

No. 20-440

In the Supreme Court of the United States

MINERVA SURGICAL, INC.,
PETITIONER,
v.

HOLOGIC, INC., CYTYC SURGICAL PRODUCTS, LLC,
RESPONDENTS.

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

**BRIEF OF UNITED THERAPEUTICS CORP. AS *AMICUS
CURIAE* IN SUPPORT OF RESPONDENTS**

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INTEREST OF AMICUS CURIAE¹

United Therapeutics Corporation is a leader in the biotechnology industry. United Therapeutics' objective is to develop novel products to treat and cure rare life-threatening conditions, such as pulmonary arterial hypertension and high-risk neuroblastoma. To that end, United Therapeutics invests hundreds of millions of dollars each year in researching, developing, and commercializing new technologies and products, including FDA-approved drugs. One such product is Tyvaso[®] (treprostinil) Inhalation Solution, a drug used to treat pulmonary arterial hypertension.

United Therapeutics primarily relies on the patent system to protect the technological advances it makes when developing therapeutics. Patent rights are the fundamental means by which United Therapeutics can protect its innovations and, thus, are an important part of United Therapeutics' business model. More particularly, United Therapeutics relies on well-established patent rules when making important business decisions.

Assignor estoppel is one of those rules. A patent must name individual inventors as prescribed by statute, and in the absence of an agreement otherwise, those inventors are the owners of the patent. United Therapeutics frequently hires researchers and physicians with the expectation that those employees will innovate as part of their

¹ Petitioner has lodged a blanket consent to the filing of amicus briefs. Respondents have consented to the filing of this brief. Pursuant to Rule 37.6, amicus affirms that no counsel for a party authored this brief in whole or in part and that no person other than amicus or its counsel have made any monetary contributions intended to fund the preparation or submission of this brief.

employment. Like most of today's innovative companies, United Therapeutics often secures patent rights via assignments from employee-inventors. United Therapeutics loses the bargained-for benefit of those assignments when former employee-inventors seek to undermine their own work and destroy the property assigned.

Assignor estoppel guards against this harm. Indeed, United Therapeutics currently is litigating this very issue with a would-be competitor in a patent infringement lawsuit involving Tyvaso[®]. See *United Therapeutics Corp. v. Liquidia Techs., Inc.*, C.A. No. 20-755 (D. Del.). That potential competitor hired a former United Therapeutics employee to develop its directly competing product and now seeks to invalidate a patent assigned by the former employee to United Therapeutics. Thus, the would-be competitor seeks to profit from the former employee's knowledge and expertise while derogating the very efforts to develop Tyvaso[®] that built that knowledge and expertise and upon which United Therapeutics relied in investing millions of dollars to successfully commercialize Tyvaso[®].

Because the resolution of this case may impact United Therapeutics' intellectual property rights—both in pending litigation and more broadly—United Therapeutics has a substantial interest in the outcome of this case. United Therapeutics submits this brief to ensure that the Court appreciates the importance of the doctrine of assignor estoppel in today's innovation economy and the effect that invalidating or restricting application of that doctrine may have on companies like United Therapeutics, on innovation in this country, and on the lives of patients.

SUMMARY OF THE ARGUMENT

Innovation is the lifeblood of a thriving economy. And the patent system is essential to promoting innovation. For our Nation's Founders, inspiring and encouraging inventors to develop new technologies that would better society was *the* purpose of the patent system. But a patent system alone is insufficient to foster innovation. The system must be stable so that inventors, companies, and other interested parties can understand the costs and risks associated with researching, developing, and ultimately patenting inventions.

The doctrine of assignor estoppel—a doctrine as old as our patent system itself—is one of the longstanding ways in which the patent system creates the stability necessary for innovation. Because of assignor estoppel, assignees can rest assured that, at the very least, the party from which they obtained patent rights will not later challenge that patent as invalid. This surety permits assignees—whether individuals, institutions, or companies like United Therapeutics—to assess accurately the value of their intellectual property rights and, consequently, the value of the improvements and technologies those rights protect.

