

Public Sector Research In Australia—IP Ownership And Commercialisation Issues

By John Walker

Australian Public Sector R & D Landscape—An Overview

Before considering any “Bayh-Dole type issues” in the Australian IP protection/commercialisation landscape, a brief overview of the Australian public sector R&D framework is helpful. First, “public sector” in the context of Australian R&D principally covers research undertaken in the university system and research by government owned research agencies, such as Commonwealth Scientific & Industrial Research Organisation (CSIRO). Government funding for these activities is provided through two principal mechanisms: research grants through the Australian Research Council (ARC) and the NHMRC which flow through principally to the university/medical research sector; and the funding of specific government owned research institutes including CSIRO, ANSTO, AIMS, DSTO (the largest of which is CSIRO).

In addition to these two principal funding mechanisms, the Australian government also supports public sector R & D through direct financial support to Cooperative Research Centres (CRC’s) and through government owned Research and Development Corporations. The CRC program comprises government approved and funded research collaborations between universities, industry, and in many cases CSIRO. Ownership and management of IP in CRC’s is essentially a matter of negotiation and agreement between the research participants, but the government is not the owner. The Research and Development Corporations are separate government owned entities and are industry specific (*e.g.* Grains Research, Meat & Livestock etc.) and funding is generated through government levies imposed on producers in the particular industry that will benefit from the research. Such RDC’s are free to negotiate IP conditions in the funding agreements, and often these result in such RDC’s (as government owned corporations) owning the IP. This paper focuses on the two principal funding mechanisms rather than the CRC’s and RDC’s.

Elements of a Bayh-Dole Type Arrangement

In its simplest form an important impact of the Bayh-Dole Act was that it changed the presumption

of title, from government to the recipient of government funding. In return for that retention of title, the funding recipient is required to meet certain IP management obligations including commercialisation, and the government retains certain “controls.” An example of such a control is “march-in” rights, although experience indicates such march-in rights are rarely, if at all, exercised.

In general terms, Australia does not have any law comparable to the Bayh-Dole Act which would create a more detailed framework for technology transfer/commercialisation from institutions to industry. This is largely due to the fact that the legal framework introduced in 1980 in the USA through the Bayh-Dole Act was already in place in Australia, and arguably the major element that required “management” was the obligation and/or requirement on government funded entities to make the necessary decisions on IP management and commercialisation. The position of title vesting in the research entity is largely a default position, as under common law in Australia the employer is entitled to any IP rights created by an employee in the course of their employment. The requirement for IP owners to subsequently protect, manage and commercialise the IP appropriately is then largely a matter of the guidelines set out by the relevant funding body. With the foregoing as a general framework, some specific examples are discussed, as well as a particular recent court decision that has potential to impact on elements of this framework.

The Position of Government Funding Agencies

Government funding agencies (like ARC, NHMRC) do not claim ownership of inventions created by their funded research, but as previously mentioned, some government Research and Development Corporations do or may require ownership. Currently institutions are free to develop and implement their own policies,

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and some research funding agencies like the NHMRC provide IP management guidelines to recipients. Conditions typically require that IP ownership and its subsequent management be the subject of an agreement. The ARC as a major funder of research does not currently play an active role in either causing the research funded to be commercialised or requiring the recipient to comply with any national interest policy. Intervening, particularly in a top down manner in the commercialisation of university research has not been the practice of the ARC or the government. However, the ARC recognises its role in supporting research that could lead to new enterprises.

The Position of Universities

Universities can claim ownership of inventions created by academic staff—both under common law and under university IP policies and statutes. However, under some university statutes, academics can claim ownership—full or part. Students can generally claim ownership of inventions created during their studies, although some universities modify this (by statutes, etc.) when university resources are used. An important case with respect to university employees is discussed later in this paper.

The Position of Government Research Agencies

Government research organisations (like CSIRO) can claim ownership of inventions created by employees in the course of their employment. This “entitlement” arises by virtue of the employer/employee relationship at common law as well as under their own internal IP policies including terms of employment of researchers employed by the Organisation. In the case of CSIRO, this position on ownership is further reinforced by the government statute under which it was established. Notwithstanding this basis, CSIRO reinforces the position by specific employee assignment documents at or before a patent application is made. Whilst CSIRO is a wholly owned government corporation, the corporation and not “the Commonwealth of Australia” has title in the IP.

Is There a Need for Other Legislation in Australia?

