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IP Client Alert

Supreme Court Attempts to Clarify Bayh-Dole Act

The Supreme Court issued its much anticipated decision in *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc. et al.* on June 6, 2011. In a 7–2 decision, the Supreme Court determined that the University and Small Business Patent Procedures Act ("Bayh-Dole Act") clarifies the priority of rights regarding ownership of patents arising from federally funded research. In particular, the Court held that federal contractors do not gain automatic patent rights to federally funded inventions because inventors have the initial claim to ownership.

The Bayh-Dole Act allows for the transfer of exclusive control over many government-funded inventions to universities, nonprofit organizations and small businesses operating with federal contracts for the purpose of further development and commercialization. The contracting universities, organizations and businesses are then permitted to exclusively license the inventions to other parties. The federal government, however, retains "march-in" rights to license the invention to a third party, without the consent of the patent holder or original licensee, where it determines the invention is not being made available to the public on a reasonable basis—in other words, to issue a compulsory license.

The Court affirms the Federal Circuit decision that Stanford lacked standing to sue Roche because a Stanford researcher had assigned his rights to his invention to Cetus, a company who later became part of Roche. The researcher had signed a visitor's confidentiality agreement while working at Cetus, which stated that he "will assign and do[es] hereby assign" inventions to Cetus. The Federal Circuit held that the visitor's agreement superseded a copyright and patent agreement with Stanford in which the researcher "agree[d] to assign" inventions to Stanford.

On appeal, both Stanford and the solicitor general argued that the Federal Circuit decision would allow individual inventors to unilaterally terminate the exclusive rights of the university and other contractors. However, the Supreme Court found that the position of Stanford and the solicitor general would move the inventor "from the front of the line to the back," suggesting that inventors have the initial rights to their inventions and must explicitly assign any rights to an employer or a third party.

What ramifications does this decision have for federally funded inventions? According to the Court, the Bayh-Dole Act merely gives contractors the right to "retain" ownership, which suggests that contractors must first obtain ownership. Unfortunately, the issue of assignments was not before the Supreme Court. The Federal Circuit interpreted the Cetus assignment where the inventors "will assign and do hereby assign" to be an explicit (present) assignment of future inventions, whereas the Stanford assignment, where the inventors "agree[d] to assign" inventions to Stanford, was a promise to hand over future inventions.

For now, companies may wish to ensure that their patent assignments explicitly state that inventors affirmatively assign their invention rights by incorporation of self-executing language.

Furthermore, it is advisable that employment agreements indicate that inventors are contractually obligated to and by their signature do assign their inventions to the company.

If you have questions regarding this decision, or have any other matters, please contact your Vedder Price Intellectual Property attorney.

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Technology and Intellectual Property Group

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We welcome your input for future articles. Please call any member of the Intellectual Property Group with suggested topics, as well as other questions or comments concerning materials in this Alert.

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