial question of patentability existed. Id.

25 Defendants also point to one district court case, Callaway Golf Co. v. Kappos, 802 F.
26 Supp. 2d 678 (E.D. Va. 2011), which cited Lear for the proposition that “a private contractual
27 agreement that would prohibit reexamination would be contrary to public policy.” Id. at 686.
28 Significantly, this is the only federal court case that Defendants cited on this point, and it made
this statement in the course of ruling on the patent owner’s attempt to vacate the very same PTO
ruling discussed above that cited Lear. Id. at 684. The Callaway court explained that another
court had previously ruled that the party who instituted the inter partes reexamination breached the
contract’s forum selection clause by doing so. Id. at 683 (citing Calloway Golf Co. v. Acushnet

1 Co., 523 F. Supp. 2d 388, 407 (D. Del. 2007) (concluding that Acushnet “violated the Agreement
2 by filing the inter partes reexaminations to contest the validity of the Sullivan patents”), rev’d in
3 part on other grounds, 576 F.3d 1331 (Fed. Cir. 2009)). Although the court accepted the PTO’s
4 position that a contract that prohibited reexamination was contrary to public policy, it also ruled
5 that the party which sought the reexamination breached the forum selection clause. Id. at 686.

6 Recognizing the tension between those rulings, it explained that:

7 Although there is a strong public interest in enforcing settlement
8 agreements, that is precisely what the Delaware federal district
9 Court did when it granted Callaway summary judgment on its
10 breach of contract claim. Acushnet may well be liable for damages
11 for that breach. Callaway, however, has cited no caselaw that
 requires the PTO to independently enforce Callaway's private
 contract. Nor has Callaway demonstrated that the public interest in
 enforcement of settlement agreements outweighs the public interest
 in patent validity.

12 Id. at 687 (emphasis added). Essentially, the court concluded that it could not vacate the PTO’s
13 ruling because the PTO had no duty to walk away from an already instituted reexamination in
14 light of its statutory obligations. That is in sharp contrast with the procedural posture of the
15 proceedings before the PTAB in this case, which has not yet determined if it will even review the
16 Dodocase Patents. It also does not indicate that this Court should refuse to enforce the forum
17 selection clause here before the PTAB has decided whether to review the patents, in light of a
18 valid forum selection clause that provides for litigating validity here, and the public policy
19 generally favoring enforcement of such clauses.

20 It is worth noting that both of these opinions involved a situation where the reexamination
21 of the patent was challenged based on a settlement agreement, as Defendants have sought to
22 distinguish cases that enforce settlement agreements’ forum selection clauses to the exclusion of
23 patent-related challenges in other fora. Defendants argue that those cases are materially different
24 because they implicate the strong public policy favoring the enforcement of settlement
25 agreements. They cite Flex-Foot, Inc. v. CRP, Inc., 238 F.3d 1362 (Fed. Cir. 2001), which held
26 that a no-challenge clause in a settlement agreement is enforceable because, unlike in Lear, the
27 important public policy interest in enforcing settlement terms is involved. Defendants’ reliance on
28 Flex-Foot, however, reveals the inconsistency of their argument. If the Federal Circuit concluded

1 that the public policy interest in enforcing the terms of a bargained-for settlement agreement was
2 enough to override the concerns expressed in Lear, it is not clear why the public policy interest in
3 enforcing a bargained-for “presumptively valid” forum selection clause should not also prevail
4 over the public policy interest in permitting PTAB review of previously issued patents. As the
5 court recognized in the Delaware proceedings in Callaway when it enforced the forum selection
6 clause, the public interest is not compromised because other third parties may still challenge the
7 validity of the Dodocase Patents through the PTAB, even if Defendants have bargained away their
8 opportunity to do so. See Callaway, 523 F. Supp. 2d at 407.

