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BURIED ALIVE: THE EXISTENCE OF ASSIGNEE ESTOPPEL IN PATENT LAW

INTRODUCTION

Imagine you are a big pharmaceutical company and the patent for Viagra has just expired. Inventors on your research and development team come up with a new compound that does not have the same side effects as Viagra. This is an exciting, and potentially lucrative invention so the inventors apply for patent protection. Luckily for you, the inventors are subject to an assignment clause in their employment contract and you become the assignee of the patented compound. You spend years enjoying your sales of the product. But all of a sudden, you elect to destroy the patent and challenge its validity. Why do such a thing?

It is a rare occurrence where an assignee of a patent would want to challenge the validity of its own patent. One could analogize the situation to a property owner who wants to commit arson and destroy her own home. But situations do arise where an assignee would want to challenge the validity of its own patents, and it remains a questionable option.

The doctrine of assignee estoppel is an unarmed guard that blocks passage to the gates of a patent validity challenge. Courts have defined assignee estoppel as “an equitable doctrine based in contract law that precludes an assignee of a patent from later asserting that the patent is invalid”.¹ It is the assignee, not the assignor, who bears the burden of challenging the validity of the patent and is faced with the obstacle of assignee estoppel. Placing the burden on the assignee remains counterintuitive, and courts have taken notice of the legally awkward position of simultaneously attacking and defending the validity of the same patent.²

Application of this doctrine is most closely related to, and typically turns on, the Supreme Court decision in *Lear v. Adkins*, which abrogated the doctrine of licensee estoppel.³ Licensee estoppel occurs when the licensor of a patent sues to collect royalties from the licen-

1. *MACOM Tech. Sol. Holdings, Inc. v. Infineon Tech. AG*, No. 2:16-cv-02859-CAS, 2017 WL 3298670, at *2 (C.D. Cal. Aug. 2, 2017).

2. *See Diamond Sci. Co. v. Ambico, Inc.*, 848 F.2d 1220, 1224–25 (Fed. Cir. 1988).

3. *Lear, Inc. v. Adkins*, 395 U.S. 653, 674 (1969).

see, and the licensee is prohibited from raising the defense of patent invalidity.⁴ In *Lear*, the public policy goal of encouraging the full and free use of patent validity challenges reached its pinnacle.⁵ Yet, courts still seem to override *Lear* when electing to apply assignee estoppel.⁶ A closer look reveals that there are strong similarities between an assignee and a licensee, especially when a dispute involves royalty payments. So, courts that find a distinction between an assignee and a licensee, and seek to apply assignee estoppel, blatantly disregard the express policy considerations of *Lear*.⁷

In *MACOM Technology Solutions Holdings, Inc. v. Infineon Technologies AG*, the Central District of California denied a motion to strike and elected to apply assignee estoppel on the basis that it did not bar an assignee from asserting the validity of its own patents.⁸ It had been thirteen years since the issue of assignee estoppel had been raised and the court specifically noted that the doctrine of assignee estoppel “is not exactly a jurisprudential fixture.”⁹ But decisions that have applied assignee estoppel, though decided much earlier than *MACOM*, remain good law.

The premise of this Comment is that the doctrine of assignee estoppel is a dead doctrine and assignees should be free to challenge the validity of the patents they own. Part I will discuss the legislative history of the Patent Act, along with the initial policy concerns for the validity of patents. To support the facts of the assignee estoppel cases, this Part will also provide an anatomical review of patent assignments and licenses. Then, it will cover the precedential case of *Lear v. Adkins* and proceed into the line of cases that makes up the doctrine of assignee estoppel.

Part II puts a spotlight on the confusion of the courts and why they fail to acknowledge the express policy concerns in *Lear* when electing to apply assignee estoppel. This Part argues for a proper approach, in which courts should abrogate the doctrine of assignee estoppel to reach the merits of a validity challenge and honor the policy concerns of *Lear*. It will also show that a party who raises patent invalidity should not be subject to both assignee estoppel and the presumption of validity that a patent carries.

4. *Id.* at 678–79 n.1.

5. Patricia Stanford, *Diamond Sci. Co. v. Ambico, Inc.: Enforcing Patent Assignor Estoppel*, 26 Hous. L. Rev. 761, 768 (1989).

6. *See* *Coast Metals, Inc. v. Cape*, No. 78-276, 1979 WL 25083, at *5 (D.N.J. Dec. 24, 1979).

7. *Id.* at *4.

8. *MACOM Tech. Sol. Holdings, Inc. v. Infineon Tech. AG*, No. 2:16-cv-02859-CAS, 2017 WL 3298670, at *4 (C.D. Cal. Aug. 2, 2017).

9. *Id.* at 3.

Part III covers the impact of abrogating assignee estoppel and the importance of permitting validity challenges. A broader view of the patent system and its purposes is explored as well as its relationship with assignee estoppel.

This Comment concludes with the idea that, in view of *Lear*, parties should be free to challenge the validity of their patents and reach the merits of a validity challenge, so that the public does not pay for false innovation.

I. BACKGROUND

A. *The Legislative History of the Patent Act and Patent Validity*

James Madison, the original proponent of the federal patent system, called for a centralized system for regulating patents where inventors could receive protection for their innovations, exploit the fruits of their labor, and avoid the hurdles of varying state laws.¹⁰ Through his efforts, in 1789, the Constitution of the United States was enacted and gave Congress the power “to promote the [p]rogress of the science and useful arts, by securing for limited time to authors and inventors the exclusive right to their respective writings and discoveries.”¹¹ In response, the first federal patent statute was passed in 1790 and conferred the power to issue patents onto a board of individuals consisting of the Secretary of State, the Secretary of War, and the Attorney General.¹² When these officials became too busy with their other duties, Congress passed the Patent Act of 1793, which made patent issuance a largely administrative function.¹³

The Patent Act of 1793 proved to be an obstacle to an efficient patent system and was a disservice to most inventors.¹⁴ Under the Act, anyone who paid the fee and met the filing requirements was destined to receive a patent—even without much consideration of patentability requirements, such as novelty.¹⁵ Congress soon became concerned with the patent system and took note of the “evils” that resulted from issuing invalid patents without examination of their merits or novelty.¹⁶ Of the four highlighted “evils” discussed in a Senate Report from 1836, most notable is the issuance of “worthless and void . . . [patents that] conflict with, and infring[e] upon . . . public rights not

10. THE FEDERALIST NO. 43 (James Madison).

11. U.S. CONST. art. I, § 8, cl. 8.

12. S. DOC. NO. 24-338, at 2 (1836).

13. *Id.*

14. *Id.* at 4.

15. *Id.* at 2.

16. *Id.* at 2–3.

subject to patent privileges”¹⁷ The Senate, however, addressed this problem by developing a committee, which created a new bill that passed in 1836.¹⁸ This bill created a Commissioner of Patents and a unit of examiners that would raise the threshold for obtaining patents and thereby increase the strength of the federal patent system.¹⁹

The most recent version of the Patent Act was passed in 1952 when Congress codified Title 35 of the United States Code.²⁰ The Act remains fairly unchanged from the Patent Act of 1836 with only a few portions undergoing a language update.²¹ The Supreme Court has clearly emphasized the legislative intent of the Patent Act and has further elaborated on its purposes by declaring that:

(1) [P]atent law seeks to foster and reward invention, (2) it promotes disclosure of inventions, to stimulate further innovation and to permit the public to practice the invention once the patent expires, and (3) the stringent requirements for patent protection seek to assure that ideas in the public domain remains there for the free use of the public.²²

17. *Id.* at 3 (“Under the act referred to, the Department of State has been going on for more than forty years, issuing patents on every application, without any examination into the merit or novelty of the invention. And the evils which necessarily result from the law as it now exists, must continue to increase and multiply daily till Congress shall put a stop to them. Some of them are as follows:

1. A considerable portion of all the patents granted are worthless and void, as conflicting with, and infringing upon one another, or upon public rights not subject to patent privileges; arising either from a want of due attention to the specifications of claim, or from the ignorance of the patentees of the state of the arts and manufactures, and of the inventions made in other countries, and even in our own.

2. The country becomes flooded with patent monopolies, embodied on all sides; and not less embarrassing to the community generally, in the use of even the most common machinery and long-known improvements in the arts and common manufactures of the country.

3. Out of this interference and collision of patents and privileges, a great number of lawsuits arise, which are daily increasing in an alarming degree, onerous to the courts, ruinous to the parties, and injurious to society.

4. It opens the door to frauds, which have already become extensive and serious. It is represented to the committee that it is not uncommon for persons to copy patented machine in the model-room; and, having made some slight immaterial alterations, they apply in the next room for patents. There being no power given to refuse them, patents are issued of course. Thus prepared, they go forth on a retailing expedition, selling out their patents rights for States, counties, and townships, to those who have no means at hand of detecting the imposition, and who find, when it is too late, that they have purchased what the vendors had no right to sell, and which they obtain thereby no right to use. This speculation in patent rights has become a regular business, and several hundred thousand dollars, it is estimated, are paid annually for void patents, many of which are thus fraudulently obtained.”).

18. S. Doc. No. 24-338, at 1 (1836).

19. *Id.* at 2.

20. S. Rep. No. 82-1979, at 2 (1952).

21. *Id.*

22. *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 257 (1979).

By the same token, invalid patents provide no benefit to the public.²³ The Supreme Court has often commented about the great public importance of having invalid patents invalidated.²⁴ The Court has stated, “A patent yielding returns for a device that fails to meet the congressional imposed criteria of patentability is anomalous.”²⁵ This emphasis is based on the public’s interest in “having invalid patents invalidated so that a patentee may not thwart lawful competition with improper threats of enforcement.”²⁶ Not only that, but the Court has gone to great lengths to state that the question of validity has an even greater public importance than the question of infringement.²⁷ The Federal Circuit has expressed the same sentiment.²⁸ In *Patlex Corp. v. Mossinghoff*, the court stated, “[T]he grant of a valid patent is primarily a public concern. Validity often is brought into question in disputes between private parties, but the threshold question usually is whether the PTO [Patent and Trademark Office], under the authority assigned to it by Congress, properly granted the patent.”²⁹ Indeed, once the threshold has been met, there are still economic considerations of patent validity that the Federal Circuit—mindful of the effect on competitors—continues to uphold.³⁰ These considerations are often negative and involve deterrent factors of challenging an invalid patent.³¹ Whether a competitor does not want to pay the substantial cost of litigation or merely does not want to risk the potential loss of profit during the pendency of litigation, invalid patents are seen as a significant threat.³² Moreover, a patent’s presumption of validity stands as a high barrier to any patent challenger.³³

23. *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 343 (1971) (“A patent yielding returns for a device that fails to meet the congressionally imposed criteria of patentability is anomalous.”).

24. *Id.*

25. *Id.*

26. ROBERT A. MATTHEWS, JR., ANNOTATED PATENT DIGEST §15:2, Westlaw (database updated July 2019) [hereinafter MATTHEWS, JR., §15:2].

27. *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327, 330 (1945) (“[O]f the two questions [infringement or validity], validity has the greater public importance and the District Court in this case followed what will usually be the better practice by inquiring fully into the validity of this patent.”) (citation omitted).

28. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir. 1985).

29. *Id.*

30. *Prima Tek II, L.L.C. v. Polypap, S.A.R.L.*, 412 F.3d 1284, 1287 (Fed. Cir. 2005).

