

1 UNITED STATES DISTRICT COURT

2 DISTRICT OF NEVADA

3 IGT,)

4)
5 Plaintiff,)

6 vs.)

7 Aristocrat Technologies, Inc.,)

8 Defendants.)

Case No.: 2:15-cv-00473-GMN-GWF

ORDER

9 Aristocrat Technologies, Inc., Aristocrat)

10 Technologies Australia Pty. Ltd., and)

11 Aristocrat International Pty. Ltd.,)

12 Counterclaim Plaintiffs,)

13 vs.)

14 IGT,)

15 Counterclaim Defendant.)

16
17 Pending before the Court is a Motion to Dismiss (ECF No. 37) filed by Defendant
18 Aristocrat Technologies, Inc. (“Defendant”). Plaintiff IGT (“Plaintiff”) filed a Response (ECF
19 No. 42), and Defendant filed a Reply (ECF No. 47). Also pending before the Court is a Motion
20 for Preliminary Injunction (ECF No. 48) filed by Plaintiff. Defendant filed a Response (ECF
21 No. 51), and Plaintiff filed a Reply (ECF No. 54). Lastly, pending before the Court is a Motion
22 for Leave to File First Amended Complaint (ECF No. 57) filed by Plaintiff, to which Defendant
23 filed a Response (ECF No. 64). For the reasons discussed below, Defendant’s Motion to
24 Dismiss is **GRANTED**, Plaintiff’s Motion for Preliminary Injunction is **DENIED**, and
25 Plaintiff’s Motion to File First Amended complaint is **DENIED** with leave to file a revised

1 Amended Complaint in accordance with the Court’s instruction.

2 **I. BACKGROUND**

3 Plaintiff brought this patent infringement suit alleging infringement of the following
4 United States Patents: (1) 7,131,908 (“the ’908 patent”); (2) 7,513,827 (“the ’827 patent”); (3)
5 6,394,902 (“the ’902 patent”); (4) 7,384,334 (“the ’334 patent”); (5) 8,753,189 (“the ’189
6 patent”); (6) D503,951 (“the ’951 patent”); (7) 6,375,570 (“the ’570 patent”); (8) 6,702,675
7 (“the ’675 patent”); (9) 7,303,469 (“the ’469 patent”); and (10) 6,932,701 (“the ’701 patent”).
8 (Compl., ECF No. 1). Plaintiff further requested declaratory judgment under the assignor
9 estoppel doctrine for the following patents: (1) the ’570 patent; (2) the ’675 patent; (3) the ’469
10 patent; and (4) the ’701 patent. (*Id.*). Defendant moved to dismiss Plaintiff’s claims seeking
11 declaratory relief. (Mot. Dismiss, ECF No. 37). Additionally, Plaintiff brought a Motion for
12 Preliminary Injunction, asking the Court to enjoin Defendant from initiating reexamination or
13 *inter partes* review (IPR) of the ’570, ’675, ’469, and ’701 patents. (Mot. Prelim. Inj. 2:20–23,
14 ECF No. 48). Plaintiff also filed a Motion for Leave to File First Amended Complaint
15 requesting the Court’s permission to include seven additional counts for patent infringement.
16 (Mot. Leave to File First Am. Compl. 2:3–6; 3:19–21, ECF No. 57).

17 **II. LEGAL STANDARD**

18 **A. Federal Rule of Civil Procedure 12(b)(6)**

19 Dismissal is appropriate under Rule 12(b)(6) where a pleader fails to state a claim upon
20 which relief can be granted. Fed. R. Civ. P. 12(b)(6); *Bell Atl. Corp. v. Twombly*, 550 U.S. 544,
21 555 (2007). A pleading must give fair notice of a legally cognizable claim and the grounds on
22 which it rests, and although a court must take all factual allegations as true, legal conclusions
23 couched as a factual allegations are insufficient. *Twombly*, 550 U.S. at 555. Accordingly, Rule
24 12(b)(6) requires “more than labels and conclusions, and a formulaic recitation of the elements
25 of a cause of action will not do.” *Id.* “To survive a motion to dismiss, a complaint must contain

1 sufficient factual matter, accepted as true, to ‘state a claim to relief that is plausible on its
2 face.’” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Twombly*, 550 U.S. at 570). “A
3 claim has facial plausibility when the plaintiff pleads factual content that allows the court to
4 draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Id.* This
5 standard “asks for more than a sheer possibility that a defendant has acted unlawfully.” *Id.*

6 If the court grants a motion to dismiss for failure to state a claim, leave to amend should
7 be granted unless it is clear that the deficiencies of the complaint cannot be cured by
8 amendment. *DeSoto v. Yellow Freight Sys., Inc.*, 957 F.2d 655, 658 (9th Cir. 1992). Pursuant
9 to Rule 15(a), the court should “freely” give leave to amend “when justice so requires,” and in
10 the absence of a reason such as “undue delay, bad faith or dilatory motive on the part of the
11 movant, repeated failure to cure deficiencies by amendments previously allowed, undue
12 prejudice to the opposing party by virtue of allowance of the amendment, futility of the
13 amendment, etc.” *Foman v. Davis*, 371 U.S. 178, 182 (1962).

