

2020-1400

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

NEW VISION GAMING & DEVELOPMENT, INC.,
Appellant,

v.

SG GAMING, INC., f/k/a Bally Gaming, Inc.,
Appellee,

and

KATHERINE K. VIDAL, Undersecretary of Commerce for
Intellectual Property and Director of the United States Patent
and Trademark Office,
Intervenor.

On Appeal from United States Patent and Trademark Office, Patent
Trial and Appeal Board in No. CBM2018-00006

APPELLANT'S REPLY BRIEF FOLLOWING REMAND

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CERTIFICATE OF INTEREST

Counsel for Appellant New Vision Gaming & Development, Inc. states the following:

1. **Represented Entities.** Provide the full names of all entities represented by undersigned counsel in this case. Fed. Cir. R. 47.4(a)(1).

New Vision Gaming & Development, Inc.

2. **Real Party in Interest.** Provide the full names of all real parties in interest for the entities. Do not list the real parties if they are the same as the entities. Fed. Cir. R. 47.4(a)(2).

Not applicable.

3. **Parent Corporations and Stockholders.** Provide the full names of all parent corporations for the entities and all publicly held companies that own 10% or more stock in the entities. Fed. Cir. R. 47.4(a)(3).

None.

4. **Legal Representatives.** List all law firms, partners, and associates that (a) appeared for the entities in the originating court or agency or (b) are expected to appear in this court for the entities. Do not include those who have already entered an appearance in this court. Fed. Cir. R. 47.4(a)(4).

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5. **Related Cases.** Provide the case titles and numbers of any case known to be pending in this court or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. Do not include the originating case number(s) for this case. Fed. Cir. R. 47.4(a)(5). See also Fed. Cir. R. 47.5(b).

New Vision Gaming & Development, Inc. v. Bally Gaming Inc.,
2:17-cv-01559-APG-BNW (D. Nev.).

6. **Organizational Victims and Bankruptcy Cases.** Provide any information required under Fed. R. App. P. 26.1(b) (organizational victims

in criminal cases) and 26.1(c) (bankruptcy case debtors and trustees).
Fed. Cir. R. 47.4(a)(6).

None.

I certify the preceding information is accurate and complete to the
best of my knowledge.

Date: January 4, 2023

/s/ Matthew J. Dowd

Signature of counsel

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TABLE OF ABBREVIATIONS

Agreement	New Vision's license agreement with SG having an effective date of May 28, 2014. Appx1096-1111.
AIA	Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (Sept. 16, 2011)
APJ	Administrative Patent Judge
CBM	Covered business method patent review under the AIA
Final GAO Report	<i>Report to the Subcommittee on Courts, Intellectual Property, and the Internet, Committee on the Judiciary, House of Representatives, GAO-23-105336 (Dec. 22, 2022). Appx9231-9320.</i>
Initial GAO Report	<i>Testimony Before the Subcommittee on Courts, Intellectual Property, and the Internet, Committee on the Judiciary, House of Representatives, Patent Trial and Appeal Board, Preliminary Observations on Oversight of Judicial Decision-making, GAO-22-106121 (July 21, 2022). Appx9046-9071.</i>
IPR	<i>Inter partes</i> review
KatznelsonBr.	Dkt. 33, <i>Corrected Brief of Amicus Curiae Ron D. Katznelson in Support of Appellant and Reversal.</i>
NV or New Vision	Appellant New Vision Gaming & Development, Inc.
NVBr.	Dkt. 22, <i>Brief of Appellant New Vision Gaming & Development, Inc. on Return and Remand.</i>

PTAB or Board	Patent Trial and Appeal Board
PTO	United States Patent and Trademark Office
PTOBr.	Dkt. 42, <i>Brief for Intervenor</i> (Kathi Vidal, Undersecretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office)
SG	Appellee SG Gaming, Inc. f/k/a Bally Gaming, Inc.; also referred to below as “Bally”
SGBr.	Dkt. 41, Brief for Appellee SG Gaming, Inc., fka Bally Gaming, Inc. Following Remand

ARGUMENT

I. The Available Information Confirms the Structural Bias of the PTAB's Institution Process

The PTO advances several responses to the due process challenge. None sufficiently rebuts the evidence confirming that the unique funding and oversight practice of the PTO and PTAB have created the strong appearance of an adjudication process infected by implicit financial motives. Those motives are exacerbated by the recent exposé of the secret procedures used to influence PTAB decisionmaking.¹

A. The Final GAO Report Reveals Extraordinary PTAB Interference, Including by PTO Leadership with Financial Management Responsibilities

New Vision's opening brief detailed alarming interference by PTO and PTAB leadership with the PTAB decisionmaking process. *See* NVBr. 20-23; 35-49. These revelations flowed largely from the Preliminary GAO Report, although internal APJ review procedures created incentives for such interference. Appx9046.

The Final GAO Report confirms the revelations and details an extraordinary and troubling degree of interference. *See* Appx9231; 9308-

¹ SG largely relies on the PTO arguments and “defers” to the PTO “in response to New Vision’s due process challenge.” SGBr.40.

9313. Unknown to PTAB litigants, the Director often directly influenced adjudications, including institution decisions: “Since PTAB began, USPTO directors, in consultation with PTAB management, created a number of processes to oversee judges’ work both before and after they are issued.” Appx9252; Appx9055-9056 (noting that policy on Management Review “was not publicly available prior to May 2022”). APJs observed that “[t]he amount of oversight by the Director (through the solicitor’s office) has increased over time.” Appx9312. Director oversight of APJ decisionmaking became “pervasive” and “oppressive.” *Id.*

APJs were alarmed by the PTO leadership’s interference. Some APJs were given surreptitious instructions, but this information “was not provided in writing, only orally so it was not clear who wanted this change, according to one judge GAO interviewed.” Appx9270 n.69.