31. *Id.*

32. *Id.*

33. See generally *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 93 (2011).

The rate of patent invalidation in the United States appears to be increasingly high.³⁴ Nearly forty-six percent of all patents litigated to judgment are held to be invalid.³⁵ Due to this, scholars have identified multiple reasons that lead to the invalidation of patents. At first glance, guilt falls on the inefficiency of the system for granting patents.³⁶ The Patent Office is routinely criticized as being a “rubber stamp” for patents and frequently issuing the majority of applications.³⁷ Another factor, more pertinent to assignee estoppel, involves the vast changes in substantive patent law on which a patent can be invalidated.³⁸ Academics have noted that “courts at different times could reach opposite decisions on the validity of the same patent based on the relevant patent laws of that particular period of time.”³⁹ Yet allowing such validity challenges serves the public’s interest in the free flow of ideas.⁴⁰ It also provides an outlet that relieves the public from the ever-evolving patent laws of the United States that, at any point in time, could place the public at the mercy of paying for an invalid patent.⁴¹

An alternative view suggests that the public policy encouraging patent validity challenges has run its course.⁴² Economic uncertainty in the patent system can stem from an open season of validity challenges, thereby deterring potential investors or patentees from entering into long-term research and development commitments.⁴³ A slippery slope could, in effect, result in decreased investments in technology and cause a spiraling economic decline.⁴⁴ While the possession of unreliable and invalid patents has resulted in a loss of confidence in the past,

34. See e.g., John R. Allison et al., *Patent Quality and Settlement Among Repeat Patent Litigants*, 99 GEO. L.J. 677, 678 (2011); Paul M. Janicke & LiLan Ren, *Who Wins Patent Infringement Cases?*, 34 AIPLA Q.J. 1, 5–6 (2006) (finding that patentees win only 25% of cases litigated to judgment, in part because of invalidity and in part because of noninfringement); John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 205 (1998) (finding that 46% of patents litigated to judgment are held invalid).

35. Allison et al., *supra* note 34, at n.1; Janicke & Ren, *supra* note 34, at 5; Allison & Lemley, *supra* note 34, at 205.

36. See, e.g., Mark A. Lemley & Carl Shapiro, *Probabilistic Patents*, J. ECON. PERSP., Spring 2005, at 75, 83.

37. Mark A. Lemley & Bhaven Sampat, *Is the Patent Office a Rubber Stamp?*, 58 EMORY L.J. 181, 181–82 (2008).

38. Stijepko Tokic, *Impact of Legal (Un)certainity on Patent Valuation: What Investors Should Know Before Investing in Patents*, 22 FED. CIR. B.J. 363, 369 (2013).

39. *Id.*

40. *Id.*

41. *Id.*

42. See generally Rochelle C. Dreyfuss, *Dethroning Lear: Licensee Estoppel and The Incentive to Innovate*, 72 VA. L. REV. 677 (1986).

43. *Id.* at 680.

44. *Id.*

remarks from the patent community note that this barely inhibits competition in the United States.⁴⁵ And yet, parties continue to pose validity challenges. More recently, the Supreme Court, in *Oil States Energy Services, L.L.C. v. Greene's Energy Group*, has buttressed this policy concern by upholding alternative administrative forums for patent validity challenges.⁴⁶ With more options available, patent validity challenges remain extant in the realm of patent law, even for an assignee.

For assignees subject to assignee estoppel, the legislative history of § 261, and the entirety of the Patent Act, is silent with respect to whether an assignee can undergo a validity challenge of its own patent.⁴⁷ The Senate committee report accompanying the Patent Act of 1952 only reports that the language of § 261 was derived from the prior statute of 1836.⁴⁸ This legislative silence indicates that Congress most likely did not consider a situation where an assignee would want to challenge the validity of its own patent.

B. *An Overview of Patent Assignments and Licenses*

The patent statute governing assignments states, in relevant part, that:

Applications for patent, patents, or any interest therein shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents to the whole or any specified part of the United States.⁴⁹

Thus, a patent grants the holder the right to exclude anyone from making, selling, using, offering for sale, or importing into the United States the patented invention.⁵⁰ A patentee yields a bundle of rights but can be contractually, and expressly, limited by its own actions. First, a patentee may separately license any of the exclusionary rights of its patents and may do so based on geographic territory.⁵¹ Second, “the right to manufacture, the right to sell, and the right to use are each substantive rights and may be granted or conferred separately by the patentee.”⁵² Third, a patentee is subject to the contractual obliga-

45. Stanford, *supra* note 5, at 771.

46. See generally *Oil States Energy Servs., L.L.C. v. Greene's Energy Grp.*, 138 S. Ct. 1365 (2018); see also *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018).

47. See S. REP. NO. 82-1979 (1952), reprinted in 1952 U.S.C.C.A.N. 2394; H.R. REP. NO. 82-1923 (1952).

48. See S. REP. NO. 82-1979 (1952), at 27 (app'x), reprinted in 1952 U.S.C.C.A.N. 2394, 2421.

49. 35 U.S.C. § 261 (2012).

50. *Adams v. Burke*, 84 U.S. 453, 456 (1873).

51. 35 U.S.C. § 261.

52. *Adams*, 84 U.S. at 456.

tions of the exclusionary rights of the patent, the limitations of the claims, and the requisite patent term.⁵³ Fourth, patentees enjoy a degree of freedom in the type of consideration they may demand for transferring ownership, whether it be in any “species or kind of property.”⁵⁴ And fifth, a patentee may transfer title in a patent by assignment, and give up his entire interest.⁵⁵ Pursuant to § 100(d) of the Patent Act,⁵⁶ the Federal Circuit has clarified that a patentee is synonymous with a “legal title holder”; and includes not only the patentee to whom the patent was issued, but any successor in title to the patentee.⁵⁷

Agreements transferring patent rights must be in the form of an assignment or a license.⁵⁸ When a patentee transfers title in a patent by assignment, the assignee is the effective patentee under the Patent Act.⁵⁹ This transfer of title can occur between the time of an invention and throughout the prosecution of a patent, right up until issuance.⁶⁰ An inventor can also complete an assignment of rights prior to an invention; this is known as an expectant interest and courts find this to be a valid method of assignment.⁶¹ Subsequent to issuance, a patent assignee can obtain title subject to certain requirements.⁶² Most of

53. *McCoy v. Mitsubishi Cutlery, Inc.*, 67 F.3d 917, 920 (Fed. Cir. 1995) (“A patent confers on its holder the right to exclude others from making, using, or selling what is described in its claims. [T]hese intellectual property rights, like any other property rights, are subject to the contractual obligations of their owner and the applicable law. . .”) (citations omitted).

54. *Transparent-Wrap Mach. Corp. v. Stokes & Smith Co.*, 329 U.S. 637, 642 (1947) (“Congress has made all patents assignable and has granted the assignee the same exclusive rights as the patentee. ‘Every application for patent or patent or any interest therein shall be assignable in law by an instrument in writing, and the applicant or patentee or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent or patent to the whole or any specified part of the United States.’ The statute does not limit the consideration which may be paid for the assignment to any species or kind of property. At least so far as the terms of the statute are concerned, we see no difference whether the consideration is services or cash, or the right to use another patent.”).

55. 35 U.S.C. § 261 (2012).

56. 35 U.S.C. § 100(d) (2012).

57. § 261; *Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574, 1578 n.2 (Fed. Cir. 1991) (“The entity to whom the grant of a patent is made by the PTO [or that entity’s successor in title] holds the ‘legal title’ to the patent. The legal title holder may or may not be the inventor, according to whether provision has been made by the inventor for issuance to an assignee. Thus defined, ‘legal title holder’ is synonymous with ‘patentee’ as defined by 35 U.S.C. § 100(d): The word ‘patentee’ includes not only the patentee to whom the patent was issued but also the successors in title to the patentee.”) (citations omitted).

58. *CMS Indus., Inc. v. L.P.S. Int’l, Ltd.*, 643 F.2d 289, 294 (5th Cir. 1981) (conveyance of interests in patents typically constitutes either assignment or licenses).

59. *Aspex Eyewear, Inc. v. Miracle Optics, Inc.*, 434 F.3d 1336, 1340 (Fed. Cir. 2006).

60. *FilmTec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568, 1572 (Fed. Cir. 1991).

61. *Id.*

62. *Id.* (The assignee “must be in fact a purchaser for valuable consideration. This requirement is different from the classic notion of a purchaser under a deed of grant, where the require-

these assignments are conveyed in the form of an entire patent, an undivided part or share of the entire patent, or all rights under the patent in a specified geographical region of the United States.⁶³ Anything less than a complete transfer of rights is a license, not an assignment.⁶⁴ But the reservation or exception by an assignor of a mere personal right to use the patented invention, resulting in a license back to the assignor from the assignee, will not cause the transfer of rights to be deemed a license.⁶⁵ Also, a crucial administrative task is the requirement to record the assignment “in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage”—otherwise the assignment will be void.⁶⁶

While an assignment of patent rights operates to transfer title to the assignee, a license leaves the title in a patent-owner. A patent license is essentially a permission for the licensee to perform acts that, without the license, would be deemed acts of infringement.⁶⁷ In general, patent licenses vary in their forms of exclusivity and consist of either a non-exclusive or an exclusive license.⁶⁸ A non-exclusive license is defined as a license that grants the holder a right to make, use, sell, or offer to sell the patented invention, but does not give the holder any *exclusionary* rights.⁶⁹ If anything, a non-exclusive license is merely an agreement by the licensor to receive royalties from the licensee in exchange for a covenant not to sue or disturb the licensee’s activities.⁷⁰ Conversely, an exclusive license is an agreement where the patentee grants a license to a party—by an express or implied promise—for an exclusionary right of the patent and thereby promises not to grant any other licenses to other parties.⁷¹ These exclusive licensees then receive

ment of consideration was a formality, and the proverbial peppercorn would suffice to have the deed operate under the statute of uses. Here the requirement is that the subsequent purchaser, in order to cut off the rights of the prior purchaser, must be more than a donee or other gratuitous transferee. There must be in fact valuable consideration paid so that the subsequent purchase can, as a matter of law, claim record reliance as a premise upon which the purchase was made. . . . In addition, the subsequent transferee/assignee . . . must be without notice of any such prior assignment.”).

63. Enzo APA & Son, Inc. v. Geapag A.G., 134 F.3d 1090, 1093 (Fed. Cir. 1998).

64. Jim Arnold Corp. v. Hydrotech Sys., Inc., 109 F.3d 1567, 1577 (Fed. Cir. 1997).

65. Hook v. Hook & Ackerman, Inc., 187 F.2d 52, 57 n.5 (3d Cir. 1951).

66. 35 U.S.C. § 261 (2012).

67. U.S. Philips Corp. v. Int’l Trade Com’n, 424 F.3d 1179, 1189 (Fed. Cir. 2005).

68. Ulead Sys., Inc. v. Lex Comput. & Mgmt. Corp. 351 F.3d 1139, 1147 (Fed. Cir. 2003).

69. *Id.*

70. MedImmune, Inc. v. Centocor, Inc., 409 F.3d 1376, 1379 (Fed. Cir. 2005), *cert. granted, judgment vacated on other grounds, and remanded in view of*, MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 137 (2007).

71. Rite-Hite Corp. v. Kelley Co., Inc., 56 F.3d 1538, 1552 (Fed. Cir. 1995).

more substantial rights than a non-exclusive licensee. When a patentee has granted an exclusive license, if it has not reserved for itself a right to practice the patented invention, the patentee is prohibited from practicing the patented invention.⁷² Therefore, the exclusive licensee has the sole right to enjoin acts of infringement because the patentee no longer has the right to practice the patent in any field of use.⁷³

A practical difference between an assignment and a license is in the form of consideration. Most licensees pay royalties over the term of the license subject to many contractual provisions; assignees, on the other hand, typically pay lump sum payments at the time of the assignment.⁷⁴ But assignees, as discussed below, can often make payments in the form of recurring royalties, which serve to blur the lines between a licensee and assignee.⁷⁵ More analogous to royalties, many inventors/assignors receive consideration for assignments in the form of continuing employment.⁷⁶ In that regard, bi-weekly or monthly paychecks can seem more like periodic royalty payments.⁷⁷

A greater difference is seen in the power to sue for infringement. Standing to sue for patent infringement is granted by the Patent Act, which provides that “[a] patentee shall have remedy by civil action for infringement of his patent.”⁷⁸ To that end, when a patentee transfers all substantial rights under the patent, the transferee will be deemed the effective patentee under the statute and has standing to bring suit in its own name.⁷⁹ On the other end of the spectrum is the non-exclusive licensee who maintains no ability to bring a suit for patent infringement and cannot gain standing by joining the patentee as a party.⁸⁰ An exclusive licensee, while not receiving a transfer of all substantial rights in the patent, still possesses part of the bundle of rights to exclude others and therefore has a legally protected interest.⁸¹ In turn, the exclusive licensee can join the patent owner in an action against an accused infringer, but cannot sue a party by itself.⁸²

72. *Barnett v. Strom*, 265 F. Supp. 2d 946, 949–50 (N.D. Ill. 2003).

