2 Ways High Court Could Reshape Patent Assignor Estoppel

By **David Fox and Christopher Kennerly** (April 5, 2021)

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On April 21, the U.S. Supreme Court will hear oral arguments in Minerva Surgical Inc. v. Hologic Inc. The case turns on application of assignor estoppel, a centuries-old doctrine that precludes assignors and their privies from attacking the validity of the patent rights they assign.

Assignor estoppel has its roots in estoppel by deed[1] and contract principles.[2] In the context of patent assignments, proponents reason that an inventor-assignor should not be permitted to sell something and later to assert that what was sold is worthless.[3]

On the other hand, critics argue that the doctrine undermines the public policy behind the patent laws because it prohibits challenges to potentially invalid patents, thereby placing roadblocks before the public's access to unpatentable inventions.[4]

Minerva Surgical v. Hologic reaches the Supreme Court as assignor estoppel is becoming increasingly litigated in the modern corporate context. Most employment agreements require employees to assign their inventions to their employers in standard-form contracts.[5] These agreements have become commonplace over the last half century, accounting for 82% of the patent transactions recorded with the U.S. Patent and Trademark Office from 1970 through 2014.[6]

Opponents of assignor estoppel argue that an effect of the doctrine on these agreements is that prospective employers may hesitate to hire an inventor-assignor from another company. According to these arguments, the doctrine can serve as a partial noncompete clause, hindering the mobility of employees to new companies.[7]

The petitioner, Minerva Surgical, argues that the significance of employment contracts in patent transfers sharpens the need for the Supreme Court to define the role assignor estoppel plays, if at all, in U.S. patent law.

Case Background: Minerva Surgical v. Hologic

Csaba Truckai co-founded NovaCept Inc.[8] and developed the NovaSure system to treat Abnormal Uterine Bleeding, or AUB, a medical condition impacting millions of women each year.[9] The NovaSure system incorporated technology disclosed in two patents Truckai assigned to NovaCept: U.S. Patent Nos. 6,872,183 and 9,095,348.[10]

In 2004, Cytyc Corporation acquired NovaCept, and, in 2007, Hologic Inc. acquired Cytyc. Truckai subsequently left Hologic and founded Minerva Surgical.

While at Minerva Surgical, Truckai developed the endometrial ablation system to treat AUB. Minerva Surgical began selling the endometrial system in August 2015. In November 2015, Hologic filed suit alleging infringement of the '183 and '348 patents. In response, Minerva Surgical asserted invalidity defenses and filed inter partes review petitions against both patents with the Patent Trial and Appeal Board.

The board denied review of the '348 patent, but granted review of the '183 patent. In December 2017, the board found the '183 patent claims unpatentable. Hologic appealed.

Meanwhile, in the U.S. District Court for the District of Delaware, Hologic filed a motion for summary judgment that assignor estoppel barred Minerva Surgical from raising invalidity as a defense. The district court granted Hologic's motion, and the case proceeded to trial in July 2018. The jury awarded Hologic nearly $4.8 million is damages, and Hologic subsequently moved to enjoin Minerva Surgical from continuing to sell the endometrial system.

The '348 patent expired in November 2018. In April 2019, the U.S. Court of Appeals for the Federal Circuit affirmed the board's decision invalidating the '183 patent. One month later, the district court denied Hologic's motion to enjoin, finding it moot in light of the Federal Circuit's affirmance. With the '348 patent expired and the '183 patent held invalid, Minerva Surgical was free to sell the endometrial system without fear of infringement.

Hologic appealed, complaining that Minerva Surgical circumvented assignor estoppel by using the board's decision to undermine the district court's summary judgment order. But the Federal Circuit's hands were tied because in 2018, the Federal Circuit held in Arista Networks Inc. v. Cisco Systems Inc. that assignor estoppel does not apply in PTAB proceedings.[11] The Federal Circuit denied Hologic's appeal, finding the board's decision dispositive.[12]

U.S. Circuit Judge Kara Farnandez Stoll, who authored the Federal Circuit's opinion, wrote separately to highlight and question the peculiar circumstances of the case. Judge Stoll wrote:

> Our precedent thus presents an odd situation where an assignor can circumvent the doctrine of assignor estoppel by attacking the validity of a patent claim in the Patent Office, but cannot do the same in district court. Do the principles underlying assignor estoppel — unfairness in allowing one who profited from the sale of the patent to attack it — apply in district court but not in Patent Office proceedings?

The Supreme Court granted certiorari on Jan. 8, 2021. Based on the arguments that are being presented, here is how the court may potentially handle the case.

