

## **Invention Rights Do Not Automatically Vest to a Federal Contractor Under the Bayh-Dole Act**

*Written by Doreen M. Hogle, Esq. and Robert D. Pyatt*

In June, the U.S. Supreme Court reviewed the provisions of the Bayh-Dole Act to determine ownership rights of an invention developed using federal funds. Passed by Congress in 1980, the Bayh-Dole Act provides the basis for allocating rights in federally-funded inventions between the federal government and federal contractors/employers. The Supreme Court confirmed that, under the Act, federal contractors do not automatically own title to the federally-funded inventions of their employees. Rights to the invention belong to the inventor until effectively assigned to their employer.

Consider this scenario: Dr. Fellows, a post-doctoral research associate, joins a laboratory at University Research Institute. Dr. Fellows and University Research Institute have received a federally-funded research grant to develop a new drug to treat cancer. On her first day of employment, Dr. Fellows signs an employee agreement stating "I agree to assign to University Research Institute all right, title and interest in inventions resulting from my employment at the Institute."

While working on her research project at University, Dr. Fellows realizes that she needs to learn a new technique that is being developed at a nearby company, the Pharma Corporation. Dr. Fellows obtains approval to work temporarily at Pharma Corp. to learn the technique. Pharma Corp., however, requires Dr. Fellows to sign a "Visitor's Confidentiality Agreement" (which includes an assignment clause) prior to commencing work. Dr. Fellows complies. After a few months at Pharma Corp., Dr. Fellows returns to University to do further research on the project. Dr. Fellows' research results in an invention, and a patent application is filed. Upon filing the patent application, Dr. Fellows signs a new document that specifically assigns her rights in the invention to University. A patent to that invention is eventually granted.

University then learns that Pharma Corp. is using techniques that appear to be covered by the University patent to determine the effectiveness of cancer drugs, and University sues Pharma Corp. for patent infringement. University asserts the infringement suit based on its ownership of Dr. Fellows' invention by virtue of the executed employee agreement, assignment and the Bayh-Dole Act. Pharma Corp. denies infringement and argues that, by signing the VCA, Dr. Fellows assigned rights in the invention to Pharma Corp., and as a co-owner of the invention with University, Pharma Corp. is not liable for infringement!

Pharma Corp.'s position is based upon the recent U.S. Supreme Court decision, *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc. et al.* \_\_\_ U.S (2011)). In *Stanford v. Roche*, the Court held that the Bayh-Dole Act does not change the norm of patent law regarding invention ownership merely because the invention has been created with federal funding. A basic premise of patent law is that, until effectively assigned to a third party, "rights in an invention belong to the inventor." As a result, the Court found that

Hamilton, Brook, Smith & Reynolds, P.C.  
530 Virginia Road P.O. Box 9133  
Concord, MA 01742-9133  
T 978.341.0036  
F 978.341.0136  
[www.hbsr.com](http://www.hbsr.com)

This article provides information only and no attorney-client relationship is created by presentation of it. The information provided herein does not constitute legal advice and is not a substitute for professional advice and may be considered advertising under the rules of the Supreme Judicial Court of Massachusetts and the U.S.P.T.O.

Recipients of the article are expressly licensed to circulate the article to others in substantially the same form. If you wish to republish the contents of this article, please contact Meghan Needham at 978.341.0036.

© 2011 Hamilton, Brook, Smith & Reynolds, P.C.

Roche was a co-owner of the invention and Stanford lacked standing to bring the suit.

Under the *Stanford v Roche* decision, Pharma Corp. successfully defends the infringement claim based upon two main factors:

- 1) Although Dr. Fellows had a duty to assign her rights in the invention to University under her employment agreement, she actually assigned her rights in the invention to Pharma Corp. by signing the "Visitor's Confidentiality Agreement" (VCA) as a condition of her temporary work at Pharma Corp. The language of the VCA stated that Dr. Fellows "will assign and does hereby assign" to Pharma Corp. her right, title and interest to any invention made as a consequence of her work at Pharma Corp.
- 2) Although University argued that in light of its federally-funded research grant, the Bayh-Dole Act automatically gave ownership of the invention to University, the Court stated that, in accord with the tradition of patent law, when an employee alone conceives an invention, "unless there is an agreement to the contrary, an employer does not have rights in an invention." The Court disagreed with the argument that "the Bayh-Dole Act reorders the normal priority of rights in an invention when the invention is conceived or first reduced to practice with the support of federal funds." Only with an "effective assignment" to the federally-funded employer do the inventions of employees become subject to the Bayh-Dole Act's allocation of rights.

The Supreme Court decision makes clear that academic institutions and other contractors should not rely solely on the provisions of the Bayh-Dole Act to secure rights to federally-funded inventions made by their employees. Institutions and contractors should review their employee agreements to ensure that they are current and clear on matters of assigning invention rights. Does the language in your employee agreement constitute a "mere promise to assign rights in the future" or does it actually convey an assignment of rights? Specifically, employees should "hereby assign" their invention rights to employers. As an employer, if definitive language is not in your employee agreement, your ownership rights to an invention made by your employee may be at risk. For more information please contact your attorney at Hamilton Brook Smith Reynolds.