9 The Court is not persuaded that the other reasons raised by Defendants suffice to overcome
10 the policy favoring enforcement of the parties’ agreed-upon selection of forum. Ironically,
11 Defendants argue that by being forced to litigate here in district court rather than before the
12 agency, they will be denied their “day in court.” Opp. at 8. They argue that the PTAB panels are
13 superior because they are staffed by technically-trained subject matter experts, and use a less
14 stringent standard for finding invalidity (district courts use a “clear and convincing evidence”
15 standard for claim construction, compared to the “by a preponderance of the evidence” standard
16 and the “broadest reasonable interpretation” of claims standard that is used to address invalidity in
17 PTAB proceedings). See, e.g., PersonalWeb Techs., LLC v. Facebook, Inc., 2014 WL 116340, at
18 *1 (N.D. Cal. Jan. 13, 2014) (discussing PTAB experts); Cuozzo Speed Techs., LLC v. Lee, ___
19 U.S. ___, 136 S. Ct. 2131, 2142, 2144 (comparing burdens of proof and claim construction
20 standards)). Defendants essentially ask this Court to permit their belated attempt at forum
21 shopping. District courts are authorized to decide patent validity challenges and Defendants’
22 preference for one forum over the other does not justify the PTAB Petitions if they are not, in fact,
23 permitted under the MLA and that provision of the MLA is lawful. When Congress instituted
24 PTAB proceedings for inter partes review, it preserved the ability to bring parallel proceedings
25 and did not require district courts to stay their cases but left it to their sound discretion, implicitly
26 recognizing that both are adequate fora to adjudicate claims of patent invalidity. The loss of the
27 ability to bring a case in a different forum where the party is advantaged by its procedural rules is
28 not, on its own, a sufficiently compelling reason to disregard the parties’ agreed-upon choice of

1 forum. That is especially true where Defendant MerchSource was aware of the availability of
2 PTAB proceedings when it entered into the MLA. Finding no countervailing reason that is
3 sufficient to preclude enforcement of the forum selection clause and finding that its scope includes
4 the PTAB proceedings, the Court concludes that Plaintiff has demonstrated a likelihood of success
5 on its breach of contract claim.

6 **B. Irreparable Harm**

7 Plaintiff argues that it will be irreparably harmed if an injunction does not issue because it
8 will be forced to litigate these issues on multiple fronts with the possibility of inconsistent results
9 and will be deprived of its bargained-for forum, relying on Gen. Protecht Grp., Inc. v. Leviton
10 Mfg. Co., Inc., 651 F.3d 1355 (Fed. Cir. 2011). There, Leviton Manufacturing Co. (“Leviton”)
11 and General Protecht Group (“GPG”), as well as three other entities, entered into a settlement
12 agreement to resolve claims of patent infringement that Leviton had previously brought against
13 GPG and the other entities in federal district court. Id. at 1357. The settlement agreement
14 included a provision that any disputes that arose between the parties under the settlement
15 agreement were to be exclusively litigated in the United States District Court for the District of
16 New Mexico. Id. at 1358. After entering into the settlement agreement, Leviton filed a complaint
17 with the International Trade Commission (“ITC”) alleging that GPG was infringing patents that
18 were continuations of the patents that were subject to the settlement agreement. Id. Leviton also
19 filed a complaint in the Northern District of California alleging infringement of the same two
20 patents. Id. GPG then filed a complaint in the District of New Mexico asserting declaratory
21 judgment claims for breach of contract, non-infringement, and invalidity. Id. GPG also moved
22 for a temporary restraining order and a preliminary injunction against Leviton’s continued
23 litigation of the dispute outside of that forum. Id. The district court issued the preliminary
24 injunction enforcing the forum selection clause. Id. On the issue of irreparable harm, the district
25 court found that “litigating simultaneously in California and the ITC will cause financial and
26 business hardship . . . [and that] the inconvenience and disruption to its business is irreparable.”
27 Id. at 1363. The Federal Circuit upheld the district court’s ruling that GPG established irreparable
28 harm on that basis. Id. at 1364.

