

No. 17-1658

United States Court of Appeals
for the Federal Circuit

EQUALIA, LLC; and HOVERBOARD TECHNOLOGIES
CORPORATION;
Plaintiffs-Appellees

v.

KUSHGO, LLC D/B/A HALO BOARD; HALO BOARD,
LLC; and ARTHUR ANDREAYSAN;
Defendants-Appellants

SHENHEN WINDGOO INTELLIGENT TECHNOLOGY
CO. LTD,
Defendant

Appeal From The United States District Court
District of Nevada
Case No. 2:16-cv-02851-RFB-CWH
Honorable Richard Boulware II

**EMERGENCY MOTION TO STAY OF PRELIMINARY INJUNCTION
PENDING APPEAL PURSUANT TO FED. CIR. RULE 8**

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TABLE OF CONTENTS

TABLE OF CONTENTSi

TABLE OF AUTHORITIESv

FACTS AND BACKGROUND1

I. FACTUAL BACKGROUND.....2

 A. Equalia and the D’252 Patent2

 B. Equalia and its Pitch-Propelled Vehicle.....3

II. PROCEDURAL BACKGROUND.....4

 A. Plaintiffs File the Underlying Lawsuit and Motion for TRO4

 B. Hearing on the Motion for TRO5

 C. The Preliminary Injunction.....8

ARGUMENT11

I. ISSUES CENTRAL TO THE APPEAL11

II. APPELLANTS ARE LIKELY TO SUCCEED ON THE MERITS.....13

III. THE DISTRICT COURT IMPROPERLY CONSTRUED CLAIM.....13

 A. Standard of Review of Claim Construction.....13

 B. General Principles of Design Patent Claim Construction13

IV.	THE DISTRICT COURT ERRED AS A MATTER OF LAW BECAUSE IT FAILED TO EXCLUDE THE EXPERT TESTIMONY OF ROBERT BIGLER.....	18
V.	THE DISTRICT COURT’S CONCLUSION THAT APPELLANTS FAILED TO RAISE SUBSTANTIAL QUESTIONS AS TO VALIDITY IS CLEARLY ERRONEOUS	25
	A. Plaintiffs Admitted Beginning Design Work and Disseminating the Design Years Before the D’252 Patent Was Filed, Yet the District Court Did Not Consider Invalidity or Prosecutorial Laches	25
VI.	THE INJUNCTION IS OVERBROAD AND THE DISTRICT COURT EXCEEDED ITS AUTHORITY UNDER 35 U.S.C. § 271(e)(3).....	27
VII.	IMPORTATION OF THE COMMERCIAL EMBODIMENT OF THE RECITED DESIGN	28
	A. The District Court Erred by Importing the Commercial Embodiment into Construction of the Claim of the D’252 Patent.....	28
VIII.	OTHER CONSIDERATIONS FAVOR STAYING THE PRELIMINARY INJUNCTION.....	30
	A. Appellants Have Suffered and Will Continue to Suffer Irreparable Harm As a Result of the Injunction	30
	B. Appellees Will Suffer No Injury if the Preliminary Injunction is Stayed.....	31
	C. Equitable Consideration Weight in Favor of a Stay	31
	D. The Public Interest Supports Entry of the Stay	32
	CONCLUSION.....	32
	STATEMENT OF OPPOSITION	33
	CERTIFICATE OF INTEREST	34

CERTIFICATE/PROOF OF SERVICE35
SUPPORTING AFFIDAVIT OF COUNSELAdd. A

TABLE OF AUTHORITIES

Cases

<i>Allergan Sales Inc. v. Pharmacia & Upjohn Inc.,</i> 1997 WL 377983 (Fed. Cir. 1997)	11, 32
<i>Amazon.com Inc. v. Barnesandnoble.com, Inc.,</i> 239 F.3d 1434 (Fed. Cir. 2001)	13
<i>Apple Inc. v. Motorola, Inc.,</i> 757 F3d 1286 (Fed. Cir. 2014).....	22
<i>Apple Inc. v. Samsung Electronics Co., Ltd.,</i> 2012 WL 2571332 (Fed. Circuit 2012).....	23
<i>Berry Sterling Corp. v. Pescor Plastics,</i> 122 F.3d 1452 (Fed. Cir. 1997)	passim
<i>Daubert v. Merrell Dow Pharms. Inc.,</i> 509 U.S. 579 (1993)	passim
<i>Dobson v. Dornan,</i> 118 U.S. 10, 6 S.Ct. 946, 30 L.Ed 63 (1886).....	14
<i>Douglas Dynamics, LLC v. Buyers Products Co.,</i> 717 F.3d 1336 (Fed. Cir. 2013)	31
<i>Egyptian Goddess, Inc. v. Swisa, Inc.,</i> 543 F.3d 665 (Fed. Cir. 2008)	passim

<i>E.I. DuPont de Nemours & Co. v. Petroleum Co.</i>	
835 F.2d 277 (Fed. Cir. 1987)	11, 32
<i>Elvis Presley Ents., Inc. v. Capece,</i>	
141 F.3d 188 (5 th Cir. 1998).....	21
<i>EZ Gard Indus., Inc. v. XO Athletic Co.,</i>	
2008 WL 18274490.....	31
<i>Flex-Rest, LLC v. Steelcase, Inc.,</i>	
455 F.3d 1351 (Fed. Cir. 2006).....	21
<i>Hendler v. United States,</i>	
175 F.3d 1374 (Fed. Cir. 1999)	21
<i>High Point Design LLC v. Buyers Direct, Inc.,</i>	
730 F.3d 1301 (Fed. Cir. 2013)	21
<i>L.A. Gear, Inc. v. Thom McAn Shoe Co.,</i>	
988 F.2d 1117 (Fed. Cir. 1993)	21, 30
<i>MicroStrategy Inc. v. Bus. Objects, S.A.,</i>	
429 F.3d 1344 (Fed. Cir. 2005).....	31
<i>Ollier v. Sweetwater Union High School Dist.,</i>	
768 F.3d 843 (9 th Cir. 2014)	23
<i>Pharmacia & Upjohn Co. v. Mylan Pharm., Inc.,</i>	
182 F.3d 1356 (Fed. Cir. 1999).....	14

<i>Pom Wonderful LLC v. Hubbard,</i>	
775 F.3d 1118 (9th Cir. 2014)	23
<i>Seiko Epson Corp. v. Nu-Kote Int’l, Inc.,</i>	
190 F.3d 1360 (Fed. Cir. 1999)	30
<i>Shire Dev. LLC v. Watson Pharm., Inc.,</i>	
2015 34832454 (Fed. Cir. 2015).....	14, 21
<i>Siemens Med. Solutions USA, Inc. v. Saint-Gobain Ceramics & Plastics, Inc.,</i>	
637 F.3d 1269 (Fed. Cir. 2011).....	22
<i>Sundance, Inc. v. DeMonte Fabricating Ltd.,</i>	
550 F.3d 1356 (Fed. Cir. 2008)	23
<i>Teva Pharm. USA, Inc. v. Sandoz, Inc.,</i>	
135 S. Ct 831 (2015)	14
<i>Thomas v. Newton Intern., Enters.,</i>	
42 F.3d 1266 (9th Cir. 1994)	23
<i>United States v. Finley,</i>	
301 F.3d 1000 (9 th Cir. 2002).....	22
<i>United States v. U.S. Gypsum Co.,</i>	
333 U.S. 364 (1948)	21
<i>Yoon Ja Kim b. ConAgra Foods, Inc.,</i>	
465 F.3d 1312 (Fed. Cir. 2006).....	11

