

No. 09-1159

IN THE
Supreme Court of the United States

BOARD OF TRUSTEES OF THE LELAND STANFORD
JUNIOR UNIVERSITY,

Petitioner,

v.

ROCHE MOLECULAR SYSTEMS, INC., ET AL.

Respondents.

**On Writ of Certiorari to the
United States Court of Appeals for the Ninth Circuit**

**BRIEF OF AMICUS CURIAE,
AMERICAN INTELLECTUAL PROPERTY LAW
ASSOCIATION IN SUPPORT OF NEITHER PARTY**

*DAVID W. HILL, PRESIDENT
AMERICAN INTELLECTUAL
PROPERTY LAW
ASSOCIATION
241 18TH STREET, SOUTH
SUITE 700
ARLINGTON, VIRGINIA 22202
(703) 415-0780
DAVID.HILL@FINNEGAN.COM

SEAN O'CONNOR
UNIVERSITY OF WASHINGTON
SCHOOL OF LAW
LAW, TECHNOLOGY, AND ARTS
GROUP
PROFESSOR OF LAW, DIRECTOR
SEATTLE, WASHINGTON, 98195
(206) 543-7491

DECEMBER 23, 2010

* Counsel of Record
Counsel for Amicus Curiae

TABLE OF CONTENTS

	Page(s)
STATEMENT OF INTEREST	1
SUMMARY OF ARGUMENT.....	2
ARGUMENT	6
I. The statutory language of the Act does not support an interpretation that title is transferred automatically or by operation of law from inventors simply because an invention arose under federal funding.	6
II. The historical background, legislative history, and context of the Act within the Federal procurement system support an interpretation that university contractors must secure invention assignments from inventors.	9
III. U.S. patent law has always mandated that inventorship and initial title to patentable inventions lies with the true and original natural person inventors.....	18
IV. Assignments of inventions, issued patents, and patent applications are generally governed by a combination of Federal and state common law.....	21
V. Interpreting the act to transfer title from inventors by operation of law would amount to an unconstitutional, perpetual, and effectively indeterminate stream of takings from university inventors	24

VI.	Universities are well able to secure the necessary rights under assignment agreements with inventors, as they already must protect their interests in inventions arising from university research.	28
CONCLUSION		33

TABLE OF AUTHORITIES

Page(s)

CASES

<i>Chevron U.S.A., Inc. v. Natural Resource Defense Council, Inc.</i> , 467 U.S. 837 (1984).....	8
<i>U.S. v. Dubilier Condenser Corp.</i> , 289 U.S. 178 (1933)	21
<i>Beech Aircraft corp. v. EDO Corp.</i> , 990 F.2d 1237 (Fed. Cir. 1993).....	19
<i>DDB Techs., L.L.C. v. MLB Advanced Media, L.P.</i> , 517 F.3d 1284 (Fed. Cir. 2008).....	21
<i>Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc.</i> , 583 F.3d 832 (Fed. Cir. 2009).....	10
<i>Platzer v. Sloan-Kettering Institute</i> , 787 F. Supp. 360 (S.D.N.Y. 1992)	26
<i>Cephalon, Inc. v. Johns Hopkins University</i> , 2009 WL 4896227 (Del. Ch. 2009)	31

CONSTITUTION

U.S. Const., art. I, § 8, cl. 8.....	18
--------------------------------------	----

STATUTES

17 U.S.C. § 101	19
17 U.S.C. § 201(b).....	19

28 U.S.C. § 1498.....	26
35 U.S.C. § 101.....	18
35 U.S.C. § 102.....	18
35 U.S.C. § 116.....	20
35 U.S.C. § 118.....	8, 20
35 U.S.C. § 152.....	20
35 U.S.C. §§ 200-212.....	9
35 U.S.C. § 256.....	20
35 U.S.C. § 261.....	19

REGULATIONS

37 C.F.R. § 401.14 (“Standard Patents Rights Clauses”).....	7
John F. Kennedy, Memorandum for the Heads of Exec. Depts. and Agencies, 28 Fed. Reg. 10,943 (Oct. 12, 1963), 3 C.F.R. § 861 (1959-1963).....	12
Richard M. Nixon, Memorandum for Heads of Exec. Depts. and Agencies on Government Patent Policy, 36 Fed. Reg. 16,887 (Aug. 31, 1971).....	13
Federal Procurement Regulations § 1-9.107.....	13

Federal Procurement Regulations §§ 1-9.107-5(a)-(c) (Patent Rights-Acquisition by the Government, Subsection (e)(3))	13
Federal Procurement Regulations §§ 1-9.107-6(a)-(b) (Patent Rights—Acquisition by the Government (Short Form), Subsection (e)(1)).....	13
Federal Procurement Regulations, Part 1-9, Patents, Data and Copyrights: Allocation of Rights in Inventions, 40 Fed. Reg. 19,814 (May 7, 1975) ...	13

OTHER AUTHORITIES

Francis Biddle, Attorney General, Investigation of Gov't Patent Practices and Policies: Report and Recommendations of the Attorney General to the President (1947)	9, 10-12, 25, 32
Donald S. Chisum <i>et al.</i> , Principles of Patent Law: Cases and Materials 1235 (3d ed., Foundation Press, 2004).....	19
Sean O'Connor <i>et al.</i> , <i>Legal Context of University Intellectual Property and Technology Transfer</i> (report prepared for The National Academies, Sept. 20, 2010, http://sites.nationalacademies.org/PGA/step/PGA_058712).....	9, 10, 12-14, 18, 26
John H. Raubitschek and Norman J. Latker, <i>Reasonable Pricing—A New Twist for March-In Rights Under the Bayh-Dole Act</i> , 22 Santa Clara Comp. & High tech. L.J. 149, 153 (2005).....	14

Gov't Patent Policies: Institutional Patent Agreements, Hearings before the Senate Subcomm. on Monopoly and Anticompetitive Activities of the Select Comm. on Small Bus. (95 th Cong., 2d Sess., May 22, 1978).....	14
Institutional Patent Agreement, § V(b), U.S. Senate, Hearings Before the Subcomm. on Monopoly and Anticompetitive Activities of the Select Comm. on Small Business, 95 th Cong. (May 22, 23, June 20, 21, and 26, 1978)	15
S. Rep. 96-480 (1979)	17

STATEMENT OF INTEREST¹

The American Intellectual Property Law Association (“AIPLA”) is a national bar association of approximately 16,000 members engaged in private and corporate practice, in government service, and in the academic community. AIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. AIPLA members represent both owners and users of intellectual property.

