Newsletter
Stephens Lawyers & Consultants

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Intellectual Property Update: Full Federal Court Confirms that Researchers Own their Inventions

Ownership of intellectual property is an important corporate governance issue for companies, universities, research institutes and businesses. As intellectual property represents one of the most valuable assets on the balance sheet of many organisations, adequate and effective processes and procedures for ensuring the organisation's ownership of the intellectual property on creation, intellectual property protection and ongoing management are critical. The Full Federal Court decision in *University of Western Australia v Gray* highlights what happens when contracts of employment or engagement do not adequately deal with intellectual property ownership, especially with respect to inventions made in the course of research activities and the employee is not under a "duty to invent".

In Brief

In the *University of Western Australia v Gray* **[1]** the Full Federal Court confirmed the existing law that researchers generally own the right to patent inventions that they create in the course of their employment, unless their research duties include a duty to invent or their employment agreement vests ownership of all inventions created, in the university.

While the case principally reinforces that courts will take a narrow approach when determining a university's entitlement to ownership of inventions by academic staff, it has broader ramifications in confirming existing law that the mere existence of an employment relationship does not itself disqualify an officer or employee from taking out a patent for an invention made by him or her during the period of employment.

Such an outcome is likely to be germane even though an employee might have made use of the employer's time, resources and other employees in completing the invention, the employer may have allowed the inventor to use the invention in the course of employment, and the invention relates to subject matter useful to the employer. While all of the circumstances have to be considered in each case, it would be prudent for employers to include in employment contracts an express provision that any invention made while employed, whether during working hours, outside working hours or using the employer's resources or relevant to the employer's business activities, belongs to the employer and not the employee.

So while the case has immediate ramifications for universities and those dealing with them, the case's ramifications extend to the broader public and private sectors.

The facts

The University of Western Australia had appointed Dr Bruce Gray as its Professor of Surgery. Dr Gray was required by the terms of his appointment to teach and to conduct and stimulate research. The line of research Dr Gray pursued at the university was the treatment of liver cancer, in which he involved other academics there. Dr Gray co-founded Sirtex Medical Limited and assigned the invention rights to that company. As a principal shareholder and director of Sirtex, Dr Gray established the charitable organsiation Cancer Research Institute

Incorporated which also invested in Sirtex. The university initiated proceedings to claim its asserted rights to the inventions alleging that Dr Gray had breached his contractual and fiduciary duties to the university.

The decision

The Full Federal Court confirmed the decision of French J at first instance [2] that academic staff employed by universities with duties such as to undertake, organize and generally stimulate research among university staff and students own inventions they develop in the course of their employment. Put plainly, they do not have a duty to invent. Without a term in their employment contracts that the university has proprietary rights in inventions made by such academic staff, they are not accountable to the university for inventions made in the course of their research activities; and consequently nor are they accountable for applications for patents or patents relating to those inventions, or for assignment of their rights in respect of any such inventions or patents.

Implications of Judgment

The decision reinforces that universities should ensure that they have comprehensive contractual provisions dealing with the ownership of intellectual property included in their employment agreements, including in industrial instruments operative under workplace laws so as to cover pre-existing employees with established employment contracts. Those provisions should:

- Expansively define employee inventions and intellectual property to cover inventions made by an employee while employed by the university, within or outside normal working hours or whether or not using the university's resources, broadly and carefully defining the course and scope of employment so as to include all inventions germane to the university;

- Contain express assignments by the employee of inventions and intellectual property therein to the university;

- Deal with remuneration and compensation, where appropriate.

While universities should ensure that any University legislation governing intellectual property is valid and operative, they should note that unless they can establish a separate right to intellectual property, for example, in an employment agreement, University Statutes, regulations or by-laws are unlikely to be effective on their own in appropriating the intellectual property rights of academic researchers.

Those outside universities who deal with them where intellectual property is relevant should take precautions that:

- When acquiring rights in relation to intellectual property from universities, ensure that the university has the right to assign or license or otherwise deal with the intellectual property;

- For example, paramount here is the inclusion in any relevant academic staff's employment contract of a duty to invent.

Also be aware that while the Full Federal Court decision has major ramifications for dealing with universities:

- It has broader ramifications;

- For example, as observed by the Full Federal Court, solicitation of funds from public or private sources for the purposes of conducting research is not a phenomenon unique to universities;
- It is commonplace in the private sector;
- The issue of who owns employee inventions, the inventor or his or her employer, has arisen in the private sector, and been litigated and decided in the inventor's favour;
- So, private sector employers whose employees engage in inventive activities relevant to their business would also be prudent to ensure that they have comprehensive employment agreements covering rights to employee inventions germane to their line of business activities.

Stephens Lawyers & Consultants have a high level of expertise in intellectual property law, undertakes IP audits and develops strategies for the protection and management of IP assets.

Our lawyers represent leading companies in both litigious and commercial matters. For further information contact:

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[1] [2009] FCAFC 116 (3 September 2009) - Lindgren, Finn and Bennett JJ.

[2]*Universityof Western Australiav Gray* (No 20) (2008) FCA 498 (17 April 2008).