Statutory Authorities

35 U.S.C. § 101 14
35 U.S.C. § 171 14
35 U.S.C. § 271.....passim
35 U.S.C. § 289.....13, 28

Rules and Regulations

MPEP § 1504.04..... 29
Fed. R. Evid.702 passim
Fed. Cir. Rule 81

Secondary Authorities

Barbara B. Crabb, *Judicially Compelled Disclosure
of Researchers' Data: A Judge's View*, LAW &
CONTEM IP PROBS. (1996) 24
Mark P. Denbeaux & D. Michael Risinger, *Kumho Tire
and Expert Reliability: How the Question You Ask Gives
the Answer You Get*, 34 SETON HALL L. REV. 15, 24 (2003).....24

Appellants Kushgo LLC (“Kushgo”), Arthur Andreaysan, and Halo Board LLC (“Halo Board”) move pursuant to Fed. Cir. Rule 8 for an emergency stay pending appeal of the January 20, 2017 preliminary injunction issued by the United States District Court for the District of Nevada and the underlying case now in jurisdictional discovery. Appellants moved the district court to stay on January 26, 2017. The district court held a hearing on Appellants’ motion on February 13, 2017 and denied the Motion to Stay on March 8, 2017.

Appellants respectfully request this Court’s immediate consideration of this emergency motion. Appellants will be shut out of the market and irreparably harmed if they are not able to immediately began resale of the accused product. Appellants face additional difficulty of bearing the ongoing costs of jurisdictional discovery before Appellants’ Rule 12(b)(6) Motion to Dismiss is ruled upon at the district court, and thus request the underlying litigation be stayed.

FACTUAL BACKGROUND

I. THE PARTIES

A. Equalia and the D’252 Patent.

Defendants-Appellants import and sell electronically-powered skateboards of various species, including the accused product. Plaintiffs-Appellees Equalia LLC (“Equalia”) and Hoverboard Technologies Corp (“Hoverboard”) own all rights, title, and interest in U.S. Patent No. D758’252 (the “D’252 Patent”), which is entitled “Pitch-Propelled Vehicle.” (Declaration of Steven Rinehart (“Rinehart Decl.”) attached hereto as **Addendum A** at Ex. A, ¶ 4.)

Robert Bigler was permitted over the objections of Defendants to give expert testimony in support of Plaintiffs’ motion for a preliminary injunction. (*Id.*, ¶ 5.) Mr. Bigler is himself the sole inventor of the D’252 Patent and owner of both Plaintiff corporations, Equalia and Hoverboard. (*Id.* at Ex. G-58:5-10, ¶ 11.)

The D’252 Patent includes five figures (having no broken lines excluding aspects of the claimed design). (*Id.* at Ex. E.) Nowhere does the D’252 Patent place limits on the size of the design of article of manufacture claimed, claim materials used for the article of manufacture, or incorporate any standards or other regulations into its claimed design. Rather, the D’252 Patent’s single claim is as

follows:

The ornamental design for a pitch-propelled vehicle, as shown and described.

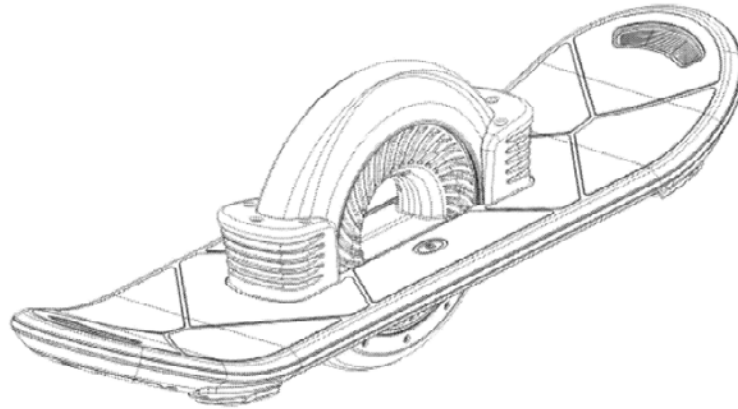


Fig. 1

The D’252 Patent issued on October 4, 2016, only nine weeks before the underlying district court action was filed. (*Id.*) As of the filing date of the district court action, Plaintiffs Equalia and Hoverboard have yet to offer any commercial embodiment of the D’252 Patent for sale, nor any other product.¹ (*Id.* at Ex. G-58:11-18.) The D’252 Patent has no priority claim and contains identical figures to those appearing in a nonasserted utility patent filed by Plaintiffs on October 21, 2013, U.S. 9,211,470 (the “‘470 Patent”). The ‘470 Patent published on April 23, 2015, approximately ten months before the D’252 Patent was filed. (*Id.* at Ex. I, ¶ 13.)

¹ Appellants are informed Appellees may now be taking preorders on the commercial embodiment of the recited design.

B. Equalia and its Pitch-Propelled Vehicle.

As of the commencement of the district court case, Plaintiffs-Appellees Equalia and Hoverboard had not offered any products for sale including any commercial embodiment of the recited design. (*Id.* at Ex. G-58:5-10.) Equalia has developed and constructed a prototype of the product allegedly recited in the D’252 Patent and claims Plaintiffs-Appellees intend to begin sale and shipment of this commercial embodiment in the near future. (*Id.*)

Prior to serving the district court action upon Appellants-Defendants, neither Equalia and Hoverboard ever contacted Appellants-Defendants, nor did Equalia and Hoverboard ever take any affirmative steps to notify Appellants-Defendants of the alleged infringement or demand sale of the accused product cease. (*Id.*, ¶ 4.) Appellants-Defendants had no knowledge of Equalia, Hoverboard, or the D’252 Patent prior to commencement of the case. (*Id.*)

II. PROCEDURAL BACKGROUND

A. Plaintiffs File the Underlying Lawsuit and Motion for a TRO.

On December 9, 2016, Equalia and Hoverboard filed the underlying lawsuit against Kushgo, Mr. Andreaysan, and Halo Board. (Rinehart Decl. at Ex. C.) Equalia and Hoverboard made two claims against all Appellants-Defendants in the Complaint: (1) for infringement under 35 U.S.C. § 271, and (2) for unfair and deceptive trade practices under 15 U.S.C. § 45. Plaintiffs

made no motion for a temporary restraining order (TRO) at filing (a request for a preliminary injunction was included only in the prayer). Plaintiffs included Kushgo's owner Arthur Andreaysan as a Defendant without any arguments related to piercing of the corporate veil, contributory infringement or induced infringement.

On December 28, 2016, Equalia and Hoverboard moved the district court for a TRO nearly three weeks after filing the operative Complaint. (*Id.* at Ex. J.) Within twenty-four hours, counsel for Defendants appeared and filed an opposition to Plaintiffs' Motion for a TRO. The district court set the first TRO hearing for the next day on Friday, December 30, 2016, and ordered that physical copies of both the accused product and the Plaintiffs' prototype be introduced in the first TRO hearing for comparison. (*Id.* at Exs. K and F-4:1-11, ¶ 15.)

B. Hearings on the Motion for TRO.

On Friday, December 30, 2017, the parties appeared for the scheduled TRO hearing before the district court in Las Vegas and spent the day making their respective arguments. Equalia and Hoverboard were concerned they would be irreparably harmed by Appellants'-Defendants' intended appearance at the Consumer Electronics' Show (CES) in Las Vegas beginning January 5, 2017, a large international tradeshow.

