

United States District Court  
Northern District of California

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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

IMMERSION CORPORATION,  
Plaintiff,  
v.  
SONY COMPUTER ENTERTAINMENT  
AMERICA LLC, et al.,  
Defendants.

Case No. 16-cv-00857-RMW

**ORDER GRANTING PETITION TO  
CONFIRM ARBITRAL AWARD**

Re: Dkt. Nos. 1, 38

Plaintiff Immersion Corporation petitions this court to confirm an arbitral award against defendants Sony Computer Entertainment America LLC and Sony Computer Entertainment Inc. (collectively, “Sony”) under the New York Convention. Dkt. No. 1. Sony opposes the petition and requests that the award be vacated pursuant to Article V of the New York Convention and §10 of the Federal Arbitration Act. Dkt. No. 38. The court heard argument on April 1, 2016. For the reasons set forth below, the court grants Immersion’s petition to confirm the award. Sony’s motion to vacate is denied. Immersion’s request for attorney’s fees is denied.

**I. BACKGROUND**

Immersion is incorporated in Delaware and owns several patents covering digital touch technologies. Sony Computer Entertainment America LLC is incorporated in Delaware, and Sony Computer Entertainment Inc. is incorporated in Japan. Sony manufactures, markets, and

1 distributes PlayStation systems. In 2002, Immersion sued Sony in the Northern District of  
2 California, asserting that certain Sony PlayStation products infringed its patents. The court entered  
3 final judgment in Immersion’s favor, and the parties subsequently entered into a 2007 settlement  
4 agreement resolving the litigation and establishing “a new business relationship.” Dkt. No. 38-2 at  
5 1. Under the 2007 agreement, Immersion granted Sony a license to manufacture “royalty bearing”  
6 products in exchange for the payment of royalties. *See id.* The agreement defines “Royalty  
7 Bearing Products” as products that 1) contain “the physical means . . . that create tactile sensations  
8 that can felt by the user and 2) are “covered by at least one Immersion Patent in the country or area  
9 where such unit is manufactured, sold, used or distributed.” *Id.* ¶ 5.4(b). Section 4.3 of the 2007  
10 agreement provides for arbitration of certain disputes between the parties, including “whether a  
11 particular product or service of the Sony Entities is a Royalty Bearing Product.” *Id.* ¶ 4.3(a).

12 In 2014, a dispute arose between the parties as to whether DualShock® 4 controllers sold  
13 by Sony in Japan are “Royalty Bearing Products.” In particular, the parties were unable to agree  
14 whether the DualShock® 4 controllers are covered by one of Immersion’s Japanese patents—the  
15 ’301 patent. Pursuant to the arbitration clause in the 2007 agreement, the parties arbitrated the  
16 dispute with retired United States District Judge James Ware presiding. The arbitrator issued a  
17 Final Award on December 22, 2015, declaring that “Sony’s DS4’s Wireless Controllers  
18 manufactured, sold or distributed in Japan after April 8, 2014 were and are ‘royalty bearing’  
19 products as defined by Paragraph 5.4 of the 2007 Agreement.” Dkt. No. 38-4 at 23. The arbitrator  
20 indicated that the award addressed all issues presented for determination in the arbitration  
21 proceeding. *Id.*

22 Immersion petitions this court to confirm the award, arguing that Sony “has no legitimate  
23 basis for opposing” Immersion’s petition. Dkt. No. 1. Sony opposes Immersion’s petition and  
24 moves to vacate the award on three grounds: 1) the award is contrary to the well-established policy  
25 of the United States because the arbitrator precluded Sony from asserting an invalidity defense, 2)  
26 the arbitrator refused to hear evidence pertinent and material to the controversy—specifically prior  
27 art evidence relating to non-infringement under Japanese law, and 3) the arbitrator manifestly  
28 disregarded Japanese law by failing to determine the extent of direct infringement as a necessary

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1 predicate for a finding of indirect infringement.

2 **II. IMMERSION’S PETITION TO CONFIRM AND SONY’S MOTION TO VACATE**

3 Immersion asks this court to confirm the award under the Convention on the Recognition  
4 and Enforcement of Foreign Arbitral Awards (the “New York Convention”), which is  
5 implemented by the Federal Arbitration Act (“FAA”) at 9 U.S.C. §§ 201-08. Dkt. No. 1 at 1. The  
6 arbitration award falls under the New York Convention because it arises “out of a legal  
7 relationship . . . which is considered as commercial” and involves a party that is not a citizen of the  
8 United States—Sony Computer Entertainment Inc. *Id.* § 202. This court must confirm the award  
9 “unless it finds one of the grounds for refusal or deferral of recognition or enforcement of the  
10 award specified in the said Convention.” *Id.* § 207.

11 Sony opposes Immersion’s petition and asks the court to vacate the award pursuant to  
12 Article V of the New York Convention and § 10 of the FAA. There are seven grounds for refusing  
13 to confirm or vacating an award under Article V of the New York Convention.<sup>1</sup> In this case, Sony  
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15 <sup>1</sup> Article V states:

16 1. Recognition and enforcement of the award may be refused, at the request of the party against  
17 whom it is invoked, only if that party furnishes to the competent authority where the recognition  
18 and enforcement is sought, proof that:

19 (a) The parties to the agreement referred to in article II were, under the law applicable to them,  
20 under some incapacity, or the said agreement is not valid under the law to which the parties have  
21 subjected it or, failing any indication thereon, under the law of the country where the award was  
22 made; or

23 (b) The party against whom the award is invoked was not given proper notice of the appointment  
24 of the arbitrator or of the arbitration proceedings or was otherwise unable to present his case; or

25 (c) The award deals with a difference not contemplated by or not falling within the terms of the  
26 submission to arbitration, or it contains decisions on matters beyond the scope of the submission  
27 to arbitration, provided that, if the decisions on matters submitted to arbitration can be separated  
28 from those not so submitted, that part of the award which contains decisions on matters submitted  
to arbitration may be recognized and enforced; or

(d) The composition of the arbitral authority or the arbitral procedure was not in accordance with  
the agreement of the parties, or, failing such agreement, was not in accordance with the law of the  
country where the arbitration took place; or

(e) The award has not yet become binding on the parties, or has been set aside or suspended by a  
competent authority of the country in which, or under the law of which, that award was made.

2. Recognition and enforcement of an arbitral award may also be refused if the competent  
authority in the country where recognition and enforcement is sought finds that:

(a) The subject matter of the difference is not capable of settlement by arbitration under the law of  
that country; or

(b) The recognition or enforcement of the award would be contrary to the public policy of that  
country.

