

## Proceed With Caution: Does that Employment Agreement Have a Proper IP Assignment?

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On June 6, 2011, the Supreme Court ruled that the Bayh-Dole Act does not automatically vest title to federally funded inventions in federal contractors in *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc., et al.* The Bayh-Dole Act generally enables non-profit organizations, such as universities, to obtain title to inventions made under federally funded research programs while reserving march-in rights to the federal agency providing the funding. From a practical viewpoint, the entire litigation including this appeal could have been easily avoided through proper drafting of the IP clause in the employment agreement at issue, as further discussed below.

The inventor of the patent at issue was Stanford research scientist Mark Holodniy, who signed an agreement stating that he “agree[d] to assign” any inventions resulting from his employment to Stanford. During his time at Stanford, however, Holodniy was sent to conduct research at Cetus where he signed another similar agreement later in time stating that he “will assign and do[es] hereby assign” any inventions made as a consequence of his access to Cetus. Holodniy’s work resulted in methods for measuring HIV levels in blood samples. Stanford went on to obtain patents to the measurement methods.

Roche acquired Cetus and sold HIV tests that incorporated the patented methods. In the suit brought by Stanford, the district court held that—because Holodniy’s research was funded by the National Institutes of Health and therefore subject to the Bayh-Dole Act—Holodniy had no interest left to assign to Cetus. The Court of Appeals for the Federal Circuit disagreed on appeal by Roche, and held that Holodniy’s agreement with Stanford was merely a *promise to assign* while his later agreement with Cetus *actually assigned* his rights. Thus, Roche had an ownership interest in the patents, and Stanford lacked standing to sue Roche for infringement. The Supreme Court affirmed the judgment of the Federal Circuit.

The majority opinion by Chief Justice John Roberts stressed that rights in an invention belong to the inventor, but can be assigned to a third party if there is such an agreement. Stanford argued that the Bayh-Dole act reorders the priority of rights, so that the federal contractor automatically receives the rights instead of the inventor. The Supreme Court rejected this argument, and noted that an “effective assignment” would have transferred rights in the inventions to Stanford.

Federal contractors such as universities, and business entities in general, need to carefully evaluate the assignment provisions in employee and consulting agreements to ensure they are sufficient. In particular, the agreement should always include a present assignment clause rather than a promise or an agreement to assign in the future. Moreover, all employers should keep a watchful eye on the other agreements their employees sign with joint development or research partners, or risk losing their rights to employee inventions they would otherwise own. In our view, using language such as “will assign and does hereby assign” as in the Cetus assignment or other appropriate language should avoid the complete loss of title that Stanford suffered.

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