

No. 20-440

IN THE
Supreme Court of the United States

MINERVA SURGICAL, INC.,

Petitioner,

v.

HOLOGIC, INC., *et al.*,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE FEDERAL CIRCUIT

**BRIEF OF *AMICUS CURIAE* INTELLECTUAL
PROPERTY OWNERS ASSOCIATION
IN SUPPORT OF NEITHER PARTY**

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INTEREST OF AMICUS CURIAE

Amicus curiae Intellectual Property Owners Association (IPO) is an international trade association representing a “big tent” of diverse companies, law firms, service providers, and individuals in all industries and fields of technology that own, or are interested in, intellectual property (IP) rights.¹ Founded in 1972, IPO’s mission is to promote high quality and enforceable IP rights and predictable legal systems for all industries and technologies. IPO advocates effective, affordable, and balanced IP rights before both Congress and the United States Patent and Trademark Office (USPTO) and has filed *amicus curiae* briefs in this Court and other courts on significant issues of intellectual property law. The members of IPO’s Board of Directors, which approved the filing of this brief, are listed in the attached Appendix.²

INTRODUCTION

IPO’s members collectively invest tens of billions of dollars annually on research and development, employing hundreds of thousands of scientists, engineers, and others in the United States to develop, produce, and market innovative new products, processes, and services. Many

1. No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amicus curiae* or its counsel made a monetary contribution to its preparation or submission. Both parties have consented to the filing of this brief.

2. IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

of these innovations take years of research, failure, missteps, and refinements to reach eureka moments, plus additional time to develop practical applications and potentially commercialize them. Many of the innovations are patented, often identifying teams of individuals working in collaboration as inventors. Employee-inventors regularly assign their inventions to their employers for valuable consideration, typically as part of their job function and compensation. In many cases, individuals who are hired to invent have signed agreements assigning to their employer their inventions and any patent rights upon creation of the invention, which grants are confirmed by assignment documents recorded in the USPTO at the time applications for patent are filed or thereafter.

Many research and development activities produce patented inventions that in some instances are commercialized into valuable and profitable businesses, and in others are not commercialized at all. In either case, the disclosure of the invention in the patent publication may inform and inspire competitors or would-be competitors to improve upon or make their own innovations, possibly leapfrogging prior innovations with new ones that may be patented. Thus, the “progress of science and useful arts” is promoted, as intended by the Constitution. U.S. CONST, ART. I, SEC. 8.

In addition, the patented technology and/or associated patents may be licensed or sold to another who has the motivation and resources to turn the innovation into a commercial product, continue exploitation of an existing commercial product, and/or to recoup the investment made in the innovation through licensing of the patent(s). The sale of patents, with or without an associated business, has long been and continues to be a business unto itself.

Another practical reality is that employee mobility has dramatically increased since the doctrine of assignor estoppel was first recognized. Employees often change jobs during their career; some move from a company to its competitor, where their technical expertise and prior innovations are highly valued (and compensated). Others may start their own companies, building on their prior work experience and training obtained in part at the expense of a previous employer. It is not unusual that after having assigned invention rights in a patent application, an inventor-employee moves on to other employment well before any patent issues on that application.

This case presents a question of substantial practical importance to IPO members: namely, whether the doctrine of assignor estoppel remains viable such that inventors whose innovative activities lead to patent rights assigned to their employer may, when the assignor's employment circumstances change, later challenge the validity of their previously assigned patents to compete with a former employer, and whether those in privity with an assignor should likewise be estopped from challenging the assigned patent

SUMMARY OF ARGUMENT

This Court has acknowledged the propriety and viability of the doctrine of assignor estoppel as applied to inventors and those in privity with them each time the issue has been before it. In 1945, this Court recognized that the “principle whereby an assignor is held to his bargain with the assignee has been part of the texture of our patent law throughout its history.” *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 263 (1945). The Federal Circuit has consistently applied this Court's

precedent in holding that assignor estoppel is an equitable doctrine based on sound contract and patent law policy considerations: To prevent the unfairness and injustice of permitting a party to sell patent rights for value and later to assert that the invention that was sold is worthless.