1 argues that “recognition or enforcement of the award would be contrary to the public policy” of  
 2 the United States under Article V(2)(b). Sony also argues that it may challenge the award based on  
 3 the grounds provided for in the FAA, specifically under §10(a)(3) for failure to consider pertinent  
 4 and material evidence and under §10(a)(4) for manifest disregard of the law.<sup>2</sup> See Dkt. No. 55 at 9.  
 5 Immersion contends that the “Convention’s enumeration of defenses is exclusive” and that Sony  
 6 may not challenge the award on FAA grounds. Dkt. No. 45 at 17.

7 Article V(1)(e) of the New York Convention provides that a court may refuse to confirm  
 8 an award that has been “set aside or suspended by a competent authority of the country in which,  
 9 or under the law of which, that award was made.” Therefore, Sony argues, the “Convention  
 10 specifically contemplates that the state in which . . . the award is made, will be free to set aside or  
 11 modify an award in accordance with its domestic arbitral law and its full panoply of express and  
 12 implied grounds for relief.” *Zurich Am. Ins. Co. v. Team Tankers A.S.*, 811 F.3d 584, 588 (2d Cir.  
 13 2016), quoting *Yusuf Ahmed Alghanim & Sons v. Toys “R” Us, Inc.*, 126 F.3d 15, 23 (2d Cir.  
 14 1997). Sony notes that this approach has been adopted by other circuits, as well as by a district  
 15 court in this circuit. See, e.g., *Ario v. Underwriting Members of Syndicate 53 at Lloyds for 1998*  
 16 *Year of Account*, 618 F.3d 277, 292 (3d Cir. 2010), as amended (Dec. 7, 2010) (“When both the  
 17 arbitration and the enforcement of an award falling under the Convention occur in the United  
 18 States, there is no conflict between the Convention and the domestic FAA because Article V(1)(e)  
 19 of the Convention incorporates the domestic FAA and allows awards to be ‘set aside or suspended  
 20 by a competent authority of the country in which . . . that award was made.’ Here, because the  
 21 arbitration took place in Philadelphia, and the enforcement action was also brought in

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 23 <sup>2</sup> 9 U.S.C. § 10(a) states:

24 In any of the following cases the United States court in and for the district wherein the award was  
 25 made may make an order vacating the award upon the application of any party to the arbitration--  
 26 (1) where the award was procured by corruption, fraud, or undue means;  
 27 (2) where there was evident partiality or corruption in the arbitrators, or either of them;  
 28 (3) where the arbitrators were guilty of misconduct in refusing to postpone the hearing, upon  
 sufficient cause shown, or in refusing to hear evidence pertinent and material to the controversy;  
 or of any other misbehavior by which the rights of any party have been prejudiced; or  
 (4) where the arbitrators exceeded their powers, or so imperfectly executed them that a mutual,  
 final, and definite award upon the subject matter submitted was not made.

1 Philadelphia, we may apply United States law, including the domestic FAA and its vacatur  
2 standards.”); *LaPine v. Kyocera Corp.*, No. C 07-06132 MHP, 2008 WL 2168914, at \*5 (N.D.  
3 Cal. May 23, 2008) (finding that for awards rendered in the United States under the New York  
4 Convention, “the appropriate standard of review is under both Article V and 9 U.S.C. section  
5 10.”)).

6 Immersion argues that the application of FAA defenses is still an open question in the  
7 Ninth Circuit. Dkt. No. 45 at 17 n.4 (citing *LaPine*, 2008 WL 2168914 at \*5 (“[w]hether, in  
8 addition to the grounds specified in Article V of the Convention, the ‘domestic’ standards  
9 embodied in Chapter I of the FAA apply to review of an arbitral award falling under the  
10 Convention and made in the United States under American law is an open question in the Ninth  
11 Circuit.”)). However, the weight of authority favors applying FAA defenses to New York  
12 Convention arbitration awards made in the United States. Immersion cites one Eleventh Circuit  
13 case addressing an award rendered in the United States and holding that “no defense against  
14 enforcement of an international arbitral award under Chapter 2 of the FAA is available on [any]  
15 grounds not specified by the Convention.” *Indus. Risk Insurers v. M.A.N. Gutehoffnungshutte  
16 GmbH*, 141 F.3d 1434, 1446 (11th Cir. 1998). However, the Eleventh Circuit did not explicitly  
17 address the effect of Article V(e)(1). This court is not aware of any other authority holding that  
18 domestic standards of review do not apply to an arbitration award falling under New York  
19 Convention but made in the United States.

20 In the absence of further guidance from the Ninth Circuit, the court interprets Article  
21 V(e)(1) as contemplating review by a competent authority of the country in which an award was  
22 made. Therefore, the court considers Sony’s arguments for vacating the award under both the New  
23 York Convention and the domestic standards for review under the FAA.

#### 24 **A. Public Policy**

25 Sony seeks to vacate the award because it “awarded royalties based upon a finding of  
26 indirect infringement of the ’301 Patent, but did so while barring Sony from raising any invalidity  
27 defenses” in violation of the public policy against excluding invalidity defenses. Dkt. No. 38 at 11.

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1 Immersion responds that 1) Sony cannot raise a public policy challenge now that it did not assert  
 2 in arbitration, 2) Sony has not shown that the award violates the “most basic notions of morality  
 3 and justice” in the United States, as required for application of the New York Convention’s public  
 4 policy defense, 3) the court may not engage in de novo review of the arbitrator’s interpretation of  
 5 the arbitration agreement, and 4) the public policy identified by Sony does not specifically militate  
 6 against the relief ordered by the arbitrator because it is irrelevant to the facts of this case.

### 7 **1. Obligation to Raise Argument in Arbitration**

8 Immersion objects to Sony’s public policy arguments on the basis that Sony did not raise  
 9 its public policy concerns during the arbitration. Dkt. No. 45 at 4, 12 (citing *Marino v. Writers*  
 10 *Guild of Am., E., Inc.*, 992 F.2d 1480, 1484 (9th Cir. 1993) (“it is well settled that a party may not  
 11 sit idle through an arbitration procedure and then collaterally attack that procedure on grounds not  
 12 raised before the arbitrators when the result turns out to be adverse”). In *Marino*, the challenging  
 13 party objected to the arbitration *procedures* only after the award issued. In this case, Sony  
 14 challenges the enforcement of the award itself as contrary to public policy, and a “question of  
 15 public policy is ultimately one for resolution by the courts.” *Aramark Facility Servs. v. Serv.*  
 16 *Employees Int’l Union, Local 1877, AFL CIO*, 530 F.3d 817, 823 (9th Cir. 2008). Furthermore,  
 17 Sony argued during the arbitration that the scope of the arbitration should include its invalidity  
 18 defense, and that release of such defenses requires a clear and unambiguous waiver. *See, e.g.*, Dkt.  
 19 No. 45 (Sony’s Brief Concerning the Availability of Invalidity Defenses in the Arbitration, dated  
 20 November 7, 2014) at 3 (citing *Baseload Energy, Inc. v. Roberts*, 619 F.3d 1357, 1362 (Fed. Cir.  
 21 2010)). Therefore, the court finds that although Sony did not expressly argue that the arbitrator  
 22 was violating public policy during the arbitration, Sony raised the facts it now uses to support its  
 23 public policy argument and maintained that waiver of an invalidity defense must be clear and  
 24 unambiguous.