The district court scheduled a second TRO hearing for the next business day, January 3, 2017 (which followed a three day holiday weekend). The district court mandated the parties designate expert witnesses before the second TRO hearing to offer testimony about functionality, novelty, infringement, ornamentality and obviousness. The district court ordered that the parties exchange expert witness *circulum vitae* prior to the second TRO hearing. (Rinehart Decl. at Ex. F-63:16-23.)

Prior to the second hearing, Equalia and Hoverboard notified Appellants-Defendants that Plaintiffs would be designating Robert Bigler as Plaintiffs' expert. (*Id.*, ¶¶ 5-6 and 21.) Mr. Bigler is the inventor of the patent-in-suit, and testified in the second TRO hearing that he is the owner (along with his wife) of both Plaintiff corporations, Equalia and Hoverboard. Appellants-Defendants moved orally to exclude the testimony of Mr. Bigler as biased, but this motion was denied in a hearing preceding the TRO. Later, in a written motion in limine submitted prior to the hearing on the preliminary injunction, Appellants-Defendants moved again to exclude the testimony of Mr. Bigler from consideration of the district court of the injunction necessitating this appeal, but had that motion denied as well. (*Id.* at Ex. A.)

Appellants-Defendants independent expert witness Brian Sanderson also testified, and Defendants asserted *inter alia* in support of noninfringement that

the two overriding ornamental aspects of the recited design were the “cosmetic spiral pattern” alongside the centrally-disposed wheel and the raised panels on the top surface of the recited design, neither of which are shared by the accused product.² (*Id.* at Ex. G-86:22 and 131:9-17.)

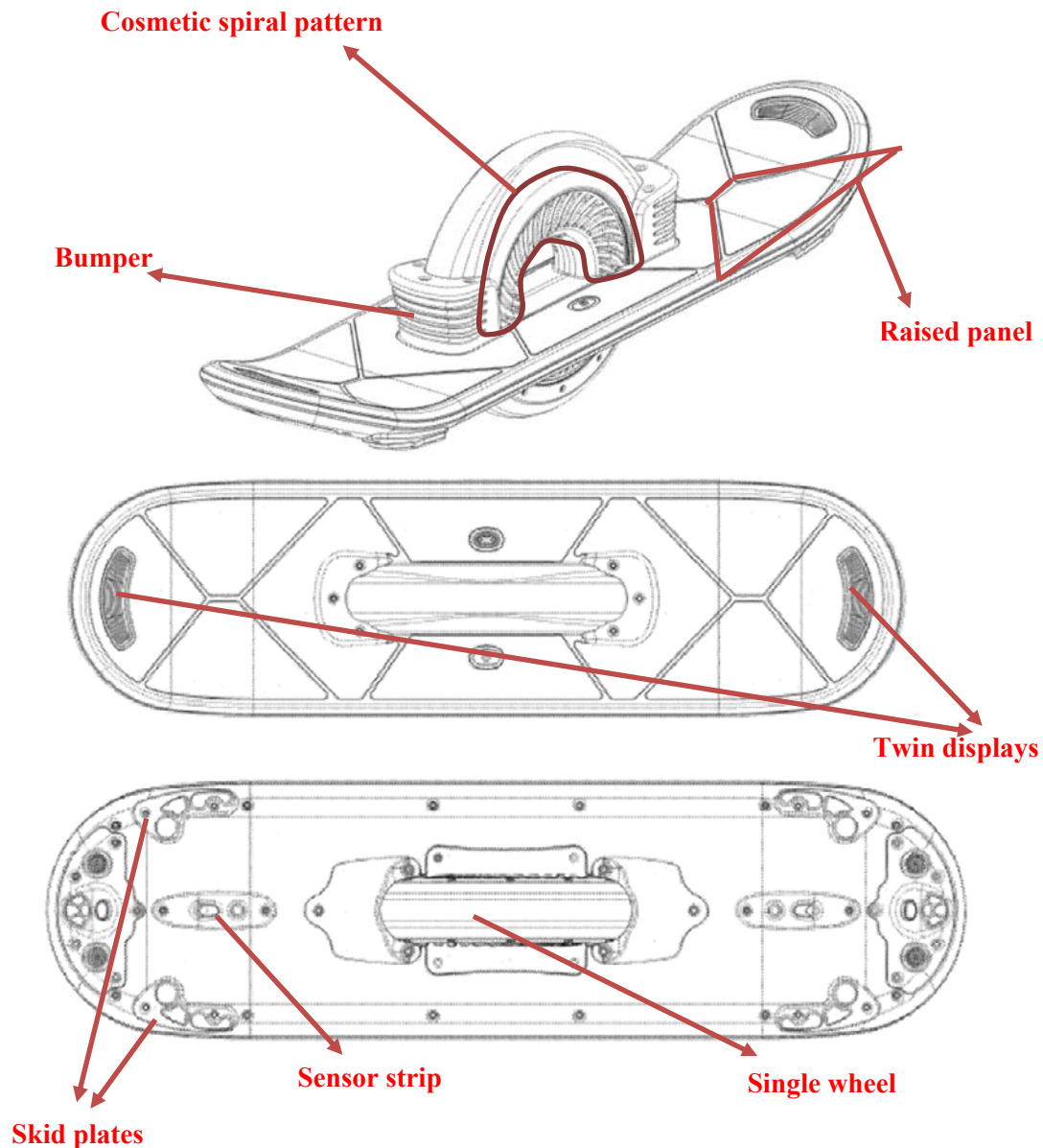


Fig. 5

² Appellants-Defendants also argued the bumpers recited in the claimed design were dictated by function and that to the extent there were ornamental, they were not included in the accused product.

Appellants-Defendants argued that the district court should factor out from the D'252 Patent elements dictated by function. (*Id.* at Ex. F-14:1.)

Under examination, Appellants'-Defendants' expert contended that the shape of the recited board was not novel and was functional, that other elements of the recited design were functional, and that the only purely ornamental features of the recited design were the spiral cosmetic pattern and the raised panels. Appellants-Defendants contended that because these two ornamental features were not shared by the accused product (as well as the bumpers), it was clear legal error to disregard them in the district court's assessment of a substantial likelihood Plaintiffs would prevail on the merits, and to exclude the cosmetic spiral pattern from the claim construction.

Equalia's and Hoverboard's expert Mr. Bigler, on the other hand, began by arguing that no element of the claimed device was dictated by function and that even if some were functional, the overall appearance of the recited design was similar to the accused product. Plaintiffs' expert, who was also the inventor of the D'252 Patent, additionally testified he had disseminated copies of the recited design to others in 2012 and began designing the product prior to 1993, despite the fact the D'252 Patent claims priority to no other USPTO filing and was not itself filed until 2016. Invalidity issues were raised in the hearing immediately preceding entry of the preliminary injunction, but disregarded by

the district court. (*Id.* at Exs. G-60:10-11 and H-102:5-7.)

The district court scheduled a third TRO hearing for the next business day, January 4, 2017. At the third TRO hearing, the district court issued a TRO enjoining Appellants-Defendants from exhibiting the accused product at CES and from nationwide sales, also requiring \$50,000 in security from Equalia and Hoverboard. This order made from the bench in the third TRO hearing on January 4, 2017 was memorialized in a written TRO of the district court entered on January 11, 2017. (*Id.* at Ex. D.) In the written TRO, the district expressly affirmed it had given great credit to, and relied greatly upon, the testimony of Plaintiffs' expert Mr. Bigler.³

C. The Preliminary Injunction.

In the third TRO hearing, the district court set a preliminary injunction hearing for January 13, 2017. On January 11, 2017, Appellants-Defendants moved under Rule 12(b)(6) to dismiss the district court action for lack of jurisdiction, arguing that all Plaintiffs and Defendants were California entities without substantial contacts with the forum, and arguing Mr. Andreaysan should be dismissed personally from the case for failure to state a claim against him (asserting protection under the corporate veil and other theories). (*Id.* at

³ “The Court finds no reason that Mr. Bigler was not qualified to testify as an expert in this case . . . The Court generally credits and accepts Mr. Bigler’s testimony.” (*Id.*)

Ex. N.)