73. *Sanofi, S.A. v. Med-Tech Veterinarian Prod., Inc.*, 565 F. Supp. 931, 937 (D.N.J. 1983).

74. *See* Stanford, *supra* note 5, at 769.

75. *See* *Coast Metals, Inc. v. Cape*, No. 78-276, 1979 WL 25083, at *5 (D.N.J. Dec. 24, 1979).

76. *See* Stanford, *supra* note 5, at 769.

77. *Id.*

78. 35 U.S.C. § 281 (2012).

79. *Ortho Pharm. Corp. v. Genetics Inst., Inc.*, 52 F.3d 1026, 1030 (Fed. Cir. 1995).

80. *See* *Abbott Labs. v. Diamedix Corp.*, 47 F.3d 1128, 1131 (Fed. Cir. 1995); *see also* *Propat Int'l Corp. v. Rpost, Inc.*, 473 F.3d 1187, 1193–94 (Fed. Cir. 2007); *Intellectual Prop. Dev., Inc. v. TCI Cablevision of Cal., Inc.*, 248 F.3d 1333, 1348–49 (Fed. Cir. 2001).

81. *Ortho Pharm.*, 52 F.3d at 1030.

82. *Id.* at 1030–31.

Strangely, and perhaps more applicable to assignee estoppel, a patentee who grants an exclusive license without reserving for itself a right to practice the invention can be liable to the licensee for patent infringement.⁸³ This is the exception to the rule that an exclusive licensee must join a patent owner in order to gain standing to sue.⁸⁴

C. *The Lear Analogy: Licensee Estoppel*

An overview of assignee estoppel begins with the Supreme Court decision in *Lear v. Adkins*.⁸⁵ Courts that determine whether to apply assignee estoppel typically address *Lear's* holding and policy rationale.⁸⁶ In *Lear*, Adkins licensed a patent application to Lear for steel gyroscopes in exchange for royalties.⁸⁷ The contract provided that Lear could terminate the license if no patent had issued or if the issued patent was held invalid.⁸⁸ As the application was making its way through the Patent Office, Lear stopped paying royalties after discovering anticipatory prior art. The prior art alone was enough to make Lear question the validity of the application, but, in addition, Lear reviewed the prosecution history and identified multiple rejections from the examiner.⁸⁹ Despite its cessation of royalty payments, Lear continued to manufacture and sell the licensed invention.⁹⁰

When the patent finally issued, Adkins sued under contract for royalties.⁹¹ Lear raised patent invalidity as a defense and argued that it stopped paying royalties because its manufactured product did not embody the patented invention, which nonetheless, it believed to be invalid.⁹² The Supreme Court rejected the doctrine of licensee estoppel, which barred a licensee from challenging the validity of its own patent, thereby permitting a licensee to avoid royalty payments to the owner of an invalid patent.⁹³ In turn, the Court ignored the provisions of the contract which precluded a challenge to patent validity and held

83. *Waterman v. Mackenzie*, 138 U.S. 252, 255 (1891) (An exclusive licensee that does not have all substantial rights does have standing to sue in his own name when “necessary to prevent an absolute failure of justice, as where the patentee is the infringer, and cannot sue himself.”); *see also* *Littlefield v. Perry*, 88 U.S. 205, 223 (1874).

84. *Waterman*, 138 U.S. at 255.

85. *Lear, Inc. v. Adkins*, 395 U.S. 653, 662–63 (1969).

86. *See e.g.*, *MACOM Tech. Sol. Holdings, Inc. v. Infineon Tech. AG*, No. 2:16-cv-02859-CAS, 2017 WL 3298670, at *3 (C.D. Cal. Aug. 2, 2017) (reviewing decisions that analogize or distinguish *Lear v. Adkins*).

87. *Lear*, 395 U.S. at 657.

88. *Id.*

89. *Id.* at 659.

90. *Adkins v. Lear, Inc.*, 67 Cal. 2d 882, 897–98 (1967), *vacated*, 395 U.S. 653, 676 (1969).

91. *Lear, Inc. v. Adkins*, 395 U.S. 653, 660 (1969).

92. *Id.*

93. *Id.* at 670.

that the laws of contract must give way to the express federal policy of the patent laws.⁹⁴ The Court stated the policy rationale in subverting such contract provisions to permit a licensee to bring a validity challenge:

[T]he equities of the licensor do not weigh very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain. Licensees may often be the only individuals with enough economic incentive to challenge the patentability of an inventor's discovery. If they are muzzled, the public may continually be required to pay tribute to would-be monopolists without need or justification. We think it plain that the technical requirements of contract doctrine must give way before the demands of the public interest in the typical situation involving the negotiation of a license after a patent has issued.⁹⁵

The decision in *Lear* requires a court to consider the strong public interest in the free flow of ideas when faced with a contract that attempts to limit a party's right to challenge the validity of a patent.⁹⁶ While *Lear* is acknowledged for its holdings on the doctrine of licensee estoppel and the enforcement of contracts for royalties, it also established a "balancing of the equities" test, which weighs the public interest in discovering invalid patents against other competing interests, such as contract provisions of an agreement.⁹⁷

D. *A Brief and Interrupted History of Assignee Estoppel*

1. *Roberts v. Sears, Roebuck & Company: The Beginning*

One of the first assignee estoppel cases involved Roberts, a young sales clerk who was working at Sears and had developed the famous quick-release socket wrench.⁹⁸ Roberts was persuaded by his manager to report the idea to corporate executives, who soon came to realize the potential profits and impact that the wrench would have on the mechanic community.⁹⁹ Roberts pursued negotiations for royalties and assigned his rights to Sears in exchange for a 2 cent royalty per unit for up to a maximum of \$10,000 in sales.¹⁰⁰ During negotiations, Sears' lawyers withheld its knowledge of the wrenches' potential for

94. *Id.* at 673.

95. *Id.* at 670–71.

96. 5 ROBERT A. MATTHEWS, JR., ANNOTATED PATENT DIGEST § 35:38, Westlaw (database updated July 2019).

97. *Id.*

98. *Roberts v. Sears, Roebuck & Co.*, 573 F.2d 976, 978 (7th Cir. 1978).

99. *Id.*

100. *Id.* at 979.

success.¹⁰¹ However, at the time of negotiations and before the contract was executed, Sears had already filed the patent for the wrench and it had been issued.¹⁰²

Between 1965 and 1975, Sears sold over 19 million wrenches at \$2 profit per wrench.¹⁰³ Roberts filed suit and a jury found Sears guilty of fraud, misrepresentation, and breach of a confidential relationship.¹⁰⁴ On appeal to the Seventh Circuit, Sears argued that if the district court had found the patent invalid, Roberts would not have been injured by Sears's fraudulent activity because Sears would have been paying \$10,000 for a "worthless" invention.¹⁰⁵ The court held that an assignee could not challenge the validity of its own patent and that the rejection of licensee estoppel in *Lear* did not apply.¹⁰⁶ The court distinguished an assignee from a licensee by stating that an assignee gets a total assignment of rights, whereas a licensor maintains its rights.¹⁰⁷ The outcome that the *Lear* Court tried to avoid—that the public might have to pay tribute to a would-be monopolist—was inapplicable because Roberts would have no legal basis for exacting any "tribute" until the patent rights were assigned back to him.¹⁰⁸ The court further circumvented *Lear* by declining to balance the equities between the public's interest and contract law, because unlike *Lear*, the contract was not formed on a good faith belief and the public would not be injured by barring Sears' (the assignee's) validity challenge.¹⁰⁹

2. Cases from the 1980s and 1990s: An Evolution

Other assignee estoppel cases from the 1980s and 1990s involve assignees attempting to repudiate royalty payments.¹¹⁰ District courts elected to apply assignee estoppel on the grounds that "a buyer of a patent could obtain its benefits and control it and refuse to pay the agreed consideration".¹¹¹ These courts disfavored the legal awkward-

101. *Id.*

102. *Id.*

103. *Id.* at 980.

104. *Roberts*, 573 F.2d at 980.

105. *Id.* at 980–81.

106. *Id.* at 981.

107. *Id.* at 982.

108. *Id.* at 982.

109. *Id.*

110. *See Coast Metals, Inc. v. Cape*, No. 78-276, 1979 WL 25083, at *4–5 (D.N.J. Dec. 24, 1979); *Sybron Transition Corp. v. Nixon, Hargrave, Devans & Doyle*, 770 F. Supp. 803, 809 (W.D.N.Y. 1991); *see also Baladevon, Inc. v. Abbott Labs. Inc.*, 871 F. Supp. 89, 97 (D. Mass. 1994).

111. *See Coast*, 1979 WL 25083, at *4; *accord Sybron*, 770 F. Supp. at 811.

ness of assignees being able to attack and defend the same patent.¹¹² By virtue of *Lear*, the assignee is considered to have a monopoly on the patent rights and, unlike the licensor in *Lear*, the assignor is in no danger of reaping the benefits of a potentially invalid patent that is likely to go unchallenged.¹¹³ Thus, these decisions acknowledged that “the weight of authority holds that the doctrine of assignee estoppel survived *Lear*”.¹¹⁴

3. Assignee Estoppel in the Federal Circuit

Assignee estoppel finally reached the Federal Circuit in 2004 in *Slip Track v. Metal Lite*.¹¹⁵ Slip Track was the sole owner of the ‘760 patent and jointly owned the ‘203 patent with Metal Lite.¹¹⁶ Slip Track sued Metal Lite for infringement of the ‘760 patent and the district court held that ‘760 patent had priority over the ‘203 patent.¹¹⁷ On appeal, the Federal Circuit held that Slip Track, an assignee and fifty percent owner of the ‘203 patent, could challenge the validity of a patent it owned jointly.¹¹⁸ Undergoing the balancing test in *Lear*, the Court did not find anything inequitable with Slip Track choosing to protect the greater of its two property interests, the ‘760 patent.¹¹⁹ Walking in the footsteps of *Lear*, the *Slip Track* court held that an assignee could challenge the validity of its own patent, whether it owned the patent in its entirety or in-part.¹²⁰

4. The Return to Federal Court

Assignee estoppel was absent from federal courts for thirteen years before it reached the Central District of California in 2017 in *MACOM*.¹²¹ In denying MACOM’s motion to strike, the district court declined to apply assignee estoppel, specifically noting the uncertainty about the state of the doctrine.¹²² In 2010, the parties’ predecessors-in-interest entered into a purchase agreement where MACOM assigned

112. See *Coast*, 1979 WL 25083, at *5.

113. See *Coast*, 1979 WL 25083, at *5; accord *Sybron*, 770 F. Supp. at 811.

114. *Baladevon*, 871 F. Supp. at 95.

115. See generally *Slip Track Sys., Inc. v. Metal Lite, Inc.*, 113 F. App’x 930, 933 (2004).

116. *Id.*

117. *Id.*

118. *Id.*

119. *Id.*

120. *Id.*

121. *MACOM Tech. Sol. Holdings, Inc. v. Infineon Tech. AG.*, No. 2:16-cv-02859-CAS, 2017 WL 3298670, at *4 (C.D. Cal. Aug. 2, 2017).

