



THINK FORWARD

Assignor Estoppel Does Not Apply in an Inter Partes Review Proceeding

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***Arista Networks, Inc. v. Cisco Sys.*, Nos. 2017-1525, 2017-1577, 2018 U.S. App. LEXIS 31811 (Fed. Cir. Nov. 9, 2018).**

On November 9, 2018, the United States Court of Appeals for the Federal Circuit considered whether the doctrine of assignor estoppel should apply in the context of an *inter partes* review. The Court concluded that the doctrine of assignor estoppel does not apply because 35 U.S.C. § 311(a) unambiguously reflects Congress's intent that *any person* who is not the owner of a patent may file an *inter partes* review petition.

Background

The patent at issue (the '597 patent) relates to protecting computer network devices from external attacks. The inventor of the '597 patent was a Cisco Systems, Inc. employee at the time of the invention. He assigned his rights to the invention to Cisco and provided assurances that he would aid in obtaining and enforcing the patent. The inventor subsequently left Cisco and co-founded Arista Networks, Inc.

Thereafter, Arista petitioned for an *inter partes* review of certain claims of the '597 patent. In its final written decision, the Patent Trial and Appeal Board ("PTAB") concluded that only some challenged claims were invalid. Arista appealed the decision upholding certain claims as valid. Cisco cross-appealed the decision finding certain claims invalid, and asserted that the PTAB erred by not applying the doctrine of assignor estoppel to prevent Arista from initially challenging the patent's validity.

Assignor Estoppel Issue

The doctrine of assignor estoppel is a common law principle that bars the assignor of a patent, or those in privity with the assignor, such as a corporation founded by the assignor, from subsequently challenging the validity of the patent. The doctrine has been recognized by the United States Supreme Court. See, e.g., *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342, 349 (1924). The doctrine also has been applied in the context of ITC proceedings. In a related ITC investigation, the Commission held that assignor estoppel barred Arista's challenge to Cisco's patent validity.

On appeal, the Federal Circuit first evaluated whether the PTAB's decision not to apply assignor estoppel was reviewable. The Court concluded that it could review this decision because the issue was not closely related to the PTAB Director's preliminary patentability assessment or the Director's discretion not to institute even if the threshold patentability assessment was met.

The Court then considered the applicability of the doctrine in the context of IPR proceedings. The PTAB had provided two reasons for its determination that assignor estoppel did not apply in *inter partes* review proceedings, concluding that: (1) 35 U.S.C. § 311(a) demonstrates Congress's broad grant of

the ability to challenge patent validity and (2) Congress has not expressly recognized assignor estoppel in the *inter partes* review context. The Court agreed, concluding that the language of § 311(a) - “a person who is not the owner of a patent may file with the Office a petition to institute an *inter partes* review . . .” - unambiguously demonstrates that Congress did not intend to exclude an assignor from petitioning for *inter partes* review.

The Court recognized that its decision could lead to forum shopping, but concluded that the decision was consistent with the goals of *inter partes* review. The decision also resolves a potential inconsistency in prior Court rulings on the issue of reviewability. Compare *Husky Inj. Molding Sys. Ltd. v. Athena Automation Ltd.*, 838 F.3d 1236 (Fed. Cir. 2016) with *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364 (Fed. Cir. 2018) (en banc).

Implications

This case may be significant for companies with employees who assign inventions to their employer. Even though a patent owner could potentially block a validity challenge from an assignor in district court, the patent owner may still be vulnerable to an *inter partes* review petition by the assignor or those in privity with an assignor. An open question remains as to whether this scenario could be avoided through contractual provisions that specifically waive the right to challenge validity in subsequent proceedings.

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