



## Supreme Court Upholds but Narrows Assignor Estoppel: What This Means For Your Company and its Employees

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On June 29, 2021, the Supreme Court published its divisive opinion in *Minerva Surgical, Inc. v. Hologic, Inc., Et. Al.* The 5-4 decision penned by Justice Kagan upheld the centuries-old doctrine of Assignor Estoppel, while simultaneously narrowing its reach. The doctrine, first recognized in *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342, has been applied to prevent inventors from later challenging the validity of their patents after receiving consideration for an assignment of their patent rights. In a dissenting opinion, Justice Alito advocated for addressing whether to overrule *Westinghouse*, while Justice Barrett (joined by Justice Thomas and Justice Gorsuch) took a textualist approach noting that the Patent Act of 1952 does not include the doctrine and thus abolished its existence.

Grounded in the principle of fairness, the Court in *Westinghouse* concluded that, "If one lawfully conveys to another a patented right, fair dealing should prevent him from derogating from the title he has assigned." While the Supreme Court's *Minerva* decision made it clear that the fairness-based doctrine was still good law, the majority opinion also noted that the Federal Circuit Court had applied the rule too broadly and imposed new restrictions for when the doctrine may not apply. Companies with active IP portfolios should take note of these restrictions, and it is expected that changes to employment agreements and engagements may be necessary to protect companies in light of the *Minerva* decision.

### Situations where Assignor Estoppel May Be Limited

In the majority decision, the court clarified that assignor estoppel will only apply when the principle of fair dealing is involved. In situations where fair dealing is not in play, assignor estoppel would not be appropriate. Although the Court did not provide an exhaustive list of these situations, it did provide three examples where the majority thought that assignor estoppel would not apply. The first example noted in the opinion is when an assignment occurs before an inventor can make a warranty of validity for a particular set of patent claims. This type of situation would most likely arise under certain employment arrangements, such as when employees assign to their employer the rights to any future invention they

may conceive during their employ. The second situation where assignor estoppel may not apply occurs when a later legal development operates to render invalid the warranty given at the time of assignment. For example, if a governing law changed in a way that rendered a previously valid patent invalid, then an inventor can claim that his or her patent is invalid without contradicting an earlier representation. The last example the court provided for when assignor estoppel may not be used occurs when post-assignment changes to patent claims materially broaden the scope of an application, after the inventor has assigned his or her rights in the application to another party. This example (along with the first) may be especially relevant when viewed through the lens of an employer.

Under the *Minerva* decision, employers must now remain cognizant that the use of assignor estoppel is not available as a defense if they have materially broadened the claims of a patent application beyond what the patent covered at the time they received the assignment, or if an employee has assigned all of his or her rights without participating in the patent application filing or prosecution. These types of situations would most typically occur when an employee assigns a patent application to the company during the earlier stages of prosecution under an employment agreement. At the time of assignment, the employee (inventor) would have submitted an oath attesting to the validity of the claims of the patent at the time of assignment. If at a later point, the employer (assignee) broadens the claims via correspondence with the USPTO and subsequently receives a broader issued patent, the original inventor could then challenge the validity of the claims of the patent amended after assignment. Under the holding of the recent *Minerva* decision, the employer could no longer rely on assignor estoppel to prevent the invalidity claim from the original inventor. Since employees typically contractually assign their rights to inventions to their employers, this noted limitation of assignor estoppel from the *Minerva* decision should not be taken lightly by employers.

### **Steps Companies Can Take to Protect Themselves**

In the wake of the *Minerva* decision, there are some options employers can take to protect themselves from later invalidity claims raised by inventors. The most likely situation to arise, as discussed above, would be an inventor raising invalidity claims after an assignee broadens the scope. To help prevent this issue from arising, companies should consider including a contractual requirement that inventors agree to review and sign off on any amendments to the patent claims in pending applications as they are prosecuted. Employers may also want their employees to sign updated oaths or declarations to support the amended applications. After September 16, 2012, the laws surrounding oaths and declarations changed to allow individuals with a proprietary interest in an invention to submit changes, regardless of whether they were the original inventors. Companies can protect themselves from original inventors challenging the validity of a patent by drafting employment contracts that require employees to sign the oaths or declarations after each amendment. Once signed, this may help to assure that assignor estoppel can be raised as needed. Future cooperation clauses should also be included in contracts with employees, thereby requiring cooperation even if the employee is no longer employed. But, it will be up to the employers to keep an employee/inventor engaged during prosecution to preserve any assignor estoppel defense. Companies should be careful not to overlook the importance of keeping employees/inventors engaged and signing off on claim amendments, as it could mean the difference between being able to raise assignor estoppel and expensive litigation to defend a patent's validity.

Should you have any questions, please contact Rick Matthews or Edward Schenk.

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