

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
:
SANFORD L.P. et al., :
:
Plaintiffs, :
:
- v - :
:
ESSELTE AB et al., :
:
Defendants. :
:
-----X

14-CV-7616 (VSB)

MEMORANDUM & ORDER

Appearances:

Frederick L. Whitmer
Mitchell G. Stockwell
Vaibhav P. Kadaba
Jeffrey Fisher
Richard W. Goldstucker
Kilpatrick Townsend & Stockton LLP
Atlanta, GA, and New York, NY
Counsel for Plaintiffs

Douglas J. Kline
Charles H. Sanders
Robert Frederickson, III
Martin C. Gomez
Goodwin Procter LLP
Boston, MA
Counsel for Defendants

VERNON S. BRODERICK, United States District Judge:

Before me is the motion for a preliminary injunction filed by Plaintiffs Sanford L.P., DYMO B.V.B.A., and Newell Rubbermaid, Inc. (“Rubbermaid”) (collectively, “DYMO”), (Doc. 109), seeking to enjoin Defendants Esselte Corporation, Esselte AB, and Esselte Leitz GbmH & Co. KG (collectively, “Esselte”) from participating in *inter partes* review (“IPR”) before the Patent Trial and Appeal Board (“PTAB”) to invalidate four DYMO-owned patents

that have been asserted in this litigation.¹ DYMO argues that Esselte's request for IPR breaches a forum selection clause (the "Forum Selection Clause" or the "Clause") in a 2005 stock purchase agreement (the "SPA," Doc. 101-1), pursuant to which Rubbermaid purchased the entities that owned and operated the DYMO business from Esselte AB. DYMO also argues that Esselte assigned the patents to DYMO through the SPA and is therefore equitably estopped from challenging the patents' validity. Because I find that DYMO is unlikely to succeed in showing that Esselte breached the Forum Selection Clause, and DYMO will not suffer irreparable harm from Esselte merely taking a position before the PTAB that might subsequently be determined to be barred by the doctrine of assignor estoppel, DYMO's motion for a preliminary injunction to enjoin Esselte from participating in IPR is DENIED.

I. Factual and Procedural Background²

This is DYMO's second motion for a preliminary injunction. I denied DYMO's first attempt to enjoin Esselte after holding an evidentiary hearing. This Memorandum and Order assumes familiarity with and incorporates by reference the factual background and procedural history in my previous memorandum and order denying DYMO's first motion for a preliminary injunction. (*See* Doc. 105 at 2-8.)

After the hearing on DYMO's first preliminary injunction motion, DYMO filed the First Amended Complaint ("FAC," Doc. 62), on March 6, 2015. In addition to five of the six counts of patent infringement asserted in the original complaint, (*see* Doc. 2 ¶¶ 51-95; FAC ¶¶ 44-88),³

¹ Esselte Corporation is an Arizona company, Esselte AB is a Swedish entity, and Esselte Leitz GbmH & Co. KG is a German entity. (*See* Compl. ¶¶ 5-7.) Esselte AB and Esselte Leitz GbmH & Co. KG dispute that they are subject to personal jurisdiction in the Southern District of New York, and currently pending before me is their motion to dismiss for lack of personal jurisdiction.

² This summary is presented for background purposes only, and I make no findings of fact and reach no conclusions of law in Part I of my decision.

³ The FAC, unlike the original complaint, does not assert a claim for infringement of U.S. Patent No. 5,658,083.

the FAC also asserts claims for breach of contract and tortious interference against Esselte and David Block (“Block”), Esselte’s Vice President of Product Development, (*see* FAC ¶¶ 89-141). The FAC alleges that, on February 19, 2015, Esselte filed petitions for *inter partes* review with the PTAB (the “Petitions”) challenging the validity of the ’113, ’791, ’567, and ’623 Patents (the “Challenged Patents”), all of which DYMO alleges are infringed by Esselte’s Leitz Icon printer.⁴ (FAC ¶ 96.) The FAC alleges that Esselte AB warranted the validity of the Challenged Patents—or the pending applications for any of them that had not yet been granted at the time—in the 2005 SPA. (*Id.* ¶¶ 91-95; *see* SPA § 3.23(b).) The FAC further alleges that DYMO relied on Esselte’s warranties and that Esselte breached the SPA by failing to disclose the existence of the prior art upon which Esselte now relies to dispute the Challenged Patents’ validity. (FAC ¶¶ 98-102.) In addition, DYMO alleges that Esselte’s filing of the Petitions breached the Forum Selection Clause of the SPA, pursuant to which Rubbermaid and Esselte AB agreed “that [they] shall not bring any action relating to the Agreement or any of the Transactions in any court other than a federal or state court sitting in the state of New York.”⁵ (FAC ¶ 104; SPA § 10.8.)

