

'PITFALLS OR POTHOLES? - LEGAL CHALLENGES IN RESEARCH'¹

Introduction

What would be best to impart to you, which might help you avoid the pitfalls and potholes?

The goal to achieve is:

- To identify what are the pitfalls and potholes?
- To understand how to steer away from them?
- To see results.

The common thing about pitfalls² and potholes,³ is that no-one really goes looking to fall into or drive over one. I mean when all of a sudden you are faced with a pothole, you get two reactions – the 'I'll do anything to avoid this pothole' response or 'I've accepted I'm going to hit this thing – let's just get it over with!'

What is really helpful is if there is a main roads sign saying in big letters: 'BEWARE POTHOLE 50 METRES AHEAD' or 'BEWARE ROAD ENDS CLIFF 100 METRES AHEAD'. Let me hold up a few signs.

1. What areas are most likely to be relevant to AusBiotech?

The following are usually related to research:

- (a) Rights to Information;
- (b) Copyright;
- (c) Patents,

2. What are the pitfalls and potholes?

Information

Research will produce information. Some information that research produces will become part of a person's own knowledge base. This 'know how' as it has been called, is able to go with a person and the courts will generally be reluctant to interfere with this added value a person acquires. However,

¹ A paper to be presented at the Queensland Branch Committee Breakfast entitled: *"Flood, earthquake or Lawsuit – are you managing your risk or crossing your fingers?"* Dimitrios Eliades 14 April 2011.

² Encarta Dictionary English (U.K.): 'a potential and usually unanticipated disaster'.

³ Encarta Dictionary English (U.K.): 'a hole in the surface of a road'.

information from research might be very sensitive, even groundbreaking. It might be dealt with great sensitivity, because of its potential to give competitors a commercial advantage or because it has the potential to secure other rights, such as patent rights.

Generally, there is no ownership of information until it takes some form, but obligations of confidence in relation to sensitive information are often sought to be enforced.

Copyright

Much of the information produced from research, will also find its way into some material form, such as notes, findings, graphs, tables or reports.

These expressed thoughts, will usually attract copyright protection. I say usually because recently the full Federal Court, determined that computer generated works of factual content, where the material form of the work was created by a computer and not an individual, will not attract copyright protection.⁴

At that point of creating the material form, ownership of the copyright will lie with the author of the notes, report or recorded findings.

Patents

The information might be exceptional in some way. It might be in a new area of research, it might give rise to subject matter that is patentable. So the research leads to a product or method, which becomes the subject of a patent application. If it does and this leads to a grant of a patent, then the grant is made to the inventor, who like the author in copyright, is the first person entitled.

This is the simplest situation and if nothing more is done, your commercial vehicle is at the bottom of the cliff and you look up to see a sign which says: 'YOU JUST PASSED A CLIFF BACK THERE!' You see the pitfall has already happened.

In the case of information, there should be a provision in the employment contract of key personnel or in the agreement creating a collaborative research effort. The provision should identify the information with some specificity. It

⁴ *Telstra Corporation Limited v Phone Directories Company Pty Ltd* [2010] FCAFC 149 (Keane CJ, Perram and Yates JJ, 15 December 2010).

should then restrain its use or disclosure without the consent of the party to whom the obligation of confidence is owed.

As to copyright, there are greater casualties in this area. If the report is created pursuant to the terms of employment, unless there is some other agreement, copyright will shift from the author to the employer.

The greater problems arise where the research is outsourced. Some company is contracted to carry out certain research, because of some expertise in an area or their having specialised equipment, which enables the research to be conducted. Many assume that because the concept was relayed to that party, that upon their payment of the contract fee, copyright transfers to the party.

That is not the case. Unless there is a specific transfer of the copyright, the copyright of a report, assessment or other research, will belong to the third person/contractor. As the client, you will be entitled to a right or licence to use the research. It is not conclusive that your licence is exclusive or whether the contractor might use it for other applications, even by ones competitors. In that case, a confidentiality agreement should have been put in place before disclosure of the concept.

