

No. 09-1159

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IN THE  
**Supreme Court of the United States**

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BOARD OF TRUSTEES OF  
LELAND STANFORD JUNIOR UNIVERSITY,  
*Petitioner,*

v.

ROCHE MOLECULAR SYSTEMS, INC. *et al.*,  
*Respondents.*

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**On Writ of Certiorari to the  
United States Court of Appeals  
for the Federal Circuit**

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**BRIEF OF *AMICUS CURIAE* JOHN SUTTON  
SUGGESTING REVERSAL**

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## **QUESTION PRESENTED**

“Whether a federal contractor university’s statutory right under the Bayh-Dole Act, 35 U.S.C. §§ 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.”

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**INTEREST OF *AMICUS CURIAE*<sup>1</sup>**

John P. Sutton is a registered patent lawyer with half a century in the field. He is writing a book analyzing every decision of the two patent courts (the Court of Customs and Patent Appeals and the Court of Appeals for the Federal Circuit) that has been reviewed by this Court.

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<sup>1</sup> Under Rule 37.6, this brief is not authored in whole or in part by counsel for any party. No person has made a monetary contribution to the preparation or submission of this Brief. Petitioner and Respondents have consented to the filing of all briefs *amicus curiae*.

He has no connection, professionally or privately, with any party to this litigation.

### **SUMMARY OF ARGUMENT**

The Federal Circuit erred in “vacat[ing] the district court’s judgment of invalidity” in order to address the ownership issue. “[V]alidity has the greater public importance” *Cardinal Chemical Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 100 (1993). “We have also emphasized the importance to the public at large of resolving questions of patent validity in *Blonder-Tongue Laboratories v. University of Ill. Foundation*, 402 U.S. 313” (1971) (*id.*).

If no property right exists, it matters not who has the superior right to the property. The Government, the university, the Roche entities, and the inventors cannot “own” it.

The Federal Circuit erred as a matter of law in elevating a visitor’s agreement to a level that overrides an Act of Congress, the common law, and this Court’s precedents.

### **ARGUMENT**

The Federal Circuit is a specialized patent court. It succeeded the first patent court, the Court of Customs and Patent Appeals (CCPA), which originally was a legislative court charged with reviewing appeals from the Patent and Trademark Office, a federal administrative agency. The CCPA did not defer to findings of fact by the agency experts. It routinely substituted its view of facts for that of the Patent Office.

Because the CCPA judges became Federal Circuit judges in 1982, the reluctance to defer to the facts

found by the trier of facts continued after 1982. The lack of deference to decisions of the Patent Office extended to decisions of United States District Courts, at least initially.

In 1986, this Court vacated a Federal Circuit decision that substituted the Federal Circuit's view of the facts for the view of the district court without finding clear error (*Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809 (1986)).

The district court had held that Panduit's patents were invalid. The Federal Circuit reversed the decision of the district court because it disagreed with the findings. The 22-page decision of the Federal Circuit (*Panduit Corp. v. Dennison Mfg. Co.*, 774 F. 2d 1082) never mentions the requirement of Fed. R. Civ. P, 52(a)(6) that findings may not be set aside unless clearly erroneous. This Court granted the petition, the Federal Circuit decision was vacated and remanded summarily, all in a *per curiam* order.

The present case resembles *Dennison* in that the Federal Circuit vacated the district court holding of invalidity in each one. Based upon the evidence submitted by Respondents, the district court granted the Respondents' motion and held the patents invalid. The Federal Circuit found no clear error in the district court decision. Indeed, the Federal Circuit apparently agreed with the decision. In the absence of a showing of clear error, the decision should not have been vacated.

The validity determination is dispositive of this case. There can be no ownership issue if there is no patentable invention. Bayh-Dole defines "invention" as "any invention or discovery which is or may be patentable" (35 U.S.C. § 201(d)). None of the Federal

agency, the contractor, the inventor, or the accused infringer has any property right in the invalid patents.

The Federal Circuit also vacated a judgment of patent invalidity of a district court in *Cardinal Chemical, supra*. The Federal Circuit there found no clear error in the district court decision, and made no reference to the Rule 52(a)(6) requirement of deference to district court findings, just as in *Dennison* and as in this case.

