

# Full Federal Court in Australia Confirms Academics' Rights to their Inventions

The Full Federal Court of Australia unanimously confirmed the decision in the long running case of *University of Western Australia v. Gray*. **Catherine Logan** explains the significance of this decision, particularly to universities and other employers of researchers that may have an expectation of owning, or at least sharing in, any intellectual property created in the course of the research.

**O**n September 3, 2009, the Full Federal Court of Australia unanimously confirmed the first instance decision of French, J in April 2008, where he drew a distinction between the contracts of employees of universities and of other employers.

It was decided in finding for Dr Bruce Gray that his inventions were not to be considered the property of his employer, the University of Western Australia (UWA). As a consequence, Gray and his assignee, Sirtex Medical Limited, are free to enjoy the full commercial benefits of the technology he developed over many years, in the area of targeted delivery of oncology treatments through the use of microspheres.

**UWA relied heavily on its argument that a term should be implied into Gray's contract that the inventions he had developed while carrying out his duty to research belonged to it.**

## Background

Gray was appointed professor of surgery at the UWA in 1985, was full time until 1997, and resigned in 1999. He assigned his rights to his inventions to Sirtex in 1997, before it floated on the Australian Stock Exchange, and today has a holding in Sirtex reported as being worth around A\$75 million (US\$69 million).

Sirtex was floated in 2000, but UWA apparently sat on its hands until 2004, when it commenced proceedings in the Federal Court, claiming it was the beneficial owner of Gray's shares and that they should be transferred to it, and for Sirtex to transfer the patents over the technology to it as well.

UWA lost at first instance and has lost its appeal. It had tried

**There was no express duty to invent stipulated in Gray's employment contract.**

to address the issue of IP rights over the years since 1971 in the inventions of its staff by passing regulations, but the earlier ones

were held to be invalid and the later ones were not promulgated effectively until 1997, after Gray had transferred his IP rights in these inventions to Sirtex.

In its case, UWA therefore relied heavily on its argument that a term should be implied into Gray's contract that the inventions he had developed while carrying out his duty to research belonged to it. This term will be implied by law into many contracts, but the court refused to imply it into contracts of this type.

The Court was careful to draw a distinction between the contracts of employment of employees of private enterprises and of public sector bodies such as universities that are publicly funded. Private enterprises fully fund their own research projects, oblige their employees to observe the utmost confidentiality concerning their work, and often give their employees access to trade secrets and confidential information to use in their work.

By contrast, as a university academic and researcher, Gray was expected to solicit funding from other sources to facilitate his research, had freedom to publish his results, and to further his research it was necessary for him to enter into collaborative agreements with external organisations such as Australia's Commonwealth Scientific and Industrial Re-

**The Court was careful to draw a distinction between the contracts of employment of employees of private enterprises and of public sector bodies.**

search Organisation. Importantly also, his duties were expressed in his contract as:

(a) To teach, to conduct examinations and to direct and supervise the work in his field; and

(b) To undertake research, to organise research, and generally to stimulate research among the staff and students.

Significantly, there was no express duty to invent stipulated in Gray's employment contract. UWA's argument was that the Court should imply such a term into the contract. Both the court at first instance and the appeal court refused to imply

such a term into the contract. Put simply, the court's reasoning was that "the duty to research did not signify a duty to invent" in this type of contract, so the term could not be implied into the contract on that basis.

The result was of course that Gray as the inventor was confirmed as the sole owner of the intellectual property in his inventions that arose from his research activities and was entitled to 100% of the commercial benefits arising therefrom.

The court stated that it was not suggesting that the application of implied terms would produce desirable outcomes in these cases, and that crude outcomes and unfairness in matters involving universities and their academic staff could be avoided by appropriate legislation or by the introduction of an "express contractual regime appropriate to the circumstances of the particular case."

**Universities and research institutes should review their IP policies and/or standard contract terms for academic staff as regards ownership of IP developed during the term of employment. They must be clear, and fair, and effectively incorporated into the relevant contracts.**

In other words, it is crucial for contracts of employment, particularly of these types of employees, to incorporate express provisions about a duty to invent and/or the assignment or sharing of IP with the inventor if the employer has an expectation in that regard.

The court ordered UWA to pay Gray's costs of the appeal, but it seems that UWA is not prepared to let the matter rest there.

On October 1, 2009, UWA filed an application for leave to appeal in the High Court of Australia. It is interesting to note that the judge who found against UWA at first instance, French, J, has since become the Chief Justice of that Court.

Regarding the lodgment of the appeal, vice-chancellor professor Alan Robson stated that "this course of action is a matter of principle ... the judgment has important ramifications for all university-initiated research.

It could stem the potential flow on benefits of intellectual property resulting from such research to the broader community. Research and innovation undertaken within universities, by their very nature, build on the work of those who have gone before. We must ensure that this research – which will almost always be done for the benefit of the broader community – is recognised as university IP."

Both cases to date have been lengthy and no doubt expensive, giving rise to judgments running to many pages. It will be interesting to see whether the UWA can succeed on appeal to the High Court of Australia particularly when we already know what the Chief Justice's view on the matter is.

In the meantime, what does this case mean for universities, academics and lawyers in Australia?

This is a decision based on the circumstances surrounding university-based research that may lead to inventions capable of being patented and commercialised. It may extend to other employers as well, such as research institutes funded by government grants and charitable donations, particularly where a researcher has freedom to publish, and the research has a collaborative nature.



Catherine Logan is a partner at Hunt & Hunt lawyers in Sydney. She practices in the fields of intellectual property and health law, specialising in trademarks and copyright law and health insurance law. A part of her pro bono practice, Logan is the company secretary and honorary legal counsel for the Financial Markets Foundation for Children, an independent children's medical research institute supported by Australia's leading banks and chaired by the Governor of the Reserve Bank of Australia. She can be contacted at [clogan@hunthunt.com.au](mailto:clogan@hunthunt.com.au)

In these cases the employee will be considered the owner of IP rights in any inventions resulting from their research, in the absence of any express contractual provision to the contrary.

Universities and research institutes should therefore review their IP policies and/or standard contract terms for academic staff as regards ownership of IP developed during the term of employment. They must be clear, and fair, and effectively incorporated into the relevant contracts if these employers require to share in IP that may be developed during the term of employment. Collaborators should understand and document from the outset of their collaboration the precise terms of these agreements, and

indeed how the collaborator will benefit in the event that an invention is assisted by their collaboration.

Although the decision does not directly affect private sector employers, it is, of course, prudent for all private sector employers to ensure that their contractual regimes with all their employees, whether researchers or not, deal comprehensively with these issues as well, and do not rely on protective provisions to be implied by the courts.



**The Full Federal Court of Australia unanimously confirmed the decision in the long running case of *University of Western Australia v. Gray*. Universities and other employers of researchers may have an expectation of owning, or at least sharing in, any intellectual property created in the course of the research.**