Amicus curiae IPO submits that the passage of time has established that the contract and patent law policy considerations on which assignor estoppel is based remain sound. Thus, “there are still circumstances in which the equities of the contractual relationship between the parties should deprive one party (as well as others in privity with it) of the right to ... challenge [the validity of the patent previously assigned].” *Diamond Scientific Co. v. Ambico, Inc.*, 848 F.2d 1220, 1225 (Fed. Cir. 1988).

This Court’s jurisprudence sprang from facts remarkably similar to the present case, confirming that the modern innovation economy and increased employee mobility warrant maintenance, and not abrogation, of the doctrine. Assignor estoppel maintains its role in promoting the free and secure transfer of patent rights to those seeking to develop and commercialize them. Thus, assignor estoppel is rooted in the traditional considerations of equity based on the totality of circumstances and should be applied as a rebuttable presumption.

Some argue the doctrine cannot stand in view of the general policy that the public should be free to challenge invalid patents. *Amicus curiae* IPO urges that fairness and justice, when equity so provides, require holding an assignor who has received the benefits to bear the burdens of the assignment contract, taking the assignor and its privities out of the general public. Further, the limited

scope and applicability of assignor estoppel to assignors and their privities, and to invalidity defenses only, mitigate policy concerns. That increased employee mobility may increase the occurrence of assignor estoppel changes neither the calculus nor the sound policies underlying the doctrine.

IPO takes no position on the actual question presented in this case, *i.e.*, whether the doctrine of assignor estoppel should apply to bar the Appellant from seeking to invalidate the patent-in-suit.

ARGUMENT

I. The Supreme Court Has Endorsed the Doctrine of Assignor Estoppel in Patent Cases but Has Provided Limited Guidance Regarding Its Application.

This Court has previously acknowledged the viability of the doctrine of assignor estoppel on three occasions. In a case of first impression, the Court surveyed the lower courts' decisions and concluded that:

[t]he rule supported by them is that an assignor of a patent right is estopped to attack the utility, novelty or validity of a patented invention which he has assigned or granted as against any one claiming the right under his assignment or grant. As to the rest of the world, the patent may have no efficacy and create no right of monopoly; but the assignor cannot be heard to question the right of his assignee to exclude him from its use.

Westinghouse Electric & Mfg. Co. v. Formica Insulation Co., 266 U.S. 342, 349 (1924). Adopting “[t]he analogy between estoppel in conveyances of land and estoppel in assignments of a patent right,” this Court turned to the measure of the right to exclude to assess the scope of the estoppel, and to allow consideration of the state of the art, not “to destroy the patent and defeat the grant, because the assignor is estopped to do this [but] to construe and narrow the claims of the patent, conceding their validity.” *Westinghouse*, 266 U.S. at 350-51; *id.* at 348-49 (“there seems to be no reason why the principles of estoppel by deed should not apply to assignment of a patent right in accordance with the [patent] statute. . . . It was manifestly intended by Congress to surround the conveyance of patent property with safeguards resembling those usually attaching to that of land.”)³

In considering the reach of the estoppel, the *Westinghouse* Court recognized and distinguished situations where the involved assignment was generally of the specification and claims from those where the assignor made “specific representations as to the scope of the claims and their construction, inconsistent with the state of the art, on the faith of which the assignee purchased” *Id.*, 266 U.S. at 351. The latter was acknowledged to be an equitable consideration akin to a special instance of

3. IPO does not read the doctrine of assignor estoppel as a judicially created exception to the available “invalidity” defenses to a patent infringement charge. 35 U.S.C. § 282. Rather, as made clear in *Westinghouse*, assignor estoppel arises from and is an equitable consequence of the contractual assignment of the assignor’s inchoate patent rights for value, and thus exists independent of and supersedes any statutory right to a defense of invalidity that may be available to the rest of the world not burdened by such contractual obligation.

an estoppel by conduct. *Id.* As for the former, the Court recognized that:

[w]hen the assignment is made before patent, the claims are subject to change by curtailment or enlargement by the Patent Office with the acquiescence or at the instance of the assignee and the extent of the claims to be allowed may ultimately include more than the assignor intended to claim. This difference might justify the view that the range of relevant and competent evidence in fixing the limits of the subsequent estoppel should be more liberal than in the case of an assignment of a granted patent.”