Despite the positions outlined above, the need for specific rules similar to the Bayh-Dole requirements is often raised. As an example, in 2008 the Australian Academy of Technological Sciences and Engineering (ATSE) after noting the important role played by the public sector in Australia’s innovation system and the need to avoid excessive costs and burdens considered: “Public sector IP policies need to facilitate the adoption of innovative practices and products by industry and government...The government should

consider placing requirements such as time limits on the commercialisation of government—funded research, similar to those of the U.S. Bayh-Dole Act.”

Similarly, the Australian Law Reform Commission (ALRC) in 2009 in a submission to the Senate Standing Committee on Community Affairs Inquiry into Gene Patents stated that whilst it does “not favour the creation of residual ‘march—in rights’; for instance, as found in the U.S. in the Bayh-Dole Act—but noted that there may be capacity to add conditions to grants to limit the commercialisation of certain publicly funded research, where it is in the public interest to do so.”

Also, the Group of Eight Universities stated in 2008 in a supplementary submission to the Review of the National Innovation System that, whilst recognising the positive impact of Bayh-Dole type legislation elsewhere on the number of invention disclosures stated that “the internal IP regimes of each university need to recognise that not all IP may be owned by universities, *eg.* in relation to so called ‘scholarly works,’ or in IP that may have been created in whole or in part by students, honorary appointees or visitors. There may also be other forms of third party rights, not with the government, where for various reasons IP is to be owned by the third party.”

Other views put forward that support a Bayh-Dole type framework in Australia cite the over-riding principle that in some cases it will be in Australia’s national interest for research results to be made publicly and freely available. In these situations the argument runs that the funding agencies should impose appropriate conditions on the provision of funding to bring this about. In general they argue for: IP ownership by the research organisation, the research organisation having an obligation to report, protect and commercialise IP, the government retain “march in” national interest rights and provisions for revenue sharing by researchers. However, and interestingly from a policy development perspective, Australia’s latest *National Innovation Review* in 2008 made minimal reference to IP and did not in any way address IP policy with respect to government funded research.

Some concluding comments

The foregoing represents a collection of a number of views by interested stakeholders in the Australian IP landscape. Whilst only the author’s personal view, it would seem the following principles emerge. First, research institutions are normally best placed to consider approaches to identification, protection and commercialisation of inventions. Secondly, whilst there may be some justification, on occasions, to vest ownership of

patents in employee inventors or funding agencies, this is probably best done on a case by case basis. Ultimately this decision would need to be based on the likely successful commercial outcome and the national interest. For example, some employees would not necessarily have the skills or experience to achieve this. In other cases, the nature of the research results might dictate broad dissemination in the national interest. Thirdly, ownership of patents needs to be closely aligned with other aspects of the invention/IP process—identification, protection, IP management, and subsequent commercialisation. And finally, these other aspects could most likely be implemented through appropriate policies and conditions being set by the government funding agency and accepted by the fund recipient without the necessity for specific legislation.

A postscript on ownership

Justice French of the Australian Federal Court (*University of Western Australia v Gray*) stated that “I do not consider as a general proposition that there is a presumption at law that the university will be entitled to the rights to inventions developed by staff in the course of their research.” He also held, in part, that a duty to conduct research did not necessarily mean the existence of a duty to invent. Accordingly research academics, and not their employer university, might own IP in their inventions. An appeal from this decision was dismissed. Debate about the implications of this case is ongoing. At the centre of this debate is whether government sponsored research could be

jeopardised if it is unclear as to who owns the IP. At a minimum, this will encourage research institutions, particularly universities, to review their own regulations, rules, statutes, employment contracts, policies and practices with respect to ownership and commercialisation. Justice French also commented that “(if) a less crude and more fair and reasonable result is to be achieved which balances the respective interests of a university and its academic staff members, this will need to be done by or under legislation or by an express contractual regime.”

Clearly resolution of the issue relating to the ownership of IP is fundamental for both universities and research organizations and their prospective commercial partners. In particular, the decision could expose circumstances in which the commercialisation of IP is threatened by ownership issues. The decision could also impact on sponsored research arrangements or collaborations, and lead to further uncertainty.

Finally, whilst government research agencies (like CSIRO) would not appear to be directly affected by this decision, because of the different nature of the relationship which exists between employed researchers and the agency, research sponsored by government funding bodies (like ARC and NHMRC), particularly involving the university sector will require such funding bodies to review their requirements to ensure that funded recipients (like universities) have policies and procedures that identify, protect, manage and commercialise IP that satisfactorily address the problems exposed by this decision. ■