1 The same concerns that amounted to irreparable harm in Gen. Protecht Grp. are also
2 present here. Plaintiff has filed a declaration by its chairman and co-founder about the disruption
3 of the business and the financial hardship it will face if the PTAB proceedings continue.
4 Principally, he states that Dodocase only has four employees and limited resources. See Buckley
5 Decl., ¶¶ 1-7. Plaintiff has also been put to the added expense of hiring specialized attorneys to
6 respond to the PTAB Petitions. Id. Moreover, he explains that the PTAB proceedings will
7 materially disrupt Dodocase’s business because it will prevent it from effectively enforcing its
8 patent rights, which will diminish its market position. Id. As the district court recognized in Gen.
9 Protecht Grp. and the Federal Circuit agreed, these hardships are manifest in the need to defend a
10 challenged patent on multiple fronts at the same time. See Gen. Protecht Grp., Inc. v. Leviton
11 Mfg. Co., 2010 WL 5559750, at *25-26 (D.N.M. Nov. 30, 2010); Gen. Protecht Grp., 651 F.3d at
12 1363-64. Although Gen. Protecht Grp. involved a parallel ITC proceeding, current PTAB
13 proceedings are much closer to the rigor of ITC proceedings than the previous versions of inter
14 partes review. A slightly reduced degree of harm, if any, that arises from this distinction does not
15 cure the fundamental irreparable harm caused by requiring Plaintiff to simultaneously litigate on
16 two fronts with different attorneys and under different rules instead of preventing Plaintiff from
17 obtaining the benefit of its contracted-for exclusive dispute resolution process.

18 Finally, Defendants’ contention that Plaintiff’s claim of irreparable harm is undermined by
19 the fact that it waited over a month between learning of the PTAB Petitions and filing this motion
20 for injunctive relief is not well taken. Because Plaintiff filed its motion before it incurred any
21 substantial expenses in the PTAB Petitions or delay caused by those proceedings, the four weeks
22 that passed between learning of the PTAB proceedings and filing this motion are immaterial.
23 Moreover, Plaintiff has persuasively explained that Defendants’ timing argument is misplaced
24 because it ignores the MLA’s requirement for required notice of breach and a 30-day cure period.
25 Plaintiff states that it gave prompt notice to Defendants of the breach of the forum selection
26 clause, and that the 30-day cure period only expired on February 13, 2018. Plaintiff’s motion for
27 injunctive relief was then filed three days later on February 16, 2018, after it had provided a copy
28 of the draft TRO motion to Defendants to give them an opportunity to voluntarily withdraw the

1 PTAB Petitions. Thus, the brief delay in filing this motion was not only immaterial but justified.

2 **C. Balance of Equities**

3 A party seeking injunctive relief must demonstrate that the balance of equities tips in its
4 favor. Plaintiff argues that it will suffer the hardship of litigating on two fronts, resulting in added
5 expense, delay, and the potential for inconsistent results, whereas Defendants have engaged in
6 questionable behavior for months and can pursue their invalidity arguments in this Court.

7 The Court declines to accept Plaintiff’s invitation to find that Defendants have engaged in
8 any underhanded conduct leading up to the filing of the PTAB Petitions. Plaintiff’s theory seems
9 to rest almost entirely on the fact that Defendants requested a relatively short extension to respond
10 to the complaint due to the unavailability of counsel and relevant personnel who work for
11 Defendants at the end of the year and in light of the holidays, an extension which Plaintiff
12 contends was actually used to draft the PTAB Petitions. Extensions to respond to a complaint are
13 not rare, and the Court is unconvinced that the extension was sought for unfair reasons.

14 For their part, Defendants contend that granting the requested injunctive relief will result in
15 their inability to ever pursue PTAB review of the Dodocase Petitions. See 35 U.S.C. § 315(b) (a
16 patent review petition must be filed within one year of service of a complaint alleging patent
17 infringement). Relatedly, they argue again that an injunction will deprive them of the unique
18 aspects of PTAB review, discussed in more detail above. However, Defendants “should not be
19 heard to argue that the enforcement of the contract into which it freely entered would cause
20 hardship.” Gen. Protecht Grp., 651 F.3d at 1365. Accordingly, the balance of hardships tips in
21 favor of granting the injunction.

