June 29, 2021

Sterne Kessler
STERNE KESSLER GOLDSTEIN & FOX

Client Alert

What You Should Know About the Supreme Court's Decision in *Minerva*

By: William H. Milliken

This morning, the US Supreme Court issued its decision in *Minerva Surgical, Inc. v. Hologic, Inc.*, concerning the fate of the patent-law doctrine of assignor estoppel—i.e., estoppel against a patent owner who assigns his rights to another. Generally speaking, assignor estoppel—at least as it has recently been applied by the Federal Circuit—prohibits the assignor of a patent or patent application from later challenging the validity of the patent or patents stemming from the application. The question presented in *Minerva* was whether the Supreme Court should uphold the doctrine of assignor estoppel, narrow its scope, or discard the doctrine entirely. Minerva argued for overruling the doctrine; Hologic argued that the doctrine should be retained in its present form; and the United States, appearing as amicus, argued for a middle ground under which the doctrine would be upheld but narrowed.

In a 5-4 decision, the Court largely followed the Government's suggested course, affirming the continued vitality of the doctrine but cabining its scope. The majority, in an opinion written by Justice Kagan and joined by Chief Justice Roberts and Justices Breyer, Sotomayor, and Kavanaugh, held that assignor estoppel "applies when, but only when, the assignor's claim of invalidity contradicts explicit or implicit representations he made in assigning the patent."

The majority began its analysis by tracing the history of assignor estoppel and stressing the equitable concern that motivated its adoption: one who assigns a patent thereby provides an implicit representation that the patent is valid and so should not be permitted to subsequently perform an "about-face" and argue that the thing he assigned is actually worthless. Myriad lower courts applied the doctrine in the late 1800s and early 1900s, the majority explained, and the Supreme Court itself, in a 1924 case called *Westinghouse*, approved of assignor estoppel while "ma[king] clear that the doctrine has limits." *Westinghouse* analogized the doctrine to the real-property doctrine of estoppel by deed, which prevents a seller of land from thereafter claiming that the title he conveyed is no good.

The majority then addressed the "three main arguments" that Minerva offered for eliminating assignor estoppel. Minerva's first argument was that the 1952 Patent Act abrogated assignor estoppel by providing that invalidity "shall be" a defense in "any action" involving infringement. The majority rejected this argument, explaining that similar language was in the Patent Act when *Westinghouse* was decided and that in any event assignor estoppel—like collateral estoppel, equitable estoppel, and other "common-law preclusion doctrines"—was a "background principle of patent adjudication" against which Congress was presumed to legislate.

Minerva's second argument was that two post-*Westinghouse* Supreme Court cases—*Scott Paper* and *Lear v. Adkins*—repudiated assignor estoppel. The majority rejected this argument too. *Scott Paper*, the majority concluded, simply declined to apply assignor estoppel "in a novel

and extreme circumstance," and *Lear* abolished only *licensee* estoppel, which, according to the majority, rested on a different—and less compelling—equitable rationale.

Minerva's third argument was that assignor estoppel is bad policy because it prevents the invalidation of wrongly issued patents. The majority disagreed with Minerva's policy argument, stating that "the core of assignor estoppel [is] justified on the fairness grounds that courts applying the doctrine have always given. Assignor estoppel, like many estoppel rules, reflects a demand for consistency in dealing with others."

Finally, the majority established limits on assignor estoppel, holding that it "should apply only when its underlying principle of fair dealing comes into play"—i.e., only when an invalidity challenge conflicts with an explicit or implicit representation that the assignor previously made. The majority provided three examples of cases in which assignor estoppel would *not* apply:

1. Assignor estoppel would not prevent an employee who agrees as a condition of employment to automatically assign all patent rights in future inventions from later contesting the validity of one of those patents, because the employee cannot make a representation about an invention that does not yet exist.
2. Assignor estoppel would not bar an invalidity challenge based on an intervening change in law, because "[w]hat was valid before [may be] invalid today, and no principle of consistency prevents the assignor from saying so."
3. Assignor estoppel would not prevent the assignor of a patent application from challenging the validity of a later claim that is "materially broader than the old claims."

Because the Federal Circuit's analysis "failed to recognize th[e] boundaries" of assignor estoppel, the Court vacated the lower court's decision and remanded for further proceedings.

Four Justices dissented. In a first dissenting opinion, Justice Barrett, joined by Justice Thomas and Justice Gorsuch, would have repudiated assignor estoppel altogether. In the view of these Justices, Congress did not "ratify" *Westinghouse* when it passed the 1952 Patent Act because (i) assignor estoppel was not a well-settled doctrine in 1952 and (ii) the 1952 Act specified that patents "have the attributes of personal property," which undermined the *Westinghouse* Court's analogy to estoppel by deed (a doctrine of real property). This dissent also concluded that assignor estoppel was not a background common-law principle that the Court could presume Congress legislated against. Unlike collateral estoppel and res judicata, this dissent argued, assignor estoppel is a relatively "recent" legal development and stood on "shak[y]" doctrinal ground in 1952.

Justice Alito wrote a separate dissent arguing that the Court should have dismissed the case as improvidently granted. Justice Alito argued that the question presented required "decid[ing] whether *Westinghouse* should be overruled," and concluded that "because the majority and the principal dissent refuse[d] to decide" that question, the Court should not have taken the case. While he did not say so explicitly, Justice Alito's opinion suggests that he might have favored overruling *Westinghouse* because it lacked any basis in the text of the Patent Act.

The bottom-line takeaway is that assignor estoppel lives, but in a considerably narrowed form. The limitations the Court has placed on the doctrine mean that its future application may be relatively uncommon. It will apply if an assignor attempts to challenge the validity of either (i) the very claims he assigned or (ii) new claims that are similar to—or at least not "materially broader than"—the assigned claims. (The precise meaning of the Court's "materially broader" standard is one open question that the Federal Circuit will likely need to address in future decisions.) And assignor estoppel will apply if an assignor's invalidity arguments contradict an express representation that the assignor made as part of the assignment. Beyond those scenarios, however, there may be little, if any, work for the doctrine to do.

For more information, please contact:

William H. Milliken

Jason D. Eisenberg

Director
wmilliken@sternekessler.com

Director
jasone@sternekessler.com

Technical Minds. Legal Muscle.