The Director and PTAB management routinely pressured APJs and altered their decisions. Appx9265 (explaining how Management Review was “driving the judges’ decision on whether to institute an AIA proceeding”). Much of this was imposed with no transparency and no paper trail. “Panels were required to change decisions at the direction of Management . . . because of issues raised in the press, on blogs, or in unrelated

court actions involving the Office[] and with little or no input from the Panel.” Appx9312. The PTAB panel did not know “who made the changes or on what basis.” *Id.* The demanded changes were “conveyed in phone calls from Management or another [judge] designated by Management, rather than in writing to seemingly obfuscate both the demands and the involvement of Management and ‘the Tenth Floor,’ (i.e., [Director] and [their] staff).” *Id.*

Management Review interference became a severe infringement on APJ decisionmaking. “Management Review is by far the most significant factor’ affecting [APJs’] independence.” Appx9266. “[Management Review’s] very existence,” according to one APJ, “create[d] a preemptive chilling effect.” Appx9266.

PTAB management also understood that APJs’ “performance review ratings could be affected . . . in instances where judges refused to adopt mandatory Management Review comments.” Appx9257. “There was little distinction among judges as to the potential effect on their performance review for not adhering to Management Review comments on draft decisions for AIA proceedings.” Appx9268. Some APJs believed that disagreeing with Management’s comments had “a large or moderate

effect on their performance review (33 percent).” Appx9267-9268; Appx9291.

The PTO expressly acknowledged that its past practices governing AIA reviews inappropriately intertwined PTAB Management review with APJ decisions. *See* Appx9231; Appx9031. The PTO “concur[red] with the recommendations in the report.” Appx9314-9318. The agreement is a positive sign, but it does not remedy the due process violation to which New Vision was subjected.

B. The Undisputed Mixing of PTO and PTAB Administrative, Financial, and Judicial Functions Created the Strong Appearance of a Pecuniary Bias

The PTO’s response does little to overcome the reasonable conclusion that the unique structure of AIA funding, review, and employment incentives (in effect at the relevant time) created the appearance of an improper financial bias.

1. *Mobility Workx* Rests on Incomplete Information About the Entanglement of PTO and PTAB Leadership, Management, and Decisionmaking

In *Mobility Workx*, the panel dispatched any concerns with the behind-the-scenes interference: “The Leadership APJ’s role in budgeting is therefore too remote to constitute a due process violation.” 15 F.4th at

1154. That terse conclusion unfortunately rests on incomplete information, now revealed in the Final GAO Report.

First, *Mobility Workx* dismissed the concern about the “impermissible mixing of judicial/executives” by concluding that PTO budgeting responsibility was solely with the Director. 15 F.4th at 1154. Even if accurate, the GAO Report shows that the Director was impermissibly mixing roles by participating in the decisionmaking process will controlling the budget. Appx9308-9313. The Director manifested its dual role in an entirely non-transparent manner that caused “pressure or uncertainty” for APJs. Appx9270 (noting how the interference “funneled down through the ranks,” which “led to confusion and the spread of misinformation”).

This information was not part of the *MobilityWorkx* record. Indeed, the interference was largely secretive. Appx9269 (APJs “describ[ing] a seemingly hidden or secretive style of oversight practice within PTAB”). Even parties “were not notified when a director . . . had directly influenced the outcome of a particular AIA proceeding.” Appx9273.

2. *Mobility Workx* Glossed Over the Reality of PTO and PTAB Funding—They Get Every Dollar They Want

The majority in *MobilityWorkx* rejects the due process argument, in part, because “Congress ultimately sets the USPTO’s budget.” 15 F.4th at 1154. While that conclusion is formalistically correct, the majority’s opinion does not adequately address the unique situation here—where the PTO gets every dollar it wants, with a hands-off approach by Congress.

To be clear, New Vision is not attacking the propriety of a “fee-funded” agency. The PTO’s reference to other federal agencies is thus not relevant. PTOBr. 7. Problematic here is the undisputedly unique funding construct that enables the PTO to charge fees that—in all certainty—fund the specific PTO “business units.”²

² The PTO does not dispute its “unique” status. Indeed, the PTO’s unusually unique control over its budget was recently on full display when the Senate Appropriations Committee told the White House and the Commerce Department that it “expects [them] to revert to the longstanding practice of providing USPTO ***with complete and unfettered access*** to the amount equal to the agency’s estimate of patent and trademark fees.” See Ryan Davis, *Biden Proposes Increasing USPTO Budget to \$4.25B*, Law.com, <https://www.law360.com/articles/1478286/biden-proposes-increasing-uspto-budget-to-4-25b> (Mar. 28, 2022).

Along those lines, since the AIA, the PTO has kept every single dollar of the fees it generated. If the amount of fees generated exceeds the appropriated amount, the excess fees are deposited in the PTO's reserve account. There is no other Federal agency that has the essentially unchecked ability to set its budget, collect fees based on agency-set rates, and to maintain extra fees in a propriety Treasury fund. Thus, the PTO's simplistic response that "Congress controls the appropriations" ignores the reality that, under the AIA and prior legislation, the PTO is at the zenith of power of its revenue, unlike any federal agency.

Third, the PTO's appropriations bills allow for "reprogramming" of excess funds recovered based on the fees it sets. In order to access those funds under reprogramming rules, all that is required is a "notification" to Congress of intent to use those funds. *Id.*; Appx4884. The *Mobility Workx* decision does not acknowledge this difference. 15 F.4th at 1154-55. The PTO offers no evidence of any situation where Congress provided any objection to such a request for reprogrammed funds. PTOBr. 29-30.

