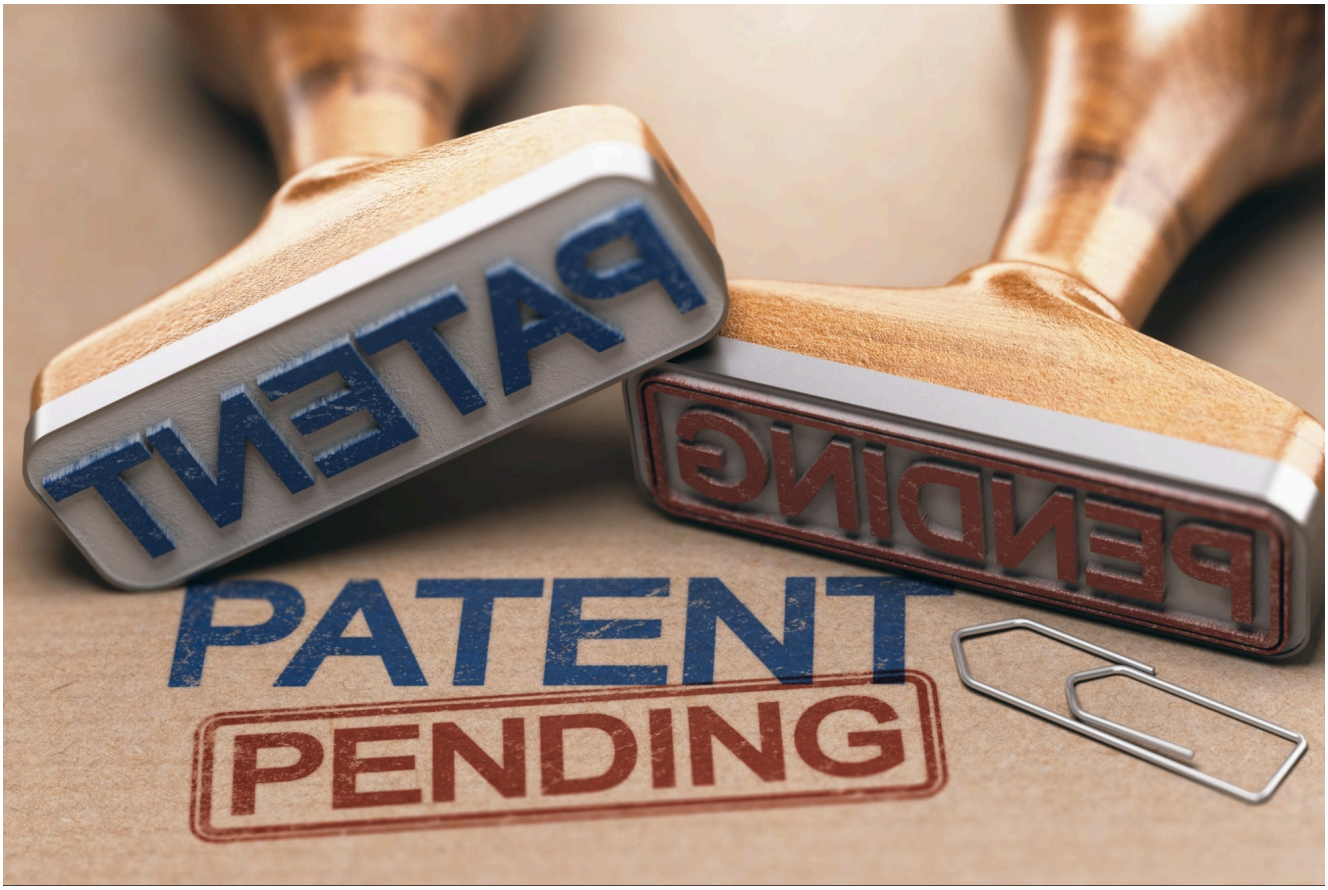
A Potential and Unintended Consequence of 'Routine' Patent Assignments



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Patents and patent applications are frequently assigned from one entity to another, for example between inventors and their employers or between companies seeking to collaborate on a project. Like any other contract, there are occasionally disputes between the parties regarding the agreement. These instances may reflect different intentions or understandings at the time the agreement was entered into or may come about as interests diverge over time. Some of these disputes have found their way to the Supreme Court. For example, the Court has held that an inventor must expressly grant their rights regarding an invention, and that standard employment-agreement language that includes a promise to assign future inventions

did not result in an immediate assignment of future inventions and could be superseded by an assignment using present-tense language.

