KT car crashes (and how to avoid them)

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The US case of Stanford University v. Roche (2008-1509 & 1510) shows how a seemingly small difference in wording in an agreement can cause - or prevent - a KT car crash.

The facts were as follows: An academic at Stanford was working under a contract of employment with the university, which contained a clause regarding ownership of inventions. Under the agreement the academic agreed "to assign or confirm in writing to Stanford … that right, title and interest in … such inventions as required."

The academic spent some time visiting a company called Cetus, which did work in the field of PCR testing (testing using polymer chain reaction, a technique for amplifying DNA through in vitro enzymatic replication). The academic signed a confidentiality agreement with Cetus, which provided that "If, as a consequence of my access to CETUS' facilities or information, I conceive of or make, alone or with others, ideas, inventions and improvements thereof or know-how related thereto that relate in any manner to the actual or anticipated business of CETUS, I will assign and do hereby assign to CETUS, my right, title, and interest in each of the ideas, inventions and improvements thereof described in the paragraph."

Back at Stanford after visiting Cetus, the academic developed a method of using PCR testing to measure HIV levels in blood. A patent application to the method was filed, and in accordance with his contract of employment the academic assigned the application to Stanford.

Fast-forward a few years, and the academic's HIV detention method was enjoying considerable commercial success. Roche started marketing its own HIV detention system. Stanford issued proceedings against Roche for infringement of its patent.

Roche's defence to Stanford's claim must have come as a bombshell. By now, Cetus' PCR business had been acquired by Roche. Roche argued that, far from infringing the HIV detection patent, it was in fact the equitable owner of the patent. It argued that under the terms of the academic's confidentiality agreement, the real owner of the patent was not Stanford - it was Cetus.

At a first glance, you might think that Roche had some cheek running this argument. The academic's contract of employment pre-dated, and surely therefore preceded, the agreement with Cetus. So, wasn't this just a patent land-grab by Roche?

But look again at the wording of those two agreements. Under the Stanford assignment, the academic had agreed "to assign" the invention. In other words, Roche argued, in the event that an invention were to arise, Stanford was going to

need the academic to jump through another hoop before it achieved ownership, namely, that the academic had to execute an assignment. Contrast that with the Cetus agreement, in which the academic says that he "hereby assign(s)" such inventions. Roche argued that under the Cetus agreement, the moment that an invention was created, it automatically vested in Cetus. Cetus was therefore first owner of the invention.

The US court agreed with Roche. It held that the Stanford assignment was merely a promise to assign rights in the future, whereas the Cetus agreement had immediate effect. Stanford was therefore not able to sue Roche for patent infringement, because it did not own the entire title to the patent.

How to avoid the crash:

1. The case should prompt all KT professionals to check the contracts of employment of their academic/technical staff. Do they provide that IPR is automatically assigned to the employer institution or company, the moment it is created?
2. Always beware of the future tense in contract drafting: Words like "A will assign its IPR to B" could be interpreted as meaning that an active step is needed before B takes ownership of the IPR. Don't be afraid of an old fashioned phrase like "A hereby assigns its IPR to B".
3. Make sure that academic/technical staff understand the risks of signing IPR-related agreements with third parties. Consider putting a policy in place that requires employees to obtain formal authorisation before signing an agreement in their professional capacity.

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