Minerva and its *amici* dramatically undersell the benefits of assignor estoppel while simultaneously overinflating its costs. Assignor estoppel applies only in limited circumstances, but eliminating it would cause unpredictable consequences in a far broader set of scenarios. Of particular importance to companies like United Therapeutics, ending assignor estoppel would imperil the viability of employer-employee assignments. Employer-employee assignments are some of the most common—and important—assignments. Without assignor estoppel, companies like United Therapeutics will have fewer incentives

to invest in the kind of employee-led research that drives innovation. Specifically, the ability of former employees, working alone or in concert with a competitor, to attack the innovative nature of their own work dramatically devalues that work.

Ultimately, however, the benefits of assignor estoppel are not the only reason to retain the doctrine. The doctrine's longstanding application has engendered significant reliance interests. This Court's "reexamination of well-settled precedent could . . . prove harmful." *John R. Sand & Gravel Co. v. United States*, 552 U.S. 130, 139 (2008). "Justice Brandeis once observed that 'in most matters it is more important that the applicable rule of law be settled than that it be settled right.'" *Id.* (quoting *Burnet v. Coronado Oil & Gas Co.*, 285 U.S. 393, 406 (1932) (Brandeis, J., dissenting)). Even a century ago, the Court said it would "not now lightly disturb" assignor estoppel. *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342, 348-49 (1924). Fifteen million patent assignments later, there is even less reason to do so now.

ARGUMENT

I. INNOVATION DEPENDS ON A STABLE PATENT SYSTEM

The American patent system "is the only provision of the government for the promotion of invention and discovery and is the basis upon which our entire industrial civilization rests." Nat'l Patent Planning Comm'n, *American Patent System*, 25 J. Pat. Off. Soc'y 455, 456 (1943). The Founders recognized that patents should function as "a reward, an inducement, to bring forth new knowledge." *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 9

(1966). Courts likewise have long acknowledged this purpose and treated it as a lodestar when interpreting the patent laws. *See, e.g., Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 151 (1989) (“[T]he ultimate goal of the patent system is to bring new designs and technologies into the public domain through disclosure.”).

However, merely having a system by which inventors can seek protection for their works is insufficient. The patent system must be stable and reliable to achieve its animating purpose. Forty years ago, the President’s Commission on Industrial Competitiveness concluded that uncertainty about patent reliability and the high costs of litigation to resolve that uncertainty were the most serious problems facing the United States patent system. *See* Amber L. Hatfield, *Life after Death for Assignor Estoppel: Per Se Application to Protect Incentives to Innovate*, 68 Tex. L. Rev. 251, 253 (1989). Nothing has changed since. Indeed, the increasing complexity of modern inventions has made innovation a risky and costly business. Innovation is hard, but copying is frequently quite easy. Inventors require assurances that they can recoup their costs and turn a profit. And when the rules of the game are in flux, inventors lack the assurances necessary to know whether an investment in time and resources will be profitable.

By contrast, a stable patent system with established rules encourages innovation and, in turn, benefits patent holders and society alike. Inventors depend on strong and stable patent rules to make the pursuit of new inventions worthwhile. Stable patent rules also prohibit outright copying while providing guidance to competitors who wish to build upon prior inventions without infringing existing patents.

Stability is particularly important for industries built on the foundation of patent rights. The pharmaceutical and biotechnology industries are prime examples. “Taking a promising drug candidate through development, clinical trials, and onto the market is a notoriously expensive and high risk gamble.” Christopher M. Holman, *Unpredictability in Patent Law and Its Effect on Pharmaceutical Innovation*, 76 Mo. L. Rev. 645, 649 (2011). For this reason, companies like United Therapeutics rely on predictable patent rules to make decisions about where and how to spend resources. Indeed, “[i]n most cases, the prospect of adequate patent protection is a prerequisite for a pharmaceutical company’s decision to try and develop a promising drug candidate into an approved drug product.” *Id.* at 650.

