

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 Federal Circuit**

**BRIEF OF INTEL CORPORATION, ELI LILLY
AND COMPANY, JOHNSON & JOHNSON,
LIFE TECHNOLOGIES CORPORATION,
PFIZER INC., AND SAP AMERICA, INC. AS
AMICI CURIAE IN SUPPORT OF RESPONDENTS**

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LIFE TECHNOLOGIES CORPORATION,
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AMICI CURIAE IN SUPPORT OF RESPONDENTS**

INTEREST OF *AMICI CURIAE*¹

To better “promote collaboration between commercial concerns and . . . universities,” Congress passed the Bayh-Dole Act. 35 U.S.C. § 200 *et seq.*

Amici curiae are a diverse group of companies that make semiconductors, software, pharmaceuticals, medical devices, biotechnology tools, and consumer products. Collectively, *amici* spend close to \$30 billion annually on research and development, frequently collaborating with universities and small businesses in the development of new products and technologies. *Amici* collectively own tens of thousands of patents, which they rely upon to protect their substantial investments in research and development.

In their collaborations with universities and small businesses, *amici* use contracts to govern the distribution of intellectual property rights arising from those collaborations. This case presents the question whether a university that funds research

¹ Pursuant to this Court’s Rule 37.3(a), letters of consent from all parties to the filing of this brief have been submitted to the Clerk. Pursuant to this Court’s Rule 37.6, *amici* state that this brief was not authored in whole or in part by counsel for any party, and that no person or entity other than *amici* or their counsel made a monetary contribution intended to fund the preparation or submission of this brief.

with federal money may use the Bayh-Dole Act to nullify the patent rights of its industrial collaborator in a jointly developed invention. Petitioner's central contention is that the Bayh-Dole Act empowers a university to dispossess inventors and their assignees of all their rights in any invention that is made a "subject invention" under the Act, even if the government-funded university itself otherwise has no rights in that "subject invention."

Amici curiae have a substantial interest in the correct resolution of that contention because it will likely control the nature and extent of their future collaborations with universities and their employees and students. Moreover, because Executive Order No. 12,591 purports to extend the Bayh-Dole regime to a wide range of government contractors, this Court's resolution of the question presented could impact *amici's* ability to collaborate with virtually any recipient of government funding (or any of its employees).

If petitioner's interpretation of the Bayh-Dole Act is adopted by this Court, the Act will discourage the research collaborations it was intended to foster. Petitioner's interpretation of the Act leaves an industrial collaborator with few means to protect its inventive contributions from seizure. And, as explained *infra*, even a firm that bars the door to any would-be collaborators could still find its intellectual property jeopardized by petitioner's interpretation of the Act.

STATEMENT

The critical facts, undisputed in this Court, are:

At all pertinent times, the named inventors of the patents-in-suit were employed by Stanford and

were part of a team conducting research into means of detecting HIV, the virus that causes AIDS. That team, led by Dr. Thomas Merigan, determined that a groundbreaking biochemistry technique—the polymerase chain reaction (“PCR”)—might have implications for its research. The PCR technique had been developed by scientists at Cetus Corporation in the mid-1980s. Merigan arranged for his colleague Dr. Mark Holodniy, who had no experience with PCR techniques, to conduct research at Cetus, where Merigan was on the scientific advisory board. Pet. App. 17a, 31a, 34a-35a.

As a condition to gaining access to Cetus and its proprietary information, Holodniy signed a Visitor Confidentiality Agreement (“VCA”) that assigned to Cetus Holodniy’s “right, title, and interest” in any invention made “as a consequence of [his] access” to Cetus facilities. Pet. App. 35a-36a (quoting VCA). Although Holodniy previously had agreed to assign (at some unspecified future date) his rights in inventions made in the scope of his employment at Stanford, he had not, at the time he assigned his rights to Cetus, actually assigned any such rights to Stanford. *Id.* at 13a-14a. Merigan and Stanford had at least constructive knowledge of Holodniy’s assignment of his rights to Cetus. *Id.* at 16a-17a, 64a. Indeed, Stanford negotiated other collaborative agreements with Cetus, but none of those agreements specifically addressed the activities of Holodniy. *See id.* at 4a-5a, 17a, 33a.

