

Recent Case Law and the Impact on Government Funded IP

Microsoft, Stanford and beyond . . .

D'Andrea Brothers LLC v. United States

COFC No. 08-286C (2010)



- ❑ D'Andrea Brothers and the U.S. Army Natick Soldier Research Center (NSC), entered into a CRADA in January 2004 for R&D leading to increased effectiveness (if possible) and availability of the HooAH® Energy Bar.
- ❑ Prior to the agreement the NSC had trademarked the HooAH name and package design.
- ❑ The CRADA granted D'Andrea an **exclusive license** to the HooAH trademark and HooAH design for commercial sales and purposes . . . NSC specifically reserved the right to “manufacture, have manufactured, or use the technology for its own internal **non-commercial purposes**, including continuing research, development, testing, *and all other uses*.”

D'Andrea Brothers LLC v. United States

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- ❑ The CRADA also expressly granted the U.S. a government license for . . . governmental, **non-commercial purposes**
- ❑ In 2006, relations between the parties broke down after D'Andrea registered a trademark for "OoRAH", the Marine Battle Cry.
- ❑ In December 2006, military personnel sent out an email to "cease and desist from distributing D'Andrea HooAH Bars, HooAH beverages and HooAH/OOH-RAH bars until further notice."
- ❑ Between 2004-2009 the government procured bars with the HooAH! trademarks from various manufacturers that did **not** have a license to the HooAH trademarks.
- ❑ D'andrea Brothers brought suit against the U.S. for Breach of Express Contract, Breach of the Implied Covenant of Good Faith and Fair Dealing, and Intentional Interference with Prospective Economic Advantage.

D'Andrea v. United States

COFC No. 08-286C (2010)

- ❑ U.S. moved for Summary Judgment on all three counts.
- ❑ The court granted SJ for the first two counts
- ❑ “The undisputed facts establish that the government did not breach the express terms of the CRADA by allowing other companies to use the HooAH! trademarks for sales to the military”

Interpretation of the Government Rights Clause

- ❑ The court held that that the government rights clause in the CRADA expressly reserved the Government’ s right to use the HooAH! trademarks for **any governmental use without limitation**,
- ❑ The court ruled that the government had the right to allow other companies to use the licensed trademark to sell products to the military despite the fact that the parties specifically amended the government rights clause in the CRADA to limit the government’s use to “**governmental, non-commercial purposes**”
- ❑ The court stated that the “critical question is not whether the government acquired the bars through a commercial vendor but whether the bars manufactured by others ⁴ using the trademarks were purchased for a governmental purpose.”

D'Andrea v. United States

COFC No. 08-286C (2010)

Wholesale/Retail Transactions v. Government Procurements

- ❑ “Sale” was defined in the CRADA as a wholesale/retail transaction
- ❑ Court distinguishes federal procurements from retail and wholesale transactions
- ❑ Thus while D’Andrea received an exclusive license “in connection with the Sale (i.e. wholesale/retail) of energy bars,” the court ruled that D ‘Andrea’s license did not extend to goods acquired through the government procurement process.
- ❑ Government procurement was akin to a “use” not a “sale.”

The government in a CRADA may not bargain away its right to use any license obtained by the government for its own purposes:

- ❑ Although this statutory provision (referring 15 USC 3710a) addresses patents and is therefore only relevant by analogy, **the statutory language demonstrates that the FTTA contemplates that the government in a CRADA may not bargain away its own right to use any license obtained by the government for its own purposes.**

Microsoft v. i4i Limited Partnership

Background

Technology at Issue:

The i4i patent claims an improved method for editing computer documents, which stores a document's content separate from the metacodes associated with the document's structure, thereby enabling easier editing.

Background: i4i alleged that Word infringed its patent because it separates the metacodes from the document content.

Microsoft's invalidity defense

- The "on-sale bar" renders the patent invalid because more than a year before i4i applied for the patent, a prior-art system (S4) embodying the patented invention was sold in the U.S.
- The PTO was not aware of S4 when it issued the patent

Jury Verdict: The jury awarded \$200 million in damages to i4i.

Microsoft v. i4i Limited Partnership

Federal Circuit

- ❑ On appeal to the Federal Circuit, Microsoft challenged the jury instruction requiring it to prove invalidity by clear and convincing evidence.
- ❑ Microsoft argued that, at least for evidence not considered by the PTO, the standard of proof was a preponderance of the evidence (not clear and convincing).