### 25 **2. Legal Standard for Public Policy Defense**

26 The parties do not agree on the legal standard for application of the public policy defense.  
 27 Immersion argues that “[i]n recognition of a presumption favoring upholding international



1 arbitration awards under the Convention,” the public policy defense “is ‘construed narrowly’” and  
 2 “applies only when confirmation or enforcement of a foreign arbitration award ‘would violate the  
 3 forum state’s most basic notions of morality and justice.’” *See* Dkt. No. 45 at 12 (quoting *Ministry*  
 4 *of Def. & Support for the Armed Forces of the Islamic Republic of Iran v. Cubic Def. Sys., Inc.*,  
 5 665 F.3d 1091, 1096-97 (9th Cir. 2011)). On the other hand, Sony contends that there is another  
 6 applicable standard in this circuit, under which the court must “(1) find that an explicit, well  
 7 defined and dominant public policy exists . . . and (2) that the policy is one that specifically  
 8 militates against the relief ordered by the arbitrator” in order to vacate an award on public policy  
 9 grounds. Dkt. No. 38 at 12 (quoting *Matthews v. Nat’l Football League Mgmt. Council*, 688 F.3d  
 10 1107, 1111 (9th Cir. 2012)).

11 Sony does not appear to dispute that the New York Convention Article V(2)(b) public  
 12 policy defense applies only where confirmation would violate the forum state’s most basic notions  
 13 of morality and justice. Nor does Sony argue that enforcement of the award would violate this  
 14 country’s most basic notions of morality and justice. However, although the award at issue is  
 15 governed by the New York Convention, the arbitration was conducted in the United States. As  
 16 previously discussed, Sony may challenge the award under both the New York Convention and  
 17 the FAA standards of review. Therefore, the court considers whether a public policy challenge is  
 18 available to Sony under the FAA.

19 Violation of public policy is not one of the enumerated grounds for vacating an award  
 20 under § 10 of the FAA. *See supra* n. 2. There is, however, a judicially-created public policy basis  
 21 for refusing to enforce an arbitration award. *See United Paperworkers Int’l Union, AFL-CIO v.*  
 22 *Misco, Inc.*, 484 U.S. 29, 38 (1987) (explaining that refusal to enforce an arbitral award which is  
 23 against public policy is “a specific application of the more general doctrine, rooted in the common  
 24 law, that a court may refuse to enforce contracts that violate law or public policy”) (citing *W.R.*  
 25 *Grace & Co. v. Rubber Workers*, 461 U.S. 757, 766 (1983)). Although the public policy defense to  
 26 enforcement developed primarily in the context of labor dispute arbitrations, it has been applied to  
 27 FAA review of arbitration awards. *See, e.g., U.S. Life Ins. Co. v. Ins. Comm’r of California*, 160 F.

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1 App'x 559, 563 (9th Cir. 2005), *as amended on denial of reh'g and reh'g en banc* (Jan. 10, 2006)  
 2 (noting in FAA case that “the Supreme Court has recognized in principle that an arbitral award  
 3 that violates public policy may be vacated for that reason”); *Sheldon v. Vermonty*, 269 F.3d 1202,  
 4 1206 (10th Cir. 2001) (recognizing “a handful of judicially created reasons,” including violation of  
 5 public policy, for vacating an arbitration award in addition to the enumerated grounds in the  
 6 FAA); *Diapulse Corp. of Am. v. Carba, Ltd.*, 626 F.2d 1108, 1110 (2d Cir. 1980) (“Although  
 7 contravention of public policy is not one of the specific grounds for vacation set forth in section 10  
 8 of the Federal Arbitration Act, an award may be set aside if it compels the violation of law or is  
 9 contrary to a well accepted and deep rooted public policy.”).

10 In *Hall Street Associates, L.L.C. v. Mattel, Inc.*, the Supreme Court held that “§§ 10 and  
 11 11 respectively provide the FAA’s exclusive grounds for expedited vacatur and modification.” 552  
 12 U.S. 576, 584 (2008). The *Hall Street* decision addressed whether the provisions in §§ 10 and 11 of  
 13 the FAA were “open to expansion by agreement” of the parties; the Court did not reject or even  
 14 discuss public policy as grounds for vacating an award. Nonetheless, the *Hall Street* decision has  
 15 resulted in some uncertainty as to the continuing validity of non-statutory grounds—such as  
 16 violation of public policy—as a basis for vacating an arbitration award. *Compare, e.g., Titan Tire*  
 17 *Corp. of Freeport v. United Steel, Paper & Forestry, Rubber, Mfg., Energy, Allied Indus. & Serv.*  
 18 *Workers Int'l Union*, 734 F.3d 708, 717 (7th Cir. 2013) (“*Hall Street* Court did not overrule  
 19 *Eastern Associated Coal* or *W.R. Grace*, both of which recognized a public policy exception to the  
 20 general prohibition on overturning arbitrator awards”), with *Frazier v. CitiFinancial Corp., LLC*,  
 21 604 F.3d 1313, 1324 (11th Cir. 2010) (“We hold that our judicially-created bases for vacatur are  
 22 no longer valid in light of *Hall Street*.”).

23 While the Ninth Circuit has not explicitly addressed the validity of a public policy as the  
 24 basis for vacating an arbitration award under the FAA after *Hall Street*,<sup>3</sup> the public policy defense

26 <sup>3</sup> In contrast, the Ninth Circuit has confirmed the continued validity of “manifest disregard of the  
 27 law” post-*Hall Street*, finding that it “remains a valid ground for vacatur” under the FAA “because  
 28 it is a part of § 10(a)(4).” *Comedy Club, Inc. v. Improv W. Associates*, 553 F.3d 1277, 1290 (9th  
 Cir. 2009). No other non-statutory grounds for vacating an award were discussed in *Comedy Club*.