122. *Id.* at *3 (“The foregoing uncertainty about the state of the doctrine weights against striking Infineon’s invalidity defense.”).

fifty-four patents and applications to Infineon.¹²³ As part of the agreement, Infineon agreed to execute a license permitting MACOM to practice the MACOM patents in certain fields of use, which formed a non-exclusive license.¹²⁴ In 2016, MACOM filed suit alleging that Infineon had breached the agreement entered into by both parties' predecessors-in-interest.¹²⁵ In response, Infineon asserted an affirmative defense of patent invalidity.¹²⁶ MACOM filed a motion to strike Infineon's invalidity defense.¹²⁷

The court distinguished cases where assignee estoppel barred an assignee from escaping royalty payments because, in the case at bar, MACOM still had rights to practice the invention to the exclusion of others, and MACOM was not alleging that Infineon was attempting to avoid royalty payments.¹²⁸ Ultimately, the court held that assignee estoppel was not well suited for resolution at the pleading stage.¹²⁹ In order to determine the application of assignee estoppel and apply the balancing test of *Lear*, the court acknowledged that it would need more facts that would come from discovery.¹³⁰

The latest assignee estoppel decision involves a fact pattern worthy of the logic games on the LSAT. In *Fischell v. Cordis Corp.*, the patents-in-suit involved three types of stents used in cardiovascular medicine that were owned by the Fischell brothers.¹³¹ In 1999, the Fischells entered into an assignment agreement with Cordis Corporation to provide Cordis with the ownership rights to use and sell the stents in exchange for a one percent royalty "so long as a court of competent jurisdiction has not held such claim invalid or unenforceable in an unappealed or unappealable decision."¹³² Cordis also gained the right to sub-license the Fischells' stent patents "as long as the appropriate [one] percent royalty is paid to the Fischells"¹³³ In 2003, being vigilant assignors, the Fischells alerted Cordis that certain stents man-

123. *Id.* at *1.

124. *Id.* at *2.

125. *MACOM Tech. Sol. Holdings, Inc. v. Infineon Tech. AG.*, No. 2:16-CV-02859-CAS, 2016 WL 6495373, at *1 (C.D. Cal. Oct. 31, 2016).

126. *MACOM*, 2017 WL 3298670, at *1.

127. *Id.*

128. *Id.* at *3.

129. *Id.* at *4 ("Assuming arguendo that assignee estoppel remains good law and might preclude Infineon from asserting an invalidity defense here, the issue is not well suited to resolution at the pleading stage.")

130. *Id.* ("The outcome of that balancing may turn upon factual issues that have not yet developed in this case.")

131. *Fischell v. Cordis Corp.*, No. 3:16-cv-00928, 2018 WL 6243251, at *1 (D.N.J. Nov. 29, 2018).

132. *Id.*

133. *Id.*

ufactured by Guidant infringed the Fischell patents that had been assigned to Cordis.¹³⁴ In response, Cordis and Guidant settled the issue and Guidant emerged with a license to the Fischells' stent patents, though it was required to pay a royalty to Cordis, who then sent the payments to the Fischells.¹³⁵ This came to be known as "pass-through" payment.¹³⁶ To muddle the matter, in 2006, Guidant sold its cardiology division to Abbott, meaning that Abbott became the licensee.¹³⁷ Abbott was then required to send royalties to Cordis for "pass-through" payments to the Fischells, so that Abbott could manufacture and sell their Xience and Vision stents, which were based on the Fischells' patents.¹³⁸ Abbott, in turn, manufactured and sold these stents to Boston Scientific Corporation, who then re-sold the stents under their own label.¹³⁹

In 2010, Cordis, the assignee, sued Boston Scientific Corporation in the District of Delaware for selling the Promus stent, which allegedly infringed on the Fischells' stent patents.¹⁴⁰ The district court invalidated two of the dependent claims of the Fischells' '817 stent patent, and found that Cordis could not show that the Promus patent infringed the Fischells' stent patents.¹⁴¹ On appeal, the Federal Circuit vacated the portion of the district court's decision that invalidated the patent claims but upheld the conclusion that there was no infringement.¹⁴² Because the '817 patent shared the same specification as two other Fischell patents assigned to Cordis, and the Promus stent shared the "same metal stent architecture" as Abbott's Xience and Vision stents, Abbott stopped paying Cordis royalties for pass-through to the Fischells.¹⁴³

The Fischells, in seeking their royalty payments, brought suit in the District of New Jersey against Cordis for breach of contract.¹⁴⁴ Abbott moved to intervene, asserting patent invalidity as a defense, and the Fischells filed a motion to strike.¹⁴⁵ The Fischells argued that Cordis and Abbott were estopped from asserting patent invalidity on the ba-

134. *Id.*

135. *Id.*

136. *Id.*

137. *Fischell*, 2018 WL 6243251, at *1.

138. *Id.*

139. *Id.*

140. *Id.*

141. *Id.*

142. *Id.*

143. *Fischell*, 2018 WL 6243251, at *2.

144. *Id.*

145. *Id.*

sis of assignee estoppel.¹⁴⁶ To combat this, Abbott and Cordis argued that not only is the doctrine of assignee estoppel in serious doubt, but Abbott was a licensee, and Cordis was no longer an assignee of the asserted patents.¹⁴⁷

Before reaching the contractual aspects of the case, the court stated: “Based on the uncertainty involved in the applicability of the doctrine of assignee estoppel, the Court declines to apply it, and therefore, declines to strike Cordis and Abbott’s affirmative defenses of patent invalidity. . . .”¹⁴⁸ In addition, the District of New Jersey was also unsure whether Cordis actually was an assignee. Cordis claimed that the patents assigned by the Fischells were no longer owned by Cordis but were owned by an entirely different company, Cardinal Health Switzerland. And because Abbott had shown that it was a licensee, the court found in favor of Abbott and Cordis.¹⁴⁹

Diving into the 1999 agreement formed between Cordis and the Fischell brothers, the District of New Jersey found it crucial that Cordis was restricted to paying royalties for valid claims, and valid claims only.¹⁵⁰ Even though the Federal Circuit vacated the decision that “nullified” the claims of the ’817 patent, it upheld the portion finding that the Promus patent did not infringe upon the Fischell patents and, in this respect, “Cordis defended the Fischell patents and lost.”¹⁵¹ Cordis wanted to get out of the contract because the validity of the patents it owned and continued to pay a royalty for were put in question¹⁵²—Cordis was therefore unsure whether the Fischell patents could be enforced at all. The court found it unfair to harm Cordis because “Cordis is not proactively challenging the patents; instead, they are defending against making a payment for patents whose validity and enforceability have been questioned.”¹⁵³ The crux of the decision was the holding that barring Cordis and Abbott from asserting the defense of patent invalidity would be contrary to the policy in *Lear*: “if a patent may be invalid, it is not fair to treat the patent as if it is valid, and allow the plaintiffs to continue to receive a royalty when there may be no valid reason for preferential treatment.”¹⁵⁴

146. *Id.*

147. *Id.*

148. *Id.* at 5.

149. *Fischell*, 2018 WL 6243251, at *5 (Cordis asserted “that the patents are now owned by Cardinal Health Switzerland.”).

150. *Id.*

151. *Id.*

152. *Id.*

153. *Id.* at 6.

154. *Id.*

In view of the aforementioned case law, an assignee looking to challenge the validity of its own patent is left with an unsteady footing. Courts on both sides note their insecurity with the doctrine but continue to make determinations on assignee estoppel.¹⁵⁵ Applying assignee estoppel without a true north has a major, inconsistent impact on patent validity challenges.

II. ANALYSIS

A. *The Confusion of the Courts*

There seems to be some confusion, or intentionally blurred lines, between the doctrines of assignee estoppel and assignor estoppel. At times, courts on both sides of assignee estoppel cite to authority that pertains to assignor estoppel, particularly the case of *Diamond Scientific v. Ambico*.¹⁵⁶ In *Diamond Scientific*, the Federal Circuit established an equitable balancing test, separate and independent from the so-called “balancing of the equities” in *Lear*.¹⁵⁷ Specifically, the test sought to weigh the equities of the contractual relationships between the parties and determine whether it would be proper to allow a party to bring an invalidity challenge.¹⁵⁸ In contrast, the Court in *Lear* balanced the equities of the licensor against the “important public interest in permitting the full and free competition in the use of ideas which are in reality a part of the public domain.”¹⁵⁹ This is an important distinction. And of course, there is always the notion that an assignor is not an assignee.

In *Baladevon v. Abbott Laboratories*, a district court found that Abbott, the assignee, was estopped from challenging validity of its patent.¹⁶⁰ This was even after discovering that the inventor had published

155. *Compare* Sybron Transition Corp. v Nixon, Hargrave, Devans & Doyle, 770 F. Supp. 803, 810 (W.D.N.Y. 1991) (“[I]t has not escaped me that the ‘legal doctrine of assignee estoppel’ is not exactly a jurisprudential fixture.”), with *MACOM Tech. Sol. Holdings, Inc. v. Infineon Tech. AG.*, No. 2:16-cv-02859-CAS, 2017 WL 3298670, at *3 (C.D. Cal. Aug. 2, 2017) (“Although *Lear* did not squarely address assignee estoppel as compared to licensee estoppel, ‘[t]he distinction between licensee estoppel and assignee estoppel [has not always been] logical.’”) (quoting *Coast Metals, Inc. v. Cape*, No. 78-276, 1979 WL 25083, at *4 (D.N.J. Dec. 24, 1979)).

156. *Diamond Scientific Co. v. Ambico, Inc.*, 848 F.2d 1220, 1224 (1988).

157. *Id.* (“Courts that have expressed the estoppel doctrine in terms of unfairness and injustice have reasoned 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.”).

158. *Id.* at 1225 (“Yet despite the public policy encouraging people to challenge potentially invalid patents, 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.”).

159. *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969).

160. *Baladevon, Inc. v. Abbott Labs., Inc.*, 871 F. Supp. 89, 91 (D. Mass. 1994).

an article disclosing all the embodiments of the claimed invention one year before filing the application.¹⁶¹ Prior to that, the inventors for Baladevon had executed an assignment to a company, later bought by Abbott, that surrendered their entire bundle of rights in exchange for a royalty fee that provided Baladevon with 2.5% of sales.¹⁶² The agreement provided Abbott with the ability to terminate the agreement, in whole or in part, if the competition in the marketplace prevented the patent's issuance, or if the patent proved to be invalid.¹⁶³ When Abbott found out about the article, it attempted to terminate the agreement and assign the patents back to Baladevon.¹⁶⁴ After Baladevon filed suit against Abbott, which asserted patent invalidity as a defense, the district court set out to consider the body of law that governs assignee estoppel. At the outset, the court started on the right track by discussing case law pertaining to assignee estoppel but somewhere, right in the middle of its analysis, it switched gears to assignor estoppel without a clear rationale for doing so.¹⁶⁵ This of course led it to "balance the equities" between the parties, rather than the usual free trade of ideas.¹⁶⁶ While the court later considered the policy concerns of *Lear*, the confusion between an assignor and assignee—and the case law that governs them—proved to be quite dispositive.

The confusion is most evident in a footnote to the court's statement: "The equities strongly favor the application of estoppel in this case."¹⁶⁷ The footnote reads: "The lines are somewhat blurred, because—having assigned the patents back to Baladevon—defendant might now be characterized as the assignor, rather than the assignee. The taxonomy has no bearing on the inquiry followed by this court. To avoid confusion, defendant will consistently be referred to as the assignee."¹⁶⁸ Here, the court's understanding of assignor estoppel and assignee estoppel is simply inapposite. The taxonomy does have bear-

161. *Id.* ("It came to light that Dr. Sacks had published an article containing ideas embodied in the enteral feeding device over a year before the first application, a fact that rendered both patents invalid *per se*.")