On January 13, 2017, after the conclusion of CES, the district court received oral argument to determine whether to issue a preliminary injunction. Additional argument was made by all parties. Appellants-Defendants argued that any irreparable harm created by CES (now concluded) was remedied by the TRO and that injunctive relief was no longer necessary as CES was over. Appellants-Defendants argued that an analysis of Plaintiffs' likelihood of success on the merits was changed by the new likelihood there was not even jurisdiction in the district court action as asserted in Appellants'-Defendants' 12(b)(6) motion. In response, the district court ordered jurisdictional discovery *sua sponte*. (*Id.* at Ex. H-103:13-25.) The district court informed the parties it would take the preliminary injunction matter under advisement and issue a ruling at a later date.

On January 18, 2017, the TRO expired. On January 20, 2017, the district court issued a preliminary injunction which largely mirrored the rulings of the district court in the TRO, again relying on the testimony of Mr. Bigler. (*Id.* at Ex. D.)

In a scheduling conference on February 13, 2017, the district court extended the deadline to appeal the preliminary injunction to March 20, 2017. This order was memorialized in the minutes entered on February 21, 2017. (*Id.*

at Ex. O.) On February 19, 2017, within 30 days of entry of the preliminary injunction, Appellants-Defendants filed their Notice of Appeal. (*Id.* at Ex. P.)

ARGUMENT

“In considering whether to grant a stay pending appeal, the Court assesses a movant’s chances for success on appeal and weigh[s] the equities as they affect the parties and the public.” *E.I. DuPont de Nemours & Co. v. Petroleum Co.*, 835 F.2d 277, 278 (Fed. Cir. 1987). “To prevail, a movant must establish a strong likelihood of success on the merits or, failing that, nonetheless demonstrate a substantial case on the merits provided that the harm factors militate in its favor.” *Allergan Sales Inc. v. Pharmacia & Upjohn Inc.*, 1997 WL 377983, *1 (Fed. Cir. Feb 7, 1997).

I. ISSUES CENTRAL TO THE APPEAL.

Central to this Motion to Stay and the appeal itself are the following issues:

- (1) Whether the district court abused its discretion in admitting and crediting the expert testimony of Robert Bigler (the inventor of the D’252 Patent and owner of Equalia and Hoverboard), including his testimony regarding the issues of functionality, obviousness, and infringement;
- (2) Whether the district court erred as a matter of law by disregarding the noninfringement contentions of Defendants and finding there was a substantial likelihood of success despite the absence in the accused

- product of the majority of the ornamental features in the recited design;
- (3) Whether the district court's erred as a matter of law in requiring the commercial embodiment of Plaintiffs' prototype be admitted into evidence to help the district court understand the recited invention.⁴ In construing the claim and determining whether any element of the claimed design is purely functional, the district court's analysis cannot involve or otherwise depend upon a commercial embodiment of the claimed design or incorporate outside standards or requirements applicable to that commercial embodiment;
- (4) Whether the district court erred as a matter of law in concluding that Plaintiffs established a reasonable likelihood of success on the merits;
- (5) Whether the district court erred in finding irreparable harm absent an injunction;
- (6) Whether the district court erred as a matter of law in disregarding the invalidity contentions of Kushgo in finding there was a substantial likelihood of success on the merits;
- (7) Whether the issued preliminary injunction is overbroad and whether the district court exceeded its authority under 35 U.S.C. 271(e)(3) and 289

⁴ A district court may not import limitations or requirements into the claim from external sources such as the commercial embodiment of the claimed design or standards relating to that commercial embodiment. *See Berry Sterling Corp. v. Pescor Plastics*, 122 F.3d 1452, 1453 (Fed. Cir. 1997).

in granting a preliminary injunction *inter alia* banning “online sales” and “display” and “marketing” of the product without limiting the scope of the injunction to the United States; and

(8) Whether, based on the foregoing errors, the district court erred in granting Plaintiffs’ motion for a preliminary injunction.

II. APPELLANTS ARE LIKELY TO SUCCEED ON THE MERITS OF THEIR APPEAL.

To succeed on the merits of this appeal, Appellants must only show that the district court clearly erred in its finding that Appellants failed to raise a substantial question concerning either infringement or validity of the D’252 Patent, or that the district court erred in finding that Appellants’ other defenses lack merit.

Amazon.com Inc. v. Barnesandnoble.com, Inc., 239 F.3d 1343, 1350-51 (Fed. Cir. 2001). A court abuses its discretion in granting a preliminary injunction if it makes “a clear error of judgment in weighing the relevant factors or exercised its discretion based on an error of law or clearly erroneous fact finding.” *Qingdao Taifa Grp. Co., Ltd. v. United States*, 581 F.3d 1375, 1379 (Fed. Cir. 2009) (internal citation and quotation marks omitted).

III. THIS DISTRICT COURT IMPROPERLY CONSTRUED THE CLAIM.

A. Standard of Review for Claim Construction.

This Court reviews the district court’s claim construction *de novo*. *Shire Dev. LLC v. Watson Pharm., Inc.*, No. 2013-1409, 2015 WL 3483245, at *4 (Fed. Cir. 2015) (citing *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 839, 841- 42 (2015)). Whether the district court applied the proper legal standard when construing a claim is also reviewed *de novo*. *Pharmacia & Upjohn Co. v. Mylan Pharm., Inc.*, 182 F.3d 1356, 1358-59 (Fed. Cir. 1999).

B. General Principles of Design Patent Claim Construction.

Because design patents do not include a detailed written description or claims made up of words, a design patent is “typically claimed as shown in the drawings.” *See Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 679 (Fed. Cir. 2008) (en banc). While a utility patent protects how an article is used and works (35 U.S.C. § 101), a design patent protects the way an article looks (35 U.S.C. § 171). As such, a design patent “is better represented by an illustration than it could be by any description.” *Egyptian Goddess*, 543 F.3d at 679, citing *Dobson v. Dornan*, 118 U.S. 10, 14, 6 S.Ct. 946, 30 L.Ed 63 (1886).

The preliminary injunction entered by the district court does not contain a proper claim construction. The district court’s claim construction finds there are nine “distinct features” of the claimed design,⁵ but contains no meaningful

⁵ Including (1) the shape of the board, (2) the slender single wheel, (3) a dome over the wheel, (4) a strip along the perimeter, (5) a thick edge, (6) speakers, (7) triangular skid pads, (8) dark, crescent-shaped displays on the front and back of the board, and (9) ten

analysis of which elements of the accused product infringe or how the totality of the claimed design is likely infringed. (Rinehart Decl. at Ex. D.) The district court devotes the bulk of its analysis in the preliminary injunction to analyzing the weight it gave the parties' respective expert witnesses, its consideration of whether Defendants' pending 12(b)(6) motion was likely to be successful (with respect to Kushgo but without respect to Andreaysan personally), and the nine features of the recited design which the district court found were not dictated by function. The district court then found in favor of Plaintiffs in an analysis of irreparable harm, balancing the equities, and public interest, then issued the preliminary injunction.