1 appears to have survived. The Ninth Circuit has considered the public policy defense in at least  
 2 one FAA case after *Hall Street*. See *Lagstein v. Certain Underwriters at Lloyd's, London*, 607  
 3 F.3d 634, 641 n.4 (9th Cir. 2010) (rejecting district court's conclusion that award contravened  
 4 public policy because finding was based only on district court's "generalized view of public  
 5 policy," rather than "an overriding public policy rooted in something more than general  
 6 considerations of supposed public interests") (citing *Stead Motors of Walnut Creek v. Auto.*  
 7 *Machinists Lodge No. 1173*, 886 F.2d 1200, 1212-13 (9th Cir.1989) (en banc)). Although the  
 8 Ninth Circuit noted in *Lagstein* that "manifest disregard" survives *Hall Street*, the court  
 9 considered the public policy defense argument without assessing its continued validity. 607 F.3d  
 10 at 641 nn.4-5. The Eastern District of California has also considered whether to vacate an FAA  
 11 award on public policy grounds, again without explicitly stating that the public policy defense  
 12 survives *Hall Street*. See *City of Alturas v. Adkins Consulting Engineers, Inc.*, No. 2:13-CV-  
 13 00354-TLN, 2014 WL 1255848, at \*6 (E.D. Cal. Mar. 26, 2014) ("Ninth Circuit recognizes a  
 14 narrow exception to enforcement of arbitration awards under the FAA when an award is contrary  
 15 to public policy.") (citing *Matthews*, 688 F.3d at 1111; *Aramark*, 530 F.3d at 823; and *Stead*  
 16 *Motors*, 886 F.2d at 1212-13). The court is not aware of any authority in this circuit suggesting  
 17 that the judicially-created public policy defense is unavailable after *Hall Street*.

18 In keeping with Supreme Court and Ninth Circuit precedent, the court concludes that an  
 19 arbitration award within the purview of the FAA may be vacated if the court finds that  
 20 enforcement would violate 1) an "explicit, well defined and dominant public policy" that 2)  
 21 "specifically militates against the relief ordered by the arbitrator." *City of Alturas*, 2014 WL  
 22 1255848, at \*6 (citing *Aramark*, 530 F.3d at 823).

### 23 3. Standard for Review of Arbitrator's Conclusions

24 Sony asserts that the public policy question requires de novo review of the arbitrator's  
 25 conclusions. See Dkt. No. 38 at 12 (citing *Titan Tire*, 734 F.3d at 717 ("once a public policy  
 26 question is raised, we must answer it by taking the facts as found by the arbitrator, but reviewing  
 27 the arbitrator's conclusions de novo") (internal citations omitted); *Gulf Coast Indus. Workers*

1 *Union v. Exxon Co., USA*, 991 F.2d 244, 249 (5th Cir. 1993)). Sony further argues that the  
 2 interpretation of the arbitration contract is a matter of law, requiring de novo review by this court.  
 3 Dkt. No. 38 at 12 (citing *Westport Ins. Corp. v. N. California Relief*, 76 F. Supp. 3d 869, 878  
 4 (N.D. Cal. 2014) (“under California law, the interpretation of a contract, including the resolution  
 5 of any ambiguity, is a question of law for the court”). Immersion asserts that there is no support  
 6 for applying de novo review of an arbitration award under the FAA. Dkt. No. 45 at 4-5. The court  
 7 is not convinced that de novo review of the arbitrator’s interpretation of the 2007 arbitration  
 8 agreement is appropriate.

9 Sony does not dispute that the arbitrator had the authority to determine whether invalidity  
 10 defenses were within the scope of arbitration. Dkt. No. 55 at 4 (“There is no dispute that the  
 11 arbitrator had authority to decide this issue, which was specifically tendered by the parties.”). A  
 12 “court must defer to an arbitrator’s arbitrability decision when the parties submitted that matter to  
 13 arbitration.” *First Options of Chicago, Inc. v. Kaplan*, 514 U.S. 938, 943 (1995); *see also E.*  
 14 *Associated Coal Corp. v. United Mine Workers of Am., Dist. 17*, 531 U.S. 57, 61-62 (2000) (where  
 15 parties have “‘bargained for’ the ‘arbitrator’s construction’ of their agreement,” and courts will  
 16 “set aside the arbitrator’s interpretation of what their agreement means only in rare instances”)  
 17 (citing *United Steelworkers of Am. v. Enter. Wheel & Car Corp.*, 363 U.S. 593, 599 (1960)). De  
 18 novo review is not appropriate because the parties agreed that the arbitrator would interpret the  
 19 contract, and an “arbitrator’s interpretation of the scope of his powers is entitled to the same level  
 20 of deference as his determination on the merits.” *Schoenduve Corp. v. Lucent Techs., Inc.*, 442  
 21 F.3d 727, 733 (9th Cir. 2006) (“policy concerns requiring deference to the arbitrator’s decision on  
 22 the merits are equally applicable when reviewing the arbitrator’s interpretation of the submission  
 23 agreement”); *cf. Oxford Health Plans LLC v. Sutter*, 133 S. Ct. 2064, 2068 n.2 (2013) (noting that  
 24 a court may review de novo an arbitrator’s arbitrability determination absent clear evidence that  
 25 the parties wanted the arbitrator to decide the issue).

26 The authority cited by Sony does not suggest otherwise. While contract interpretation may  
 27 be a question of law under California law, that alone does not mean that de novo review should

1 apply to an arbitrator’s award. The role of an arbitrator requires reaching conclusions of law, yet  
 2 confirmation by the court “is required even in the face of . . . misinterpretations of law.” *French v.*  
 3 *Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 784 F.2d 902, 906 (9th Cir. 1986) (internal citation  
 4 omitted). To the extent that the cases from other circuits cited by Sony call for de novo review of  
 5 an “arbitrator’s conclusions” on anything other than “the public policy question” itself, which is  
 6 not at all clear, such cases find no support in Ninth Circuit precedent. *See Aramark*, 530 F.3d at  
 7 823 (“In reviewing an arbitral award for possible violations of public policy . . . a court is not  
 8 authorized to revisit or question the fact-finding *or the reasoning* which produced the award.”)  
 9 (emphasis added) (quoting *Int’l Bhd. of Elec. Workers, Local 97 v. Niagara Mohawk Power*  
 10 *Corp.*, 143 F.3d 704, 716 (2d Cir. 1998)); *Stead Motors of Walnut Creek v. Auto. Machinists*  
 11 *Lodge No. 1173, Int’l Ass’n of Machinists & Aerospace Workers*, 886 F.2d 1200, 1211 (9th Cir.  
 12 1989) (“Nor does the fact that it is inquiring into a possible violation of public policy excuse a  
 13 court for doing the arbitrator’s task”) (quoting *Misco*, 484 U.S. at 45)).

14 For purposes of evaluating whether public policy makes the award unenforceable, the court  
 15 considers the agreement as construed by the arbitrator. *See E. Associated Coal*, 531 U.S. at 61-63  
 16 (adopting arbitrator’s interpretation of contract for purposes of evaluating whether award violates  
 17 public policy); *W.R. Grace*, 461 U.S. at 766 (“If the contract *as interpreted* by [the arbitrator]  
 18 violates some explicit public policy, we are obliged to refrain from enforcing it.”) (emphasis  
 19 added). In this case, the arbitrator construed the 2007 agreement to exclude arbitration of  
 20 invalidity defenses from its scope. The court must assess whether an award based on the  
 21 arbitration agreement as interpreted by the arbitrator violates a well-defined public policy.

