

Minerva Surgical, Inc. v. Hologic, Inc.

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CHASE WYATT*

BACKGROUND

In the late 1990s, Csaba Truckai (“Truckai”) invented the NovaSure System, a device that treated abnormal uterine bleeding by using a moisture-permeable applicator head that destroyed certain targeted cells in the uterine lining. Truckai’s patent application for the device included a claim for a moisture-permeable head that avoids burning or abrasions and assigned his interest in this application and any future continuation applications to his company, Novacept, Inc. (“Novacept”). The Patent and Trademark Office (“PTO”) issued a patent in 2001 and, soon after, the FDA approved the NovaSure System for commercial distribution. Novacept sold its assets to another company in 2004 and, in 2007, respondent Hologic, Inc. (“Hologic”) acquired the rights to the NovaSure System through a subsequent sale.

In 2008, Truckai founded Minerva Surgical, Inc. (“Minerva”), the petitioner in this case, and Minerva developed the Minerva Endometrial Ablation System, a device similar to the NovaSure System. This device also used a moisture-impermeable applicator head to remove target cells in the uterine lining to treat abnormal uterine bleeding.

Hologic was aware of Truckai’s activities in creating the new device at Minerva and filed a continuation application with the PTO in 2013 in order to add several new claims to its NovaSure System patent. Hologic replaced specific language claiming the moisture-permeable applicable head with a generalized encompassed applicator. The PTO issued the altered patent to Hologic in 2015. Within the year, Hologic was issued the Minerva Endometrial Ablation System and the FDA approved its commercial sale.

PROCEDURAL HISTORY

Hologic filed suit in 2015, alleging that the moisture-impermeable applicator head on the Minerva Endometrial Ablation System infringed on Hologic’s patent for the NovaSure System. In response, Minerva asserted that there was no infringement because Hologic’s patent was invalid since they had added claims that exceeded the scope of the original claims in the assigned application. Hologic invoked the doctrine of assignor estoppel, which bars an assignor from arguing that a patent now held by the assignee is invalid, and claimed that Minerva was an extension of Truckai, the original assignor, which estopped them from arguing against the patent’s validity.

*Chase Wyatt is a 2023 Juris Doctor candidate at the University of San Francisco School of Law.

The United States District Court for the District of Delaware found for Hologic and ruled that assignor estoppel barred Minerva from arguing Hologic's patent is invalid. The district court awarded Hologic approximately USD \$5 million in damages. Minerva appealed but the Court of Appeals for the Federal Circuit affirmed the district court's judgment, stating it was irrelevant that the assignment of the patent occurred during its application stage and not after it had been granted.

ISSUE

Does the assignor estoppel doctrine prohibit a patent invalidity claim when the assignment was of a patent application, and the assignee has expanded the scope of the original claims?

DECISION

The Supreme Court vacated and remanded the Court of Appeals for the Federal Circuit's holding because assignor estoppel only applies when the underlying principle of fair dealing is involved.

The underlying principle of fair dealing forms the foundation of assignor estoppel and is based on the theory that assignors imply a warranty that a patent is valid when they assign it for profit.

The Supreme Court found it would be highly inequitable to allow an assignor to profit from assigning their own patent and then argue against that patent's validity unless there was a post-assignment change in the patent's claims. The Court reasoned that if Hologic's new claim is materially broader than those assigned by Truckai, then Truckai could not have warranted its validity in making the assignment. The Court determined that assignor estoppel does not apply here. The Court remanded the case to the Federal Circuit to determine whether Hologic's new claims are materially broader than those in the original patent application Truckai assigned.

REASONING

Assignor estoppel bars an assignor from arguing in court that the assigned patent was invalid. Minerva argued that the doctrine should be abolished or limits should be created.

To define the contours of the assignor estoppel doctrine, the Court referenced the *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.* case which found that the underlying principle of fair dealing forms the foundation of assignor estoppel and is based on the theory that assignors imply a warranty that a patent is valid when they assign it for profit.¹ The doctrine is a remedy to any unfair practices that may arise when an inventor assigns their patent for profit and then attempts to increase profits by arguing the invalidity of that patent to the detriment of the assignee.

1. *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342, 349 (1924).

The Court pointed out that the opinion in *Westinghouse* also made it clear that although an assignor may not claim invalidity in an infringement suit, they may argue about how to construe the claims of the patent.

