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Federal Circuit Friday

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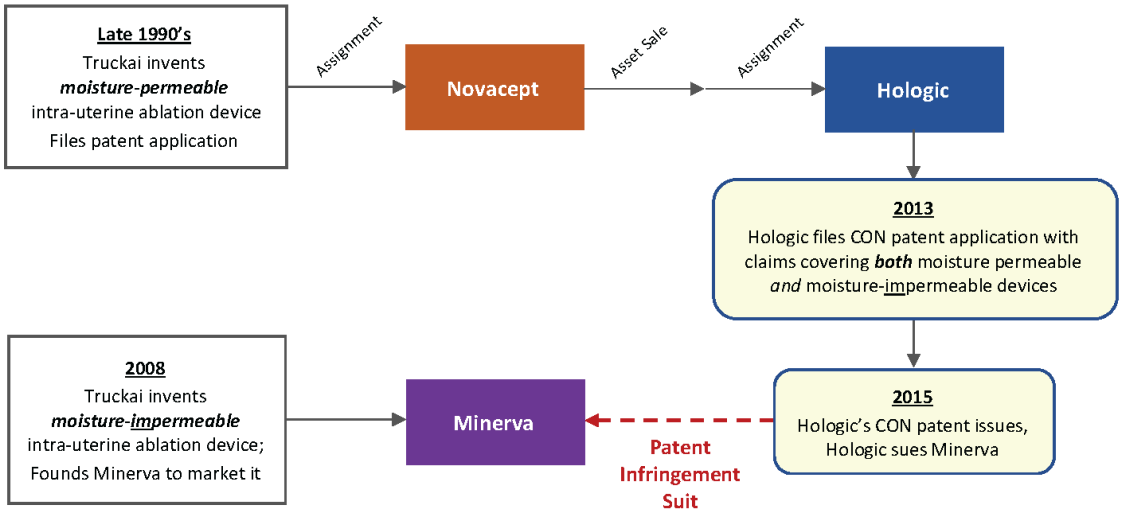
When the US Supreme Court hands down an intellectual property decision, Federal Circuit Friday temporarily becomes "Supreme Court Friday."

On June 29, the Supreme Court decided *Minerva v. Hologic,* in which it returned "assignor estoppel" to its equitable roots by strictly limiting its applicability to situations where "an invalidity defense in an infringement suit conflicts with an explicit or implicit representation made in assigning patent rights."

Background: Facts & The Issue

The case involves the common assignor estoppel scenario of an inventor who developed technology at one company and then moved on to develop technology in the same field at another company:



The issue was whether assignor estoppel barred Minerva[1] from challenging the validity of the broadened Hologic-owned CON patent (*e.g.,* on written description grounds). The Federal Circuit held that assignor estoppel applied despite Hologic's post-assignment claim broadening. Minerva appealed.

Background: Relevant Black Letter Law

1. Assignor Estoppel
   a. General rule: Assignor estoppel is "an equitable doctrine that prohibits an assignor of a patent or patent application, or one in privity with him, from attacking the validity of that patent when he is sued for infringement by the assignee."[2]

[1] The estoppel on Minerva's challenge to the patent's validity is based on (1) Truckai's status as assignee of the late 1990's patent application that ultimately yielded Hologic's patent-in-suit; and (2) Truckai's status as founder of Minerva.

[2] *Diamond Scientific Co. v. Ambico, Inc.*, 848 F.2d 1220, 1224 (Fed. Cir. 1988); *see also Mag Aerospace Industries v. B/E Aerospace,* 816 F.3d 1374, 1379-80 (Fed. Cir. 2016) (same). The Supreme Court expressly approved of the "well-settled" doctrine of assignor estoppel in *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U. S. 342, 349 (1924).

i. Fairness-based – "an assignor should not be permitted to sell something and later to assert that what was sold is worthless, all to the detriment of the assignee."[3]

ii. Standard of review = abuse of discretion.[4]

b. Applicability.