22 **D. Public Interest**

23 The final factor in the analysis is whether an injunction is in the public interest. Plaintiff
24 argues that an injunction would serve the public interest because it vindicates the parties’
25 contractual rights and obligations. As the Federal Circuit observed in Gen. Protecht Grp., 651
26 F.3d at 1366: “There is no public interest served by excusing a party’s violation of its previously
27 negotiated contractual undertaking to litigate in a particular forum.” This Court is an adequate
28 forum for Defendants to challenge the validity of the Dodocase Patents, and granting the

1 injunction protects the right of parties to freely contract for a chosen forum and the ability of
2 courts to enforce such agreements. Further, nothing prevents an independent third party from
3 initiating separate PTAB proceedings. For these reasons, the public interest supports entering a
4 preliminary injunction.

5 **IV. FORM OF PRELIMINARY INJUNCTION ORDER**

6 After the Court expressed its intention to grant the motion following oral argument on
7 Plaintiff's motion, it ordered the parties to meet and confer on the form that the preliminary
8 injunction order should take, considering the particular procedural requirements of the PTAB. To
9 that end, the Court ordered the parties to file a joint proposed order or, if they could not agree, file
10 separate orders containing proposed details on the order's form. They could not agree, and each
11 side filed its own proposed order on March 16, 2018. Dkt. Nos. 42 & 43.² They were able to
12 agree on the injunction's general outline, but reached an impasse on several issues, which the
13 Court addresses in turn.

14 **A. Security**

15 Defendants have asked the Court to order Plaintiff to provide security for the issuance of
16 the preliminary injunction pursuant to Rule 65(c). They ask that Plaintiffs give a bond or make a
17 deposit with the Court in the amount of \$120,000.

18 Rule 65(c) provides:

19 The court may issue a preliminary injunction or a temporary
20 restraining order only if the movant gives security in an amount that
21 the court considers proper to pay the costs and damages sustained by
22 any party found to have been wrongfully enjoined or restrained. The
23 United States, its officers, and its agencies are not required to give
24 security.

25 Fed. R. Civ. P. 65(c). The Northern District of California's local rules also address the issue of
26 security when an injunction issues. Local Rule 65.1-1(1), entitled "When Required," provides that
27 "[u]pon demand of any party, where authorized by law and for good cause shown, the Court may
28 require any party to furnish security for costs which can be awarded against such party in an

² Defendant MerchSource filed the proposed order in its name only, as the PTAB Petitions were filed in its name alone.

1 amount and on such terms as the Court deems appropriate.” The district court has discretion to
2 decide if it will require security when it issues an injunction. See Diaz v. Brewer, 656 F.3d 1008,
3 1015 (9th Cir. 2011) (noting that “[t]he district court retains discretion as to the amount of security
4 required, if any,” and holding that the district court did not abuse its discretion when it did not
5 require the plaintiffs to post a bond when it granted a preliminary injunction) (emphasis in
6 original) (internal quotations and citation omitted).

7 The Court declines to exercise its discretion to require a bond or other security at this time,
8 without prejudice to Defendants’ ability to make the request on a regular motion with full briefing.
9 Defendants did not raise the issue in their opposition to this motion, instead only making an oral
10 request for a bond at the March 13, 2018 case management conference. Further, in their most
11 recent filings of March 16, 2018, the parties did not fully brief the issue. Moreover, Defendants
12 merely assert that \$120,000 is the appropriate amount for a bond with a mere reference to the
13 PTAB fee schedule and a vague mention of “other costs.” Even if that is the correct amount, there
14 is the possibility as acknowledged by the parties that the PTAB will refund at least part of the
15 filing fee upon the withdrawal of the petitions. Defendants also hope to receive a stay from the
16 Federal Circuit, while Plaintiff may seek a supersedeas bond pending any appeal of this order.
17 Thus, it is impossible to tell at this juncture whether the circumstances warrant the imposition of
18 any amount, much less whether \$120,000 is the appropriate amount, or indeed whether
19 Defendants may be required to post a supersedeas bond if they follow through on their intent to
20 file an immediate appeal and request for stay. Should Defendants choose to further pursue their
21 request for a bond or other security, they must file an appropriate motion with the Court.

22 **B. Timing of the PTAB Motions to Dismiss**

23 At the case management conference on March 13, 2018, Defendants also made an oral
24 motion to stay the Court’s preliminary injunction order pending Defendants’ appeal to the Federal
25 Circuit. The Court denied the oral motion.

