

## Bayh-Dole Act Fails to Rescue University's Standing in Patent Infringement Suit

In *Stanford v. Roche* ([www.cafc.uscourts.gov/opinions/08-1509.pdf](http://www.cafc.uscourts.gov/opinions/08-1509.pdf)), Stanford University's infringement action was dismissed on appeal by the Federal Circuit Court of Appeals for lack of standing. Stanford sued Roche for allegedly infringing one of its patents relating to a quantitative PCR test to detect HIV. The PCR test was developed by employees of Stanford. The district court held that the patents were obvious, but the Federal Circuit vacated the obviousness holding, and instead dismissed the case for lack of jurisdiction, holding that Stanford lacked standing because it did not own the entire title to the patent.

The Stanford employee had signed a "Copyright and Patent Agreement" (CPA) where the inventor "agree[d] to assign or confirm in writing to Stanford . . . that right, title and interest in . . . such inventions as required." (emphasis added). The Federal Circuit interpreted this language as a "mere promise to assign rights in the future, not an immediate transfer of expectant interests." Additionally, Stanford's policy "allows all rights to remain with the inventor if possible," so the CPA did not transfer title to Stanford, the court ruled.

After the execution of the CPA, the inventor signed a visitor confidentiality agreement with Cetus (later acquired by Roche), stating that the inventor "will assign and do hereby assign to CETUS, my right, title, and interest in each of the ideas, inventions and improvements." This agreement "effected a present assignment of [the inventor's] future inventions to Cetus." Thus, according to the court, once the invention was made or the application was filed the transfer of title from the inventor to Cetus occurred by "operation of law." After the Cetus agreement, the inventor executed an assignment to Stanford, but "because Cetus's legal title vested first, [the inventor] no longer retained his rights, negating his subsequent assignment to Stanford during patent prosecution."

*The Federal Circuit emphasized that "Bayh-Dole does not automatically void ab initio the inventors' rights in government-funded inventions...we see no reason why the Act voids prior contractual transfers of rights."*

Stanford argued, in the alternative, that Stanford was a *bona fide* purchaser of the invention when it purchased the rights for "good and valuable consideration." Stanford argued that there was no notice because neither Roche nor Cetus had ever recorded their interests with the Patent and Trademark Office. The Federal Circuit rejected this argument, holding that Stanford had at least constructive or inquiry notice of the Cetus agreement based upon the facts of the case and California law.

As another alternative, Stanford argued that the Bayh-Dole Act voided the Cetus assignment. The district court held that the Bayh-Dole Act allowed the subsequent assignment to Stanford to negate or void the Cetus assignment. The Federal Circuit reversed holding that the Bayh-Dole Act allows the "the government [to] choose to take action; thus, title to the patent may be voidable. However, it is not void: title remains with the named inventors or their assignees. Nothing in the statute, regulations, or our caselaw indicates that title is automatically forfeited." The Federal Circuit emphasized that "Bayh-Dole does

not automatically void *ab initio* the inventors' rights in government-funded inventions...we see no reason why the Act voids prior contractual transfers of rights.”

Accordingly, the infringement suit was dismissed because Stanford lacked standing because it did not have complete ownership of the patent.

*Authors:*

*Daniel M. Scolnick*  
610.640.7820  
[scolnickd@pepperlaw.com](mailto:scolnickd@pepperlaw.com)

*Paul K. Legaard*  
610.640.7859  
[legaardp@pepperlaw.com](mailto:legaardp@pepperlaw.com)

*Michael K. Jones*  
215.981.4405  
[jonesmk@pepperlaw.com](mailto:jonesmk@pepperlaw.com)

## Intellectual Property Practice Group

Pepper Hamilton's Intellectual Property Practice Group is an interdisciplinary team that procures intellectual property rights and litigates or otherwise resolves intellectual property disputes.

Our lawyers are capable and experienced in all areas of intellectual property. If you have any questions or comments regarding this *Update*, please contact your representative within Pepper's Intellectual Property Practice Group.

## Pepper Hamilton LLP

Attorneys at Law

The material in this publication was created as of the date set forth above and is based on laws, court decisions, administrative rulings and congressional materials that existed at that time, and should not be construed as legal advice or legal opinions on specific facts. The information in this publication is not intended to create, and the transmission and receipt of it does not constitute, a lawyer-client relationship.

Please send address corrections to [phinfo@pepperlaw.com](mailto:phinfo@pepperlaw.com).

[www.pepperlaw.com](http://www.pepperlaw.com)

Berwyn | Boston | Detroit | Harrisburg | New York | Orange County  
Philadelphia | Pittsburgh | Princeton | Washington, D.C. | Wilmington

© 2009 Pepper Hamilton LLP. All Rights Reserved.  
This publication may contain attorney advertising.