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FEDERAL CIRCUIT DENIES EXPERIMENTAL USE EXCEPTION IN ACADEMIC RESEARCH CASE

In its recent decision in *Madey v. Duke University*,[1] the Court of Appeals for the Federal Circuit held that the experimental use defense does not immunize the unlicensed use of patented equipment by educational institutions where the research project furthers the institution's "legitimate business objectives" of educating and enlightening students and faculty, even for "research projects with arguably no commercial application whatsoever."

The decision arose out of a patent infringement suit brought by Dr. John Madey ("Madey") against Duke University ("Duke"). Madey, a highly regarded scientist in the field of laser technology, had obtained two patents relating to free electron laser ("FEL") technology while working for Stanford University. In 1988 Madey left Stanford for a position at Duke, where he became director of Duke's FEL lab. Madey remained at Duke until he was removed from his position as lab director in 1997, as a result of conflicts with the university's administration. After Madey's removal, Duke continued to operate some of the patented equipment in the FEL lab, prompting Madey to file suit for patent infringement.

Among other defenses, Duke asserted that the experimental use exception to patent infringement protected it from liability. The district court, after reviewing Federal Circuit case law on the issue, opined that the doctrine exists, and that it offers immunity from patent infringement liability for uses that are "solely for research, academic or experimental purposes." The district court relied on statements in Duke's patent policy to find that Duke was not in the business of developing technology for commercial applications. Then, placing the burden of proof on Madey, the district court found that Madey had not established that Duke's use of the patented technology had "definite, cognizable, and not insubstantial commercial purposes." Accordingly, the district court granted summary judgment for Duke on the defense.

On appeal, the Federal Circuit held that the district court had improperly placed the burden of proof on Madey, when the burden of proving the experimental use exception properly belongs to the defendant. The court also addressed an argument by Madey that the experimental use defense was abolished by the Supreme Court in *Warner-*

[1] 307 F.3d 1351 (Fed. Cir. 2002).

Jenkenson Co. v. Hilton Davis Chemical Co.[2] The court held that the defense exists, but in a very narrow form. Then the court went on to explain just how narrow is the defense.

The Federal Circuit rejected the district court's statement that the experimental use defense inoculates any use that is "solely for research, academic, or experimental purposes." Explaining its prior decisions, the court stated that not only are uses that are "in any way commercial in nature" outside of the scope of the defense, but also is "any conduct that is in keeping with the alleged infringer's legitimate business, regardless of commercial implications." The court held that the "legitimate business objectives" of research universities include objectives such as "educating and enlightening students and faculty" and "increas[ing] the status of the institution and lur[ing] lucrative research grants, students and faculty." Such objectives, the court held, are furthered by even non-commercial research projects. Thus, the court concluded: "In short, regardless of whether a particular institution or entity is engaged in an endeavor for commercial gain, so long as the act is in furtherance of the alleged infringer's legitimate business and is not solely for amusement, to satisfy idle curiosity, or for strictly philosophical inquiry, the act does not qualify for the very narrow and strictly limited experimental use defense."

The court reversed the district court's grant of summary judgment for Duke on the experimental use defense. Remanding the case, the Federal Circuit instructed the district court to reconsider the issue, focusing not on the non-profit status of Duke but on whether the alleged infringing use furthered the legitimate business of Duke, or was solely for amusement, to satisfy idle curiosity, or for strictly philosophical inquiry.

Although the Federal Circuit leaves open the possibility of a finding on remand that the experimental use defense applies, such a result seems unlikely under the standard announced by the court. Further, it is difficult to envision any university sanctioned research projects, even those of a purely scientific, non-commercial nature, that do not further some "legitimate business objective" of the university, as defined by the court. Therefore, while the Federal Circuit expressly holds that the defense continues to exist, the court seems to have constricted the doctrine so much that its real-life applicability may be minimal.

[2] 117 S.Ct. 1040, 520 U.S. 17 (1997).