Holodniy worked at Cetus for nine months in 1989. During the time he worked at Cetus, Holodniy conceived the patented invention at issue in this litigation. Pet. App. 56a-57a. Both courts below found—and it is not disputed here—that the inven-

tions at issue arose “as a consequence of” Holodniy’s access to Cetus, triggering Holodniy’s assignment to Cetus. *Id.* at 15a, 64a-65a.

Holodniy returned to Stanford. At some point, Stanford began funding Dr. Merigan’s clinical research on use of PCR as an HIV diagnostic tool with federal funds.² With the assistance of those federal funds, Holodniy employed the knowledge he gained at Cetus and, working with two others, reduced the invention conceived at Cetus to practice.

Unbeknownst to Cetus, Stanford filed patent applications for the invention in 1992, eventually naming Holodniy as one of four inventors. Pet. App. 5a, 40a. Stanford claimed that the invention was a “subject invention” under the Bayh-Dole Act, based on its assertion that the invention had been reduced to practice with the assistance of federal funds, and notified the government in April 1995 that it was electing to “retain title” to the invention conceived at Cetus and assigned by Holodniy to Cetus. *Id.* at 5a-6a. Holodniy did not assign his rights in the invention to Stanford until May 1995—six years after he had assigned those rights to Cetus. *Id.* at 14a, 19a.

But for the fact that Stanford funded Merigan’s research with money from the federal government, there would be no question that Stanford and Cetus’s

² In this Court, Stanford claims that the government funding for Merigan’s research began before Holodniy joined Merigan’s lab in 1988. Pet. Br. 17. But Stanford’s briefing below suggests that the federal funding began in July 1990—eight months after Holodniy returned to Stanford from Cetus and long after the invention had been conceived there. Stanford C.A. Reply Br. 43 (referring to “federally funded clinical research at Stanford beginning in July 1990”).

successor-in-interest Roche are co-owners of the invention. *See* Pet. App. 27a-28a. Yet Stanford contends that because it made a unilateral decision to underwrite Merigan’s research with federal funds (on its earlier telling, after the invention was conceived at Cetus), the Bayh-Dole Act governs the distribution of patent rights. Under that Act, Stanford argues, its unilateral election to “retain title” to the invention retroactively voided Holodniy’s otherwise valid prior assignment to Cetus, divested its collaborator of any interest in the invention, and arrogated that interest to itself.

The Federal Circuit was “unconvinced of Stanford’s interpretation of the Bayh-Dole Act.” Pet. App. 19a. It found no “authorities or reasons” adequate to explain why “election of title under the Bayh-Dole Act had the power to void any prior, otherwise valid assignments of patent rights.” *Ibid.* If the Act did “not automatically void ab initio the inventors’ rights in government-funded inventions,” the panel could find “no reason why the Act voids prior contractual transfers of rights.” *Id.* at 19a-20a.

SUMMARY OF ARGUMENT

According to Stanford and the government, the Bayh-Dole Act empowers a university to dispossess inventors and their assignees of all their rights in any invention conceived or first actually reduced to practice using federal funds. This interpretation of the Act, however, cannot be squared with the plain text of the Act or the agency regulations implementing it. Nor can it be squared with the Act’s central purpose: to promote collaboration between industry and academia.

I. The Bayh-Dole Act does not diminish inventors' rights in their inventions. Consistent with the Constitution's authorization to Congress to award patents to "Inventors," it has been well established since the Founding that patent rights vest initially in the inventor. On the rare occasions when Congress has departed from this principle, it has done so explicitly. But nowhere does the Bayh-Dole Act explicitly divest inventors of the rights in their inventions.

