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## *U.S. Supreme Court "Polices" the Boundaries of Assignor Estoppel*

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The U.S. Supreme Court ruled today in *Minerva Surgical v. Hologic* that the doctrine of assignor estoppel applies when, *but only when*, the assignor's claim of invalidity contradicts explicit or implicit representations the assignor made in assigning the patent. Opinion at 1, 5. In so holding, the Court reaffirmed its 1924 decision in *Westinghouse v. Formica* and found the Federal Circuit had failed to recognize the common-law equitable boundaries of assignor estoppel. The Court noted that the doctrine would not apply to employee agreements where an employee prospectively assigns to the employer patent rights in "future inventions" developed during the course of the employment.

### Background

*Minerva Surgical v. Hologic* addressed the proper application of assignor estoppel, a centuries-old doctrine that precludes assignors and their privies from later attacking the validity of the patent rights they assign. The case reached the Supreme Court with the doctrine coming under increasing scrutiny, as today's employers typically require employees to assign their future inventions as part of standard-form contracts at the outset of the employment. Over the past 25 years, over 80% of patent transfers occurred via such employment agreements.

The scenario in *Minerva Surgical v. Hologic* involved an inventor who assigned his interest in a patent application to a company he founded. Those patent rights were later sold and eventually acquired by Hologic, which filed a continuation application that included new claims not present in the original application. The inventor had since founded a new company, Minerva Surgical, which was sued by Hologic for patent infringement. Minerva argued that one of the claims first included in the continuation application was invalid for lack of written description because it went beyond the scope of the inventor's specification. The district court rejected Minerva's invalidity defense on the basis of assignor estoppel and the Federal Circuit affirmed.

### Holding

The Supreme Court vacated the Federal Circuit's decision, holding that assignor estoppel "should apply only when its underlying principle of fair dealing comes into play." Opinion at 14. The Court's chief concern was to ensure the doctrine only applies in the context of patent assignments when an assignor "warrants that a patent is valid." *Id.* But when the assignor has made neither explicit nor implicit representations in conflict with an invalidity defense, there is no unfairness in asserting this defense. *Id.* The Court found that the Federal Circuit had applied the doctrine "too expansively" and stated that its holding was meant to "police the doctrine's boundaries." *Id.* at 9, 11, 14 ("Just as we guarded the

doctrine's boundaries in the past, so too we do so today.") (internal citations omitted). The Court remanded to the Federal Circuit to answer the question of whether the challenged claim was "materially broader" than the claims assigned by the inventor. Based on the Court's holding, if that claim is found to be materially broader, then assignor estoppel will not apply to bar the invalidity defense.

Today's holding rested on a finding that assignor estoppel is a "well settled" rule and that it applies to the Patent Act like other common-law preclusion doctrines, such as equitable estoppel, collateral estoppel, and res judicata. *Id.* at 7, 10. The principal dissent disagreed, finding assignor estoppel "differs markedly" from these other preclusion doctrines. Dissent, at 11 ("It is more recent and far shakier."). The dissent concluded that assignor estoppel was not carried over into the Patent Act of 1952 and therefore does not apply to patent assignments. *Id.* at 12.

### Going Forward

Looking ahead, the Court carved out important exceptions to the application of assignor estoppel for patent assignments. First and perhaps most importantly, the Court made clear that the doctrine does not apply to future inventions covered by a "common employment arrangement," wherein an employee assigns patent rights in future inventions developed during the employment. Opinion, at 15.

Next, the Court announced that the doctrine does not apply when an assignee amends the claims in a patent application to the point where the amended claims are "materially broader" than what the inventor had originally assigned. The Court did not make clear, however, what constitutes a "materially broader" patent claim.

Finally, the Court noted that "a later legal development," such as a change to the governing law, may invalidate a warranty provided as part of an earlier assignment. Opinion, at 15. This would occur if the change to the law makes it "so that previously valid patents become invalid." *Id.* The Court did not provide much detail, however, regarding what sort of change in the governing law would trigger this effect; whether changing case law would be sufficient or a change in statutory law would be required. Fleshing out these and other effects of the decision in *Minerva Surgical v. Hologic* will be up to the Federal Circuit and district courts moving forward.



*If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings lawyers:*

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