The PTO falls back on the overly simplistic "Congress controls" argument. *Id.* But the incentives that affect behavior are the actual funding realities. Based on the factual evidence, the PTO effectively has

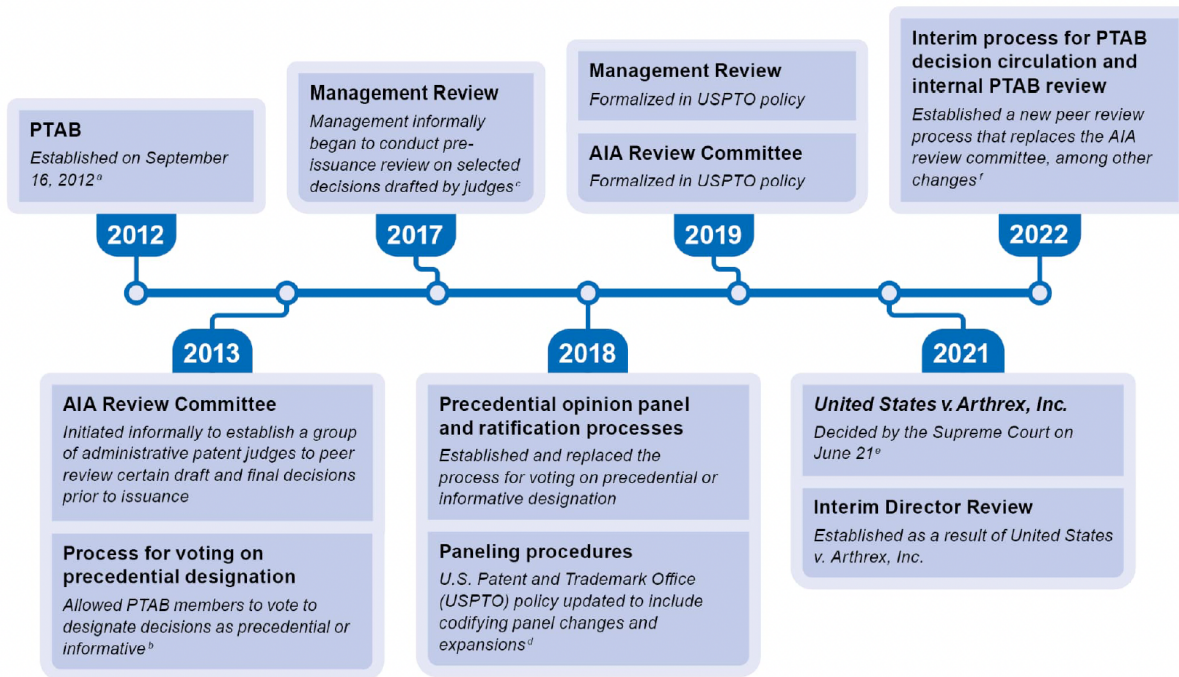
independent rein to set and collect fees as it sees fit, consistent with its operation as a fee-generating “business.” It may need to notify Congress, on occasion, of its intent to use excess funds from the independent Treasury account, but all indicators confirm that the PTO gets every dollar it wants (as set forth in its requested budget)—and it can do so by imposing customer-based user fees and ensuring a sufficient flow of AIA proceedings.

To counter this argument, the PTO identifies only vague language that in 2015, the PTO transferred funds from the Treasury Reserve Fund to the PTO’s operating reserve “[a]fter successfully working through the reprogramming process with congressional appropriators.” PTOBr. 30; *see also* Appx5970. Nothing in that citation suggests that Congress provided any response to only the routine notice required. Regardless, this funding scheme is very different from what was presented in *Mobility Workx* and adopted by the PTO here—one in which Congress, not the PTO, sets the PTO’s fees and its budget.

3. The PTO Has Acknowledged the Problems with the Procedures at Issue Here and is Implementing New Safeguards

Since New Vision first raised its due process challenge, a steady drip of information has validated its concerns. The PTO responds by declaring that “APJs and PTAB Leadership have every incentive to justify trials only based on the analysis of the parties’ arguments in light of fact, evidence, and law.” PTOBr. 39. But the GAO Report indicates otherwise. There was an entirely secret, bureaucratic, decisionmaking construct that imposed “the politics of the Director” and was swayed by “issues raised in the press, on blogs, or in unrelated court actions.” Appx9312.

Indeed, the GAO Report gave some exposure to what was occurring behind the scenes at PTAB. What Congress intended to be a straightforward alternative to Article III litigation became a quagmire of secretive reviews subject to pressures from “politics” and the “press,” as shown below:

Figure 5: Timeline of Patent Trial and Appeal Board (PTAB) Oversight Mechanisms and Significant Events

Source: GAO analysis. | GAO-23-105336.

Appx9253.

Further, while the PTO's brief tries to defend past practices, the agency is publicly acknowledging its missteps. Appx9259-9261; Appx9282-9283; Appx9318. In October 2022, Director Vidal stated that the PTO was "rethinking some of what we're doing" with its Director review process. Britain Eakin, *Vidal Says She Is 'Rethinking' Director Review Process*, <http://law360.com> (Oct. 13, 2022); see also 87 Fed. Reg. 43,249, 43,252 (July 20, 2022) (setting forth topics for public comment).³

³ <https://www.law360.com/articles/1538395>.

4. The PTO Misleadingly Asserts that CBMs Trials “Were Conducted at a Loss” in FY 2018

The PTO claims, without explanation, that CBM trials “were conducted at a loss for the agency.” PTOBr.32. The PTO’s own financial data show that the assertion is misleading, and that there is a financial incentive to institute CBMs.

Consider the PTO’s financial reporting for PGRs/CBMs in FY2018. Appx8660. The total collected fees for the institution (petition or “request”) stage were \$1,368,000 plus \$230,750 for excess claim fees, for a total of \$1,559,550 in PGR/CBM FY2018 fees. *Id.* This equates to \$17,377 of revenue per PGR/CBM petition.⁴ Assuming an institution rate of 55%, each PGR/CBM trial yielded on average \$49,950 of revenue. *Id.*⁵

⁴ There were 92 CBMs and PGRs filed for FY2018. *See* https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180930a.pdf.

⁵ We use an institution rate of 55%. The institution rates per petition type are not readily available for FY2018, but the institution rates for PGR and CBM petitions for FY2016 were approximately 53% for CBMs and 61% for PGRs, with CBMs being the large majority. Subsequent years had declining rates for CBM institutions, approaching 50%. If FY2018 had an institution rate of 50%, then a CBM trial would have made the entire CBM proceeding “profitable” for the PTO, with net excess fees equaling \$1,900.

