

## PATENT AND TRADEMARK LAW

## Expert Analysis

# Fair's Fair: SCOTUS Breathes New Life Into Assignor Estoppel

In a June decision, the Supreme Court in *Minerva Surgical v. Hologic*, 141 S. Ct. 2298 (2021), breathed new life into the doctrine of assignor estoppel, a centuries-old doctrine based in fundamental fairness principles, that limited an inventor's or an assignor's ability to invalidate a patent it once owned and then transferred for value. But, while the Supreme Court rejuvenated the aging doctrine, it also limited the scope of its application, permitting assignors in certain situations to challenge the validity of the assigned patent in situations where fairness principles should allow.

### Background: The Assignor Estoppel Doctrine

At its core, assignor estoppel restricts an assignor from invalidating a patent it previously assigned

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for value. The doctrine is grounded in the basic fairness principle that a party should not be permitted to benefit by making inconsistent representations—i.e., an assignor should not be rewarded for making assurances during an assignment negotiation that a patent has some value, and yet later during patent litigation claiming that the patent is invalid and thus worthless.

As the court reasoned almost a century ago in *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, “[i]f one lawfully conveys to another a patented right, fair dealing should prevent him from derogating from the title he has assigned.” 266 U.S. 342, 350 (1924).

The classic scenario arises where an inventor obtains a patent and assigns it to a company for consideration, then later leaves the company to join or establish a competitor business providing products similar to the invention described in the conveyed patent. When the former company then sues the new company

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for patent infringement, the new company as part of its defense argues that the patent is invalid. This is the scenario that played out in *Minerva*.

### The Dispute in ‘Minerva’

In the late 1990s, Csaba Truckai invented a medical device to treat

abnormal uterine bleeding. A patent covering the invention was issued, and through transfer of the company was later assigned to Hologic. Truckai later founded Minerva Surgical to compete with Hologic in this technology space. In response to Truckai's development of a competing device at Minerva, Hologic filed a continuation of the assigned patent, now adding a claim covering the product developed by Minerva. Hologic then sued Minerva for patent infringement.

As part of its defense in the case, Minerva argued that the patent was invalid based on a failure to satisfy the written description requirement of §112 of the Patent Act. The district court applied the doctrine of assignor estoppel to preclude Minerva from raising the invalidity defense, and, on appeal, the Federal Circuit agreed.

### The Supreme Court

In a 5-4 decision, the Supreme Court vacated the Federal Circuit's decision, holding that Minerva should have had the opportunity to present its invalidity defense in this case.

The majority determined that the assignor estoppel doctrine, while alive and well, is narrow in its applicability and "applies when, but only when, the assignor's claim of invalidity contradicts explicit or implicit representations he made in assigning the patent." *Minerva*, 141 S. Ct. at 2302. In this case in particular, the

majority reasoned that the doctrine at least does not apply to scenarios in which a claim at issue is "materially broader" than claims originally assigned by the assignor, as was alleged in this case.

The majority determined that fairness dictates this result because, under circumstances in which the patent claims at issue are materially broader than what was previously conveyed, "the assignor did not warrant to the new claims' validity." *Id.* at 2299. Accordingly, because the very focus of Minerva's defense here was that the asserted patent claims are materially broader than the patent claims previously conveyed—and in fact, broader than even the patent's written description can support—the assignor made no representation as to the validity of these new, broader claims, and thus should in fairness be able to challenge them.

The court also recognized two other scenarios in which the assignor estoppel doctrine should not be applicable. First, assignor estoppel may not apply when an assignment occurs before "an inventor can possibly make a warranty of validity as to specific patent claims." *Id.* at 2310. For example, many employment agreements involve assignment of all future rights to an employer. "In that scenario, the assignment contains no representation that a patent is valid. How could it? The invention itself has

not come into being." *Id.* Thus, this kind of transfer of rights cannot result in assignor estoppel.