In filing this brief *amicus curiae*, AIPLA takes no position on the merits of Petitioner’s claimed rights in the patents in suit. AIPLA’s sole interest is in the correct rule of law for obtaining and assigning patent rights, and in the need to ensure that the patent law continues to provide the incentives that serve the Constitutional purpose of promoting the progress of science and the useful arts in accordance with Article I, Section 8.

¹ In accordance with Supreme Court Rule 37.6, this brief was not authored, in whole or in part, by counsel for a party, and so such counsel or party made any monetary contribution to fund the preparation or submission of this brief.

After reasonable investigation, AIPLA believes that (a) no member of its Board or Amicus Committee who voted to prepare this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (b) no representative of any party to this litigation participated in the authorship of this brief, and (c) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

The parties to this litigation have consented to the filing of this brief. Their consent letters have been filed with the court.

SUMMARY OF ARGUMENT

Universities have no “statutory right” under the Bayh-Dole Act, 35 U.S.C. §§ 200-212, to have the title in Federally-funded inventions transferred to them “automatically” or by operation of law. Instead, the Act allocates rights as between the Government and the university as a Federal contractor, and requires proper contractual agreements to be entered into between both the university and Government agency on the one hand, and the university and its inventors on the other. Thus, while the Petitioner frames the question before this Court as whether university inventors can “terminate[] unilaterally” the university’s “statutory right” to inventions arising under Federal funding, AIPLA argues that the question is whether title properly vested in Petitioner in the first place. Petitioner argues that the Act supersedes or preempts contractual assignments of inventions, patent applications, and issued patents. However, this position is contrary to the plain language of the statute and its implementing regulations, as well as the historical background, legislative history, and context of the Act within the Federal procurement system. The Act and its implementing regulations preserve and bolster a Federal procurement contracting regime that would be confused and disrupted by Petitioner’s interpretation of the Act. In particular,

the “statutory right” is only a default contracting rule that grants title in Federally funded inventions to the university as a Federal contractor. Such title can be contracted around by the Federal agency in any particular situation under four categories of exceptions. Further, in all cases, the title allocation rules are also subject to other provisions of the Act, including those that must be incorporated into funding agreements. Accordingly, the Act primarily establishes a regulated contracting regime, within and consistent with the broader Federal contracting and procurement system, wherein title allocation in any particular instance can be determined only by interpreting the Federal funding agreement and assignment agreements (or lack thereof) from the inventors.

I. The statutory language of the Act and its implementing regulations do not support an interpretation that title is transferred automatically or by operation of law from inventors simply because an invention arose under Federal funding. The Act provides a statutory framework for contractors to *retain* whatever title they have in an invention arising under Federal funding, as determined by the provisions of the relevant funding agreement. It does not directly effectuate an assignment of title from the inventors to either the university contractor or the Federal agency. Further, neither the funding agreements nor the relevant patent clauses promulgated and required for use under the Act’s implementing regulations directly effectuate the assignment of invention title from inventors to either the university contractor

or Federal agency. Instead, the foregoing require the university contractor to secure invention title and patent procurement rights from inventors, sufficient to protect the Government's interests in the inventions and any issuing patents under the Act.

II. The historical background, legislative history, and context of the Act within the Federal procurement system all support an interpretation that university contractors must secure invention assignments from inventors.

III. U.S. patent law has always mandated that inventorship and initial title to patentable inventions lies with the true and original natural person inventors. There has never been a provision within U.S. patent law for inventorship and initial title to vest with a non-natural legal person such as a corporation. Accordingly, title must in all cases be transferred by a proper assignment from the natural person inventors for a purported transfer of ownership to other natural or legal persons. Nothing in the Act supersedes this bedrock principle of U.S. patent law.

IV. Assignments of inventions, issued patents, and patent applications are generally governed by a combination of Federal and state common law. Except for cases involving the "hired to invent" doctrine and possibly some narrow Federal statutes allocating title for inventions within a specific field of technology of high importance for national security purposes, all assignments of invention, patent, and patent application title must be in writing to be effective

and enforceable. The Act neither supersedes nor preempts this common law with regard to such assignments. At the same time, inventors affiliated with a university are rarely, if ever, “hired to invent” within the meaning of that common law rule. Thus, in nearly all cases universities will need a written assignment agreement from inventors to secure title, which may then be “retained” as against Government claims under funding agreements.

V. Interpreting the Act to transfer title from inventors by operation of law would amount to a massive and broad-based taking of effectively indeterminate bounds.