The Federal Circuit held: that the clear and convincing evidence burden to be the appropriate standard even for evidence not before the PTO.

Microsoft v. i4i Limited Partnership

Supreme Court

Supreme Court granted cert to consider whether the Federal Circuit erred in applying its long-standing requirement that invalidity be proved by clear and convincing evidence.

Microsoft argued that the 1952 Act allocates the burden but does not establish the weight of the burden. Thus, Microsoft argued that the default should be preponderance of the evidence

The Supreme Court unanimously (8–0) held that invalidity must be established by clear and convincing evidence. – Chief Justice Roberts recused himself.

- ❑ Relying on its 1934 *RCA opinion*, the Court concluded that, at the time of the 1952 Amendment, there was a common law meaning of “presumed valid” that included a standard of proof of clear and convincing evidence (the 1952 patent act intended to codify the common law holding of *RCA*.)
- ❑ The Court rejected Microsoft’s argument that the heightened standard applies only in two contexts—oral testimony and *inter partes proceedings*.
- ❑ The Court also rejected Microsoft’s proposed hybrid approach (clear and convincing if the PTO reviewed the prior art, but otherwise preponderance).

Microsoft v. i4i Limited Partnership

Supreme Court

Future Impacts

- may issue Jury Instructions that standard of proof is more easily met with evidence not previously considered by the PTO.
- This will likely lead to disputes over whether evidence presented to the jury differs from that evaluated by the PTO.
- IDS overload?

Amicus Briefs

- 20 amicus briefs filed supporting Microsoft (high tech firms)
- 20+ amicus briefs filed supporting i4i (pharma, biotech, large chem)

Other recent cases of note

<u>Case</u>	<u>Key Issues</u>	<u>Holding/Status</u>
<p>Globaltech v. SEB 131 S. Ct. 2060 (2011)</p>	<p>Requirements to prove Induced Infringement</p>	<p>❖ Holding: (1) Induced infringement under 35 U.S.C. §271(b) requires knowledge that the induced acts constitute patent infringement; and (2) deliberate indifference to a known risk that a patent exists does not satisfy the knowledge required by Section 271(b).</p>
<p>Prometheus Labs v. Mayo (Fed. Cir. Dec. 17, 2010) 628 F.3d 1347</p> <p>Cert granted by SC for the second time</p>	<p>Section 101 Case</p> <p>Whether a method of calibrating drug dosage is patentable subject matter under 35 USC 101.</p> <p>The claimed invention related to a method where a drug is injected into a patient, the patient's metabolic response is measured and then used to recalibrate subsequent dosages.</p>	<p>❖ Federal Cir 2.0: The Federal Circuit held the method patentable under its Bilski test by finding that the required administration of the drug transformed an article into a different state or thing and thus was patentable subject matter under Section 101.</p> <p>❖ SC grants Cert.</p>
<p>Kappos v. Hyatt</p>	<p>Admissibility of New Evidence that was not presented to the PTO (but could have been)</p>	<p>❖ An <i>en banc</i> Federal Circuit previously held that the district court must allow new evidence and that factual conclusions affected by the new evidence must be decided <i>de novo</i> even if previously determined by the PTO</p> <p>❖ SC grants Cert.</p>

Stanford v. Roche

131 S. Ct. 2188 (2011)

Stanford v. Roche

131 S. Ct. 2188 (2011)

Part I: The Decision

Presented by: Brian Lally (DOE, Chicago)

