

**Bd. of Trs. v. Roche Molecular Sys., Inc.**

No2. 08-1509, -1510, Fed. Cir. (Linn,\* Prost, Moore)

***[For purposes of defeating a bona fide purchaser claim under 35 U.S.C. § 261, an] organization can be charged with notice of its employees' assignments.***

On September 30, 2009, the Federal Circuit, inter alia, vacated the district court's judgment that U.S. Patents No. 5,968,730, No. 6,503,705, and No. 7,129,041, which related to polymerase chain reaction (PCR) methods of measuring ribonucleic acid (RNA) from human immunodeficiency virus (HIV) in the blood plasma of infected humans who are taking drugs such as zidovudine (AZT), were invalid for obviousness. The Federal Circuit stated:

Holodniy signed multiple contracts defining his obligations to assign his invention rights. . . . "Once the invention is made and an application for patent is filed, however, legal title to the rights accruing thereunder would be in the assignee [and] the assignor-inventor would have nothing remaining to assign." "Ordinarily, no further act would be required once an invention came into being; the transfer of title would occur by operation of law." Stanford filed the parent application to the patents-in-suit [and] there can be no dispute that Holodniy conceived his contribution to the invention by that date. Therefore, Cetus's equitable title converted to legal title no later than the parent application's filing date. [B]ecause Cetus's legal title vested first, Holodniy no longer retained his rights, negating his subsequent assignment to Stanford during patent prosecution. . . .

To overcome its defective chain of title, Stanford argues that it was a bona fide purchaser under 35 U.S.C § 261 . . . . "Generally, a bona fide purchaser is one who purchases legal title to property in good faith for valuable consideration, without notice of any other claim of interest in the property." Stanford contends that it purchased Holodniy's rights through his 1995 assignment of the parent application for "good and valuable consideration," that Cetus and Roche never recorded their interests with the Patent and Trademark Office, and that Stanford received no notice of Holodniy's countervailing assignment to Cetus. However, Stanford's argument fails because there can be no genuine dispute that Stanford had at least constructive or inquiry notice of the VCA [(Cetus Visitor's Confidentiality Agreement)]. Stanford's claim that it remained ignorant of the VCA until shortly before the current litigation is inconsequential. The CPA [(Copyright and Patent Agreement)] established an employment relationship between

Holodniy and Stanford, and Holodniy's PCR work at Cetus related directly to his infectious disease research at the university. Moreover, Merigan, Holodniy's supervisor at Stanford, directed Holodniy to work with Cetus and himself executed Materials Transfer Agreements with Cetus that allocated intellectual property rights. An organization can be charged with notice of its employees' assignments. . . .

The district court held in the alternative that the Bayh-Dole Act negated Holodniy's assignment to Cetus because it empowered Stanford to take complete title to the inventions. Congress passed the Bayh-Dole Act "to promote the utilization of inventions arising from federally supported research or development" and "to ensure that the Government obtains sufficient rights in federally supported inventions." The Act allows the Government to take title to "subject inventions" under certain circumstances, or the "contractor" universities or inventors to retain ownership if the Government does not. Stanford contends—and the district court agreed—that Bayh-Dole allowed Stanford a "right of second refusal" to the patents after the Government refrained from exercising its rights. [W]hen the Bayh-Dole Act's provisions are violated, "the government can choose to take action; thus, title to the patent may be voidable. However, it is not void: title remains with the named inventors or their assignees. Nothing in the statute, regulations, or our caselaw indicates that title is automatically forfeited." Thus, the Act did not automatically void Holodniy's assignment to Cetus, and provided the Government with, at most, a discretionary option to his rights. . . . Regardless of any state law contractual obligations between an academic and his university, "the primary purpose of the Bayh-Dole Act is to regulate relationships of small business and nonprofit grantees with the Government, not between grantees and the inventors who work for them." Therefore, in this case, the Bayh-Dole statutory scheme did not automatically void the patent rights that Cetus received from Holodniy. . . .

Notwithstanding the running of the statutes of limitation against Roche's claim for a judgment of ownership, Stanford's inability to establish that it possessed Holodniy's interest in the patents-in-suit defeats its right to assert its cause of action against Roche. It is well settled that "all co-owners normally must join as plaintiffs in an infringement suit." Roche asserted its ownership claim not only as a counterclaim seeking a judgment of ownership of Holodniy's interests, but also as an affirmative defense and a challenge to Stanford's standing to assert claims of infringement against Roche. While Roche's failure to timely seek a judgment of ownership defeats its counterclaim, it does not alter the fact that Stanford cannot establish ownership of Holodniy's interest and lacks standing to assert its claims of infringement against Roche. Thus,

the district court lacked jurisdiction over Stanford's infringement claim and should not have addressed the validity of the patents. The district court's grant of summary judgment of invalidity is therefore vacated, and the case is remanded with instructions to dismiss Stanford's claim for lack of standing.

*The previous statements are for information purposes only, and do not constitute legal advice. Questions regarding the matters discussed above, and any requests to be subscribed to the free electronic distribution of this publication, may be directed to Lawrence M. Sung, Ph.D., at +1 202.346.7850 or lsung@dl.com, or to any other Dewey & LeBoeuf LLP attorney with whom you regularly consult.*

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