On March 26, 2015, by stipulation of the parties, (*see* Doc. 64), Block moved to dismiss the breach of contract claim against him, (Doc. 97), and Esselte moved to dismiss DYMO’s

⁴ *Inter partes* review allows a person who is not the owner of a patent to request the patent’s cancellation as unpatentable for lack of novelty or obviousness under 35 U.S.C. § 102 or § 103. *See* 35 U.S.C. § 311(b). If the request for cancellation is based on anticipation by prior art, that prior art must consist of patents or printed publications. *See id.* A party requests IPR by filing a petition, *see id.* § 312, which is followed by an optional preliminary response from the patent owner, *id.* § 313, at which point the Director of the U.S. Patent and Trademark Office, through a designee, determines whether the petitioner is reasonably likely to prevail with respect to at least one challenged claim, *see id.* § 314; 37 C.F.R. § 42.108. If so, the Director institutes the review and the PTAB conducts it. *See* 35 U.S.C. § 314. *See generally* *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1374-75 (Fed. Cir. 2014) (describing the procedural steps involved in IPR).

⁵ Not relevant to the instant motion for a preliminary injunction, the FAC also alleges that: Esselte induced Block to violate his agreement to assign all right, title, and interest in the ’113 Patent, to which DYMO is Esselte’s successor in interest, by testifying at the first preliminary injunction hearing that the ’113 Patent was invalid, (*see* FAC ¶¶ 108-117); Block breached his separation agreement with DYMO by disclosing confidential information to Esselte, (*id.* ¶¶ 118-131); and Esselte tortuously interfered with DYMO’s employment or separation agreements with Philip Damiano and other former employees now employed by Esselte, (*id.* ¶¶ 132-141).

breach of contract and tortious interference claims against it for failure to state a claim and moved to dismiss Esselte AB and Esselte Leitz GmbH as parties for lack of personal jurisdiction, (Doc. 99). Those motions have been fully briefed and are currently pending.

On April 16, 2015, DYMO filed the instant second motion for a preliminary injunction, (Doc. 109), along with a supporting memorandum of law, (Doc. 110), and declarations and exhibits, (Docs. 111, 112). I denied Esselte's request to hold briefing on DYMO's motion for a preliminary injunction in abeyance pending resolution of Block and Esselte's motions to dismiss. (*See* Doc. 117.) On May 13, 2015, Esselte submitted an opposition memorandum, (Doc. 120), and a supporting declaration and exhibits, (Doc. 121). On May 27, 2015, DYMO filed a reply memorandum, (Doc. 122), and a supporting declaration and exhibit, (Doc. 123). In light of the parties' representation that they did not intend to present any evidence other than declarations and documentary exhibits provided with their motion papers and did not desire a hearing, I declined to hold an evidentiary hearing. (*See* Doc. 125.)

II. Legal Standard

"A preliminary injunction is an extraordinary remedy never awarded as of right." *Winter v. Natural Res. Def. Council*, 555 U.S. 7, 24 (2008). A party seeking a preliminary injunction must show (1) a likelihood of success on the merits; (2) a likelihood of irreparable harm in the absence of the injunction; (3) that the balance of hardships tips in the movant's favor; and (4) that the public interest is not disserved by the issuance of the injunction. *Apple, Inc. v. Samsung Elecs. Co.*, 678 F.3d 1314, 1323 (Fed. Cir. 2012) ("*Apple I*"); *Salinger v. Colting*, 607 F.3d 68, 79-80 (2d Cir. 2010). The party seeking the injunction must demonstrate by "a clear showing" that the necessary elements are satisfied. *Mazurek v. Armstrong*, 520 U.S. 968, 972 (1997) (internal quotation marks omitted); *see LifeScan Scotland, Ltd. v. Shasta Techs., LLC*, 734 F.3d

1361, 1366 (Fed. Cir. 2013); *Juicy Couture, Inc. v. Bella Int'l Ltd.*, 930 F. Supp. 2d 489, 498 (S.D.N.Y. 2013). “Irreparable harm is the single most important prerequisite for the issuance of a preliminary injunction” and must be established before the other elements will be considered. *Rodriguez ex rel. Rodriguez v. DeBuono*, 175 F.3d 227, 233-34 (2d Cir. 1999) (per curiam) (internal quotation marks omitted); *accord Naden v. Numerex Corp.*, 593 F. Supp. 2d 675, 680 (S.D.N.Y. 2009) (citing *Buffalo Forge Co. v. Ampco-Pittsburgh Corp.*, 638 F.2d 568, 569 (2d Cir. 1981)) (noting that “[t]he threat of irreparable injury is a *sine qua non*”). “To satisfy the irreparable harm requirement, Plaintiffs must demonstrate that absent a preliminary injunction they will suffer an injury that is neither remote nor speculative, but actual and imminent, and one that cannot be remedied if a court waits until the end of trial to resolve the harm.” *Grand River Enter. Six Nations, Ltd. v. Pryor*, 481 F.3d 60, 66 (2d Cir. 2007) (internal quotation marks omitted).⁶

III. Discussion

A. *DYMO has established that it would likely suffer irreparable harm from a breach of the Forum Selection Clause, but not from Esselte’s mere assertion of a litigation position barred by assignor estoppel.*

Under Second Circuit law, a party suffers irreparable harm as a matter of law if forced to arbitrate an issue that is not arbitrable because the party has not agreed to arbitrate it. *See, e.g.*,

