

How To Avoid an Inventor Challenging The Patent They Just Assigned You?

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Consider a “hypothetical” situation: Inventor applies for and is granted a patent, then decides to assign her rights in the patent to Company A for value. After the rights to the patent have been assigned, Inventor leaves Company A and starts a competing business, Company B, where Inventor develops a similar (potentially infringing) product. When Company A tries to sue for patent infringement, Inventor claims that the patent originally filed, and later assigned to Company A, was never patentable and therefore was never valid. This claim of invalidity almost always contradicts implicit or explicit representations made during the patent assignment. In this hypothetical situation, the inventor is essentially representing that a patent, which once was believed to be valid and therefore assigned to Company A for value, now is invalid and basically worthless.

So, when is an inventor able to raise the invalidity defense? Do companies need to worry about inventors who assign their patent rights to it? What can companies do to reduce the likelihood of an invalidity claim by an inventor-assignor? The answer may lie in the doctrine of assignor estoppel.

The doctrine of assignor estoppel was first announced by the Supreme Court in *Westinghouse Elec & Mfg. Co. v. Formica Insulation Co*, 266 U.S. 342 (1924) when the Court stated that “[a]n assignment of a patent, or of the invention upon which a patent is subsequently granted to the assignee, though not required to be under seal, works an estoppel as by deed, preventing the assignor from denying the novelty and utility of the patented invention when sued by the assignee for infringement.” Since then, the courts have made it clear that the doctrine is all about fairness...which is to say fairness to both parties.

Assignor estoppel has essentially remained unchanged for almost a century, until recently, in *Minerva Surgical, Inc. v. Hologic, Inc.*, 141 S. Ct. 2298 (2021). The facts of *Minerva*, for the most part, are similar to the facts listed in the hypothetical situation above. *Minerva* argued “that assignor estoppel should be abandoned” and “that Congress abrogated the doctrine in the Patent Act of 1952.” The Supreme Court ultimately did not decide the case in favor of *Minerva*. On June 29, 2021, the Supreme Court ruled in a 5-4 decision to remand the case back to the Federal Circuit and add limitations to the legal doctrine barring an inventor from challenging a patent on an invention assigned to another party. The decision, delivered by Justice Kagan, delineated three specific scenarios where inventor-assignor estoppel might not apply. Below are three scenarios where an inventor-assignor may still challenge the validity of a patent they assigned.

1. **Employment Contracts with Boilerplate Assignment Language**

This situation arises in certain employment arrangements, when an employee signs an employment contract that assigns their employer patent rights in any future inventions they may develop during their employment. It would be impossible for an inventor-employee to attest as to the validity of a patent for an invention that has not been invented yet. Therefore, without more than the employment agreement, the inventor cannot be estopped from raising the invalidity defense.

2. **A Change in The Law Renders Irrelevant the Warranty Given at the Time of Assignment**

If the law changes such that what was once patentable subject matter is no longer patentable subject matter, an inventor-assignor may claim that a patent is invalid in light of the change in law.

3. (Most Relevant) A Post-Assignment Change in Patent Claims Results in New Claims That Are Materially Broader Than the Claims Originally Assigned

This situation arises most often when an inventor assigns a patent application, rather than an issued patent. These changes may happen through amendments during prosecution, or by the filing of a continuation patent application. Assuming the claims that issue are materially broader than the old ones, the assignor did not warrant to the new claims' validity.

What Can Companies Do to Avoid Inventor-Assignor Estoppel?

Employers and other assignee companies still have a wide range of options to bolster assignments to successfully limit an inventor's ability to raise an invalidity defense against a patent they assigned. When appropriate, some options include:

1. Obtaining an additional oath or declaration from the inventor after the inventor has had an opportunity to review any claims that are allowed,
2. Including additional clauses in the employment agreement that further warrant the validity of the claims of a particular patent and/or contractual clauses in which the inventor-assignor warrants they will not raise an invalidity defense against the particular patent,
3. Having a well-compensated bonus structures that provide compensation to the inventor throughout the lifetime of the patent, and/or
4. Avoiding blanket assignments for several patents, being as explicit and specific as possible based on the patent application in question.

As much as employers like to believe situations like the above listed hypothetical do not happen, they do. Sometimes tensions flare between employers and inventor-employees. Often inventors are in a position with the most knowledge about a particular invention, so it is important to plan for invalidity challenges from inventor-assignors to protect valuable company intellectual property.

If you need any assistance obtaining a trademark, patent, or copyright for your business or have questions about meeting your intellectual property needs, please contact Blake Hurt at bhurt@tuggleduggins.com (336.271.5252), Reinier Smit at rsmit@tuggleduggins.com (336.271.5266), or Connor Christensen at cchristensen@tuggleduggins.com (336.271.5254).

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