Id., 266 U.S. at 353.

This Court thus established that the circumstances surrounding the assignment, including the intent and representations of the assignor, as well as the state of the art, have a direct bearing on fixing the limit of any applicable estoppel. It further established that, notwithstanding the estoppel barring the assignor from using the applicable state of the art to “destroy the patent,” the assignor could make use of the state of the art to construe and thereby limit the scope of the asserted patent claims. *Westinghouse*, 266 U.S. at 350-51.

Twenty-two years later this Court reaffirmed assignor estoppel and “[i]ts basic principle ... of good faith, that one who has sold his invention may not, to the detriment of the purchaser, deny the existence of that which he has sold.” *Scott Paper*, 326 U.S. at 251 (citing *Westinghouse E. & Mfg. Co. v. Formica Insulation Co.*, 288 F. 330, 333

(6th Cir. 1923)). On the particular facts of that case, the *Scott Paper* Court determined that:

the patent laws preclude the petitioner assignee from invoking the doctrine of estoppel, as a means of continuing as against respondent, his assignor, the benefit of an expired monopoly, and they preclude the assignor from estopping himself from enjoying rights which it is the policy of the patent laws to free from all restrictions. For no more than private contract can estoppel be the means of successfully avoiding the requirements of legislation enacted for the protection of a public interest. ... The assignor has a complete defense to an action for infringement where the alleged infringing device is that of an expired patent.

Scott Paper Co., 326 U.S. at 257-58. Thus, the Court barred the assignor from destroying the patent previously assigned.

Finally, and most recently, the Court in *Lear, Inc. v Adkins*, 395 U.S. 653, 666-65(1969) acknowledged and distinguished the doctrines of assignor and licensee estoppel, holding only that the latter does not bar a licensee from challenging the validity of the patent rights being licensed.

II. The Federal Circuit Law of Assignor Estoppel Follows and Fairly Implements This Court's Jurisprudence

The Federal Circuit, in its first decision involving the doctrine of assignor estoppel, surveyed this Court's

jurisprudence in concluding that assignor estoppel is an equitable doctrine that prevents one who has assigned rights to a patent (or patent application) from later contending that what was assigned is a nullity. *Diamond Scientific*, 848 F.2d at 1224 (recognizing “the implicit representation by the assignor that the patent rights that he is assigning (presumably for value) are not worthless To allow the assignor to make that representation at the time of the assignment (to his advantage) and later to repudiate it (again to his advantage) could work an injustice against the assignee.”).

The Federal Circuit applied this Court’s equitable rationale, that assignor estoppel be applied “to prevent unfairness and injustice.” *Id.* “[A]n assignor should not be permitted to sell something and later assert that what was sold is worthless, all to the detriment of the assignee.” *Id.*; accord *Pandrol USA, LP v. Airboss Ry. Prod., Inc.*, 424 F.3d 1161, 1167 (Fed. Cir. 2005) (“[A]ssignor estoppel prevents an assignor from asserting that its own patent, for which it may have received value upon assignment, is invalid and worthless.”).

In 2017, the Federal Circuit reaffirmed the “continued vitality of the doctrine of assignor estoppel.” *Mentor Graphics Corp. v. EVE–USA, Inc.*, 851 F.3d 1275, 1283 (Fed. Cir. 2017) (citations omitted). And it did so again in the panel decision below, recognizing that:

nothing in *Lear* eliminated assignor estoppel and that an important distinction existed between assignors and licensees:

The public policy favoring allowing a licensee to contest the validity of the

patent is not present in the assignment situation. Unlike the licensee, who, without *Lear* might be forced to continue to pay for a potentially invalid patent, the assignor who would challenge the patent has already been fully paid for the patent rights.

[*Diamond Scientific*, 848 F.2d] at 1224.

Hologic, Inc. v Minerva Surgical, Inc., 957 F.3d 1256, 1265 (Fed. Cir. 2020) (“Panel Decision.”).

