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Patent Invalidation and Assignor Estoppel: Differing Standards, Minerva Surgical v. Hologic, Contract Considerations

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Supreme Court Decision: Minerva Surgical v. Hologic

"The equitable basis of assignor estoppel defines its scope: The doctrine applies only when an inventor says one thing (explicitly or implicitly) in assigning a patent and the opposite in litigating against the patent owner."

– *Minerva Surgical, Inc. v. Hologic, Inc.*, No. 20-440, 594 U.S. ___, slip op. at 5 (Jun. 29, 2021).

What is Assignor Estoppel?

- Assignor estoppel is an equitable doctrine that prevents one who has assigned the rights to a patent (or patent application) from later contending that what was assigned is a nullity.
  - *Diamond Sci. Co. v. Ambico, Inc.*, 848 F.2d 1220 (Fed. Cir. 1988)
- "[T]he doctrine of assignor estoppel does not derive from statute. Rather, it is an equitable doctrine that arose in the patent infringement context to prohibit an assignor or his or her privies from stating the patent rights earlier assigned are of no value."
  - *Husky Injection Molding Sys. Ltd. v. Athena Automation Ltd.*, 838 F.3d 1236, 1245 (Fed. Cir. 2016)

Justifications for Doctrine

- To prevent unfairness and injustice.
  - "[A]n 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."
    - *Diamond Sci. Co.*, 848 F.2d at 1224
- To prevent one from undercutting the value of a patent he or she transferred or sold.
- Analogy to estoppel by deed in real property.
- Analogy to landlord-tenant relationship.

Origins of the Doctrine

- *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342 (1924)
  - An employee assigned an invention (two-step process for making insulation) to his employer, Westinghouse.
  - Employee left and founded a competing company that used a one-step insulation-making process.
  - Westinghouse sued employee and his new company for patent infringement, and employee responded by challenging the validity of the patent.
  - SCOTUS: "If one lawfully conveys to another a patented right," then "fair dealing should prevent him from derogating from the title he has assigned."

Westinghouse Elec. (cont'd)

- Court clarified that while the assignor could not assert invalidity of the patent as a whole, he was free to challenge the scope of the patent by using the state of the art to construe and narrow the claims.

- Court reasoned that inventor had not agreed to the scope of any particular claim when assigning rights to his invention.

- Court found that the inventor had not infringed the properly narrowed claim, leaving open for another day whether an inventor can challenge claims that have been "enlarge[d]" by an assignee beyond what the inventor put forward.

Limiting the Doctrine

- *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249 (1945)
  - An employee assigned an issued patent, rather than an application, to his employer.
  - Started a new company and was sued for infringement of the patent he had assigned.
  - Employee argued new company was practicing an expired prior art patent, such that estoppel did not prevent him from using newfound prior art to narrow the scope of the patent he had assigned.
  - Original employer sought to apply assignor estoppel.
  - SCOTUS: Assignor estoppel did not "foreclose the assignor of a patent from asserting the right to make use of the prior art invention of an expired patent which anticipates that of the assigned patent."

Doctrine Post-Scott Paper Co.

- Result: Doctrine of assignor estoppel has limits, including where an alleged infringer is practicing an expired prior art patent.

Lear, Inc. v. Adkins

- *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969), involved the related doctrine of licensee estoppel, where a patent licensee was barred from contesting the validity of the patent on a device he was paying to use.
- SCOTUS: Overruled the doctrine, holding a licensee can challenge validity of a licensed patent.
- Emphasized public interest in free competition in ideas in public domain.
- Noted that a patent holder's equities in the context of an assignment "were far more compelling than those presented in the typical licensing arrangement."