162. *Id.*

163. *Id.*

164. *Id.*

165. *See id.* at 95 ("On the other hand, some courts have refused to apply *assignor* estoppel. Whether estoppel should be applied in a particular case, the Federal Circuit has suggested, should be determined by balancing the equities. *See Diamond Scientific*, 848 F.2d at 1224–25 (justifying application of the generally disfavored doctrine of *assignor* estoppel.") (emphasis added)) (citation omitted).

166. *Baladevon, Inc. v. Abbott Labs., Inc.*, 871 F. Supp. 89, 95–96 (D. Mass. 1994) ("There is no evidence that plaintiff exercised the increased leverage of an anticipated patent monopoly based on the parties expectation of a high likelihood that valid patents would issue.")

167. *Id.* at 95.

168. *Id.* at 95 n.2.

ing on the court's inquiry, since it determines which considerations to balance. Because Abbott had sent a letter to Baladevon notifying them of their intent to terminate the agreement and assign the patents back under the agreement's termination clause, it was unclear whether Abbott did actually assign the patents back to Baladevon.¹⁶⁹ The court should have conducted further investigation to determine whether Abbott really was an assignee or assignor instead of arbitrarily assigning them a label. Even if Abbott was considered an assignor, in which case it would have been appropriate to apply the principles of assignor estoppel, the court should not have subjected an assignor to the laws of an assignee. This leads to a difference in policy considerations. For the laws pertaining to an assignor, the contractual equities are balanced between the parties. For the laws pertaining to an assignee, the equities are balanced between the licensor or assignor, and the public's interest in the exposure of invalid patents.

Another improper mixture of assignee and assignor takes place in *Coast Metals, Inc. v. Cape*, where the District of New Jersey freely admitted that the differences between licensee estoppel and assignee estoppel are not always logical.¹⁷⁰ Right after that, the court noted, "Different circuits have reached different results when dealing with assignor estoppel. The Ninth Circuit . . . found, in a very brief opinion, that assignee estoppel did not require any different rule than licensee estoppel."¹⁷¹ A quick Westlaw search reveals that the Ninth Circuit was not referring to assignee estoppel but to assignor estoppel, which does not require any different rule than licensee estoppel.¹⁷² Blending all the doctrines together not only results in a volatile witches' brew, but inevitably leads to chaos in the courts, with decisions noting the instability of the doctrine.¹⁷³

Other sources of confusion have resulted in improper analysis. Again, whether this is intentional or not remains to be seen, but even the two courts that have declined to apply assignee estoppel have made this error. In *MACOM*, after the court determined that assignee estoppel cannot be resolved at the pleading stage, the court cited

169. *Id.* at 91.

170. *Coast Metals, Inc. v. Cape*, No. 78-276, 1979 WL 25083, at *4 (D.N.J. Dec. 24, 1979).

171. *Id.* at *4 (citations omitted) (emphasis added).

172. *Coastal Dynamics Corp. v. Symbolic Displays, Inc.*, 469 F.2d 79, 79 (9th Cir. 1972) ("We are satisfied that by inference he did rule that the point was without merit and such a result is required by the dicta in *Lear, Inc. v. Adkins*, 395 U.S. 653, 89 S. Ct. 1905, 23 L. Ed.2d 610, wherein licensee estoppel is considered. We are not persuaded that assignor estoppel requires any different rule. So no purpose could be served by a remand for an express ruling on assignor estoppel on the facts of this case.").

173. *MACOM Tech. Sol. Holdings, Inc. v. Infineon Tech. AG*, No. 2:16-cv-02859-CAS, 2017 WL 3298670, at *3 (C.D. Cal. Aug. 2, 2017).

Baladevon: “Whether estoppel should be applied in a particular case, the Federal Circuit has suggested, should be determined by balancing the equities”.¹⁷⁴ Following the trail of breadcrumbs, this phrasing in *Baladevon* is citing to *Diamond Scientific*— an assignor estoppel case.¹⁷⁵ This requires an entirely different “balancing of the equities” test and equally fails to consider the public interest in the full and free competition of ideas that belong in the public domain. Other courts, such as the Federal Circuit in *Slip Track*, have made the same choice to cite *Diamond Scientific*. But there, the facts that gave rise to the invalidity challenge allowed the court to shy away from an analysis that took place under assignor estoppel.¹⁷⁶ While the *MACOM* court still saved itself by performing a short analysis of *Lear*, and the *Slip Track* court distinguished the facts from *Diamond Scientific*, the issue needs to be flagged.

Perhaps the courts felt that the facts were more appropriately decided under the principles of assignor estoppel. But why then ignore cases like *Roberts* and *Coast*, which had occurred much earlier and had provided authority under assignee estoppel? Moreover, why contravene the policies of *Lear*? The concern here is that the public will continue to pay tribute to an individual who holds an invalid patent. Considerations of contract law do not apply here.

B. A Dead Doctrine and the Courts’ Misunderstanding of *Lear*

Notwithstanding the confusion between the application of assignor and assignee estoppel, courts still seem to miss the target when following *Lear*. If courts applied *Lear* correctly, they would abrogate the doctrine of assignee estoppel on the same basis that *Lear* did away with licensee estoppel. The overarching mistake that courts seem to make when applying assignee estoppel involves the misinterpretation and misapplication of the policy concerns of *Lear*. These concerns are: (1) that a patent’s validity might go unchallenged and (2) that the public would continue to pay tribute for an invalid patent, and would

174. *Id.* at *4 (quoting *Baladevon, Inc. v. Abbot Labs., Inc.*, 871 F. Supp. 89, 95 (D. Mass. 1994)).

175. *Baladevon, Inc. v. Abbott Labs., Inc.*, 871 F. Supp. 89, 95 (D. Mass. 1994) (“Whether estoppel should be applied in particular case, the Federal Circuit has suggested, should be determined by balancing the equities. See *Diamond Scientific*, 848 F.2d at 1224–25 (justifying application of the generally disfavored doctrine of assignor estoppel.”).

176. *Slip Track Sys. Inc., v. Metal Lite.*, 113 F. App’x 930, 933 (2004) (citing *Diamond Scientific Co. v. Ambico Inc.*, 848 F.2d 1220, 1225 (Fed. Cir. 1988)) (“[D]espite the public policy encouraging people to challenge potentially invalid patents, there are still circumstances in which the equities of the contractual relationships between the parties should deprive one party . . . of the right to bring a challenge.”).

therefore be deprived of the full and free competition of ideas that belong in the public domain.¹⁷⁷ In *Lear*, the court feared that if licensees were barred from making a patent validity challenge, “the public may continually be required to pay tribute to would-be monopolists without need or justification.”¹⁷⁸ The “would-be monopolists” are, of course, the licensors who would be exacting tribute from the public. In the case of an assignee, when the bundle of rights is transferred from an assignor to an assignee, it is the assignee who becomes the “would-be monopolist” to whom the public pays tribute. When it comes to holding invalid patents, an assignee is just like a licensor because they are both putting the public in a position of paying for a product that actually belongs in the public domain. Moreover, if the assignee is barred from making a validity challenge, the public is deprived of the full and free competition of ideas and continues to pay tribute to a monopolist—even where the assignee continues to sell the claimed invention after discovering that the patent is invalid. In short, and to reiterate *Lear*, the concerns for the public outweigh any consideration of contract law, whether it be in the form of an assignment or a license or whether it involves repudiation of royalty payments.¹⁷⁹

Take *Baladevon*, for example, which involved an application of assignee estoppel.¹⁸⁰ The district court initially framed its analysis in view of *Lear* and set out to determine whether the two policy concerns of *Lear* had any bearing on the case at hand. Yet, they still arrived at a contrary conclusion.¹⁸¹ Because the inventor’s article had anticipated the invention, and since there were already competitors on the market, the court somehow came to the conclusion that there was no risk that the patent’s validity would go unchallenged.¹⁸² The court also concluded there was no concern that the “patent monopoly” would continue to be honored.¹⁸³ But the fact remains, neither the *Baladevon* court, nor any other court had declared the patent invalid.¹⁸⁴ After Abbott had learned that the inventor’s discovery was not

177. *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969).

178. *Id.*

179. *Id.* at 670–71 (“We think it plain that the technical requirements of contract doctrine must give way before the demands of the public interest in the typical situation involving the negotiation of a license after a patent has issued.”).

180. *Baladevon*, 871 F. Supp. at 89.

181. *Id.* at 96 (“[N]either of the two policy rationales supporting abrogating of estoppel in *Lear* are relevant to the weighing of the equities in this case.”).

182. *Id.*

183. *Id.* (“Thus, there is obviously no concern, as there was in *Lear*, that the patent monopoly would continue to be honored lest the defendant be given an incentive to challenge patent validity.”).

184. *Id.*

patentable and that the idea did actually belong to the public and its competitors, it was Abbott who wanted to challenge the patent's validity.¹⁸⁵ Barring them from doing so would leave the patent's validity unchallenged and would be contrary to the express policies in *Lear*.

If anything, the incentive to make a validity challenge was that Abbott, the assignee, was no longer able to enforce the validity of that patent to prevent its competitors from selling the same invention. This was the main reason why Abbott sought termination of the assignment on the basis of patent invalidity in the first place.¹⁸⁶ Although Abbott continued to sell the claimed invention after discovering the patent might be invalid, it did not get the opportunity to determine if the patent actually was invalid.¹⁸⁷ This was an instance of the public continuing to pay tribute to a would-be patent monopolist that held an invalid patent. While it seems counterintuitive that Abbott would have to pose a validity challenge, and seemingly admit its own mistake by declaring its own patent invalid, the concern that a patent's validity might go unchallenged still remains.

To avoid the second policy concern of *Lear*, the *Baladevon* court elected to take a contract approach and distinguish royalties in a licensing agreement from royalties in an assignment.¹⁸⁸ This was the first step in deviating from *Lear*. The assignment agreement provided that Baladevon would be entitled to royalties "regardless of whether the inventions or improvements were 'patentable', regardless of whether [the] patents issued or not, regardless of the patents' validity, [and] regardless of whether defendant retained ownership of the patents or chose to return them under the termination clause."¹⁸⁹ The court further distanced itself from *Lear* when it found that the payments Baladevon demanded were unlike the payments barred in *Lear*.¹⁹⁰ The payments in *Lear* were licensee payments to a licensor holding an invalid patent, while the payments in *Baladevon* were not "derived from ownership of invalid patents."¹⁹¹ While this may have been true, the court ignored the impact that an invalid patent has on

185. *Id.* ("By the time of the defendant's termination in this case, the patent had already been widely revealed as invalid and competitive product were on the market.")

186. *Baladevon, Inc. v. Abbott Labs., Inc.*, 871 F. Supp. 89, 91-92 (D. Mass. 1994).

187. *Id.* ("Defendant continued to produce and sell enteral feeding devices under the names 'Sacks' and 'Vines' without paying the plaintiff any royalties.")

188. *Id.* at 96 ("Royalties in a licensing agreement are an ongoing obligation, continually exchanged for an ongoing right. By contrast, royalties in an assignment agreement are properly conceived as deferred consideration for the original conveyance of rights, with the amount of consideration pegged to the commercial success of the product.")

189. *Id.*

190. *Id.*

191. *Id.*

the public. After all, Abbott continued to sell the claimed invention to the public even after discovering that the patents may have been invalid.¹⁹² Though it may seem inequitable and counterintuitive to permit an invalidity challenge and allow Abbott to repudiate its royalty payments to Baladevon, it is the public that is at stake here. The public should not be forced to pay tribute to a would-be monopolist that continues to exploit an invalid patent. Thus, the court should be concerning itself with the merits of the patent, not the merits of an assignee. Permitting an assignee to challenge the validity of its own patent—irrespective of its conduct—continues to uphold what *Lear* set out to prove.