As this Court did, the Federal Circuit applied the doctrine to bar invalidity challenges only by the assignor herself and those “in privity” with the assignor, such as a corporation founded by the assignor. See *Diamond Scientific*, 848 F.2d at 1224. As discussed in further detail below, “[p]rivacy, like the doctrine of assignor estoppel itself, is determined upon a balance of equities.” *Shamrock Techs. Inc. v. Med. Sterilization, Inc.*, 903 F.2d 789, 793 (Fed. Cir. 1990). “In other words, “[i]f an inventor assigns his invention to his employer company A and leaves to join company B, whether company B is in privity and thus bound by the doctrine will depend on the equities dictated by the relationship between the inventor and company B in light of the act of infringement.” *Juniper Networks, Inc. v. Palo Alto Networks, Inc.*, 15 F. Supp. 3d 499, 507-508 (D. Del. 2014) (quoting *Shamrock Techs.*, 903 F.2d at 793). “The closer that relationship, the more the equities will favor applying the doctrine to company B.” *Id.* at 508.

This jurisprudence makes clear that assignor estoppel does not prevent companies from competing for talented employees. Instead, the doctrine, as applied in limited

circumstances, furthers equity by preventing the assignor (whether acting individually or through another entity) from “making [a] representation [of the patent’s validity] at the time of assignment (to his advantage) and later . . . repudiat[ing] it (again to his advantage).” *Acushnet Co. v. Dunlop Maxfli Sports Corp.*, No. CIV. A. 98-717-SLR, 2000 WL 987979, at *3 (D. Del. June 29, 2000) (quoting *Diamond Scientific*, 848 F.2d at 1224) (brackets in original).

III. Assignor Estoppel is a Doctrine of Limited Application and Scope.

Assignor estoppel does not cut a broad swath through patent law. Rather, it is quite limited both in application and scope. It applies only in the rare situation that the accused infringer is the assignor of the asserted patent, or in privity with the assignor. Its scope is limited to preventing assertion of an invalidity defense in district court when equity prevents an assignor from unfairly repudiating its representations of assigning valuable patent rights for consideration upon assignment. *Diamond Scientific*, 848 F.2d at 1224.

Importantly, assignor estoppel does not divest an accused assignor (or those in privity) of its complement of defenses to an infringement charge, other than those invalidity defenses it is equitably estopped to assert. Even when a certain prior art invalidity defense is precluded, that same prior art may be introduced to address, and indeed narrow, the scope of claims, in defense to an infringement claim. *Westinghouse*, 266 U.S. at 350-51; *Mentor*, 150 F.3d at 1379. Likewise, an assignor is free to argue that its allegedly infringing product falls entirely within the prior art as a defense to infringement. *Scott*

Paper Co., 326 U.S. at 257-58; *Mentor Graphics Corp.* 150 F.3d at 1380.

Despite its rare and limited application, assignor estoppel remains an important doctrine that encourages fair dealing and the fair transfer of patent rights.

IV. Assignor Estoppel Should Be Implemented as a Rebuttable Presumption That Can Be Overcome on the Equities Considering the Totality of the Circumstances

This Court has recognized that assignor estoppel is based on “the principles of estoppel by deed.” *Westinghouse*, 266 U.S. at 348. While “[e]stoppel by deed is a form of *legal*, not equitable, estoppel,” the doctrine is still measured by fairness and justice. *Diamond Scientific*, 848 F.2d at 1225 (emphasis in original); *see also Thompson v. Gue*, 259 A.2d 272, 275-76 (Md. Ct. App. 1969) (“Generally, estoppel by deed is based upon equitable considerations . . . the true principle of estoppel, as applicable to deeds, is to prevent circuity of action and to compel parties to fulfil their contracts.”) (quoting 28 Am. Jur. 2d, II., Estoppel by Deed or Bond, § 4 at p. 603). Assignor estoppel, therefore, should be implemented as a rebuttable presumption in accordance with traditional principles of equity in light of the totality of the circumstances.