Federal Circuit Treatment of Assignor Estoppel

- Over the years, the doctrine's use has arguably expanded through district court and Federal Circuit decisions.
- Expansive application includes, for example:
  - Application to those in privity with the assignor
  - Application to assignors that did not convey the patent rights for separate payment (ex: employment-based assignment)
  - Strong presumption of assignor estoppel

Federal Circuit Treatment of Assignor Estoppel (cont'd)

- First, the Federal Circuit has held that those in privity with the assignor are also subject to estoppel.
  - Originated with companies founded and run by an inventor who had assigned his rights to a patent.
    - *Diamond Sci. Co. v. Ambico, Inc.*, 848 F.2d 1220 (Fed. Cir. 1988)
  - Expanded to estop an inventor's new employer when the assignor is so actively involved in the allegedly infringing activity as to be more than a "mere employee."
    - *Shamrock Technologies, Inc. v. Medical Sterilization, Inc.*, 903 F.2d 789 (Fed. Cir. 1990)
  - Finding privity and applying assignor estoppel against an entity due to its close relationship with and joint development program with the inventor's new company.
    - *Intel Corp. v. U.S. ITC*, 946 F.2d 821 (Fed. Cir. 1991)

Federal Circuit Treatment of Assignor Estoppel (cont'd)

- Finding privity and applying assignor estoppel against an inventor's new employer where the inventor was involved in development of the alleged infringing product even though he held a negligible financial interest in the new employer and was hired specifically to develop a competing product that was not infringing.
  - *MAG Aerospace Indus., Inc. v. B/E Aerospace, Inc.*, 816 F.3d 1374 (Fed. Cir. 2016)

- Noting in dicta that "[e]ven a party that owns less than a majority of a company's stock can still exercise effective control over the company's operations."
  - *Mentor Graphics Corp. v. Quickturn Design Systems, Inc.*, 150 F.3d 1374, 1379 (Fed. Cir. 1998)

Federal Circuit Treatment of Assignor Estoppel (cont'd)

- Second, the Federal Circuit has applied the doctrine to assignors beyond those who actually assign a patent for value.
  - Applying the doctrine in employee-assignment cases when assignment is automatic and done without extra compensation to the employee.
    - *See, e.g., Carroll Touch, Inc. v. Electro Mechanical Systems, Inc.*, 15 F.3d 1573 (Fed. Cir. 1993) (rejecting the argument that the inventor did not understand what he was assigning and noting that the one dollar he received as well as his compensation as an employee was sufficient) ("Employment, salary, and bonuses are all valid forms of consideration.")

Federal Circuit Treatment of Assignor Estoppel (cont'd)

- Third, the Federal Circuit has applied a strong presumption of assignor estoppel.
  - Assignment raises presumption that estoppel will apply, and "[w]ithout 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."
    - *Mentor Graphics Corp.*, 150 F.3d at 1378

Federal Circuit Treatment of Assignor Estoppel (cont'd)

- The presumption of assignor estoppel not overcome by:
  - A warranty clause allocating the risk that the patent will be declared invalid to the assignee.
    - *Mentor Graphics Corp.*, 150 F.3d at 1378-79
  - Taking back a license to the patent that the assignor previously sold for value.
    - *Acoustical Design, Inc. v. Control Electronics Co.*, 932 F.2d 939 (Fed. Cir. 1991) (finding that "the assignor, in challenging the patent, is still asserting that what he sold is worthless, and the existence of a license back does not alter that fact")

Federal Circuit Treatment of Assignor Estoppel (cont'd)

- In contrast, the PTAB has refused to apply assignor estoppel in *inter partes* review (IPR) proceedings, and the Federal Circuit has affirmed these decisions.
  - *Arista Networks, Inc. v. Cisco Sys., Inc.*, 908 F.3d 792 (Fed. Cir. 2018); *see also Husky Injection Molding Systems Ltd. v. Athena Automation Ltd.*, 838 F.3d 1236 (Fed. Cir. 2016)

Arista Networks, Inc. v. Cisco Systems, Inc.

- In the *Arista* IPR, the patent owner argued the petition should be denied based on the defense of assignor estoppel.

- PTAB declined to apply assignor estoppel and suggested that the doctrine is unavailable in the IPR context because:
  - 35 U.S.C. §311(a) "presents a clear expression of Congress's broad grant of ability to challenge patentability of patents through [IPRs]," and
  - Congress has not expressly provided for assignor estoppel in the IPR context, where it has in other contexts.

