

Bad cases make bad law: UWA vs Gray

In February, the University of Western Australia (UWA) finally lost a 'land mark' case over intellectual property against a former employee, Dr Bruce Gray, and the medical company founded by him, Sirtex Medical Limited (Sirtex).

The truism that 'bad cases make bad law' probably encouraged High Court Justices Gummow, Hayne and Heydon to decide that this was "not an appropriate occasion to consider what are said to be questions of law".

In denying UWA special leave to appeal, the High Court ended a 'litigation marathon' against Dr Bruce Gray and Sirtex, in which UWA claimed ownership of intellectual property used by the company to develop and commercialise certain 'targeted microsphere' technology. And it was a marathon - the trial alone lasted 50 days and probably cost UWA more than \$7 million (taking into account the costs of Dr Gray and Sirtex).

Dissatisfied, the UWA issued a media release on the same day rebuking the High Court for leaving "ill-defined" the legal "principles" which, according to

its counsel, Ms Katrina Howard SC, were misapplied by Justice French, in the first instance, and by Justices Lindgren, Finn and Bennett, on appeal. The UWA's Vice-Chancellor, Professor Robson, warned that as a result "it may become more difficult for universities to obtain the proceeds of commercialisation of research that has been done by their staff members".

Targeted microsphere technology uses 'microspheres' to deliver various anti-cancer materials to the site of the cancerous tumour. But that idea was not new when Dr Gray commenced his employment at UWA in 1984 and this was a relevant fact in UWA's case because just as there is no intellectual property in an abstract idea or a mere discovery so there is none in an idea which is in the public domain.

To be a patentable invention, the patent claims (which define the 'invention' in the patent document) must describe the 'invention' in such a way that it satisfies the patentability thresholds set out in the *Patents Act, 1990*. Apart from the need for the subject of a patent claim to be patentable subject matter, the 'invention' must be both 'novel' and 'involve an inventive step'. In other words, it must be innovative above and beyond what was the relevant state of the art at the time that the patent application was filed.

Unfortunately for UWA, this level of detail was problematic because the narrower the 'invention' was defined, as it had to be in order to distinguish it from what was already known about targeted microsphere technology, the more difficult it was for UWA to prove that the 'invention' was actually produced during the course of Dr Gray's (or his colleagues) employment at UWA. The university was caught in a catch-22.

Generally, appellate courts accept that a trial judge is in the best

position to assess the credibility and reliability of witnesses. Therefore they are most reluctant to overturn a trial judge's factual findings absent a manifest error. What appellate courts are mostly concerned about is the correct application of the law to the evidence presented at the trial.

The Full Federal Court agreed with Justice French that:

- all bar one of the inventions had been made either prior to, or after, this employment at UWA; and
- in any event, through a series of decisions made by UWA over some 20 years, both before, during and after Dr Gray's employment, UWA had not acquired rights over any of the inventions.

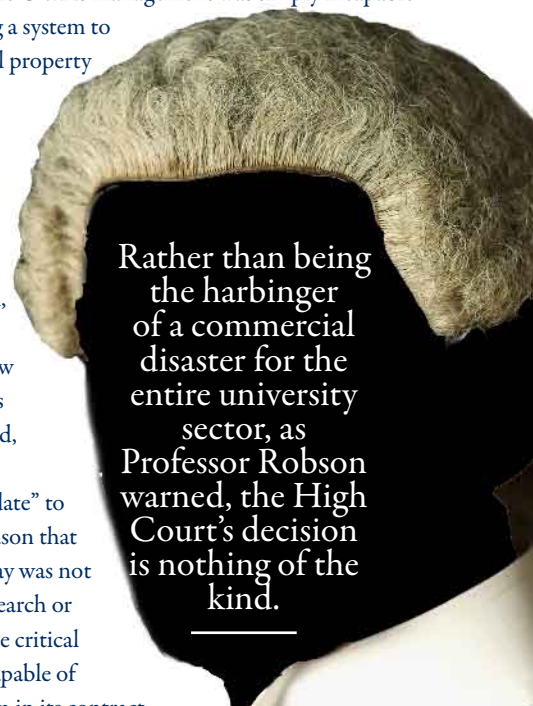
Therefore, not only was UWA not entitled to claim ownership of the inventions which Dr Gray (and his colleagues) had properly transferred to Sirtex, but Dr Gray could not, on the basis of that transfer, have breached his fiduciary obligations to UWA.

Rather than being the harbinger of a commercial disaster for the entire university sector, as Professor Robson warned, the High Court's decision is nothing of the kind. The case, on its facts, is quite narrow. Its instructive value is in showing how the UWA's management was simply incapable of adequately maintaining a system to administer the intellectual property developed by its staff.

Not only were the university's Patents Regulations, approved by the university's Senate in December 1971, at first not properly promulgated, but it also was not until November 1997 that a new set of 'IP Regulations', this time properly promulgated, came into effect. The Full Federal Court held "this date" to be "important" for the reason that "after March 1997 Dr Gray was not employed by UWA to research or to invent". Thus during the critical period the UWA was incapable of imposing any implied term in its contract with Dr Gray over any intellectual property developed by Dr Gray.

Next, the administrative system established by the Patents Regulations 1971 was "effectively" abandoned by UWA in 1985. Therefore, as Justice French found and the appellate court agreed, the "mechanisms for assessing inventions for commercial development ... could not operate." This meant, as the Full Court held, the "Patents Regulations could not validly appropriate property to UWA which did not belong to it".

Finally, it is important to recognise that intellectual property has defined legal limits and therefore it is critically important for universities, as indeed it is for anyone that deal with such rights, to carefully define the scope of the contractual obligations imposed, expressly or impliedly, on a member of staff with regard to the development of intellectual property during the course of their employment.



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