#### 22 4. Whether Public Policy Specifically Militates Against Enforcement

23 Relying *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969) and *Flex-Foot, Inc. v. CRP, Inc.*, 238  
 24 F.3d 1362 (Fed. Cir. 2001), Sony identifies a public policy favoring “the full and free use of ideas  
 25 in the public”—specifically a policy against restricting attacks on patent validity. *Lear*, 395 U.S. at  
 26 674, 670 (1969). Sony argues that the Federal Circuit applied this policy in *Flex-Foot* to hold that  
 27 an invalidity defense may be excluded only if a clear and unambiguous waiver is found. 238 F.3d  
 28

1 at 1370. Sony argues that the arbitration award violates public policy because the arbitrator  
2 excluded its invalidity defense from the scope of the arbitration even though Sony did not clearly  
3 and unambiguously waive the defense. Immersion does not suggest that Sony clearly and  
4 unambiguously waived its invalidity defense. Rather, Immersion argues that the public policy  
5 identified by Sony is irrelevant to the arbitrator's determination that the invalidity defenses was  
6 not within the scope of the parties' agreement to arbitrate. The court finds that public policy does  
7 not specifically militate against enforcement of the arbitration award in this case.

8 **a. Public Policy in *Lear* and *Flex-Foot***

9 In *Lear*, the Supreme Court rejected the doctrine of license estoppel, which previously  
10 operated to prevent a licensee from challenging the validity of the licensor's patent in a suit for  
11 royalties under the license agreement. 395 U.S. at 656. While recognizing that "the law of  
12 contracts forbids a purchaser to repudiate his promises simply because he later becomes  
13 dissatisfied with the bargain he has made," the Court found that such policy interests were  
14 outweighed by the "important public interest in permitting full and free competition in the use of  
15 ideas which are in reality a part of the public domain," noting that licensees "may often be the  
16 only individuals with enough economic incentive to challenge the patentability of an inventor's  
17 discovery." 395 U.S. at 668-670. Therefore, the Court held that a licensee was not estopped from  
18 challenging validity based on an earlier settlement agreement licensing the patent.

19 In *Flex-Foot*, an accused infringer had waived "any and all invalidity and unenforceability  
20 defenses in any future litigation, arbitration, or other proceeding" in a settlement agreement. 238  
21 F.3d at 1364. The Federal Circuit considered whether the waiver contractually estopped the  
22 accused infringer from asserting an invalidity defense in a subsequent infringement suit on the  
23 same patent. The Federal Circuit weighed "the important policy of enforcing settlement  
24 agreements" against "the federal patent laws' prescription of full and free competition in the use of  
25 ideas that are in reality a part of the public domain," and found that the accused infringer was  
26 contractually estopped "[b]ased on the clear and unambiguous waiver" of its invalidity defenses  
27 "in the settlement agreement voluntarily entered into by the parties." 238 F.3d at 1370; *see also*

1 *Baseload*, 619 F.3d at 1362 (“invalidity and unenforceability claims may be released, but only if  
 2 the language of the agreement or consent decree is clear and unambiguous”). Sony requests that  
 3 this court “apply the same analysis used by the Federal Circuit in *Flex-Foot*.” Dkt. No. 55 at 1.  
 4 Immersion does not dispute that these cases establish a public policy, but argues that the policy is  
 5 not relevant because the arbitration award does not prevent Sony from challenging validity. Dkt.  
 6 No. 45 at 15-16.

7 **b. Arbitrator’s Determination of Scope of Arbitration Agreement**

8 During the arbitration proceedings, Sony asserted an invalidity defense, and Immersion  
 9 objected that invalidity was not within the scope of the agreement to arbitrate. Dkt. No. 38-6 at 2.  
 10 The parties briefed the issue, and the arbitrator issued Order No. 3, considering Sections 4.3, 5.1,  
 11 and 9.17 of the 2007 agreement and concluding that invalidity and unenforceability were not  
 12 within the scope of the agreement to arbitrate. *Id.* at 13.

13 Section 4.3 of the 2007 Agreement addresses disputes “as to whether a particular product  
 14 or service of the Sony Entities is Royalty Bearing Product” and sets forth certain procedures for  
 15 arbitration. Dkt. No. 37-4 ¶ 4.3(a). Under the first step of the arbitration procedure set forth in the  
 16 agreement, “if need be, the arbitrator shall first determine whether the allegedly infringing  
 17 products or services fall within the definition of the Gaming Field of Use.” *Id.* ¶ 4.3(a)(1). If the  
 18 accused products or services do fall within the definition, “the arbitrator shall then determine if the  
 19 product or service falls within any license granted within this Agreement and whether or not the  
 20 allegedly infringing products are covered by one or more of the Immersion Patents.” *Id.* ¶  
 21 4.3(a)(2). Section 4.3(d) provides that the parties “shall have no obligation to arbitrate any claim  
 22 or dispute other than those expressly set forth in Sections 4.3(a) and 4.3(b).” *Id.* ¶ 4.3(d). In Order  
 23 No. 3, the arbitrator found that Section 4.3 did not expressly set forth an obligation to arbitrate a  
 24 dispute over invalidity or unenforceability. Dkt. No. 38-6 at 12.

25 Section 5.1(a)(i) deals with Sony’s covenant not to sue. Sony’s covenant not to sue will  
 26 terminate if Immersion sues Sony for patent infringement on any patents in fields of use *other* than  
 27 the Gaming Field of Use. Dkt. No. 37-4 ¶ 5.1(a). Section 5.1(a)(i) goes on to state that “[i]n any

1 event the Sony Entities shall be free to assert any defenses with respect to the patents sued upon or  
 2 arbitrated, including but not limited to defenses of invalidity and unenforceability of such patents.”  
 3 The arbitrator determined that Section 5.1 was only triggered by circumstances that would  
 4 terminate the covenant not to sue—specifically, a suit by Immersion asserting a non-Gaming Field  
 5 of Use patent, whether or not the asserted patent that had been “arbitrated” for purposes of  
 6 determining field of use under step 1 of Section 4.3(1). *See* Dkt. No. 38-6 at 7-10.  
 7 Notwithstanding the “in any event” language, the arbitrator found that the sentence did not apply  
 8 to “an arbitration of a product in the ‘Gaming Field of Use’”—the arbitration at issue in this case.  
 9 *Id.* at 8. The arbitrator concluded that Section 5.1 did not bring invalidity within the scope of  
 10 arbitration. *Id.* at 13.

