

Supreme Court Decision: *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc.*

In its decision announced yesterday in *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc.*, 563 U.S. ____ (2011), the Supreme Court clarified the ownership of inventions resulting from research funded by the U.S. government. The seven-member majority held that under the Bayh-Dole Act, title to federally funded inventions remains with the inventor and does not automatically vest with the employer receiving the federal funds.

The Bayh-Dole Act allocates ownership rights to inventions arising from federally funded research performed by individuals, small business firms or nonprofit organizations. Under the Act, these so-called "federally funded contractors" may "elect to retain title to any subject invention" arising out of research funded by federal monies. 35 U.S.C. § 202(a). Should the federally funded contractor elect not to retain title to the invention, the "Federal Government may receive title" to the invention or the Government "may consider and after consultation with the contractor grant requests for retention of rights by the inventor." *Id.* at § 202(c)(1)-(3) & (d).

The issue before the Court in *Stanford* arose from a research collaboration between Stanford University's Department of Infectious Diseases and Cetus, a small research company that was eventually purchased by Roche. The goal was the development of a test for measuring HIV levels in patients' blood using Cetus's Nobel Prize-winning polymerase chain reaction (PCR) technology. Dr. Mark Holodniy, the Stanford University researcher leading the effort, spent several months working at Cetus's labs in order to familiarize himself with the PCR technology. As a condition of his visitation, Dr. Holodniy signed a Visitor's Confidentiality Agreement (VCA), which stated that he would "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.

Dr. Holodniy, working with Cetus employees, eventually developed a method for measuring blood HIV levels and returned to Stanford to test the technique – research that was partially funded by the federal government. After electing to retain rights to the HIV detection method, Stanford applied for and received three patents to the technique. In 2005, Stanford filed suit against Roche, alleging that Roche's PCR-based HIV testing kits infringed Stanford's patents. In response, Roche asserted that the VCA rendered Roche a co-owner of the HIV measurement technique and that Stanford lacked standing to sue. Stanford, however, claimed that under the Bayh-Dole Act, it possessed priority to Dr. Holodniy's work, and that Dr. Holodniy therefore lacked any rights to assign to Cetus in the first instance.

Starting with "the general rule that rights in an invention belong to the inventor," Opinion at 7, the Supreme Court held that "[t]he Bayh-Dole Act does not confer title to federally funded inventions on contractors or authorize contractors to unilaterally take title to those inventions" *Id.* at 11. Noting that Congress utilized unambiguous language when divesting inventors of their rights in other contexts, the Court concluded that the Act "does not displace an inventor's antecedent title to his invention." *Id.* at 12. Instead, the Act served only to assure federally funded contractors that "they may keep title to whatever it is they already have," such as title to an invention acquired through an agreement with the inventor(s). *Id.* at 11. Thus, "[t]he Act's disposition of rights – like much of the rest of the Bayh-Dole Act – serves to clarify the order of priority of rights between the Federal Government and a federal contractor in a federally funded invention that already belongs to the contractor. Nothing more." *Id.* at 12.

The clear message from *Stanford* is that employers cannot rely on the Bayh-Dole Act to obtain rights to federally funded inventions created by their employees. As a practical matter, it remains to be seen whether *Stanford* significantly alters the landscape of patent ownership or the standard practices of federally funded contractors. As the Court noted in its decision, contractors typically require employees to enter into agreements assigning their rights to any inventions to the contractor as a condition of their employment. *Stanford*, however, highlights the importance of a clear and unambiguous agreement: the Federal Circuit concluded that the language of Dr. Holodniy's assignment agreement with the University failed to transfer title in the HIV testing technique to the University. As a result, Stanford was forced to rely on the Bayh-Dole Act for its assignment of rights – a strategy that ultimately proved unsuccessful. In view of the Court's decision in *Stanford*, federally funded contractors – and the entities licensing patents from them – would be wise to ensure that the assignment of employees' rights to their inventions comports with Federal Circuit law. ♦

If you would like more information about this alert, please contact one of the following attorneys or call your regular Patterson contact.

Irena Royzman	212.336.2081	iroyzman@pbwt.com
Steven A. Zalesin	212.336.2110	sazalesin@pbwt.com
Poopak (Paki) Banky	212.336.2115	pbanky@pbwt.com
Herman H. Yue	212.336.2873	hyue@pbwt.com

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