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corpcounsel.com | April, 2018

ip insider

## CROSSING SWORDS OVER ASSIGNOR ESTOPPEL

BY SCOTT GRAHAM

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Degnan was only two minutes into her claim construction argument in *Arista v. Cisco* when Judge Raymond Chen of the U.S. Court of Appeals for the Federal Circuit cut in: “Just so I don’t get lost, when are we going to talk about assignor estoppel?” he asked.

“That’s the cross-appeal,” Degnan explained. “I know, that’s the sexy issue.”

“Those are your words, not mine,” Chen replied to laughter around the courtroom.

As boring as it might sound, assignor estoppel proved to be the linchpin issue as the rival networking companies crossed swords in three appeals over two hours in February. It’s a percolating area of patent law. A chip company backed by 25 law professors is asking the U.S. Supreme Court to rethink the doctrine, and two Federal Circuit judges, including Chen, said last summer they’d be open to doing so in the right case.

Assignor estoppel is an equitable doctrine that forbids an inventor who sells a patent from then turning around and attacking the patent’s validity. Critics say the doctrine is outmoded in a world where employers routinely compel employees to assign all of their IP to the company. Assignor estoppel restrains employees from taking their know-how



Lauren Degnan, Trial Court and Appellate Lawyer at Fish & Richardson

to a competitor or starting their own company, the argument goes, because the former employer can then assert patents against them without fear of reprisal.

Cisco sued Arista in federal court and the International Trade Commission in 2014. Former Cisco executives David Cheriton and Andreas Bechtolsheim took ideas they developed for Cisco and used them to create the same networking technologies at Arista, Cisco charges.

Arista tried to attack the patents as bogus, but the ITC wouldn’t let it due to assignor estoppel. The ITC found several

patents infringed and has blocked the company from importing certain ethernet switches. But the Patent Trial and Appeal Board (PTAB), which does not recognize assignor estoppel, has invalidated many of the same patent claims. The February appeals were from the PTAB decisions.

Cisco’s attorney, Kirkland & Ellis partner John O’Quinn, said Arista’s infringe-

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ment of a patent on hardware-based access control is a prime example of why assignor estoppel should apply. Cheriton and Bechtolsheim are the named inventors on the 6,377,577 patent. “They were very well compensated by Cisco for the inventions,” O’Quinn said, “and they now seek to profit from invalidating these patents.”

“Was it your standard employment agreement in which the company gets all the IP?” Chen asked. “Or did Cheriton and Bechtolsheim get something extra for being named inventors?”

“Let me just put it this way,” O’Quinn answered. “Both of these individuals were very handsomely compensated by Cisco.”

Tensegrity Law Group partner Matthew Powers, who handled Arista’s argument along with Degnan, said Cisco didn’t marshal enough evidence to invoke assignor estoppel. He also called on the court to convene en banc to scale back or eliminate the doctrine altogether.

But mostly, Powers argued, the assignor estoppel defense has no place at the PTAB because the America Invents Act (AIA) specifies that anyone other than the patent’s owner can petition for inter partes review. Closing the door on assignors would also be inconsistent with the PTAB’s “statutory mission to clean up bad patents,” Power said.

It was an unusual role for Powers, a former Weil, Gotshal & Manges partner who’s known more for representing patent owners. But that didn’t stop him from going full-throttle. The legislation creating the International Trade Commission and the Trademark Trial and Appeal Board specifically provides for equitable defenses, Powers said. But the America Invents Act, which created the PTAB, does not.

“That’s conscious. That’s not random,” he told the court. “You cannot assume that that omission was negligent.”

Kirkland’s O’Quinn said the ITC rightly refused to consider Arista’s validity challenge, and the PTAB should be required to do the same.

Chen sounded skeptical. “Congress specifically said, ‘Yes, you, ITC—consider equitable defenses. Yes, you, trademark board—you consider equitable defenses. You, patent board—I’m not saying anything about,’” Chen said. “So what am I supposed to take away from all that?”

O’Quinn argued that when Congress enacted the AIA, it did so against the backdrop of 140 years of Supreme Court case law recognizing assignor estoppel. The PTAB recognizes other equitable defenses such as collateral estoppel, so there’s no reason to make an exception for assignors, he said.

Even if Cisco loses the estoppel defense, Arista will still have to prove that the PTAB was right on the merits to invalidate some of the Cisco patent claims. That didn’t sound like a sure thing when it came to Cisco’s 7,224,668 patent aimed at preventing denial-of-service attacks. The PTAB found it obvious despite evidence that Arista had copied the invention, which is a secondary consideration that cuts against obviousness.

The PTAB’s “copying analysis is a little thin, is it not, given the evidence?” Chief Judge Sharon Prost asked Powers.

Powers urged the court to defer to the PTAB’s factual findings. He said Cisco had tried “to create a fog of the so-called culture of copying and all of that” without tying it to obviousness.

“What if we disagree with both of those arguments,” Chen said, “and say OK, you know what? There was copying going on here.”

Powers insisted it wasn’t enough to overcome Arista’s strong case of obviousness. “It’s their burden to prove nexus between this amorphous stuff about copying and the claims, and they failed to do it,” he said.

O’Quinn pointed out that the ITC has used the phrase “culture of copying” to describe Arista’s infringement. “We’re not dealing with ‘amorphous evidence of copying,’” he said. “We’re talking about the very feature names, the very command line expressions used by Cisco to implement the features of this very patent.”

It wasn’t clear if Chen was convinced. Maybe Cisco’s evidence, he suggested, “is really more about Arista’s desire to have its products be compatible with Cisco’s product.” ■

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