To the contrary, the text of the Act makes plain that it applies only to inventions in which a contractor such as a university already has acquired rights. The Act governs the disposition of rights only in "subject invention[s]," 35 U.S.C. § 202(a), which the Act defines as "any invention *of the contractor* conceived or first actually reduced to practice in the performance of work under a funding agreement," *id.* § 201(e) (emphasis added). The phrase "invention of the contractor" can mean only an invention in which the contractor already has acquired rights, for only then could the invention properly be said to be an invention *of the contractor*.

The text of the Act also makes plain that it does not empower a university to seize rights in an invention in which it previously had none. Under the Act, universities may "elect to retain title to any subject invention." 35 U.S.C. § 202(a). But a university cannot sensibly elect "to retain" that which it has not yet received.

That the Act does not diminish inventors' rights in their inventions is reflected in the Department of Commerce's regulations. By instructing all contractors "to require, by written agreement," their technical employees "to execute all papers necessary . . . to establish the government's rights in the subject in-

ventions,” 37 C.F.R. § 401.14(f)(2), the Department’s regulations presume that inventors will initially possess the rights in their inventions, and that a university will secure patent rights by traditional contract with inventors.

Nor does the historical background of the Bayh-Dole Act support Stanford’s and the government’s effort to read traditional inventorship and assignment rights out of the Bayh-Dole regime. While it is true that Congress intended the Act to bring uniformity to the *mélange* of preexisting agency policies on patent rights, there is nothing in the Act’s history to suggest that Congress intended to achieve such uniformity by empowering universities to divest inventors and assignees of all rights in inventions created with the assistance of federal funding. The far more reasonable inference to be drawn from the Act’s history is that Congress meant to preserve the fundamental principle that all rights in a patent originate in the inventor and pass only by assignment.

II. The Bayh-Dole Act was intended “to promote collaboration between commercial concerns and non-profit organizations, including universities.” 35 U.S.C. § 200. But Stanford’s interpretation of the Bayh-Dole Act threatens the very collaboration the Act was intended to foster.

Indeed, Stanford’s novel interpretation of the Act would discourage collaboration by allowing universities and other contractors to engage in predatory behavior. Under Stanford’s view, for example, a university could attempt to escape its contractual obligations and terminate a commercial collaborator’s rights in an invention simply by sprinkling the research project with a modest amount of federal funds. What is more, a company could be stripped of

its rights in an invention even if it had not entered into a collaboration at all: An employee could conceive an invention at a company, assign all rights in the invention to the company, and then decamp to a university and there actually reduce the invention to practice with federal funds. On Stanford's and the government's view, the *post hoc* federal funding nullifies any previous contractual assignment.

Congress could not have intended the Bayh-Dole Act to generate such unsettling and disquieting results. The practical effect of Stanford's and the government's interpretation is to place the burden on commercial partners to monitor not only their own employees but also those of the university, in order to ensure that the company's rights in an invention are not threatened by the expenditure of federal money. This, manifestly, is not what Congress intended, for it would inevitably chill the very collaboration the Act was meant to foster.

ARGUMENT

I. THE BAYH-DOLE ACT DOES NOT DIMINISH INVENTORS' RIGHTS IN THEIR INVENTIONS.

A. All Rights In A Patent Originate In The Inventor And Pass Only By Assignment.

Article I of the Constitution empowers Congress "[t]o promote the Progress of Science and useful Arts, by securing . . . to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. art. I, § 8, cl. 8. The first Congress exercised this authority by enacting the Patent Act of 1790. That Act provided "[t]hat upon the petition of any person or persons . . . setting forth, that he, she, or they, hath or have invented or discovered" an in-

vention, a patent could be granted to “such petitioner or petitioners,” *i.e.*, the inventors, or “their heirs, administrators or assigns.” Act of Apr. 10, 1790, ch. 7, § 1, 1 Stat. 109, 109-10.