Option 1: Abandon Assignor Estoppel for Patent Transfers

A threshold inquiry for the court to resolve is whether estoppel should apply to patent assignments. In 1969, the court in Lear Inc. v. Adkins[13] abrogated estoppel for patent licenses. In doing so, according to comments by the Federal Circuit, the court "cast some doubt on [assignor estoppel's] continued viability."[14]

And even though Lear related to a patent license, and not a patent assignment, the Federal Circuit has stated that the decision "sapped much of the vitality, if not the logic, from the assignment estoppel doctrine as well."[15]

Aligning the PTAB and District Courts

According to Minerva Surgical, repudiating estoppel for patent assignments would align PTAB proceedings and district court litigation. As Judge Stoll noted, the Federal Circuit in Arista Networks affirmed the PTAB decision that assignor estoppel does not apply in IPR proceedings.[16] Both the board and Federal Circuit in Arista Networks cited the text and

plain language of the Patent Act to determine that Congress did not intend for assignor estoppel to apply in the IPR context.[17]

In its brief, Minerva Surgical argues that a textualist reading of the patent laws appears to foreclose the doctrine's application in district court, as well. Minerva Surgical maintains that assignor estoppel is in tension with the language of the Patent Act, which provides that invalidity "shall be [a defense] in any action involving the validity or infringement of a patent."[18] If the court accepts this argument,[19] it could announce the end of the doctrine's application to patent assignments in both forums.

Alternatively, the court can take the opposite view and announce that the doctrine applies in all forums, including IPR proceedings. To do so, however, the court would need to overrule the Federal Circuit's determination in Arista Networks that the inconsistency between forums reflects an intentional congressional choice.[20]

Clarifying the Court's Precedent

Considerable debate centers on the court's application of assignor estoppel in the patent context. So, however it decides, the court will likely view Minerva Surgical as an opportunity to clarify its precedent.

The court first addressed estoppel for patent assignments in 1924, in Westinghouse Electric & Manufacturing Co. v. Formica Insulation Co.[21] There, the court permitted the inventor-assignor to introduce prior art to construe and narrow the claims of the patent but not to question the patent's validity.[22] The Formica court recognized that introducing prior art to prove noninfringement, but not invalidity, was a "nice" and "workable" distinction.[23]

Hologic sees Formica as decisive and as a clear affirmation of assignor estoppel.[24] But Minerva Surgical points to a 1945 Supreme Court case — Scott Paper Co. v. Marcalus Manufacturing Co.[25] — to argue that Formica was "choked to death."[26] In Scott Paper, an inventor-assignor argued that his allegedly infringing product was a copy of an expired patent in the prior art.[27]

After calling the distinction outlined in Formica a "logical embarrassment,"[28] the court held that an inventor-assignor, like all members of the public, may use technology in the public domain.[29] Still, the court did not expressly overrule Formica.[30] Justice Felix Frankfurter dissented, lamenting that if the court is to repudiate assignor estoppel, "it is better to do so explicitly, not by circumlocution."[31]

When the Federal Circuit first took up assignor estoppel it determined that there was uncertainty surrounding the doctrine post-Scott Paper.[32] In the face of this uncertainty, the Federal Circuit concluded that public policy calls for the doctrine's application.[33]

If the court chooses to abandon assignor estoppel in Minerva Surgical, it will likely seek to reconcile its decision with its precedent and may need to meet Justice Frankfurter's recommendation that it repudiate the doctrine explicitly if it is going to do so.

Option 2: Delineating the Doctrine's Contours

If the court chooses to save estoppel for patent assignments, it will likely define the doctrine's contours. Both parties expressed confusion surrounding (1) who is in privity with the inventor-assignor, and (2) the scope of the property assigned.

Who is in Privity?

Critics of assignor estoppel complain that the Federal Circuit has expanded the doctrine from its roots.[34] They point to Shamrock Technologies Inc. v. Medical Sterilization Inc.,[35] in which the Federal Circuit announced a list of factors for determining whether privity exists.[36] The petitioner and supporting amici complain that lower courts have used the Shamrock factors to cast an increasingly wide privity net.[37]

For instance, in MAG Aerospace Industries Inc v. B/E Aerospace Inc.,[38] the Federal Circuit held in 2016 that assignor estoppel applied to a company even though it had already produced the allegedly infringing product before hiring the inventor-assignor.[39]

While Minerva Surgical does not itself raise a difficult issue of privity — Truckai founded and led Minerva Surgical — the court will likely clarify the doctrine's boundaries to help limit the types of parties who cannot raise invalidity as a defense.