Arista Networks, Inc. v. Cisco Systems, Inc. (cont'd)

- Federal Circuit affirmed, holding that Congress did not intend for assignor estoppel to apply in IPR proceedings.
- Reasoned that even assuming assignor estoppel is a well-established common law principle, in the IPR context a statutory purpose to the contrary is evident.
- Concluded that § 311(a) governs the question of whether Congress intended the doctrine to apply in the IPR context: "[A] *person who is not the owner of a patent* may file with the Office a petition to institute an [IPR] of the patent."
- Thus, the statute leaves no room for assignor estoppel in the IPR context since it allows any person who is not the patent owner to file an IPR, and an assignor no longer owns the patent.

Competing Policy Considerations

- Public interest in testing the validity of patents and weeding out patents that should not have been issued.
  - *See Lear* discussing "strong federal policy favoring the full and free use of ideas in the public domain." 395 U.S. at 673-674.
- Preventing parties who have benefited from assigning rights in a patent to another from later undermining the value of the thing they sold by challenging its validity.
  - *See Scott Paper Co.* noting the doctrine's basic principle that "one who has sold his invention may not, to the detriment of the purchaser, deny the existence of that which he has sold." 326 U.S. at 251.
- Other considerations (ex: employment mobility)

Minerva Surgical v. Hologic

- In January 2021, Supreme Court agreed to consider the viability of the doctrine of assignor estoppel in court challenges.
- Oral arguments were heard in April 2021 to answer the question:
  - "May a defendant in a patent infringement action who assigned the patent, or is in privity with an assignor of the patent, have a defense of invalidity heard on the merits?"
- District court and Federal Circuit answered "no."
  - *See Hologic, Inc. v. Minerva Surgical, Inc.*, 325 F. Supp. 3d 507 (D. Del. June 28, 2018) and *Hologic, Inc. v. Minerva Surgical, Inc.*, 957 F.3d 1256 (Fed. Cir. 2020).

Petitioner, Minerva argued:

1. Assignor estoppel should be eliminated.
   - The Patent Act's text precludes assignor estoppel, since it states invalidity "*shall be* a defense" in any action involving the validity or infringement of a patent.
     - 35 U.S.C. § 282(b)
   - Prior SCOTUS decisions support abandoning assignor estoppel.
     - *Westinghouse*
     - *Scott Paper*
     - *Lear*
   - Congress has never assumed assignor estoppel is part of Patent Act.
   - Assignor estoppel goes against federal patent policy that competition should not be repressed by worthless patents.

Petitioner, Minerva argued (cont'd):

2. If assignor estoppel survives, it should be constrained.
   - Assignor estoppel should not protect patent claims issuing after assignment.
     - Claims may have changed, e.g., broadened, during prosecution after assignment, and thus may include more than assignor intended convey.
   - Assignor estoppel should not bar § 112 defenses.
     - Application of assignor estoppel to 112 encourages the assignee to seek overbroad claims, and the public pays the price of these overbroad claims by deterring competition.

Respondent, Hologic argued:

1. Assignor estoppel should not be eliminated.
   - SCOTUS interpreted the provisions of the 1870 Patent Act as incorporating assignor estoppel in *Westinghouse*.
   - 1952 Patent Act language did not materially change and therefore incorporates assignor estoppel from *Westinghouse* and *Scott Paper*.
     - Congress adopts judicial interpretations of a statute when it reenacts them without change.
   - *Stare decisis* requires keeping assignor estoppel because *Westinghouse* held that patent law incorporates assignor estoppel.
   - Argued competing public policy – eliminating the doctrine would endanger reliance interests of parties who purchased patent rights, and the rest of the world is still free to challenge validity of "bad patents."

Respondent, Hologic argued (cont'd):

2. Assignor estoppel should not be narrowed.
   - Assignor estoppel applies to patent applications.
     - *Westinghouse* considered this issue and held the doctrine applies to patent applications.
   - Assignor estoppel should apply to § 112 challenges.
     - 35 U.S.C. § 282(b) does not support splitting out 112 because it places all validity challenges on the same footing.
     - PTO has everything required to fully evaluate 112 issues.
   - Assignor estoppel applies absent an express representation of validity or reliance.
     - *Westinghouse* analogized the doctrine to estoppel by deed, which requires no representation of validity or reliance.