II. ELIMINATING OR CURTAILING ASSIGNOR ESTOPPEL WOULD DESTABILIZE THE PATENT SYSTEM

Assignor estoppel is one of the well-established rules that lends stability to America’s patent system. Patent assignees have long structured business decisions around the assumption that when an inventor assigns his patent, he will not later turn around and try to invalidate the same invention. And assignees have relied on the doctrine of assignor estoppel with the blessing of the courts, which repeatedly have affirmed the validity of the doctrine and its significance.

In asking this Court to reject assignor estoppel, petitioner seeks to upend assignees’ settled expectations about the value of their intellectual property. Adopting this position would impede rather than “promote” “the Progress of Science and useful Arts.” U.S. Const. art. I, § 8, cl. 8.

Petitioner and its *amici* further err in arguing that the doctrine of assignor estoppel is suspect in the particular context of employee-employer assignments. The prevalence of such assignments makes applying assignor estoppel in that context more important, not less. Contrary to petitioner's assertions (at 39-40), employee-employer assignments promote innovation at little cost to employee mobility. They also level the playing field in litigation, preventing employee-inventors from using the disproportionate weight their testimony may garner to invalidate patent rights unfairly. Eliminating the doctrine of assignor estoppel will damage employee-employer relationships and, consequently, harm innovation.

A. Assignees Have Long Relied on Assignor Estoppel

1. The doctrine of assignor estoppel is as old as the patent system itself. First adopted in England, *see Oldham v. Langmead*, 2 Wils. 374 (1789), the doctrine quickly found root in America. Elements of assignor estoppel were evident in *Kinsman v. Parkhurst*, 59 U.S. (18 How.) 289, 293 (1855), where the Court held that a party to a joint patent ownership agreement could not simultaneously argue invalidity and profit from the patent. By the turn of the twentieth century, the doctrine was in full force. *See Noonan v. Chester Park Athletic Club Co.*, 99 F. 90, 91 (6th Cir. 1900) ("It seems to be well settled that the assignor of a patent is estopped from saying his patent is void for want of novelty or utility."); *Babcock v. Clarkson*, 63 F. 607, 608 (1st Cir. 1894) ("[T]he defendant sold and assigned that patent to the plaintiffs as a valid one, and, having done so, he cannot derogate from his own grant. It does not lie in his mouth to say that the patent is not good.").

This Court first upheld the doctrine in *Westinghouse Electric & Manufacturing Co. v. Formica Insulation Co.*,

when it concluded that it would “not now lightly disturb a rule well settled by 45 years of judicial consideration and conclusion in th[e] courts.” 266 U.S. 342, 349 (1924). The Court reaffirmed this position two decades later. *See Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 251-52 (1945). Although the Court clarified that an assignor accused of infringement may argue that “the accused machine is precisely that of an expired patent,” the Court left the doctrine intact despite explicit calls to abandon it. *See id.* at 254, 257-58; *see also id.* at 260 (Frankfurter, J., dissenting) (assignor estoppel has been a “part of the fabric of our law throughout the life of this nation” and “undeviatingly enforced by English-speaking courts in this country, in England, in Canada, and Australia”).

Taking its cues from this Court, the Federal Circuit regularly has applied the doctrine of assignor estoppel for the last 32 years. *See, e.g., MAG Aerospace Indus., Inc. v. B/E Aerospace, Inc.*, 816 F.3d 1374, 1379-80 (Fed. Cir. 2016); *Diamond Sci. Co. v. Ambico, Inc.*, 848 F.2d 1220, 1227 (Fed. Cir. 1988). And it has done so repeatedly in the context of employee-employer assignments. *See, e.g., Shamrock Techs., Inc. v. Med. Sterilization, Inc.*, 903 F.2d 789, 794-95 (Fed. Cir. 1990).

