Patent Law Update: Stanford v. Roche

June 6, 2011



Supreme Court Renders Decision in *Stanford v. Roche*

by Steve S. Chang

On June 6, 2011, the U.S. Supreme Court rendered its opinion in *Stanford v. Roche Molecular Systems, Inc.*[1] At issue in this case was whether, under the Bayh-Dole Act[2], federal contractors automatically own an invention made by their employee using federal funds, or whether a separate assignment from the employee is still needed to convey title to the inventions.

The Majority Opinion

The majority opinion of the Court (Roberts, Scalia, Kennedy, Thomas, Alito, Sotomayor and Kagan) held that the Bayh-Dole Act did not automatically vest title to the federal contractor, meaning a separate assignment is still needed. Justice Sotomayor also filed a concurring opinion, while Justices Breyer and Ginsburg dissented.

The majority began its analysis by noting that rights to an invention have always been traced back to the inventor. Even in situations where the inventor was an employee, the majority noted that unless there is an agreement to the contrary, an employer does not have rights to the employee's invention, and that "[i]n most circumstances, and inventor must expressly grant his rights in an invention to his employer if the employer is to obtain those rights." Slip Op., pp. 7-8.

To determine whether the circumstances here fit within the usual circumstances mentioned above, the majority noted that when Congress intended to divest inventors of ownership of their inventions, it has done so unambiguously. The majority cited as an example a portion of the US Code dealing with nuclear material and atomic energy, where the laws state that ownership of such inventions "'shall be vested in, and be the property of, the [Atomic Energy] Commission.'" Slip Op., p. 8.

The majority then noted that the Bayh-Dole Act did not contain such an unambiguous statement vesting rights of federally-sponsored inventions. One passage cited by Stanford states that contractors may "elect to retain title to any subject invention," with a definition of "subject invention" to mean "any invention *of the contractor* conceived or first actually reduced to practice in the performance of work under a funding agreement." 35 U.S.C. 202(a), (e) (emphasis added). Stanford had taken the position that "of the contractor" referred to all inventions made by the contractor's employees, and that this election to retain title would mean that the contractor already had title. The majority disagreed, noting that such an interpretation would essentially render the "of the contractor" language meaningless. The majority

interpreted this language to refer to an invention that the contractor otherwise obtained (e.g., via an assignment from the inventor), and that the contractor "retaining" the rights referred to the contractor keeping whatever rights it obtained from the inventor, in the disposition of rights between the federal agency and the contractor. Slip Op., p. 11.

The majority also found support in other provisions in the Act. For example, the majority noted that the Act allowed the federal agency to "grant requests for *retention* of rights by the inventor" in the event the contractor does not elect to retain title. Slip Op., p. 12 (emphasis added). The majority noted that the use of the term "retention" suggests that the rights still were held by the inventor.

Another example was the fact that the Act did not provide any mechanism for anyone to challenge whether a particular invention was indeed developed using federal funds. The majority stated that such an omission would only make sense if the Act were read to only apply to inventions that the contractor had otherwise obtained from the inventor. Slip Op., p. 13.

The Dissenting Opinion

In the dissent, Justices Breyer and Ginsburg noted that the majority's decision, which turned on the fact that Stanford's employee agreement simply stated that the employee would "agree to assign" inventions to the university, while the Cetus agreement also added "and do hereby assign," promulgates a "drafting trap for the unwary" that could frustrate the purpose of the Act by making the public pay twice for a government-sponsored invention (once to fund it, and again when buying the patented product from a third party assignee not subject to the Act). Dissent, p. 8. Taking issue with such a trap, and its potential for frustrating the purpose of the Act, the dissenting Justices preferred an alternative approach based in equity. They proposed treating both the Stanford and Cetus agreements as conveying equitable title only, and that the case should be remanded to the district court for a determination as to which of these two parties, in equity, should take title to the invention. Dissent, p. 7.

The Concurring Opinion

Justice Sotomayor's concurring opinion simply stated that, although she shares the majority's reasoning and conclusion given the arguments that were presented and briefed, she also shares Justice Breyer's concern about the precedent behind the "drafting trap[i]", and that she understood the majority opinion to permit reconsideration of arguments surrounding that precedent in a future case.

The Takeaways

This case presented some difficult, and perhaps unfortunate, facts. The employee inventor signed a document that was placed before him when he first visited a third-party facility, and the document contained a clause that his employer would not have agreed to, and which could have been a breach of his own employee agreement with the employer. The first takeaway would be a general caution to ensure that employees do not sign any agreements that have not been fully vetted by Legal.

The second takeaway would be to note how the subtle difference between "agree to assign" and "do hereby assign" was pivotal in this case, and that it may be a good idea to include the "do hereby assign" language in employee agreements.Please click here to view the decision.

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[1] No. 09-1159 (June 6, 2011)

[2] 35 U.S.C. §200 et seq.

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[i] Which traces roots to a 1991 Federal Circuit opinion in *Filmtec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568 (Fed. Cir. 1991).

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