⁶ The Federal Circuit has explained that it is “preferable” for the district court to analyze all four requirements before denying a preliminary injunction to enhance judicial economy and aid appellate review. *Reebok Int'l Ltd. v. J. Baker, Inc.*, 32 F.3d 1552, 1555 (Fed. Cir. 1994). However, in the Second Circuit, the general rule is that “the moving party must first demonstrate that [irreparable] injury is likely before the other requirements for the issuance of an injunction will be considered.” *Rodriguez*, 175 F.3d at 234 (internal quotation marks omitted); *accord Grand River*, 481 F.3d at 66-67; *Reckitt Benckiser Inc. v. Motomco Ltd.*, 760 F. Supp. 2d 446, 452-53 (S.D.N.Y. 2011). Although Federal Circuit precedent controls on questions of substantive patent law, my understanding is that Second Circuit law governs the procedural sequence in which I should address the preliminary injunction requirements. *See Trebro Mfg., Inc. v. Firefly Equip., LLC*, 748 F.3d 1159, 1165-66 (Fed. Cir. 2014); *Aevoe Corp. v. AE Tech Co.*, 727 F.3d 1375, 1381 (Fed. Cir. 2013). *But see Revision Military, Inc. v. Balboa Mfg. Co.*, 700 F.3d 524, 525 (Fed. Cir. 2012) (vacating district court’s decision, stating “we conclude that the district court erred in applying the Second Circuit’s heightened standard of proof of likelihood of success on the merits, instead of the Federal Circuit standard for consideration of whether to impose such relief”). Therefore, I begin my analysis with irreparable harm.

UBS Sec., LLC v. Voegeli, 405 F. App'x 550, 552 (2d Cir. 2011) (summary order); *Merrill Lynch Inv. Managers v. Optibase, Ltd.*, 337 F.3d 125, 129 (2d Cir. 2003) (per curiam); *JP Morgan Sec. LLC v. Quinnipiac Univ.*, No. 14-CV-429, 2015 WL 2452406, at *6 (S.D.N.Y. May 22, 2015); *CRT Capital Grp. v. SLS Capital, S.A.*, 63 F. Supp. 3d 367, 376 (S.D.N.Y. 2014); *Citigroup Global Markets, Inc. v. Mun. Elec. Auth. of Ga.*, No. 14-CV-2903, 2014 WL 3858509, at *3 (S.D.N.Y. June 18, 2014); *Goldman, Sachs & Co. v. N.C. Mun. Power Agency No. One*, No. 13-CV-1319, 2013 WL 6409348, at *8 (S.D.N.Y. Dec. 9, 2013). Of course, as Esselte points out, (*see Ds' Opp.* 22),⁷ this case does not involve arbitration. Therefore, DYMO's citation to cases involving arbitration misses the crux of the issue. The question here is whether DYMO will suffer irreparable harm during the pendency of this lawsuit if simultaneously forced to defend against a petition to invalidate its patents that Esselte has allegedly agreed not to pursue.

Courts have also consistently found that a party suffers irreparable harm when it is forced to litigate on a second front in a non-arbitral forum that it contracted to avoid. *See, e.g., Gen. Protecht Grp., Inc. v. Leviton Mfg. Co.*, 651 F.3d 1355, 1363-64 (Fed. Cir. 2011) (affirming preliminary injunction against participation in federal district court suit and International Trade Commission ("ITC") action asserting patent infringement in derogation of forum selection clause); *Ciena Corp. v. Nortel Networks, Inc.*, No. 2:05-CV-14, 2005 WL 1189881, at *7 (E.D. Tex. May 19, 2005) (enjoining participation in ITC action that would violate forum selection clause); *Int'l Fashion Prods., B.V. v. Calvin Klein, Inc.*, No. 09-CV-0982, 1995 WL 92321, at *2 (S.D.N.Y. Mar. 7, 1995) (enjoining foreign action filed in derogation of forum selection clause). Esselte attempts to distinguish some of these cases on the basis that the judges found that the enjoined litigation would cause specific disruptions to the movant's business. (*See Ds' Opp.* 22.)

⁷ "Ds' Opp." refers to Esselte's Opposition to Plaintiffs' Second Motion for a Preliminary Injunction. (Doc. 120.)

Esselte's attempt to distinguish these cases falls short because it does not address the underlying principle of each of these cases, i.e., that a party's contractual right to resolve disputes in its bargained-for forum cannot be vindicated if the party is forced to litigate on two fronts with a risk of inconsistent rulings. *See Gen. Protecht Grp.*, 651 F.3d at 1363; *Int'l Fashion Prods.*, 1995 WL 92321, at *2. Put differently, if litigation is permitted to proceed in a second forum, the benefit of a forum selection clause is irreparably lost. Therefore, consistent with these cases, I find that DYMO will likely suffer irreparable injury during the pendency of this litigation if Esselte's pursuit of IPR breaches the Forum Selection Clause in the SPA.