A recent decision of the Supreme Court draws attention to another issue that may arise with a "routine" patent assignment. In this case, limits of the judicially created doctrine of assignor estoppel was pivotal. The doctrine has been long understood to prevent one from asserting that the patent they assigned is invalid, because the requirements of good faith and fair dealing between contracting parties should prevent one from selling something for value and later asserting that what was sold is worthless.

The Supreme Court's 2021 *Minerva Surgical, Inc. v. Hologic, Inc.* decision addressed when the estoppel applies, holding that assignor estoppel is invoked only where an invalidity claim contradicts an explicit or implicit representation in the assignment that the patent was valid. Otherwise, the principle of fair dealing does not come into play. The Court noted several examples where the estoppel might not arise.

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Assignment of future inventions

The first occasion noted by the Court was the assignment of inventions not yet made. This type of assignment might occur when an employee signs an agreement at the onset of employment that assigns all future inventions and patent applications to the employer. The employee cannot warrant that any claims covering future applications resulting from their work are valid, as the inventions have not yet been made and the claims have not yet been drafted or prosecuted.

Post-assignment changes in patent law

When a significant shift in patent law occurs following an assignment, either by the passage of a new statute or through a change in the interpretation of the patent laws, the doctrine also might not apply, at least with respect to the part of the law that changed. One such instance would be the Supreme Court's 2014 *Alice* decision that set a new framework for analyzing patent eligibility for computer-implemented inventions. The validity of a patent in this field may well have been changed through the application of this new framework, and an inventor who assigned prior to the *Alice* decision could not have been expected to anticipate such a change and warrant that the claims were valid under the new framework.

Patent claims that were broadened by the assignee

A third exception to application of the doctrine is exemplified in the *Minerva* case. Here, an inventor assigned a patent application to his company, which later assigned it to Hologic. When the inventor opened a new business, Minerva Surgical, to make and sell an improvement on the previously assigned invention, Hologic amended the claims of the assigned patent application to cover the new product. After the patent issued, Hologic sued Minerva for patent infringement, and Minerva then challenged the validity of the patent. Hologic then invoked assignor estoppel to argue that Minerva could not challenge the validity of the patent.

The Supreme Court upheld the principle of assignor estoppel in the abstract, but placed limitations on its application. The Court stated that where a patent application is assigned without foreknowledge of the scope of the claims that would

issue, an inventor cannot be held to have attested to the validity of any claim broader than, or significantly different than, those of the application at the time of the assignment. Should the claims be narrowed, estoppel would still apply, as they would fall within the scope of the intellectual property known to be assigned. The Court then remanded the case for consideration of whether Hologic's claim was materially broadened beyond the claims of the assigned patent application.

On remand, the Federal Circuit pointed out the trap that the Supreme Court's holding leaves for inventors. Patent applications are typically written to claim an invention as broadly as the known prior art permits, but having filed broad claims, inventors who assign pending applications might find themselves estopped to argue invalidity of the claims that ultimately issue regardless of how the claims were changed after the assignment, because they will still fall within the scope of the claims as filed and assigned. Consideration should therefore be given to the breadth of claims filed in an application that is likely to be assigned, particularly where the assignee is or is likely to become a competitor of the inventor/assignor.

Entities to whom the estoppel applies

The *Minerva* case did not address the degree of affiliation necessary for the estoppel to apply, leaving untouched the Federal Circuit's "privity" analysis. Under that precedent, estoppel applies to each assignor and to everyone in privity with each assignor, with privity being determined by balancing the equities. Generally, if an assignor has a financial interest in the success of the accused activity, either directly or through an ownership stake in the defendant, or participates in the development of the allegedly infringing

product or service, estoppel will apply.