Amicus, United States (USPTO) argued:

1. Assignor estoppel should be confined to its historical role in ensuring equity in assignments of patent rights.
   - SCOTUS has recognized this is a narrow equitable doctrine, and thus the Court should narrow assignor estoppel to "reflect the doctrine's equitable moorings."
     - Assignor should be estopped from arguing:
       1. Assigned issued patent is invalid.
       2. Any materially identical claims later issued from assigned patent application are invalid.

     - Assignor should not be estopped from arguing:
       1. That the assigned claims in a patent application were narrower than the claims later prosecuted by the assignee and the later-prosecuted claims are invalid.

Amicus, United States (USPTO) argued (cont'd):

- More recent legal developments have not abolished assignor estoppel.
  - 1952 Patent Act ratified SCOTUS interpretation of assignor estoppel.
  - *Lear* eliminated licensee estoppel, as distinct from assignor estoppel.
- Properly limited, the doctrine balances competing policies of fair dealing and robust competition.

Amicus, United States (USPTO) argued (cont'd):

2. Federal Circuit's analysis of assignor estoppel in this case was inadequate.
   - If the originally assigned claims were narrower than the claims later prosecuted by Hologic, then the Federal Circuit did not properly apply the doctrine.

Supreme Court Decision: Minerva Surgical v. Hologic

- Upheld the doctrine of assignor estoppel, but limited it to situations where the claim of invalidity contradicts explicit or implicit representations the assignor made in assigning the patent.
  - 5-4 decision
  - Majority opinion written by Justice Kagan, joined by Justices Roberts, Breyer, Sotomayor, and Kavanaugh
- Dissenting opinions:
  - Justice Barrett, joined by Justices Thomas and Gorsuch: would eliminate assignor estoppel entirely.
  - Justice Alito: would dismiss writ as improvidently granted "[b]ecause the majority and the principal dissent refuse to decide whether *Westinghouse* should be overruled."

Majority Opinion: Minerva Surgical v. Hologic

- Courts have long applied the doctrine of assignor estoppel to deal with inconsistent representations about a patent's validity.

- Classic case:
  - Inventor applies for and obtains a patent, then assigns it to a company for value
  - Later, the inventor/assignor joins a competitor business, where he develops a similar—and possibly infringing—product.
  - When the assignee company sues for infringement, the assignor tries to argue—contrary to the (explicit or implicit) assurance given in assigning the patent—that the invention was never patentable, so the patent was never valid.
  - That kind of about-face is what assignor estoppel operates to prevent—or, in legalese, estop.

Majority Opinion: Minerva Surgical v. Hologic

- This Court first considered—and unanimously approved—assignor estoppel in 1924, in *Westinghouse v. Formica*.
- We announced that an assignor "is estopped to attack" the "validity of a patented invention which he has assigned."
- "As to the rest of the world," the Court explained, "the patent may have no efficacy"; but "the assignor can not be heard to question" the assignee's rights in what was conveyed.
- *Westinghouse*, like its precursor decisions, grounded assignor estoppel in a principle of fairness. "If one lawfully conveys to another a patented right," the Court reasoned, "fair dealing should prevent him from derogating from the title he has assigned."

Majority Opinion: Minerva Surgical v. Hologic

- [But] the Court made clear that the doctrine has limits.
  - "Of course," the Court said, the assignor cannot use prior art in an infringement suit "to destroy the patent," because he "is estopped to do this." *Id.*, at 351.
  - But he can use prior art to support a narrow claim construction—to "construe and narrow the claims of the patent, conceding their validity."

Majority Opinion: Minerva Surgical v. Hologic

- [And] the Court left for another day several other questions about the contours of assignor estoppel.
  - One concerned privity: When was an assignor so closely affiliated with another party that the latter would also be estopped?
  - Another related to consideration: What if an assignor had received only a nominal amount of money for transferring the patent?