However, if the Forum Selection Clause does not bar Esselte from litigating before the PTAB, DYMO is unlikely to suffer irreparable harm as a result of Esselte merely taking a position before the PTAB that might be determined at some future date to be barred by the doctrine of assignor estoppel. DYMO argues that assignor estoppel provides a second independent ground for enjoining Esselte from litigating the Petitions.⁸ (*See* Ps' Mem. 12-14.)⁹ The PTAB has held that the defense of assignor estoppel does not apply in IPR proceedings. *See Redline Detection, LLC v. Star Envirotech, Inc.*, No. IPR2013-00106, 2014 WL 2995050, at *7 (P.T.A.B. June 30, 2014). As a result, if IPR is initiated, DYMO will be unable to raise assignor estoppel unless and until the outcome of IPR is appealed to the Federal Circuit. (*See* P's Mem. 15.) DYMO therefore represents that, unless Esselte is enjoined from pursuing IPR, DYMO will

⁸ As Esselte notes, assignor estoppel is generally an equitable affirmative defense, not a claim for relief, *see Semiconductor Energy Lab Co. v. Nagata*, 706 F.3d 1365, 1370 (Fed. Cir. 2013), so it is not obvious that a plaintiff could ever be entitled to a preliminary injunction on the basis of assignor estoppel, and DYMO has not cited any cases granting an injunction on that basis. Indeed, there is no claim or cause of action in the FAC for assignor estoppel on which DYMO could eventually prevail on the merits. (*See* FAC ¶¶ 44-141.) Since I conclude that DYMO is not entitled to a preliminary injunction because it has not shown a likelihood of irreparable injury on these grounds, I need not decide for purposes of this Memorandum and Order whether assignor estoppel can ever provide a sufficient basis to enjoin an assignor defendant from asserting the invalidity of a patent in another forum.

⁹ "Ps' Mem." refers to the Memorandum in Support of Plaintiffs' Motion to Enjoin Defendants' Participation in *Inter Partes* Review Actions. (Doc. 110.)

likely spend at least twelve to eighteen months litigating in the PTAB and possibly another twelve months on appeal and will incur several hundred thousand dollars in expense before it has the opportunity to assert assignor estoppel. (*See id.*) Specifically, DYMO presents evidence that the cost of IPR proceedings is generally about \$600,000, (*see* Doc. 111-4 at 2),¹⁰ and that it would cost DYMO approximately \$110,000 to retain its preferred expert witness to defend against the Petitions, (*see* Doc. 112). Therefore, DYMO asserts that it will “incur substantial expense, delay and uncertainty of defending the *inter partes* proceedings while awaiting the opportunity to have the Federal Circuit address [its] estoppel and warranty claims.” (P’s Mem. 15.)

Any such harm is not irreparable and does not justify the issuance of a preliminary injunction. An injury occurring during the pendency of litigation is not irreparable if it can be adequately compensated with money damages. *See, e.g., Tom Doherty Assocs., Inc. v. Saban Entm’t, Inc.*, 60 F.3d 27, 37 (2d Cir. 1995); *Rex Med. L.P. v. Angiotech Pharm. (US), Inc.*, 754 F. Supp. 2d 616, 621 (S.D.N.Y. 2010). DYMO does not suggest that it will suffer unquantifiable or incalculable harm if Esselte is permitted to pursue the Petitions when it should be estopped from doing so. *See Dexter 345 Inc. v. Cuomo*, 663 F.3d 59, 63-64 (2d Cir. 2011) (no irreparable harm where damages were readily calculable). To the contrary, DYMO has already provided an estimate of the monetary damages it believes it is likely to suffer: approximately \$600,000. Furthermore, it is well established that the costs and delays of litigation in general—as distinguished from a party’s loss of a bargained-for right when it is forced to litigate on two fronts in violation of a contract—do not constitute irreparable injury. *See, e.g., Renegotiation*

¹⁰ I assume *arguendo* for present purposes that an estimate of cost contained in an article constitutes admissible and probative evidence of the cost of litigating IPR proceedings.

Bd. v. Bannerkraft Clothing Co., 415 U.S. 1, 24 (1974) (“Mere litigation expense, even substantial and unrecoupable cost, does not constitute irreparable injury.”); *E. St. Louis Laborers’ Local 100 v. Bellon Wrecking & Salvage Co.*, 414 F.3d 700, 704 (7th Cir. 2005) (“[T]he unease that often accompanies litigation is one of the ordinary burdens of our legal system that, like litigation expense, does not qualify as the type of injury warranting a preliminary injunction.” (citation omitted)); *Tilton v. SEC*, No. 15-CV-2472, 2015 WL 4006165, at *7 (S.D.N.Y. June 30, 2015); *Bruce v. Martin*, 680 F. Supp. 616, 620 (S.D.N.Y. 1988).

Thus, I find that DYMO is likely to suffer irreparable harm *pendente lite* if Esselte’s participation in IPR before the PTAB violates the Forum Selection Clause. I find that DYMO is unlikely to suffer irreparable harm if the SPA permits Esselte to litigate before the PTAB and Esselte simply takes a position there that it should be estopped from taking.¹¹

B. *DYMO is unlikely to succeed on the merits of its claim that Esselte breached the Forum Selection Clause.*

Because I find that DYMO is likely to suffer irreparable harm only from a breach of the Forum Selection Clause, I need only address DYMO’s likelihood of success on the merits of this particular claim. *See Rodriguez*, 175 F.3d at 233-34.