The supporting rationale for the doctrine of assignor estoppel show it is designed to further equitable considerations. “The four most frequently mentioned justifications for applying assignor estoppel are the following: ‘(1) to prevent unfairness and injustice; (2) to prevent one [from] benefiting from his own wrong; (3) by analogy to estoppel by deed in real estate; and (4) by

analogy to a landlord-tenant relationship.” *Diamond Scientific*, 848 F.2d at 1224 (citing Cooper, *Estoppel to Challenge Patent Validity: The Case of Private Good Faith vs. Public Policy*, 18 Case W. Res. 1122 (1967)); see also *Midland Realty Co. of Minn. v. Halverson*, 52 P.2d 159, 161 (Mont. 1935) (“The doctrine of estoppel was invented and engrafted upon the law to prevent wrongs and not to promote them.”).

Applying a rebuttable presumption of assignor estoppel thus reflects a practical deployment of equity and is in line with the guidance provided in *Westinghouse* and *Diamond* and, perhaps more importantly, fairness to the assignee.

In *Westinghouse*, this Court acknowledged prior decisions finding that “an assignor of a patent right is estopped to attack the utility, novelty or validity of a patented invention which he has assigned” and declined to “disturb a rule well settled by 45 years of judicial consideration and conclusion in those courts.” *Westinghouse*, 266 U.S. at 349. This point is made even more explicitly in *Diamond* and cited by the Panel below, concluding that:

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. . . . In other words, it is the ***implicit representation*** by the assignor that the patent rights that he is assigning (***presumably*** for value) are not worthless that sets the assignor apart from the rest of the world and can deprive him of the ability to challenge later the validity of the patent.

Diamond, 848 F.2d at 1224 (emphasis added); *see also* Panel Decision, 957 F.3d at 1265.

Making a presumption of assignor estoppel rebuttable also is consistent with and analogous to other validity-related presumptions found in patent law. *See, e.g.*, 35 U.S.C. § 282(a) (stating issued patents “shall be presumed valid”); *and SiRF Tech v. ITC*, 601 F.3d 1319, 1327-28 (Fed. Cir. 2010) (noting recordation of a patent assignment creates a rebuttable presumption of validity of the assignment against the challenger).

V. Privity and Its Equitable Factual Considerations Are the Backstop That Avoid the Parade of Horribles Raised by Those Who Would Abolish Assignor Estoppel

Assignor estoppel applies to the assignor and all those in privity with the assignor at the time that the validity challenge is sought to be asserted. *See MAG Aerospace Industries, Inc. v. B/E Aerospace, Inc.*, 816 F.3d 1374, 1379-81 (Fed. Cir. 2016). Today, the transfer of patent rights is commonplace, particularly from an employee inventor to an employer, as well as from one assignee to another. However, not every assignment results in an accused assignor being estopped from raising invalidity challenges. Thus, like the doctrine of assignor estoppel itself, whether an assignee is in privity with its assignor should be determined based on equitable considerations in the interest of fairness with a complete evaluation of all contacts in light of the infringement. *Mentor*, 150 F.3d at 1379.

Hence, the threshold question of privity sets limits on whether assignor estoppel applies to parties (other

than the inventor herself).⁴ *Shamrock Techs.*, 903 F.2d at 793. “What constitutes ‘privity’ varies, depending on the purpose for which privity is asserted.” *Id.* at 793 (quoting *American Mach. Co. v. Everedy Mach. Co.*, 35 F.2d 526, 528, 3 U.S.P.Q. (BNA) 196, 198 (E.D. Pa. 1929) (distinguishing use of privity for estoppel from use of privity for imposition of personal liability)). As applied to assignor estoppel, “[w]hether two parties are in privity depends on the nature of their relationship in light of the alleged infringement.” *Mentor*, 150 F.3d at 1379.

For example, the paradigm case of privity involves the assignor forming his or her own company, or moving into a leadership position of another company, and directing or causing that company’s alleged infringement. But if an inventor moves to a large existing company, and is an employee with no or limited involvement in the allegedly infringing activities, assignor estoppel may not be triggered for lack of privity.