Minerva offered two arguments to the Court. First, that assignor estoppel should be and already has been, abandoned, highlighting three reasons to support the contention that: (1) Congress had abrogated the doctrine in the Patent Act of 1952; (2) two post-*Westinghouse* decisions already interred the doctrine; and (3) contemporary patent policy supports prohibiting assignor estoppel. Secondly, the doctrine should be constrained.

In response to Minerva's first argument, the Court rejected the notion that assignor estoppel should be abandoned and that Congress abrogated the doctrine. Minerva's first reason for abolishing assignor estoppel depended on the language of 35 U.S.C. § 282(b), which states that invalidity is a defense in any patent infringement case.² Minerva argued that this language leaves no room for assignor estoppel, however, the Court disagreed, highlighting the *Westinghouse* decision, which, although it involved similar language, the Court there ruled in favor of applying assignor estoppel.

The Court reasoned that ruling in favor of Minerva's second argument that Congress had already intended to disregard assignor estoppel would preclude the application of other common-law preclusion doctrines, such as res judicata, since it would conflict with the Court's precedents, including that of *Astoria Fed. Sav. & Loan Assn. v. Solimino* where the Court had stated that Congress recognizes the common law and if Congress intended to eliminate the doctrine, they would indicate such intent.³ Citing a lack of evidence of Congress's intent to abrogate the doctrine, the Court deemed Minerva's argument invalid.

Minerva's second reason for abolishing assignor estoppel was based on the decisions by the Supreme Court in *Scott Paper Co. v. Marcalus Mfg. Co.* and *Lear, Inc. v. Adkins*, both of which interred assignor estoppel. However, the Court rejected this second reason as well, stating that the opinion in *Scott* simply reiterated the core principle of fair dealing by declining to apply assignor estoppel to a patent that had already entered the public domain.

The Court reasoned that the public's interest in using an invention already in the public domain outweighs any interest in "private good faith."⁴ As for *Lear*, the Court points out that the case deals with licensee estoppel, which differs significantly from assignor estoppel.

Assignor estoppel is based on the foundation that the assignor has represented the patent's validity and received compensation for it, which is different from licensee estoppel because licensees do not sell patents but buy and use them. Furthermore, a licensee does not receive all the ownership rights of a patent, only the right to use the patent subject to the licensing agreement.⁵

2. 35 U.S.C. § 282(b) (2012).

3. *Astoria Fed. Sav. & Loan Assn. v. Solimino*, 501 U.S. 104, 108 (1991).

4. *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 264 (1945).

5. *Lear, Inc. v. Adkins*, 395 U.S. 653, 610 (1969).

Minerva's final reason for abolishing assignor estoppel is based on contemporary patent policy, which favors the need to weed out bad patents. They claimed that assignor estoppel is too strict of a barrier that it keeps bad patents alive. The Court also rejects this, pointing to the doctrine's foundations of fairness. The unfairness of allowing an assignor to profit twice on both the assignment's price and the continued use of the invention outweighs any loss the public receives by barring assignors from bringing invalidity defenses. Thus, although barring an assignor from bringing an invalidity defense may lead to more bad patents, the Court found that allowing an assignor to engage in double profiting outweighs the public's concerns with bad patents.

In response to Minerva's second argument, the Court agreed that the assignor estoppel doctrine should be constrained because they believe the Federal Circuit applied the doctrine too expansively. In their ruling, the Court argued that there are limits to the doctrine, which stem from the underlying principles of fair dealing that the Court has reiterated throughout the opinion. This principle is based on the implied representation of validity the assignor gives the assignee when transferring their right for profit.

With this principle of fairness in mind, the Court stated three exceptions in which assignor estoppel would not apply: (1) when an assignment occurs before an inventor can make a warranty of validity as to a specific patent claim; (2) when a later legal development renders irrelevant the warranty given at the time of assignment; and (3) post-assignment changes in the patent's claim, which most often arises when an inventor assigns a patent application rather than an issued patent.

The Court found that the third exception for post-assignment changes in patent claims is most applicable. Assignor estoppel applies only when an inventor seeks to argue against the representation they made at the time of assignment. The Court reasoned that if Hologic's claims were materially broader than those in Truckai's original patent application, then there was no way Truckai could be found to contradict his warranty of validity. Thus, to decide whether assignor estoppel applies, the Court would need to rule on whether Hologic's new claims are materially broader than those Truckai originally assigned.

As such, the Court vacated and remanded the case to address this issue.