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Employer / Employee Ownership of IP – applying UWA v Gray

22 December 2011

In brief

This decision provides some insight into how the Australian Patent Office (APO) may apply the reasoning in *University of Western Australia (UWA) v Gray*, in particular in circumstances where the employer is not a university.

The APO followed the *UWA v Gray* approach but in contrast to that case, the APO in *RCH v Alexander* found that:

- as an employee of the Royal Children's Hospital (RCH), Dr Alexander had a duty to invent under certain circumstances, and
- one of the two relevant inventions was created in the course of employment and belonged to RCH.

The Royal Children's Hospital v Robert Alexander [2011] APO 94 (RCH v Alexander)

Summary of *RCH v Alexander*

In 2006 two provisional patent applications were filed in the name of Dr Alexander who commenced employment as the Head of Virology at RCH in 1996. The first (AP1) relates to a virus recovery medium that assists with improved detection of viruses. The second (AP2) relates to a device used for viral diagnostics.

RCH filed a request that AP1 and AP2 proceed in the name of RCH alone on the basis that the inventions were created in the course of Dr Alexander's employment with RCH and Dr Alexander had a duty to invent.

The APO held that RCH was solely entitled to AP1 as it was created in the course of Dr Alexander's employment, but that Dr Alexander was solely entitled to AP2.

Scope of employment

Dr Alexander's role included generally identifying potential for improvement to RCH's diagnostics techniques.

While the APO noted that Dr Alexander was expected to at least optimise the relevant methodology, it also noted that RCH only pursued improvements if there was a clear benefit to RCH in doing so and did not support Dr Alexander's research financially. This meant Dr Alexander's scope for identifying or making substantial improvements was limited.

Given the above, the APO held that Dr Alexander had a 'duty to invent' only where:

- the problem was one he would ordinarily have been expected to resolve, or
- there was clear potential for improvement (but not where improvements were merely possible).

The APO determined that AP1 was the product of Dr Alexander's efforts to optimise the existing RCH viral diagnostic techniques. AP2, however, was not an improvement that was directly needed for RCH's purposes and there was no clear motivation for Dr Alexander to undertake this line of research.

Analogies to *UWA v Gray*

Dr Alexander argued that the circumstances in *RCH v Alexander* were analogous to those in *UWA v Gray*. The APO, however, pointed to differences between the two cases which led it to decide at least partly in favour of RCH.

The APO noted that Dr Alexander:

- was not expected to obtain external funding for his research, and
- was not looking for other avenues of research independent to those concerning RCH.

In contrast, in *UWA v Gray* it was held to be significant that Dr Gray was expected to find the funding for his research and was free to determine the type of research he undertook. These 'freedoms' formed part of the analysis as to whether Dr Gray had a duty to invent for UWA and whether there was an implied term of employment that UWA owned the relevant IP developed by Dr Gray. The freedoms assisted in negating these UWA assertions.

Confidentiality and public purpose organisations

The APO noted that RCH has a public interest role and that the public interest is served by a public hospital like RCH sharing new information and techniques with the wider scientific community. The APO stated that '*In this context, the hospital does not need to commercialise the invention to benefit from it…*'[1]

In *UWA v Gray*, the court found it significant that Dr Gray was not subject to an obligation of confidentiality preventing him from disclosing the inventions he created. In that case, a duty of confidentiality was found to be directly linked to a duty to invent given that a failure to keep an invention confidential can destroy the patentability of such invention. The lack of confidentiality obligation in *UWA v Gray* was one factor that went to negate the duty to invent and the implied term that UWA owned the IP developed by Dr Gray. This issue was raised in *RCH v Alexander* although the APO determined that the lack of an obligation of confidentiality on Dr Alexander did not negate the duty to invent given that in the opinion of the APO (as noted above), RCH did not need to commercialise the invention to benefit from it.

In *UWA v Gray* there was also discussion around the nature of UWA as a public education organisation. The Full Federal Court drew a distinction between the nature of universities and of private sector entities, and discussed how this distinction impacted on confidentiality and fiduciary obligations between employees and employers in each such circumstance.

In *RCH v Alexander* the APO appears to have extended the *UWA v Gray* distinction between public and private entities to hospitals. There was extensive discussion in *UWA v Gray* as to the specific nature of universities and the nature of Dr Gray's employment at UWA. The decision in *RCH v Alexander* obviously does not go into such detail so it is unclear the extent to which the APO may apply this distinction to other types of organisations. It is unclear, for example, whether the APO would apply the same rationale to private hospitals.

The decision in *RCH v Alexander* highlights, among other things, the specific circumstances under which *UWA v Gray* was decided and the difficulty faced in applying the reasoning in that case to different factual scenarios.

This article was written by Claudia Adams, Solicitor, Sydney.

Endnotes

1. The Royal Children's Hospital v Robert Alexander [2011] APO 94 at 47

More information

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