i. Rebuttable presumption of applicability whenever an assigning inventor (or their privy, see below) seeks to challenge validity of the assigned patent.[5]

ii. That only a patent application, as opposed to an issued patent, is assigned is not relevant – even where the assignee subsequently amends the claims.[6]

iii. Privity – those in privity with an estopped assigning inventor are also estopped from challenging validity.[7] Whether an entity is in privity with an estopped assigning inventor depends on the closeness of their relationship.[8]

c. Exceptions; limitations.

i. In general, need exceptional circumstances to avoid.[9]

ii. Does not apply in *inter partes* reviews because Congress indicated in the plain language of 35 USC § 311(a). that assignor estoppel does not apply.[10]

iii. Does not preclude application of collateral estoppel (*e.g.,* where one or more claims of the patent-in-suit is found invalid in another proceeding).[11]

iv. Can contract around the doctrine (*e.g.,* by expressly reserving right to challenge validity or disclaiming application of assignor estoppel – mere disclaimer of warranties relating to validity has been held not sufficient to avoid assignor estoppel).[12]

v. Inequitable conduct by assignee can preclude application of assignor estoppel.[13]

vi. Does not prevent assigning inventor (and those in privity) from arguing for narrower claim construction to avoid infringement.[14]

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[3] *Diamond Scientific,* 848 F.2d at 1224 (also explaining that "it is the implicit representation by the assignor that the patent rights that he is assigning (presumably for value) are not worthless that sets the assignor apart from the rest of the world and can deprive him of the ability to challenge later the validity of the patent.").

[4] *MAG Aerospace,* 816 F.3d at 1376.

[5] *Mentor Graphics Corp. v. Quickturn Design Systems, Inc.,* 150 F.3d 1374, 1378 (Fed. Cir. 1998) ("Due to the intrinsic unfairness in allowing an assignor to challenge the validity of the patent it assigned, the implicit representation of validity contained in an assignment of a patent for value raises the presumption that an estoppel will apply. Without exceptional circumstances (such as an express reservation by the assignor of the right to challenge the validity of the patent or an express waiver by the assignee of the right to assert assignor estoppel), one who assigns a patent surrenders with that assignment the right to later challenge the validity of the assigned patent.").

[6] *E.g., Diamond Scientific,* 848 F.2d at 1226 ("It is also irrelevant that, at the time of the assignment, Dr. Welter's patent applications were still pending and the Patent Office had not yet granted the patents. What Dr. Welter assigned were the rights to his inventions. That Diamond may have later amended the claims in the application process (a very common occurrence in patent prosecutions), with or without Dr. Welter's assistance, does not give appellants' arguments against estoppel any greater force.").

The Federal Circuit relied on this Federal Circuit precedent to determine that Hologic's post-assignment claim broadening was not relevant to whether assignor estoppel applied. The Federal Circuit applied assignor estoppel to Minerva because (i) it was irrelevant that Truckai's patent application was still pending at the time of the assignment and that Hologic unilaterally broadened the claims post-assignment; and (ii) Minerva was nevertheless allowed to argue for a narrow claim construction to avoid infringement. *Hologic v. Minerva,* 957 F.3d 1256, 1268-69 (Fed. Cir. 2020).

[7] *E.g., Diamond Scientific,* 848 F.2d at 1224 (the "estoppel also operates to bar other parties in privity with the assignor, such as a corporation founded by the assignor.").

[8] *E.g., Shamrock Technologies, Inc. v. Medical Sterilization, Inc.,* 903 F.2d 789, 793-94 (Fed. Cir. 1990). Factors include the assignor's leadership role and ownership stake at the new employer, the assignor's role in the infringing activities, etc. *Id.*

[9] *Mentor Graphics,* 150 F.3d at 1378. *See* n.5, above.

[10] *Arista Networks v. Cisco Systems*, 908 F.3d 792, 804 (Fed. Cir. 2018) (By referring to "a person who is not the owner of a patent," Congress unambiguously indicated that "an assignor, who is no longer the owner of a patent, may file an IPR petition as to that patent.").

