

Patent Connections – Lawsuits For The Greater Good: University Research

Monetizing Patents Through Litigation December 15, 2010

Continuing the inaugural theme of *Patent Connections*, today's column focuses on university research efforts and its effect on patent litigation. The timing of this discussion is of particular interest, given that we recently observed the 30th Anniversary of the Bayh-Dole Act, passed through Congress during a lame-duck session in 1980. The Bayh-Dole Act essentially empowered universities to monetize federally-funded research, including giving the universities control over patents resulting from such research, such as the authorization to license those patents to downstream producers.

As summarized in a presentation made available by Stanford University's Office of Technology Licensing (OTL), the office was established ten years before the passage of Bayh-Dole, and has grown it from a pilot program earning about \$50,000 in its first year, to more than \$65 Million in 2009, and a claimed \$1.2 Billion over the life of the program. Notable license agreements with Stanford include the agreement with Google, Inc., resulting in \$337 Million. OTL, after administrative fees, splits the money equally between the inventors, the inventors' department, and the inventor's school. With the possibility of such high returns, it's easy to see why universities would be interested in patent licensing. In fact, the rights to federally-funded inventions are so lucrative, that Stanford will go before the Supreme Court next year, seeking an answer on whether a university's rights under Bayh-Dole can be unilaterally terminated by a professor. (Depending on the outcome, watch for more enterprising professors, as well as university general counsels to read over their employment agreements *very carefully*.)

But where there is licensing, there is often litigation. Universities may actually be the most reluctant of any patent owners to actually file a lawsuit for a number of reasons. Litigation is an expensive, as well as aggressive strategy, opening the universities up to criticism either because of a perceived diversion of funding from educational endeavors, or the belief that aggressively fighting over money is something best left for competitors rather than academic institutions. When speaking publicly about their litigation activities, university representatives almost routinely assume the role of the reluctant plaintiff.

For example, when Wisconsin Alumni Research Foundation (WARF) sued Intel in 2008, it publicly lamented Intel's failure to respond to licensing requests made over a period of seven years, saying "while we were not anxious to use the courts to enforce our patent rights, we have no other recourse given our duty to protect the intellectual property of our inventors and the university." Merely days before going to trial against the UW-affiliated organization in its own backyard of Madison, WI, Intel agreed to a confidential settlement.

Intel is now currently dealing with litigation in Albuquerque, brought by a University of New Mexico licensing entity over a patent related to photolithography. While UNM was able to license the technology to other companies, Intel was again resistant, prompting the "reluctant plaintiff" role again. As if reading from a script, a UNM licensing official stated the organization was "reluctant to use the courts to enforce our patent rights, we have no other recourse, given our duty to protect the intellectual property of our inventors and the university."

In November, the University of Washington turned to its local federal courthouse to bring infringement claims against GE Healthcare over ultrasound technology. Washington deviates from the script, and phrases its reluctance in terms of an obligation to its faculty, saying that the university "has a responsibility to protect the intellectual property that emerges from the research and discovery of its faculty."

Of course, not every university seeks out a "home field advantage." Earlier this year, when Stanford (along with its commercial partners) sued Carestream Health over optical imaging patents, it chose the East Texas town of Sherman as its venue. This Stanford case is also notable because it reflects the partnerships that can also be struck over the fruits of federally-funded research. Stanford's partners, Caliper Life Sciences and Xenogen, license technology originally developed at Stanford into commercial products. Competition in the form of identical products by Carestream can theoretically be blocked by enforcement of the patents. As an alternative to blocking the products, Caliper may be able to leverage the patents to force Carestream into a license agreement with Stanford to maintain a competitive advantage.

For better or for worse, a post-Bayh-Dole world is one where universities act more like private research labs when it comes to monetizing patent rights. While stronger patent rights combined with increased competition for research grants led others to warn that universities would use lawsuits to block one-another from conducting research, this fear has yet to materialize. Given the possibility of larger returns on research investment by licensing commercial entities already well-versed in bringing products to market, universities are probably far more likely to work together, such as through university-only patent licensing pools, than to fight each other.