The Court did not properly consider Defendants' noninfringement contentions in the preliminary injunction made throughout the four hearings preceding entry of the injunction. Defendants asserted that the accused product was missing most of the ornamental aspects of the recited design as shown in photographs of the accused product below.



diamond-shaped panels dividing the top surface of the board.



The accused product shown above does not share four of the nine aspects of the claimed design enumerated in the preliminary injunction claim construction.⁶ Additionally, noticeably absent from the “distinct features” listed in the district court’s claim construction is the dominant ornamental element, the “cosmetic spiral pattern,” not incorporated into the accused product, which Plaintiffs’ principal and expert witness Mr. Bigler himself testified was ornamental in his expert testimony:

Q [To Mr. Bigler]. Okay. And so I guess we can call it that going forward, cosmetic spiral pattern. You also went onto say in your exact words: It doesn't serve any purpose. Is that right?

⁶ The accused product is missing the slender single wheel, triangular skid pads, dark, crescent-shaped displays on the front and back of the board, and ten diamond-shaped panels dividing the top surface of the board.

A [of Mr. Bigler]. It arguably has more surface area and so it dissipates heat, but it's not – we don't need to dissipate heat in that form. We dissipate way more heat by conduction, and in fact it's since been almost eliminated, shallowed out to just –

Q. But I'm asking a yes-or-no question.

THE COURT: Let him finish.

THE WITNESS: It's since been shallowed out to just a hint of the spiral to leave more room inside for motor.

Q. Okay. Well, and this pattern continues around the underside of the board and is shown in the design patent?

A. That is correct.

Q. Is this cosmetic spiral pattern, as you call it, shared by the accused instrumentality, the defendant's board?

A. It – not the one that sits here, but the ones advertised on the web.

Q. Okay. But by this board, there is no shared cosmetic spiral pattern?

A. That's correct.

Q. Okay. So that's two features of the board that are not shared that you have said are ornamental.

(Rinehart Decl. at Ex. G-72:14 – 73: 12.)⁷

Appellants submit an ordinary designer/observer of the recited design

⁷ The district court never attempted to differentiate in its orders the product “advertised on the web” referenced by Mr. Bigler (which Appellants had never attempted to sell) from Appellants’ actual product for sale submitted to the Court.

could not reasonably conclude the cosmetic spiral pattern depicted was inconsequential and should be excluded from the design elements. It was clear error for the district court to omit it from the claim construction and its analysis of infringement. Plaintiffs' expert, inventor and principal went on to admit the sensor pad was ornamental, was a limitation of the design patent, and was not shared by the accused product:

Q [of Mr. Rinehart to Mr. Bigler]. And you went on to say that this could take any form, the sensor pad. Those were your exact words, "could take any form"?

A [of Mr. Bigler]. Yes.

Q. Well – so then the form that it's currently in would be ornamental, and that's what you've said, I believe?

A. I tried to make it as esthetic as possible, yeah.

Q. Does the defendant's board, which we'd like to introduce also under the same grounds as the plaintiff's board, does it share that sensor pad?

A. No, it doesn't have a feature like that.

Q. So is it safe to say that a limitation of the design patent, as you've said, this particular one is not shared by the defendant's board?

A. No, this particular one. That is correct.

(Id. at Ex. G-66:3-16.)

Thus, the accused product is missing at least six of eleven ornamental elements of the recited design. Defendants-Appellants submit that the district

court committed reversible error in disregarding these six elements in assessing infringement.

The preliminary injunction provides that, “The Court incorporates by reference its statements and findings on the record at this hearing [January 3, 2017] (and previous hearings).” (*Id.* at Ex. D.) The district court’s previous statements and findings in the TRO include a finding that, “the Court generally credits and accepts Mr. Bigler’s testimony.”

IV. THE DISTRICT COURT ERRED AS A MATTER OF LAW BECAUSE IT FAILED TO EXCLUDE THE EXPERT TESTIMONY OF ROBERT BIGLER.

The preliminary injunction notes that “Mr. Bigler testified that he is the owner and CEO of Plaintiff Equalia LLC, and that he designed the design patent.” (*Id.*) The district court’s construction and determination of likelihood of success was premised solely on the testimony and opinions of Robert Bigler, Plaintiffs’ proffered expert on the issue of functionality and inventor of the D’252 Patent.⁸ As previously mentioned, the district court noted in its preliminary injunction and TRO that it relied extensively on the testimony of Mr. Bigler.

The obvious problem with Mr. Bigler’s designation and testimony as an

⁸ Mr. Bigler was the only witness, lay or expert, who testified for Plaintiffs before entry of the preliminary injunction.

expert in the case is that he is the owner of both Plaintiff corporations and the inventor of the D'252 Patent. Mr. Bigler was biased in the extreme.

Additionally, Mr. Bigler's compensation as an expert witness was his contingent outcome in the case as the owner of the Plaintiff corporations, making him an interested witness.

For only purposes of background, Appellees' counsel Stephen Erigero noted to Defendants' counsel at the original TRO hearing on December 30, 2016 (in which the district court ordered expert testimony the next business day) that he knew Defendants would object to Mr. Bigler's testimony as biased, but that Plaintiffs did not have time to find anyone else. (Rinehart Decl., ¶ 21.) The three-day New Year's holiday weekend followed the December 30, 2016 TRO hearing. The parties were given less than one business day over this weekend to find experts because Plaintiffs were demanding a TRO before CES started on January 5, 2017. This is troubling given the fact Plaintiffs waited until December 9, 2016 to file their Complaint, then waited until December 28, 2016 to file their motion for a TRO, then claimed they had to have the TRO within days. These delays belie Plaintiffs' claim of immediate irreparable harm. These dates show Plaintiffs used the fiction of an emergency which Plaintiffs themselves had fabricated through delay to argue that emergency necessitated use of their biased expert. Mr. Bigler's testimony was then used to deny any of

the elements of Plaintiffs' ornamentally-challenged skateboard were functional.⁹

The district court's determination that Mr. Bigler was not sufficiently biased to exclude his testimony was erroneous and an abuse of discretion. Although subsidiary factual determinations upon which a claim construction relies are generally reviewed for clear error,¹⁰ this Court does not, apply the clear error standard or otherwise defer to the district court merely because the "district court hears or receives extrinsic evidence." *Shire Dev. LLC v. Watson Pharm., Inc.*, 2015 WL 348325, at *8. "Under the clear error standard of review, a finding is clearly erroneous, even though there is some supporting evidence in the record, when the reviewing court, based on the entire record, 'is left with definite and firm conviction that a mistake has been committed.'" *Hendler v. United States*, 175 F.3d 1374, 1378 (Fed. Cir. 1999) (citing *United States v. U.S. Gypsum Co.*, 333 U.S. 364, 395 (1948)); accord *Flex-Rest, LLC v. Steelcase, Inc.*, 455 F.3d 1351, 1357 (Fed. Cir. 2006).

When a district court relies on legally irrelevant evidence such as the testimony of Mr. Bigler, and those errors "permeate" the district court's factual

⁹ "Functionality" is an affirmative defense to a claim of infringement. See *L.A. Gear, Inc.*, 988 F.2d at 1123. To succeed in proving that a patented design is invalid, the alleged infringer must prove by clear and convincing evidence that the design at issue, as a whole, is "primarily functional," rather than "primarily ornamental." *High Point Design LLC v. Buyers Direct, Inc.*, 730 F.3d 1301, 1315 (Fed. Cir. 2013).