[11] *Mentor Graphics,* 150 F.3d at 1379.

[12] *See, e.g., Mentor Graphics,* 150 F.3d at 1378 (Fed. Cir. 1998) (Describing "an express reservation by the assignor of the right to challenge the validity of the patent or an express waiver by the assignee of the right to assert assignor estoppel" as sufficient to preclude application of assignor estoppel).

[13] *Shamrock Technologies,* 903 F.2d at 795 ("in a proper case, general principles of equity may preclude use of assignor estoppel to bar a viable inequitable conduct defense arising from post-assignment events" because "one may not profit from his own fraud").

[14] *Diamond Scientific*, 848 F.2d at 1222 (citing *Westinghouse Elec. Mfg. Co. v. Formica Insulation Co*., 266 U.S. 342 (1924)).

What *Minerva* Adds or Changes:

The Majority Opinion held that "[a]ssignor 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."

The Federal Circuit exceeded the proper limits of assignor estoppel by deeming irrelevant the question of "whether Hologic's new claim is materially broader than the ones Truckai assigned." If the broadened claim is materially different than the claims pending or contemplated by Truckai at the time of assignment, then Truckai made no representation of validity as to them and there is no "conflict" or "inconsistency" to justify assignor estoppel.

The Court vacated the Federal Circuit's decision and remanded for further proceedings (*i.e.,* for a more nuanced analysis of whether assignor estoppel applies under the facts of the case).

Overview of the Majority's Reasoning:

- Should assignor estoppel be eliminated entirely? ***No***.
  - The 1952 Patent Act did not abrogate the equitable doctrine of assignor estoppel.
    - First, the language of the 1952 statute upon which Minerva relies (that invalidity "shall be" a defense to patent infringement) was, in similar form, found in the patent statute extant at the time of the earliest Supreme Court case (*Westinghouse*) approving of assignor estoppel. Not only is Minerva's argument undermined by a lack of material change in the 1952 statute, it is also "untenable because it would foreclose applying in patent cases a whole host of common-law preclusion doctrines—not just assignor estoppel, but equitable estoppel, collateral estoppel, res judicata, and law of the case."
    - Second, by 1952 assignor estoppel was" a background principle of patent adjudication" against which Congress adopted the 1952 Patent Act and which Congress expected to apply "except when a statutory purpose to the contrary is evident." As to assignor estoppel, "Congress gave no indication of wanting to terminate it or disturb its development. Nor has Congress done so since that time."
  - Post-*Westinghouse* Supreme Court cases may have raised questions about or limited application of assignor estoppel, but they did not abolish it.
    - *Scott Paper Co. v. Marcalus Mfg. Co.*[15] "did nothing more than decline to apply assignor estoppel in a novel and extreme circumstance," where application would inequitably prohibit the inventor from making and selling a device that had already come off patent and entered the public domain. Moreover, the Court "restated the 'basic principle' animating assignor estoppel, describing it as 'one of good faith, that one who has sold his invention may not, to the detriment of the purchaser, deny the existence of that which he has sold.'"
    - *Lear, Inc. v. Adkins*[16] abolished licensee estoppel (on the grounds that a licensee gives "no assurances of the patent's worth" and has merely "purchase[d] the right to use a patented device—which, if the patent is invalid, he need not have done") but explained that "the patent holder's 'equities' in the assignment context 'were far more compelling than those presented in the typical licensing arrangement.'"
  - Present-day public policy "to weed out bad patents" does not support eliminating assignor estoppel because "the core of assignor estoppel" is "justified on the fairness grounds that courts applying the doctrine have always given."
    - "By saying one thing and then saying another, the assignor wants to profit doubly—by gaining both the price of assigning the patent and the continued right to use the invention it covers."
    - "That course of conduct by the assignor strikes us, as it has struck courts for many a year, as unfair dealing—enough to outweigh any loss to the public from leaving an invalidity defense to someone other than the assignor."
- But, application of assignor estoppel should be bounded by its equitable foundations.
  - "Assignor estoppel should apply only when its underlying principle of fair dealing comes into play."
  - "That principle . . . demands consistency in representations about a patent's validity: What creates the unfairness is contradiction. When an assignor warrants that a patent is valid, his later denial of validity breaches norms of equitable dealing."
  - Examples of where the fairness underpinnings of assignor estoppel are *not* implicated:

[15] 326 U.S. 249 (1945)

[16] 395 U.S. 653 (1969).

