

Latham Wins Stem Cell Inventorship Dispute in Virtual Bench Trial

Judge Allison Burroughs conducted a 2 1/2-week bench trial entirely by Zoom, concluding Friday that former University of Connecticut researchers don't belong on Astellas Pharma patents.

BY SCOTT GRAHAM

Former researchers at the University of Connecticut's Stem Cell Institute helped test a breakthrough in regenerative medicine. But they did not invent it and should not be listed on patents that describe it, a federal judge has ruled.

Friday's decision by U.S. District Judge Allison Burroughs comes in the first virtual patent bench trial in Massachusetts and ends a long-running dispute between Astellas Pharma Inc. and ImStem Biotechnology Inc.

The 2 1/2-week bench trial was held entirely by Zoom in November with witnesses appearing remotely from across the country and one from as far as Macau.



Michael Morin, left, and David Frazier, right, of Latham & Watkins.

Courtesy photo

"Given the backlog of jury trials, we viewed a virtual bench trial as our best path to getting our case to trial in a reasonable time," said Latham & Watkins partner David Frazier, who led Astellas' winning case to correct inventorship. "Ultimately, our team was able to create a

virtual courtroom and try a complex and hard-fought case every bit as effectively as we would in person."

Drs. Erin Kimbrel and Robert Lanza worked at predecessor companies of Astellas' R&D unit, Astellas Institute for Regenerative Medicine. They pioneered methods for deriv-

ing Mesenchymal stem cells (MSCs) that can form organs, blood, tissue, bone and muscle. They used hemangioblasts, which can grow into vascular and immune cells, to derive MSCs from human embryonic stem cells. Their method enabled the production of many times the number of MSCs using previous methods.

Astellas then reached out to researchers at UConn, UCLA and the University of Florida to test their HB-MSCs on animals, to see if they could be developed into drug therapies. Dr. Ren-He Xu, director of UConn's Stem Cell Institute, and his post-doc student Xiaofang Wang weren't paid for the work. "For Astellas' academic partners, the goal of these collaborations is scientific publication, which is 'currency' in the academic world as it leads to tenure and can help secure grants," Burroughs wrote in 47-pages of findings of fact and conclusions of law. "This type of commercial and academic collaboration is common in the industry and is not unique to Astellas."

Xu and Wang contended that they developed patentable improvements to the

methods, and that Astellas had prematurely disclosed data from their studies in a 2012 investor presentation. They also believed that Astellas and UCLA had "scooped" them by publishing first in a scientific journal.

By then, Xu and Wang were putting together a business plan for ImStem, making grant proposals and obtaining U.S. Patent No. 9,745,551 on the basis of Astellas' innovations. At one point Wang sent a draft patent application to Xu and a business partner, describing it as "more claims ... for our attack patent."

At trial, Wang testified that the '551 patent was meant only to be "a bargaining chip" in the event they were sued.

Burroughs ruled Thursday that all five advancements Xu and Wang claimed to have achieved in their research were already well-known in the regenerative medicine field, including to Kimbrell and Lanza. Consequently, "Drs. Kimbrell and Lanza should be named as the joint inventors on that patent and Drs. Wang and Xu should be removed as inventors," she wrote. She further rejected ImStem's

attempt to add Wang and Xu to two Astellas patents.

Xu and Wang and ImStem did prevail on one point. Astellas had sought damages for unfair competition, but Burroughs absolved Xu and Wang of the requisite of bad faith. "Essentially, Drs. Wang and Xu misunderstood the role Astellas was asking them to play," she wrote in *Astellas Institute for Regenerative Medicine v. ImStem Biotechnology*. "Defendants also misunderstood the value of their contributions, leading them to believe they needed to protect those contributions and that Astellas was not adequately compensating them for their efforts."

Along with Frazier, Latham's team included partners Michael Morin and Brenda Danek along with associates Reba Rabenstein, Lauren Sharkey, Yi Sun and Jenny Wang. ImStem, Xu and Wang were represented by Verrill Dana.

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