¹⁰ *Shire Dev. LLC v. Watson Pharm., Inc.*, 2015 WL 348325, at *8.

finding, an appellate court may review the issue *de novo* based on the entirety of the record. *See Elvis Presley Ents., Inc. v. Capece*, 141 F.3d 188, 200 (5th Cir. 1998) (reviewing *de novo* a district court’s factual finding regarding).

As the owner of the Plaintiff corporations and inventor, Mr. Bigler was an inexcusably biased expert witness whose testimony should have been excluded. By accepting Mr. Bigler’s opinions on issues related to functionality, infringement, and obviousness, over the objections of Defendants under Fed. R. Evid. 702 (and otherwise), the district court violated the Circuit’s rulings by allowing expert bias. *See United States v. Finley*, 301 F.3d 1000, 1007 (9th Cir. 2002) (“A court abuses its discretion when it bases its decision on an erroneous view of the law or a clearly erroneous view of the facts.”)

This Court applies the law of regional circuit in which the case was decided when reviewing district court’s decision to exclude expert testimony. *See Apple Inc. v. Motorola, Inc.*, 757 F3d 1286, 1315 (Fed. Cir. 2014) (“*Motorola*”) (applying the law of the regional circuit both to the questions of admissibility and the standard of review); *Siemens Med. Solutions USA, Inc. v. Saint-Gobain Ceramics & Plastics, Inc.*, 637 F.3d 1269, 1284 (Fed. Cir. 2011) (“We review a district court’s decision to exclude evidence under the law of the regional circuit”). Ninth Circuit law therefore governs review of the district court’s decision not to strike and exclude the testimony of Mr. Bigler.

Even if this Court reviews the district court’s decision to exclude expert testimony for an abuse of discretion,¹¹ Bigler did not meet the threshold established by Fed. R. Evid. 702 as explained in *Daubert* and Ninth Circuit authority. *See Daubert v. Merrell Dow Pharms., Inc.*, 509 U.S. 579, 591 (1993). Given his interest in the outcome, Bigler was not qualified to opine on issues of functionality for purposes of claim construction, or on issues of obviousness, infringement or any other expert matter. *See generally Thomas v. Newton Intern., Enters.*, 42 F.3d at 1266, 1269 (“Rule 702 is . . . intended to embrace more than a narrow definition of qualified expert”); *Pom Wonderful LLC v. Hubbard*, 775 F.3d 1118, 1123 (9th Cir. 2014).

In *Sundance*, this Court held that a district court abused its discretion when it permitted a patent attorney to testify as an “expert” on the issues of non-infringement and invalidity of a utility patent. *Sundance, Inc.*, 550 F.3d at 1358, 1361-62. This Court reasoned the purported expert was unqualified to testify on technical matters because he had “no experience whatsoever ‘in the field of tarps or covers.’” *Id.* at 1358. The *Sundance* standards apply in design patent infringement cases. *Apple Inc. v. Samsung Electronics Co., Ltd.*, 2012 WL 2571332, at * 2 (Fed. Circuit 2012) (citing *Sundance* and rejecting motion to exclude design patent expert opining on obviousness).

¹¹ *See Ollier v. Sweetwater Union High School Dist.*, 768 F.3d 843, 859 (9th Cir. 2014).

Not only an expert's education and background need only be sufficiently related to the subject matter at issue to allow him or her to testify, but also their bias. Rule 702 and the *Daubert* trilogy attempt to alleviate the problem of adversarial bias by allowing attorneys the opportunity to challenge the other side's proffered expert testimony as unreliable. Rule 702 tries to mitigate the consequences of adversarial bias and conflicts of interest by requiring district courts to exclude unreliable testimony. Expert testimony is admissible only when "(1) the testimony is based upon sufficient facts or data, (2) the testimony is the product of reliable principles and methods, and (3) the witness has applied the principles and methods reliably to the facts of the case." Fed. R. Evid. 702. The reliability of expert witness testimony is of universal concern to jurists.¹² One of the implicit rationales for the evidence rules on expert testimony is that such testimony is vulnerable to adversarial bias. The Supreme Court in *Daubert* "did not suggest that methods would be the sole means of challenging" expert opinion. Barbara B. Crabb, *Judicially Compelled Disclosure of Researchers' Data: A Judge's View*, LAW & CONTEMP PROBS., Summer 1996, at 9, 14. The Supreme Court in *Daubert* addressed not only the

¹² Mark P. Denbeaux & D. Michael Risinger, *Kumho Tire and Expert Reliability: How the Question You Ask Gives the Answer You Get*, 34 SETON HALL L. REV. 15, 24 (2003) ("The commonsense fear is that factfinders will defer to the unreliable expert and treat the unreliable expert's testimony as reliable.")

Rule 702 requirement that a scientific expert witness testify to “scientific knowledge” but also the requirement that the testimony “assist the trier of fact.” *See Daubert*, 509 U.S. at 591. This latter requirement, the Court said, “goes primarily to relevance,” i.e., to whether the proffered scientific evidence “properly can be applied to the facts in issue.” *Id.* at 591, 593. Trial courts are properly concerned with not just relevance, but whether proffered testimony, even if formally scientific, is sufficiently objective to be heard.

Because the district court did not exclude the interested expert testimony of Mr. Bigler, the same constituted an abuse of discretion and/or clear error.

V. THE DISTRICT COURT’S CONCLUSION THAT APPELLANTS FAILED TO RAISE SUBSTANTIAL QUESTIONS AS TO VALIDITY IS CLEARLY ERRONEOUS.

A. Plaintiffs Admitted Beginning Design Work and Disseminating the Design Years Before the D’252 Patent Was Filed, Yet the District Court Did Not Consider Invalidity or Prosecutorial Laches.

The D’252 Patent has no priority claim and contains identical figures to those appearing in the nonasserted concomitant ‘470 utility patent filed by Plaintiffs on October 21, 2013. (*Cf.* Rinehart Decl. at Exs. E and I.) The ‘470 Patent published on April 23, 2015, approximately ten months before the D’252 Patent was filed. Plaintiffs’ expert, owner, inventor and principal Mr. Bigler testified that he started development of the recited design in the “early

‘90s” and began memorializing the recited design in writing in 1993. He further testified he began circulating the design in 2012:

Q [to Mr. Bigler]. Now, when did you start designing the product?

A. It's hard to say what – you know, I started imagining the product in different forms as early as the – as the very early '90s.

Q. In the very early '90s. When did you put something down in writing?

A. Oh. The – that would be around '93.

Q. And when did you share it with your friends? You mentioned you circulated it to your friends.

A. You know, I forget without that exhibit. I've been relying on the exhibit that shows that first rendering and has –

Q. So you're not relying on your personal knowledge; you're relying on an exhibit?

A. No, I verified the exhibit before.

Q. Okay. So what is your personal knowledge about when you first circulated the –

A. Long prior to, you know, my applying for the patent.

Q. Like prior to 2010, perhaps? Prior to 2000?

A. No. No. After 2010.

Q. But long before you applied for the patent?

A. Yes.

Q. Like how long before?

A. You know, maybe 2012.

Q. 2012. Is that an approximation? Could it have been maybe 2015?

A. No, it wouldn't be 2015. My patent predates 2015.

(*Id.* at Ex H-47:14 – 48:14.)

Despite this admission, there was no consideration by the district court of potential invalidity stemming from prosecutorial laches with respect to the D'252 Patent or related invalidity issues stemming from the disclosure of the design in 2012. Defendants asked the court to consider these issues in the preliminary injunction hearing.¹³ Had the district court properly considered these invalidity issues as they relate to likelihood of success on the merits, the district court would have concluded there was not a likelihood of success on the merits and that Plaintiffs' D'252 Patent (and utility patent) were likely invalid.

