# Patent Rights Bombshell Dropped on Australian University: The Implications for New Zealand

Case law long ago established that any intellectual property developed by an employee in the course of his or her employment belongs to the employer. If the employee applies for intellectual property protection himself by obtaining a patent, for example, the patent is deemed to be held in trust for the employer. However, a recent decision of the Federal Court of Australia in the case of *University of Western Australia v Gray*[1] has potentially modified this principle.

## The Circumstances

Dr Bruce Gray was a Professor of Surgery at the University of Western Australia during the 1980s and 1990s. In the course of his tenure he developed a method of targeting treatments for liver cancer using microspheres of radioactive yttrium-90. The patents that resulted from this line of research and other inventions were held in Dr Gray's name and were subsequently acquired in 2000 by Sirtex Medical Ltd., an Australian public company of which Dr Gray was a director and major shareholder. In 2004 the University of Western Australia sued Sirtex on the basis that the patents were held in trust for the University by Sirtex.

## The Decision

Given the well established case law, shockwaves travelled through Australian universities upon the release of Justice French's 17 April 2008 judgment, which holds that the University never had any rights in the intellectual property developed by Dr Gray. Justice French not only considered the development of the case law surrounding intellectual property and employment in Australia, he also considered the relevant case law in the US, the UK and Canada. He ruled that Dr Gray was employed to undertake and stimulate research, *not* to create new inventions.

Whilst Dr Gray could possibly have produced a patentable invention in the course of his normal research activities, Justice French inferred that creating inventions was not an expected outcome of his employment. In particular, it was considered that Dr Gray's obligations to the University as an employee were not the same as those of a researcher employed by a private commercial entity. Justice French considered that a private commercial entity would expect an employee to advance the commercial interests of the employer, whereas a university, a not-for-profit entity, was likely to only have an academic research requirement, with no commercial imperative.

One of the arguments made by the University was that it owned the rights to any patents developed by Dr Gray during his employment because his contract incorporated the University's intellectual property regulations. Justice French did not find this argument persuasive because the University regulations are limited to the management of University property only. Because Justice French had already established that the patent rights were the personal property of Dr Gray, the University regulations could not, therefore, be held to support an ownership claim for the patents.

## So how will this decision affect researchers in New Zealand?

Given the increasing interest in commercialisation of intellectual property by New Zealand universities, it would not be surprising if the universities are already reviewing their employee intellectual property policies. This decision could be persuasive in a New Zealand court, especially if the decision is appealed, and subsequently upheld by the Australian Court of Appeal. The importance of this judgment in New Zealand cannot be overlooked. It has far reaching implications. Academic institutions in New Zealand, and indeed around the world, will be keeping a close eye on any further developments with this case.

A reminder: if you have any queries regarding patents or patent ownership, or indeed any form of intellectual property, please direct them to:

Patent Proze

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[1] University of Western Australia v Gray (No 20) [2008] FCA 498

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