Patent Applications v. Issued Patents

The Formica court raised a concern that has since been cited when applying estoppel to the assignment of a patent application versus an issued patent. The court wrote:

> It is apparent that the scope of the right conveyed in such an assignment is much less certainly defined than that of a granted patent, and the question of the extent of the estoppel against the assignor of such an inchoate right is more difficult to determine than in the case of a patent assigned after its granting. When the assignment is made before patent, the claims are subject to change by curtailment or enlargement by the Patent Office with the acquiescence or at the instance of the assignee and the extent of the claims to be allowed may ultimately include more than the assignor intended to claim.[40]

This is an issue in Minerva Surgical. Truckai assigned a patent application to NovaCept, which was later prosecuted and amended by Hologic. Minerva Surgical argues in its briefs that Hologic expanded the patent's claims through amendments and that the added claims were separate from what Truckai had initially invented.[41]

Indeed, when Hologic asked Truckai to sign a declaration in connection with its continuation application, Truckai refused, telling Hologic that he had not invented what was claimed.[42]

The Federal Circuit found Minerva Surgical's arguments unpersuasive, holding that it is irrelevant that the assignee later amended the patent application's claims.[43] The court justified this decision on the basis that Minerva Surgical could introduce prior art to prove noninfringement.[44]

But critics of assignor estoppel argue that the promise of allowing prior art to narrow the scope of patent claims is illusory.[45] The court will likely determine whether introducing prior art appropriately protects the assignor-inventor from the doctrine reaching subject matter introduced post-assignment.

More importantly, though, the Supreme Court may want to clarify whether the concerns raised in Formica still apply in today's patent prosecution environment, because amendments made by an assignee cannot add any new matter to the invention disclosed.[46]

Conclusion

What happens when contract and common law principles of fair dealing are said to conflict with the policy of securing free access to unpatentable inventions? This is the core issue in Minerva Surgical.

Hologic has time on its side: For centuries, courts have applied assignor estoppel in various legal contexts, including patent assignments. But opponents of assignor estoppel argue that Supreme Court precedent is not so clear and has resulted in continued uncertainty surrounding the doctrine's application.

Minerva Surgical hopes the present court will apply a strict textualist approach and explicitly repudiate the doctrine once and for all. If it does, the court will need to explain how contract law and tort law fill in the gaps, ensuring that an inventor-assignor cannot sell her rights in a patent for valuable consideration, only later to assert that what she sold is worthless.

None of the parties would seem to doubt that courts should prevent this unfairness and injustice. The question then becomes, how?

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[1] Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co., 266 U.S. 342, 350 (1924) ("The analogy between estoppel in conveyances of land and estoppel in assignments of a patent right is clear. If one lawfully conveys to another a patented right to exclude the public . . . fair dealing should prevent him from derogating from the title he has assigned").

[2] Lear, Inc. v. Adkins, 395 U.S.653, 663 (1969); Scott Paper Co. v. Marcalus Mfg. Co., 326 U.S. 249, 259 (1945) ("The obvious implications of fair dealing in commercial transactions have been part of our law for at least a hundred years. And it would be surprising indeed if the law made a difference whether what was purported to be sold was a diamond, or a secret process for manufacturing a commodity, or a patented machine.").

[3] Diamond Sci. Co. v. Ambico, Inc., 848 F.2d 1220, 1224 (Fed. Cir. 1988).

[4] Kimble v. Marvel Entertainment, LLC, 576 U.S. 446, 452 (2015) ("[A]n unpatentable article [] is in the public domain and may be made or sold by whoever chooses to do so"); Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found., 402 U.S. 313, 349-50 (1971) ("[T]he holder of a patent should not be insulated from the assertion of defenses and thus allowed to exact royalties for the use of an idea that is not in fact, patentable or that is beyond the scope of the patent monopoly granted."); Edward Katzinger Co. v. Chicago Metallic Mfg. Co., 329 U.S. 394, 401 (discussing "the interest of the public fostered by freedom from invalid patents").

[5] Mark A. Lemley, Rethinking Assignor Estoppel, 54 Hous. L. Rev. 513, 525-26 (2016).

[6] Brief for Petitioner at 35-36, Minerva Surgical v. Hologic, Inc. (No. 20-440) (citing Office

of Chief Economist, The USPTO Patent Assignment Dataset 7-8, 16, 27, 30 (U.S. Patent & Trademark Office, Working Paper No. 2015-2, July 2015)), available at: www.uspto.gov/sites/default/files/documents/USPTO_Patents_Assignment_Dataset_WP.pdf.

[7] See Lemley, supra note 5; see also Brief of Intellectual Property Professors as Amici Curiae Supporting Petitioner, Minerva Surgical, Inc. v. Hologic, Inc. (No. 20-440), 2020 WL 6699925; Brief of Engine Advocacy as Amici Curiae Supporting Petitioner, Minerva Surgical, Inc. v. Hologic, Inc. (No. 20-440), 2020 WL 6699924.

