

1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE NORTHERN DISTRICT OF CALIFORNIA
3

4 BRILLIANT INSTRUMENTS, INC.,

No. C 09-5517 CW

5 Plaintiff,

ORDER GRANTING
GUIDETECH, INC.'S
MOTION FOR SUMMARY
JUDGMENT ON
ASSIGNOR ESTOPPEL

6 v.

7 GUIDETECH, INC.; and RONEN
8 SIGURA, an individual;

(Re: Docket No.
119)

9 Defendants.

10
11

AND ALL RELATED COUNTERCLAIMS
12

13 In this patent infringement case, Defendants GuideTech, Inc.
14 and Ronen Sigura move for summary judgment on the issue of
15 assignor estoppel. Plaintiff Brilliant Instruments, Inc.
16 (Brilliant) opposes. Having considered the papers and arguments
17 of counsel, the Court GRANTS GuideTech's motion.

18 BACKGROUND

19 In 1998, Shalom Kattan founded Guide Technology, Inc., the
20 predecessor entity to GuideTech, which is in the business of
21 manufacturing and selling precision time and frequency measurement
22 instruments. Docket No. 35 ¶ 3. Kattan is the sole named
23 inventor for the patents-in-suit, which he assigned to Guide
24 Technology. Chin Decl., Exs. 1-3, 12. In 2004, Kattan left his
25 employment with Guide Technology, but remained on its board of
26 directors until 2005. Chin Decl., Ex. 25 at 32:18-33:18. Also in
27 2004, Kattan established Brilliant, a one-man company headed by
28 Kattan himself. Id. at 42:12-25; Chin Decl., Ex. 9; Docket No. 86

1 at 2. Brilliant also manufactures and sells measurement
2 instruments. Docket No. 39 ¶ 4. On May 23, 2008, Guide
3 Technology sold its assets, including the patents-in-suit, to
4 Ronen Sigura, who founded GuideTech. Chin Decl., Ex. 24.

5 On November 20, 2009, Brilliant filed this action for
6 declaratory relief, asserting that its accused products, including
7 BI200 and BI220, do not infringe GuideTech's U.S. Patent Nos.
8 6,091,671 ('671 patent); 6,181,649 ('649 patent); 6,226,231 ('231
9 patent); 6,456,959; 6,621,767; 6,999,382; and 7,203,610. These
10 patents concern time interval analyzers, which are testing
11 instruments used in the semiconductor industry to detect timing
12 errors in integrated circuits. GuideTech filed its answer and
13 counterclaim, asserting that Brilliant's products infringe the
14 '671, '649 and '231 patents. Brilliant in turn filed its answer
15 and counterclaim for declaratory judgment of invalidity of the
16 '671, '659, and '231 patents.

17 In early 2011, Brilliant filed a motion for summary judgment
18 of non-infringement and GuideTech filed a motion for summary
19 adjudication on the issue of assignor estoppel. The Court granted
20 Brilliant's motion for summary judgment, finding Brilliant's
21 products did not infringe the patents-in-suit. See Docket No.
22 137. Due to its finding of non-infringement, the Court denied
23 GuideTech's motion for summary judgment as moot. See id. On
24 October 4, 2011, GuideTech filed an appeal to the Federal Circuit
25 from the order and judgment entered by the Court in favor of
26 Brilliant. Docket No. 166. The Federal Circuit reversed and
27 remanded the Court's summary judgment order, finding disputed
28 issues as to whether Brilliant's products infringe the patents-in-

1 suit under the doctrine of equivalents. Brilliant Instruments,
2 Inc. v. GuideTech, LLC, 707 F.3d 1342, 1348-49 (Fed. Cir. 2013).

3 The Court now considers the merits of GuideTech's motion for
4 summary judgment on the issue of assignor estoppel, which the
5 Court previously denied as moot.

6 LEGAL STANDARD

7 Summary judgment is appropriate only where the moving party
8 demonstrates there is no genuine dispute as to any material fact
9 such that the moving party is entitled to judgment as a matter of
10 law. Fed. R. Civ. P. 56(a); Celotex Corp. v. Catrett, 477 U.S.
11 317, 323 (1986). Material facts are those that might affect the
12 outcome of the case, as defined by the framework of the underlying
13 substantive law. Anderson v. Liberty Lobby, Inc., 477 U.S. 242,
14 248 (1986). A dispute is genuine if the evidence is such that a
15 reasonable jury could return a verdict for either party. Id.