Majority Opinion: Minerva Surgical v. Hologic

- But the question that most interested the Court was whether estoppel should operate differently if the assignment was not of a granted patent but of a patent application . . . . The Court saw a possible distinction between the two.
  - In a patent application, the Court began, the inventor "swor[e] to" a particular "specification." But the exact rights at issue were at that point "inchoate"—not "certainly defined."
  - And afterward, the Court (presciently) observed, the claims might be "enlarge[d]" at "the instance of the assignee" beyond what the inventor had put forward.
  - That might weaken the case for estoppel. But the Court decided not to decide the issue, given its holding that the assignor had not infringed the (narrowed) patent claim anyway.

Majority Opinion: Minerva Surgical v. Hologic

- Minerva's main argument here, as in the Federal Circuit, is that "assignor estoppel should be eliminated"—and indeed has been already.

- We reject that view.

1. The Patent Act's text precludes assignor estoppel, since it states invalidity "*shall be* a defense" in any action involving the validity or infringement of a patent.

   No - similar language, entitling a defendant to plead invalidity in any infringement action, was in the patent statute when *Westinghouse* was decided.

   - [a]nd anyway, Minerva's view is 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.

Majority Opinion: Minerva Surgical v. Hologic

2. Prior SCOTUS decisions support abandoning assignor estoppel.

   No - *Scott Paper* did nothing more than decline to apply assignor estoppel in a novel and extreme circumstance.

   - There, estoppel would have prevented the assignor from making a device on which the patent had expired—a device, in other words, that had already entered the public domain.
   - [T]he Court thought that doing so would carry the doctrine too far.
   - But the Court did not question . . . the principle of fairness on which assignor estoppel rests in more common cases . . . . In those cases, the doctrine remained intact.

Lear gives Minerva still less to work with.

- In that case, the Court considered and toppled a different patent estoppel doctrine, licensee estoppel, which barred a patent licensee from contesting the validity of the patent on a device he was paying to use.
- [T]he Court stated that the patent holder's "equities" in the assignment context "were far more compelling than those presented in the typical licensing arrangement." And so they are.

- In sum, *Scott Paper* and *Lear* left *Westinghouse* right about where they found it—as a bounded doctrine designed to prevent an inventor from first selling a patent and then contending that the thing sold is worthless.

Majority Opinion: Minerva Surgical v. Hologic

3. Assignor estoppel goes against federal patent policy that competition should not be repressed by worthless patents.

No - we continue to think 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.

Majority Opinion: Minerva Surgical v. Hologic

- Minerva's back-up contention is that assignor estoppel "should be constrained."
- On that score, we find that the Federal Circuit has applied the doctrine too expansively.
- Assignor estoppel should apply only when its underlying principle of fair dealing comes into play.
- 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.
  - But when the assignor has made neither explicit nor implicit representations in conflict with an invalidity defense, then there is no unfairness in its assertion. And so there is no ground for applying assignor estoppel.

Majority Opinion: Minerva Surgical v. Hologic

- One example of non-contradiction is when the assignment occurs before an inventor can possibly make a warranty of validity as to specific patent claims.
  - Consider a common employment arrangement.
  - An employee assigns to his employer patent rights in any future inventions he develops during his employment; the employer then decides which, if any, of those inventions to patent.
  - In that scenario, the assignment contains no representation that a patent is valid. How could it? The invention itself has not come into being.
  - And so the employee's transfer of rights cannot estop him from alleging a patent's invalidity in later litigation.

Majority Opinion: Minerva Surgical v. Hologic

- A second example is when a later legal development renders irrelevant the warranty given at the time of assignment.
  - Suppose an inventor conveys a patent for value, with the warranty of validity that act implies. But the governing law then changes, so that previously valid patents become invalid.
  - The 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.

Majority Opinion: Minerva Surgical v. Hologic

- Most relevant here, another post-assignment development—a change in patent claims—can remove the rationale for applying assignor estoppel. *Westinghouse* itself anticipated this point, which arises most often when an inventor assigns a patent application, rather than an issued patent.
  - As Westinghouse noted, "the scope of the right conveyed in such an assignment" is "inchoate"—"less certainly defined than that of a granted patent."
  - That is because the assignee, once he is the owner of the application, may return to the PTO to "enlarge[]" the patent's claims. And the new claims resulting from that process 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.