Compare the preceding actual revenue to the FY2018 actual costs: \$21,465 for institution/petition/request stage, and \$29,842 for trial stage. See 85 Fed. Reg. 46,932, 46,945. The data are shown below.

	Actual Average Fees Collected (FY2018)	PTO's Unit Costs (FY2018)	Difference
Institution Stage	\$17,377	\$21,465	(\$4,088)
Trial Stage	\$32,573	\$29,842	\$2,731
Total	\$49,950	\$51,307	(\$1,357)

As can be seen, a clear financial incentive to institute existed because, in the trial phase, the PTO is estimated to have generated fees in excess of agency expenses. Institution of CBMs leads to the “profitable” trial portion of the proceeding, thus creating a strong financial motive to institute, if for no other reason than to reduce agency losses on CBMs.

C. The Incentives for APJs Demonstrate a Due Process Violation, and the PTO's Limited Response Does Not Rebut It

Given the chilling revelations of “oppressive,” secretive interference by PTO and PTAB leadership, the average patent owner or patent challenger is easily given the impression that APJs were subject to biases unrelated to the merits. The PTO's response does nothing to sway that

appearance. Nor does *MobilityWorkx*, which did not have the benefit of full knowledge about the internal pressures exerted on APJs.

1. New Vision Detailed the Pecuniary Benefits to APJs for Instituting AIA Reviews

The APJ compensation scheme, as it existed during New Vision’s CBMs, rested on incentives that encouraged APJs to grant institution for increased production—which enabled higher bonuses. *See* NVBr.42-43. Those incentives include bonuses for achieving high levels of decision units. *Id.* The incentive is not difficult to understand, as it is the type of potential bias that almost every lawyer and client knows exists with the billable-hour system.

The potential to earn substantial bonuses and facilitate workflow goes a long way to creating the appearance of improper financial bias in what should be an unbiased, fair alternative to Article III courts. Indeed, if a district court charged \$20,000 to file a summary judgment motion and then, after denying the motion, charged another \$20,000 (or more) to proceed—and those fees funded judicial bonuses—that scheme would be plainly unconstitutional. *Cf. Gibson v. Berryhill*, 411 U.S. 564, 578 (1973) (revocation of licenses by the optometry board would “possibly redound to the personal benefit of members” of the board).

The PTO’s primary response is a non-specific complaint that New Vision allegedly failed to “identify a factual basis or evidentiary support.” PTOBr.34 (generating a long string of supposed links in the “causal chain”). The PTO’s response fails for two reasons.

First, there is a clear causal link between the extreme pressure from PTO management (responsible for budgeting) and APJ decisionmaking. APJs understood that Management Review’s “very existence . . . create[d] a preemptive chilling effect: consideration of management’s wishes is at least a factor in all panel deliberations, and is sometimes the dominant factor.” Appx9063.

Second, the PTO applies the incorrect “actual bias” standard. As noted below, that is not the proper legal standard. *See* § I.D. *infra*. To violate due process, all that is necessary is a reasonable connection between the decision and the pecuniary benefit. *See, e.g., Gibson*, 411 U.S. at 578.

2. PTO Data Confirm that Financial Incentives Favor Institution

While evidence of actual pecuniary bias is not necessary, the available information provides an indication that the structural pecuniary

biases are manifesting as actual effects on AIA proceedings. This information lends further support to New Vision's position.

First, the Katznelson article analyzed APJ salaries and PTAB decisions and concluded that APJs experience "an annual average APJ pecuniary bias totaling \$5,760 out of an average annual APJ bonus of \$21,166." Appx9096; *see also* Appx9133-9135 (providing calculations indicating that APJs assigned to AIA trials who took on additional AIA trial work earned substantially larger bonus awards compared to those who took on additional *ex parte* appeals work); *see also* KatznelsonBr. 8-9.

Second, the PTO's financial data above illuminate the very basic premise that institution equals more "profit"—or at least smaller loss. One need not be John Maynard Keynes to understand how that fact can motivate the PTAB to encourage granting institutions of CBMs.

Third, a leading former APJ has explained that that a "structural incentive" exists and thus skews the balance in favor of institution: "There is a structural incentive to get credit for writing final written decisions. You get more credit for doing the final written decisions, and the only way to get those credits is to institute." Appx9222.

Fourth, Amicus U.S. Inventor identified what it referred to as the “October Effect.” *See* Dkt. 26, at 9 (“The October Effect shows that the first month of the performance review year has consistently revealed APJ panels stretching farther to grant less meritorious petitions than they do in the final month when their pipeline for the prior year’s “decisional units” is already full.”).

Taken together, and in conjunction with the other evidence presented, there is ample support for a reasonable patent owner or petitioner to believe that the institution decision may be unduly affected by financial factors.

D. The PTO Applies the Incorrect “Actual Bias” Wrong Standard

As a final point, the PTO applied the wrong standard in its structural-bias response. The PTO argues that New Vision “has no basis for suggesting that leadership supervision of APJ’s work . . . *had any effect* . . . on the institution decision in this case.” PTOBr. 38 (emphasis added). The PTO thus urges “no actual bias,” but that is not the standard.

Undisputed by either the PTO or SG, a pecuniary-bias due process violation does not require actual bias or an adverse effect. *See, e.g.,* NVBr. 33-34; *Rippo v. Baker*, 580 U.S. 285, 287 (2017) (*per curiam*)

(reversing the Nevada Supreme Court because it had incorrectly required a showing of actual bias and did not consider “whether, considering all the circumstances alleged, the risk of bias was too high”).

