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Justices Eye Narrowing Bar On Patent Attacks, Not Ending It

By **Ryan Davis**

Law360 (April 21, 2021, 9:21 PM EDT) -- The justices of the U.S. Supreme Court cast a skeptical eye Wednesday on calls to abolish a doctrine that bars inventors from challenging their own patents, and appeared to be searching instead for ways to limit the application of the rule to make it fairer.

During oral arguments in a case where Minerva Surgical Inc. is urging the high court to completely discard the doctrine, known as assignor estoppel, none of the justices appeared to wholeheartedly endorse that position.

Several suggested that it is now established law that those who assign their patents to others cannot then argue that they have no value, and that there aren't persuasive reasons to jettison the rule.

Justice Brett Kavanaugh noted that a Supreme Court decision from nearly a century ago described assignor estoppel as having been "well settled" for decades at that point, and said that in cases like this one dealing with statutory interpretation, "our doctrine of stare decisis is especially strong."

"So why get involved in overturning something that was well settled as of 1924?" he asked Minerva's attorney, Robert Hochman of Sidley Austin LLP.

Hochman replied that the 1924 decision narrowed the rule and should not be read as an endorsement of it, and that later decisions undermined the rationale for assignor estoppel, rendering it a "doctrinal dinosaur" that should be abandoned.

The ability to argue that a patent is invalid is "essential to the fundamental patent market," and a rule prohibiting inventors from making such arguments should not stand, Hochman said.

Justice Sonia Sotomayor pointed out that not only has assignor estoppel been applied by the courts for many years, it has also received tacit approval from Congress, since lawmakers have never sought to alter it, including when they passed the America Invents Act a decade ago.

"Given that Congress did a major overhaul of the Patent Act in 2011, why should we interfere when this type of defense has been approved for such a long period of time?" she said.

The case ended up at the Supreme Court after Minerva was barred by assignor estoppel from challenging the validity of Hologic Inc. medical device patents that it was accused of infringing.

The patents were issued to Minerva's founder, Csaba Truckai, at a previous job, and he was paid for them when the company was acquired. Minerva maintains that Hologic is using the patents in a way Truckai never intended, so it should be allowed to challenge them.

Hologic's attorney, Matthew Wolf of Arnold & Porter, told the justices that assignor estoppel must be retained because it is unfair for inventors to be paid for their patents and then try to undermine them.

"The inequity of that position has been apparent since the founding of this country," and any changes to the doctrine should be made by Congress, not the court, he said.

Reining In the Doctrine

While seemingly unconvinced that assignor estoppel should be abolished, the justices also questioned the wisdom of leaving intact the way the Federal Circuit currently applies it, where any assignment triggers the bar on patent challenges.

Justice Sotomayor told Wolf that by resisting changes to the doctrine, "there is a fairness element that you're not responding to," since assignees can change patents after obtaining them, or assert them more broadly than the inventor intended.

"If assignor estoppel isn't tethered in some way to the scope of the rights that were actually assigned, then I don't know why it's fair to estop an assignor from seeking to invalidate something that he or she did not actually assign," she said.

Several of the justices therefore considered ways to limit the application of assignor estoppel so that it doesn't prohibit invalidity arguments they viewed as worthwhile.

They asked several questions about a proposal by the U.S. government, which said in an amicus brief that assignor estoppel should apply only when someone sells patent rights for "valuable consideration" then contests the validity of a patent that is "materially identical" to what was sold.

The government said that would bar invalidity arguments only by those who are paid for their patents, and allow challenges by employees who are required to assign the patents on all their inventions to their employer. The proposal would also mean that invalidity could still be argued when the patent being asserted is different from what the inventor assigned, the brief said.

"If we do not agree with you that we should get rid of assignor estoppel altogether, do you have any complaints about the position of the United States on how to limit it?" Chief Justice John Roberts asked Hochman.

Hochman replied that his "fundamental quibble" with the proposal was that it is not clear what "materially identical" means and that it is a "pernicious introduction of ambiguity in the application of the doctrine."

Justice Amy Coney Barrett picked up on that point later when questioning Assistant to the Solicitor General Morgan Ratner, who argued for the government.

"It seems to me that your approach doesn't give us the efficiency of estoppel doctrines generally," she

said. "As I take it, your proposal would probably enmire the parties in fights about what's materially identical."

Ratner said that is actually a benefit of the proposal, since it allows each situation to be assessed on the merits, whereas assignor estoppel is currently treated "as an on/off switch, and that's the underlying problem that we're trying to resolve."

Justice Stephen Breyer suggested that crafting an appropriate middle ground for situations where the doctrine should apply may be a challenging task for the justices.

"I can understand abolishing it. I can understand keeping it. But limiting it, I'm finding [it] troubling finding the right way to do that," he said.

Possible Outcomes

Attorneys who listened to the argument said it appears likely that assignor estoppel will survive with some alterations, or at least a call for it to be modified.

The comments about the doctrine being a settled rule "indicated that it is one the court is unlikely to abolish," said Irena Royzman of Kramer Levin Naftalis & Frankel LLP. The justices appeared interested in the government's middle-road approach, which would apply the doctrine "based on equity and the specific facts of each case," she added.

William Milliken of Sterne Kessler Goldstein & Fox PLLC said the justices did not seem to coalesce around the government's proposal or any other way to change the doctrine. They might therefore develop their own way to retain the benefits of the doctrine without taking it too far, he said.

"At this point at least, it's sort of anybody's guess what a narrowed but still alive version of the doctrine would look like," he said.

Kevin Noonan of McDonnell Boehnen Hulbert & Berghoff LLP suggested that the justices might leave the doctrine in place while identifying concerns with it that could be addressed by legislation.

"That's the easiest route forward for the court, because it is consistent with their own understanding of their limitations of what they should be doing under our system, and puts in Congress's backyard the [question] of how do you fix it correctly," he said.

The patents at issue are U.S. Patent Nos. 6,872,183 and 9,095,348.

Robert Hochman of Sidley Austin LLP argued for Minerva.

Matthew Wolf of Arnold & Porter argued for Hologic.

Assistant to the Solicitor General Morgan Ratner argued for the government.

The case is Minerva Surgical Inc. v. Hologic Inc., case number 20-440, in the U.S. Supreme Court.