Principal [Barrett] Dissent: Minerva Surgical v. Hologic

- Would eliminate assignor estoppel.
  - Patent Act of 1952 did not incorporate the doctrine.
    - Congress did not ratify *Westinghouse*.
    - Assignor estoppel could not be considered part of the "well-settled common law backdrop against which Congress legislated in 1952."
    - One reason *Westinghouse* applied the doctrine was its view "that patents are like *real* property," but the 1952 Act rejected that view: "patents shall have the attributes of *personal property*."

Alito dissent: case can be decided only by deciding whether *Westinghouse* should be overruled. The majority and principal dissent fail to address this issue, so the case should be dismissed.

Impact of Supreme Court Holding on Patent Sale or Assignment Agreements

In the courts:

- Before *Minerva v. Hologic*: Minimal concern for an inventor/assignor challenging validity due to broad application of the assignor estoppel doctrine.
- After *Minerva v. Hologic*: The applicability of the doctrine is supposedly tied to representations made by the assignor.

At the PTAB:

- Before *Minerva v. Hologic*: No assignor estoppel.
  - *Arista Networks, Inc. v. Cisco Sys.*, 908 F.3d 792 (Fed. Cir. 2018).
- After *Minerva v. Hologic*: Not addressed by the Supreme Court.

Contract Considerations – Representation in Agreement

"This Court recognized assignor estoppel a century ago, and we reaffirm that judgment today. But as the Court recognized from the beginning, the doctrine is not limitless. Its boundaries reflect its equitable basis: to prevent an assignor from warranting one thing and later alleging another. Assignor estoppel applies *when an invalidity defense in an infringement suit conflicts with an explicit or implicit representation made in assigning patent rights*."

Minerva Surgical, Inc., 594 U.S. ___, slip op. at 17 (emphasis added)

Contract Considerations – Comparison to Licensing

The Supreme Court emphasized that "the patent holder's 'equities' in the assignment context 'were far more compelling than those presented in the typical licensing arrangement.'"

Id. at 12 (citing *Lear*, 395 U. S. at 664).

The licensee:

- is a buyer of patent rights, not a seller;
- has given no assurances of the patent's worth;
- has simply purchased the right to make, use, or sell a patented device—which, if the patent is invalid, he need not have done; and
- has not made an explicit or implicit representation about the patent's validity and received some kind of payment in return.

Id. at 12.

"Assignor estoppel should apply only when its *underlying principle of fair dealing* comes into play.

That principle, as explained above, 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.
- And the original warranty *need not be express*; as we have explained, *the assignment of specific patent claims carries with it an implied assurance*."

Id. at 14 (emphasis added).

Contract Considerations – Exemplary "Non-Contradiction"

The opinion provides three exemplary "non-contradiction" scenarios:

1 – **Employment Scenario**: Assignment before inventor can possibly make a warranty of validity as to specific patent claims (assignment of "future" inventions).

2 – **Change in Law Scenario**: A later legal development renders irrelevant the warranty given at the time of assignment.

3 - **Pending Application/Continuation Scenario**: A post-assignment change in the patent claims in that "the new claims are *materially broader* than the old claims."

See id. at 15-16.

Considerations for Contract Provisions

- **Viewpoint:**
  - Assignor v. Assignee
- **Assignment Clause:**
  - Timing
- **Warranty of Validity:**
  - Existing claims (pending and issued)
  - Future claims
- **Prohibition Clause / Waiver:**
  - Prohibiting all validity challenges
  - Waiver of right to assert assignor estoppel
  - Limiting validity challenges to specific circumstances and/or grounds
- **Penalty Clauses (in the event of a failed validity challenge):**
  - Pay attorney fees
  - Return of consideration paid
  - Damages for reputational harm
- **Forum Selection Clause / Choice of Law**
- **Notice Requirement Clause**

Contract Considerations – Past, Present, & Future

Look Back

Patent Portfolio Analysis

- Issued Patents
- Patent Applications

Assignment Agreement Language
Scope of Claims at Time of Assignment
Most Relevant for Assignees

