

LANGUAGE IN ITS OWN EMPLOYMENT AGREEMENT LEADS TO LOSS OF PATENT RIGHTS FOR STANFORD UNIVERSITY

Last week, Stanford University discovered what we have been saying for years - the particular language in your employment agreement regarding the assignment of rights in inventions is critical. Stanford discovered this when the Court of Appeals for the Federal Circuit told it that it did not have standing to bring its patent infringement suit and dismissed the case.¹

The critical language in the Stanford employment agreement was the *promise* to assign rights in an invention to be made instead of the assignment of rights in an invention to be made.

The case involved three patents and multiple inventors. Three Stanford researchers (Holodniy, Merigan, and Katzenstein) are named on all three patents and a fourth inventor (Kozal) is named on one of the patents. When Holodniy joined the research program at Stanford, he signed a "Copyright and Patent Agreement" ("CPA") that states: "I agree to assign or confirm in writing to Stanford and/or Sponsors that right, title and interest in ... such inventions as required by Contracts or Grants." In other words, Holodniy made a promise to do a future act, *i.e.*, to assign his rights in an invention at some future time.

The inventions claimed in the patents use a polymerase chain reaction ("PCR") to measure ribonucleic acid in blood plasma. Holodniy had no experience with PCR techniques and so began to regularly visit Cetus, "a company where PCR techniques matured in the early 1980s." Holodniy signed a "Visitor's Confidentiality Agreement" ("VCA") with Cetus. The VCA states that Holodniy "will assign and do[es] hereby assign to CETUS, my right, title and interest in each of the ideas, inventions and improvements" that he develops "as a consequence of" his work at Cetus. In other words, Holodniy, at that moment, assigned his rights in any such inventions.²

Cetus was later acquired by Roche, the defendant in the lawsuit.

In the United States, absent assignment, inventions are owned by the inventors. When there are multiple inventors on a patent, each inventor owns an undivided interest in the patent.³

¹ *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc.*, No. 2008-1509, -1510 (Fed. Cir.)

² Many attorneys ask if a person can make an effective assignment of rights in something that does not exist and may never exist, *i.e.*, an invention that may or may not be made at some future time. The answer is yes. A person can make a present assignment of such a future interest.

³ 35 U.S.C. § 262 states:

In this case, as soon as Holodniy made his portion of the inventions claimed in the patents, his rights in those inventions belonged to Cetus. Thus, when he later attempted to fulfill his obligations under his agreement with Stanford to assign his rights to Stanford, he had nothing left to assign.

In patent cases, all of the owners of the patent normally must join as plaintiffs. Stanford failed to join all of the co-owners (Stanford and Roche) and thus lacked standing to sue Roche.

What You Need To Know

The primary lesson of this case is straightforward. Agreements that only provide a *promise* to assign allow others to step in front of you and cut-off your rights. Agreements should "hereby assign" the appropriate intellectual property rights.

*If you have any questions regarding this issue or other patent and intellectual property matters, please contact **Bruce Wieder** at **202-776-2888** or **bwieder@dowlohnes.com**.*

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