11 Section 9.17 deals with the termination of licenses and covenants not to sue. Dkt. No. 37-4  
 12 ¶ 9.17. The arbitrator interpreted this section to permit Sony to challenge the validity or  
 13 enforceability of any Immersion patents “in any judicial or administrative proceeding,” but noted  
 14 that any such challenge would give Immersion the power to terminate certain licenses and  
 15 covenants. Dkt. No. 38-6 at 12 (quoting Dkt. No. 37-4 ¶ 9.17(a)(i)). The arbitrator interpreted  
 16 Section 9.17 such that “a dispute under section 4.3 would not provide Immersion with a basis for  
 17 terminating licenses or covenants.” *Id.* at 13. The arbitrator concluded that Section 9.17 did not  
 18 bring invalidity within the scope of arbitration. *Id.*

### 19 c. Whether Arbitration Agreement Violates Public Policy

20 The arbitrator effectively estopped Sony from asserting an invalidity defense based on an  
 21 earlier settlement agreement. So far as they go, these facts line up with those in *Lear* and *Flex-*  
 22 *Foot*. However, the arbitrator in this case defined only the scope of the arbitration itself—he did  
 23 not assess whether the terms of the settlement agreement affected Sony’s ability to challenge the  
 24 validity of any Immersion patents outside of the arbitration context. *See* Dkt. No. 38-6 at 12 n.12  
 25 (“Immersion contends that the Sony Entities may challenge or dispute the validity or  
 26 enforceability of any of the Immersion Patents in any judicial or administrative proceeding. The  
 27 Arbitrator declines to comment on the accuracy of this contention.”). The issue raised in this case  
 28 is whether Sony has a right to raise an invalidity defense even if the parties’ agreed to arbitrate



1 infringement alone.

2 Sony argues that *Flex-Foot* makes “clear that the public policy considerations at issue” in  
 3 *Lear* “apply in the arbitration context as well.” Dkt. No. 38 at 12; Dkt. No. 55 at 5. However,  
 4 *Flex-Foot* does not address an *arbitrator’s* exclusion of invalidity defenses. Rather, the Federal  
 5 Circuit considered the district court’s decision to consider Springlite’s invalidity defense post-  
 6 arbitration.<sup>4</sup> The waiver in *Flex-Foot* was clear and ambiguous—there is no reason to think that  
 7 the Federal Circuit would have permitted the accused infringer to assert an invalidity defense in  
 8 any proceeding. But it is important to note that *Flex-Foot* does not hold that clear and  
 9 unambiguous waiver is required in order to exclude invalidity defenses *from arbitration*. Nor does  
 10 *Flex-Foot* hold that public policy militates against an agreement to arbitrate infringement without  
 11 invalidity.

12 “[I]nfringement and invalidity are separate matters under patent law,” and there is no  
 13 requirement that they be determined in the same proceeding. *Commil USA, LLC v. Cisco Sys.,*  
 14 *Inc.*, 135 S. Ct. 1920, 1928-29 (2015) (“To be sure, if at the end of the day, an act that would have  
 15 been an infringement or an inducement to infringe pertains to a patent that is shown to be invalid,  
 16 there is no patent to be infringed. But the allocation of the burden to persuade on these questions,  
 17 and the timing for the presentations of the relevant arguments, are concerns of central relevance to  
 18 the orderly administration of the patent system.”). “Though an invalid claim cannot give rise to  
 19 liability for infringement, whether it is infringed is an entirely separate question capable of  
 20 determination without regard to its validity.” *Pandrol USA, LP v. Airboss Ry. Products, Inc.*, 320  
 21 F.3d 1354, 1365 (Fed. Cir. 2003) (quoting *Medtronic, Inc. v. Cardiac Pacemakers, Inc.*, 721 F.2d  
 22 1563, 1583 (Fed.Cir.1983)). An agreement to arbitrate infringement but not invalidity does not, by

23 \_\_\_\_\_  
 24 <sup>4</sup> The arbitration clause in *Flex-Foot* stated that “[a]ny decision by arbitration shall be limited to  
 25 the issue of whether a product made, used or sold . . . falls within the scope of patent claims of any  
 26 patent . . .” 238 F.3d at 1366. While the dispute was arbitrated and the panel found infringement,  
 27 and the “arbitration award did not address Springlite’s challenge to the validity of the ’363 patent.”  
 28 238 F.3d at 1364, 1367. Subsequently, Springlite “filed a motion with the district court to vacate  
 the award and consider the invalidity defense.” Parts A and B of the Federal Circuit’s analysis  
 address the arbitration award and the district court’s affirmance thereof, while part C of the  
 Federal Circuit’s analysis focuses solely on review of “the *district court’s* holding” that Springlite  
 was estopped from challenging the validity of the patent. *Id.* at 1366-67 (emphasis added).

1 itself, prevent a party from challenging patent validity outside of the arbitration.

2 Furthermore, the *Lear* policy goals are not implicated in an arbitration proceeding the same  
3 way they are in civil litigation or patent office proceedings. While a finding of invalidity by an  
4 arbitrator might relieve the challenger of an obligation to pay royalties, it does not promote “full  
5 and free competition in the use of ideas” because it is binding only on the parties to the arbitration.  
6 *Lear*, 395 U.S. at 670. The public might be served by an arbitrator’s invalidity determination if the  
7 accuses infringer lowered its prices, but the covered technology would not be returned to the  
8 public domain and the competition would still be “repressed by worthless patents.” 395 U.S. at  
9 664 (1969). Therefore, the court is not convinced that public policy specifically militates against  
10 the parties’ agreement to arbitrate infringement only.

11 Sony responds that if is not permitted to raise invalidity as a defense in arbitration, “it is  
12 then put to the Hobson’s choice of abandoning invalidity altogether or renouncing important  
13 contractual benefits that it has already paid for.” Dkt. No. 55 at 5-6. Section 9.17 of the 2007  
14 agreement allows Immersion to terminate Sony’s licenses if Sony challenges the validity of  
15 Immersion’s patents in other “judicial or administrative” proceedings. Sony argues that  
16 termination provision effectively estops Sony from raising invalidity in any proceedings, and  
17 therefore the arbitration agreement implicates the *Lear* public policy concerns.

18 The arbitrator was authorized to determine the scope of the arbitration agreed to by the  
19 parties. Accordingly, the arbitrator considered Section 9.17 only as it related to the scope of  
20 arbitration, determining that Section 9.17’s termination provision was not triggered by the  
21 arbitration and that Section 9.17 did not bring Sony’s invalidity defense within the scope of the  
22 arbitration. The arbitrator explicitly declined to consider whether the 2007 agreement permitted  
23 Sony to challenge validity in any judicial or administrative proceeding. *See* Dkt. No. 38-6 at 12  
24 n.12. Section 9.17 itself may violate public policy under *Lear* if it prevents Sony from challenging  
25 validity of Immersion’s patents, but the enforceability of the termination provision is not before  
26 this court. The arbitrator found that Section 9.17 was unrelated to the scope of the arbitration. The  
27 existence of an unrelated termination provision does not expand the scope of the parties’

1 arbitration agreement or invalidate an agreement to arbitrate infringement alone. The court finds  
2 no public policy basis for vacating the award.