The AIA review process operates under a set of unique conditions that the PTO does not dispute: (1) 40% of the PTAB’s AIA trial budget comes from fees generated by institution grants; (2) PTO and PTAB leadership have dual roles, as executives to manage PTAB finances and as adjudicators of AIA proceedings; (3) the APJs who make most institution decisions are subject to performance reviews by PTAB leadership; (4) an APJ’s salary and bonus plan turns on higher “production,” which incentivizes more institutions; (5) APJs are subject to PTO and PTAB oversight and interference, such as Management Review and ARC, that lead to changed AIA outcomes; (6) the PTO has a unique funding mechanism (including the Reserve Fund and the operating reserve), so that it can set its own fees, always receives funding equal to its fee collections, and operates as a “revenue-generating entity”; (7) the PTAB operates as a “business unit” with its own budget expectations; and (8) the PTO’s financial reporting confirm a financial incentive to institute CBMs because they

are “profitable” at the trial stage. This unique scenario creates the impermissible appearance of pecuniary interest that the Supreme Court warned against in *Tumey v. Ohio*, 273 U.S. 510 (1927), and its progeny.

II. New Vision Did Not Forfeit Its Constitutional Challenge

New Vision did not forfeit its due process challenge. *See* PTOBr. 20-24. First, New Vision raised the issue upon remand to the PTO during the Director review process. Second, *Mobility Workx* has already rejected the PTO’s identical arguments. 15 F.4th at 1150-51.

A. New Vision Raised the Constitutionality Issue During Director Review on Remand

New Vision raised the constitutional challenge on remand to the USPTO. Appx9220-9227. It could not have been stated more clearly: “Does the AIA institution process and procedure violate due process.” Appx9211. The Director issued a summary denial of the request. Appx9228. The most reasonable understanding is that the Director considered and rejected New Vision’s due process argument, and the issue is not forfeited.

B. *Mobility Workx* Rejected the PTO’s Forfeiture Argument

Mobility Workx did resolve any question about the PTO’s forfeiture argument. The PTO raised the same argument, and this Court

unanimously rejected the argument, explaining that, “[u]nder Supreme Court and circuit precedent, agencies generally do not have authority to declare a statute unconstitutional.” *Id.* at 1150. “[C]onstitutional challenges to the statute under which the agency operates,” the Court explained, “need not be raised before the agency.” *Id.* at 1151.

Supreme Court precedent further confirms that “structural” challenges are not generally waived at the agency level. *See Carr v. Saul*, 141 S. Ct. 1352, 1360 (2021). As stated in *Carr*, “agency adjudications are generally ill-suited to address structural constitutional challenges,” and the Supreme Court “has consistently recognized a futility exception to exhaustion requirements.” *Id.* at 1360-61. Both the principles apply to New Vision’s case.

III. The PTAB’s Institution Decision Was A Clear Abuse Of The PTO’s Authority By Disregarding The Forum Selection Clause

SG and the PTO offer various arguments—some in common, some new—as a defense to the PTAB’s utter disregard of the parties’ forum selection clause. None of the arguments justifies the PTAB’s unauthorized institution decision or the Director’s refusal to reconsider that decision. Notably, SG finally acknowledges that, if “the Board erred by not

conducting a discretionary analysis, [the Court] should remand” so that the PTAB can properly analyze the forum selection clause. SGBr.35.

A. The Board Did Not Properly Institute Review

SG addresses the merits of the PTAB’s institution decision by arguing that PTAB correctly disregarded the forum selection clause. SG offers several points, but it is difficult to see how SG’s arguments support the PTAB’s decision to condone SG’s violation of its contractual obligations. Each of SG’s points is addressed below.

1. Precedent Supports New Vision’s Position

On the merits, SG’s ultimate point appears to be that New Vision should have raised its forum-selection-clause argument with the district court in the first instance. *See* SGBr.32-35. Perhaps in hindsight, and after later-decided Federal Circuit cases, that would have been the better option. But the law was developing at the time, and the Federal Circuit had yet to rule on the issue.⁶

It was not until this Court’s decisions in *Nippon Shinyaku Co. v. Sarepta Therapeutics, Inc.*, 25 F.4th 998 (Fed. Cir. 2021), and *Kannuu*

⁶ Notably, the district court *Dodocase* issued on March 26, 2018, the same day that New Vision filed its Patent Owner Preliminary Response. *See* Appx2324.

Pty Ltd. v. Samsung Electronics Co., 15 F.4th 1101 (Fed. Cir. 2021), that the question of forum-selection-clause enforceability was precedentially addressed. *Kannuu* rejected the argument based on the contract language and left open the question of whether a forum selection clause was enforceable. *Kannuu*, 15 F.4th at 1107 (“The district court did not err in its evaluation of the scope of the forum selection clause.”). In *Nippon*, the Court squarely rejected the argument that “there is anything unfair about holding” a party to its contracted forum selection clause agreement. 25 F.4th at 1009.

More importantly, though, SG does not cite a single case or provide a single reason why this Court’s later cases should not have required the PTAB to deny institution. This Court’s cases were fair guidance that forum selection clauses must be respected and presumed enforceable.

Ultimately, the Court may agree with SG that, in hindsight, New Vision should have first sought a preliminary injunction in the district court. That conclusion would create the unfortunate result where a

patent owner loses because it expected the PTAB to respect—or at least consider—a contractual obligation to not file an AIA proceeding.⁷

2. The Forum Selection Language is Clear

New Vision has consistently explained that the contract’s plain language requires resolution of “any dispute” between the parties in a Nevada court, in Clark County. *See, e.g.*, Appx2339-2341; 3534-3538; NVBr.62. Indeed, it is difficult to come to any other conclusion, and the contract’s language could hardly be more specific.

Nevertheless, SG contends that New Vision has not provided “a meaningful analysis of the clause.” SGBr.37. That is a puzzling argument in view of New Vision’s consistently clear explanations and the unambiguous language in the Settlement Agreement that requires “any dispute” to be resolved in Nevada. Appx2339-2341; Appx3534-3538.