In light of this long line of precedent, parties entering into assignment agreements have done so with assignor estoppel as an important background principle. Attorneys drafting and negotiating assignment agreements over the years, in particular, inevitably have been aware of and relied on assignor estoppel.

For example, attorneys representing assignees may rely on assignor estoppel in deciding how much a patent or application is worth. If an assignee knows that the as-

signor—typically the better-informed party in an assignment transaction—cannot challenge the patent’s validity in the future, the assignee need not spend time and energy negotiating provisions barring such challenges. Moreover, the assignee naturally would be willing to pay more for the patent rights than it otherwise would. And assignors reap the financial rewards that come from this increased value.

In contrast, if assignor estoppel did not exist, assignees might seek contractual assurances regarding the validity of the patent; the assignor’s participation (or not) in future proceedings involving patent validity; and the nature and circumstances of the invention, such as the exact contribution of each inventor. *See, e.g.*, 37 C.F.R. § 1.131 (describing when inventor testimony is needed to disqualify a reference as prior art). Additionally, assignees might seek noncompete assurances to avoid potentially litigating validity with competitors acting in concert with the assignor.

In many cases, these contractual assurances are a poor substitute for assignor estoppel. Patents often issue years after the relevant assignment, especially when employee-inventors assign. Thus, it is difficult, if not impossible, to predict every issue that might arise and for which a contractual assurance is necessary.

The need for contractual assurances is heightened when an inventor is the assignor. Factfinders, especially jurors unfamiliar with patent law or the patented technology, may give disproportionate weight to inventor testimony. Additionally, inventor testimony is sometimes required to defend against an invalidity challenge. *See id.* Thus, the contractual burdens on inventors, including employees, may be especially high.

2. Minerva’s argument for jettisoning assignor estoppel gives short shrift to these considerations.

Minerva asserts (at 40) that “[a]bandoning assignor estoppel would not require overruling any decision of this Court.” That argument is difficult to square with *Westinghouse* and *Scott Paper*. See Resp. Br. 25-37. While it is true neither of those cases held that any of the parties before the Court were estopped, both cases approvingly cited the doctrine and acknowledged its deep historical roots. In *Westinghouse*, for example, this Court explicitly recognized “[t]he rule” “that an assignor of a patent right is estopped to attack the utility, novelty or validity of a patented invention which he has assigned.” 266 U.S. at 349.

Even Minerva concedes (at 25-26) that the Federal Circuit’s view of assignor estoppel has been the law since 1988. Minerva tries to diminish the reliance interests resulting from the Federal Circuit’s assignor estoppel precedent, citing (at 41) several cases in which this Court overturned decisions of the Federal Circuit without analyzing reliance interests. Each of those cases, however, involved situations where the Federal Circuit had created special patent-specific rules inconsistent with this Court’s precedents. See *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 574 U.S. 318 (2015) (claim construction); *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007) (obviousness); *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 120 (2007) (declaratory judgments); *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (injunctions). Here, by contrast, the Federal Circuit’s refusal to eliminate assignor estoppel aligns with the decisions of this Court (and many others) recognizing the doctrine’s vitality. Assignees have accordingly structured their conduct around the doctrine’s continued vitality for at least the last thirty years.

There is no compelling reason to disregard those interests by overruling the line of Federal Circuit authority at issue in this case.