The Forum Selection Clause provides in its entirety:

¹¹ DYMO argues that it is likely to succeed on its claim to enforce the warranty clause of the SPA and seems to suggest that the clause might be a third basis for enjoining Esselte’s pursuit of IPR. (*See* Ps’ Mem. 12.) According to DYMO, “Esselte warranted that it owned—i.e. had a sufficient valid right to use—the patents.” (*Id.*) However, DYMO does not explain how the warranty clause could provide any basis to enjoin Esselte from litigating before the PTAB. The alleged breach of warranty occurred at some point in the past, perhaps as long ago as when Esselte conveyed the intellectual property it now claims is invalid to Rubbermaid while purportedly warranting its validity. (*See* FAC ¶¶ 89-102; *see also* Doc. 102 at 11-15 (explaining DYMO’s theory of breach of warranty in greater detail in DYMO’s opposition to Esselte’s motion to dismiss).) Enjoining Esselte from pursuing the Petitions in the future cannot prevent DYMO from suffering harm from a breach of contract that allegedly occurred in the past. *See Grand River*, 481 F.3d at 66 (requiring imminent injury); *see also Advanced Global Tech., LLC v. XM Satellite Radio, Inc.*, No. 07-CV-3654, 2007 WL 3196208, at *2 (S.D.N.Y. Oct. 29, 2007) (“With respect to past breaches, however, [plaintiff] has an adequate remedy at law, viz., damages, the traditional remedy for breach of contract.”). In other words, any alleged damages due to the breach of the warranty clause has been done and DYMO does not explain how enjoining Esselte from litigating before the PTAB would erase or even mitigate such damages.

Section 10.8. Venue. Except for arbitration to the extent expressly provided for in this Agreement, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any federal court located in the State of New York or any New York state court in the event any dispute arises out of this Agreement or any of the Transactions, (b) agrees that it shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it shall not bring any action relating to this Agreement or any of the Transactions in any court other than a federal or state court sitting in the State of New York. Notwithstanding the foregoing, each party hereto agrees that the other party hereto shall have the right to bring any action or proceeding for enforcement of a final and non-appealable judgment entered by any federal court located in the State of New York or any New York state court in any other court or jurisdiction.

(SPA § 10.8.) “Transactions” are defined, in turn, as “all the transactions provided for or contemplated by this Agreement.” (*Id.* § 9.1(ooo).)

The parties’ principal area of disagreement relates to subclauses (a) and (c) of § 10.8. DYMO argues that Esselte is foreclosed from litigating before the PTAB because its claims in the Petitions “arise[] out of” or “relat[e] to” the SPA. (*See* P’s Mem. 6-11.) Esselte argues that (1) its claims neither “aris[e] out of” nor “relat[e] to” the SPA, (*see* D’s Opp. 7-12); (2) that IPR is not an “action” and the PTAB is not a “court,” (*see id.* at 12-16); and (3) that if the Forum Selection Clause is interpreted as DYMO argues, it is unenforceable as contravening the federal public policy in favor of reexamining potentially invalid patents, (*see id.* at 16-18). I conclude that the Petitions do not arise out of or relate to the SPA, so I need not and do not reach Esselte’s other arguments.

1. Governing Law

Determining whether a forum selection clause is enforceable involves a four-step inquiry into (1) whether the clause was reasonably communicated to the party resisting enforcement; (2) whether the clause is mandatory rather than permissive; (3) whether the claims at issue are subject to the forum selection clause; and (4) whether, if the first three criteria are satisfied, the party resisting enforcement can rebut the presumption of enforceability by showing that the

clause was invalid or enforcement would be unreasonable or unjust. *See Phillips v. Audio Active Ltd.*, 494 F.3d 378, 383 (2d Cir. 2007). Esselte does not dispute that the Forum Selection Clause was reasonably communicated to it and that the Clause, where applicable, is mandatory. Thus, only the third and fourth steps of the inquiry are at issue here. State law governs construction of the terms of the Clause, and federal law governs the enforceability of the Clause as properly construed. *See Martinez v. Bloomberg LP*, 740 F.3d 211, 223-24 (2d Cir. 2014).