If an employee assigned an invention to their employer, both the employee and the employer, and those in privity, would be estopped from challenging validity. In the *Minerva* case, Minerva was identified by the Court as the "alter-ego" of the assignor, who founded Minerva following the assignment of the relevant application. Other cases have found privity, and thus estoppel, where an inventor/assignor had been hired to work on the technology of the subject patents and had become a vice president and general manager of the division responsible for making the accused products; where an assignor is a principal stockholder, president and general manager of the accused infringer; where an assignor held control over the accused corporation despite lacking voting control of the corporation; where an assignor was married to a partner in the accused entity; and where an assignor provided knowledge and assistance in the accused conduct. Estoppel has been applied where the inventor/assignor was not an employee but consulted directly on the accused activity. On the other hand, hiring an inventor/assignor as a mere employee, with no ownership or control and with no input in the accused activity, may not result in an estoppel.

Consideration supporting estoppel

One question is whether the doctrine will be applied in circumstances where the assignor received little or no consideration for the assignment. Many employment contracts require employees to assign their inventions to their employers for some minimal amount or even as a condition of employment; likewise, many standard patent assignments refer to some unspecified "good and valuable consideration," in which the receipt and sufficiency is acknowledged. The Federal Circuit has determined that employment, salary and/or bonuses are valid consideration for estoppel to apply, so inventors who are subject to such a contract will likely be unable to

challenge the validity of their assigned patents.

What assignor estoppel does not prohibit

While an assignor may not be able to challenge the validity of an assigned patent in court under this doctrine, some options are available. First, because the doctrine does not apply in actions before the Patent Trial and Appeals Board, an assignor may challenge the validity of a patent through *inter partes* review (IPR). While this does place some limitations on validity challenges (only anticipation or obviousness based on patents or printed publications can be asserted in an IPR), it does permit a validity challenge that could not be brought in court. The Federal Circuit held this month that parties can contract away their ability to bring an IPR proceeding, so assignees can potentially eliminate this avenue.

While not presented as invalidity arguments, assignors can also use prior art to support a narrow claim construction in a way that might avoid infringement. Similarly, an assignor can argue that the accused product practices the disclosure of an expired patent that anticipates the claims of the assigned patent, determining that to preclude such an argument would wrongfully allow the assignee to recapture subject matter that is dedicated to the public upon the expiration of a patent. This type of argument, which is effectively that the expired patent anticipates the assigned claims, is limited to expired patents, however, and is therefore of limited use.

Finally, as the doctrine of assignor estoppel arises out of the "good faith and fair dealing" that comes with contract law, the parties may be able to contract around its application. The *Minerva* decision noted that "the assignment of specific patent claims carries with it an implied assurance" of validity, whether this warranty is put in writing or not, but can the assignment expressly disclaim such

a warranty? An assignment agreement that contains express language that the intellectual property at issue is being assigned “as is,” with no representations or warranties as to its validity, may suffice to escape application of the doctrine.

Assignees, on the other hand, may wish to take additional steps to ensure that the assignor cannot later challenge an assigned patent. The assignment could include express language preventing the assignor from challenging the validity of the assigned patents in court or at the Patent and Trademark Office, removing one potential loophole to the estoppel. If a full bar cannot be negotiated, terms that deter a validity challenge without an outright bar can be considered. Payment for the assignment can be staged over time, with a validity challenge resulting in forfeiture of any unpaid amounts, or an assignor can be required to pay the assignee’s legal costs associated with a validity challenge. The assignment could also include a noncompete clause, preventing the assignor from working in the field of the patent for a period of time. As noncompete agreements in employment contracts have come under increasing scrutiny, such a clause in connection with an assignment of an invention is more likely to hold up than a conventional employee noncompete.

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Assignor estoppel is a potentially damaging surrender of a defense to patent infringement that should be understood and fully considered when entering into a patent assignment. Assignors should carefully consider the terms of an assignment to avoid placing unforeseen limits on their future activities. Likewise, assignees should know whether they are receiving this assurance of validity when signing an agreement, to ensure they are receiving the full scope of benefits for which they bargained. Assignments of patents, patent applications and inventions therefore should be

carefully scrutinized and not be treated simply as “form” agreements.

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