

No Assignor Estoppel in AIA *Inter Partes* Review Proceedings

The popularity of IPR proceedings will likely increase as assignor estoppel does not apply to IPRs.

Inter Partes Review (IPR) proceedings have become a very popular method of challenging patent validity for actual and potential defendants in infringement actions. Of late, however, another advantage of IPR proceedings to petitioners has emerged from a consistent series of decisions by the PTAB holding that the doctrine of assignor estoppel does not apply to IPRs. Ever since the Federal Circuit's decision in *Diamond Scientific Co. v. Ambico, Inc.*, 848 F.2d 1220 (Fed. Cir. 1988), the doctrine has barred patent assignors, most notably assignor inventors, from challenging the validity of their patented inventions when defending a claim of infringement. The doctrine not only bars the assignor but anyone else judged to be in privity with the assignor. As articulated by the Federal Circuit,

[A]ssignor estoppel is an equitable doctrine that prohibits an assignor of a patent or patent application, or one in privity with him, from attacking the validity of that patent *when he is sued for infringement by the assignee....Assignor estoppel is thus a defense to certain claims of patent infringement.*

Semiconductor Energy Laboratory Co., Ltd. v. Nagata, 706 F.3d 1365, 1369 (Fed.Cir. 2013) (emphasis added) (citations omitted).

PTAB Has Confirmed No Assignor Estoppel

In two recent IPR proceedings patent owners have tried to use the doctrine to bar the institution of an IPR on the grounds the petitioner was in privity with an inventor of the patents at issue, and thus barred by assignor estoppel from asserting invalidity of the patents in an IPR proceeding. In both instances the effort was rebuffed by the PTAB, which found that the America Invents Act (AIA) provision that anyone may file a petition for *Inter Partes* Review created a situation different from that of an action for patent infringement, thus rendering assignor estoppel irrelevant.

In *Redline Detection LLC v. Star Envirotech, Inc.*, Case IPR2013-00106, the Board ruled in two separate decisions against the patent owner's efforts to obtain discovery relevant to the alleged privity between the petitioner and assignee/inventor of the subject patent, first in a request for additional discovery and subsequently in a request for rehearing of that decision. As stated by the Board,

Here, we are presented with a clear expression of Congress's broad grant of the ability to challenge the patentability of patents through *inter partes* review. Moreover, Congress has demonstrated that it will provide expressly for the application of equitable defenses when it so

desires. In International Trade Commission (ITC) cases litigating patent disputes under 19 U.S.C. § 1337(c), Congress provided that “[a]ll legal and equitable defenses may be presented in all cases.” From this statutory mandate, the ITC concluded that it must consider the defense of assignor estoppel in cases in which a patent owner may seek to have infringing goods excluded from the United States. *Intel Corp. v. Int’l Trade Comm’n*, 946 F.2d 821, 836-38 (Fed. Cir. 1991) (citing *Lannom Mfg. Co. v. Int’l Trade Comm’n*, 799 F.2d 1572, 1579 (Fed.Cir.1986)). Congress issued no similar statutory mandate to the Office in connection with AIA post-grant reviews, instead, making *inter partes* reviews widely available to “a person who is not the owner of a patent.”.... Similarly, the Board’s grant of the request for rehearing would be contrary to the statute’s broad grant to anyone, except the owner of the patent, of the ability to file a petition for *inter partes* review.

The Board in *Redline Detection* employed virtually identical reasoning in denying the patent owner’s subsequent request for rehearing. In a more recent decision dated October 25, 2013 the Board, in its decision to institute in *Athena Automation Ltd. V. Husky Injection Molding Systems Ltd.*, rejected the patent owner’s argument in its preliminary response that the petition was barred by assignor estoppel. Following the reasoning in *Redline Detection* (although not citing it), the Board stated that,

Husky concedes that the Patent Office does not apply assignor estoppel in reexamination proceedings, but argues that assignor estoppel should be available to patent owners in *inter partes* review proceedings based on the adjudicative nature of the proceedings. Prelim. Resp. 15-25. However, none of Husky’s arguments addresses the language of § 311(a).

Because we are not persuaded that assignor estoppel, an equitable doctrine, provides an exception to the statutory mandate that any person who is not the owner of a patent may file a petition for an *inter partes* review, we decline to deny this Petition based on the doctrine of assignor estoppel.

A Viable Alternative Until Federal Circuit Says Otherwise

As of now, individuals or companies that may be confronted with a claim of assignor estoppel in an infringement case may still proceed to attack the validity of the asserted patents via *Inter Partes* Review. Obviously the cited cases may ultimately find their way to the Federal Circuit, which will have the final say on the Board’s position. However, the Board’s reasoning is defensible, and until the CAFC issues a contrary decision, for those that may be subject to a claim of assignor estoppel, the IPR process provides a viable alternative to attacking the validity of an asserted patent.

For additional background on the rising popularity and benefits of these proceedings, please access the recent Latham & Watkins webcast [America Invents Act – Lessons Learned After One Year](#).

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