This Court pointed out that “the Federal Circuit is not a court of last resort. If that court had jurisdiction while the case was pending before it, the case remains alive (barring other changes) when it comes to us. . . . [W]e are not prevented from considering the question of validity merely because a lower court thought it superfluous” (508 U.S. at 97).

At 100, this Court said, “our prior cases have identified a strong public interest in the finality of judgments in patent litigation. In *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327[, 330] (1945) . . . we stated that ‘of the two questions [validity and infringement], validity has the greater importance, [and the better practice is] inquiring fully into the validity of this patent.’ We also emphasized the importance to the public at large of resolving questions of patent validity in *Blonder-Tongue*,” *supra*.

The decision to vacate the holding of invalidity here is erroneous and must be vacated under Rule 52(a)(6) and this Court’s precedents.

The question presented here relates to the ownership issue. The Federal Circuit, in result-oriented decision-making, set aside the invalidity decision of

the district court in order to find that Respondents owned the patents. Again, there was no Rule 52(a)(6) identification of clear error by the district court. The Federal Circuit simply disagreed with the weight given to certain facts by the district court and substituted its own view of the weight to be accorded facts.

The district court here found it important that Petitioner, as a “contractor” for funding by NIH, granted a license to the government pursuant to the Bayh-Dole Act to use the patented inventions. It was ignored by the Federal Circuit, which instead substituted its view that a single one of many contracts superseded other contracts and the Act of Congress sorting rights to patents.

Respondents contended that the assignment contracts signed by all inventors to Petitioner were superseded by a contract signed by the junior-most member of the Petitioner’s research team. The Federal Circuit reasoned that the “Visitor’s Confidentiality Agreement (VCA)” that Dr. Holodniy was required to sign to enter Cetus premises gave Respondents superior rights to ownership of the patents assigned to Petitioner.

That reasoning is wrong. A contract between a visitor and a company visited is not an employment contract. Cetus did not *hire* Dr. Holodniy. He was hired by Petitioner as a Research Fellow and was paid a salary (presumably with NIH funds) by Petitioner.

The co-inventors of the patents-in-suit were hired by Petitioner as well, and assigned their rights to Petitioner. The funds granted to Petitioner under the NIH contract complicates the master-servant rela-

tionship, but is within the purview of the Bayh-Dole Act.

At common law, a person hired to invent must assign his rights to patents made during employment and using facilities and resources of the employer. This Court used the term “paymaster” for the employer of such a person hired to invent. In *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 187 (1933) the common law view was expressed this way:

“One employed to make an invention, who succeeds, during his term of service, in accomplishing that task, is bound to assign to his employer any patent obtained. The reason is that he has only produced that which he was employed to invent. His invention is the precise subject of the contract of employment. A term of the agreement necessarily is that what he is paid to produce belongs to his paymaster. *Standard Parts Co. v. Peck*, 264 U.S. 52 (1924). On the other hand, if the employment contract be general, albeit it covers a field of labor and effort in the performance of which the employee conceived the invention for which he obtained a patent, the contract is not so broadly construed as to require an assignment of the patent.”

Respondents claim entitlement to shop rights under the common law. Does the Visitor’s contract meet the common law contract of hired to invent? The answer is emphatically “NO.”

Dr. Holodniy was hired by Petitioner, not Respondents. He and his superiors on the research team were paid by Petitioner, their “paymaster.” His superiors were undoubtedly aware that Dr. Kary Mullis had published in 1985 a paper regarding PCR.

Polymerase Chain Reaction (PCR) is the use of *Thermus Aquaticus* DNA polymerase for amplifying DNA. “Typically, it takes just a few hours to amplify a DNA sequence a millionfold.” Mullis received the 1993 Nobel Prize for PCR, an invention assigned to Cetus. (Sadava, Course Guidebook, “*Understanding Genetics*,” (The Teaching Company, 2008) p. 77).

(“Chain Reaction” is a bit of a misnomer for replicating RNA. The term historically means instantaneous explosion of energy by fusion or fission. Further, amplification is creative, not destructive.)

