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INTELLECTUAL PROPERTY LITIGATION

Expert Analysis

Will En Banc Federal Circuit Address Assignor Estoppel?

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A person who assigns his or her patent to another may not later attack the validity of that patent in district court, under the doctrine of assignor estoppel. But an assignor may, under some circumstances, attack the patent in a proceeding before the Patent Office. Last month, in *Hologic v. Minerva Surgical*, Judge Kara Farnandez Stoll suggested that the en banc Federal Circuit should address the "odd and seemingly illogical regime" in which "an assignor can circumvent the doctrine of assignor estoppel by attacking the validity of a patent claim in the Patent Office, but cannot do the same in district court." No. 2019-2054, 2020 WL 1932944, at *13-14 (Fed. Cir. April 22, 2020) (Stoll, J., additional views).

We report here on *Hologic* and on another recent Federal Circuit case that addressed the scope of assignor estoppel, *Arista Networks v. Cisco Systems*, 908 F.3d 792 (Fed. Cir. 2018), because the doctrine is significant for attorneys advising clients in transferring patent rights.

Assignor Estoppel

Assignor estoppel is an equitable doctrine that prevents one who assigns a patent and those in privity with the assignor—such as a corporation founded by the assignor—from challenging the validity of that patent in district court "when the assignor is sued by the assignee for infringement of the assigned patent." *Diamond Sci. Co. v. Ambico*, 848 F.2d 1220, 1222 (Fed. Cir. 1988). The doctrine often arises where an inventor assigns a patent to her employer, eventually leaves that job, and takes a new job at a company then accused of infringing the patent.

The "primary consideration" in applying assignor estoppel is "the measure of unfairness and injustice that would be suffered by the assignee if the assignor were allowed to raise defenses of patent invalidity." Id. at 1225. Thus, a court's analysis "must be concerned mainly with the balance of equities between the parties," id., and an "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," id.at 1224.

> While authoring the unanimous panel opinion, Judge Stoll also wrote separately to file additional views that "highlight and question the peculiar circumstance created in this case by this court's precedent, which the panel is bound to follow."

An exception exists where if, after the assignment, the assignee

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broadens the patent claims "beyond what could be validly claimed in light of the prior art." Id. at 1226. There, the assignor may "introduce evidence of prior art to narrow the scope of the claims of the patents," even if doing so renders the assignor's accused products non-infringing. Id.

The Federal Circuit recently "emphasized the continued vitality" of assignor estoppel for patent infringement cases in district court, *Mentor Graphics v. EVE-USA*, 851 F.3d 1275, 1283 (Fed. Cir. 2017), but has then held that the doctrine does not apply in Inter Partes Review proceedings before the Patent Office, *Arista*, 908 F.3d at 804.

'Arista Networks'

Dr. David Cheriton invented the subject matter of U.S. Patent No. 7,340,597 and assigned his rights to his then employer, Cisco. *Arista*, 908 F.3d at 794. Cheriton then left Cisco to co-found Arista, where he served as a director, Arista's chief scientist, and was one of Arista's largest shareholders. Id. at 795.

Artista petitioned the Patent Office for IPR of certain claims of the '597 patent. The board instituted, and "[d]espite the factual similarities between this case and [the Federal Circuit's] other assignor estoppel cases," refused to apply the doctrine, finding that it is unavailable in the IPR context. Id. at 801. The board reasoned that 35 U.S.C. §311(a), which states, in relevant part, "a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent," "presents a clear expression of Congress's broad grant of the ability to challenge the patentability of patents through inter partes review." Id. The board also found that "Congress has not expressly provided for assignor estoppel in the IPR context, where it has in other contexts." Id. at 802.

> Barring further guidance from the en banc court, practitioners advising clients in the assignment of patent rights should bear in mind that while assignor estoppel applies in district court proceedings, it does not apply in IPR proceedings.

The Federal Circuit affirmed, holding that "by allowing 'a person who is not the owner of a patent' to file an IPR," §311(a) "unambiguously dictates that assignor estoppel has no place in IPR proceedings." Id. at 804. The court also explained that "[t]his conclusion is consistent with Congress's express incorporation of equitable doctrines in other related contexts," the absence of which in §311(a) "is further evidence of congressional intent." Id. at 803-04.

