

Make (Whole) a Minute: 18th-century Patent Law Doctrine and the Ultra Petroleum Make-Whole and Post-Petition Interest Dispute

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Sounds like an odd combination—enforceability of make-whole and post-petition interest and patent law. It is. But relevant nonetheless. Recall that a key argument in the ongoing *Ultra Petroleum* dispute regarding the noteholders' entitlement to make-whole and post-petition interest is the existence of the Solvent Debtor Rule. The Solvent Debtor Rule is a judicially created exception to the prohibition on claims for post-petition interest by unsecured creditors in bankruptcy. The Solvent Debtor Rule originated under the Bankruptcy Act, prior to the enactment of the Bankruptcy Code in 1978. The theory behind the Rule is that solvent debtors in bankruptcy should honor all of their contractual obligations to creditors prior to making a distribution to equity. Noteholders in *Ultra* argued that the Solvent Debtor Rule applied and required the Ultra debtors to honor their contractual obligations, including the payment of interest on outstanding amounts at the contract default rate which accrued after Ultra's chapter 11 filing. The Ultra debtors argued that the Solvent Debtor Rule may have existed under the Bankruptcy Act, but did not survive the enactment of the Bankruptcy Code. The Bankruptcy Court rejected the Ultra debtors' arguments and held that the Solvent Debtor Rule is alive and well and required debtors to honor their contractual obligations to the noteholders notwithstanding Section 502(b)(2) of the Bankruptcy Code, which otherwise limits entitlements to post-petition interest. That decision is on appeal to the United States Court of Appeals for the Fifth Circuit.

So now for the connection to patent law. In a recently decided case, *Minerva Surgical, Inc. v. Hologic, Inc.*, -- S.Ct. -- (June 29, 2021), the Supreme Court of the United States considered whether the historic patent law doctrine of "assignor estoppel" survived the enactment of the Patent Act of 1952. The assignor estoppel doctrine prohibits an assignor of a patent from later contesting validity of such patent. While the Patent Act of 1952 didn't address the assignor estoppel doctrine, the Supreme Court affirmed the continued viability of the historic doctrine, noting that Congress legislates against a backdrop of common-law adjudicatory principles and such principles continue to apply absent specific intent to the contrary.

Applying the Supreme Court's reasoning in *Minerva* to the *Ultra* dispute, the Fifth Circuit should affirm the Bankruptcy Court's holding that the Solvent Debtor Rule, a

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judicially created principle under the Bankruptcy Act, continues to apply to Code-era cases given the lack of congressional intent to abrogate such a well-settled principle.

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