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*Edited by Gregory J. Battersby
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Supreme Court Report

Douglas R. Nemec and
Avanthi M. Cole

Supreme Court Opens Door for Assignors to Challenge Patent Validity

Concerns about employee mobility have prompted companies to carefully scrutinize their intellectual property and information security policies. This has been particularly important at startups, where entrepreneur-founders are frequently the chief innovators and often leave to pursue competitive ventures. Typically, businesses have focused their attention on protecting trade secrets and other inchoate forms of IP, while continuing to rely on largely boilerplate documentation for patent assignments, including assignor estoppel provisions, which bar inventor-assignors from challenging patents they obtain. But the June 2021 decision in *Minerva Surgical v. Hologic* 594 U.S. ___ (2021), by the Supreme Court adds patent rights to the list of concerns associated with incoming and outgoing employees. This decision may allow assignor-sellers to challenge a patent's validity. In light of this case, parties that assign or acquire patent rights may need to review their documentation, reconsider blanket assignments covering multiple patents and revise representation language. Otherwise, they may have

to consider proceedings before the US Patent and Trademark Office, where assignor estoppel can still be asserted.

How Assignor Estoppel Works

For nearly 100 years, Supreme Court law has recognized a common-sense equitable rule governing the sale of patent rights called assignor estoppel. It prevents the seller (assignor) of a patent from later claiming it is invalid. This doctrine is grounded in simple fairness: If you represent that something has value when selling it, you cannot later assert that what you sold is worthless.

The following scenarios, based on actual cases, illustrate circumstances in which assignor estoppel would apply:

- Company A sells a patent to Company B. The named inventor moves from Company A to Company C, where he helps develop a competing product. Company B brings an infringement action against Company C and the inventor, who is then precluded from claiming the patent is invalid.
- An inventor misrepresents or conceals facts when selling her

patent, and the buyer relies on the statements or omissions. The inventor then tries to claim the patent is invalid, based on the true facts she misrepresented or concealed. Assignor estoppel would prevent her from contesting validity.

In practice, the circumstances in which assignor estoppel is invoked are rarely this cut and dried, and the result of categorically applying it is not always equitable. In particular, it can be unfair where the seller could not foresee what would become of the applications under a new owner. The assignor's representations may not have been boundless, and the buyer's view of the patent's scope may be more expansive.

The Facts and Rationale of *Minerva Surgical v. Hologic*

Just such a complex scenario came before the Supreme Court in *Minerva Surgical, Inc. v. Hologic, Inc.* Its decision, handed down June 29, 2021, clarified the limits of assignor estoppel.

Through a series of sales, the founder of Minerva Surgical, Inc. assigned all patent rights in a device that treats abnormal uterine bleeding to Hologic, Inc. The instrument includes an applicator with a moisture-permeable head. Years after assigning the rights to Hologic, the Minerva founder developed another device to treat abnormal uterine bleeding, this time using an applicator with a moisture-impermeable head.

Aware of Minerva's new device, Hologic procured a continuation patent with claims encompassing all applicator heads, regardless of moisture permeability. Hologic then brought an infringement suit

against Minerva, which countered that the continuation patent was invalid because the broadened claims do not match the invention's description, which only addressed moisture permeability. Hologic claimed that Minerva could not raise a patent invalidity defense due to the doctrine of assignor estoppel.

The Supreme Court concluded that, if the new claims are materially broader than the ones that were assigned, Minerva is not estopped from raising an invalidity defense. Assignor estoppel applies only when an assignor's contention that a patent is invalid contradicts implicit or explicit representations made during the patent's assignment.

Implications of *Minerva Surgical*

The decision casts doubt on the viability of assignor estoppel where a blanket assignment of future inventions has been granted, especially when there is a change in law after the sale or a material expansion in the scope of the patent claims.

Narrowing the doctrine's scope significantly affects assignors and assignees alike, as the blanket assignment at issue in *Minerva Surgical* was similar to standard

patent assignment forms used by countless companies around the world. The following are key issues to be considered in the wake of the ruling.

- Assignees should be cognizant that adding or modifying claims to make them materially broader than what was originally assigned could result in the patent being vulnerable to invalidity challenges by the assignor. Assignees may be able to mitigate this effect by obtaining explicit representations of validity when the assignment is made, and even requiring subsequent confirmations upon issuance of later applications.
- Assignors and assignees should both be aware that any representations made during the assignment process may affect the availability of assignor estoppel in the event of a later dispute.
- Companies may want to include express provisions in employment agreements preventing inventors from later challenging the validity of an assigned patent or patent application, especially to bar challenges in the US Patent and Trademark Office.

- Assignment agreements should be very explicit and specific as to the representations made and should be narrowly tailored to each patent. Avoid blanket assignments for several patents.
- Assignor estoppel does not apply in post-grant proceedings in the US Patent and Trademark Office, so such reviews may provide assignees an alternative forum in which to assert invalidity.

Douglas Nemeč is co-head of Skadden's Intellectual Property Litigation Group, concentrating his practice on litigating complex cases involving intellectual property and technology. He approaches every case with the philosophy that good advocacy transcends geography, technology space and substantive area of the law.

Avanthi Cole is an Intellectual Property Litigation law clerk in Skadden's New York office.

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