VI. Universities are well able to secure the necessary rights under assignment agreements with inventors, and indeed must do so to protect their own and other funders’ interests in research results at the university, whether produced under Federal funding or otherwise. It is argued that universities could not secure title to inventions arising from university research *without* a supervening intervention of Federal law assigning title by operation of law. However, that argument effectively means that universities cannot secure title by their own devices for *any* research, whether done under Federal funding or otherwise. If this is true, then it has profound implications for funders and licensees of inventions arising from university research and means that there can be no certainty of title *unless* there is some act of Federal statutory law that supersedes or preempts all other relationships. Thus, even if this Court adopts Petitioner’s interpretation of the Act, Petitioner has

now committed itself to the position that title to all non-Federally funded inventions is hopelessly uncertain, which would come as a distressing surprise to university funders and licensees. Therefore, this Court should not feel pressured to address the chain of title responsibilities of universities—or other Federal contractors—in the limited field of Federally-funded inventions. Lawful and adequate contractual and record-keeping measures on chain of title are available to universities.

ARGUMENT

I. THE STATUTORY LANGUAGE OF THE ACT DOES NOT SUPPORT AN INTERPRETATION THAT TITLE IS TRANSFERRED AUTOMATICALLY OR BY OPERATION OF LAW FROM INVENTORS SIMPLY BECAUSE AN INVENTION AROSE UNDER FEDERAL FUNDING.

The Act provides a statutory framework for contractors to *retain* whatever title they have in an invention arising under Federal funding, as determined by the provisions of the relevant funding agreement. “Each nonprofit organization or small business firm may, within a reasonable time after disclosure . . . elect to *retain* title to any subject invention.” 35 U.S.C. § 202(a) (2006) (emphasis added). There is nothing in the Act that states that it is transferring title from inventors (who are legally distinct persons from the nonprofit organization or small business firm that might employ or contract with them) to either the

university contractor or the Federal agency. The statute does not say, for example, that the nonprofit organization or small business firm may elect to *take* title from the inventors.

Further, neither the funding agreements nor the relevant patent clauses promulgated by the Department of Commerce and required for use under the Bayh-Dole implementing regulations, 37 C.F.R. § 401.14 (“Standard Patents Rights Clauses”), directly effectuate the assignment of invention title from inventors to either the university contractor or Federal agency. To the contrary, the Standard Patents Rights Clauses require the contractor (the nonprofit organization or small business firm that has entered into a Federal funding agreement incorporating the Clauses) to enter into written agreements to secure the Government’s rights under the Act. “The *contractor* agrees to require, by written agreement, its employees, . . . to execute all papers necessary to file patent applications on subject inventions *and* to establish the government’s rights in the subject inventions.” 37 C.F.R. § 401.14(a), *Patent Rights (Small Business Firms and Nonprofit Organizations)*, §(f)(2) (first emphasis in original, second emphasis added). Both prongs of this contractual requirement would be unnecessary if the Act automatically vested title to the invention in the contractor by operation of law. The contractor would not even have to obtain the assent or participation of the inventor, as it could file the patent application under the “hostile inventor”

provision of 35 U.S.C. § 118.² Even if the first prong were read simply as a means to smooth the path for perfecting and/or recording title assignment with the U.S. Patent and Trademark Office (“USPTO”), this would not explain the presence of the second prong. Written agreements with employee-inventors to protect the Government’s rights in such inventions would be entirely superfluous if the Act vested title in the contractor by operation of law. It should be noted that the Act’s implementing regulations are entitled to *Chevron* deference and were originally charged to the Office of Federal Procurement Policy, further reinforcing that the title allocation system envisioned by Congress was that of the general Federal procurement system, *i.e.*, a regulated contractual regime. *See Chevron U.S.A., Inc. v Natural Resource Defense Council, Inc.*, 467 U.S. 837 (1984).

² “Whenever an inventor refuses to execute an application for patent, or cannot be found or reached after diligent effort, a person to whom the inventor has assigned or agreed in writing to assign the invention or who otherwise shows sufficient proprietary interest in the matter justifying such action, may make application for patent on behalf of and as agent for the inventor on proof of the pertinent facts and a showing that such action is necessary to preserve the rights of the parties or to prevent irreparable damage” 35 U.S.C. § 118 (2006).

II. THE HISTORICAL BACKGROUND, LEGISLATIVE HISTORY, AND CONTEXT OF THE ACT WITHIN THE FEDERAL PROCUREMENT SYSTEM SUPPORT AN INTERPRETATION THAT UNIVERSITY CONTRACTORS MUST SECURE INVENTION ASSIGNMENTS FROM INVENTORS.

Beyond the clear indications of the Act and its implementing regulations that contractors must secure contractual invention assignments from inventors, the history and context of the Act within the broader Federal procurement system also supports an interpretation that the Act does not transfer title by operation of law. While the Act is sometimes portrayed as an *ex nihilo* event that established university technology transfer when there was none, or at the very least created an entirely new regulatory framework for it, the Act in fact is largely built upon unified existing policies and regulation dating back to the early 1960s. Sean O'Connor *et al.*, *Legal Context of University Intellectual Property and Technology Transfer* 7-23 (report prepared for The National Academies, Sep. 20, 2010, http://sites.nationalacademies.org/PGA/step/PGA_058712) [hereinafter "O'Connor"]. These policies themselves were built upon the influential report and recommendations issued by then Attorney General Francis Biddle in 1947. Francis Biddle, Attorney General, Investigation of Gov't Patent Practices and Policies: Report and Recommendations of the Attorney General to the President (1947) [hereinafter "AG Report"]; O'Connor at 7-15.

The AG Report summarized patent law with regard to inventorship and initial ownership as it existed at that time (and which remains the same today) and made clear that Government contractors must have invention title assigned to them:

Under our law, a patentable invention can be made only by an individual or by several individuals working jointly. Since the Government contractor is usually a corporation or an institution, the latter's agreement to make some or all of the patent rights available to the Government requires a corresponding obligation on the part of the contractors' employees who engage in performing the research contract. Such an obligation is as a general rule imposed expressly by the employment contract.