The law today remains substantially the same: The applicant must affirm that “he believes himself to be the original and first inventor of the [invention] for which he solicits a patent,” 35 U.S.C. § 115, and patents may be issued only to the applying inventor or inventors, *id.* § 151, or an assignee, *id.* § 152, and are “assignable in law by an instrument in writing,” *id.* § 261.

Thus, for 220 years, consistent with the constitutional prescription that the “exclusive Right” of a patent be “secur[ed]” to “Inventors,” our patent laws generally have conferred all patent rights in an invention, in the first instance, in its human inventor or inventors: “whatever invention he may thus conceive and perfect *is his individual property.*” *Solomons v. United States*, 137 U.S. 342, 346 (1890) (emphasis added). *See also Hapgood v. Hewitt*, 119 U.S. 226, 233 (1886). Today, the leading commentator on patent law describes this foundational fact of patent-law life thusly: “The presumptive owner of the property right in a patentable invention is the single human inventor, in the case of a sole invention, or the several human inventors, in the case of a joint invention.” 8 Donald S. Chisum, *Chisum on Patents* § 22.01 (2009). Indeed, the principle that patent rights originate in the inventor is so well-established that even the government does not dispute it. *Amicus Brief of United States* 21 (“the right to obtain a patent on an invention generally belongs to the inventor”); *see also Manual of Patent Examining Procedure* § 301 (8th ed. 2010) (“The ownership of the

patent (or the application for the patent) initially vests in the named inventors of the invention of the patent.”).

It is just as well established that all subsequent patent ownership flows from the inventor through written assignments. 35 U.S.C. § 261. Indeed, this Court has held that “title to [a patent] can pass *only* by assignment.” *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 187 (1933) (emphasis added); *see also* 8 Chisum, *supra*, § 22.01 (“[t]he inventor or inventors may then transfer ownership interests by written assignment to anyone (including a corporation or other entity”). Thus, in the ordinary course, a university can acquire inventions by its employees only through contractual relationships. *Dubilier*, 289 U.S. at 187 (“The respective rights and obligations of employer and employee, touching an invention conceived by the latter, spring from the contract of employment.”). Where there is no employment contract, or where the contract does not expressly cover inventions, this Court has made clear that such rights in an invention remain in the inventing employee. *Id.*; *see also Solomons*, 137 U.S. at 346.³

³ The government invokes Executive Order No. 10,096 to argue that the “government may allocate rights in inventions made by its employees.” *Amicus* Brief of United States 23 n.3. But Executive Order No. 10,096 is premised on statutes authorizing the government to directly regulate its employees. *See Heinemann v. United States*, 796 F.2d 451, 455-56 (Fed. Cir. 1986). That authority is inapplicable here.

B. The Bayh-Dole Act Did Not Alter The Foundational Principle That Patent Rights Vest Initially In The Inventor.

Stanford contends that the Bayh-Dole Act divests inventors and their assignees of any rights in inventions made “subject inventions” by dint of the contractor’s use of federal funding. *See, e.g.*, Pet. Br. 30; *Amicus* Brief of United States 6. But “Congress . . . does not alter the fundamental details of a regulatory scheme in vague terms or ancillary provisions—it does not, one might say, hide elephants in mouseholes.” *Whitman v. Am. Trucking Ass’ns*, 531 U.S. 457, 468 (2001). Accordingly, on the rare occasions when Congress has altered the fundamental patent-law principle that patent rights accrue in the inventor, it has done so explicitly.

For example, when Congress determined that certain inventions created under NASA contracts should “be the exclusive property of the United States,” it used that explicit language and further provided that the patent “shall be issued to the United States upon application made by the Administrator.” 42 U.S.C. § 2457(a). Similarly, in the copyright area, when Congress wanted to vest copyrights in an author’s employer rather than the author, Congress enacted a statute with express language to effectuate that result. 17 U.S.C. § 201(b).⁴

⁴ Under the Copyright Act, copyright in a work generally “vests initially in the author,” 17 U.S.C. § 201(a), but “[i]n the case of a work made for hire, the employer . . . is considered the author,” *id.* § 201(b). No similar language, declaring universities to be inventors, appears in the Bayh-Dole Act.

