

Supreme Court Spotlights Importance of Well-Drafted Invention Assignment Agreements at Universities and Beyond

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Do you know what language is used in your company's employment agreement or invention assignment agreement? Are you certain it is adequate to actively and immediately transfer employees' rights in their inventions to the company? Does your company even have such a written agreement? These are the questions companies should be asking themselves in light of the U.S. Supreme Court's recent decision in *Stanford v. Roche*, a case concerning federally supported university research but whose result has implications beyond the university setting.

The specific issue decided in *Stanford v. Roche*¹ was whether the University and Small Business Patent Procedures Act of 1980 (the Bayh-Dole Act)-which allows federal contractors (typically, universities) to elect to retain rights in federally funded inventions-automatically vests title to those inventions in the contractor and not the individual employee-inventor. The Court said that it does not: a university researcher's rights in his or her inventions are not automatically owned by their university employer even if made with government funding. In other words, Bayh-Dole does not change the normal rule that an inventor must expressly grant his rights in an invention to his employer if the employer is to obtain those rights. Under the Court's decision, therefore, everything depends on the existence of, and language used in, any agreement requiring the employee to grant such rights to his employer. Unfortunately for Stanford, while it had an agreement with the researcher, the agreement did not effectively convey rights in his invention to the university.

As part of his employment, the Stanford researcher had signed a "Copyright and Patent Agreement" requiring assignment of his future inventions to the university. Subsequently-but while still employed with the university-that same researcher signed another agreement enabling him to conduct research at Cetus, a company involved in a collaboration with Stanford, and that second agreement contained language requiring assignment of his future inventions to Cetus. Stanford later filed for patent protection and then demanded a royalty from Roche (Cetus's licensee), ultimately suing Roche for patent infringement. At issue was whether Stanford owned sole title to the researcher's inventions (and the resulting patents) or whether Cetus had rights to the inventions and patents that protected it from infringement liability.

Based solely on the assignment language, the Court found that Cetus could not be sued for infringement because it received rights by assignment that were not prevented by the researcher's prior-in-time assignment agreement with Stanford. Whereas Stanford's agreement with the researcher was found to contain only "passive" language relating to the agreement to assign rights to the university (i.e., "agree to assign"), the agreement the researcher signed with Cetus contained "active" language (i.e., "will assign and do hereby assign"). Thus, the researcher's agreement with Cetus immediately transferred rights to Cetus, whereas the one with Stanford was only a future

promise to assign, effective only upon execution of an actual assignment document. In short, a case with broad policy implications and millions of dollars at stake turned on a few words in the invention assignment agreement.

The Supreme Court's decision spotlights the critical importance of well-drafted assignments of rights to inventions. And, it serves as a reminder to universities and to all companies - whether or not involved in collaborations with universities - to check the language of their employment agreements and to modify them if necessary.

¹Full cite: *Bd. of Trustees of Leland Stanford Jr. University v. Roche Molecular Systems*, No. 09-1159 (S. Ct. Jun. 6, 2011)

Additional Information

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