Second, the court recognized assignor estoppel may not apply when "a later legal development renders irrelevant the warranty given at the time of assignment," because assignors in this scenario, similarly, have not warranted the validity of the assigned claims under the newly developed laws. *Id.*

The thrust of each of the exceptions is the same—fairness. As the majority ultimately concluded, the doctrine is designed "to prevent an assignor from warranting one thing and later alleging another. Assignor estoppel applies when an invalidity defense in an infringement suit conflicts with an explicit or implicit representation made in assigning patent rights. But absent that kind of inconsistency, an invalidity defense raises no concern of fair dealing—so assignor estoppel has no place." *Id.* at 2311.

### The Dissents

The court's decision was not unanimous, and not without debate. The Supreme Court itself has not revisited this doctrine for decades and, in justifying the *Minerva* decision, it primarily relied on a century old decision in *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342 (1924). Indeed, such cases are so few that Justice Amy Coney Barrett in her dissent noted the doctrine

was “on life support.” *Minerva*, 141 S. Ct. at 2316 (Barrett, J., dissenting).

Barrett in dissent argued that the assignor estoppel doctrine should be abrogated in its entirety because (1) assignor estoppel is not a well settled common law principle and “has far from this kind of impeccable historic pedigree,” and (2) Congress did not embrace assignor estoppel when it reenacted the Patent Act of 1952. *Id.* at 2314-2320.

Justice Samuel Alito, in a separate dissenting opinion, criticized both the majority and the principle dissent for not deciding whether *Westinghouse* should be overruled. *Minerva*, 141 S. Ct. at 2311-2314 (Alito, J., dissenting). Alito raised the concern that *Westinghouse* is at the core of the doctrine, and that the Patent Act of 1952 may have undermined *Westinghouse* (but not to such an extent that it abrogated *Westinghouse* entirely). *Id.*

### **An Open Question: What Constitutes ‘Materially Broader’?**

One issue that may remain open to debate in both this case and others into the future is what constitutes a “materially broader” patent claim. The concept of “materially broader” patent claims is not new. For example, in considering whether a claim has been impermissibly broadened during a reissue, the Federal Circuit has considered whether the new claim was materially broader than the original one. See *Anderson v. Int’l Eng’g &*

*Mfg.*, 160 F.3d 1345 (Fed. Cir. 1998); see also *In re Clement*, 131 F.3d 1464, 1471 (Fed. Cir. 1997) (“[W]e should compare the scope of the reissue claims with that of only original claim 1 to determine whether or not the reissue claim is broader in a material way.”)

If the same standard applies in this context, it may not be difficult for parties in many cases to successfully argue assignor estoppel is not applicable, potentially limiting the doctrine to claims that are either identical to, or nearly identical to, the originally assigned claims.

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Indeed, it is commonplace for a patent applicant to obtain issuance of one set of claims in a first patent, and then to file a continuation application in an effort to obtain a broader set of claims not included in the first patent. In such a scenario, the original assignee may almost always be able to then argue that the claims of the continuation are in fact “materially broader,” such that assignor estoppel should not apply.

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such that it will not make sense for the vast majority of companies to make significant process changes to the ways they approach patent ownership and transfer issues. But, for companies operating in technology areas in which employees often do branch out on their own to start competing businesses, certain precautions may be worth considering—either as part of employment agreements, or as part of separation agreements and non-compete provisions, as part of provisions indicating that an inventor will not later challenge validity of the patents on which they are listed as an inventor, or otherwise.

Companies may even consider having inventors sign new assignment and declaration documents for every continuation patent application, even in situations where that may otherwise not be required. Any number of creative approaches may make sense in various different contexts, to build in firewalls that can prevent a rogue former employee/inventor from later attacking a patent’s validity. In the meantime, in the wake of *Minerva*, litigants will continue to issue spot for fact patterns in which the narrowly rejuvenated assignor estoppel doctrine may be applied.