New York law governs construction of the SPA. (SPA § 10.7.) “Under New York law, a written contract is to be interpreted so as to give effect to the intention of the parties as expressed in the unequivocal language they have employed.” *Cruden v. Bank of N.Y.*, 957 F.2d 961, 976 (2d Cir. 1992); *accord British Int’l Ins. Co. v. Seguros La Republica, S.A.*, 342 F.3d 78, 82 (2d Cir. 2003); *Fleisher v. Phoenix Life Ins. Co.*, 18 F. Supp. 3d 456, 468 (S.D.N.Y. 2014). “In interpreting a contract under New York law, ‘words and phrases . . . should be given their plain meaning,’ and the contract ‘should be construed so as to give full meaning and effect to all of its provisions.’” *LaSalle Bank Nat’l Ass’n v. Nomura Asset Capital Corp.*, 424 F.3d 195, 206 (2d Cir. 2006) (quoting *Shaw Grp., Inc. v. Triplefine Int’l Corp.*, 322 F.3d 115, 121 (2d Cir. 2003)). The construction of an unambiguous contract is a question of law for the Court, *see Cruden*, 957 F.2d at 976, as is the question of whether a provision is ambiguous in the first place, *see Hollis Park Manor Nursing Home v. Landmark Am. Ins. Co.*, 803 F. Supp. 2d 205, 207 (E.D.N.Y. 2011). Determining the scope of a forum selection clause is a “language-specific . . . inquiry” and “the precedential weight of cases that deal with dissimilarly worded clauses” must be discounted. *Phillips*, 494 F.3d at 390 (citing *John Wyeth & Bros. Ltd. v. CIGNA Int’l Corp.*, 119 F.3d 1070, 1075 (3d Cir. 1997)) (“Drawing analogy to other cases is useful only to the extent those other cases address contract language that is the same or substantially similar to that at

issue.”).

“To arise out of means to originate from a specified source. The phrase ‘arising out of’ is usually interpreted as indicating a causal connection.” *Coregis Ins. Co. v. Am. Health Found., Inc.*, 241 F.3d 123, 128 (2d Cir. 2001) (internal citations, quotation marks, and alteration omitted). “The term ‘relating to’ . . . is not necessarily tied to the concept of a causal connection,” and it is ordinarily used “as equivalent to the phrases ‘in connection with’ and ‘associated with.’” *Id.* The term ‘relating to’ has also been described as “synonymous with the phrases ‘with respect to’ and ‘with reference to.’” *Prod. Res. Grp., L.L.C. v. Martin Prof’l, A/S*, 907 F. Supp. 2d 401, 414 (S.D.N.Y. 2012) (quoting *Boehringer Ingelheim Vetmedica, Inc. v. Merial, Ltd.*, No. 3:09-CV-212, 2010 WL 174078, at *11 (D. Conn. Jan. 14, 2010)). Because “the ordinary meaning of the term ‘related to’ . . . is broader than the term ‘arising out of,’” *Coregis Ins. Co.*, 241 F.3d at 128, an action that arises out of the SPA also necessarily relates to it.

2. The SPA and IPR

Before analyzing whether Esselte’s Petitions arise out of or relate to the SPA, I will briefly describe the nature of the SPA and IPR in additional detail.

The SPA is a ninety-page contract, containing ten articles each with multiple sections and subsections, voluminous appendices and disclosure indices, in which Rubbermaid agreed to purchase for cash from Esselte AB all issued and outstanding shares of three Esselte AB subsidiaries (the “Companies”) that together operated the DYMO label-printer and label-maker business. (See SPA pmbl. & §§ 1.1, 1.2.) In the SPA, Esselte warranted that the Companies or their subsidiaries owned and had sufficient valid right to use, free and clear of encumbrances, all “Intellectual Property” necessary to the conduct of the DYMO business. (See *id.* § 3.23(b)(1).)

The SPA defined “Intellectual Property” to include, *inter alia*, all U.S. and foreign patents, patent applications, and patent disclosures. (*Id.* § 9.1(jj).) The SPA further provided that, prior to closing, Esselte would transfer or cause to be transferred to one of the Companies certain specified additional Intellectual Property that the Companies did not yet own. (*See id.* § 5.22(a).) As one would expect in a transaction of this size and complexity, the bulk of the SPA addresses myriad other issues relating to the functioning of the Companies, including employee benefits, (*id.* § 3.21), taxes, (*id.* § 5.4), intercompany arrangements, (*id.* § 5.8), post-sale reorganization, (*id.* § 5.15), real estate, (*id.* § 5.17), and continuation of insurance coverage, (*id.* § 5.25).

The *inter partes* review process was created by Congress in 2011 to replace the preexisting *inter partes* reexamination process. IPR was designed to be more adjudicative in nature than *inter partes* reexamination, to provide quicker results, and to encourage certainty by estopping participants from asserting any argument in subsequent administrative proceedings that they reasonably could have raised in IPR. *See Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed. Cir. 2013); H.R. Rep. No. 112-98(I), at 46-47 (2011). Any person other than the patent owner may initiate *inter partes* review. *See* 35 U.S.C. § 311(a); *see also PersonalWeb Techs., LLC v. Facebook, Inc.*, No. 5:13-CV-1356, 2014 WL 116340, at *2 (N.D. Cal. Jan. 13, 2014). In many cases, as here, a party petitions for IPR shortly after the patent owner has sued it for infringement. *See, e.g., CDX Diagnostics, Inc. v. U.S. Endoscopy Grp., Inc.*, No. 13-CV-5669, 2014 WL 2854656, at *1 (S.D.N.Y. June 20, 2014); *see also* 35 U.S.C. § 315(b) (allowing a litigant one year to seek IPR after being served with a complaint alleging infringement). However, to seek IPR, a party need not be involved in litigation with the patent owner, nor have suffered any alleged injury at the hands of the patent owner or indeed any injury at all. *See id.* § 311(a); *see also* H.R. Rep. No. 112-98(I), at 46-47 (2011) (discussing the use of *inter partes*

review by parties who are engaged in litigation and parties who are not). The question in IPR is simply whether the patents at issue should be invalidated as obvious or anticipated by prior art. *See* 35 U.S.C. § 311(b).