Look Forward

- New Patent Applications
- New Assignments

Assignment Timing
Assignment Agreement Provisions
Relevant for Assignors and Assignees

Assignment Clause - Timing

Possible Timing:

- At the start of employment (all future inventions) – not sufficient alone
- At the time the inventor declaration is signed
- At the time the application is filed
- At the time the claims are found "allowable" by the USPTO
- After the patent has issued

Considerations:

- Scenario-specific
  - Employment Agreements
  - Purchase Agreements
- Multiple assignments or agreements
  - Periodic amendments
  - New agreements
- Scope of claims at time of assignment (Broad = good)

Warranty Clause – Explicit or Implicit Representation of Validity

Consider and evaluate exemplary ways for assignor to make an explicit or implicit representation of validity:

Existing Claims (issued patents and pending applications)

- Represent that issued claims are valid (further supported by presumption of validity)?

- Represent that pending claims are valid, to the best of the assignor's knowledge?

Warranty Clause – Explicit or Implicit Representation of Validity

Future Claims (not pending or issued at the time of assignment)

- Represent that the statements made in the Inventor's Declaration (an explicit representation to the USPTO) are true and correct and are incorporated in full into the agreement (may not be necessary for assigned applications, *see Minerva Surgical, Inc.*, 594 U.S. ___, slip op. at N.3)?

- Represent that to the extent that USPTO allows claims based on the specification at the time of assignment, finding both enablement and written description, those claims are valid?

- Represent that the inventor and/or assignor will be kept aware of pending prosecution and will be given the right to raise, in a timely manner, any validity/patentability issues during prosecution and prior to the issuance of any future claims?

Prohibition / Waiver Clause

The assignment agreement could include a clause prohibiting all validity challenges or a clause limiting validity challenges to specific circumstances and/or grounds.

- Exemplary limitations on validity challenges:
  - Limiting validity/patentability challenges to specific circumstances (ex: scope of claims expanded after assignment with lack of enablement/written description).
  - Prohibition on validity challenges under specific ground(s) (ex: 101, 102, 103, and/or 112).

However, any provision blocking the ability to challenge the validity of a patent could be challenged as unenforceable.

- *See Panther Pumps & Equip. Co. v. Hydrocraft, Inc.*, 468 F.2d 225 (7th Cir. 1972) (finding no-contest clauses in licensing agreements unenforceable).

Alternatively, in limited situations, an assignor could seek to include an express waiver by the assignee of the right to assert assignor estoppel.

Penalty Clauses

An assignee may consider including a penalty clause mandating a remedy in the event of a failed validity challenge by the assignor.

Exemplary penalty clauses could mandate:

- Payment of attorney fees
- Return of consideration paid
- Damages for reputational harm

However, while penalty clauses have been included in licensing contracts post-*Lear,* the case law is not clear as to where such a clause "crosses the line" and thus any penalty clause could be challenged as unenforceable.

  - *See, e.g.*, *Canon Inc. v. Tesseron Ltd.*, 115 F. Supp. 3d 391 (S.D.N.Y. 2015) (finding provision allowing for termination of a license in the event of a validity challenge unenforceable under *Lear*).

Forum Selection Clause

An assignee may consider including a forum selection clause specifying what forum any validity challenge must be brought in.

An exemplary forum selection clause could require that any validity challenge be brought in a specific district court.

Given that the Supreme Court decision indicates that the district courts will now make a determination as to whether a post-assignment change in the patent claims is such that "the new claims are *materially broader* than the old claims," the forum selection clause could limit the forum to a district court that has experience in patent cases and regularly evaluates claim scope.

Notice Requirement Clause

- The assignment agreement could include a notice requirement clause.

- An exemplary notice requirement clause could provide for notice prior to:
  - any validity challenge including providing the basis for the challenge; or
  - any infringement suit brought by the assignee against the assignor.