Other courts, like those in *Coast* and *Sybron Transition Corp. v. Nixon, et al.*, are distracted by the legally awkward position of an assignee when it comes to the possibility of simultaneous enforcement and invalidation.¹⁹³ These cases also involve an assignee seeking to repudiate its royalty payments and rescind its contracts with the assignor. *Coast Metals*, an assignee, sought a declaratory judgment seeking to invalidate a patent that it believed the inventors obtained fraudulently during prosecution.¹⁹⁴ In finding that assignee estoppel barred *Coast Metals* from repudiating its royalty payments and challenging the validity of the assigned patents, the court focused on the “monopoly” that *Coast* would have if it was allowed to enforce and attack the same patent.¹⁹⁵ By distinguishing *Lear*, the *Coast* court stated that “*Lear* was never intended to permit fraudulent and bad faith action. . . . Otherwise, the buyer of a patent could obtain its benefits and control it and refuse to pay the agreed consideration.”¹⁹⁶ This is the same situation, however, when a licensee refuses to pay royalty payments while still enjoying the benefits of making or using the claimed invention which, of course, the Supreme Court has permitted.¹⁹⁷

192. *Baladevon*, 871 F. Supp. at 92.

193. See generally *Coast Metals, Inc. v. Cape*, No. 78-276, 1979 WL 25083, at *1 (D.N.J. Dec. 24, 1979); *Sybron Transition Corp. v. Nixon, Hargrave, Devans & Doyle*, 770 F. Supp. 803 (W.D.N.Y. 1991).

194. *Coast*, 1979 WL 25083, at *1 (“Plaintiff also alleges defendant Cape knew the nickel ranges in the application were not critical and therefore the invention was no patentable. Such acts allegedly constituted fraud on the Patent Office.”).

195. *Id.* at *5 (“*Coast* owns the patent. If it were able to bring this suit it would be able to retain a monopoly while at the same time attacking the patent. No one else could use the ‘494 metal for fear of infringement. Indeed *Coast* could well be in the position of simultaneously attacking and defending the patent.”).

196. *Id.* at *4.

197. See generally *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007); see also *Lear, Inc. v. Adkins*, 385 U.S. 653, 670–71 (1969).

The *Sybron* court, adopting the same reasoning as in *Coast*, further elaborated on the scenario of an assignee asserting patent invalidity by stating that:

[B]ecause under the agreement Sybron gained ownership of the patent, there would be no danger that [the assignor] could reap benefits from a potentially invalid patent which is likely to go unchallenged. Thus, the danger articulated in *Lear* which outweighed the licensor's interest in enforcing the contract and justified allowing the licensee to avoid royalty payments is nonexistent here.¹⁹⁸

On the surface, the *Sybron* court is correct in that there is no danger that an assignor could reap benefits from a potentially invalid patent.¹⁹⁹ But on a more fundamental level, particularly here where there is still a danger that the assignee could reap benefits from a potentially invalid patent, the patent remains unchallenged.²⁰⁰ Regardless of who owns the patent, the assignor or the assignee, or under circumstances involving a lesser bundle of rights such as with a licensor or licensee, the public should not pay tribute to a party that holds an invalid patent. The public should not have to pay for processes, machines, articles of manufacture, or compounds that are protected by invalid patents. And the public should not be concerned with parties who withhold ideas from the public domain.

There is also an effort by the courts to distinguish assignees by the nature of the cause of action. Claims of patent invalidity in *Lear* and *Roberts* both arose in a defense.²⁰¹ Strangely, the court in *Coast* found this dispositive, because it was the plaintiff that was bringing a declaratory judgment action to declare its own patent invalid.²⁰² This allowed the court to avoid applying the principles of *Lear*. The two courts that have declined the application of assignee estoppel involved assignees asserting patent invalidity as a defense and do not shed much light on the issue.²⁰³ The *Sybron* court, on the other hand, did not find a distinction between a plaintiff bringing a declaratory judg-

198. *Sybron*, 770 F. Supp. at 811.

199. *Id.*

200. *Id.*

201. See generally *Lear*, 385 U.S. at 653 (1969); see also *Roberts v. Sears, Roebuck & Co.*, 573 F.2d 976, 976–77 (1978).

202. *Coast Metals, Inc. v. Cape*, No. 78-276, 1979 WL 25083, at *5 (D.N.J. Dec. 24, 1979) (“The case before the court is not on point with either *Sears* or *Lear*. The case arises differently. It is a declaratory judgment action seeking a holding that the plaintiff's own patent is invalid. In *Lear* and *Sears* the claim of patent invalidity was a defense.”).

203. See generally *MACOM Tech. Sol. Holdings, Inc. v. Infineon Tech. AG.*, No. 2:16-cv-02859-CAS, 2017 WL 3298670, at *4 (C.D. Cal. Aug. 2, 2017); *Slip Track Sys., Inc. v. Metal Lite, Inc.*, 113 F. App'x 930, 933 (Fed. Cir. 2004).

ment action and a party asserting invalidity as a defense.²⁰⁴ But the *Sybron* court fell short when it stated that “[i]n either situation, permitting the owner/assignee to assert patent invalidity allows it to escape its obligation to make full payment for the patent it had purchased.”²⁰⁵ Under that approach, and by returning to contract considerations in the case at bar, the court in *Sybron* ignored the fact that the “technical requirements of contract doctrine must give way before the demands of the public interest . . .”²⁰⁶ This would be contrary to *Lear* and would allow an assignee to engage in an improper threat of enforcement by asserting an invalid patent.²⁰⁷

The final distinction that courts make is between a licensee and assignee. This often serves as another method for circumventing the reasoning in *Lear* while appearing to decide the case on contract principles.²⁰⁸ Most notably is the *Sybron* court, which analyzed *Roberts* in view of *Lear* and stated:

First, while *Lear* involved a license, *Roberts* involved a complete assignment of patent rights to the transferee. This distinction is significant because the *Lear* Court was concerned that if a licensee is barred from challenging the patent’s validity, it is likely that no one else will have enough economic incentive to challenge it. Thus, an invalid patent will likely go unchallenged and the public will continue to pay “tribute” to the licensor for an invalid patent. No such danger exists in the assignment context for the simple reason that the assignor has transferred all the substantial rights in the patent. The assignor thus has nothing left, and has no legal basis to exact “tribute” from the public.²⁰⁹

The *Sybron* court is correct in that the assignor no longer has her bundle of rights and cannot exact “tribute” from the public. This is because the assignor would have the same bundle of rights as a licensor until an assignment is made, but would then be giving away such rights upon assignment. Yet the error occurs when one considers the public. In the case of an assignment, the person who is exacting “trib-

204. See *Sybron Transition Corp. v. Nixon, Hargrave, Devans & Doyle*, 770 F. Supp. 803, 812 (W.D.N.Y. 1991) (“*Sybron* articulates no reason to justify treating the assignee who uses patent invalidity as a defensive measure differently from the assignee who uses it as an offensive measure.”).

205. *Id.*

206. See *Lear, Inc. v. Adkins*, 385 U.S. 653, 670 (1969).

207. MATTHEWS, JR., §15:2, *supra* note 26.

208. See *Roberts v. Sears, Roebuck & Co.*, 573 F.2d 976, 982 (7th Cir. 1978) (“First, we deal here with a complete assignment of plaintiff’s patent rights to Sears. Thus, the primary evil that the Court in *Lear* sought to end that the public might have to pay tribute to a ‘would-be monopolist’ is completely irrelevant to this Case. Plaintiff has no legal basis for exacting any ‘tribute’ until the patent rights are returned to him.”) (citations omitted).

209. See *Sybron*, 770 F. Supp. at 811.

ute” from the public is no longer the licensor but is actually the assignee. Because the assignor no longer has anything left, it is solely for that reason that the assignee, with her entire bundle of rights, becomes the person that the *Lear* court feared. And under *Lear*, it is inconsequential who the public is paying tribute to. The main concern is that the public is “continually required to pay tribute to would-be monopolists without need or justification.”²¹⁰ By barring an assignee from making an invalidity challenge, the invalid patent remains unchallenged and the public is left paying tribute to the assignee. While courts may have difficulty in comparing an assignee to a licensor, exposure of all specious patents outweighs any competing interests.

C. A Proper Approach

The Federal Circuit, though using an assignor estoppel case to guide its analysis, arrived at a conclusion that reached the merits of a patent’s invalidity.²¹¹ The district court had found that the ’760 patent (solely owned by Slip Track) had priority over the ’203 patent (jointly owned by Slip Track and Metal Lite).²¹² Acknowledging that the case did not involve an assignee seeking to avoid royalty payments, the court did not need to adhere to decisions such as *Baladevon* or *Sybron*.²¹³ Prior to the action before the district court, Metal Lite put Slip Track’s ’760 patent into reexamination before the Patent Office on the grounds that the ’203 patent had priority over the ’760 patent.²¹⁴ It is here, upon reexamination, that Slip Track was at a crossroads and was forced to choose between a patent that it owned jointly or a patent in which it was the sole owner.²¹⁵ Slip Track elected to challenge the validity of the patent that it had thought was invalid and chose to protect the greater of its two property interests.²¹⁶ Slip Track was therefore permitted to assert the invalidity of the ’203 patent.²¹⁷ When the Federal Circuit declined the application of assignee estoppel after a determination had been reached by the district court on the merits of the ’203 patent’s invalidity, the court was merely demon-

210. *Lear*, 395 U.S. at 670–71.

211. See *Slip Track Sys. Inc., v. Metal Lite.*, 113 F. App’x 930, 933 (2004) (citing *Diamond Scientific Co. v. Ambico Inc.*, 848 F.2d 1220, 1225 (Fed. Cir. 1988)) (“[D]espite the public policy encouraging people to challenge potentially invalid patents, there are still circumstances in which the equities of the contractual relationships between the parties should deprive one party . . . of the right to bring a challenge.”).

212. *Id.*

213. *Id.*

214. *Id.* at 935.

215. *Id.* at 933.

216. *Id.*

217. See *Slip Track*, 113 F. App’x at 933–34.

strating its respect for the patent laws. The court understood that if one patent had priority over another, the assignee should be able to invalidate her own patent because another patent had been filed first.

In *MACOM*, the court could barely comprehend that assignee estoppel was still in effect.²¹⁸ *MACOM* had brought suit alleging a breach of an intellectual property purchase agreement and Infineon asserted an affirmative defense of patent invalidity.²¹⁹ In denying *MACOM*'s motion to strike, the court distinguished the application of assignee estoppel by finding that the case did not involve an assignee asserting invalidity to avoid royalty payments or its obligations to pay due consideration.²²⁰ Another distinction was that the assignment between *MACOM* and Infineon was not an assignment of entire rights but an assignment in part, whereas previous assignee estoppel cases only dealt with complete assignment of rights.²²¹ In the end, the court's determination against application of assignee estoppel was premised on the instability of the doctrine and the parties' inability to resolve the contract dispute at the pleading stage.²²² Even though the court may have been applying a different "balancing of the equities" test cited in assignor estoppel cases, the court still acknowledged that "the core reasoning of *Lear*, that contract principles must sometimes give way to the public's interest in the development of ideas in the public domain has intuitive appeal in both contexts [of assignee and licensee estoppel], depending upon the facts of the particular case at bar."²²³ The fact that the court focused on the absence of "on-point or otherwise binding" authority that required application of assignee estoppel at the pleading stage suggests that assignee estoppel has not

218. *MACOM Tech. Sol. Holdings, Inc. v. Infineon Tech. AG*, No. 2:16-cv-02859-CAS, 2017 WL 3298670, at *4 (C.D. Cal. Aug. 2, 2017) ("Assuming arguendo that assignee estoppel remains good law and might preclude Infineon from asserting an invalidity defense here, the issue is not well suited to resolution at the pleading stage."); *Id.* at *3 ("The foregoing uncertainty about the state of the doctrine weighs against striking Infineon's invalidity defense.").

