BURNS & LEVINSON LLP

INTELLECTUAL PROPERTY UPDATE

Assignments and the Bayh-Dole Act After *Stanford v Roche*

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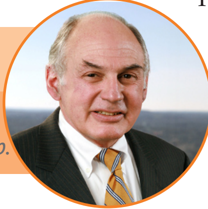

A decision by the Supreme Court (the "Court") of the United States on June 6, 2011 has a great impact on the interpretation of the Bayh-Dole act, as well as assignment of contracts relating not just to assignments of inventions under the Bayh-Dole act, but to assignments in general. This case is of specific interest to universities, hospitals and other non-profit entities receiving federal research dollars because assignments under the Bayh-Dole Act are regular occurrences.

The opinion reasserts, that although contractors under the Bayh-Dole Act may elect to take title of subject inventions developed under the contract, the inventor(s) must assign the invention to the contractor, such as a university, in order for the contractor to retain title. The opinion also restates that, under the present Federal Circuit law, when there is a conflict of priority of title, a document stating that the inventor "will assign and hereby assigns" grants title at the time of signature while a document stating that the inventor "will assign," just creates a duty to assign and does not serve to assert that title was granted at the time of signature. Although the Court questioned the above stated Federal Circuit holding, the Court did not review that holding; therefore, the preferred language in a document, such as employment agreements, invention agreements and the like, should be that the employee/consultant "will assign and hereby assigns" the intellectual property.

The decision specifically points out that the Bayh-Dole Act does not automatically vest title in federally funded inventions to the contractor. US patent law is an inventor based law which expressly vests title in the inventor unless the inventor assigns his or her title by contract to another individual or company. The Bayh-Dole Act specifically recites that the contractor in federally funded inventions may elect to retain title to any subject invention. A subject invention is an invention that has either been conceived or actually reduced to practice under the federal contract. Since the Bayh-Dole act does not vest title automatically within the contractor, and since title to an invention under the United States patent law initially belongs to the inventor who conceived the invention, it is essential that the contractor obtain title from the inventor via an employment agreement or other such contractual relationship. In this particular instance, Stanford University had executed a Copyright and Patent Agreement with each of the inventors, where the agreement stated that the inventor "will assign" the intellectual property. One of the inventors, Holodniy, in the process of working on the invention at issue, subsequently executed a Visitor's Confidentiality Agreement (VCA) with a company (Cetus, later acquired by Roche) and the agreement stated that the inventor "will assign and hereby assigns" any invention resulting from the collaboration with Cetus. When the patent application was filed, which occurred after Holodniy had signed the VCA with Cetus, Stanford obtained assignments from all the inventors.

It was Stanford's contention that under the Bayh-Dole Act title vested within the contractor directly, preempting the inventor's right to title. The Supreme Court held that such was not the case and since Stanford failed to obtain appropriate title from the inventor, the inventor's rights preempted those of Stanford University. Since the Copyright and Patent Agreement between the inventor and Stanford University merely stated that the inventor "will assign rights" to the invention to Stanford University, instead of stating that the inventor "will assign and do[es] hereby assign," as in the case of the language between the inventor and Cetus, the Cetus (and therefore Roche's) claim to title had priority. The inventor's original ownership of the invention takes precedent over any rights that Stanford may obtain by electing to take title under the Bayh-Dole Act.

Note: It should be pointed out that in this particular case Stanford University had obtained title from two other inventors and therefore, was capable of providing the government with a royalty-free license to practice the invention for governmental purposes as required by government contract law; specifically in this case, the Bayh-Dole Act. By Stanford University failing to obtain title from the third inventor, who instead passed on title to Cetus (and therefore Roche), the infringement action brought against Roche by Stanford University failed.

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