Academic employee owns his inventions, not his university employer

Key points:

- Australian university claimed ownership of patents filed by its Professor of Surgery, arising out of his research
- University argued that, by filing patents in his own name and not involving the university, the professor was in breach of (1) the terms of the university’s IP regulations, and (2) implied terms under general employment law
- Australian appeal court (Federal Court of Australia – Full Court) agreed with court at first instance, and rejected university’s claims
- Australian law on contracts and patents is not identical to English law, but shares some common features

In University of Western Australia v Gray [2009] FCAFC 116 (3 September 2009) the Federal Court of Australia dismissed an appeal by the University of Western Australia (the University) against a decision of the court at first instance. The court at first instance decided that Dr Bruce Nathaniel Gray (Dr Gray), rather than the University, was entitled to certain inventions made by him whilst working at the University.

The inventions and associated patents related to an anti-cancer treatment that is reportedly worth $75M.

Numerous arguments were raised by the University and dismissed by the court at first instance and on appeal. This note will briefly discuss some of those arguments, particularly where they have a bearing on UK law and academic practice, and will mention some similarities and differences between Australian and English law.

Background

Dr Grey was employed by the University as its Professor of Surgery from 1985 to 1997 on a full-time basis. In 1997 he changed to a 30% “fractional appointment” to focus on surgical work, and in 1999 he resigned.

The dispute related to three microsphere technologies, known as Selective Internal Radiation, DOX-Spheres, and Thermo-Spheres. The microspheres are used to deliver targeted anti-cancer treatments. Various patent applications were made by Dr Gray and members of his team in respect of these technologies over a period of years. In about 1997, Dr Gray and his colleagues assigned their rights in the patents to a company, Sirtex Medical Limited (Sirtex). Sirtex was admitted to the Australian Stock Exchange in 2000. Sirtex was an additional defendant in the proceedings at first instance, but took no part in the appeal.

The core part of the University’s claim was that Dr Gray breached his contract of employment by failing to notify his inventions to the University, by patenting them himself, and by assigning them to Sirtex.
A significant part of the trial, which ran for 50 days, was devoted to questions of Dr Gray’s professional history, including the people he worked with, what work they did, his attempts to find sources of funding for his research, and his attempts to commercialise the technologies. To quote the appeal court, “the facts were wide ranging, complex and detailed”. This note will focus on a few points of general interest to universities, and will not summarise all of the forty-three grounds of appeal.

**Was Dr Gray bound by the University’s IP Regulations?**

The terms of Dr Gray’s contract of employment with the University stated that he was subject to the University’s Statutes and regulations. The University claimed that he was in breach of its patents regulations, which were made by the University Senate in 1971, and the successors to those regulations, made by the Senate in 1996.

Unfortunately for the University, the 1971 regulations required employees to notify inventions to a “Patents Committee”. The Patents Committee had effectively been abandoned by 1988 and instead University inventions were handled by a company, Uniscan Limited, by a department of the University known as the Centre for Applied and Business Research (CABR), and by a Deputy Vice-Chancellor (Research).

The court at first instance found that Dr Gray was not in breach of the notification obligation under the patents regulations because the Patents Committee did not exist. The appeal court agreed.

The court also found irregularities in the way that the patents regulations had been adopted by the University, which meant that they could not be used to acquire property from University employees. This point is concerned with details of the University’s incorporation and governance rules and will not be mentioned further in this note.

*Lesson 1: make sure that the IP regulations are (a) correctly adopted as regulations of the University that are binding on employees, and (b) kept up-to-date to reflect current university practice.*

**Implied terms in Dr Gray’s contract of employment**

The University failed to establish that its patents regulations were binding on Dr Gray. As an alternative line of attack, it argued that there were implied terms in Dr Gray’s contract of employment which required him to notify inventions to the University and which caused those inventions to belong to the University as his employer.

In passing, it should be mentioned that UK laws are nowadays different from Australian laws in this area, although prior to 1978 they may have been very similar. Under the (UK) Patents Act 1977, the question of whether the employer or the employee owns inventions made by the employee is entirely governed by the terms of section 39 of that Act. Section 39 provides for a complex three-part test based on what the “duties” of the employee are. Section 39
cannot be overridden by terms in the contract of employment, at least in respect of future inventions.

Under Australian law, it is necessary to look at the terms of the contract of employment, including any implied terms, to determine whether the employer owns an employee’s inventions. In practice, under both the UK and Australian regimes, it may be necessary to consider what the duties of the employee are, when deciding whether the employer has any rights of the employee’s inventions.

Under the written terms of Dr Gray’s contract of employment, he was required to teach and undertake research. There was no express or implied term in Dr Gray’s contract imposing a “duty to invent”.

Rejecting any implied term in the University’s favour, the appeal court noted a number of factors, including:

- The case was not about an employee engaged specifically to produce an invention or to do research directed to producing an invention. The court commented: “Such a contract may well warrant the implication in law of a term that the rights in relation to the invention produced would belong to [the University].”

Lesson 2: if, as a university, you want to own your employees’ inventions, consider including a specific “duty to make inventions” in the contract of employment. This is often seen in UK contracts of employment for research staff in commercial companies. Although UK law is different to Australian law in this area (as noted above), including such a term would be helpful under section 39 of the Patents Act 1977 to establish what the “duties” of the employee are.

- The position of an academic employee was rather different to that of a researcher in a commercial company. The differences made it more difficult to imply a term in the University’s favour. In Dr Gray’s case, the court at first instance identified the following factors:
  - The absence of a duty to invent anything.
  - The freedom to publish the results of his research and any invention developed during that research notwithstanding that such publication might destroy the patentability of the invention.
  - The extent to which Dr Gray, as a researcher and those working with him, were expected to and did solicit funds for their research, including the development of inventions, from sources outside [the University]…
  - The necessity, consistent with research of the kind he was doing, to enter into collaborative arrangements with external organisations…”
• The judge at first instance went on: “…the role of the researcher at [the University] in the area in which Dr Gray and his colleagues were working required him and them to act to a significant degree as entrepreneurs in securing the resources which would enable them to carry out their work. The circumstances of his employment were a long way removed from the situations which gave rise to the common law implications discussed in the English cases.”

It is very interesting that the court focussed on the entrepreneurial role of an academic in raising funds for his research, as well as the lack of general confidentiality obligations on the academic with respect to the results of his research. These features emphasise the “semi-detached” nature of an academic’s relationship with the university that employs him.

Lesson 3: don’t assume that general case law on the duties of an employee is applicable to academic staff at universities. The circumstances of their employment are very different to employees in commercial companies.

Comments

Best practice in UK universities is to obtain an assignment of intellectual property from the inventors before filing any patent applications. These assignments are sometimes called “confirmatory assignments” where the university considers that the invention already belongs to it under the contract of employment and general law. The name given to the assignment is probably not important; what is important is getting a written assignment in all cases, to avoid uncertainty as to whether the university is entitled to the invention.

Some universities do not, as a matter of course, get assignments from their employee-inventors, and rely instead on terms in the contract of employment and general law. In our view this is a risky course of action. The University of Western Australia case illustrates some of the risks involved.

Finally, we have seen some very poorly drafted university IP regulations which have clearly not been drafted by a specialist IP lawyer. Legal advice may also be needed to ensure that the regulations are adopted by the university in a legally-watertight way.

If you would like to discuss any of the above issues, please contact Mark Anderson at mark@andlaw.eu or on [+44] [0]1865 858 878.

Mark Anderson
Anderson & Company, Solicitors