Contract Considerations – Past, Present, & Future

Look Back

Patent Portfolio Analysis

- Issued Patents
- Patent Applications

Assignment Agreement Language
Scope of Claims at Time of Assignment
Most Relevant for Assignees

Look Forward

- New Patent Applications
- New Assignments

Assignment Timing
Assignment Agreement Provisions
Relevant for Assignors and Assignees

Polling Question No. 1

- Assume a patent application was assigned and the claims at the time of assignment were all directed to a green widget. But there was disclosure and enablement in the specification of a blue widget, a yellow widget, and a pink widget. That disclosure was never discussed during negotiations leading to the assignment. The assignee cancels the claim to a green widget and presents claims to the USPTO to blue, yellow, and pink widgets. Those claims are allowed and issued. The assignee sues the assignor for infringement of those claims. Assignor estoppel precludes the assignor from attacking the validity of the claims to blue, yellow, and pink widgets.

- Yes or No?

Polling Question No. 2

- Assume a patent application was assigned and the claims at the time of assignment were all directed to a green widget. But there was disclosure and enablement in the specification of a blue widget, a yellow widget, and a pink widget. That disclosure was never discussed during negotiations leading to the assignment. The assignee cancels the claim to a green widget and presents claims to the USPTO to blue, yellow, and pink widgets. Those claims are allowed and issued. The assignee sues the assignor for infringement of those claims. The court should, before proceeding on the merits, have, somewhat analogous to a Markman hearing, an "Assignor estoppel" hearing, prior to proceeding further, to decide if assignor estoppel precludes the assignor from attacking the validity of the claims to blue, yellow, and pink widgets.

- Yes or No?

Polling Question No. 3

- An inventor/assignor makes the following representation in an assignment of an application to FirstCo: "I know of no reason the claims of the application are unpatentable." The inventor/assignor later joins NewCo. FirstCo alleges a NewCo product, which was developed with the help of the inventor/assignor, infringes the patent that issued from the assigned application. After the litigation is filed, NewCo's attorneys find an article published in Japan and written in Japanese that was published more than a year before the assigned application was filed. When translated, there is little doubt the article anticipates the asserted claims.

Assume: 1. The application claims issued without amendment; 2. The inventor was unaware of the Japanese article until NewCo's counsel found it.

- Does assignor estoppel apply—Yes or No?

Polling Question No. 4

- An inventor/assignor working for FirstCo assists in the preparation of a patent application. The assignment makes no representations, but the inventor signed the Oath/Declaration required of all inventors attesting that "I believe that I am the original inventor or an original joint inventor of a claimed invention in the application." Aware of the duty to disclose all material prior art, the inventor/assignor hands an article to FirstCo's patent attorney. The inventor/assignor expresses concern that the article is really close to the claims the attorney drafted, but the attorney notes a minor difference and replies "you never know what the PTO will do, so let's just file the claims as-is and take our chances." The attorney, however, does not want to take any chances, so he just throws away the article and never cites it to the PTO. The inventor/assignor later joins NewCo. FirstCo alleges a NewCo product, which was developed with the help of the inventor/assignor, infringes the patent that issued from the assigned application. After the litigation is filed, the inventor/assignor realizes for the first time that the attorney did not submit the article to the PTO.

Polling Question No. 4 (cont'd)

- Does assigner estoppel prevent NewCo from asserting invalidity based on the article—Yes or No?

Polling Question No. 5

- An inventor/assignor working for FirstCo assists in the preparation of a patent application. The assignment makes no representations, but the inventor signed the Oath/Declaration required of all inventors attesting that "I believe that I am the original inventor or an original joint inventor of a claimed invention in the application." Aware of the duty to disclose all material prior art, the inventor/assignor hands an article to FirstCo's patent attorney. The inventor/assignor expresses concern that the article is really close to the claims the attorney drafted, but the attorney notes a minor difference and replies "you never know what the PTO will do, so let's just file the claims as-is and take our chances." The attorney, however, does not want to take any chances, so he just throws away the article and never cites it to the PTO. The inventor/assignor later joins NewCo. FirstCo alleges a NewCo product, which was developed with the help of the inventor/assignor, infringes the patent that issued from the assigned application. After the litigation is filed, the inventor/assignor realizes for the first time that the attorney did not submit the article to the PTO.

Polling Question No. 5 (cont'd)

- Does assignor estoppel prevent NewCo from asserting inequitable conduct on the part of the attorney—Yes or No?

Thank you.

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