Acknowledging that the Federal Circuit’s decisions have created reliance interests is not giving “special weight” to the Federal Circuit’s decisions on patent law, as *Minerva* claims (40-41). Rather, it is a straightforward application of a rule this Court has long applied: in the area of intellectual property rights—*i.e.*, the area where Congress has vested the Federal Circuit with significant authority—“parties are especially likely to rely on such precedents when ordering their affairs.” *Kimble v. Marvel Entm’t, LLC*, 576 U.S. 446, 447 (2015); *cf. Payne v. Tennessee*, 501 U.S. 808, 828 (1991) (“Considerations in favor of *stare decisis* are at their acme in cases involving property and contract rights, where reliance interests are involved.”). Adhering to this principle is all the more appropriate where, as here, Congress has left the Federal Circuit’s precedent undisturbed for more than thirty years, despite taking other actions implicating the same interests. For instance, Congress has permitted an assignee to apply for a patent over an inventor’s objection. *See* 35 U.S.C. § 118. And Congress has expanded an assignee’s right to seek a broadening reissue of a patent. *See id.* § 251; *see also* 157 Cong. Rec. S1,373 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (observing that the America Invents Act increases assignees’ rights).

Minerva further contends (at 34-35) that assignor estoppel has little value because assignors do not generally make representations about the validity of the patents they assign. *Minerva* confuses cause and effect. The existence of assignor estoppel precludes the need for such a representation. Moreover, there is nothing novel about

imputing such a warranty as part of a commercial transaction. For example, under the law of all 50 States (through adoption of the Uniform Commercial Code), a contract for the sale of goods by a merchant is presumed to include an implied warranty of merchantability unless explicitly modified—regardless of whether the contracting parties actually contemplated the existence of a warranty. U.C.C. § 2-314. Assignor estoppel is similar: the “basic principle” behind the doctrine is “one 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. Assignor estoppel simply prevents assignors from walking back their implicit representations about the value of the assigned invention whenever they think doing so would be strategically beneficial. See *Diamond Sci. Co.*, 848 F.2d at 1224 (permitting “the assignor to make [a] representation” that the patent is not worthless “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”).

Minerva also errs in arguing (at 41) that an assignment creates no reliance interest in the validity of the assigned patent because other accused infringers can always challenge the patent. At a minimum, assignor estoppel means that accused infringers in privity with *assignors* will not be the ones challenging the validity of the assigned patents. The hypothetical possibility of other invalidity challenges does not eliminate the benefits associated with estopping the inventor assignor—the person who may be most knowledgeable about the invention and thus in a unique position to invalidate it—from doing the same.

Restricting the ability of turncoat assignors to invalidate their patents is especially significant in litigation.

Named inventors carry great credibility with juries, even when they are not patent experts. Although employment agreements may require former employees to “cooperate in the perfection of the employer’s rights in the invention,” Robert P. Merges, *The Law and Economics of Employee Inventions*, 13 Harv. J.L. & Tech. 1, 8 (1999), these provisions can be difficult to enforce in practice. Unwilling or hostile former employees are at best unpredictable witnesses in litigation. Indeed, ex-employee assignors can be faced with a terrible dilemma—undermine their own past innovation or offer testimony potentially devastating to their current employment. Assignor estoppel in the employee assignment context thus makes patent litigation involving assigned patents fairer for the assignees and the assignors.

The facts of this case well illustrate these fundamental fairness concerns. Truckai, the inventor-assignor, swore a declaration about the novelty of the claim in question; successfully prosecuted that claim before the Patent Office; and sat on the board of Novacept when it represented and warranted to Hologic’s predecessor that it knew of no reason any assigned intellectual property was invalid or unenforceable. *See* Resp. Br. 8-9. But in the face of all these assurances, Truckai later testified on the stand that he had secretly doubted the validity of the assigned claim all along.

A decision to eliminate assignor estoppel would rob assignees and assignors of the peace of mind that comes from knowing you need not defend against validity challenges by inventors against whom you never contemplated litigating. And it will ensure that the experiences of Hologic, United Therapeutics, and other companies

who find themselves in that inequitable and unenviable position will repeat many times over.²

B. Assignor Estoppel Is More, Not Less, Important in the Context of Former Employees

1. Between 1970 and 2019, the Patent and Trademark Office recorded 8.6 million patent assignments, involving roughly 14.9 million patents and patent applications.³ The vast majority of these assignments are to companies.⁴ That is unsurprising, because most of today’s innovators work for companies. Those innovators, in turn, rely on company resources and know-how to develop new inventions.