SG’s argument is particularly questionable because, in over twenty pages of briefing, SG never squarely explains why it believes that the plain language of the contract allowed SG to seek review at the PTAB, instead of in a Nevada court, as agreed. *See* SGBr.17-38. The contract

⁷ As noted above, SG acknowledges that the case should be remanded for further PTAB consideration if the Court agrees that the PTAB did not properly analyze the forum-selection-clause language. SGBr.35.

could not be plainer: Both parties “agree[d] and consent[ed] to the exclusive jurisdiction of an appropriate state or federal court located in the State of Nevada, Clark County, to resolve any such dispute.” Appx2339.

SG also misleadingly refers to the provision stating that, “if SG Gaming brought such a challenge ‘in any forum,’ New Vision could terminate the Agreement.” SGBr.35; Appx1097-1098, ¶4.d. SG reads that provision entirely out of context. It is a standard agreement to not challenge the validity of the patents. It expressly prohibits SG from challenging patent validity, unless in response to a patent infringement action. *Id.*⁸ It does not provide SG with the right to file a CBM. Nor does it override the express forum selection clause in Paragraph 7. See Appx1099.

SG also attempts to put distance between this case and the Federal Circuit’s precedent analyzing similar forum selection clauses, see SGBr.32-35, but that attempt falls short.

⁸ Paragraph 4.d confirms that SG violated the contract in a second manner, by disregarding its agreement to not bring “an action in any forum to challenge the validity or enforceability of any claims of the Patents.” Appx1097.

SG also seeks to justify the PTAB’s reliance on a “contractual estoppel defense” theory. *See* SGBr.35-37. SG’s main point seems to be that the PTAB was using “contractual estoppel defense” as a synonym for “contractually barred.” *See id.* If the PTAB had used its “contractual estoppel defense” theory in this way, perhaps it would be a disagreement with a less-than-ideal word choice. But the PTAB was far more strident.

The PTAB was expressly requiring explicit authority—such as by statute, rule, or binding precedent—that would “require” the PTAB to deny institution. The PTAB went further, stating that it did not “discern . . . any portions of chapter 32 of § 18 of the AIA, or authority otherwise, that explicitly provided for a contractual estoppel defense.” Appx0096. The PTAB’s “requirement” for a “contractual estoppel defense” is a different and untenable standard, as compared to New Vision’s contention that institution should have been denied because it would facilitate SG’s breach of its contractual obligations.

SG’s efforts to distinguish the agreements in *Nippon* and *Dodocase* are also unavailing. First, those cases offer nearly identical contractual language as here, which requires “any dispute” to be resolved in a specific forum. Second, SG is wrong when it asserts that the New Vision/SG

Agreement “lacks . . . a provision” that “expressly prohibited challenges to the licensed IP.” SGBr.34. That express “no-challenge” provision is in Paragraph 4.d, as explained above. *See supra*; Appx1097.

3. SG’s New Arguments About Termination Are Incorrect

SG’s inchoate termination arguments are wrong. The Agreement has several provisions that specify how a party can properly terminate. Appx1097-1098 ¶¶3, 4(a)-(f). SG fails to address these specific requirements for a proper termination. *See* SGBr.34-35. Moreover, the Agreement required automatic renewal if the agreement was not “terminated as provided” in the contract. Appx1097 ¶3.

Importantly, and overlooked by SG, *see* SGBr.4, one termination provision allowed SG to terminate if the patent was invalidated by a court, but only “after all appeals have been exhausted.” Appx1098. Here, SG attempted to terminate the contract based on its own perception that the ’987 patent was invalid, not based on a final, non-appealable decision. Appx0494; Appx0506. Most importantly, though, SG never offers any explanation of how it properly terminated the agreement. *See* SGBr.35.

4. New Vision Did Not Forfeit Its Forum-Selection-Clause Argument

The Court should reject SG’s argument that New Vision forfeited its forum-selection-clause position. *See* SGBr.31 (claiming that “New Vision’s forfeiture is particularly egregious”). This argument reduces to a mere quibble with word choice.

First, the PTO’s brief acknowledges that New Vision raised the forum-selection-clause issue during the remand proceeding before the Director. *See* PTOBr.17; *see also* Appx9213-9220 (New Vision Request for Director Review). The PTO notably does not argue that the forum-selection-clause issue is forfeited. PTOBr.20-24.

Second, New Vision has consistently contended that the PTAB erroneously refused to respect the forum selection clause. Perhaps the clearest example was in New Vision’s petition for rehearing of the final written decision, where New Vision stated that “the PTAB’s refusal to enforce the Forum Selection Clause between the parties is clear error.” Appx3534. Thus, SG’s forfeiture argument should be rejected.

B. The Institution Decision is Reviewable

Both the PTO and SG contend that that the institution decision is not reviewable. If that is the case, that conclusion creates an untenable

outcome whereby the PTAB can impose an erroneous legal conclusion based on an issue that is not “closely tied to the application of statutes related to the institution decision.” Further, § 701(a)(1) is not as broad as SG and the PTO argue. *Cuozzo* makes that clear. And even the cases that SG and the PTO cite, *Block* and *Dominion Dealer*, make clear that the present challenge is not explicitly barred by 35 U.S.C. § 314(d).

1. The Director Could Have and Should Have Reversed the Institution Decision

On remand, New Vision asked the Director to revisit the institution decision. Appx9213-9220. The Director rejected New Vision’s request. Appx9228. New Vision now appeals the Director’s review decision, but SG calls this attempt “nonsense.” SGBr.24.

First, the Director certainly could have and should have reversed the institution decision. The Director can review institution decisions and has granted review (either by request of a party or sua sponte) in other cases. *See, e.g., OpenSky Indus., LLC v. VLSI Tech. LLC*, IPR2021-01064, Paper No. 41 (June 7, 2022).

Second, despite SG’s “nonsense” comment, the concept of Director review was never contemplated by the AIA. The Director here considered New Vision’s forum-selection-clause arguments and rejected them, per a

summary order. Appx9228-9230. That denial makes the Director’s decision independently reviewable.

