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Federal Circuit Patent Bulletin: *Husky Injection Molding Sys. Ltd. v. Athena Automation Ltd.*

September 26, 2016

"[A]ssignor estoppel . . . does not prevent a tribunal from evaluating the validity of any challenged claims generally, but rather simply limits the parties that may ask the tribunal for such an evaluation."

On September 23, 2016, in *Husky Injection Molding Sys. Ltd. v. Athena Automation Ltd.*, the U.S. Court of Appeals for the Federal Circuit (Lourie,* Plager, Stoll) vacated and remanded the Patent Trial and Appeal Board *inter partes* review decision that certain claims of U.S. Patent 7,670,536, which related to a molding machine having a particular clamp assembly, were anticipated under 35 U.S.C. § 102, as well as dismissed Husky's appeal for lack of jurisdiction. The Federal Circuit stated:

[A] two-part inquiry [exists] for determining whether we may review a particular challenge to the decision whether to institute. First, we must determine whether the challenge at issue is "closely tied to the application and interpretation of statutes related to the Patent Office's decision to initiate *inter partes* review," or if it instead "implicate[s] constitutional questions," "depend[s] on other less closely related statutes," or "present[s] other questions of interpretation that reach, in terms of scope and impact," "well beyond 'this section.'" If the latter, our authority to review the decision to institute appears unfettered. But if the former, § 314(d) forbids our review. One further exception remains, however. At the second step of the inquiry, we must ask if, despite the challenge being grounded in a "statute closely related to that decision to institute," it is nevertheless directed to the Board's ultimate invalidation authority with respect to a specific patent. If so, we may review the challenge. . . .

Husky's appeal challenges the institution decision, specifically the Board's determination during the institution phase that assignor estoppel cannot bar an assignor or his or her privies from petitioning for *inter partes* review. According to Husky, that determination involves "an interpretation issue that reaches, in terms of scope and impact, well beyond § 314," and, moreover, it necessarily implicates the Board's invalidation authority with respect to the '536 patent. For those reasons, Husky asserts that we have jurisdiction to review the assignor estoppel determination.

We are mindful of the otherwise powerful presumption favoring judicial review of agency determinations, but in applying the foregoing framework, we conclude that we lack the authority to review the Board's determination in its institution decision that assignor estoppel does not apply at the Patent and Trademark

Office. First, we conclude that the question whether assignor estoppel applies in full force at the Patent and Trademark Office does not fall into any of the three categories the Supreme Court specifically mentioned as reviewable. Nothing about the question implicates a constitutional concern such as a due process violation, and no party contends as much. Nor does it "depend on other less closely related statutes." As an initial matter, the doctrine of assignor estoppel does not derive from statute. Rather, it is an equitable doctrine that arose in the patent infringement context to prohibit an assignor or his or her privies from stating the patent rights earlier assigned are of no value. . . . We must therefore assess whether § 311 constitutes a "closely related" or an "other less closely related" statute.

Even though the Supreme Court did not set forth any specific framework for determining if a statute is "closely related," the statutes "closely related" to the decision whether to institute are necessarily, and at least, those that define the metes and bounds of the *inter partes* review process. And an interpretation of § 311 and its prescription of "a person who is not the owner of a patent may file" to either include or foreclose assignor estoppel is very "closely related" to any decision to initiate *inter partes* review.

Husky focuses on the third exception set forth by the Supreme Court, arguing that the question of assignor estoppel is ultimately an "interpretation of an issue that reaches, in terms of scope and impact, well beyond § 314." We do not agree. Section 314 describes the threshold determination the Patent and Trademark Office must make before it can institute a review; namely, the Director must first determine "that the information presented in the petition . . . shows that there is a reasonable likelihood" the petitioner would prevail on the patentability grounds raised. The scope of the section thus pertains to arguments concerning patentability and the necessary strength of those arguments before the Director is authorized to initiate review. The question of assignor estoppel implicates those very same concerns; if assignor estoppel applies, an assignor or his or her privies may not challenge the patentability of the patent earlier assigned, and any petition filed by an assignor or his or her privies falls far short of the "reasonable likelihood" standard guarding against improper institution. The impact of assignor estoppel thus cannot be divorced from the very precise scope of § 314 simply to justify our review. The issue is not "well beyond this section," and hence it is beyond our review.

Although we conclude that the assignor estoppel question is not entitled to review under the three exceptions in *Cuozzo II*, we must nevertheless further determine if, despite the question's close ties to the decision to institute, the question relates to the Board's ultimate invalidation authority. We conclude that it does not. [A]ssignor estoppel operates to prevent "one who has assigned the rights to a patent (or [a]patent application) from later contending that what was assigned" lacks value. It does not foreclose all challenges to a patent's validity from the remainder of the general public. To that end, it does not prevent a tribunal from evaluating the validity of any challenged claims generally, but rather simply limits the parties that may ask the tribunal for such an evaluation.

In that way, assignor estoppel differs from the certain statutory limits placed on the Board's authority in a CBM [(covered business method)] review. [W]e conclude that we lack jurisdiction to review the Board's determination on whether assignor estoppel precludes it from instituting *inter partes* review. We therefore dismiss Husky's appeal, and express no opinion on the merits of the Board's conclusion that assignor estoppel may not bar an assignor or his or her privies from petitioning for *inter partes* review.