Part II: The Impact on DOE

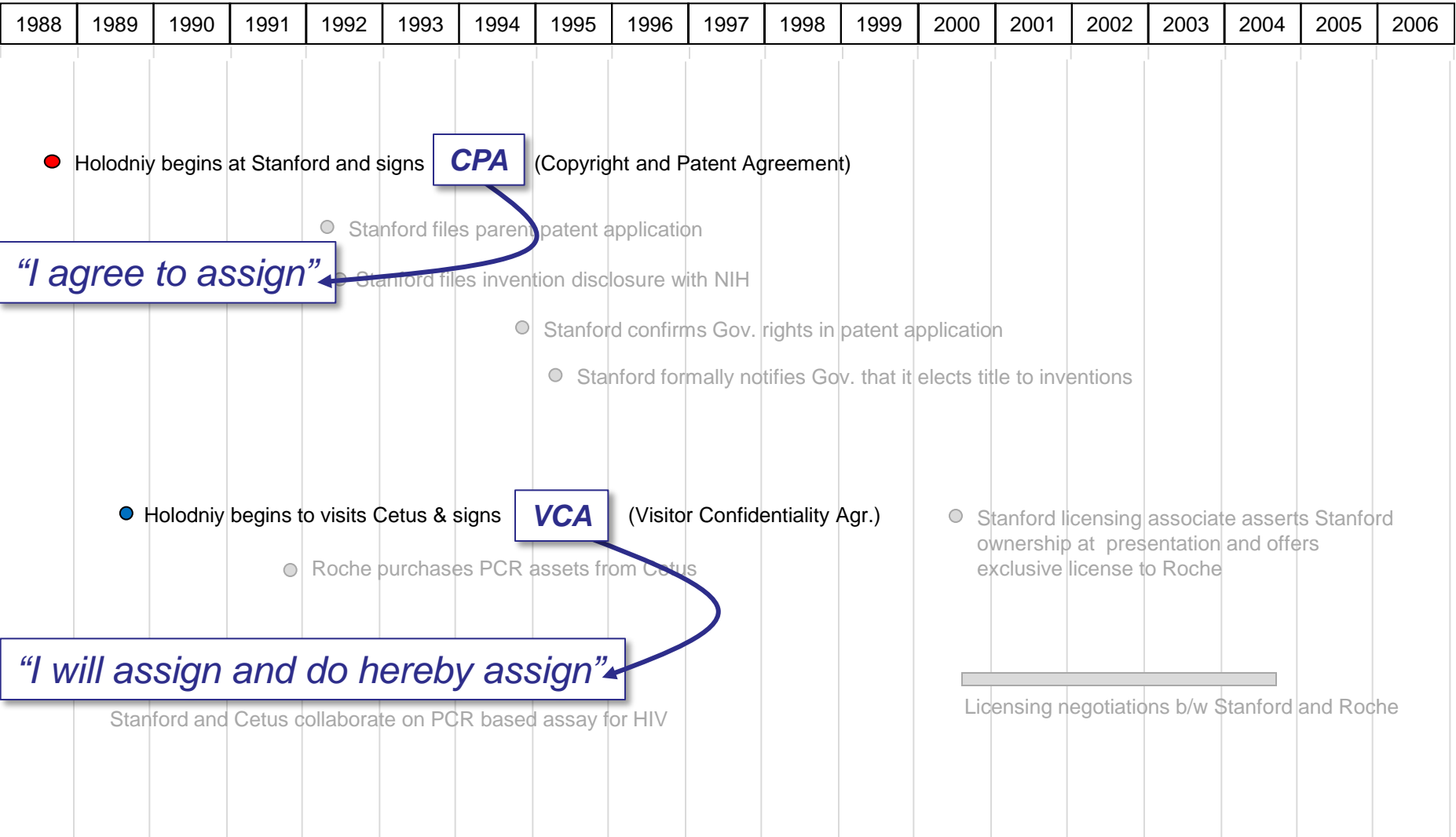
Presented by: Glen Drysdale (DOE, Golden)

Part III: The Response by Government Contractors

Presented by: Robin Chiang (LBL)