2. The Forum Selection Clause is Not “Closely Tied to Interpretation of Institution-Related Statutes”

The parties agree on this much: At least some institution decisions are reviewable on appeal. Neither SG nor the PTO disputes New Vision’s explanation that “[s]ome PTAB institution decisions are reviewable under *Thryv* and the Administrative Procedure Act.” NVBr. 71. This is consistent with *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348, 1359 (2018), which held that judicial review is available when the PTO takes action “not in accordance with law” or “in excess of statutory jurisdiction, authority, or limitations.”

Thus, the specific question here is whether the PTAB’s disregard of a forum selection clause is sufficiently “not in accordance with law” or in excess of agency authority to permit review. The Court has not yet answered the question. The answer here should be “no.”

A key element to answering the question is whether the issue is a matter “closely tied to the application and interpretation of statutes related to the institution decision.” *Thryv, Inc. v. Click-to-Call Techs., LP* 140 S. Ct. 1367, 1373 (2020). If the PTAB correctly had analyzed the

issue, it did not have to interpret or apply a single patent law, statute, or regulation. The PTAB merely had to assess whether the parties' agreement precluded SG's filing of its CBM petition. This question concerns contract law, not any interpretation of patent law.

Furthermore, the forum selection clause question must be answered in the context of the Supreme Court's guidance on reviewability. The Supreme Court has been clear that the "presumption of reviewability" requires that preclusion statutes are to be read narrowly. *Lindahl v. Office of Personnel Management*, 470 U.S. 768, 780-81 (1985).

There is a strong presumption of judicial review under the mechanism of 5 U.S.C. § 702. *See Block v. Community Nutrition Inst.*, 467 U.S. 340, 345 (1984); *Pregis Corp. v. Kappos*, 700 F.3d 1358, 1358 (Fed. Cir. 2012). "Whether and to what extent a statute precludes judicial review is determined not only from its express language but also from the structure of the statutory scheme, its objectives, its legislative history, and the nature of the administrative action involved." *Block*, 467 U.S. at 345-46.

3. APA§ 701(a)(1) Does Not Preclude Review of the "Entirely Collateral" Forum Selection Clause

5 U.S.C. § 701(a)(1) should not apply to an APA challenge based on a forum-selection clause. As recognized in *SAS Institute, Inc. v. Iancu*,

138 S. Ct. 1348 (2018), and *Cuozzo Speed Technologies, LLC v. Lee*, 579 U.S. 261, 275 (2016), APA review is available when a § 704 “preliminary” action is “arbitrary and capricious.” The present case provides another situation in which § 701(a)(1) does not apply. The cases the PTO and SG cite are distinguishable and actually support the differences presented in this case favoring judicial review under the APA.

This Court and the Supreme Court have analyzed the statutory language precluding review and determined that review was available. *See* NVBr. 71-73 (discussing *SAS*, *Cuozzo*, and other cases). SG’s and the PTO’s cited cases on APA review are distinguishable and do not account for the number of decisions allowing APA review.

The Supreme Court decision in *Block* does not preclude APA review. Both the PTO and SG rely on *Block* for the general proposition that APA actions can be barred by Section 701(a)(1) to the extent that other “statutes preclude judicial review.” 467 U.S. at 345. While New Vision does not dispute that *Block* accurately reflects the general law concerning barring APA challenges under Section 701(a)(1), it adds little in terms of insight concerning the present dispute in terms of facts and the statutes.

SG, likely recognizing this fact, relies primarily on *Dominion Dealer Solutions, LLC v. Lee*, No. 13CV699, 1572061 (E.D. Va. Apr. 18, 2014) for its argument that APA review is precluded in the context of AIA reviews. SGBr.21. While not binding precedent, *Dominion Dealer* does provide some useful analysis of the differences in the “nature of the administrative action,” *see Block*, 467 U.S. at 345-46, justifying a finding that review under the APA is not precluded in this case. In fact, that case highlights the important distinction of the nature of the dispute in this case.

In particular, *Dominion Dealer* concerned a direct challenge to the institution decision based on the substance of the arguments supporting an institution decision under the APA in district court. 2014 WL 1572061, at *1. The court in *Dominion Dealer* acknowledged the strong presumption of review, but determined that the substantive challenge under the APA was precluded. *Id.* at *3.

Critically to this case, however, the court acknowledged that cases involving forum selection clauses are distinguishable. Specifically, in discussing *Callaway Golf Co. v. Kappos*, 802 F. Supp. 2d 678 (E.D. Va. 2011), the court recognized that a forum selection clause dispute is “entirely collateral to the legal determination delegated to the USPTO by law and

shielded from appellate review.” *Dominion Dealer*, 2014 WL 1572061, at *7.

In short, SG’s and the PTO’s arguments that § 701(a)(1) plainly bars an APA challenge under § 706(2)(A) are overly simplistic. The present facts justify applying the strong presumption of administrative review to a dispute that courts have described as “entirely collateral” to the PTAB’s delegated role. *Dominion Dealer*, 2014 WL 1472061, at *7.

4. If Review is Barred, This Court Should Consider New Vision’s Appeal as a Request for Mandamus Relief

If the Court determines that New Vision’s forum-selection-clause issue is non-appealable, the Court should consider New Vision’s briefing as a request for mandamus relief. The parties’ briefing provides the complete arguments and information necessary to grant such relief.

An institution decision can be reviewed under mandamus. *Mylan Labs. Ltd. v. Janssen Pharmaceutica, N.V.*, 989 F.3d 1375, 1381 (Fed. Cir. 2021). New Vision’s request satisfies the three requirements for a writ of mandamus. *See id.* First, New Vision has a “clear and indisputable legal right” to not be subjected to SG’s improper CBM petition. Second, the arguments presented herein show that it has no other adequate

method of obtaining relief. *Id.* Third, the briefing demonstrates that a writ is appropriate under the unique circumstances and would be consistent with this Court’s recent holding in *Nippon*.

IV. New Vision Is Not Judicially Estopped From Asserting Its Forum-Selection-Clause Argument

The Court should reject SG’s new argument that New Vision is judicially estopped from pursuing its forum-selection-clause argument. SGBr.25-30. As a new argument, it should be deemed forfeited. Even if not, it lacks merit for several reasons, including because New Vision has consistently argued that SG was contractually precluded from filing its CBM petitions.