This Court’s decisions on assignor estoppel have not expounded on the full scope of privity. Rather, they are limited to situations in which the inventor assigned her rights to an employer and subsequently organized or operated a company later accused of infringing the assigned patent and seeking to challenge its validity. *See, e.g., Westinghouse*, 266 U.S. at 354 (noting estoppel may apply where inventor assigns invention and subsequently becomes a partner in accused infringer); *Scott Paper*, 326 U.S. at 251-52 (finding estoppel applied where inventor

4. When applying assignor estoppel, courts often use the terms “assignor” and “inventor” interchangeably, but these are not always interchangeable. *See, e.g., MAG Aerospace Indus.*, 816 F.3d at 1380.

assigned patent and then formed and controlled accused infringer).

The Federal Circuit has considered privity beyond those circumstances, aptly concluding that “[p]rivity, like the doctrine of assignor estoppel itself, is determined upon a balance of the equities.” *MAG Aerospace*, 816 F.3d at 1380 (quoting *Shamrock*, 903 F.2d at 793). While there is no and should not be any bright-line test for whether a defendant company is in privity with the assignor, the Federal Circuit has identified the following non-exclusive factors as relevant: (1) the assignor’s leadership role at the new employer; (2) the assignor’s ownership stake in the defendant company; (3) whether the defendant company changed course from manufacturing non-infringing goods to infringing activity after the inventor was hired; (4) the assignor’s role in the infringing activities; (5) whether the inventor was hired to start the infringing operations; (6) whether the decision to manufacture the infringing product was made partly by the inventor; (7) whether the defendant company began manufacturing the accused product shortly after hiring the assignor; and (8) whether the inventor was in charge of the infringing operation. *Shamrock*, 903 F.2d at 793-794.

A. Privity where the inventor assignor is the employee of the infringer

In the prototypical case of an inventor assignor who then leaves assignee company A to join company B, “whether company B is in privity and thus bound by the doctrine will depend on the equities dictated by the relationship between the inventor and company B in light of the act of infringement. The closer that relationship, the more the equities will favor applying the doctrine

to company B.” *Shamrock*, 903 F.2d at 793. Put another way, privity depends on the closeness of the relationship between the assignor and accused infringer and the assignor’s relationship to the infringement.

It is generally settled that, if an assignor forms a corporation or other business entity wholly owned by her and causes that entity to infringe the assigned patent, the corporation is the assignor’s privity. *See Shamrock*, 903 F.2d at 794 (finding privity when assignor was shareholder of new company and was heavily involved in decision to begin infringing operations). In contrast, if the assignor is a “mere employee” of the infringing company, the company will not be in privity with the assignor. *Id.* Cases that fall in between these two extremes may be decided by determining the closeness of the relationship among the relevant parties through examination of the totality of the circumstances.

While not dispositive, the central question of the closeness of the relationship is commonly expressed as whether the accused infringer “availed itself of the inventor’s ‘knowledge and assistance’ to conduct infringement.” *See, e.g., Intel Corp. v. United States Int’l Trade Comm’n*, 946 F.2d 821, 839 (Fed. Cir. 1991) (citing *Shamrock*, 903 F.2d at 794 (quoting *Mellor v. Carroll*, 141 F. 992 (C.C.D. Mass. 1905))). That this inquiry can lead to apparently inconsistent results is a function of considering the totality of the circumstances.⁵ Indeed,

5. *Cf. Navico Inc. v. Garmin International, Inc.*, 2017 WL 3426052, *5-*6 (E.D. Tex. 2017), *report and recommendation adopted*, 2017 WL 3394600, *1 (E.D. Tex. 2017) (finding no privity with inventors hired as engineers that took direction from others within the company in developing the accused product); *w. Leading Technology Composites, Inc. v. MV2, LLC*, 2020 WL 790601, *4-*5

as most employees are hired for their “assistance,” and highly specialized employees are commonly sought for their existing “knowledge,” care should be taken not to interpret “knowledge and assistance” overly broadly to avoid unwarranted restraints on employee mobility that do not further the policy underlying assignor estoppel.