Stanford and its *amici* point to no comparably explicit language in the Bayh-Dole Act divesting inventors of their rights in their inventions because there is none. The Act contains no bar on inventors acquiring rights in inventions. Nor does the Act contain language that vests patent rights in any non-inventor. To the contrary, the statutory text, the governing regulations promulgated by the agency charged with the statute's administration, and the historical circumstances leading to the statute's enactment all point to the conclusion that the Act applies only to inventions previously assigned to the contractor by the inventor.

1. The text of the Act makes plain that it applies only to inventions in which a contractor already has rights and does not empower the contractor to seize rights in an invention in which it previously had none.

The Bayh-Dole Act governs the disposition of rights only in “subject invention[s].” 35 U.S.C. § 202(a). Section 201 of the Act defines “subject invention” as “any invention *of the contractor* conceived or first actually reduced to practice in the performance of work under a funding agreement.” *Id.* § 201(e) (emphasis added). Because only a human being can be an inventor, the possessive phrase “invention of the contractor”—synonymous with “contractor’s invention”—can mean only an invention in which the contractor already has acquired rights. Only then could the invention properly be said to be the “contractor’s invention.”

Yet Stanford argues that “invention of the contractor” is “naturally read” to include “all inventions made by the contractor’s employees.” Pet. Br. 32. That supposedly “natural[] read[ing]” of the statute

flatly contradicts this Court’s precedents, which have long made clear that, absent a valid written assignment, an invention created by an employee is *not* the employer’s invention.

In *Dubilier*, which neither Stanford nor the United States cites in their opening briefs, the inventors were government employees who devised and patented an invention during the course of their employment with the government. *See* 289 U.S. at 185. The government sued the inventing employees’ exclusive licensee for ownership in the patents, arguing that the invention should be the property of the employer when it was made by an “employee . . . hired for the purpose of doing inventive work in a particular field.” *Id.* at 180 (Arg. for the U.S.). This Court rejected the government’s argument, holding that “the contract of employment” determines “[t]he respective rights and obligations of employer and employee” in any invention, *id.* at 187, and that in the absence of some provision addressing the employer’s rights in the employee’s inventions, there could be no “implication of any agreement to assign their inventions or patents,” *id.* at 196. The inventions and patents, therefore, belonged to the inventors and not to their employers. *Ibid.*; *see also Solomons*, 137 U.S. at 346 (“nor does the mere fact that an inventor is at the time of his invention in the employ of the government transfer to it any title to, or interest in it”). Against this background—constant rejection of employers’ assertions that employers own the inventions of their employees (even when the employer was the United States)—Stanford’s indistinguishable assertion that “invention of the contractor” is “naturally read” to mean “inventions made by the contractor’s employees” is baffling.

Stanford's and the government's interpretation of the statutory phrase, "elect to retain title," as "an affirmative grant of title" (Pet. Br. 36)—is equally puzzling. The Act's election provision does not offer contractors the windfall opportunity to acquire an ownership interest in an invention in which it previously had none. When used with an object such as property, money, or title, the authoritative dictionary in use at the time of the Bayh-Dole Act's enactment defined the verb "retain" as "to hold or continue to hold in possession or use; continue to have, use, recognize, or accept." *Webster's Third New Int'l Dictionary* 1938 (1976); *see also Webster's Second New Int'l Dictionary* 2126 (1954) (same); *Union Commerce Bank v. Comm'r*, 339 F.2d 163, 167 (6th Cir. 1964) ("we can only say that the construction of the word 'retained' offered by petitioner . . . is not the customary definition. Webster defines 'retain' with such synonyms as 'keep,' 'hold,' 'to hold in possession or use'") (footnote omitted).