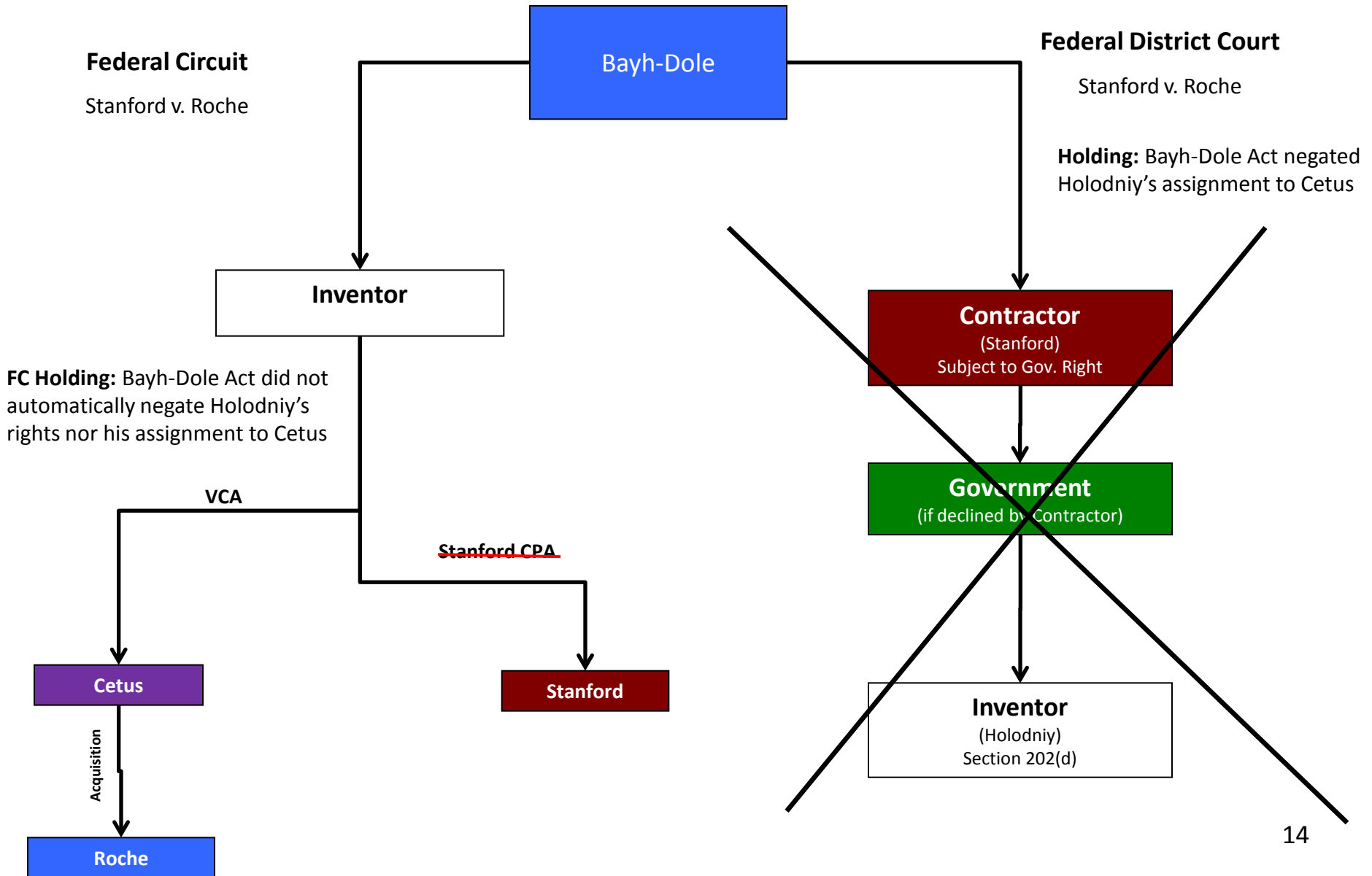
Stanford v. Roche (Background)

Background: During the late 1980's and early 1990's researches at Stanford and Cetus (later acquired by Roche) collaborated on projects aimed at developing a PCR-based assay for HIV. At least part of Stanford's work was federally funded.



Bayh-Dole – Lower Court Decisions

Are Roche's ownership claims negated by Stanford's Bayh-Dole rights?



SC Holding

Stanford v. Roche

Question Presented: “Whether a federal contractor university’s statutory right under the Bayh-Dole Act, 35 USC 200-212, in inventions arising from federally-funded research can be terminated unilaterally by an individual inventor through a separate agreement purporting to assign the inventor’s rights to a third party.”

- ❑ **Supreme Court Holding:** The Bayh-Dole Act does **not** automatically vest title to federally funded inventions in federal contractors or authorize contractors to unilaterally take title to such inventions.

- ❑ Stanford did not raise questions regarding the differences in assignment language

SC's Decision

precedent and the fundamental rights of inventors

- ❑ “Our precedent confirm the general rule that rights in an invention belong to the inventor.”
- ❑ “although much in intellectual property law has changed in the (past) 220 years . . . the basic idea that inventors have the right to patent their inventions has not.”
- ❑ Thus absent an agreement to the contrary, an employer does not have rights in an invention . . . *an inventor must expressly grant those rights to his employer.*

However . . .

- ❑ Congress can divest inventors of these rights but must be do so in unambiguous fashion . . .

The court cites the AEA, NNEA and Space Act of examples but distinguishes “vesting” language from the “elect to retain title” language of BD.