Now something similar applies to patents. A contractor who contributes to the development of the invention but does not make an inventive contribution, cannot claim an interest in the patent.⁵

The ownership of an invention developed by an employee who invents in the course of their employment, lies with the employer. However there has been a case which has sent shock waves through the research communities of universities and industry.

UWA v Gray

In 1985 the University of Western Australia (UWA) appointed Dr Bruce Gray as its Professor of Surgery and Head of Department, as a fulltime employee and remained as such until March 1997 when he changed to a part time employment position, whilst concentrating on clinical work at the Royal Perth Hospital.

⁵ *Row Weeder Pty Ltd v Gregory Wayne Nielsen, James Alan Venn, And Peter Francis Venn*⁵ the respondents claimed that the commission to assist develop the prototype of a cotton spraying machine, resulted in the making of an inventive contribution. It was determined that a person need not necessarily make the key inventive step to be classified an inventor. If the final concept of the invention would not have come about without that person's involvement, then that person has entitlement to the invention.

At the time of his appointment, Dr Gray had been engaged for approximately 5 years in researching the treatment of liver cancer by using microspheres at the University of Melbourne and St Vincent's Hospital in Melbourne. These microspheres were injected into the blood vessels of the liver to deliver anticancer therapies to tumour sites. Microspheres were directed to those sites with the aid of a vasoactive agent, which temporarily promoted blood flow into the tumour blood vessels at the expense of blood flow into normal vessel tissue.

After joining UWA, Dr Gray continued to pursue this research, together with other researchers, including Dr Mark Burton, who had worked with him previously at Melbourne University.

In the years that followed Dr Gray's appointment, work was done on three microspheres technologies, which became the subject matter of patent applications:

- The first form selective internal radiation, was designed to transport a short lived radioisotope to treat with radiation, the cancerous tissue;
- DOX-Spheres, was a methodology designed to transport and release, in a controlled way, anticancer drugs to the site, particularly doxorubicin; and
- Thermo-Spheres, involving the delivery of microspheres of magnetic material into the cancerous tissue and thereafter heating them by the external application of an alternating or rotating magnetic field. It relied on the phenomenon known as 'magnetic hysteresis'.

There was no term in Dr Gray's contract whereby the rights to any invention arising from Dr Gray's research, belonged to UWA. That meant UWA had to argue that it was implied in his contract that whatever invention arose from his research would belong to UWA.

By about 1999 UWA, was aware of his involvement with an external company and the prospect of commercialisation of the technologies and there was a view by 1999 amongst some UWA officers, that UWA might have some claim on the intellectual property rights being used by the company. The Vice-Chancellor of UWA wrote to Dr Gray in 1999 expressing the sentiment that UWA had an interest in the patented technology.

UWA commenced proceedings against Dr. Gray and two companies with which he was associated, claiming ownership in the technology which it said Dr Gray developed while he was a member of the UWA staff.

The trial judge then and now the current Chief Justice of the High Court, said:

UWA's case against Dr Gray and Sirtex was critically dependent upon the proposition that it was an implied term of Dr Gray's contract of employment that intellectual property developed in the course of his employment belonged to UWA. Although there seems to have been an assumption among some at UWA that such an implied term operates generally in the case of academic staff who research and use university facilities, I have concluded that the assumption is not well founded.

Absent express agreement to the contrary, rights in relation to inventions made by academic staff in the course of research and whether or not they are using university resources, will ordinarily belong to the academic staff as the inventors under the 1990 Act. The position is different if staff have a contractual duty to try to produce inventions. But a duty to research does not carry with it a duty to invent. (emphasis added)

Some people have questioned the fact that if you research, it is conceivable that you might come across patentable subject matter. That case emphasises the need to state expressly the terms of ownership or rights to the intellectual property, specifically the right to apply for a patent, in the agreement.

Patents have another very dangerous pitfall.

In 1990, the Brisbane City Council decided to meter Brisbane's water usage. Two Queenslanders developed a manifold invention which we all now have installed on our properties. The inventors received the first tender for 60,000 meters. After that the subsequent tenders went to the inventors' subcontractors.