- "[W]hen the assignment occurs before an inventor can possibly make a warranty of validity as to specific patent claims," assignor estoppel will not apply. The typical employee assignment of future inventions "contains no representation that a patent is valid. How could it? The invention itself has not come into being."
- "[W]hen a later legal development renders irrelevant the warranty given at the time of assignment," assignor estoppel will not apply. If an assignment is conveyed and "the governing law then changes, so that previously valid patents become invalid[, t]he inventor may claim that the patent is invalid in light of that change in law without contradicting his earlier representation. What was valid before is invalid today, and no principle of consistency prevents the assignor from saying so."
- When there is "a change in patent claims" the rationale for applying assignor estoppel can disappear. New claims submitted by the assignee may "go beyond what 'the assignor intended' to claim as patentable." "Assuming that the new claims are materially broader than the old claims, the assignor did not warrant to the new claims' validity. And if he made no such representation, then he can challenge the new claims in litigation: Because there is no inconsistency in his positions, there is no estoppel."

- The Federal Circuit's mistake:
  - Minerva (in privity with Truckai) "was challenging a claim that [it asserted] was materially broader than the ones Truckai had assigned."
  - The Federal Circuit "declined to consider that alleged disparity. Citing circuit precedent, the court held it 'irrelevant' whether Hologic had expanded the assigned claims" and precluded Minerva from contesting the new claim's validity.
  - The Federal Circuit erred because "[i]f Hologic's new claim is materially broader than the ones Truckai assigned, then Truckai could not have warranted its validity in making the assignment. And without such a prior inconsistent representation, there is no basis for estoppel."

Principal Dissent (Justice Barrett, with Justices Thomas & Gorsuch):

In summary, Justice Barrett would abolish assignor estoppel completely, on the grounds that (i) the "Patent Act of 1952 sets forth a comprehensive scheme for the creation and protection of patent rights," but (ii) "it nowhere mentions the equitable doctrine of assignor estoppel," and (iii) "where the Act does address invalidity defenses, it states that invalidity 'shall' be a defense 'in any action involving the validity or infringement of a patent' . . . [with] no exception for actions in which the inventor is the defendant."[17]

Justice Alito's Dissent:

Justice Alito asserts that the continued vitality of the doctrine of assignor estoppel cannot be decided "without deciding whether *Westinghouse* . . . should be overruled." He criticizes both the Majority and the Principal Dissent for avoiding that issue.

- Justice Alito accuses the Majority of "read[ing] into statutes words that aren't there," where "not one word in the patent statutes supports assignor estoppel, and the majority does not claim otherwise."
- He accuses the Principal Dissent of "unprecedented and troubling" reasoning in suggesting that "*Westinghouse* was based on an interpretation of the 1870 Patent Act" (such that a change in the 1952 Act could support abrogating assignor estoppel) and applying a too-low bar for Congressional abrogation in which "a decision of this Court interpreting a statutory provision is abrogated whenever a change in the language of the statute provides some degree of support for a different interpretation" (where "Legislative revision of law clearly established by judicial opinion ought to be by express language or by unavoidably implied contradiction"[18]).

[17] Quoting 35 USC § 282.

[18] Notably citing one of my go-to treatises (which has been cited in several Federal Circuit Fridays): A. SCALIA & B. GARNER, READING LAW: THE INTERPRETATION OF LEGAL TEXTS 322 (2012).