“elect to retain title”

Stanford v. Roche

Section 202(a), states that contractors may “elect to retain title,”

- ❑ SC argues that this language confirms that the Act does **not** vest title.”
- ❑ The Act . . . “does nothing more than clarify the order of priority of rights between the Federal Government and a federal contractor in a federally funded invention that already belongs to the contractor”

Definition of Retain

- ❑ The meaning of “retain” is defined as “to hold or continue to hold in possession,”

Definition of retain as applied to Contractors

- ❑ “however you cannot retain something unless you already have it.
- ❑ The Bayh-Dole Act does not confer title to federally funded inventions on contractors or authorize contractors to unilaterally take title to those inventions; it simply assures contractors that they may keep title to whatever it is they already have.

“invention of the contractor”

Stanford v. Roche

- ❑ Subject invention is defined as “any invention **of the contractor** conceived or firsts actually reduced to practice in the performance of work under a funding agreement.”

Stanford’s Position

- ❑ Stanford asserts that the phrase “of the contractor” includes all inventions made by the contractor’s employees with the aid of federal funding.

Supreme Court:

- ❑ (Stanford’s) reading assumes that Congress subtly set aside two centuries of patent law in a statutory definition. It also renders the word phrase “of the contractor” superfluous.
- ❑ That is contrary to our general reluctance to treat statutory terms as surplusage.

“Subject Invention”

Stanford v. Roche

Court’s Criticism of the term “Subject Invention”

- ❑ **“or reduced to practice”**
 - ❑ Under Stanford’s construction of the Act, title to one of its employee’s inventions could vest in the University even if the invention was conceived before the inventor became a University employee, so long as the invention’s reduction to practice was supported by federal funding.

- ❑ **“if only one dollar of federal funding”**
 - ❑ What is more, Stanford’s reading suggests that the school would obtain title to one of its employee’s inventions even if only one dollar of federal funding was applied toward the invention’s conception or reduction to practice.

- ❑ We are confident that if Congress had intended such a sea change in intellectual property rights it would have said so clearly—not obliquely through an ambiguous definition of “subject invention” and an idiosyncratic use of the word “retain.”

Justice Breyer's Dissent

Stanford v. Roche

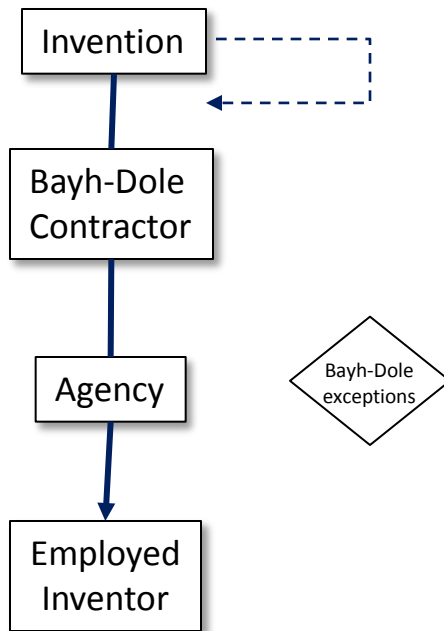
- ❑ Three tier system of rights: funded entity, the government, and then the inventor.
- ❑ Justice Breyer questioned the propriety of the Federal Circuit's ruling that the "hereby does assign" language in Cetus's agreement was an effective assignment but the "agrees to assign" language in Stanford's contract was not. (also criticized FilmTec)

