



PRIVATIZING PATENTS PROVIDES BOOST TO ECONOMY

High court to rule on ownership rights of federally funded inventions

By **ANTHONY P. GANGEMI**

Prior to passage of the Bayh-Dole Act in 1980, ownership rights of federally funded inventions were often retained by the U.S. government. As a result, prior to enactment of the act, the government had amassed a portfolio of over 25,000 patents, fewer than 4 percent of which were ever commercialized.

Commercialization of federally funded inventions has significantly impacted the U.S. economy. From 1996 to 2007, it is estimated that university licensing of inventions, over half of which were developed using federal funding, contributed \$187 billion to the gross domestic product, increased the U.S. gross industrial output by \$457 billion, and created more than 250,000 new jobs.

Bayh-Dole was created and enacted with the ultimate goal of increasing the commercialization of federally funded inventions. Under Bayh-Dole, while the government retains certain rights to use federally funded inventions, U.S. universities, small businesses, and non-profit organizations can elect to retain ownership rights in the inventions. As a result, Bayh-Dole promotes commercialization of the inventions via privatization.

In 2005, Stanford University sued Roche Molecular Systems for infringing Stanford's patents disclosing methods for evaluating the efficacy of anti-HIV therapies. *Board of Trustees v. Roche Molecular Systems Inc.*, 487 F. Supp. 2d 1099 (N.D. Cal. 2007). The Stanford inventions and resulting patents originated from federally funded research projects, which triggered treatment of ownership

rights under the Bayh-Dole Act.

The Stanford inventors were under a contractual obligation to assign rights in the inventions to Stanford University at the time of the inventions; they ultimately did execute assignments which were recorded in the U.S. Patent and Trademark Office. However, one of the inventors executed an assignment of all his future inventions to a third party company, Cetus, prior to the inventions and prior to the execution of assignments to Stanford.

In the district court, Stanford argued that the Bayh-Dole Act provided that it retained ownership of the inventions and patents because it had elected to do so under the act. Roche, the successor to Cetus, argued that the Bayh-Dole Act does not supersede the rights of inventors provided for in Article I, Section 8, Paragraph 8 of the U.S. Constitution, which provides that Congress shall have the power "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." The district court avoided application of the Bayh-Dole Act and instead held that Roche's claims of ownership were barred by California's statute of limitations.

Property Law Concepts

The Court of Appeals for the Federal

Circuit reversed the district court and decided the case on basic property law concepts relating to chain of title and bona fide purchasers. The Federal Circuit held that the assignment to Cetus was immediate upon completion of the invention, based on the language "hereby assign;" this immediate assignment defeated Stanford's ownership claims that were based on assignments subsequent to the invention, and which were executed using the language, "agree to assign."

In addition, the Federal Circuit explicitly held that "the Bayh-Dole statutory scheme did not automatically void the patent rights that Cetus received." As a result, the Federal Circuit dismissed Stanford's appeal while holding that Stanford did not own the patents in question and therefore lacked standing to assert them.

The solicitor general and numerous academic institutions called for Supreme



Anthony P. Gangemi

Anthony Gangemi is a partner in Wiggin and Dana's Clean Technology Practice Group and its Patent Practice Group. He prepares and prosecutes U.S. and foreign patent applications across a broad spectrum of scientific technologies. Mr. Gangemi is a licensed professional engineer and worked as an environmental engineer prior to practicing law. You can contact him at tgangemi@wiggin.com.

Court review of the case. They argued that failure to overturn the Federal Circuit will result in significant economic harm to the country by essentially turning off the economic engine created by Bayh-Dole. They also argued that as it stands, academic institutions will be burdened with policing the actions of researchers.

On Nov. 1, the U.S. Supreme Court agreed to review *Stanford v. Roche* and its interpretation of the Bayh-Dole Act. In agreeing to hear the case, the Supreme Court presented a single question: Whether a federal contractor university's statutory right under the Bayh-Dole Act, 35 U.S.C. §§ 200-212, in inventions arising from federally funded research can be terminated unilaterally by an individual inventor through a separate agreement purporting to assign the inventor's rights to a third party.

Future assignments may be more carefully crafted (e.g., using "hereby assigns" instead of "agree to assign") in an effort to avoid the effects of the Federal Circuit rul-

ing in *Stanford v. Roche*. However, until the Supreme Court rules, many existing employee and research agreements based on the premise that Bayh-Dole governs the ownership of federally funded inventions are in question.

While it is hard to predict how the Supreme Court will rule, arguments can be made that Article I, Section 8, Paragraph 8 of the U.S. Constitution provides Congress with the power to define a framework for granting inventors rights in inventions, including the power to limit ownership where federal funding was used in the research and development process.

In fact, some federal statutes enacted prior to Bayh-Dole provided that ownership in certain inventions vested in the federal government. Furthermore, in at least one pre-Bayh-Dole Act case, the Federal Circuit held that a pertinent federal statute "clearly provide[d] that title to any invention made or conceived under a [covered] contract 'shall vest' in the United States" and that the alleged as-



signee lacked standing to enforce the patent because the inventor "had no right to assign it." *FilmTec Corp. v. Hydranautics*, 982 F.2d 1546, 1550 (Fed. Cir. 1992).

Attorneys representing universities, small businesses, and non-profit organizations that engage in federally funded research activities are hoping for clear guidance from the Supreme Court on the rights and obligations of inventors that does not turn on the precise wording of an assignment document. ■