Supreme Court Agrees to Decide Whether Universities' Ownership Rights in Federally Funded Inventions Can Be Terminated Unilaterally By Individual Inventors

The Supreme Court today agreed to decide a question of patent law with profound effects on the national economy – the disposition of patent rights under the Bayh-Dole Act in inventions arising from federally funded research at universities. According to some estimates, from 1996 to 2007, university patent licensing contributed an estimated $187 billion to U.S. gross domestic product. By granting the petition for *certiorari* in *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc.*, the Supreme Court agreed to decide whether a university's right under the Bayh-Dole Act to own patents in inventions arising from federally funded research can be terminated unilaterally by an individual faculty inventor's assignment of his rights to a third party. Ropes & Gray filed an *amicus* brief in support of Stanford's petition on behalf of 50 leading research universities and university associations.

In 1980, Congress passed the Bayh-Dole Act to spur commercial development of inventions resulting from federally funded research. Prior to the Bayh-Dole Act's enactment, the government generally retained ownership of these inventions but rarely developed them for commercial use. Recognizing that universities, other non-profits, and small businesses would be more efficient in delivering these inventions to the marketplace, Congress provided in the Bayh-Dole Act that these entities would generally retain ownership of the inventions they created with federal funds (subject to certain government rights designed to protect the public interest), enabling the non-profit or small business contractor to license the inventions to private industry for commercial development.

The proper interpretation of the Bayh-Dole Act is the central question at issue in *Stanford v. Roche*. In 2005, Stanford University sued Roche Molecular Systems for allegedly infringing Stanford's patents relating to methods for evaluating the efficacy of anti-HIV therapies, which Stanford had developed using federal funds. Roche claimed that Stanford could not sue to enforce the patents because one of Stanford's faculty inventors had signed, while using a Roche lab, a visitor confidentiality agreement that purported to grant ownership rights in any invention that might result from work at the lab, supposedly leaving Stanford without full title to the patents. Stanford responded that it fully owned the patents under the terms of the Bayh-Dole Act, since Stanford researchers conceived the invention in the course of research using federal funds, and the Act grants universities and other non-profits the right to assume ownership in federally funded research, subject to certain restrictions and obligations designed to protect the government's interest. The district court agreed.

The U.S. Court of Appeals for the Federal Circuit held, however, that the visitor confidentiality agreement transferred the Stanford researcher's interest in the invention to Roche. The Federal Circuit held that the Bayh-Dole Act did not prevent the faculty inventor from unilaterally assigning ownership rights to a third party and thereby defeating Stanford's statutory right to take ownership.

Stanford petitioned the Supreme Court for review, supported by a broad array of universities and university associations. Stanford and the *amici* pointed out that the Federal Circuit's decision allowed inventors to

circumvent not only the rights of universities and small businesses in federally funded inventions, but also the interests of the federal government itself. In June, the Supreme Court invited the Solicitor General to file a brief expressing the views of the United States. In September, the government filed a brief agreeing with Stanford and its *amici* and urging the Supreme Court to grant the petition and reverse the Federal Circuit's decision. The Supreme Court has now agreed to hear the case.

The issue before the Supreme Court is of considerable significance to universities nationwide, which receive government support for most of their research and frequently collaborate with private industry to develop their patent rights into valuable new products. The issue also has profound implications for the national economy. University patent licensing and commercial development of federally funded inventions have grown rapidly in the decades after the Bayh-Dole Act's enactment, contributing billions of dollars to the U.S. gross domestic product and creating hundreds of thousands of new jobs. That success is threatened by the Federal Circuit's holding, which casts doubt on whether universities have ownership of the patents arising from federally funded research.

Ropes & Gray partners Douglas Hallward-Driemeier and Jim Myers filed an *amicus* brief on behalf of leading research universities and associations of universities in support of Stanford's petition for *certiorari* urging the Supreme Court to take the case. Through their *amicus* support, the universities sought to highlight the federal government's significant interests in the case's outcome. A copy of that brief is available here.

If you have any interest in discussing the potential impact of *Stanford v. Roche* on your institution, please do not hesitate to contact your regular Ropes & Gray attorney, Douglas Hallward-Driemeier, or Jim Myers.