1947 AG Report, vol. 1 at 78. The AG Report then referenced extensive research done on the actual practices of both private industry and nonprofit research organizations and universities, and concluded that:

. . . the scientific and technical employees of almost all industrial organizations are under contract to assign their patent rights to the employer, and most academic and other noncommercial institutions likewise require assignment of patent rights by members of their staff who have been detailed to perform research contracts with third parties. Hence the disposition of rights to inventions made under a Government-financed research contract involves the allocation between

Government and contractor of the power to exclude others from using the invention, or to permit such use upon payment of a royalty or compliance with some other legal condition.

1947 AG Report, vol. 1 at 88. This reliance on contractors' existing practice to secure invention assignments from inventors, and the corollary that Federal policy need only then concern itself with the allocation of title as between Federal agencies and the contractor entity, became a fundamental assumption of Government contracting and procurement policy that continues to this day.

This assumption is also consistent with the past and current practice of organization-to-organization contracting in the private sector. Corporations and other non-natural legal persons usually draft their contracts with each other as the sole parties, i.e., without adding each other's employees as parties to the agreement unless there is some supervening reason to do so. At most, the contracts may impose on each party the obligation to enter into appropriate arrangements with employees to protect the other party's rights under the contract.³ This tracking of private sector contracting principles for Government policy and contracting purposes paralleled the established law of title

³ For example, when confidentiality is a term of the contract, the party owing the duty of confidentiality may be explicitly required to secure an adequate level of confidentiality from the relevant employees. Likewise, where the allocation of intellectual property rights is a term of the contract, the relevant parties may be explicitly required to secure the necessary assignments or licenses from employees.

allocation for inventions by employed inventors. 1947 AG Report, vol. 1 at 78.

The Kennedy Administration was the first to act on the AG Report with regard to extramural research and development (“R&D”). Memorandum for the Heads of Executive Departments and Agencies, 28 Fed. Reg. 10,943 (Oct. 12, 1963), 3 C.F.R. § 861 (1959-1963) [hereinafter “Kennedy Memo”]; O’Connor at 9-10. Its primary purpose was to establish a uniform Government patent title allocation policy for such R&D contracts based upon the recommendations of the AG Report. The Kennedy Memo addressed *only* the allocation as between the Government and contractors. Thus, it clearly appeared to rely on the AG Report’s assumption that contractors would secure necessary assignments from employees, and therefore policy need only be made for allocation as between the Government and its contractors. At the same time, the Kennedy Memo expanded the opportunities for contractors to retain title beyond the recommendations of the AG Report and existing practices of a number of Federal agencies. However, it was never implemented in Government-wide regulations, in large part because a number of agency and technology specific patent title allocation statutes had been passed by Congress in the first half of the Twentieth Century. O’Connor at 10-13.

The Nixon Administration essentially reissued the Kennedy Memo, with minor modifications primarily intended to increase further the opportunities for contractor retention of title. Memorandum for Heads of Executive Departments and Agencies on Government Patent Policy, 36 Fed.

Reg. 16,887 (Aug. 31, 1971) [hereinafter “Nixon Memo”]; O’Connor at 13. The Nixon Memo thus also addressed only allocation of title as between the Government and contractors, continuing the assumption of, and reliance on, contractors securing appropriate title rights from employee-inventors. Despite the continued existence of the *ad hoc* invention title allocation statutes, the Nixon Administration directed the General Services Administration (“GSA”) to promulgate Government-wide patent title allocation regulations to implement the Nixon Memo. GSA issued an interim version of the regulations in 1973 and a final version in 1975. O’Connor at 13-14. These regulations were also then built upon the premise of contractor responsibility for securing title rights from employees, and now explicitly require contractors to secure the rights by mandating the inclusion of different versions of a Patent Rights Clause, depending on the exact funding circumstances, in all Federal extramural R&D contracts. Federal Procurement Regulations §§ 1-9.107, 1-9.107-5(a)-(c) (Patent Rights-Acquisition by the Government, Subsection (e)(3)), 1-9.107-6(a)-(b) (Patent Rights—Acquisition by the Government (Short Form), Subsection (e)(1)) (“The Contractor shall obtain patent agreements to effectuate the provisions of this clause from all persons in his employ who perform any part of the work under this contract except nontechnical personnel, such as clerical employees and manual laborers.”); GSA, Federal Procurement Regulations, Part 1-9, Patents, Data and Copyrights: Allocation of Rights in Inventions, 40 Fed. Reg. 19,814 (May 7, 1975).

Developing alongside these formal policies and regulations was the Institutional Patent Agreement (“IPA”) system used by agencies and departments, including the National Institutes of Health, the then Department of Health, Education, and Welfare, and the National Science Foundation. O’Connor at 11-16; John H. Raubitschek and Norman J. Latker, *Reasonable Pricing—A New Twist for March-In Rights Under the Bayh-Dole Act*, 22 Santa Clara Comp. & High Tech. L.J. 149, 153 (2005); Gov’t Patent Policies: Institutional Patent Agreements, Hearings before the Senate Subcomm. on Monopoly and Anticompetitive Activities of the Select Comm. on Small Bus. (95th Cong., 2d Sess., May 22, 1978). The IPAs were master agreements between research or higher education institutions and Federal agencies that set forth the patent allocation terms for all research funded at the institution by the agency. Similar to the GSA regulations and governed by them after they were promulgated, the IPAs expressly placed the burden of securing patent rights from inventors on the contractor. The IPA concept originated in the 1950s, predating both the Kennedy Memo and the GSA regulations. A publicly available version of a standard form of IPA from 1978 includes a good example of the explicit clause requiring the contractor to secure rights from inventors in conformance with the then governing GSA regulations.⁴