219. *Id.* at *1.

220. *Id.* at *3.

221. *Id.* ("However, unlike the assignments at issue in these cases, the assignment here did not leave *MACOM* with nothing. *MACOM* retains some rights to prosecute infringers as well as practice the Nitronex patents in *MACOM*'s exclusive field to the exclusion of others.").

222. *Id.* at *4 ("Thus, resolution of the doctrine may require the Court to weigh not only the equities of each parties' contention about the Purchase Agreement and License Agreement, but also the circumstances under which those agreements were negotiated and evidence of each parties' performance. . . . As an equitable doctrine, application of assignee estoppel may turn upon equitable considerations that have not yet been developed.").

223. *MACOM*, 2017 WL 3298670, at *3.

survived *Lear*.²²⁴ Thus, if a party is allowed to assert patent invalidity, even at the pleading stage, assignee estoppel should never be applied.

With all the intricacies of the *Fischell* decision, the most improved court award has to go to the District of New Jersey.²²⁵ Like *MACOM*, the *Fischell* court was also faced with assignee estoppel on a motion to strike.²²⁶ Except this time, the situation involved the repudiation of royalty payments where Cordis, though deemed by the court to be a questionable assignee, was relieved of its obligation to pay royalties to the Fischell brothers.²²⁷ Abbott, as the licensee, was awarded the same relief.²²⁸ With the acknowledgment of a corollary decision by the Federal Circuit, the patents-in-suit were found to have questionable validity and the *Fischell* court permitted Cordis and Abbott to raise the defense of patent invalidity.²²⁹ Among its many reasons for denying the motion to strike, the *Fischell* court noted the unstable footing of the doctrine of assignee estoppel and properly decided to remain on stable ground. The *Fischell* court, even before delving into the contractual equities, highlighted the fact that there was “uncertainty involved in the applicability of the doctrine of assignee estoppel.”²³⁰ Moreover, the *Fischell* court had respected the decision of the Federal Circuit, which had reached the merits of the patents’ validity. Leaving Cordis and Abbott with a patent that could not be enforced against the Promus stent, which was found to be non-infringing on the Fischells’ stent patents, would have left an invalid patent to remain in existence.

What Cordis and Abbott did right was rely on *Lear*.²³¹ After all, this is where it all started. This is where the *Fischell* court began its analysis and ended with the policy concern that “if a patent may be invalid, it is not fair to treat the patent as if it is valid, and allow the plaintiffs to continue to receive a royalty when there may be no valid reason for preferential treatment.”²³² To take it one step further, it is not just

224. *Id.* at *4 (“The absence of on-point or otherwise binding authority here cautions against granting MACOM’s motion at the pleading stage.”).

225. *Fischell v. Cordis Corp.*, No. 3:16-cv-00928, 2018 WL 6243251, at *2 (D.N.J. Nov. 29, 2018). Ironically, and some may think of this as contradictory, the District of New Jersey had previously applied assignee estoppel in *Coast Metals, Inc. v. Cape*, No. 78-276, 1979 WL 25083, at *5 (D.N.J. Dec. 24, 1979).

226. *Fischell*, 2018 WL 6243251, at *2.

227. *Id.* at *5–6.

228. *Id.* at *6.

229. *Id.* at *5–6.

230. *Id.* at *5.

231. *Id.* at *5 (“Abbott and Cordis rely on the Supreme Court’s decision in *Lear, Inc. v. Adkins* to argue that assignee estoppel is inapplicable.”) (citation omitted).

232. *Fischell*, 2018 WL 6243251, at *6.

unfair to allow the plaintiffs to receive a royalty for an invalid patent, but it is unfair to allow the public to continue to pay tribute for an unchallenged and invalid patent.

D. *The Presumption of Validity*

The woes of even thinking about making an invalidity challenge are multiplied by the presumption of validity that a patent carries and, as a practical matter, by the substantial costs of litigation. An assignee, therefore, has to overcome two barriers—assignee estoppel and the presumption of validity. With these two high barriers standing in the way of exposing invalid patents, *Lear*'s express concerns for the public are hardly paid lip service.²³³ Even if permitted to bring a challenge, an assignee still has to meet the difficult burden of showing why a patent should be invalidated.²³⁴ Parties that are estopped from asserting an invalidity challenge, even in a defense, are deprived of the judicial considerations that reach the merits of an invalidity challenge.

As set forth in § 282 of the Patent Act, “A patent shall be presumed valid.”²³⁵ When a company or individual seeks to assert patent invalidity, the statute provides that “[t]he burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.”²³⁶ The Supreme Court has shed light on this burden and has made clear that it is a heavy one.²³⁷ In *Microsoft v. i4i, Ltd.*, the Court set out to determine Congress' intent in the Patent Act of 1952, since the statute is silent on the nature of a challenger's burden.²³⁸ Rejecting the lesser burden of proof of a preponderance of the evidence, the Court adopted Justice Cardozo's opinion in the 1934 case of *Radio Corp. of America v. Radio Engineering Laboratories* that called for the “presumption not to be overthrown except by clear and cogent evidence.”²³⁹ With a clear and convincing evidence standard in place, an assignee that seeks to make an invalidity challenge has an awful lot to show when it discovers that it possesses an invalid patent.

Most of the opinions for assignee estoppel are at the district level and fail to reach the merits of an invalidity challenge. *Sybron*, *Baladevon*, and *Coast* all contain the assertion of patent invalidity at

233. *Lear, Inc. v. Adkins*, 385 U.S. 653, 670–71 (1969).

234. *See Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 95–96 (2011).

235. 35 U.S.C. § 282(a) (2012).

236. § 282(a).

237. *See Microsoft Corp.*, 564 U.S. at 95–96.

238. *Id.* at 98.

239. *Id.*; *Radio Corp. of Am. v. Radio Eng'g Labs., Inc.*, 293 U.S. 1, 2 (1934).

summary judgment.²⁴⁰ In *Coast*, which held in favor of the application of assignee estoppel, the court did not reach the merits of the invalidity challenge despite *Coast*'s assertion that the patent was obtained by fraud on the Patent Office.²⁴¹ In decisions like these, courts should not stop short when considering assignee estoppel simply because they risk the continued existence of an invalid patent. At least the *MACOM* court allowed the assertion of patent invalidity to pass the pleading stage in a motion to strike.²⁴² But still, the wide exposure of specious patents continues to stand as a strong public concern.

For the two cases that appeared in the Federal Circuit and the Seventh Circuit, these opinions both acknowledged evidence for each of the patents' invalidity.²⁴³ Specifically, courts should heed *Roberts*, which, even after application of assignee estoppel, still considered the prior art over the subject patent.²⁴⁴ Focusing on the merits of a patent's validity should be the primary concern of an invalidity challenge, not whether a party can raise the issue. In addition, if the doctrine of assignee estoppel is abrogated, or at least seen as extinct, allowing such challenges would shift the litigation landscape to more substantive assertions of patent invalidity. And if a party has no good reason for an invalidity challenge, and is purely seeking to repudiate royalty payments, then this will at least dissuade parties from bringing a cause of action and relieve the already clogged district courts.

240. *Sybron* involved a legal malpractice action on a motion to dismiss but the court set out to determine whether the underlying case, decided at summary judgment, was properly determined. See *Sybron Transition Corp. v. Nixon, Hargrave, Devans & Doyle*, 770 F. Supp. 803, 809 (W.D.N.Y. 1991) ("Because I conclude that the agreement created an assignment, I must now determine whether Sybron, as assignee, would have been estopped in the Lansing litigation from asserting its affirmative defenses alleging patent invalidity."); *Baladevon, Inc. v. Abbott Labs., Inc.*, 871 F. Supp. 89 (D. Mass. 1994); *Coast Metals, Inc. v. Cape*, No. 78-276, 1979 WL 25083 (D.N.J. Dec. 24, 1979).

241. See Count II in *Coast Metals, Inc. v. Cape*, No. 78-276, 1979 WL 25083, at *1 (D.N.J. Dec. 24, 1979).

242. *MACOM Tech. Sol. Holdings, Inc. v. Infineon Tech. AG*, No. 2:16-cv-02859-CAS, 2017 WL 3298670, at *4 (C.D. Cal. Aug. 2, 2017).

243. See generally *Slip Track Sys. Inc. v. Metal Lite.*, 113 F. App'x 930, 933 (2004); *Roberts v. Sears, Roebuck & Co.*, 573 F.2d 976, 980-81 (7th Cir. 1978). The *Roberts* case appeared in the the Seventh Circuit before the Federal Circuit had been established.

244. *Roberts*, 573 F.2d at 983 ("We have examined the record concerning the other prior art evidence that was not admitted and about which Sears complains, and we conclude that the district court properly applied its rule of limited relevance and thereby correctly excluded all of it.").

III. IMPACT

A. *The Public Importance of Validity Challenges*

“The public” can seem like an illusory entity when considering whether an assignee should be permitted to invalidate its own patent, or why any party should be permitted to make an invalidity challenge. It can be difficult to take the idea of “the public” out of the abstract. But the Eighth Circuit has described the policy in the best light: “It must be remembered that the public is a silent but an important and interested party in all patent litigation, and is entitled to protection against the monopolization of what is not lawfully patentable.”²⁴⁵

There must be a careful balancing between the Patent Office as a vehicle for innovation but also a method for obtaining patent monopolies.²⁴⁶ Because the Patent Office can sometimes be a “rubber stamp” of rights or be fooled by inequitable conduct, patentees have the potential to possess large monopolies.²⁴⁷ With these considerations in mind, patents are in a unique situation.²⁴⁸ So tiptoeing around these patent monopolies is often left to the Patent Office and the courts. The courts, of course, have the last say in the matter and must make their own determinations as to the validity of a patent.²⁴⁹

The Supreme Court’s input suggests as much: “The far-reaching social and economic consequences of a patent . . . give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope.”²⁵⁰ Permitting the assertion of patent invalidity, especially by assignees, keeps these

245. *Rota-Carb Corp. v. Frye Mfg. Co.*, 313 F.2d 443, 444 (8th Cir. 1963).

246. Economic monopolies have long been outlawed by the United States. The Sherman Antitrust Act of 1890, later amended by the Clayton Antitrust Act of 1914, is a federal statute that outlaws economic monopolies by preventing activities that impede competition and interstate commerce in the marketplace. *See generally* 15 U.S.C. §§ 1-38 (2012). The United States has also affirmed its position against monopolies with the enactment of the Federal Trade Commission Act, which established the Federal Trade Commission to provide standards for business practices and enforces the two antitrust acts. *See* 15 U.S.C. §§ 45(a)–(n), 57b-1(a)(8)(B) (1914).

247. *Lemley & Sampat*, *supra* note 37, at 181–82.

248. *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 343 (1971) (“Although recognizing the patent system’s desirable stimulus to invention, we have also viewed the patent as a monopoly which, although sanctioned by law, has the economic consequences attending other monopolies.”).

249. *Medrad, Inc. v. MRI Devices Corp.*, 401 F.3d 1313, 1322 (Fed. Cir. 2005) (“[A] court is not bound by the PTO’s actions and must make its own independent determination of patent validity.”).

250. *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945); *see also Blonder-Tongue Labs.*, 402 U.S. at 349–50 (The holder of a patent “should not be . . . allowed to exact royalties for the use of an idea . . . that is beyond the scope of the patent monopoly granted . . .”).

monopolies in check, regardless of whether the scenario involves the alleged repudiation of royalty payments.