It was knowledge of the Cetus work by Petitioner’s research team that led the district court to hold that it was “obvious to try” PCR for amplifying DNA in HIV virus, citing *KSR International Co. v. Teleflex, Inc.*, 553 U.S. 398 (2007).

Petitioner did not ask Cetus to resolve a problem with the HIV assay. Rather, Petitioner’s research team knew what DNA it wanted replicated. What the team lacked was knowledge of how to use PCR. The bargain was that Cetus would be paid for transferring know-how and materials to Petitioner’s team. The new Research fellow was the vehicle for the transfer.

This cannot fairly be described as hiring Holodniy to invent, justifying an assignment of the Petitioner’s assay to Respondents. Surely, Cetus did not prove that the “invention [by Petitioner’s research team] is the precise subject of the contract of employment” of Holodniy, within the meaning of *Dubilier*.

Holodniy was never employed by Cetus, paid by Cetus, or contributed anything to Cetus. It cannot be said that Holodniy “has only produced that which he was employed to invent.”

*Dubilier* is instructive in resolving this dispute for other reasons. Justice Stone dissented, joined by Justice Cardozo and Chief Justice Hughes. Several insightful passages help to resolve this dispute.

### 1. FACT QUESTION

At 289 U.S. 214, Justice Stone wrote, “What the employee agrees to assign to his employer is always a question of fact. It cannot be said that merely because an employee agrees to invent, he always agrees to assign any patent secured for the invention. Accordingly, if an assignment is ordered in such a case it is no more to be explained and supported as the specific enforcement of an agreement to transfer property in the patent than is the shop-right which equity likewise decrees, where the employment does not contemplate invention. All the varying and conflicting language of the books cannot obscure the reality that in any case where the rights of the employer are not fixed by express contract, and no agreement in fact may fairly be implied, equity determines after the event what they shall be. In thus adjudicating *in vivitum* the consequences of the employment relationship, equity must reconcile the conflicting claims of the employee who has evolved the idea and the employer who has paid him for his time and supplied the materials utilized in experimentation and construction.”

It is thus a matter of equity to reconcile the positions of the parties. Cetus was not an employer; did not pay Holodniy for his time, and did not supply the materials utilized in experimentation and construction.

If what is to be assigned is a question of fact, as the *Dubilier* dissent says, the visitor’s contract cannot be

a present assignment of the inventions later patented and assigned to Petitioner. The contract does not define any invention that Holodniy was assigned to invent. The language “I will assign and hereby do assign” does not relate to any specific invention, as a matter of fact. “[I]deas, inventions and improvements” in the visitor’s form agreement certainly does not specify what Holodniy was assigned to invent. (“Ideas” in the visitor’s agreement may be summarily dismissed as not patentable subject matter, unlike patentable “inventions” and “improvements” under 35 U.S.C. § 101.)

Holodniy had no interest in any invention when he signed the visitor’s paper indicating both a future and a present assignment to Cetus. There was absolutely nothing in Holodniy’s mind about the wisdom of using PCR to amplify DNA when he signed what the Federal Circuit characterized as a “present assignment.”

If, as Roche now contends, the invention was the result of consulting with Cetus, then the VCR could not possibly be a present assignment because it was signed before he visited Cetus. If the invention was derived from Cetus, it could not have been assigned before his collaboration with Cetus

Moreover, because Holodniy was the junior-most of three inventors in the patents prosecuted by Stanford, Cetus cannot claim ownership of all three of the patents. The other inventors did not sign the visitor’s contract that Holodniy signed. They agreed to receive material transfers, but not to assign future inventions to Cetus. The other co-inventors, like Holodniy, had already assigned future inventions to Petitioner.

Further, Cetus cannot claim rights to the work the Stanford team did under an NIH contract. NIH provided no funds to Cetus, and Cetus had no obligation to give the Government any rights. The first contract was between the Government and Petitioner under the Bayh-Dole Act. No later contract can supersede that original contract.

If a court of equity is to weigh the equitable interests in this case, then Respondents have a weak position.