One cannot sensibly elect to "continue to hold in possession" that which he has not yet received. If Stanford were correct and "§ 202(a) operates as an affirmative grant of title," then Section 202(a) provides not an election "to *retain* title" but an election to *obtain* title. And contrary to Stanford's view (Pet. Br. 36), the Bayh-Dole Act's reference elsewhere in the Act to a contractor that has "acquired title" or "receives title" hardly demonstrates that "acquired" and "receives" are "interchangeable" with the verb "retain." It demonstrates instead that Congress knew the difference between acquiring title and retaining it. *Sosa v. Alvarez-Machain*, 542 U.S. 692, 711 n.9 (2004) ("[W]hen the legislature uses certain language in one part of the statute and different language in another, the court assumes different mean-

ings were intended.”) (internal quotation marks omitted); *see also* 2A Norman J. Singer & J.D. Shambie Singer, *Sutherland Statutes and Statutory Construction* § 46:6 (7th ed. 2009).⁵

Contrary to the government’s contentions (*Amicus* Brief of United States 20-22), nothing in Section 210(a) demonstrates that Congress intended “invention of the contractor” to mean “invention of the contractor’s employees” or “retain” to mean “acquire.” Section 210(a) states that the Bayh-Dole Act “shall take precedence over any other Act which would require a disposition of rights in subject inventions of . . . contractors in a manner that is inconsistent with this chapter.” 35 U.S.C. § 210(a). At the threshold, recognizing that rights in inventions vest initially in their inventors would pose no “inconsisten[cy] with this chapter” so long as the definition of “subject invention” remains limited to “inventions of the contractor” (*i.e.*, assigned inventions) as Section 201(e) prescribes, and is not enlarged to include unassigned inventions of the contractor’s employees. Moreover, the Patent Act of which “this chapter,” the Bayh-Dole Act, is a part, is not “any other Act” over which the Bayh-Dole Act may take precedence. It is the Patent Act that has for 220 years provided that rights in inventions vest initially in the inventor and

⁵ Stanford argues that “retain” must have the same meaning as “acquire” because Section 203 refers to “acquir[ing] title under this chapter” and that the only means of acquiring title found in the “chapter” is Section 202(a)’s election to retain title. “Acquire” can be given its ordinary meaning, however, if rather than “acquired,” “under this chapter” modifies “title” to mean “title” subject to the restrictions set forth in the Act. *See* 35 U.S.C. § 202(a).

pass only by valid, written assignment. Nothing in the text of the Bayh-Dole Act even remotely suggests that Congress intended to disturb that fundamental precept of patent law. Instead, the text of the Act reflects a background understanding that federal contractors would acquire rights in inventions made by their employees by assignment language in the employment agreement or otherwise. Senator Bayh himself has acknowledged this understanding. Birch Bayh, Joseph P. Allen & Howard W. Bremer, *Universities, Inventors and Bayh-Dole*, 79 Pat., Trademark & Copyright J. 167, 168 (2009) (“[t]he Bayh-Dole Act is based on the expectation and assurance that such agreements are in place in the university sector”).

2. The Department of Commerce’s regulations mandating the use of certain language in funding agreements under the Bayh-Dole Act likewise reflect the understanding that the university will secure patent rights by traditional contract with inventors.

The regulations instruct all contractors “to require, by written agreement,” their technical employees “to execute all papers necessary . . . to establish the government’s rights in the subject inventions.” 37 C.F.R. § 401.14(f)(2). The “papers necessary” to “establish the government’s rights” consist principally of a written assignment of rights pursuant to 35 U.S.C. § 261. *Dubilier*, 289 U.S. at 187 (“A patent is property and title to it can pass only by assignment.”); *see also Solomons*, 137 U.S. at 346 (“nor does the mere fact that an inventor is at the time of his invention in the employ of the government transfer to it any title to, or interest in it”).

These regulations demonstrate that the agency charged with administering the Bayh-Dole Act (*see*

35 U.S.C. § 206) understood that inventors would initially possess the rights in their inventions developed with federal funding and that a “written agreement” is necessary to convey rights in the invention to the government. 37 C.F.R. § 401.14(f)(2).

