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Supreme Court Limits Assignor Estoppel, Making Some Patents Easier to Challenge in Court

In a 5-4 decision issued on June 29, 2021 in *Minerva Surgical, Inc. v. Hologic, Inc.*, 594 U.S. ____ (2021) the Supreme Court has upheld but limited the doctrine of assignor estoppel, an equitable doctrine preventing an inventor from challenging the validity of a patent he or she has assigned. The Court's decision will have important implications for patent litigation and patent transactions.

Background

In the United States, the Patent Act allows anyone charged in court with infringement of a patent to assert invalidity as a defense. One longstanding, judge-made equitable exception to this rule is assignor estoppel. Under this exception, inventors who file patent applications cannot later challenge the validity or enforceability of their own patents after the inventors have assigned the patent. The rationale

for assignor estoppel is that it would be unfair to allow an inventor to benefit from obtaining and selling a patent, only to later turn around and argue that the patent was not valid (*i.e.*, it should not have been granted and is worth nothing). Over time, assignor estoppel has been expanded to prohibit validity challenges not just by inventors, but by anyone in “privity” with them—including their employers, related corporate entities and even joint venture partners. Some patent infringement defendants thus find themselves barred from challenging a patent's validity simply because they employ a patent's inventor—an issue that has become more and more common in an era of frequent patent transfers and increased employee mobility.

In this case, an inventor patented a device with a “moisture-permeable” head to treat abnormal uterine bleeding, and then assigned that patent. Years later, the same inventor started another company, Minerva, and developed (and patented) a device with a moisture-impermeable head to do the same thing. Meanwhile, Hologic, the ultimate patent owner of the original patent, filed a continuation of the original patent to add a claim covering *all* heads, including moisture-impermeable heads. After the continuation issued, Hologic sued Minerva

for patent infringement for selling devices with moisture-impermeable heads. Among other defenses, Minerva asserted that Hologic's patent was invalid because the new claim did not match the invention's original description. In response, Hologic argued that the inventor and Minerva were precluded by assignor estoppel from arguing that the patent was invalid.

The District Court agreed with Hologic, finding that Minerva was estopped from asserting invalidity as a defense, and the jury returned a verdict of infringement. The Federal Circuit largely affirmed the district court. Minerva then filed a petition for certiorari.

The Supreme Court Decision

In the majority opinion by Justice Kagan, the Supreme Court held that assignor estoppel “is well grounded in centuries-old fairness principles,” but that the Federal Circuit “failed to recognize the doctrine's proper limits.” “The equitable basis of assignor estoppel defines its scope,” the Court noted. “The doctrine applies only when an inventor says one thing (explicitly or implicitly) in assigning a patent and the opposite in litigating against the patent's owner.”

In limiting the doctrine, the Court noted that “[a]ssignor estoppel should apply only when its underlying principle of fair dealing comes into play,” such as when an assignor warrants that a patent is valid but later denies validity. But when “the assignor has made neither explicit nor implicit representations in conflict with an invalidity defense,” then “there is no ground for applying assignor estoppel.” One example, the Court explained, is when an employee assigns to an employer rights in any future inventions. Such

an assignment “contains no representation that the patent is valid,” because the “invention itself hasn’t come into being.”

Given that the patent challenged here is a continuation that issued years after the inventor initially assigned the initial patent, and that the inventor might not have said anything about the validity of the claims as amended when he assigned the initial patent, the Supreme Court vacated and remanded to the Federal Circuit to consider “whether Hologic’s new claim is materially broader than the ones [the inventor] assigned.”

In a dissent joined by Justices Thomas and Gorsuch, Justice Barrett wrote that assignor estoppel as a doctrine is precluded by the Patent Act of 1952, which states that invalidity “shall’ be a defense ‘in any action involving the validity or infringement of a patent,’” and which “includes no exception for actions in which the inventor is the defendant.”¹

Implications for Patent Litigation and Patent Transactions

This decision, which both reaffirms and limits the doctrine of assignor estoppel, has important implications for both patent litigation and patent transactions.

In litigation, companies that may have otherwise been barred by the Federal Circuit’s broad approach to the doctrine from asserting invalidity may now have another arrow in their defense quiver. At the same time, the Court’s decision makes

assignor estoppel an even more fact-intensive inquiry, requiring courts to interpret what an assignor may or may not have represented (explicitly or implicitly) at the time of the assignment and requiring courts to determine whether the new claims are “materially broader” than the ones the inventor assigned.

And going forward, parties to a patent transaction will need to carefully negotiate terms addressing potential later validity challenge by the assignor. Among other things:

- Inventors should take care regarding what explicit or implicit assurances they offer when assigning patents;
- Inventions assigned under intellectual property assignments in employment agreements are particularly vulnerable to attacks under the narrowed doctrine, and employers should consider when anti-challenge provisions may be appropriate;
- Companies considering continuations and amendments of acquired patent families, especially those that substantially extend the scope of the originally granted claims, should be aware that such amendments may negate explicit or implicit assurances from an inventor with respect to the acquired families and open the door to assignor estoppel;
- Companies considering acquisitions of open patent families or pending applications should examine changes that patents may have undergone after

assignment, with the understanding that such changes might preclude application of assignor estoppel; and

- Companies purchasing patents from inventors should consider structuring incentives and adding assurances to prevent inventors from challenging validity of continuations, divisionals and amendments of those patents after the inventors have profited from assigning the original patents.

Ultimately, this decision also reaffirms the importance for companies engaged in transactions or considering the possibility of litigation of comprehensively reviewing every patent’s full assignment history, understanding exactly what rights and limitations may have attached as a result, and considering how best to leverage those rights and limitations going forward.

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1. Justice Alito, writing only for himself, also dissented, concluding that the writ should be dismissed as improvidently granted, because

neither the majority nor Justice Barrett’s dissent answered what he viewed as the threshold question of whether *Westinghouse Elec. &*

Mfg. Co. v. Formica Insulation Co., 266 U. S. 342 (1924), which recognized assignor estoppel, should be overruled.

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