Justice Sotomayor's concurrence

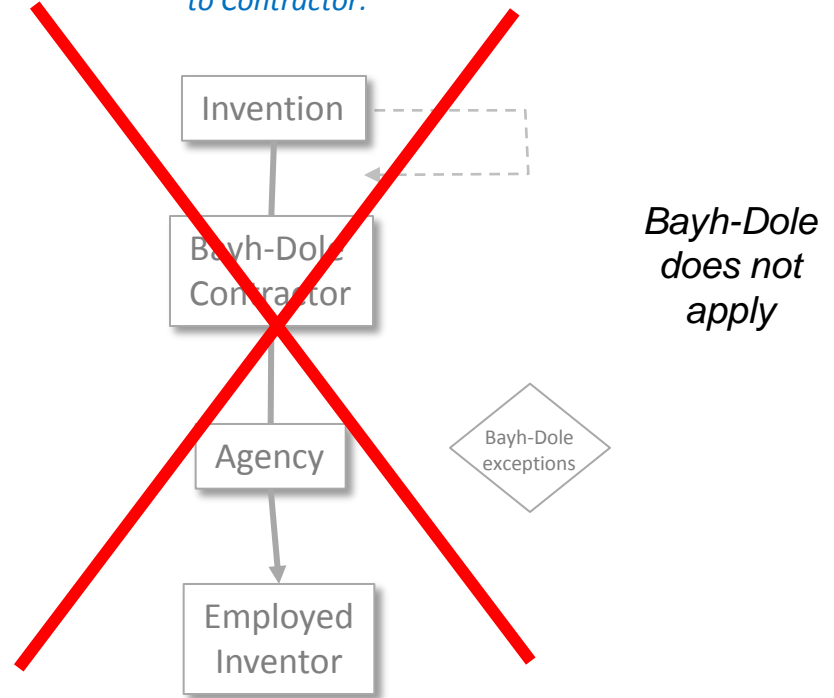
- ❑ Justice Sotomayor agreed with Justice Breyer's concerns but found that affirmance was warranted because Stanford had not challenged the *FilmTec* rule below.
- ❑ Justices Breyer and Sotomayor noted that they believed the assignment issue was open to review in a future case.

“Only when an invention belongs to the contractor does the Bayh-Dole Act come into play”

Operable assignment to Contractor:



No operable assignment to Contractor:



- ❑ *Without an assignment, the invention is not a “subject invention”*
- ❑ *Gov’t access provided under Bayh-Dole does not apply*
 - *irrevocable license*
 - *march-in rights*

Lessons Learned

Stanford v. Roche

- ❑ **Better due diligence of contracts (e.g. proper wording of assignments is critical)**

- ❑ **Educating inventors is important**

- ❑ **Policy:** The majority seemed to ignore many of the policy considerations behind the Act including the goal to promote the utilization and commercialization of federally funded inventions

- ❑ **Trend of recent cases ruling against the Bayh-Dole Act voiding otherwise valid contracts**
 - ❑ Central Admixture Pharmacy Services, Inc. v. Advanced Cardiac Solutions, P.C., 482 F.3d 1347 (Fed. Cir. 2007); University of Pittsburgh v. Townsend, 2007 U.S. Dist. LEXIS 56860 (E.D. Tenn. Aug. 3, 2007), aff'd, 542 F.3d 513 (6th Cir. 2008).

Stanford v. Roche

Part II: The Impact on DOE

Presented by: Glen Drysdale (DOE, Golden)

Stanford v. Roche

- ❑ For several decades, most federal agencies have relied on Bayh-Dole to obtain government rights (e.g., march-in rights, government purpose license, disclosure and patent filing obligations) to federally funded inventions developed by small business and non-profit entities.
- ❑ However, in light of Stanford v. Roche, if a contractor fails to obtain title of the invention from its inventor, a federal agency can no longer rely on Bayh-Dole for securing adequate government rights in such inventions.
- ❑ Unfortunately, for many federal agencies, Bayh-Dole may be the only applicable statutory authority so it is critical for such federal agencies to ensure that contractors take the necessary actions to obtain title from their inventors

Stanford v. Roche

- ❑ DOE is an exception; DOE obtains rights to DOE funded inventions through the Atomic Energy Act and the Nonnuclear Energy Act even when Bayh-Dole does not apply
- ❑ In the absence of Bayh-Dole, the United States automatically receives title to subject inventions developed with DOE funds unless waived
- ❑ In *Stanford v. Roche*, the Supreme Court cited the Atomic Energy Act of and the Nonnuclear Energy Act as examples of Congress using unambiguously language to divest inventors of their rights in favor of the Government
- ❑ The Supreme Court held that the precedence of Bayh-Dole over other statutes only applies to subject inventions, *i.e.*, inventions that *already* belong to the contractor. If the contractor failed to obtain ownership from the inventor of a federally-funded invention, it is not a subject invention and Bayh-Dole does not apply

Stanford v. Roche

- ❑ Although DOE can rely on the Atomic Energy Act and the Non-Nuclear Energy Act to obtain rights to DOE funded inventions, DOE still has an important policy interest in its contractors obtaining title to DOE funded inventions.
- ❑ DOE's Technology Transfer mission is better served when its contractors obtain title to and are responsible for commercializing DOE funded inventions (which was the original justification of Bayh-Dole)

Stanford v. Roche

Part III: The Response by Government Contractors

Presented by: Robin Chiang (LBL)