Appellants believe this Court should ultimately reverse the district court's finding that there was a substantial likelihood of success on the merits. The district court ignored obvious invalidity and noninfringement issues. As a result,

¹³ “We’d just point out, Your Honor, . . .that plaintiff testified he began development of the product in 1993, disclosed it publicly in 2012. The patent wasn't filed until 2016. And that itself may serve as a basis for an invalidity motion with respect to the patent.” (Rinehart Decl. at Ex. H-102:11-16.)

the instant motion should be granted.

VI. THE INJUNCTION IS OVERBROAD AND THE DISTRICT COURT EXCEEDED ITS AUTHORITY UNDER 35 U.S.C. § 271(e)(3).

The issued preliminary injunction is overbroad and the district court exceeded its authority under 35 U.S.C. § 271(e)(3) and 289 in granting a preliminary injunction which *inter alia* bans all “online sales” and “display [and] marketing” of the product arguably without limiting the injunction in scope to the United States. This is broader than permitted by the applicable code which allows the district court to prohibit sale “within the United States.”

VII. IMPORTATION OF THE COMMERCIAL EMBODIMENT OF THE RECITED DESIGN.

A. The District Court Erred By Importing the Commercial Embodiment into its Construction of the Claim of the D’252 Patent.

After ordering the commercial embodiment of the recited design be produced, the district court referred to the commercial embodiment extensively during the hearings leading up to the preliminary injunction.:

THE COURT: So just for the record, before we started here, I had the parties bring up actual physical examples or the actual products at issue, and the Court has them here in court side-by-side. We've taken pictures of the boards here in court. Those pictures will be admitted as court exhibits and will become part of the record. Since one of the tests that's relevant here is the test involving -- for the ordinary observer, obviously I wanted to have the products here and have the opportunity to be able to observe the products side-by-side

before we started, which the Court has done.

(Rinehart Decl. at Ex. F-4:1-11.)

To large extent, the court imported limitations from the commercial embodiment of D'252 Patent into the scope of the D'252 Patent, allowing those limitations to dictate its inquiry regarding the alleged “functionality” of the challenged elements. As previously mentioned, the district court ordered the commercial embodiment be produced when scheduling the initial TRO hearing and it was used throughout the hearings prior to entry of the preliminary injunction. For this reason alone, the district court’s claim construction is legally erroneous and entry of the preliminary injunction must be reversed. This legal error renders the district court’s claim construction and preliminary injunction fatally flawed.

Although the district court stated that it was not relying on the commercial embodiment during claim construction and in its orders, the district court referred extensively to Plaintiffs’ commercial embodiment of the D'252 Patent throughout the four hearings preceding the preliminary injunction. Importing such limitations is impermissible and directly contrary to established law. *Berry Sterling*, 122 F.3d at 1452; MPEP § 1504.04, subsection I.A.

A district court’s inquiry regarding “purely functional” elements for purposes of claim construction cannot involve or otherwise depend on a

commercial embodiment of the claimed design. *Id.* Nor may a district court incorporate outside standards or manufacturing requirements relevant to a commercial embodiment into the claim scope. *Id.* The district court cannot look to external sources such as “commercial embodiments” or “standards” satisfied by a commercial embodiment to import limitations or requirements into the claim’s scope for determining whether any element of the claimed design is “purely functional.” *Berry Sterling*, 122 F.3d at 1453.¹⁴

VIII. OTHER CONSIDERATIONS FAVOR STAYING THE PRELIMINARY INJUNCTION.

A. Appellants Have Suffered and Will Continue To Suffer Irreparable Harm As A Result of the Injunction.

Appellants discontinued all sales of the accused product in accordance with the terms of the TRO and preliminary injunction, and have suffered and continue to suffer irreparable harm as a result of the improperly issued preliminary injunction. Kushgo has products sitting in inventory which it must be able to sell and deliver. If Kushgo cannot finalize its sales now, it will be shut out of the market for the remainder of the case, causing not only significant financial losses,

¹⁴ District courts are obligated to determine whether any feature of the claimed design is ornamental or “purely functional.” *Egyptian Goddess*, 543 F.3d at 680. The test is whether the design or look of an element is “dictated by the functionality of the item.” *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1123 (Fed. Cir. 1993). To be governed “solely by function,” it must be shown that the claimed design is the only possible form (or look) of that article or its elements that could perform its function. *Seiko Epson Corp. v. Nu-Kote Int’l, Inc.*, 190 F.3d 1360, 1368 (Fed. Cir. 1999).

but also irreparably damaging Kushgo's reputation and goodwill with manufacturers, suppliers and customers. *See Douglas Dynamics, LLC v. Buyers Products Co.*, 717 F.3d 1336, 1344 (Fed. Cir. 2013) ("Irreparable injury encompasses different types of losses that are often difficult to quantify, including lost sales and erosion in reputation and brand distinction."); *EZ Gard Indus., Inc. v. XO Athletic Co.*, 2008 WL 1827490, at *4 (D. Minn. Apr. 23, 2008) *aff'd*, 302 F. App'x 920 (Fed. Cir. 2008) (citations omitted) (Lost sales cannot be remedied by dollar damages alone, as "[t]hey are likely to have an irreparable effect on plaintiff's pricing structure and market share.>").

Appellants' skateboard product is not likely to infringe the D'252 Patent regardless of the patent's validity because the accused product is missing so many of the limitations imputed to the recited claim and otherwise ornamental. *See, e.g., MicroStrategy Inc. v. Bus. Objects, S.A.*, 429 F.3d 1344, 1352-53 (Fed. Cir. 2005); *Yoon Ja Kim v. ConAgra Foods, Inc.*, 465 F.3d 1312, 1316, n.1 (Fed. Cir. 2006).

B. Appellees Will Suffer No Injury if the Preliminary Injunction Is Stayed.

By contrast, if the motion to stay is granted, Appellees will suffer no injury. As of entry of the preliminary injunction, Appellees are not currently marketing or selling the commercial embodiment of the recited design.

C. Equitable Considerations Weigh in Favor Of A Stay Pending Appeal.

Because Appellants have shown a substantial likelihood of success on appeal, the Court need not consider the balance of equities. *Allergan*, 1997 WL 377983, *1 (Fed. Cir. Feb 7, 1997). Even so, that factor weighs in favor of a stay. *Standard Havens*, 897 F.2d at 512-13; *DuPont*, 835 F.2d at 278.

D. The Public Interest Supports Entry of The Stay.

Finally, the public interest warrants the grant of a stay in that it favors supporting fair competition and preventing Appellees from using the preliminary injunction to interfere with Appellants' legitimate business operations. Appellees' patent is more likely than not invalid under prosecutorial laches, and the Court's preliminary injunction will not therefore further the inherent purpose of patent law in fostering innovation.

CONCLUSION

For the reasons stated above, Appellants respectfully request this Court stay the preliminary injunction entered by the district court and the district court litigation during the pendency of this appeal.

Respectfully submitted March 13, 2017,

/s/ 

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STATEMENT OF OPPOSITION

Pursuant to Fed. Cir. R. 27(a)(5), counsel for Appellants attempted to confer with counsel for Appellees between March 8 - 9, 2017. Although Appellees replied, they did not affirm whether they would or would not oppose the instant motion, but Appellants believe that Appellees object to this motion and intend to file a response.