The invention was later found to be inventive and novel and overcame all other attacks on its validity, except one. The two inventors decided between themselves that they would put the patent in the name of one inventor, who then would transfer it to a joint company. The court revoked the patent on the basis that a grant of a patent to one of two inventors was not a grant to the inventors. As a result the patent was revoked.⁶

The very real result of the decision, which the full court affirmed, was that if there are inventors who are not granted the patent, or someone in their place such as a transferee, the patent is invalid. As the patent was revoked because not all the inventors were named, then if in a collaborative research environment, a manager is named as the inventor for convenience, when in

⁶ *Stack v Davies Shephard Pty Ltd* (1999) 47 IPR 525 (Trial Judge); *Davies Shephard Pty Ltd v Stack* (2001) 51 IPR 513.

fact there are inventive contributions by a number of people then, the patent is open to revocation. Collaborative research has been identified as:

[A] joint invention is the product of collaboration of the inventive endeavours of two or more persons working toward the same end and producing an invention by the aggregate efforts to constitute a joint invention. It is necessary that each of the inventors work on the same subject matter and make some contribution to the inventive thought and to the final result...⁷

The case of *Stack* represents a case of non-joinder of a person entitled. What about the case of joining someone not entitled? In *Conor*⁸ the patents in suit, the subject of the litigation, were granted to two entities, namely:

- (a) Angiotech Pharmaceuticals, Inc. ('Angiotech'); and
- (b) The University of British Columbia ('UBC').

Each of the patentees claimed title to the inventions by way of assignment from U.S. inventors. In the case of UBC, its claim to entitlement to the grant of the patent arose from two persons Helen Burt and John Jackson, who claimed to be the inventors of the invention.

The applicant, ('Conor'), alleged that neither Burt or Jackson were inventors and accordingly, Conor claimed as neither of the assignors were inventors, UBC's title could be no better than those persons and their title was deficient. Further, as the grants were made to persons not entitled, the patents must be revoked for they could only have been granted to the actual inventors or persons claiming through them under s 15(1)(b) and/or s 15(1)(c) and/or s 15(1)(d). The implication was that if UBC was not entitled, Angiotech, as a co-patentee was not entitled notwithstanding they did take from the inventors. In essence, Angiotech would lose its patent rights through the mis-joinder of UBC.

Conor argued on the basis that the relevant ground for revocation referred to the entitlement of the 'patentees' and was a reference to the patentees collectively.⁹ In addition, it was submitted that this interpretation was fortified by the definition of the term 'patentee' in the Dictionary to mean 'the person for the time being entered in the Register as the grantee or proprietor of a patent'.

⁷ Judge Holtzoff in *Monsanto Co. v Kamp* (1967) 269 F. Supp. 818, 154 U.S.P.Q. 259 (D.D.C. 1967).

⁸ *Conor Medsystems, Inc v The University of British Columbia (No 2)* [2006] FCA 32; Full Court appeal *University of British Columbia v Conor Medsystems, Inc* [2006] FCAFC 154.

⁹ The *Patents Act* provided at s 138:

- 3) After hearing the application, the court may, by order, revoke the patent, either wholly or so far as it relates to a claim, on one or more of the following grounds, but on no other ground:
 - (a) that the patentee is not entitled to the patent.

Finkelstein J considered s 15 of the *Patents Act* and determined that the issue revolved around the history of the section:

The question in issue is this: If a patent is granted to several persons, must each of them be, or claim through, an inventor? The answer to that question is, I think, to be gathered from the history of the section.¹⁰

After considering the history of the section, the judge determined that the court had the power to revoke and answered it in the affirmative.¹¹

Conclusion

It is clear from the cases, and the law, that systems should be put in place ahead of actions giving rise to intellectual property rights, are commenced.

The ability to negotiate from a stronger position, is gained by having secured the rights in a due diligence proof manner and environment. UWA represents the position you don't want to be in. That is to try to rely on implied terms, an IP policy, which was not actively transmitted to all researchers and staff, and a committee established to consider patentable research, which had not met in 10 years.

This is not a unique situation I can tell you from my experience in both the public and private sector. A systematic manner of dealing with these issues will reduce risk and increase the negotiating power to your advantage, whether in sale or licence of the technology or in collaborative arrangements.

Dimitrios Eliades

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¹⁰ At [3].

¹¹ At [21].