16 The moving party bears the initial burden of informing the
17 district court of the basis for its motion and identifying those
18 portions of the pleadings, discovery, and affidavits that
19 demonstrate the absence of a disputed issue of material fact.
20 Celotex, 477 U.S. at 323. The burden then shifts to the non-
21 moving party to show there are disputed issues of material fact.
22 Id. In opposing the motion, the non-moving party may not rely
23 merely on allegations or denials of its pleadings, but must set
24 forth "specific facts showing that there is a genuine issue for
25 trial." Anderson, 477 U.S. at 248 (citing Fed. R. Civ. P. 56(e)).

26 The court must construe the evidence in the light most
27 favorable to the non-moving party, making all reasonable
28 inferences that can be drawn. Matsushita Elec. Indus. Co., Ltd.

1 v. Zenith Radio Corp., 475 U.S. 574, 587 (1986); Intel Corp. v.
2 Hartford Accident & Indem. Co., 952 F.2d 1551, 1558 (9th Cir.
3 1991); Eisenberg v. Ins. Co. of N. Am., 815 F.2d 1285, 1289 (9th
4 Cir. 1987).

5 DISCUSSION

6 GuideTech seeks to apply the doctrine of assignor estoppel to
7 preclude Brilliant from challenging the validity of the patents-
8 in-suit because Brilliant's founder is the inventor and assignor
9 of those patents. "Assignor estoppel is an equitable doctrine
10 that prevents one who has assigned the rights to a patent (or
11 patent application) from later contending that what was assigned
12 is a nullity." Diamond Scientific Co. v. Ambico, Inc., 848 F.2d
13 1220, 1224 (Fed. Cir. 1988); see also Westinghouse Elec. & Mfg.
14 Co. v. Formica Insulation Co., 266 U.S. 342, 349 (1924) ("As to
15 the rest of the world, the patent may have no efficacy and create
16 no right of monopoly; but the assignor cannot be heard to question
17 the right of his assignee to exclude him from its use"). The
18 rationale of this doctrine is primarily one of fairness and
19 justice -- it would be inequitable to permit a party to sell a
20 thing for value and then later assert that what was sold is
21 worthless. Id. The doctrine acts as a bar to not only the
22 assignor himself, but also other parties in privity with the
23 assignor, such as a corporation founded by the assignor. Id.¹

24 _____
25 ¹ Brilliant does not contest that if assignor estoppel
26 applies to Kattan, it would also apply to Brilliant. However,
27 whether another entity is barred by privity with the assignor is
28 usually determined by balancing the equities, considering the
closeness of the relationship. See Shamrock Technologies, Inc. v.
Med. Sterilization, Inc., 903 F.2d 789, 793 (Fed. Cir. 1990).

1 In the wake of the United States Supreme Court's decision
2 emphasizing the importance of patent validity challenges to
3 protect the public domain,² the Federal Circuit recognized that
4 the interests of preserving the rights of a patent assignee ought
5 to be balanced against that important public interest. See
6 Diamond Scientific, 848 F.2d at 1225. The Federal Circuit
7 determined that, although assignor estoppel may no longer be a
8 device of "automatic application," it should act as a bar to an
9 assignor's invalidity challenge where the balancing of the
10 equities requires its application. Id.

11 Here, it is undisputed that Kattan assigned his interest in
12 the patents-in-suit to GuideTech's predecessor. GuideTech argues
13 that because Kattan sold the patents-in-suit for value, it would
14 be unjust to allow Kattan to now deprive GuideTech of the assets
15 it received. This intrinsic unfairness creates a "presumption
16 that an estoppel will apply" on the equities scale. Mentor
17 Graphics Corp. v. Quickturn Design Sys., Inc., 150 F.3d 1374, 1378
18 (Fed. Cir. 1998). It is then up to Brilliant to provide
19 countering evidence to tip the equities in its favor. Brilliant
20 asserts that there are disputed issues of material fact regarding
21 the balancing of the equities. If it turns out that GuideTech
22 sued its founder's new company "without a reasonable basis for
23

24 ² See Lear, Inc. v. Adkins, 395 U.S. 653, 670
25 (1969) (abandoning the doctrine of licensee estoppel because the
26 interest in preventing licensees from repudiating a promise
27 because they later regretted the bargain was outweighed by the
28 stronger public interest "in permitting full and free competition
in the use of ideas which are in reality a part of the public
domain").

1 doing so," Brilliant argues, then the equities will tip in
2 Brilliant's favor and assignor estoppel will not apply. Docket
3 No. 126 at 14.

