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# IpQuick

**Breaking News for IpQ Readers**

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## BAYH-DOLE SCOPE SHRINKS[1]

Inventors retained their prime place with the Supreme Court's opinion released on Monday, June 6, in *Board of Trustees of the Leland Stanford Jr. University v. Roche Molecular Systems, Inc.*[2] Strictly construing the Act, the Court decided (1) Bayh-Dole **does not** displace the long-established rule that rights in an invention belong to the inventor, and (2) title to federally funded inventions **does not** automatically vest in federal contractors.[3]

### The Facts

Stanford University hired Dr. Holodniy as a researcher. As part of his employment, Dr. Holodniy signed a Copyright Patent Agreement (CPA) where he "agree[d] to assign" his interest in inventions arising from his employment to Stanford.[4] Because he was unfamiliar with certain aspects of his research work, arrangements were made for Dr. Holodniy to work with Cetus, the predecessor in interest to Roche Molecular Systems. As a condition of working with Cetus, Dr. Holodniy also signed a Visitor's Confidentiality Agreement (VCA) in which he agreed to "assign and do[es] hereby assign" inventions arising from his work there to Cetus.

After working with Cetus, Dr. Holodniy returned to Stanford where, based in part on work he had done at Cetus, Dr. Holodniy and others completed federally funded research and secured patents.

Roche, which bought Cetus, commercialized the work Dr. Holodniy had done while at Cetus. Stanford sued for infringement. Roche defended based on Dr. Holodniy's agreement with Cetus, claiming that Stanford lacked standing to sue because Roche was a co-owner of the patent-in-suit. Stanford claimed Dr. Holodniy had no rights to assign his interest in the patent because those rights had vested in Stanford by operation of the Bayh-Dole Act.

### District Court Opinion

The district court held that Dr. Holodniy effectively assigned his rights to Cetus (Roche) under the VCA, but he had no interest to assign, because the Bayh-Dole Act "provides that the individual inventor may obtain title" to a federally funded invention "only after the government and the contracting party have declined to do so."[5]

### Federal Circuit Opinion

The Court of Appeals for the Federal Circuit reversed, holding that: (1) Dr. Holodniy's rights in the patent were automatically assigned to Cetus under that agreement, while the Stanford agreement was a mere promise to assign rights in the future;[6] and (2) the Bayh-Dole Act

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Chief Justice Roberts

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1 Supplement to Peter Strand, *Has the Bayh-Dole Spigot Run Dry?*, IpQ, May 2011.
2 2011 WL 2175210 (S.Ct. June 6, 2011).
3 *Board of Trustees of the Leland Stanford Jr. University v. Roche Molecular Systems, Inc.*, No. 09-1159, slip op. at 1 (S.Ct. June 6, 2011).
4 *Id.* at 2.
5 *Id.* at 5, citing 487 F.Supp.2d 1099, 1118 (N.D. Cal. 2007).
6 *Id.* at 5, citing 583 F.3d 832, 841-42 (Fed. Cir. 2009).

does not automatically void the inventor's rights in government funded inventions, and thus the "statutory scheme did not automatically void the patent rights that Cetus received from Holodniy."[7]

## Supreme Court Opinion

In rendering its decision the Supreme Court focused on precedent and the statute, holding:

- **Inventors Own Patents on Their Inventions** – Chief Justice Roberts began his majority opinion by saying, "Although much in intellectual property law has changed in the 220 years since the first Patent Act, the basic idea that inventors have the right to patent their inventions has not."[8] The Court then analyzed the Bayh-Dole Act against this backdrop.
- **Bayh-Dole Does Not Expressly Deprive Inventors of Their Rights** – Contrary to what Stanford argued, "Nowhere in the [Bayh-Dole] Act is title expressly vested in contractors or anyone else; nowhere in the Act are inventors expressly deprived of their interest in federally funded inventions."[9]
- **"Invention of the Contractor" Means Inventions Belonging to the Contractor** – The Court rejected Stanford's construction of "invention of the contractor" as including "all inventions made by the contractor's employees with the aid of federal funding."[10] Based on the statute, the Court limited the meaning of the phrase to "those [inventions] owned by or belonging to the contractor."[11] Thus, the term "does not automatically include inventions made by a contractor's employees."[12]
- **That contractors May "Elect to Retain Title" Confirms that the Act Does Not Vest Title** – "You cannot retain something unless you already have it."[13] The Act, "simply assures contractors that they may keep title to whatever it is they already have."[14]
- **Contract Construction Was Not a Part of the Decision** – Since they were not an issue on which certiorari was granted, the Court did not pass on the validity of the lower court's construction of the relevant assignment agreements.[15] But, one concurring Justice and two dissenting Justices voiced concern over the application of the principles adopted by the Federal Circuit in *FilmTec Corp. v. Allied-Signal, Inc.*[16] to the agreements at issue in the case. This leaves an important opening for contract-based strategies to protect ownership rights. Ultimately, through adroit drafting by "contractors," the risk posed by this opinion may be eliminated. But, the rules set out in *FilmTec* may be subject to criticism.

7 *Id.* at 5.
8 *Id.* at 6.
9 *Id.* at 8.
10 *Id.* at 9.
11 *Id.*
12 *Id.* at 10.
13 *Id.* at 11.
14 *Id.*
15 *Id.* at 5 n.2.
16 *Id.* at 6.