Under Stanford’s interpretation of the Act, however, there would be no need for such a regulation requiring an employee “to execute all papers necessary . . . to establish the government’s rights” in a federally funded invention. 37 C.F.R. § 401.14(f)(2). So long as the employee timely filed an application for a patent, Stanford and the government would obtain all the rights in the employee’s invention by operation of law, regardless of any contract or assignment the employee might have executed in the past. Stanford’s and the government’s interpretation of the Act thus renders the Department of Commerce’s regulation substantially superfluous, which may explain why the Department of Commerce did not sign the Brief of the United States.

3. Nor does the historical background of the Bayh-Dole Act support Stanford’s effort to read traditional inventorship and assignment rights out of the Bayh-Dole regime. As Stanford observes, prior to the Bayh-Dole Act, “the Government had no uniform policy to determine the ownership of patents.” Pet. Br. 2. Instead, there existed a “melange of 26 different agency policies on vesting of patent rights,” H.R. Rep. No. 96-1307, pt. 1, at 3 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460, 6462. Some of the predecessors to the Bayh-Dole Act *explicitly* required that rights to certain inventions vest in the government. *See, e.g.*, 42 U.S.C. § 2457(a). Other agencies “depended upon the university or nonprofit organization obtaining an assignment of rights from the researcher.” *Amicus*

Brief of United States 4 (citing Federal Council for Sci. & Tech., *Report on Government Patent Policy* 330-31, 342 (1976) and 42 U.S.C. § 1871(a) (1976)).

While the Bayh-Dole Act certainly was intended to bring uniformity to this “melange,” there is nothing in the statutory history to suggest that the uniformity Congress intended to impose was automatic divestment of inventors and assignees (except, presumably the employing contractor) of all rights in inventions created with the assistance of federal funding. That change would have upended 220 years of practice and at least two of this Court’s precedents. *See Dubilier*, 289 U.S. at 187; *Solomons*, 137 U.S. at 346. We assume that, “when Congress enacts statutes, it is aware of relevant judicial precedent,” *Merck & Co. v. Reynolds*, 130 S. Ct. 1784, 1795 (2010), and that when it intends a sea change in the law, it will “ma[k]e it explicit in the statute.” *Chisom v. Roemer*, 501 U.S. 380, 396 (1991). Here, Congress authorized a contractor only to “elect to retain title” to an “invention of the contractor conceived or first actually reduced to practice . . . under a funding agreement.” 35 U.S.C. §§ 201(e), 202(a). That language hardly expresses an intention to divest an inventor of his invention, and “Congress’ silence in this regard can be likened to the dog that did not bark.” *Chisom*, 501 U.S. at 396 n. 23.

II. STANFORD’S INTERPRETATION OF THE BAYH-DOLE ACT THREATENS THE VERY COLLABORATION IT WAS INTENDED TO FOSTER.

The Bayh-Dole Act was intended “to promote collaboration between commercial concerns and non-profit organizations, including universities.” 35 U.S.C. § 200. But Stanford’s novel interpretation of

the Act will discourage rather than promote collaboration by incentivizing universities and other contractors to engage in predatory behavior to maximize their monetizable intellectual property at the expense of their collaborators. Further, because in Stanford's and the government's view title to subject inventions vest in universities "by operation of law," *Amicus* Brief of United States 13, commercial concerns cannot even use contracts to protect their intellectual property from seizure by an erstwhile collaborator. This, manifestly, is not what Congress intended.

Three plausible scenarios suffice to demonstrate the damage Stanford's and the government's construction of the Act will cause to industrial-academic collaborations.

1. Under Stanford's view, a university may escape its contractual obligations and terminate a commercial collaborator's rights in an invention merely by salting a research project with federal funds. For example, a company with special expertise in one field may collaborate with university researchers with different expertise. Ordinarily, prior to the collaboration, the company and university would have a collaboration agreement in place that specifies how the rights in any resulting patents will be shared. But on Stanford's view, even if the university and the company had agreed that the patents would be jointly owned, the university could vitiate that agreement and seize all of the company's rights in the patents simply by using federal money in reducing the inventions to practice.

