

Client Alert

Intellectual Property Practice Group

June 7, 2011

Stanford V. Roche: Bayh-Dole Does Not Automatically Vest Title to Federally Funded Inventions in Federal Contractors

On June 6, 2011, in a 7-2 affirmance, the Supreme Court held that the Bayh-Dole Act does not automatically vest title to federally funded inventions in federal contractors or authorize contractors to unilaterally take title to such inventions. In reaching this holding, the Supreme Court embraces and upholds two core tenants of patent law: (1) ownership vests in the inventor(s) and (2) mere employment is not sufficient to vest title to an employee's invention in the employer. More particularly, the Bayh-Dole Act does not "set aside two centuries of patent law" which clearly vests patent rights in the inventors; absent an assignment of such patent rights by the inventor(s) to a third party. (slip op. at 9). "We are confident that if Congress intended such a sea change in intellectual property rights it would have said so clearly—not obliquely through an ambiguous definition of 'subject invention' and an idiosyncratic use of the word 'retain.'" (slip op., at 14).

A summary of key facts is set forth below:

- Cetus (private company) collaborates with Stanford scientists.
- Dr. Holodniy joins Stanford and signs a Copyright and Patent Agreement (CPA) where he "agree[d] to assign" to Stanford his "right, title and interest in" inventions resulting from his employment at the University.
- Dr. Holodniy conducts PCR-related research at Cetus after signing Visitor's Confidentiality Agreement (VCA) which states that Holodniy "will assign and do[es] hereby assign" to Cetus his "right, title and interest in each of the ideas, inventions and improvements" made "as a consequence of [his] access" to Cetus.
- Holodniy develops certain techniques at issue over 9 month period while working at Cetus with Cetus employees
- Holodniy returns to Stanford, refines techniques under a U.S. Government funding vehicle, Stanford applies for patents and Holodniy assigns rights to Stanford; Stanford elects to retain title under provisions of Bayh-Dole
- Roche Molecular Systems acquires Cetus's PCR-related assets, including rights from agreements such as Dr. Holodniy's VCA

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- Roche commercializes procedures based on the PCR technology acquired from Cetus (Key Facts Continued...)
- Stanford sues Roche for patent infringement
- Roche contends that it is co-owner of the rights to the allegedly infringing technology by virtue of Dr. Holodniy's assignment of said rights pursuant to the VCA signed as a prerequisite to working at/with Cetus and thus Stanford lack standing to sue

In addition to the fundamental concept that patent ownership rights vest in the inventor(s), the Supreme Court agrees with the Federal Circuit's application of basic contract law to the facts. Dr. Holodniy's promise to assign rights to Stanford did not, in fact, operate to assign anything; whereas the Cetus VCA was in fact an affirmative assignment of Holodniy's rights to Cetus. These rights were then acquired by Roche.

This is perhaps the most important lesson to take from the Court's opinion.

The Supreme Court goes on to articulate why the Bayh-Dole Act does not act to reclaim for Stanford patent rights that were never vested therein in the first place. The Bayh-Dole Act provides for the retention of title by contractors in inventions conceived or reduced to practice in the performance of work under a funding agreement [with the United States Government]. In order to retain title, one must have title. Under the articulated facts, at least part of the technology at issue was not owned by Stanford since the original, vested inventor, Dr. Holodniy, had assigned his rights in the technology to Cetus. "The Bayh-Dole Act does not confer title to federally funded inventions on contractors or authorize contractors to unilaterally take title to those inventions; it simply assures contractors that they may keep title to whatever it is they already have." (slip op., at 11.)

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