/s/ steven rinehart
Steven Rinehart

CERTIFICATE OF INTEREST

Counsel for Defendants-Appellants certifies the following:

2. The full name of every party or amicus represented by us is:

Kushgo, LLC D/B/A Halo Board

Arthur Andreaysan

Halo Board, LLC

3. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by us is:

N/A

4. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus represented by us are:

N/A

5. The names of all law firms and the partners and associates that appeared for the party or amicus now represented by us in the trial court or agency or are expected to appear in this court are:

VESTED LAW LLP: Steven Rinehart

CERTIFICATE AND PROOF OF SERVICE

United States Court of Appeals
For the Federal Circuit
No. 17-1658

I, Steven Rinehart, hereby certify that on March 13, 2017, I caused this document to be electronically filed with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the CM/ECF system. Participants in the case who are registered CM/ECF users will be served by the CM/ECF system. I further certify that the document was scanned for viruses and is virus-free. I also emailed this document to Defendants' trial counsel, Lael Andara on March 13, 2017.

/s/ steven rinehart

United States Court of Appeals
for the Federal Circuit

EQUALIA, LLC; and HOVERBOARD TECHNOLOGIES
CORPORATION;

Plaintiffs-Appellees

v.

KUSHGO, LLC D/B/A HALO BOARD; HALO BOARD,
LLC; and ARTHUR ANDREAYSAN;

Defendants-Appellants

SHENHEN WINDGOO INTELLIGENT TECHNOLOGY
CO. LTD,

Defendant

Appeal From The United States District Court
District of Nevada
Case No. 2:16-cv-02851-RFB-CWH
Honorable Richard Boulware II

**DECLARATION OF STEVEN IN SUPPORT OF APPELLANTS'
EMERGENCY MOTION FOR STAY OF PRELIMINARY INJUNCTION
AND LITIGATION PENDING APPEAL PURSUANT TO FED. CIR. RULE 8**

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Counsel for Defendants-Appellants

Dated: March 13, 2017

I, Steven Rinehart, state as follows:

1. I submit this declaration in the above-captioned case in support of Appellants' Emergency Motion to Stay the Preliminary Injunction and underlying litigation pending appeal.
2. I am over the age of 18, competent to make this declaration, and make this declaration based on my own personal knowledge or upon information and belief; and, if called upon to testify, would testify competently as to the matters contained herein.
3. I am lead counsel for Appellants-Defendants Kushgo, LLC ("Kushgo") a limited liability company organized under the laws of the State of California, Arthur Andreaysan, and Halo Board LLC ("Halo Board") in this matter. Although Halo Board is named as a defendant, Halo Board is an unincorporated D/B/A of Kushgo.
4. Defendants-Appellants import and sell electronically-powered skateboards of various species, including the accused product depicted the memorandum supporting the instant motion. Prior to the filing of the district court action, Plaintiffs never gave any notice of the D'252 Patent to Defendants and Defendants were unaware of the existence of Plaintiffs.
5. Defendants previously objected on January 3, 2017 in oral argument to

- qualification of Plaintiffs' expert witness designee Robert Bigler for the purposes of a temporary restraining order (TRO) under Rules 402, 702, 703 and the *Daubert* trilogy. Defendants renewed their previous objections made with respect to the TRO and further objected under Fed. R. Evid. 104 and Fed. R. Civ. 26 in a Motion in Limine attached hereto as **Exhibit A** in *Equalia, LLC, et al. v. Kushgo, et al.*, No. 2:16-CV-2851-RFB-CWH (Nevada) (Dkt. No. 46.)
6. Mr. Bigler testified that he is the owner of the Plaintiff corporations and inventor of the D'252 Patent in testimony on January 3, 2017.
 7. Attached as **Exhibit C** is a copy of the Complaint filed in the underlying case, *Equalia, LLC, et al. v. Kushgo, et al.*, No. 2:16-CV-2851-RFB-CWH (Nevada) (Dkt. No. 1.)
 8. Attached as **Exhibit D** is a copy of the preliminary injunction in the underlying case. (Dkt. No. 50.)
 9. Attached as **Exhibit E** is a copy of U.S. D768,252 for a "Pitch-Propelled Vehicle" which underlies the Complaint in this case.
 10. Attached as **Exhibit F** is a true and correct transcript of the hearing held by the district court on December 30, 2017 in connection with Plaintiffs' Motion for a TRO. (Doc. No. 10.)
 11. Attached as **Exhibit G** is a true and correct transcript of the hearing held

- by the district court on January 3, 2017 in connection with Plaintiffs' Motion for a TRO involving examination of Mr. Bigler.
12. Attached as **Exhibit H** is a true and correct transcript of the hearing held by the district court on January 13, 2017 in connection with Plaintiffs' Motion for Preliminary Injunction. (Doc. No. 42.)
13. Attached as **Exhibit I** is a copy of U.S. 9,211,470 for a "Pitch-Propelled Vehicle," which is a concomitant utility patent of Plaintiffs containing identical figures.
14. Attached as **Exhibit J** is the Motion for a TRO filed by Plaintiffs in the underlying case. (Dkt. No. 18.)
15. Attached as **Exhibit K** is an email from the district court clerk sent to the parties ordering them to produce the products at the hearing on December 30, 2017.
16. Attached as **Exhibit L** is the Temporary Restraining Order (TRO) of the district court on January 20, 2017. (Doc. No. 40.)
17. Attached as **Exhibit M** is Plaintiffs' Motion for Preliminary Injunction of January 10, 2017. (Doc. No. 42.)
18. Attached as **Exhibit N** is Defendants' Motion to Dismiss of January 12, 2017. (Doc. No. 44.)
19. Attached as **Exhibit O** are the minutes of the district court on February 21,

2017 extending the appeal deadline by 30 days. (Doc. No. 76.)

20. Attached as **Exhibit P** is the Notice of Appeal of Appellants. (Doc. No. 70.)

21. After the original TRO hearing on December 30, 2017 when expert testimony was ordered by the Court for the next business day after the holiday weekend, Plaintiffs' counsel Stephen Erigero informed me that Plaintiffs would likely designate Robert Bigler, the inventor and owner of the D'252 Patent, as their expert because they lacked the time to find anyone else. He informed me that he knew Defendants would object on the basis of bias, but there wasn't time for Plaintiffs to find an expert any other way.

22. I attempted to meet and conferred in good faith on this emergency motion before filing by emailing Plaintiffs-Appellees' counsel Lael Andara on March 8 and 9, setting forth the grounds for motion, and asking him if he opposes the motion. He replied on March 8 that he would need to see the legal argument to support the motion. On March 9, I emailed Mr. Andara with more information about the grounds. Although he has not confirmed it, I believe that Plaintiffs-Appellees intend to oppose the instant motion.

CERTIFICATE OF SERVICE

I hereby certify that on March 10, 2017, I caused this document to be electronically filed with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the CM/ECF system. Participants in the case who are registered CM/ECF users will be served by the CM/ECF system. I further certify that the document was scanned for viruses and is virus-free.

/s/ steven rinehart

CERTIFICATE OF COMPLIANCE

1. This brief complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B) because this brief contains **7,789** words, excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii) and Fed. Cir. R. 32(b).

2. This brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed. R. App. P. 32(a)(6) because this brief has been prepared in a proportionally spaced typeface using Microsoft Word 2010 in 14 point Times New Roman font (with 13 point footnotes).

3. This brief complies with the requirements of Fed. Cir. R. 32(e)(3) because this brief has been generated as a PDF from the original word processing file, so that the text of the electronic version of the brief may be searched and copied, and because this brief has been scanned for viruses that confirmed the brief is virus-free.

/s/ steven rinehart