⁴ “The Institution shall obtain patent agreements to effectuate the provisions of this Agreement from all persons in its employ who perform any part of the work under any contract except nontechnical personnel, such as clerical and manual laborers.” Institutional Patent Agreement, § V(b), U.S. Senate, Hearings

By the time the Bayh-Dole Act was passed in 1980, the Federal Procurement Regulations system was well established, and the requirements for Federal extramural R&D contracts were embedded within and governed by it. However, despite efforts to create uniform Government-wide patent policies, there remained *ad hoc* patent allocation statutes across the U.S. Code. The variability that they enabled or mandated for different Federal department and agency extramural research policies resulted in a patchwork of different bureaucratic systems and rules for funding agreements. Overall, the tendency was still to require contractors to assign title to the Federal funding agency, although this was by no means universal. The Act then was intended to establish a truly uniform Government-wide statutory default rule of contractor retention of title, limited to nonprofit organization and small business contractors. Crucially, it facilitated this by explicitly superseding the *ad hoc* title allocation statutes. 35 U.S.C. § 210 (2006). There is no evidence that this section was intended to change any other legal relationships or the initial vesting of title in natural person inventors. Changing the latter would have entailed a profound revision of established practice and Federal and state law, warranting at least some discussion in the legislative history, of which there is none. Instead, § 210 was necessary simply to supersede the existing *ad hoc* statutes only

Before the Subcomm. on Monopoly and Anticompetitive Activities of the Select Comm. on Small Business, 95th Cong. (May 22, 23, June 20, 21, and 26, 1978) (Part 2: Appendix: GSA submission for the record: Minutes of meetings of interagency committees on revision of the draft of the Government-wide IPA (notes omitted), pp. 1831-43).

to the extent that they would require “a disposition of rights in subject inventions *of small business firms or nonprofit organizations contractors* in a manner that is inconsistent with this chapter” 35 U.S.C. § 210 (2006) (emphasis added). The intent was still to allocate title rights only as between the Federal agencies and their nonprofit and small business contractors. Accordingly, the quoted language limits itself to inventions *of* the contractors, *i.e.*, those to which they hold good title.

Thus, the first step in analyzing the effect of § 210 on any particular situation is to determine whether the small business firm or nonprofit organization contractor holds title to the invention. This, in turn, relies on determining whether the contractor has secured assignment of the invention from the inventors. If it has, then the allocation of title is, according to the Act’s rules, as specified in the funding agreement. If the contractor does not hold title to the invention, then the title allocation will be determined according to the underlying statute, to the extent it is still in effect and applicable. Section 210 is open-ended with regard to which other statutes it supersedes (“including but not necessarily limited to”) only because it anticipated that other statutes might be identified later, and future statutes might be passed, which affect title allocation as between small business firms and/or nonprofit organization contractors. 35 U.S.C. § 210 (2006) (“The Act creating this chapter shall be construed to take precedence over any future Act unless that Act specifically cites this Act and provides that it shall take precedence over this Act”).

Nothing in the legislative history of the Act indicates that it was intended to change the standard Federal Procurement Regulations rules *other than* to institute a default rule of contractor title for small business and nonprofit contractors (as between the contractor and Federal funding agency). Similar to the Kennedy Memo and Nixon Memo, the Act and its legislative history focus only on the allocation of title as between the contractor and the Federal funding agency.⁵ This is again because both the standard practice of securing assignments from employee-inventors was asserted to be settled and the GSA regulations had established an explicit requirement for such assignments in the patent rights clauses mandated for use in *all* extramural R&D contracts. Thus, for example, even where there is a reference to the Act “automatically” granting title to small businesses and nonprofits (subject to agency invocation of the exceptions to the default rule) in the Senate Report that serves as the primary legislative history for the Act, S. Rep. 96-480 at 36, this comment is directed to the fact that the Act was intended to change the existing *ex post* determination of title allocation as between contractor and Federal agency into an *ex ante* system in which the allocation was predetermined under the funding agreement (and hence was “automatic”).

⁵ With the exception of the mandatory sharing of royalties with inventors in the case of nonprofit contractors, 35 U.S.C. § 202(c)(7)(B) (2006), discussed in Part V *infra*, and the process for granting title back to inventors where contractors had originally secured title rights from the inventor, but then chose not to elect rights as against the federal funding agency under the Act, 35 U.S.C. § 202(d) (2006).

As discussed above in Part I, the Act's implementing regulations continued the GSA regulations' explicit requirement for contractors to secure patent rights from employee-inventors. Further, the Act's implementing regulations broadly tracked the earlier GSA regulations, creating a chain of continuity in the basic administration and content of the R&D procurement system, even for provisions not expressly required by the Act, and including the continuation of mandatory standard patent rights clauses. O'Connor at 15-23.

III. U.S. PATENT LAW HAS ALWAYS MANDATED THAT INVENTORSHIP AND INITIAL TITLE TO PATENTABLE INVENTIONS LIES WITH THE TRUE AND ORIGINAL NATURAL PERSON INVENTORS.

Under the U.S. Constitution, Art. I, § 8, cl. 8, and § 101 of the Patent Act, 35 U.S.C. § 101, both inventorship and initial ownership of patents vest only in natural person inventors who actually invent the subject matter: "*Whoever invents or discovers* any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title." 35 U.S.C. § 101 (2006) (emphasis added). Further, under § 102:

A *person* shall be entitled to a patent unless . . .

(c) he has abandoned the invention, or

(f) he did not himself invent the subject matter sought to be patented.

35 U.S.C. § 102 (2006) (emphasis supplied).

These provisions, taken together and with various other provisions, have consistently led leading commentators to conclude that both inventorship initial ownership vest *only* in natural person inventors, and not in non-natural legal persons, such as corporations:

At the heart of any ownership analysis lies the question of who first invented the subject matter at issue, because the patent right initially vests in the inventor who may then, barring any restrictions to the contrary, transfer that right to another, and so forth.