As Professor Merges observes, employee-employer patent assignments promote innovation for a number of

² When confronted with a request to overrule existing patent-law precedent, this Court occasionally has considered doing so only on a prospective basis to minimize the impact of the decision on reliance interests. *See, e.g., Lear, Inc. v. Adkins*, 395 U.S. 653, 674 n.19 (1969). If the Court agrees with Minerva’s view that assignor estoppel should be abandoned or significantly limited, it may similarly wish to consider making its holding prospective only to limit the extent of disruption to existing patent assignments agreements. Assignees then can attempt to contractually patch the tear in the “fabric of our law” going forward. *Scott Paper*, 326 U.S. at 260 (Frankfurter, J., dissenting).

³ *See* U.S. Patent & Trademark Office, Patent Assignment Dataset (Feb. 28, 2020), <https://tinyurl.com/4zw9prub>; *see also* Alan C. Marco et al., U.S. Patent & Trademark Office, *The USPTO Patent Assignment Dataset: Descriptions and Analysis* (July 2015), <https://tinyurl.com/5d7a32fb> (describing the USPTO database).

⁴ *See* IFI Claims Patent Services, 2020 Top 50 US Patent Assignees (Jan. 14, 2021), <https://www.ificlaims.com/rankings-top-50-2020.htm>; *see also* Marco et al., *supra*, at 7-8, 16, 27, 30 (“Employer assignment (presumed) is the most prevalent recorded conveyance type, accounting for 82 percent of observations and 52 percent of properties transacted.”).

reasons. *See generally* Merges, *supra*, at 12-31. Assignments eliminate the transaction costs and holdup problems that would result if companies had to negotiate with individual employees to license each of their inventions. *Id.* at 12-20. Employer-employee assignments also reduce agency costs. Employee ownership of inventions would incentivize employees to “devote most of their attention to individual invention,” at the expense of “team-oriented R&D” and other job responsibilities. *Id.* at 26-30. Ultimately, these assignments represent an allocation of risk. “High risk and high-powered incentives come with ownership of a firm,” whereas “[i]t is perfectly reasonable for an employee to accept salary in lieu of an entrepreneur’s stake in a startup venture.” *Id.* at 30-31. Absent patent assignments, companies would have fewer reasons to take these risks—or, for that matter, to hire salaried employees to conduct research and development that may never result in a marketable product. *Id.* at 31.

In at least one sense, assignor estoppel provides a benefit to employee-inventors that contractual assurances cannot duplicate. When assignor estoppel applies based on privity between an accused infringer and a former employee, assignor estoppel avoids placing the latter in a lose-lose position—having to choose between denigrating their prior invention to support invalidity or providing testimony potentially devastating to their current employer and, thus, their continued employment. Assignor estoppel prevents inventors from being used as pawns in patent infringement litigation. In the limited circumstances where assignor estoppel applies, accused infringers can simply take care to avoid infringement rather than rely on invalidity.

Thus, far from “stifling inventor mobility,” Br. of IP Law Professors 21, assignor estoppel allows employers to

grant their inventor-employees a *greater* degree of freedom than they otherwise might. If this Court were to eliminate or weaken assignor estoppel, it would suddenly leave patent owners with an unknown number of vulnerabilities in their portfolios. Some companies might scramble to locate the former employees named as inventors on their patents and offer inducements to obtain assurances that they will not attempt to invalidate their own patents. Such contractual provisions, however, may not even be enforceable.

In the long run, perversely, the uncertainty created by the elimination of assignor estoppel could hurt employees, especially in innovative industries where patents are among companies' most valuable assets. Absent assignor estoppel, employers would have strong incentives to lock employees up with noncompete and other agreements.