[8] The facts and background recited herein are compiled from court opinions issued during the course of the litigation. See Hologic, Inc. v. Minerva Surgical, Inc., 957 F.3d 1256 (Fed. Cir. 2020); Hologic, Inc. v. Minerva Surgical, Inc., No. 1:15-cv-1031, 2019 WL 1958020 (D. Del. May 1, 2019); Hologic, Inc. v. Minerva Surgical, Inc., 764 Fed. App'x 873 (Fed. Cir. 2019); Hologic, Inc. v. Minerva Surgical, Inc., 325 F.Supp.3d 507 (D. Del. 2018).

[9] Brief for the Petitioner, supra note 6. at 3; see also Lucy Whitaker, Abnormal Uterine Bleeding (Jul. 2016), available at: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4970656/ (providing that AUB annually impacts 14-25% of reproductive age women).

[10] The '183 patent discloses a system and method for treating AUB. The '348 patent discloses an apparatus for treating AUB.

[11] Arista Networks, Inc. v. Cisco Sys., Inc., 908 F.3d 792 (Fed. Cir. 2018).

[12] Hologic, Inc., 957 F.3d at 1266.

[13] 395 U.S. 65 (1969).

[14] Arista Networks, Inc., at 802.

[15] Id. (quoting Diamond Sci., 848 F.2d at 1223).

[16] Id.

[17] Id. at 803.

[18] 35 U.S.C. § 282(b).

[19] See Arista Networks, Inc., at 803 (providing that where "the statutory language is plain, [courts] must enforce it according to its terms.").

[20] Id. at 804.

[21] 266 U.S. 342 (1924).

[22] Id. at 351 ("Of course, the state of the art cannot be used to destroy the patent and defeat the grant, because the assignor is estopped to do this. But the state of the art may be used to construe and narrow the claims of the patent, conceding their validity.").

[23] Id.

[24] Brief for Respondents at 15-18, Minerva Surgical v. Hologic, Inc. (No. 20-440).

[25] 326 U.S. 249 (1945).

[26] Brief for Petitioner, supra note 6, at 21.

[27] Id. at 253.

[28] Id.

[29] Id. at 254

[30] Id. ("To whatever extent that doctrine may be deemed to have survived the Formica decision or to be restricted by it, we think that case is not controlling here.").

[31] Id. at 264 (Frankfurter, J., dissenting).

[32] Diamond Scientific Co., 848 F.2d at 1223. But see Edward Katzinger Co., 329 U.S. at 400-01 ("In Scott Paper Co. v. Marcalus Mfg. Co., 326 U.S. 249, 66 S.Ct. 101, it was held that even an assignor who had sold a patent issued to itself was free to challenge the validity of the patent and thereby defeat an action for infringement . . .").

[33] Id. at 1224.

[34] Lemley, supra note 5, at 519.

[35] Shamrock Technologies, Inc. v. Medical Sterilization Inc., 903 F.2d 789 (Fed. Cir. 1990).

[36] See MAG Aerospace Indus., Inc. v. B/E Aerospace, Inc., 816 F.3d 1374, 1380 (Fed. Cir. 2016) (describing how privity is determined "upon a balance of the equities"). The factors are: (1) the assignor's leadership role at the new employer; (2) the assignor's ownership stake in the defendant company; (3) whether the defendant company changed course from manufacturing non-infringing goods to infringing activity after the inventor was hired; (4) the assignor's role in the infringing activities; (5) whether the inventor was hired to start the infringing operations; (6) whether the decision to manufacture the infringing product was made partly by the inventor; (7) whether the defendant company began manufacturing the accused product shortly after hiring the inventor; and (8) whether the inventor was in charge of the infringing operations.

[37] Lemley, supra note 5, at 521 (noting that the Federal Circuit has never found a company to not be in privity when applying the Shamrock Factors).

[38] 816 F.3d 1374.

[39] Id. at 1380.

[40] Formica, 266 U.S. at 353.

[41] Brief for Petitioner, supra note 6, at 13.

[42] Id.

[43] Hologic, Inc, 957 F.3d at 1268.

[44] Id. at 1269.

[45] Lemley, supra note 5, at 522-23 (citing Phillips v. AWH Corp., 415 F.3d 1303, 1327 (Fed. Cir. 2005) (en banc) (providing that claims should be construed to preserve their validity only as a last resort)).

[46] 37 C.F.R. 1.121(f) ("No amendment may introduce new matter into the disclosure of an application.").