In addition, Respondents position is weak under Federal Rule 56. The Federal Circuit conceded that on summary judgment, all evidence is to be viewed “in the light most favorable to the non-moving party.”

The evidence shows that Holodniy assigned future inventions to petitioner on June 28, 1988. He assigned future inventions to Cetus on February 14, 1989, eight months later. Viewing the evidence in the light most favorable to Petitioner, it has the prior right. The visitor agreement requires that the visitor “will assign” future inventions to Cetus. The addition “I do hereby assign” ideas, inventions and/or improvements must mean any that are now in existence, reading the document in a light favorable to Petitioner. That is, “will assign” in the visitor’s agreement relates to future ideas not yet existing, and “do assign” relates to ideas already in existence.

Further guidance to the application of Rule 56 is provided in the Advisory Committee Notes. The Note accompanying the 1963 Amendment reads, “The very mission of the summary judgment procedure is to pierce the pleadings and to assess the proof in order to see whether there is a genuine issue for trial.”

Instead of substituting its view of the visitor's agreement as a present assignment of ideas, inventions, and improvements not yet in existence (thereby superseding the prior assignment to Petitioner), the Federal Circuit should have remanded the case for trial of the issue in the district court.

The 1963 Note also states, "Where an issue as to a material fact cannot be resolved without observation of the demeanor of witnesses in order to evaluate their credibility, summary judgment is inappropriate. Where the evidentiary matter in support of the motion does not establish the absence of a genuine issue, summary judgment must be denied even if no opposing evidentiary matter is presented."

The court of appeals cannot decide that the visitor's agreement is a present assignment of an invention that has not yet been conceived in a motion for summary judgment. If Justice Stone was correct in "[w]hat the employee agrees to assign to his employer is always a question of fact," summary judgment is inappropriate. "Present assignment" is a disputed material fact.

## **II. SHOP RIGHT IF NOT HIRED TO INVENT**

Justice Stone's dissent continues at 215. "Where the employment does not contemplate the exercise of inventive talent the policy of the patent laws to stimulate invention by awarding the benefits of the monopoly to the inventor and not to someone else leads to a ready compromise: a shop-right gives the employer an adequate share in the unanticipated boon." There is no employment contract between Holodniy and Cetus. Cetus did not "contemplate the exercise of inventive talent" by the visitor. The visitor was not paid and Cetus did not receive "unanticipated boon."

### III. PUBLIC FUNDS; PUBLIC ENTERPRISE

The dissent by Justice Stone noted at 217 that the inventors were “part of a public enterprise. It was devoted to the improvement of the art of radio communication for the benefit of people of the United States, carried on in a government laboratory, maintained by public funds, . . . For the work to be successful, the government must be free to use the results for the benefit of the public in the most effective way.” These arguments support the operation of the Bayh-Dole Act. They do not support Respondents.

### IV. PRESERVATION OF HUMAN LIFE

Finally, the Stone dissent at 218 specifies public purposes. “The case would be more dramatic if the inventions produced at the public expense were important to the preservation of human life, or the public health.” This case involves measuring the virus in blood samples of AIDS patients to determine the effectiveness of drug treatments. What could be more “important to the preservation of human life, or the public health”?

Thus, both the majority and the dissenting opinions in *Dubilier* require that the Respondents’ ownership arguments must be rejected.

### CONCLUSION

Rule 52 bars vacating the district court’s determination of invalidity of the patents in the absence of clear error. The Federal Circuit decision vacating the invalidity ruling must be vacated. Resolving the issue of validity of patents is in the public interest. The invalidity issue is dispositive in this case. An

invalid patent is in the public domain, free for all to use.

The Federal Circuit erred in holding that the visitor's agreement trumps the Bayh-Dole Act and the prior contracts with Petitioner. Petitioner's position on the ownership issue is correct, but no party can own an invalid group of patents.

There is a genuine issue of material fact whether the visitor's contract is an employment contract and whether the contract is a present assignment of something not yet existing. The Federal Rule 56 and this Court's precedents require vacating the decision of the court of appeals.

Respectfully submitted,

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