14 **B. Preliminary Injunction**

15 Federal Rule of Civil Procedure 65 governs preliminary injunctions and temporary
16 restraining orders, and requires that a motion for temporary restraining order include “specific
17 facts in an affidavit or a verified complaint [that] clearly show that immediate and irreparable
18 injury, loss, or damage will result to the movant before the adverse party can be heard in
19 opposition,” as well as written certification from the movant’s attorney stating “any efforts
20 made to give notice and the reasons why it should not be required.” Fed. R. Civ. P. 65(b).

21 A preliminary injunction may be issued if a plaintiff establishes: (1) likelihood of
22 success on the merits; (2) likelihood of irreparable harm in the absence of preliminary relief; (3)
23 that the balance of equities tips in his favor; and (4) that an injunction is in the public interest.
24 *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008). “Injunctive relief [is] an
25 extraordinary remedy that may only be awarded upon a clear showing that the plaintiff is

1 entitled to such relief.” *Id.* at 22.

2 The Ninth Circuit has held that “‘serious questions going to the merits’ and a hardship
3 balance that tips sharply toward the plaintiff can support issuance of an injunction, assuming
4 the other two elements of the *Winter* test are also met.” *Alliance for the Wild Rockies v.*
5 *Cottrell*, 632 F.3d 1127, 1132 (9th Cir. 2011).

6 “In deciding a motion for a preliminary injunction, the district court ‘is not bound to
7 decide doubtful and difficult questions of law or disputed questions of fact.’” *Int’l Molders’ &*
8 *Allied Workers’ Local Union No. 164 v. Nelson*, 799 F.2d 547, 551 (9th Cir. 1986) (quoting
9 *Dymo Indus., Inc. v. Tapeprinter, Inc.*, 326 F.2d 141, 143 (9th Cir. 1964)).

10 “The urgency of obtaining a preliminary injunction necessitates a prompt determination
11 and makes it difficult to obtain affidavits from persons who would be competent to testify at
12 trial. The trial court may give even inadmissible evidence some weight, when to do so serves
13 the purpose of preventing irreparable harm before trial.” *Flynt Distrib. Co., Inc. v. Harvey*, 734
14 F.2d 1389, 1394 (9th Cir. 1984) (citing 11 C. Wright and A. Miller, *Federal Practice and*
15 *Procedure, Civil*, § 2949 at 471 (1973)).

16 **III. DISCUSSION**

17 **A. Defendant’s Motion to Dismiss (ECF No. 37)**

18 Defendant moves to dismiss Counts VIII, X, XII, and XIV of Plaintiff’s Complaint
19 under Federal Rule of Civil Procedure 12(b)(6) because no federal cause of action exists for
20 declaratory judgment of assignor estoppel. (Mot. Dismiss 5:18–21, ECF No. 37). For the
21 reasons discussed below, the Court will grant Defendant’s Motion to Dismiss.¹

22 “Assignor estoppel is an equitable doctrine that prevents one who has assigned a patent
23 (or patent application) from later contending that what was assigned is a nullity.” *Diamond*

24
25 ¹ Because the Court addresses and dismisses Counts VIII, X, XII, and XIV under Federal Rule of Civil Procedure 12(b)(6), the Court will not address Defendant’s argument to dismiss these Counts under Federal Rule of Civil Procedure 12(b)(1).