Assignor estoppel was not designed to prevent companies from competing for talented employees; rather, it was intended to prevent the assignor (whether acting individually or through another entity) from “making [a] representation [of the patent’s validity] at the time of assignment (to his advantage) and later . . . repudiat[ing] it (again to his advantage).” *Acushnet Co. v. Dunlop Maxfli Sports Corp.*, No. CIV. A. 98-717-SLR, 2000 WL 987979, at *3 (D. Del. June 29, 2000) (quoting *Diamond Scientific*, 848 F.2d at 1224). As such, privity should not attach to employees who are simply working for the defendants making the allegedly infringing products and are not directing actions that lead to the alleged infringement, as they are not directly repudiating the assigned invention.

Indeed, even an assignor’s assistance on an infringing product may not necessarily indicate that the alleged infringer availed itself of the assignor’s knowledge and assistance to infringe. As one district court commented:

It is difficult to see why a company’s relying upon the assignor’s knowledge and assistance to conduct infringement should estop the company from challenging the patent’s validity, or why

(D. Md. 2020) (finding privity where the inventor helped design or manufacture components of allegedly infringing product despite no leadership or ownership role).

the company should even have a need to rely upon the assignor's knowledge and assistance in the first place. Because a patent must enable a person having ordinary skill in the art to make and use the patented machine or process, *see* 35 U.S.C. § 112(a), a company can determine how to infringe without relying on the knowledge and assistance of the assignor.

Mikkelsen Graphic Eng'g Inc. v. Zund Am. Inc., No. 07-C-0391, 2014 WL 12654766, at *4 (E.D. Wis. May 23, 2014). Rather, an assignee's contribution to the infringing product should be sufficiently significant and material to conclude that the accused infringing company availed itself of the inventor's knowledge and assistance to conduct infringement. *See Shamrock*, 903 F.2d at 794 (agreeing with *Mellor v. Carroll*, 141 F. 992 (C.C.D. Mass. 1905) ("Mere co-operation in the alleged infringement with the estopped assignor may not ... be enough to create the estoppel.")).

B. Privity in business-to-business transactions

The common fact pattern of an inventor assignor who is a former employee is not the only situation where assignor estoppel arises. While the factual circumstances and equitable interests differ when the inventor's involvement has ceased and there is a string of business-to-business transactions between the original inventor and accused infringer, considerations of equity and "closeness" remain paramount in assessing whether privity exists throughout the chain. There are two principal situations where business-to-business privity may arise: (1) where the inventor-assignor's parent company is being accused

of infringement and (2) where the business is itself an assignor to another business.⁶

Extrapolating from *Shamrock* and *Intel*, the question of the “closeness of the relationship” and whether the allegedly infringing company availed itself of “knowledge and assistance” of an assignor to infringe is still instructive in these cases. See *Intel*, 946 F.2d at 838-39. As is the case with inventor assignors, here too considerations of the assignor company’s knowledge and decision-making authority over the allegedly infringing acts should be taken into consideration. *Mentor*, 150 F.3d at 1377-79 (finding privity where subsidiary was established for the purpose of manufacturing allegedly infringing goods and the parent exercised “considerable control” over the operations of the subsidiary). The most significant concept is “whether the ultimate infringer availed itself of the inventor’s ‘knowledge and assistance’ to conduct infringement.” *Intel*, 946 F.2d at 839 (quoting *Shamrock*, 903 F.2d at 794).

Ultimately, as in the more typical employee-inventor scenarios, whether privity tacks through successive business to business transactions requires a balancing of the equities considering the totality of the circumstances, originating with the inventor assignor.

6. Most decisions relating to privity of the parent company trace the closeness from the inventor-assignor. The second scenario, involving a corporate assignor with no relation to the inventor, is seldom observed in assignor estoppel, likely because assignments from competitors that wish to continue competing is rare and may be accompanied by express contractual rights that seek to avoid such scenarios.