Beech Aircraft Corp. v. EDO Corp., 990 F.2d 1237, 1248 (Fed. Cir. 1993); *see also* Donald S. Chisum *et al.*, *Principles of Patent Law: Cases and Materials* 1235 (3d ed., Foundation Press, 2004).

By contrast, U.S. copyright law expressly allows for non-natural legal persons, such as corporations, to be “authors” in the context of works-made-for-hire. 17 U.S.C. §§ 101, 201(b) (2006). Thus both authorship and initial ownership of works-made-for-hire vest in the employer or commissioning agent, even if that is a non-natural legal person such as a corporation. In other words, authorship and ownership need never “pass through” a natural person who actually creates the work-made-for-hire. U.S. patent law does not now, and never has had, a similar doctrine. Rather, inventorship and ownership must always “pass

through” the natural person inventors who actually invent the subject matter.

However, patents and patent applications are given the attributes of personal property under the Patent Act, 35 U.S.C. § 261 (2006), and thus can be assigned or transferred just like any other property (subject to some limitations in the Patent Act). Such assignments can even be “prospective” in that they can convey title to patents yet to be issued, or applications yet to be filed, on inventions yet to be created. In fact, so long as a proper assignment has occurred, assignees can file applications on the inventor(s)’ behalf, with or without the inventor(s)’ direct involvement. 35 U.S.C. § 118 (2006). Such assignment may take the form of a written agreement between the parties, a specific statutory obligation to assign (as discussed *infra* in Part IV), or an equitable obligation to assign under the “hired to invent” doctrine (also discussed *infra* in Part IV). Under any of these mechanisms, the patent may be issued directly to the assignee. 35 U.S.C. § 152 (2006). Yet, none of the foregoing change the requirement that inventorship and ownership must still “pass through” the natural person inventors first. In fact, inventorship must always remain with the natural person inventors—in that they must all and only always remain listed on the issued patent—on pain of invalidation of the patent. 35 U.S.C. § 116 (2006).⁶ In sum, the foregoing underscore that

⁶ Errors of misjoinder (individuals listed as inventors who in fact did not make a substantial contribution to the invention) and nonjoinder (failure to list an individual who did make a substantial contribution to the invention) can, and must, be

inventorship and ownership must always start with the natural person inventors, in clear contrast to the work-made-for-hire doctrine in U.S. copyright law.

IV. ASSIGNMENTS OF INVENTIONS, ISSUED PATENTS, AND PATENT APPLICATIONS ARE GENERALLY GOVERNED BY A COMBINATION OF FEDERAL AND STATE COMMON LAW.

Because inventions, patent applications, and issued patents are treated as personal property under 35 U.S.C. § 261, title to such property can be freely transferred like other personal property. *See id.* In most cases, this transfer of title will take the form of a written assignment agreement. As a contract, this agreement will in large part be governed and interpreted by state contract law. However, because such assignments also bear directly on questions of standing to sue on the patent, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) has held that it can develop Federal case law on the matter. *DDB Techs., L.L.C. v. MLB Advanced Media, L.P.*, 517 F.3d 1284, 1290 (Fed. Cir. 2008). Nonetheless, this developing case law of the Federal Circuit appears to rely on standard principles of common law contract and property. It fills in interstitial gaps important and specific to patent assignment and licensing contracts rather than supplanting

remedied under special provisions in the Patent Act for this purpose. 35 U.S.C. § 256 (2006).

common law principles with inconsistent or contrary rules or principles.

Similarly, this Court has established case law on the allocation of invention title between employers and employees in the absence of a written agreement that is largely consistent with the existing common law rules. *U.S. v. Dubilier Condenser Corp.*, 289 U.S. 178 (1933). This tripartite invention allocation framework is often, and somewhat misleadingly, referred to collectively as “shop rights” and was developed from Nineteenth Century case law. The first part is the true shop right: where an employee uses his employer’s resources or time to invent, the employee may retain title, but must grant a perpetual, non-exclusive license to the employer. This license is not transferable and questions have arisen as to whether it can even survive any change of control of the firm. The second part is the “hired to invent” doctrine. Where the employee was specifically hired to invent the sort of thing ultimately invented, this doctrine equitably vests title to the invention in the employer. The challenge with this rule is the evidentiary support required of employers to show that an employee was specifically hired to invent the kind of thing invented and on which the employer is now making an equitable claim to title. The third part has no specific name, but is where the employee invents on his own time and with his own resources, and was not hired to invent that kind of thing. In this case, the employee retains the title free and clear, with no license necessarily granted to the employer (unless the employee decides to grant one).

The only other binding law on the assignment of title to inventions, patent applications, and issued patents is the collection of *ad hoc* title allocation statutes, superseded by the Act as discussed in Part II above. An analysis of the background, implementation, and interpretation of these statutes is well beyond the scope of this brief. Thus, APLA does not attempt to answer whether these statutes divested third party inventors (*i.e.*, those not in privity with the Government) of title to their inventions without regard to whether assignment agreements were in place or the inventors were “hired to invent,” or whether they operated similarly to the broader category of Federal R&D contracts that relied on contractors to secure title rights from employee-inventors. Even if these statutes are properly construed to have divested title from inventors by operation of law—*i.e.* without an assignment agreement or “hired to invent” relationship—they are limited to narrow areas of exceptional national interests such as national security, atomic energy, and space exploration.⁷ These statutes included unambiguous language stating that the invention would be transferred from the *inventor* and giving special provisions for how the USPTO should process any application claiming an invention in the field of technology. Bayh-Dole contains no such language and therefore title must be transferred from the inventors for inventions arising under Federal funding by a proper assignment agreement.