3 **B. Refusal to Hear Evidence Pertinent and Material to the Controversy**

4 Under 9 U.S.C § 10(a)(3), a court may vacate an award “where the arbitrators were guilty  
5 of misconduct in refusing to postpone the hearing, upon sufficient cause shown, or in refusing to  
6 hear evidence pertinent and material to the controversy; or of any other misbehavior by which the  
7 rights of any party have been prejudiced.” “Arbitrators enjoy wide discretion to require the  
8 exchange of evidence, and to admit or exclude evidence, how and when they see fit.” *U.S. Life Ins.*  
9 *Co. v. Superior Nat. Ins. Co.*, 591 F.3d 1167, 1175 (9th Cir. 2010) (internal quotation omitted). To  
10 meet the standard for vacating the award, the arbitrator’s refusal to hear evidence “must  
11 demonstrate bad faith or be so gross as to amount to affirmative misconduct.” *Misco*, 484 U.S. at  
12 40. Sony argues that the award should be vacated because the arbitrator refused to hear prior art  
13 evidence “pertinent and material” to the infringement controversy. Dkt. No. 38 at 16 (citing 9  
14 U.S.C. § 10(a)(3)). The court concludes that the arbitrator was not guilty of misconduct in refusing  
15 to give weight to the prior art evidence of non-infringement.

16 The parties stipulated that Japanese patent law would apply to the infringement question  
17 Dkt. No. 38-4 at 10. In the Final Award, the arbitrator addressed Immersion’s need to show,  
18 among other thing, that the DS4 Wireless Controller was an “indispensable component for how  
19 the ’301 Patent resolved the problem of providing tactile sensations to a plurality of users” in  
20 order to prove indirect infringement under Japanese law. *Id.* at 13. Sony argues that a component  
21 cannot be “indispensable” if it existed in the prior art, and that the arbitrator refused to hear prior  
22 art evidence that “would have established that the relevant structure and operation of the accused  
23 DualShock®4 controller was well-known in the prior art.” Dkt. No. 38 at 8.

24 In an Interim Final Award, the arbitrator “declined to give weight to Sony’s evidence and  
25 argument that infringement is precluded by prior art.” Dkt. No. 38-3 at 8 n.2. The arbitrator  
26 reasoned that Sony’s argument “was tantamount to an affirmative defense,” and therefore outside  
27 the scope of the arbitration, even though “such an inquiry might be appropriate in an infringement  
28

1 litigation before a court in Japan.” *Id.* Sony argues that even if the arbitrator correctly excluded  
2 invalidity defenses, the arbitrator had no basis for ignoring prior art evidence relating to  
3 infringement.

4 The court is not persuaded by Immersion’s arguments that the arbitrator evaluated Sony’s  
5 prior art evidence and argument *after* declining to do so in the Interim Order. Dkt. No. 45 at 18.  
6 According to Immersion, the parties’ subsequent stipulation to a revised translation of the  
7 Japanese patent statute simplified the questions of the law for the arbitrator, and the arbitrator fully  
8 addressed the indispensability requirement in the Final Award. *Id.* However, the court finds no  
9 basis to conclude that arbitrator revisited this question—the arbitrator did not reference prior art in  
10 connection with infringement in any subsequent orders. Nor is the court persuaded by  
11 Immersion’s argument that Sony withdrew certain prior art evidence; the testimony appears to  
12 relate only to Sony’s assertion of a good-faith belief of invalidity, and not the “indispensability”  
13 requirement for infringement. *See* Dkt. No. 45 at 18.

14 However, the arbitrator’s decision not to give weight to the prior art evidence does not  
15 constitute refusal to hear pertinent and material evidence under §10(a)(3). The court is somewhat  
16 troubled by the arbitrator’s conclusion that consideration of such evidence and argument would  
17 fall outside the scope of the arbitration—even if it were relevant to the infringement inquiry under  
18 Japanese law. However, Sony presented such evidence and argument to the arbitrator, and  
19 arbitrator decided not to give it weight, viewing it as equivalent to an invalidity argument. The  
20 arbitrator solicited comments from the parties on his interim orders, including the order in which  
21 he declined to give weight to the prior evidence. Dkt. No. 38-13 at 1. Sony did not state any  
22 objections at that time, but reserved its right to state objections if the interim award was not made  
23 final. *Id.* Sony did object in a later a brief. Dkt. No, 38-10 at 8-11. This process “allowed the  
24 parties to present material evidence because the parties were allowed to address why the  
25 reviewers’ conclusions were incorrect.” *U.S. Life Ins. Co. v. Superior Nat. Ins. Co.*, 591 F.3d at  
26 1174-75 (distinguishing from cases where arbitrator mislead a party into believing evidence was  
27 admitted and where arbitrator prevented party from presenting its proof). Therefore, the court

1 finds no basis under § 10(a)(3) for vacating the award.<sup>5</sup>

2 **C. Manifest Disregard of the Law**

3 Under 9 U.S.C § 10(a)(4), a court may vacate an award “where the arbitrators exceeded  
4 their powers, or so imperfectly executed them that a mutual, final, and definite award upon the  
5 subject matter submitted was not made.” Manifest disregard of the law “is a part of § 10(a)(4).”  
6 *Comedy Club, Inc. v. Improv W. Associates*, 553 F.3d 1277, 1290 (9th Cir. 2009). For an  
7 arbitrator’s award to be in manifest disregard of the law, “it must be clear from the record that the  
8 arbitrator recognized the applicable law and then ignored it.” *Comedy Club*, 553 F.3d at 1290  
9 (internal citations omitted). Sony argues that the arbitrator manifestly disregarded Japanese patent  
10 law by recognizing that indirect infringement must be predicated on a direct infringement, yet  
11 awarding royalties for indirect infringement without first determining the extent of alleged direct  
12 infringement by consumers. The court concludes that the arbitrator did not manifestly disregard  
13 the law on indirect infringement.