3. The Petitions do not arise out of or relate to the SPA.

Because the fact that Esselte AB sold the DYMO business to Rubbermaid and the substantive terms of the SPA are irrelevant to Esselte's Petitions for *inter partes* review in all respects, I conclude that Petitions do not arise out of or relate to the SPA.

DYMO argues that the Petitions arise out of the SPA because Esselte could not have filed the Petitions if it had not transferred the DYMO business through the SPA. (*See* Ps' Mem. 7.) In more general terms, DYMO's argument is that an action relates to a contract if the contract's existence is a but-for cause of the plaintiff (or the petitioner) having standing to bring the action. (*See id.*) However, DYMO cites no cases in support of this sweeping proposition, and DYMO's argument proves far too much. It is true that only a non-patent-owner has standing to seek IPR, *see* 37 C.F.R. § 42.101, and it is true that, but for the SPA, Esselte would still own the Challenged Patents. However, it is equally true that, but for the SPA, Rubbermaid and Sanford L.P. would not own and operate the DYMO business, including ownership of the Challenged Patents. (*See* FAC ¶¶ 2, 4.) Thus, by DYMO's logic, any action pertaining to DYMO initiated by Sanford L.P. or Rubbermaid, whether or not it addressed the subject matter of the SPA or even involved Esselte, could be said to relate to the SPA. For instance, if Sanford L.P. sued Brother for the hypothetical alleged infringement of a DYMO patent, it follows from DYMO's argument that this hypothetical action would relate to the SPA because Sanford L.P. would have no standing to assert any injury if the SPA had never been executed.¹² Similarly, if Sanford L.P.

¹² Of course, Brother would presumably have no right or ability to enforce the Forum Selection Clause, but that is a

sued Esselte because an Esselte employee negligently damaged a Sanford-operated DYMO facility while driving a truck, such an action could also relate to the SPA because Sanford would not have suffered the injury if the SPA had never existed. Understood in this manner, the Forum Selection Clause would encompass innumerable actions far beyond those associated with the substance of the SPA. *See Coregis Ins. Co.*, 241 F.3d at 128; *Prod. Res. Grp., L.L.C.*, 907 F. Supp. 2d 401. Such a broad reading defies logic and must therefore be rejected. Instead, a claim arises out of or “originates” from a contract when a party asserts rights or duties created by the contract, *Allianz Global Corp. & Specialty v. Chiswick Bridge*, No. 13-CV-7559, 2014 WL 4674644, at *5 (S.D.N.Y. Sept. 19, 2014), not when the contract’s existence is simply a factual prerequisite for the party bringing a suit of whatever kind.

Whether the Petitions relate to the SPA is a closer and more difficult question. DYMO asserts that the “petitions for *inter partes* review . . . ‘relate to’ the SPA because they concern the validity of patents transferred by the SPA.” (P’s Mem. 7 (emphasis omitted).) To support its position, DYMO principally relies upon cases concluding that an infringement action relates to a licensing agreement between the patent owner and the alleged infringer. *See Gen. Protecht Grp.*, 651 F.3d at 1358-59; *Tex. Instruments*, 231 F.3d at 1327, 1330-31; *Prods. Res. Grp.*, 907 F. Supp. 2d at 403-05, 414-15; *Boehringer*, 2010 WL 174078, at *11-12. In all of these cases, the agreement in question governed the defendant’s use of the patent asserted in the litigation. Therefore, in each of these cases, the “outcome” of a “non-frivolous dispute regarding the scope of a patent license” would determine whether the patent owner could “sustain its suit for infringement.” *Gen. Protecht Grp.*, 651 F.3d at 1359. *Cuno, Inc. v. Hayward Industrial Products Inc.*, No. 03-CV-3076, 2005 WL 1123877 (S.D.N.Y. May 10, 2005), involved an

separate matter from the proper construction of the scope of the words “arise out of” in the Clause.

assignment rather than a license, but the same logic applied. In *Cuno*, the plaintiff assigned to the defendant all rights to inventions he might develop in the future but retained all rights to any previously conceived inventions. *Id.* at *2. The plaintiff subsequently applied for and obtained a patent, which he later accused the defendant of infringing. *Id.* at *2-4. Thus, a central disputed issue in the infringement action was whether the plaintiff had previously conceived the claimed invention within the meaning of the parties' agreement. *See id.* at *5. For that reason, the court concluded that the infringement action related to the contract. *See id.*; *see also, e.g., John Wyeth*, 119 F.3d at 1076 (concluding that a forum selection clause "extending to any dispute 'arising ... in relation to[]'" a contract "easily encompasses a dispute in which the [contract] is raised as a defense").