⁷ See, for example, rights of the Atomic Energy Commission at 42 U.S.C. § 2182 and rights of the National Aeronautical and Space Administration at 42 U.S.C § 2457(a)(2).

V. INTERPRETING THE ACT TO TRANSFER TITLE FROM INVENTORS BY OPERATION OF LAW WOULD AMOUNT TO AN UNCONSTITUTIONAL, PERPETUAL, AND EFFECTIVELY INDETERMINATE STREAM OF TAKINGS FROM UNIVERSITY INVENTORS

Federal funding is involved in an enormous amount of university research. Such research is not limited to any particular fields of science, technology, or arts. Further, the range of faculty, staff, students, and non-employee individuals involved in such research may be as broad as the range of such personnel involved in the university enterprise generally. Petitioner's interpretation of the Act presumes that Congress authorized the Government to engage in an effectively indeterminate stream of takings of private property—the initial title of inventors to their inventions, patent applications, and issued patents—with no explicit provision for due process or fair compensation, rendering it unconstitutional. The scope of such takings would be determined only by the question of whether Federal funding was used, even if only in small part, for the research that led to the invention.

Such a massive and broad-based system of takings was not part of the pre-Bayh-Dole Federal R&D procurement system. While there were intense debates over the merits of the “title” vs. “license” positions, the Government's rights to either were established by *contract* not by statute. The AG Report recommended a title policy for all but

exceptional cases; it argued this based on the Government's "equity" in inventions to which it had contributed funding. But nothing in the Report argued that the Government had a *legal* right to this "equity" other than whatever contractual rights (and implied contract rights) specific Federal funding agencies had negotiated with the contractors with which they were directly in privity. The issue instead was what patent title policy the various Federal agencies should adopt in negotiating funding agreements with contractors. This is little different from the decision any private party must make when funding or investing in research that might lead to patentable inventions.

Further, the AG Report expressly considered whether contractors would be able to deliver title from their employee inventors and concluded that most contractors in fact already had patent assignment agreements in place with relevant employees. Accordingly, the AG Report relied on such contractor employee assignment agreements in restricting its focus to the merits of title vs. license policies *only* with regard to the Government and contractor. As discussed in Part II above, the subsequent extramural R&D patent policies of the Kennedy and Nixon Administrations explicitly required that contractors secure agreements from their inventive employees in order to protect the Government's rights. This system was incorporated directly into the Act and its implementing regulations, which remain in effect to this day.

Petitioner's position is undermined by the Government's right to practice privately held patents without authorization under 28 U.S.C. § 1498. First,

the Government is not authorized to take *title* to the patents, but only to *practice* the patented invention. Second, the statute expressly provides that patent owners whose exclusive rights are infringed by such actions may seek fair compensation for such use in the Court of Federal Claims. There is no such provision in the Bayh-Dole Act to compensate for the even greater encroachment that results from Petitioner's position that the Act "automatically" transfers title from the inventors to the contractor by operation of law. The inventor's "right" to share in the royalties arising from her invention under § 202(c)(7)(B) cannot serve this function for two reasons. First, this subsection applies *only* to nonprofit contractors, which would mean that a completely *uncompensated* taking would be authorized with regard to employee inventors of small business contractors. Second, the nonprofit/university inventor's right to share in the royalties has been held to not require any fixed ratio or even minimum rate or amount.⁸ *Platzer v. Sloan-Kettering Institute*, 787 F. Supp. 360, 365, 367-368 (S.D.N.Y. 1992). Accordingly, this can hardly be said to satisfy the constitutional requirements of due process and *fair* compensation for Federal takings.

Such minimal or nonexistent compensation might be justified by the fact that the Government is providing funding for the research leading to the invention, except that the Government is not paying the inventor directly. Rather it is funding the contractor, which may or may not in turn be

⁸ Indeed, the Department of Commerce declined to specify any rates, ratios, or minimums for this revenue sharing in the Act's implementing regulations. O'Connor at 35.

transferring any part of the research funding to the inventor (other than to support the research). Contrast this with the normal intellectual property rights assignment or “hired to invent” employment scenarios. These give rise to invention assignments in which inventors are being compensated for their assignments in part of the regular employment compensation.⁹ But few faculty are “hired to invent” within the meaning of that doctrine, in that they are hired to research and teach generally, but are not directed to solve specific problems. Their inventions are generally incidental to their faculty obligations of teaching, research, and service. Finally, a number of universities do not have general obligations or expectations for all faculty to assign all inventions that might arise during the term of employment. In these cases, faculty members would receive no compensation or consideration for assigning their inventions other than the potential for some statutorily undefined share of royalties. This would seem to be an unconstitutional taking with neither due process nor fair compensation.

An interpretation of the Act as a contracting regime, as argued by AIPLA, avoids these thorny constitutional issues. Under the contract approach, the Federal agency negotiates and executes a funding agreement with a university contractor, within the statutorily defined parameters, which in turn requires the contractor to enter into (or have in place already) appropriate contracts with its various

⁹ One may argue whether such compensation is fair to the employee for her invention. But that is a matter of labor markets and employment negotiations, not a statutory directive.

faculty, staff, students, and affiliated inventors to secure the Government's rights. This is in the contractor's interest anyway, as it should be protecting its own rights by contract with inventors, as discussed further in Part VI below. It would be foolhardy for the university to instead rely on the hired to invent doctrine to secure its own interests especially with regard to the majority of faculty and students who have not been hired to invent within the meaning of that doctrine. This approach is also far more consistent with the general Federal procurement system than Petitioner's position premised on an effectively indeterminate massive stream of unconstitutional takings.