26 The parties have represented to the Court that there are a number of steps that must be
27 taken before Defendant MerchSource can withdraw the PTAB Petitions. According to the parties,
28 first Defendant MerchSource will need to request a conference call with the PTAB to seek

1 permission to file a motion to dismiss each of the PTAB Petitions. Second, Defendant
2 MerchSource will need to file formal motions to dismiss with the PTAB. In light of the various
3 steps that are necessary to affect the withdrawal of the PTAB Petitions and start the appeal
4 process, the preliminary injunction cannot be implemented immediately.

5 Accordingly, the Court orders Defendants, and in particular MerchSource as the filing
6 entity and real-party-in-interest ThreeSixty as necessary, to observe the following timeline in
7 carrying out the obligations under the preliminary injunction: (1) send the email to the PTAB by
8 Sunday March 25, 2018 requesting a conference call to facilitate the withdrawal of the PTAB
9 Petitions, and (2) if the PTAB grants permission to file motions to dismiss the petitions, file the
10 motions by 12:00 p.m. on April 3, 2018.

11 **C. Proposed Communication with the PTAB and Motions to Dismiss the PTAB**
12 **Petitions**

13 As noted above, the parties have informed the Court that withdrawing the PTAB Petitions
14 is a two-step process. In conjunction with their competing proposed orders, the parties filed
15 different versions of a draft email requesting the conference call and draft motions to dismiss.

16 To the extent that the proposed documents overlap and the parties have agreed on
17 particular language, they are directed to use those portions of the agreed upon email and motions
18 to dismiss. The disputed portions primarily refer to Defendant MerchSource’s opposition to the
19 preliminary injunction order, intent to appeal, and statements that they will be submitting these
20 documents to the PTAB involuntarily. The Court does not adopt any particular language that
21 must be used, but orders the parties to meet and confer and to adhere to the following requirements
22 in composing the final versions of the documents that are submitted to the PTAB.

23 The final versions should not attempt to undermine or mischaracterize the Court’s
24 preliminary injunction order. For example, the documents should not represent that the Court
25 issued a “partial stay” of the preliminary injunction. The order speaks for itself, and sets a
26 schedule for implementing the injunction but does not stay relief. While the Court agrees with
27 Defendants that it is appropriate to note that the Court granted the preliminary injunction over
28 Defendants’ opposition, that Defendants intend to appeal the order, and that they are submitting

1 the email and filing the motions to dismiss only so that they are in compliance with the Court’s
2 order, those statements are sufficient to convey the compulsory nature of the submissions.
3 Defendants do not even purport to explain why it would be necessary to have the additional
4 language that Plaintiff objects to. For example, any reference to documents being submitted
5 “under protest” is superfluous and would appear to be designed to encourage the PTAB not to
6 dismiss the petitions, undermining the Court’s order.

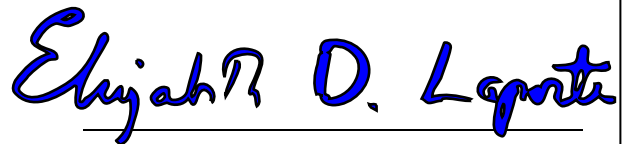
7 **V. CONCLUSION**

8 Having examined each of the four Winter factors, the Court GRANTS Plaintiff’s motion
9 for a preliminary injunction. Defendants, and in particular MerchSource as the filing entity and real-
10 party-in-interest ThreeSixty as necessary, are ORDERED to (1) send the email to the PTAB by
11 Sunday March 25, 2018 requesting a conference call to facilitate the withdrawal of the PTAB
12 Petitions, and (2) if the PTAB grants permission to file motions to dismiss the petitions, then file
13 the motions by 12:00 p.m. on April 3, 2018. The content of the email and motions to dismiss must
14 comply with the requirements set forth above. Plaintiff need not post a bond at this time.

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IT IS SO ORDERED.

Dated: March 23, 2018



ELIZABETH D. LAPORTE
United States Magistrate Judge