U.S. SUPREME COURT FINDS COMPANY CONTRACT WITH INVENTOR TRUMPS UNIVERSITY RIGHTS TO FEDERALLY-FUNDED INVENTIONS

On June 6, 2011, the United States Supreme Court affirmed in *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc. (Stanford v. Roche)* that when a university fails to establish prior ownership rights in the inventions of an employee conducting federally-funded research, the employee may contract with a third party, and that party’s contract rights to the employee’s inventions trump the rights of the university.

The *Stanford v. Roche* dispute turned on the interpretation of the Bayh-Dole Act, a federal statute that governs ownership of federally-funded inventions, and two contracts signed by Mark Holodniy, a researcher employed by Stanford. Holodniy signed an agreement stating that he “agree[d] to assign” to Stanford his ownership in inventions resulting from his employment at Stanford. Later, he collaborated with a company, Cetus, to devise a procedure for measuring HIV in blood samples and signed an agreement with Cetus stating that he “do[es] hereby assign” to Cetus his ownership in inventions made “as a consequence of” his access to Cetus. Holodniy then conducted federally-funded research at Stanford that resulted in improvements to the procedure, with Stanford subsequently obtaining patents on these improvements.

In 2005, Stanford sued Roche (Cetus’ successor) for patent infringement, and Roche defended by claiming that Roche owned the improvement patents. The trial court agreed with Stanford; however, the Court of Appeals for the Federal Circuit (Federal Circuit) reversed and found in favor of Roche. The Federal Circuit focused on what is called “present grant language” (“hereby assign”) and concluded that the first party to have present grant language in its agreement with Holodniy – Roche – would be entitled to ownership of the patented invention.

More than 80 universities (including the University of California) filed amicus briefs in the case, urging the Court to preserve universities’ rights to own such federally-funded inventions. The federal government also filed an amicus brief asking the Court to reach this conclusion in order to protect its rights as the funding source for university research and inventions.

In its 7 to 2 decision, the Supreme Court explained that unless otherwise provided by law, an invention is owned by its inventors, and employers receive ownership by assignment. The Court then reviewed the Bayh-Dole Act and concluded that the statute contained no provision that would take ownership away from an inventor, and that the statute did not automatically give ownership to a university. Finding that ownership of the invention remained with Holodniy until he assigned ownership to Roche, the Court affirmed the Federal Circuit’s decision in favor of Roche.

In light of the Court’s decision, the University is updating its Patent Acknowledgment to preserve University rights in federally-funded inventions at the University.