2. Contrary to the assertions of *Minerva* and its *amici*, assignor estoppel achieves its innovation-promoting aims at relatively little cost to employees.

a. *Minerva* paints (at 30-40) assignor estoppel as an all-encompassing threat to employee freedom. But the doctrine's actual sweep is far more modest. The Federal Circuit has emphasized repeatedly that assignor estoppel applies only where inventors are in privity with the assignee, with privity "determined upon a balance of the equities." *MAG Aerospace Indus.*, 816 F.3d at 1380 (quoting *Shamrock Techs.*, 903 F.2d at 793). To decide whether privity attaches, courts apply a multi-factor balancing test, taking into account the assignor's connection to the defendant entity and role in the allegedly infringing activities. *Id.* As with any other equitable doctrine, lower courts are perfectly capable of cabining its application to unusual cases like this one: where the inventor founded

or led a new company into infringing the rights he sold his former employer. Parties can easily avoid creating this kind of privity or, alternatively, rely on non-infringement or one of the other permitted defenses to a claim of infringement other than invalidity. *See* 35 U.S.C. § 282(b) (listing a variety of defenses to infringement).

To be sure, the Federal Circuit, reviewing district court decisions for clear error, has affirmed findings of privity on facts different from those here. *See MAG Aerospace Indus.*, 816 F.3d at 1380. But that does not mean, as Minerva and *amici* suggest, that privity has no limits. Assignor estoppel may not attach, for example, where the employee in question becomes the CEO of the defendant company and leads its sales efforts for the accused device, but only *after* the company started manufacturing the device. *See NuVasive, Inc. v. Alphatec Holdings, Inc.*, No. 3:18-CV-347-CAB-MDD, 2020 WL 1984061, at *8-10 (S.D. Cal. Apr. 24, 2020). It may not apply where the employee becomes the “Vice President of Research and Development” at the defendant company, but “does not sit on its board of directors” and “holds no sway over defendant’s finances or strategic decisions.” *Acushnet Co. v. Dunlop Maxfli Sports Corp.*, No. CIV. A. 98-717-SLR, 2000 WL 987979, at *3 (D. Del. June 29, 2000). And it may not apply where the employee becomes the defendant company’s “Vice President of Sales,” and the company “clearly availed itself of [the employee’s] knowledge and assistance in order to conduct the infringement,” but the company “could . . . have initiated the infringing operations without [his] assistance.” *HWB, Inc. v. Braner, Inc.*, 869 F. Supp. 579, 581-82 (N.D. Ill. 1994). If assignor estoppel does act as a “partial noncompete agreement,” Mark A. Lemley, *Rethinking Assignor Estoppel*, 54 Hous. L. Rev.

513, 537-38 (2016), the emphasis must be on the word “partial.”

Nor does the doctrine “frustrate state law” against noncompete agreements. Pet. Br. 40. Minerva is correct that “[s]tates have made distinct policy choices regarding the ability to restrict employee movement via contract.” *Id.* But only a handful of states have enacted laws limiting assignment clauses in employment contracts. Merges, *supra*, at 9. The fact that most have not speaks for itself.

Moreover, even if, as Minerva and its *amici* contend, application of assignor estoppel can sometimes resemble the constraints imposed by a noncompete agreement, nothing prevents assignors and assignees from agreeing to limit the scope of the doctrine. Such provisions could take the form of an “express reservation by the assignor of the right to challenge the validity of the patent or an express waiver by the assignee of the right to assert assignor estoppel.” *Mentor Graphics Corp. v. Quickturn Design Sys., Inc.*, 150 F.3d 1374, 1378 (Fed. Cir. 1998). Parties to an assignment could also contractually restrict the application of assignor estoppel in ways in between, such as limiting estoppel to certain defenses, or a particular version of the claims.

