INVENTION ASSIGNMENTS: A CAUTIONARY TALE

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This is a review of a recent decision of the United States Court of Appeal for the Federal Circuit which has implications for business law practitioners, particularly those with a technology practice.

The case is *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc.* A cite for the case can be obtained upon request.

The facts, briefly, are that an individual (Holodniy) joined Stanford as a "Research Fellow" and at that time signed a Copyright and Patent Agreement ("CPA") that obligated him to assign his inventions to Stanford.

Under the CPA, Holodniy agreed to, in the future, assign all right, title and interest in and to inventions within a certain scope, to Stanford. Soon after joining Stanford, he began to visit a pharmaceutical manufacturer to work on a certain method and signed a "Visitor Confidentiality Agreement" ("VCA"). The VCA stated that he would: "…assign and do[es] hereby assign to the manufacturer, my right, title and interest in each of the ideas, inventions and improvements…" that he might devise "as a consequence" of his work at this manufacturer.

Eventually his research with the manufacturer produced a successful procedure in his field for measuring the activity of a drug (an "assay"). He then tested the new assay at Stanford. This resulted in an invention and the basis for patent applications.

Then, Roche purchased the pharmaceutical manufacturer. In the meantime, Stanford filed and prosecuted three (3) patent applications for the assay inventions, naming itself as assignee. Roche used the same assay methods, when they incorporated them in HIV detection kits. Ultimately Stanford sued Roche for patent infringement and Roche counterclaimed to defeat Stanford's title and obtain a judgment that it owned Holodniy's interest in the patents. The decision of the Courts was quite interesting and cautionary. The Court held that the wording contained in the CPA with Stanford, namely to "agree to assign" reflected a mere promise to assign rights in the future, not an immediate transfer of an interest. This may have provided Stanford with an equitable right that it could enforce against Holodniy, but the CPA did not grant Stanford an immediate title to his invention. However the VCA contained the different language as indicated above. It contained positive, immediately-effective language, and the Court found it caused an immediate assignment of any future invention of Holodniy to the manufacturer which Roche acquired. Thus the manufacturer gained title sufficient to defeat Stanford's interests. Stanford was found to have a defective title.

In November, 2010, the U.S. Supreme Court agreed to hear an appeal of this decision, and a decision is expected in 2011. The outcome in this case turns on U.S. law including unique legislation, both Federal and California State law, so the outcome in this decision should not be considered binding in Alberta or Canada. However, in our view this case serves as a reminder that the precise wording of assignments will have a significant effect on any ownership dispute. In our experience, ownership disputes arise regularly, and technology companies must consider very carefully the wording that they employ. ▲

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