Notably, the Federal Circuit rejected Cisco's argument that "allowing assignor estoppel in other forums, such as the ITC and in district court, while not allowing it in the IPR context creates an inconsistency that invites forum shopping." Id. at 804. The court observed that this was not "an inconsistency," but rather "an intentional congressional choice" that is "consistent with the overarching goals of the IPR process that extend beyond the particular parties in a given patent dispute." Id.

'Hologic'

Csaba Truckai, an inventor of U.S. Patent Nos. 6,872,183 and 9,095,348, assigned to NovaCept his interest in the applications from which the '183 and '348 patents claim priority. *Hologic*, 2020 WL 1932944, at *2. Cytyc Corporation later acquired NovaCept and its patent rights. Id. at *3. Hologic then acquired Cytyc. Id. Mr. Truckai left NovaCept and founded Minerva, serving as its President, Chief Executive Officer, and a member of its Board of Directors. Id.

In 2015, Hologic sued Minerva for infringement of certain claims of the '183 and '348 patents. Id. Minerva asserted invalidity defenses of lack of enablement and written description and filed IPR petitions challenging the patentability of the asserted claims of the '183 and '348 patents. Id. The Board held unpatentable as obvious the asserted claims of the '183 patent but denied review of the '348 patent. Id. Hologic appealed the Board's decision as to the '183 patent. Id.

The district court granted summary judgment that assignor estoppel barred Minerva from challenging the validity of the claims of the '183 and '348 patents in

district court. In so holding, the court "'[c]onsider[ed] the balance of the equities and the relationship of Minerva and Truckai,'" finding that "Mr. Truckai founded Minerva, he 'used his expertise to research, develop, test, and manufacture'" the accused product and he "'executed broad assignments of his inventions to NovaCept.'" Id. The district court also granted summary judgment of infringement. Id.

Following a jury trial on willfulness and damages, Hologic moved for a permanent injunction. Id. at *4. While that motion was pending, the Federal Circuit affirmed the board's decision in the parallel '183 patent IPR. Id. In light of the Federal Circuit's affirmance of the IPR decision, the district court denied as moot Hologic's motion for a permanent injunction and motions for supplemental damages and ongoing royalties for infringement of the '183 patent. Id. Hologic appealed.

In a unanimous opinion authored by Judge Stoll, the Federal Circuit panel affirmed the district court's assignor estoppel conclusions, explaining that "[b]ased on our precedent, which we are bound to follow" the district court did not err with respect to either patent. Id. at *1. As to the '183 patent, the Federal Circuit held that "[b]ased on our precedent and the limits it places on the assignor estoppel doctrine, we conclude that assignor estoppel does not preclude Minerva from relying on [the IPR decision] to argue that the '183 patent claims are void ab initio." Id. at *6.

In so holding, the court addressed the "seeming unfairness to Hologic in this situation" and "Hologic's predicament":

> Although Minerva would have been estopped from challenging the validity of the '183 patent claims in district court, it was able to challenge their validity in an IPR proceeding and, hence, circumvent the assignor estoppel doctrine. Minerva had the right to do so under the AIA and this court's precedent.
>
> Id.

As to the '348 patent, the Federal Circuit held that "the equities weigh in favor of" application of assignor estoppel in this case. Id. at *8. According to the court, "[t]he facts here are analogous to those in" cases "in which an inventor executes broad assignments to his employer, leaves his employer, founds or takes on a controlling role at a competing company, and is directly involved in the alleged infringement." Id. The Federal Circuit also rejected Minerva's argument that "'Hologic is deploying assignor estoppel to shield its unwarranted expansion of the patent's scope from the invalidity arguments created by its own overreach.'" Id. The court explained that under prior precedent Minerva could "'introduce evidence of prior art to narrow the scope of' claim 1 so as to bring its accused product 'outside the scope of' claim 1." Id.

Call for En Banc Review

While authoring the unanimous panel opinion, Judge Stoll also wrote separately to file additional views that "highlight and question the peculiar circumstance created in this case by this court's precedent, which the panel is bound to follow," id. at *13 (Stoll, J., additional views), because those precedents create the "odd situation where an assignor can circumvent the doctrine of assignor estoppel by" filing an IPR, id., Stoll suggested "that it is time for this court to consider en banc" the doctrine to "clarify this odd and seemingly illogical regime." Id. at *14.

Barring further guidance from the en banc court, practitioners advising clients in the assignment of patent rights should bear in mind that while assignor estoppel applies in district court proceedings, it does not apply in IPR proceedings.