1 *Scientific Co. v. Ambico, Inc.*, 848 F.2d 1220, 1224 (Fed. Cir. 1988). Assignor estoppel
2 functions most commonly as a defense against invalidity challenges based on “novelty, utility,
3 patentable invention, anticipatory matter, and the state of the art.” *Id.* (citing *Babcock v.*
4 *Clarkson*, 63 F. 607, 609 (1st Cir. 1894)); *see also Semiconductor Energy Lab. Co., Ltd. v.*
5 *Nagata*, 706 F.3d 1365, 1369 (Fed. Cir. 2013). The justification for applying assignor estoppel
6 rests largely on the facts of each particular case, but the following four rationales are frequently
7 mentioned: “(1) to prevent unfairness and injustice; (2) to prevent one [from] benefiting from
8 his own wrong; (3) by analogy to estoppel by deed in real estate; and (4) by analogy to
9 landlord-tenant relationship.” *Diamond Scientific Co.*, 848 F.2d at 1224 (“[I]t is the implicit
10 representation by the assignor that the patent rights that he is assigning (presumably for value)
11 are not worthless that sets the assignor apart from the rest of the world and can deprive him of
12 the ability to challenge later the validity of the patent.”).

13 Here, the Court will follow the Federal Circuit’s holding from *Semiconductor*. *See* 706
14 F.3d at 1370 (“[A]ssignor estoppel is a form of estoppel, and with rare exception, estoppel is a
15 shield; it is an affirmative defense, not a claim for relief on its own.”). Assignor estoppel is an
16 affirmative defense against claims of invalidity, and requires a court to engage the facts of each
17 particular case in determining whether its application is justified. *Diamond Scientific Co.*, 848
18 F.2d at 1224 (“[E]ach rationale [for application] may have some utility depending on the facts
19 presented by the particular case.”). In the present case, Plaintiff raises assignor estoppel in its
20 Complaint, before Defendant has challenged the validity of the alleged infringed patents.
21 (Compl. ¶¶ 57–59; 66–70; 75–79; 84–88, ECF No. 1). Procedurally, it is improper “to use a
22 doctrine intended to estop a party from advancing a particular claim or defense . . . as a way to
23 sue a [party] who has [not yet made] a claim or defense in a legal case.” *Semiconductor Energy*
24 *Laboratory*, 706 F.3d at 1370.

25 Accordingly, the Court grants Defendant’s Motion to Dismiss. Assignor estoppel is an

1 affirmative defense against invalidity challenges, and is not appropriately raised as a cause of
2 action in a complaint.

3 **B. Plaintiff's Motion for Preliminary Injunction**

4 In order to succeed on a motion for preliminary injunction, a party must show: (1) a
5 likelihood of success on the merits; (2) a likelihood of irreparable harm in the absence of
6 preliminary relief; (3) the balance of equities tips in his favor; and (4) the injunction is in the
7 public interest. *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008). Because
8 *Winter* requires a showing of likelihood of irreparable harm, the Ninth Circuit has repeatedly
9 held a district court may not presume irreparable harm. *See Flexible Lifeline Sys., Inc. v.*
10 *Precision Lift, Inc.*, 654 F.3d 989, 998 (9th Cir. 2011) (“We conclude that presuming
11 irreparable harm . . . is inconsistent with, and disapproved by, the Supreme Court’s opinions in
12 *eBay* and *Winter*.”); *Herb Reed Enters., LLC v. Fla. Entm’t Mgmt., Inc.*, 736 F.3d 1239, 1250
13 (9th Cir. 2013) (recognizing that courts cannot presume irreparable harm in trademark
14 infringement actions and reversing a district court’s injunction because the “court’s analysis of
15 irreparable harm [was] cursory and conclusory.”). The Court finds it can dispose of the present
16 motion by analyzing whether Plaintiff has shown there is a likelihood it will suffer irreparable
17 harm without this preliminary injunction.

18 **1. Likelihood of Irreparable Harm**

19 Plaintiff asserts it will be irreparably harmed if the Court does not enjoin Defendant
20 from seeking reexamination or *inter partes* review at the United States Patent Office for two
21 reasons: (1) Plaintiff would be unable to raise assignor estoppel as a defense during *inter partes*
22 proceedings; and (2) Defendant may succeed in having one or more of the claims in the patents
23 cancelled. (Mot. Preliminary Injunction 10:19–26, ECF No. 48). For the following reasons, the
24 Court finds Plaintiff has not made an adequate showing of a likelihood of irreparable harm in
25 the absence of preliminary relief.