Adopting Minerva’s position, by contrast, will mean that employer-assignees cannot obtain the benefits of assignor estoppel even when employees are willing to grant them. Indeed, Minerva goes so far as to suggest (at 26-27) that assignors may *never* be permitted to restrict contractually assignees’ ability to challenge the validity of the patents they assign. Minerva’s refusal to take a firm position on this issue (*compare id. with* Pet. Reply at 9) only exacerbates the problem. Assignment negotiations will be unsettled for years as parties attempt to figure out

what restrictions on validity challenges are or are not permissible.

Even under its narrower fallback position, *Minerva* contends that assignor estoppel cannot protect claims issued after assignment, bar defenses under 35 U.S.C. § 112, or apply to assignors who made no representations about patent validity on which the assignee relied. *See* Pet. Br. 43-47. The implication of these arguments is that assignors will rarely, if ever, be able to make enforceable promises about the value of the patent rights they assign. For example, assignments frequently occur years before claims issue, making it impossible for inventors to make representations only as to issued claims.

b. The government's proposal, while narrower, poses similar problems in the context of employee-employer assignments. The government argues that courts should apply assignor estoppel only if the assignor "contests the validity of a claim materially identical to a claim issued or pending at the time of the assignment, or otherwise contradicts pre-assignment representations about the patent's validity." Br. of United States 11. But the government fails to acknowledge that its rule would functionally eliminate assignor estoppel in employer-employee assignments.

Employers and employees regularly enter into assignment agreements even before the employees have developed the inventions they will patent. *See Merges, supra*, at 7 ("[E]mployers routinely require new R&D employees to pre-assign title to future inventions."). Indeed, employers typically obtain assignments immediately after filing a patent application. "When the assignment is made before patent, the claims are subject to change by curtail-

ment or enlargement by the Patent Office with the acquiescence or at the instance of the assignee.” *Westinghouse*, 266 U.S. at 353. Amendments of this sort are a “very common occurrence in patent prosecutions.” *Diamond Sci. Co.*, 848 F.2d at 1226.

Holding inventor-employees to their assignments even after amendments during prosecution does not raise any fairness concerns. Pre-invention assignment agreements “usually impose several related duties on employees, including (1) a duty to assign patent applications and patents to the employer, (2) a duty to assist in the patent prosecution, and (3) a general duty to cooperate in the perfection of the employer’s rights in the invention.” *Merges*, *supra*, at 8. The last two duties are not merely theoretical, as some of Minerva’s *amici* assert. *See* Br. of IP Law Professors 7 (“[T]he employee merely discloses her inventions to her employer, and that is typically where her involvement ends.”). “More often than not the employee-inventor does participate actively in the patent prosecution process.” Willem G. Schuurman et al., *Assignor Estoppel: Infringement, Inequitable Conduct, and Privity in Light of Diamond Scientific and Shamrock Technologies*, 72 J. Pat. & Trademark Off. Soc’y 723, 747 (1990). “He is asked to prepare a disclosure for the patent attorney, is asked to review the specification and claims, and he is asked to review and advise on prior art, amendments, and arguments during prosecution.” *Id.* *United Therapeutics* is no different in this regard: employees often participate actively in the prosecution of their patents, including by advising on claim amendments and arguments made during prosecution. Indeed, employee-inventors regularly provide critical perspective on prior art and the nature and advantages of their inventions. This

insight is often impossible to duplicate in the absence of hired experts.

In any event, inventors are entitled to draft their claims as broadly as their disclosure supports and the patent laws will allow. “There does not appear to be any reason why an assignor of an application should be heard to complain if his assignee, in presenting broad claims, does the very thing that the assignor could have done had he retained control of the application.” Hal D. Cooper, *Estoppel to Challenge Patent Validity: The Case of Private Good Faith vs. Public Policy*, 18 W. Rsrv. L. Rev. 1122, 1145 (1967). The government’s proposal ignores this fact and threatens the viability of employee-employer assignments.

CONCLUSION

The judgment of the Federal Circuit should be affirmed.

Respectfully submitted,

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MARCH 31, 2021