These cases all suggest that an action relates to a contract when the contract's substantive terms have some potential relationship to the legal claims asserted in the action. *Cf. Gen. Protecht Grp.*, 651 F.3d at 1359 ("[I]f all that is required is a license and a bare allegation that it provides a defense, then virtually every subsequent dispute between contracting parties would trigger such a forum selection clause.") However, these cases do not stand for the proposition that any action involving property transferred in a contract necessarily relates to the contract. Stated differently, these cases not only involve the transfer of property and/or property rights but also implicate in some way the terms of the contract at issue. (*But see* P's Mem. 6 ("[T]he forum selection clause of the SPA squarely requires the parties to bring any action related to the patents in a New York federal or state court."); *id.* at 7 (arguing that "Defendants' petitions for *inter partes* review also 'relate to' the SPA because they concern the validity of the patents transferred by the SPA").) The relevant issue in this case is not whether the *patents* at issue in IPR bear some relation to the SPA, but whether the "*claims*" asserted in IPR are related to the SPA, *e.g.*,

Prod. Res. Grp., 907 F. Supp. 2d at 414 (emphasis added); *Cfirstclass Corp. v. Silverjet PLC*, 560 F. Supp. 2d 324, 330 (S.D.N.Y. 2008) (emphasis added).

Unlike infringement claims, which necessarily involve a patent owner and an accused infringer that allegedly practices the patent, the claims asserted in Esselte's Petitions could just as well have been filed by anyone other than DYMO. Esselte's claims do not seek compensation for an injury to Esselte or seek to vindicate an interest that is particular to Esselte in any way. Esselte's Petitions make no mention of the SPA, assert no right and seek to enforce no duty under the SPA, and on their face have nothing to do with the fact that Esselte used to own the DYMO business. *See* Petitions for Inter Partes Review Pursuant to 35 U.S.C. §§ 11-19 and 37 C.F.R. § 42, *Esselte Corp. v. DYMO*, IPR2015-00766, IPR2015-00781, IPR2015-00779, IPR2015-00771 (P.T.A.B. filed Feb. 19, 2015).¹³ For the purpose of determining whether the Challenged Patents are invalid as anticipated by prior art, *see* 35 U.S.C. § 311(b), it simply does not matter whether Esselte previously owned the Challenged Patents or transferred them to Rubbermaid through the sale of the Companies.

Nor can DYMO validly invoke the SPA as a defense in the IPR proceedings in a manner that would give rise to any relationship between the SPA and IPR. In each of its preliminary responses to Esselte's Petitions, DYMO makes identical arguments that Esselte lacks standing to request IPR, *see* 37 C.F.R. § 42.104(a), on the basis of assignor estoppel and on the basis of the Forum Selection Clause. *See* Patent Owner DYMO's Preliminary Response, *Esselte Corp. v. DYMO*, IPR2015-00766, at 42-50 (P.T.A.B. filed June 16, 2015); Patent Owner DYMO's Preliminary Response, *Esselte Corp. v. DYMO*, IPR2015-00771, at 46-54 (filed June 16, 2015);

¹³ I may take judicial notice of these filings to establish the fact of what was filed. *See Global Network Commc'ns, Inc. v. City of New York*, 458 F.3d 150, 157 (2d Cir. 2006). Although this case deals with judicial notice of court filings, *see id.*, I reach no conclusions as to whether the PTAB is a "court" or IPR is an "action" within the meaning of the Forum Selection Clause.

Patent Owner DYMO's Preliminary Response, *Esselte Corp. v. DYMO*, IPR2015-00779, at 52-60 (filed June 16, 2015); Patent Owner DYMO's Preliminary Response, *Esselte Corp. v. DYMO*, IPR2015-00781, at 33-41 (filed June 16, 2015).¹⁴ However, as DYMO readily concedes, assignor estoppel is not an available defense in IPR proceedings. (*See* P's Mem. 15.) Nor does it follow from DYMO's invocation of the Forum Selection Clause as a defense to IPR that IPR is within the scope of the Clause. (*See id.* at 8.) This reasoning is entirely circular. If an action could "relate to" a contract under a forum selection clause merely because a party invokes the clause in the action, then the forum selection clause would have no determinate scope and would simply apply wherever it was invoked. This logic is contrary to the law that a forum selection clause applies to those disputes identified by the specific language of the clause. *See, e.g., Phillips*, 494 F.3d at 390.

For these reasons, I conclude that Esselte's *inter partes* claim before the PTAB that the Challenged Patents should be canceled as anticipated by prior art is not related to the SPA. Although Esselte's claims address intellectual property owned by the Companies that Rubbermaid purchased from Esselte AB, Esselte's claims themselves have no relationship to that transaction or to any of the substantive provisions of the SPA. DYMO is therefore unlikely to succeed on the merits of its claim that Esselte breached the forum selection clause, and it is not entitled to a preliminary injunction on this basis. *See Apple I*, 678 F.3d at 1323.


IV. Conclusion

For the foregoing reasons, DYMO's second motion for a preliminary injunction is DENIED. The Clerk of Court is respectfully directed to terminate the pending motion at Doc. 109.

¹⁴ I also take judicial notice of these filings. *See Global Network Commc'ns*, 458 F.3d at 157.

SO ORDERED.

Dated: September 16, 2015
New York, New York


Vernon S. Broderick
United States District Judge