Indeed, because an invention may become a "subject invention" *either* at the time it is conceived *or* at the time it is first actually reduced to practice, 35

U.S.C. § 201(e), a university could initiate federal funding to seize the rights in the invention years *after* the invention was conceived—just as long as the first federal dollar is spent before the invention is actually reduced to practice. In fact, because *actual* reduction to practice may not occur until long after the patent has issued (the filing of a patent application demonstrates only *constructive* reduction to practice, see *Weil v. Fritz*, 572 F.2d 856, 865-66 n.16 (C.C.P.A. 1978) (citing *Automatic Weighing Mach. Co. v. Pneumatic Scale Corp.*, 166 F. 288, 297 (1st Cir. 1909))), Stanford’s interpretation could allow a university to seize its collaborators’ interests in a patent even after the patent has issued.

2. If Stanford’s interpretation of the Bayh-Dole Act were correct, a company could be stripped of its rights in an invention even if it had not entered into a collaboration at all. For example, a company employee may conceive of an invention while at the company, file a patent application while at the company, assign all rights in the application to the company, and then leave the company for a faculty position at a university, where she finally reduces the invention to practice.

On Stanford’s view, if the university chose to fund its new employee’s research with some federal funds, the university owns the previously assigned patent application. The university could have all the rights in that invention—and the company that employed the inventor, paid for the research, and received a then-valid assignment of the patent application would have none. And because the Bayh-Dole Act covers “work funded . . . in part by the Federal Government,” 35 U.S.C. § 201(b), use of even a single

federal dollar could divest the company of its rights in the patents.

3. A company similarly may run afoul of Stanford's reading of the Bayh-Dole Act when hiring employees. For example, a university student, with no contract with the university regarding inventions, may conceive of an invention while working in a university lab. Upon graduation, the student may secure employment at a company and present the invention to the company. After the new employee assigns his rights in the invention to the company, the company may invest in the development of the invention and cause the inventor to file a patent application. Under this Court's precedents, the lack of any contract with the university allows the student to own his invention outright and assign the patent rights to the company. *See Solomons*, 137 U.S. at 346. But, in Stanford's view, if the student's laboratory received federal funding, the university or the government may seize title to any resulting patent.

Congress could not have intended the Bayh-Dole Act, enacted to foster collaboration between universities and the commercial sector, to generate such unsettling and disquieting results.

Stanford claims the massive disincentives to collaboration created by its interpretation are justified by its desire for "[a]bsolute assurance" of its title in intellectual property without incurring the cost of "combing through the files of each faculty member" to determine whether they have assigned their inventions to others. Pet. Br. 47. But Stanford bears this burden easily enough with respect to inventions that do not benefit from federal funding.

On the other hand, it makes no sense at all to foist on commercial companies the burden of

monitoring *university* employees to ensure the university does not taint the joint project with federal funding. Collaborating companies have extremely limited abilities to monitor university faculty and other employees; nor can a company effectively monitor the university administration, which decides how and when to spend the federal grants they apply for and receive. Universities are in the best position—far better at least than their commercial partners—to monitor the behavior of their employees. *See generally* Guido Calabresi, *The Costs of Accidents: A Legal and Economic Analysis* 135-38 (1970). While universities may find the exercise of diligence with respect to their employees inconvenient, Stanford's approach would require a commercial company seeking to protect its interest in inventions it developed to exercise powers of clairvoyance—to see not only whether a university had salted a project with federal funds in the past, but also whether they might do so in the future. Lacking such supernatural powers, commercial companies would collaborate with universities or allow employees to work at university labs only at their peril. This would inevitably chill the collaboration the Act was meant to foster. *See* 35 U.S.C. § 200.

CONCLUSION

The judgment of the Court of Appeals for the Federal Circuit should be affirmed.

Respectfully submitted.

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