VI. An Equitable Application of Assignor Estoppel Is Consistent with this Court's Abolishment of Licensee Estoppel

Our public policy generally encourages challenging potentially invalid patents. In 1945, this Court recognized that the “principle whereby an assignor is held to his bargain with the assignee has been part of the texture of our patent law throughout its history.” *Scott Paper*, 326 U.S. at 263 (1945). In *Lear*, this Court reconsidered the doctrine of licensee estoppel “in the light of our recent decisions emphasizing the strong federal policy favoring free competition in ideas which do not merit patent protection.” *Lear*, 395 U.S. at 656 (citations omitted). The Court then recognized that “the Sherman Act made it clear that the grant of monopoly power to a patent owner constituted a limited exception to the general federal policy favoring free competition.” *Id.* at 663. Further, the Court noted that:

The uncertain status of licensee estoppel in the case law is a product of judicial efforts to accommodate the competing demands of the common law of contracts and the federal law of patents. On the one hand, the law of contracts forbids a purchaser to repudiate his promises simply because he later becomes dissatisfied with the bargain he has made. On the other hand, federal law requires, that all ideas in general circulation be dedicated to the common good unless they are protected by a valid patent.

Id. at 668 (citations omitted). Yet, considering these overarching public policies, the *Lear* Court clearly

distinguished licensee estoppel from assignor estoppel, rescinding the former and not disturbing the latter. *Id.* It explained that “the patentee’s *equities* were **far more compelling**” in the case of assignor estoppel. *Id.* at 664 (emphasis added).

Consistent with *Lear*, the Panel below endorsed the *Diamond Scientific* court’s analysis of the “public policy encouraging people to challenge potentially invalid patents’ and ‘disfavoring the repression of competition by the enforcement of worthless patents,’” and simultaneous recognition “that assignor estoppel serves important purposes.” Panel Decision, 957 F.3d at 1265 (citing *Diamond Scientific*, 848 F.2d at 1224–25). Specifically, the Panel

emphasized the longstanding reasoning behind the doctrine that “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.* Stated another way, “it is the implicit representation by the assignor that the patent rights that he is assigning (presumably for value) are not worthless that sets the assignor apart from the rest of the world and can deprive him of the ability to challenge later the validity of the patent.” *Id.* Thus, it “could work an injustice against the assignee” to “allow the assignor to make that representation at the time of the assignment (to his advantage) and later to repudiate it (again to his advantage).” *Id.*

Id. In short, “there are still circumstances in which the equities of the contractual relationships between

the parties should deprive one party (as well as others in privity with it) of the right to bring that challenge.” *Diamond Scientific*, 848 F.2d at 1225.

The case law thus clearly distinguishes the estoppel equities applicable to a patent licensee, who faces the prospect of having to pay royalties *after* learning of an infirmity challenge to the patent whose protection it had sought, and the estoppel equities applicable to an assignor, who has received fair consideration for his or her grant *before* any infirmity challenge to the patent is lodged.

As noted above, the doctrine of assignor estoppel is cabined in scope and application, *supra* at Section III. That increased employee mobility may increase the occurrence of assignor estoppel situations changes neither the calculus nor the sound policies underlying the doctrine. In this regard, Congress “in its successive enactments modifying the patent law has respected this principle and left it untouched.” *Scott Paper*, 326 U.S. at 263.

More generally, assignor estoppel has its same continued role in our modern intellectual property economy, namely it “prevents the unfairness and injustice of permitting a party to sell something and later to assert that what was sold is worthless.” *Checkpoint Sys. v. All-Tag Sec. S.A.*, 412 F.3d 1331, 1337 (Fed. Cir. 2005) (quoting *Intel Corp. v. United States Int’l Trade Comm’n*, 946 F.2d 821, 839 (Fed. Cir. 1991)). As the Federal Circuit noted:

A rule setting aside [assignor] estoppel after a corporate transaction would chart a clear course for assignors to profit from a scheme of slovenly prosecution, marketing of flawed patents, and infringement.

Mentor, 150 F.3d at 1379. Put another way, the doctrine still encourages the transfer of patents by imparting an implicit warranty of merchantability to the patent right. In this way, the doctrine of assignor estoppel encourages the secure transfer of patent rights and their development and commercialization by purchasers who can rely on the purchased rights not being disavowed by a seller who wishes to practice the same rights it previously sold.

CONCLUSION

The Court should confirm the continued viability of the doctrine of assignor estoppel as a rebuttable presumption in accordance with the traditional principles of equity in light of the totality of the circumstances.

Respectfully submitted,

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APPENDIX

**APPENDIX — MEMBERS OF THE BOARD
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