1 Plaintiff's first argument, that it will be irreparably harmed because it is unable to raise
2 assignor estoppel as a defense during *inter partes* review, is not sufficient to show a likelihood
3 of irreparable harm. Plaintiff must "demonstrate a likelihood of irreparable injury—not just a
4 possibility—in order to obtain preliminary relief." *Winter*, 555 U.S. at 21. This standard is not
5 met if multiple contingencies must occur before injuries would ripen into concrete harms. *See*
6 *Caribbean Marine Servs. Co., Inc. v. Baldrige*, 844 F.2d 668, 675 (9th Cir. 1988) (finding that,
7 where multiple contingencies must occur before an injury would become a concrete harm, the
8 injury was "too speculative to constitute an irreparable harm justifying injunctive relief.").
9 While Plaintiff asserts that Defendant has implied its intention to petition for *inter partes*
10 review at the United States Patent Office, (Repl. to Resp. to Mot. for Prelim. Inj. 10:6–9, ECF
11 No. 57), this inference is not an adequate showing of likelihood of irreparable harm. Multiple
12 contingencies must occur before Defendant's petition would injure Plaintiff. Specifically, the
13 United States Patent Office would have to institute the proceedings and reach a finding of
14 invalidity before Plaintiff would actually suffer injuries from Defendant's petition. Since, at
15 this time, the Court cannot predict whether the Patent Office will decide to institute *inter partes*
16 review, the circumstances Plaintiff offers show a possibility of injury, but are too contingent to
17 satisfy the likelihood of irreparable harm standard.

18 Plaintiff's second argument, that it will be irreparably harmed because Defendant may
19 succeed in having one or more of the claims in the patents cancelled, is also not sufficient to
20 show irreparable harm. This is again a situation where there are multiple contingencies that
21 must occur before Plaintiff would suffer any injury. As the Court has previously stated,
22 Plaintiff's conceivable injuries, dependent upon multiple contingencies, are insufficient to show
23 a likelihood of irreparable harm. Further, Plaintiff has not provided, and the Court has not
24 found, any precedent case enjoining a defendant from seeking *inter partes* review at this stage
25 in the proceedings. Because *inter partes* review is a statutorily permitted procedure, Defendant

1 would not infringe on any of Plaintiff's legal rights by pursuing such action. *See Sierra On-*
2 *Line, Inc. v. Phoenix Software, Inc.*, 739 F.2d 1415, 1422 (9th Cir. 1984) (finding a preliminary
3 injunction is "a . . . device for . . . preventing the irreparable loss of rights before judgment" and
4 judges must exercise their "discretion in such a way as to minimize the risk that a litigant will
5 suffer an irreparable loss of legal rights in the period before final resolution of the dispute"
6 when ruling on preliminary injunctions.). Accordingly, the Plaintiff's Motion for Preliminary
7 Injunction is denied.

8 **C. Plaintiff's Motion for Leave to File First Amended Complaint**

9 In its Motion for Leave to File First Amended Complaint, Plaintiff seeks to add seven
10 additional claims of patent infringement. (Mot. Leave to File First Am. Compl. 3:19– 21, ECF
11 No. 57). Defendant argues these additional infringement claims will substantially complicate
12 and unduly delay the present suit. (Response 1:1–3, ECF No. 64). However, Plaintiff's request
13 to add patent infringement counts to a case already asserting patent infringement does not
14 complicate the present suit. Moreover, the Court finds that Plaintiff's request at such an early
15 stage of the action does not result in an undue delay. Regardless, the Court will dismiss
16 Plaintiff's Motion on other grounds.

17 Plaintiff's proposed First Amended Complaint contains counts for declaratory judgment
18 of assignor estoppel. Because the Court has already dismissed these claims as improper, the
19 Plaintiff is barred from reasserting such claims in an amended complaint. Accordingly, the
20 Motion for Leave to File First Amended complaint is denied. However, Plaintiff may file a
21 revised First Amended Complaint, which excludes the counts for declaratory judgment of
22 assignor estoppel and includes the seven additional counts of patent infringement.

23 **IV. CONCLUSION**

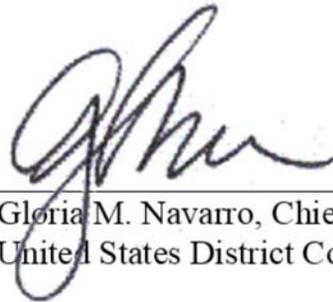
24 **IT IS HEREBY ORDERED** that Defendant's Motion to Dismiss (ECF No. 37) is
25 **GRANTED.**

1 **IT IS FURTHER ORDERED** that Plaintiff's Motion for Preliminary Injunction (ECF
2 No. 48) is **DENIED**.

3 **IT IS FURTHER ORDERED** that Plaintiff's Motion for Leave to File First Amended
4 Complaint (ECF No. 57) is **DENIED** with leave to file a revised Amended Complaint in
5 accordance with the Court's instruction.

6 **DATED** this 18th day of September, 2015.

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Gloria M. Navarro, Chief Judge
United States District Court