A. Judicial Estoppel Requires an Equitable Analysis

Judicial estoppel is a discretionary, equitable doctrine. *New Hampshire v. Maine*, 532 U.S. 742, 750 (2001). While not “reducible to any general formulation of principle,” courts require that a party’s position be “clearly inconsistent” with its earlier position. *Id.* There must also be “the perception that either the first or the second court was misled.” *Id.* Last, the party asserting the inconsistent position must derive an unfair advantage or impose an unfair detriment. *Id.* at 751.

Here, these factors weigh strongly against SG’s new judicial estoppel argument. New Vision has consistently explained why the parties’ agreement precluded SG from filing its CBM petitions.

B. New Vision Argued Consistently on the Contract’s Forum Selection Clause and SG’s Improper CBM Petitions

New Vision’s position on the forum selection clause and its objection to the CBM petitions were consistent. SG’s belated reliance on out-of-context statements fails to demonstrate any inconsistency with New Vision’s position. *See Egenera, Inc. v. Cisco Systems, Inc.*, 972 F.3d 1367, 1379 (Fed. Cir. 2020) (explaining that, “to be ‘clearly inconsistent,’ positions must be ‘mutually exclusive’ and ‘directly inconsistent’”).

1. New Vision Raised the Forum Selection Clause Arguments at Every Possible Phase

From the outset of this dispute, New Vision explained that “[a]ny dispute between the parties” must be in Nevada. Appx0740-0741. (Patent Owner’s Preliminary Response). When New Vision filed its breach of contract action in September 2017, it did so in the district court of Nevada, fully consistent with the parties’ agreed-upon forum selection clause. Appx0764-0771. Since then, New Vision has reiterated its clear

position that the contract's forum selection clause prevents the CBM petitions. *See, e.g.*, Appx0740; Appx3530.

At the PTAB, New Vision again explained that SG had contractually agreed to resolve disputes in district court. In its Patent Owner's Preliminary Responses, New Vision stated that SG "has waived [its] opportunity to come before the PTAB in Section 13.f of the settlement agreement." Appx0740. New Vision explained that "the venue clause in the settlement agreement should be enforced, and the Petition should not be instituted." Appx2340-2341; *see also* Appx2326 (explaining that SG "is barred from filing an action before the USPTO").

In short, other than facing the reality that the PTAB would be proceeding with an invalidity analysis, despite New Vision's arguments, there has been no clearly inconsistent position concerning the forum selection clause. This factor does not weigh in favor of a finding that as a matter of equity, New Vision must be forced to concede that argument.

2. The Timing of the Stay Arguments Provides the Necessary Context

SG's new judicial estoppel argument also overlooks the context of selected portions of the district court documents. SG's select quotations fail to recognize that it was only after the PTAB instituted the CBM

proceedings, over New Vision’s objections, that New Vision sought to minimize the burdens and expenses imposed by SG’s improper CBM petitions. New Vision never conceded that it abandoned its forum selection clause arguments, and, as explained above, it continued to press its position when it could.

All of SG’s cited statements, *see* SGBr.26-28, were offered to the district court after the PTAB instituted the CBMs. Faced with the reality that the CBMs would proceed—despite the forum selection clause—New Vision hoped to avoid litigating the same issue at the same time in two different fora. *New Vision* (D. Nev. July 14, 2018) (Dkt. 49 at 2) (“The partial stay eliminates the ‘two tracking’ of patent issues now being attempted by BALLY.”).

SG even acknowledged that New Vision continued to disagree with the propriety of the CBM petitions. Dkt. 55 at 2. As SG stated to the district court, New Vision still believed that “[the district court] has exclusive jurisdiction” to adjudicate patent validity. *Id.*

Nonetheless, SG sought to impose an unreasonable burden of litigating simultaneously in the district court and the PTAB. *See* Dkt. 62-1, at 2. SG also incorrectly asserted that “[i]t is well settled that Congress

intended that [Patent Office proceedings] and civil patent litigation could occur in parallel.” *Id.* (citations omitted).⁹

Worse, a full review of the district court submissions reveals that SG was advancing inconsistent arguments. SG “had once openly stated that it would itself pursue” a stay of the district court proceeding in view of its CBM petitions. *See* Dkt. 56 at 3. Later, however, SG changed its position and wanted to force duplicative proceeding by “oppos[ing] the very action . . . it had once openly stated it would itself pursue.”). In hindsight, SG’s tactics seem intended to impose unnecessary costs on a smaller patent owner.

Every statement SG identified was made with the hope that the PTAB might deny institution, either in a final written decision (June 2019) or on reconsideration (November 2019). *See* Appx0127-0128; Appx0189-0196. Thus, until November 2019, the PTAB could still have rejected the CBM petition that SG contractually agreed not to file.

⁹ SG’s insistence to proceed with duplicative proceedings runs counter to precedent. *See, e.g. VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1314 (Fed. Cir. 2014).

C. No Court Was Misled on the Forum-Selection-Clause Arguments

Finally, there is no concern about a court being misled, see *New Hampshire*, 532 U.S. at 750, as the district court was fully informed of New Vision’s position—that the contract established “the exclusive jurisdiction” in state or federal court in “Nevada, Clark County,” “to resolve any such dispute” between the parties. Appx2339. New Vision’s statements, made only after the PTAB instituted, sought to avoid concurrent, potentially duplicative proceedings. New Vision never wavered from its position that CBMs were improperly filed. See Appx3530-3552.

V. Conclusion

For the foregoing reasons, the Director’s decision should be reversed, and the Board’s decision should be vacated.

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Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

This brief complies with the word-length limitation of Federal Circuit Rule 32(a). This brief contains 6,986 words, excluding the portions set forth in FRAP 32(f) and Federal Circuit Rule 32(b). This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6). The brief has been prepared in a proportionally spaced typeface using Microsoft® Word and 14-point Century Schoolbook type.

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