14 In the Final Award, the arbitrator found that Immersion had to establish the following  
15 elements to prove indirect infringement under Article 101(ii):

16 (1) Immersion was granted the ’301 Patent for an invention of a product for  
17 providing tactile sensations to a plurality of users; (2) as a business, Sony  
18 manufactured, sold or distributed a DS4 Wireless Controller in Japan to be used for  
19 the producing of the “301 patent invention;” (3) the DS4 Wireless Controller was a  
20 specialty product; (4) the DS4 Wireless Controller was an indispensable component  
21 for how the ’301 Patent resolved the problem of providing tactile sensations to a  
22 plurality of users; (5) at the time Sony manufactured, sold or distributed the DS4  
23 Wireless Controller , Sony knew that Immersion owned the patented invention and  
24 knew that the DS4 Wireless Controller was used to work the ’301 patented

25 \_\_\_\_\_  
26 <sup>5</sup> Sony also argues that the award should be vacated under §10(a)(4) because the arbitrator  
27 manifestly disregarded the law in refusing to weigh Sony’s prior art evidence. Dkt. No. 38 at 16  
28 n.2. However, “to demonstrate manifest disregard, the moving party must show that the arbitrator  
understood and correctly stated the law, but proceeded to disregard the same.” *Collins v. D.R.  
Horton, Inc.*, 505 F.3d 874, 879 (9th Cir. 2007) (internal quotation omitted). Sony has not  
identified any understanding or statement of the law that the arbitrator proceeded to disregard. At  
most, the arbitrator indicated that consideration of prior art “*might* be appropriate in an  
infringement litigation” in Japan. Dkt. No. 38-3 at 8 n.2 (emphasis added). The arbitrator  
concluded that Sony’s argument was “tantamount” to an invalidity defense. *Id.* While the  
arbitrator may not have correctly interpreted Japanese law, a court “may not reverse an arbitration  
award even in the face of an erroneous interpretation of the law.” *Collins*, 505 F.3d at 879.

invention.

Dkt. No. 38-4 at 13. The arbitrator concluded that Immersion proved infringement under Article 101(ii). *Id.*

The arbitrator addressed Sony's objection that "a finding of direct infringement is a prerequisite to a finding of indirect infringement:"

[T]he Arbitrator finds no inconsistency between that proposition and JPA Article 101(ii). Article 101(ii) recites that the component must be produced knowing that it is used to produce an end product that 'works' the invention. *Working the invention is direct infringement*. Thus, a patentee must prove that a component is used to directly infringe the patent before liability can be imposed on the producer of the component. *In this case, Immersion proved the DS4 Wireless Controller is used by consumers to work the '301 patent.*

*Id.* at 18 (emphases added). The arbitrator reiterated this conclusion:

Before liability can be imposed for indirect infringement under Article 101(ii), the patentee must prove that the accused infringer commercially produced components knowing that they are *used [by a third party] to work the patented invention*. Thus liability for indirect infringement (commercial production of component) is premised on a finding of direct infringement ("... used to work the patented invention."). Immersion proved that Sony commercially produced DS4 Wireless Controllers knowing that they are used by consumers to create a multiple-player product that directly infringes by practicing each element of the claim pertaining to vibrotactile units.

*Id.* at 22-23 (emphasis in original). These passages indicate that the arbitrator applied the law consistently with his statement of the law. The arbitrator considered Sony's objection in the Final Award, but concluded that Immersion had proved the necessary direct infringement predicate to a finding of indirect infringement. It cannot be said that the arbitrator recognized and then ignored the law.

Sony argues that the arbitrator's finding of indirect infringement based on a general finding that "DS4 Wireless Controller is used by consumers to work the '301 patent" is inconsistent not only with Japanese law, but also with the arbitrator's earlier findings on direct infringement as incorporated into the Final Award. However, the court cannot vacate an award even if the arbitrator misunderstood and misapplied the relationship between direct and indirect infringement under Japanese law: "Manifest disregard of the law' means something more than just an error in the law or a failure on the part of the arbitrators to understand or apply the law." *Lagstein*, 607



1 F.3d at 641 (citing *Mich. Mut. Ins. Co. v. Unigard Sec. Ins. Co.*, 44 F.3d 826, 832 (9th Cir.1995)).

2 Therefore, the court finds no basis under §10(4)(a) for vacating the award.<sup>6</sup>

### 3 **III. REQUEST FOR ATTORNEY’S FEES**

4 Immersion requests an award of attorney’s fees. Dkt. No. 45 at 22-23. This court has the  
5 authority to award attorney’s fees “when the losing party has acted in bad faith, vexatiously,  
6 wantonly or for oppressive reasons.” *Ministry of Def. & Support for the Armed Forces of the*  
7 *Islamic Republic of Iran v. Cubic Def. Sys., Inc.*, 665 F.3d at 1104 (quoting *Int’l Union of*  
8 *Petroleum & Indus. Workers v. W. Indus. Maint., Inc.*, 707 F.2d 425, 428 (9th Cir. 1983)). “An  
9 unjustified refusal to abide by an arbitrator’s award, moreover, may equate an act taken in bad  
10 faith, vexatiously or for oppressive reasons.” *Id.* (internal citations omitted). Sony’s arguments  
11 against confirmation do not prevail in this case; however, the court is not convinced that Sony  
12 acted in bad faith in challenging the award. Therefore, Immersion’s request is denied.

### 13 **IV. CONCLUSION**

14 For the foregoing reasons, Sony’s motion to vacate the award is denied. Immersion’s  
15 petition to confirm the award is granted. Immersion’s request for attorney’s fees is denied.

16 The court has filed this order under seal. If either party believes that any portion discloses  
17 confidential information, the party must file an administrative motion to file under seal within 14  
18 days of this order. The motion must be accompanied by an unredacted version of the order, filed  
19 under seal, highlighting the portions of the order that the party seeks to seal. The motion must also  
20 be accompanied by a declaration establishing that such portions of the order are sealable. No  
21 proposed order or redacted version of the order need be filed. If neither party moves to seal any  
22

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23  
24 <sup>6</sup> Sony also argues in a footnote that § 10(a)(3) provides “a further basis” for vacating the award  
25 because the arbitrator refused to hear Sony’s “evidence regarding the limited extent of any alleged  
26 royalties.” Dkt. No. 38 at 20 n.3. Sony’s citation to a hearing transcript indicates that the arbitrator  
27 believed damages calculations to be outside the scope of the arbitration: “I came into this  
28 assuming that once that issue was decided, it was purely a mathematical computation that the  
parties would be doing on damages.” Dkt. No. 38-14, 155:6-8. The court finds nothing to suggest  
bad faith or affirmative misconduct by the arbitrator in refusing to consider sales numbers. *See*  
*Misco*, 484 U.S. at 40 (refusal to hear evidence “must demonstrate bad faith or be so gross as to  
amount to affirmative misconduct”).

1 part of this order with 14 days, this order will be made public in its entirety.

2 **IT IS SO ORDERED.**

3 Dated: April 26, 2016



Ronald M. Whyte  
United States District Judge

United States District Court  
Northern District of California

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