Skirting around the principles of assignee estoppel, the Court, in a more recent opinion, has also said that “[m]ore is at stake when it comes to patents than simply the dealings between the parties, which can be addressed through contract law.”²⁵¹ This is right on par with the reasoning in *Lear*, in that the doctrines of contract law should give way to the public importance of invalidity challenges.²⁵² Moreover, the peak of patent invalidity policy has come about in the dual decisions of *Oil States Energy Services, L.L.C. v. Greene’s Energy Group* and *SAS Institute, Inc. v. Iancu*.²⁵³ In *SAS*, the Supreme Court stated:

Sometimes, though, bad patents slip through. Maybe the invention wasn’t novel, or maybe it was obvious all along, and the patent owner shouldn’t enjoy the special privileges it has received. To remedy these sorts of problems, Congress has long permitted parties to challenge the validity of patent claims in federal court. More recently, Congress has supplemented litigation with various administrative remedies.²⁵⁴

Allowing the expansion of forums for invalidity challenges beyond courts speaks volumes to the way the Supreme Court feels about the public importance of invalidity challenges. Other decisions by the Court have the same effect. For instance, in *Lear*, the Court ignored the specific language of the contract between *Lear* and *Adkins* that precluded a challenge to patent validity, holding that state contract law doctrine must give way to the express federal policy of the patent laws.²⁵⁵ A more modern decision by the Second Circuit held that “covenants barring future challenges to a patent’s validity entered into prior to litigation are unenforceable, regardless of whether the agreements containing such covenants are styled as settlement agreements or simply as license agreements.”²⁵⁶ If a court, faced with the assertion of patent invalidity by an assignee, wants to utilize an improper analysis under assignor estoppel and accordingly balance the contractual equities between parties, it should at least acknowledge the Supreme Court’s message that patent validity challenges override any contract dispute.

251. *Impression Prod., Inc. v. Lexmark Int’l, Inc.*, 137 S. Ct. 1523, 1538 (2017).

252. See generally *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969).

253. See generally *Oil States Energy Servs., L.L.C. v. Greene’s Energy Grp.*, 138 S. Ct. 1365 (2018); see also *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1354 (2018).

254. *SAS Inst.*, 138 S. Ct. at 1353 (citation omitted).

255. See generally *Lear, Inc. v. Adkins*, 295 U.S. 653 (1969).

256. *Rates Tech. Inc. v. Speakeasy, Inc.*, 685 F.3d 163, 172 (2d Cir. 2012).

Fraud or inequitable conduct before the Patent Office should always permit a party to assert patent invalidity. For example, if an applicant intentionally fails to disclose prior art but still obtains a patent, there is no reason why the patentee should be able to exercise her rights. The Supreme Court has long insisted that fraud associated with obtaining a patent “does not concern only private parties. There are issues of great moment to the public in a patent suit.”²⁵⁷ Allegations of fraud or inequitable conduct should raise suspicions to a judiciary charged with honoring the patent clause and the public interest. By estopping assignees from asserting invalidity, the public remains excluded from manufacture, use, sale, or offer for sale of the infected rights to a claimed invention.

B. The Purposes of the Patent System

Barring an assignee from challenging the validity of its own patent cuts at the heart of the purposes of the patent system, and patent law in general. From a broad perspective, patent protection is at the nucleus of a validity challenge. The electrons floating around this nucleus consist of the various purposes for the patent system. Fortunately, the Supreme Court has given this atomic environment a closer look under the microscope.

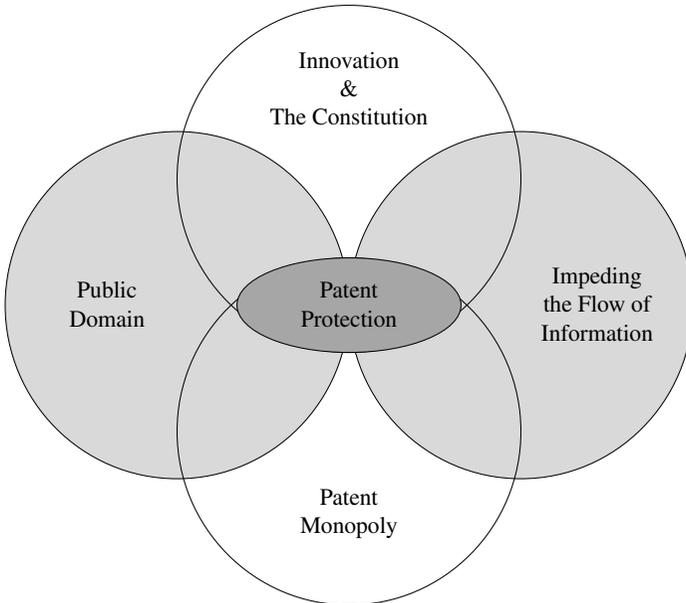


Figure 1. The Patent System.

257. *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 246 (1944).

Figure 1 is a theoretical representation of the purposes of the patent system and the multiple considerations that the public, Congress, and the Supreme Court attempt to balance.

At the center of Figure 1 is patent protection. It represents the epitome of the patent system and simultaneously provides and receives input from each of the four considerations of the patent system. It serves as the intermediary between a dynamic patent system and touches all spheres of influence. With assignee estoppel, patent protection is the driving force behind an invalidity challenge and is the dispositive factor to winning or losing the case. If a court declines the application of assignee estoppel, the assignee destroys her patent protection, thereby eliminating the four concerns of the patent system. If it is applied, then all four concerns are affected and continue to interact and overlap with each other.

At the top of Figure 1 is innovation, and the constitutional considerations of Article I, Section 8, clause 8. The purpose of the constitutional grant to enact the patent laws is to promote the progression of science by providing exclusive rights to an inventor's discovery.²⁵⁸ Supporting this idea, the Supreme Court has remarked that "the very point of patents [is] to promote creation".²⁵⁹ Abrogating assignee estoppel increases the threshold of innovation by allowing a court to question the inventor's creation. If the innovation is sound, and a court upholds the patent's validity, the public domain will continue to receive the benefit of the process or machine but will still have to respect the assignee's monopoly for a limited period of time. But if a patent deserves to be declared invalid, then the public's knowledge will no longer be impeded by the grant of the patent monopoly or patent protection.

To the left Figure 1, in a vital sphere of influence, is the public domain. Of the various purposes of patent law noted by the Supreme Court, the free dissemination of the inventor's ideas into the public domain is considered the most important aspect to fulfilling the constitutional purposes of promoting the progress of sciences.²⁶⁰ This

258. U.S. CONST. art. I, § 8, cl. 8; *see also* *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 35 (1923).

259. *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013).

260. ROBERT A. MATTHEWS, JR., ANNOTATED PATENT DIGEST § 1:2, Westlaw (database updated July 2019); *Pennock v. Dialogue*, 27 U.S. 1, 19 (1829) ("While one of the great objective[s] of patent law] was, by holding out the reasonable reward to inventors, and giving them an exclusive right to their inventions for a limited period, to stimulate the efforts of genius; the main object was 'to promote the progress of science and useful arts,' and this could be done best, by giving the public at large a right to make, construct, use, and vend the thing invented, at as early a period as possible; having due regard to the rights of the inventor.").

sphere overlaps with innovation and the grant of a patent monopoly. The grant of a patent monopoly is a product of innovation and is often motivated by the lucrative financial incentives that are offered by individuals or organizations in the public domain. In addition, the public's access to the claimed invention comes both during and after the monopoly. The Supreme Court has stated that "the federal patent laws have embodied a careful balance between the need to promote innovation and the recognition that imitation and refinement through imitation are both necessary to invention itself and the very lifeblood of a competitive economy."²⁶¹ In other words, when a patentee is receiving economic consideration for her innovation on the marketplace, it is also to the benefit of the public to view that product and attempt to advance the technology for the future development of the common good. The limited grant of the patent monopoly is a means by which the public can gain access to the products of an inventor's innovation after the limited period of exclusive control has expired.²⁶² This sphere is largely the tipping point of *Lear* and the reason why courts that apply assignee estoppel are misplaced. Parties to a litigation involving patents must not forget that patents were created to benefit more than just the assignee. Assignee estoppel is a subatomic particle within this large atom, a mere afterthought when considering what is truly at stake—the public.

At the bottom Figure 1 is the monopoly of patent protection. This represents the means of enforcement, the power of exclusion, and the economic exploitations of a patentee. This sphere of influence overlaps with each of the purposes of the patent system. It is clear that "the patent system represents a carefully crafted bargain that encourages both the creation and public disclosure of new and useful advances in technology, in return for an exclusive monopoly for a limited period of time."²⁶³ This special reward for innovation is intended to motivate the creative activity of authors and inventors, and therefore overlaps with innovation and the constitutional considerations of the patent system.²⁶⁴ What makes assignee estoppel so futile is the amount of time that litigation eats into the twenty-year grant of

261. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989).

262. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984).

263. *Pfaff v. Wells Elec., Inc.*, 525 U.S. 55, 63 (1998); *see also* *Beidler v. United States*, 253 U.S. 447, 453 (1920) ("The source of power to grant patents, and the consideration for granting them, is the advantage which the public will derive from them, especially after the expiration of the patent monopoly, when the discoveries embodied in them shall become a part of the public stock of knowledge.").

264. *Sony*, 464 U.S. at 429.

the patent monopoly.²⁶⁵ If a party spends three years in litigation with an honest belief that the patent-in-suit is invalid, only to find out that they cannot raise the issue in the first place, the patent remains invalid during that time. That is three years where the assignee holds patent protection and three years where the public continues to pay tribute to the assignee. Another consideration is the period of time that patentees are guaranteed to exercise their bundle of rights.

To the right Figure 1, also an important sphere of influence, is the impediment to the flow of information. Notably, this sphere of influence does not overlap with the public domain because it deprives the public of the full and free use of information. But it still touches innovation and monopoly. The Supreme Court has noted the balance between these spheres, reasoning that “[o]n the one hand, the promise of exclusive rights provides monetary incentives that lead to creation, invention, and discovery. On the other hand, that very exclusivity can impede the flow of information”²⁶⁶ Upon further economic consideration, there is also “[t]he balance between the interest in motivating innovation and enlightenment by rewarding invention with patent protection on the one hand, and the interest in avoiding monopolies that unnecessarily stifle competition on the other”²⁶⁷ This sphere does not directly relate to assignee estoppel, inasmuch as an invalid patent left unchallenged does not impede the flow of information. Only a valid patent impedes the flow of information because it prevents others from exploiting a beneficial and innovative claimed invention. But a party that is allowed to go on and sell products based on an invalid patent should still not be allowed to impede the flow of information. Courts should not allow these parties to carve out a slice of innovation and hold hostage inventions that may possibly infringe on an invalid patent. This sphere, however, is still a benefit to a worthy patentee who is on the other end of the bargain and gets to exercise enforcement, exact tribute from the public, and exploit the fruits of her labor.

Figure 1 is merely a representation of the interplay between the purposes of the patent system. Though assignee estoppel may seem like a single neutron in the nucleus of patent protection, it is still a part of the larger considerations for the purposes of the patent system and can therefore affect the public, innovation, the monopoly of a patent, and the flow of information.

265. 35 U.S.C. § 154(a)(2) (2012).

266. *Mayo Collaborative Servs. v. Prometheus Labs. Inc.*, 132 S. Ct. 1289, 1305 (2012).

267. *Pfaff*, 525 U.S. at 63.

CONCLUSION

With courts taking note of the instability of assignee estoppel, this “doctrine” should just be put to rest. Whether it be to avoid further confusion between assignor estoppel, to apply the policy implications of *Lear*, or to actually determine whether a patent is valid or not, assignee estoppel should no longer be a burden to parties who raise the issue of patent invalidity. When courts apply assignee estoppel, it is the public who are the silent victims, and the party who misappropriated the innovation or continues to hold an invalid invention is rewarded. This simply cannot be. Even in the case of repudiation of royalty payments, it denigrates the patent system to allow patent protection to go unquestioned. In the end, patents are fenced in with a presumption of validity anyway, and a challenger already has enough to deal with. What we should strive for is the opportunity to promote good patents that enhance our society, not bad ones that continue to rob us.

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† For my wife.