VI. UNIVERSITIES ARE WELL ABLE TO SECURE THE NECESSARY RIGHTS UNDER ASSIGNMENT AGREEMENTS WITH INVENTORS, AS THEY ALREADY MUST PROTECT THEIR INTERESTS IN INVENTIONS ARISING FROM UNIVERSITY RESEARCH.

Petitioner argues that this Court must adopt their interpretation of the Act or else they would not be able to secure the Government's rights in Federally-funded inventions nor be able to assure prospective licensees of clear chain of title in such inventions. Admittedly, tracking the contributions of a number of different researchers over time, as well as monitoring those researchers' consulting and other external activities is challenging. But this is equally true for non-Federally funded research as it is for Federally funded research.

Petitioner therefore commits itself to a proposition sure to distress its licensees and other funders: it cannot ensure clear chain of title to the inventions it purports to own *without* the supervening intervention of a Federal law assigning title from inventors by operation of law. Because many university inventions arise outside of Federal funding, then such a supervening statute is not even arguably available for those inventions.

Reports of “backdoor” inventions that wind up being patented outside of the university because university personnel simply fail to disclose them to the university are not unique to universities. Nonprofit research institutions, private firms, and even the Government all face similar problems. What may differ are: the culture of employment agreements; the possibility of invoking “hired to invent” equitable claims; and the willingness and ability of the organization to enforce its assignment rights. But the contractual rules for establishing ownership and control of inventions are applicable to all organizations. Thus, universities are no less able to secure the necessary assignments from inventors than are private firms, other nonprofit research institutions, and the Government. Indeed, they must already do so to protect their own interests in patentable research results, whether produced under Federal funding or not. Accordingly, this Court should not feel pressured to address the chain of title responsibilities of universities—or other Federal contractors—in the limited field of Federally-funded inventions. The same contractual mechanisms which universities must use to protect their own interests can and

must—under a proper interpretation of the Act and its implementing regulation—be used to protect the Government’s interests as well.

Specifically, universities should use contractual assignment provisions for present assignments of a defined class of future inventions, or should use conditional agreements to assign where the university requires the inventor to add clauses to all third party agreements that establish the university’s senior claims to a defined class of inventions. Present assignments, sometimes called “prospective” assignments, effectuate an immediate transfer of ownership rights to future inventions. These can be limited to defined classes of inventions, *e.g.*, “inventions arising from Federally funded research.” Such an approach can preserve the flexibility desired by some universities to avoid appropriating all faculty inventions in favor of only receiving title to certain kinds of inventions. If the university still wants to use a conditional assignment agreement, *i.e.*, one that only effectuates an obligation to assign inventions in the future, it can do so as long as it requires researchers to include “supremacy” intellectual property clauses in agreements for any outside consulting or other activities that might give rise to patentable inventions. Such an approach was recently upheld in *Cephalon, Inc. v. Johns Hopkins University*, 2009 WL 4896227 (Del. Ch. 2009). Accordingly, universities are well able to secure the necessary rights to protect their own and the Government’s interests and rights.

Admittedly, some inventions will slip through even with the best arrangements in place.

This is regrettable, but it is not the end of the world. Many, if not most, inventions arising in university research will prove not to be valuable to anyone, and may never be commercialized simply for business reasons. The specter raised by the Petitioner and others is that a steady stream of valuable and/or socially critical inventions arising under Federal funding will improperly flow out to private ownership without passing through the proper Bayh-Dole allocation system. Under the Federal Circuit's ruling below, title to such an invention may be irretrievably lost if a superior assignment claim is made by an outside individual or entity over the university's assignment claim. As pointed out by the Federal Circuit, however, the university will still have breach of contract claims against the researcher who appears to have improperly assigned the invention. It is true that a suit based on these claims may be impractical as a way to recover any substantial damages or because of the effects such a suit could have on university employee morale and public relations. But those considerations do not moot the claims and universities may find such suits more practical in some cases than others.

In sum, while it does seem odd that an inventor can intentionally or inadvertently subvert the intended title allocation system of the Act, this risk must be balanced against the risks of alternative title allocation systems that Congress might have enacted, particularly that advocated by the Petitioner. Congress appears to have chosen a flexible contract-based system in line with the GSA regulations and IPAs and in conformance with the

general Federal procurement system. This system also respects the bedrock principle of U.S. patent law that inventorship and ownership in all cases start with the natural person inventors and respects the free market, contract-based assignment system for inventions.

The risk of failed contractual performance and occasional lost title is arguably mitigated both by the longstanding reliance on the contractor practice of securing proper title agreements (as first established in the AG Report) and by the benefits of a flexible contract-based system. This contrasts with the rigidity of an automatic title allocation system that transfers title by operation of law, which invites constitutional challenges based on Government takings from an undefined class of inventors across an effectively indeterminate range of inventions.

Regardless of whether one ultimately agrees with the policy, it is clear that the decision by Congress was a reasonable one, firmly rooted in existing practice and the Federal procurement system, yet with a different contractual default rule. Overall, the system seems to have achieved its goals admirably. It should not now be disrupted by revisionist history of the Act and an unusual fact pattern.

CONCLUSION

For all these reasons, AIPLA respectfully requests that the Court clarify the decision of the Federal Circuit.

Respectfully submitted,

*DAVID W. HILL,
PRESIDENT
AMERICAN INTELLECTUAL
PROPERTY LAW
ASSOCIATION
241 18TH STREET, SOUTH
SUITE 700
ARLINGTON, VIRGINIA 22202
(703) 415-0780
DAVID.HILL@FINNEGAN.COM

SEAN M. O'CONNOR
UNIVERSITY OF
WASHINGTON SCHOOL OF
LAW
LAW, TECHNOLOGY, AND
ARTS GROUP
Professor of Law, Director

** Counsel of Record
Counsel for Amicus Curiae*