4 But the scope of the equities inquiry is not unbounded. In
5 making their equities arguments, parties should look to the
6 rationale of assignor estoppel, which arises from the
7 determination that the injustice of permitting an assignor to
8 challenge a patent he represented was valid outweighs the
9 potential gains in the public domain. 6 Moy's Walker on Patents
10 § 17:43 (4th ed.); Diamond Scientific Co., 848 F.2d at 1224. An
11 assignor seeking to overcome a presumption of assignor estoppel
12 should therefore focus on this rationale. To be sure, even where
13 the inventor assigned the patent to another, there are a number of
14 exceptions where the equities would weigh against assignor
15 estoppel. For example, the assignor could present evidence of
16 unfair dealings between the parties during assignment, such as
17 duress or fraud.³ Or perhaps the inventor assigned his rights
18 before the USPTO declared the patent valid and expressed serious
19 doubts to his employer/assignee that any resulting patent would be
20 valid.⁴ In some exceptional circumstances, the assignor may have
21 even reserved the right to challenge the validity of the patent or
22 the assignee may have expressly waived the right to assert

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25 ³ See Shamrock Technologies, 903 F.2d at 794; Carroll Touch,
26 Inc. v. Electro Mech. Sys., Inc., 15 F.3d 1573, 1580 (Fed. Cir.
1993).

27 ⁴ Cf. BorgWarner, Inc. v. Honeywell Int'l, Inc., 747 F. Supp.
28 2d 554, 560 (W.D.N.C. 2010).

1 assignor estoppel.⁵ Or, in an increasingly common circumstance in
2 the modern workplace, the inventor may be an employee who
3 participated perfunctorily in the claims prosecution process, with
4 very little say in drafting the scope of the claims, and the
5 resulting patent may cover a far broader invention than the
6 inventor intended to convey.⁶ All of these possibilities
7 challenge the strength of the assumption that the assignor
8 represented that what he sold was valuable.

9 Brilliant makes no such showing. Brilliant never challenges
10 the circumstances of the patent prosecution or assignment process.
11 Brilliant only argues the possibility that GuideTech brought this
12 suit against a former employee without justification, which is
13 irrelevant in that it concerns the equities of the litigation
14 itself, not the facts surrounding the assignment contract.

15 _____
16 ⁵ Mentor Graphics, 150 F.3d at 1378.

17 ⁶ The assignor's belief in the worth of the patent as a
18 basis for applying assignor estoppel is a meaningful factor
19 only when the assignor actively participates in the
20 prosecution of the patent. In the usual course of assignment
21 arrangements, the assignor/inventor has little say in the
22 decision to file the patent or in later determining the scope
23 of the claims. His employer's patent attorneys typically
24 perform these activities . . . [and] [t]he application
25 usually goes through many amendments, narrowing the claim
26 specifications before final approval or rejection.

27 Patricia Stanford, "Diamond Scientific Co. v. Ambico, Inc.:
28 Enforcing Patent Assignor Estoppel," 26 Hous. L. Rev. 761, 772-73
(1989). See also Diamond Scientific Co., 848 F.2d at 1225 (noting
that the inventor/assignor "apparently participated actively in
the patent application process, including drafting the initial
version of the claims and consulting on their revision" and
holding that assignor estoppel applied).

1 Brilliant fails to present evidence raising a disputed issue of
2 material fact. Because GuideTech's evidence of a valid assignment
3 by Kattan remains uncontradicted, the balancing of the equities
4 tips in favor of imposing assignor estoppel and Brilliant
5 therefore cannot challenge validity of the patents in question.

6 As noted by Brilliant, however, the effect of assignor
7 estoppel is not absolute. Although Brilliant cannot invalidate
8 the patent, it can assert its "right to make use of the prior art
9 invention of an expired patent, which anticipates that of the
10 assigned patent." Scott Paper Co. v. Marcalus Mfg. Co., 326 U.S.
11 249, 257 (1945). In other words, Brilliant cannot be held liable
12 for infringement of portions of the patented invention that are in
13 the public domain. Id. The estopped party may still defend
14 against infringement by advocating for a narrow claim construction
15 or demonstrating that the accused devices are within the prior art
16 and therefore do not infringe. Mentor Graphics, 150 F.3d at 1379.
17 Brilliant is free to exercise these rights.

18 CONCLUSION

19 The Court GRANTS GuideTech's summary judgment motion and
20 holds that assignor estoppel bars Brilliant's invalidity claim.

21 Trial for the remainder of the action shall take place from
22 March 31, 2014 through April 4, 2014.

23 IT IS SO ORDERED.

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25 Dated: 2/12/2014

26 
27 CLAUDIA WILKEN
28 United States District Judge