

To What Extent Are University IP Policies Legally Binding? Part 3: Visiting Scientists

By Philip Mendes

Introduction

In Part 1 of this paper (September 2016 issue of *les Nouvelles*) the extent to which a university IP policy was binding upon university staff was considered. In Part 2 (December 2016 issue of *les Nouvelles*), that question was considered in relation to students.

Part 3 concludes this series by considering the question of the extent to which a university IP policy is binding upon a visiting scientist, that is, a scientist employed by one university (the employer university) who visits and undertakes research at another university (the host university).

The IP policies of universities and research organizations (for brevity, the term “university” is employed, and refers not just to a university, but to all forms of not-for-profit research organizations) seek, by force of the policy alone, to change where the ownership of IP lies. A university that hosts a visiting scientist, by the force of its IP policy alone, seeks to expropriate the ownership of IP, either by:

1. The policy itself divesting that ownership from where it lies, and vesting it in the host university, or
2. The policy creating an obligation to execute an assignment by which the ownership of the IP vests in the host university.

The host university’s IP policy seeks therefore to have a legal effect, just as a contract has legal effect, by creating legal rights and obligations. But unlike a contract which is consensual in nature, an IP policy, by itself, is a unilateral non-consensual document.

A policy document, being a unilateral document, cannot of itself be legally binding upon a visiting scientist. Something more is needed for such a unilateral policy document to have a legal status, and a binding legal effect. This Part 3 considers:

1. What that “something more” is, in the United States, the United Kingdom, and Australia, in relation to visiting scientists, and
2. A related question: if it is binding upon the visiting scientist, whether the visiting scientist has the capacity to in fact assign ownership of IP from the visiting scientist to the host university.

A legal basis for IP policies

There are two ways that an IP policy can be legally binding, and that is if:

1. It forms part of a legally binding contract, or
2. It has legislative force.

United States–IP Policy with legislative force

The IP policies of many state universities in the United States are not just policy documents, but are enshrined as laws of the

state where the university is located (See Part 1 of this paper). Where that is so, the IP policy is a law, and legally binding upon the persons in the relevant state, which will include the visiting scientist during the time that the visiting scientist is visiting the host university.

However, the visiting scientist’s employer, the employer university, being located most likely in a different state, or another country, and therefore not being located within the host university’s state, is not bound by the laws of the state where the host university is located, and not bound therefore, by the host university’s IP policy.

This can lead to a conflict in who owns the IP created by a visiting scientist. More than that, it can lead to potential liabilities.

This occurred in *DuPont v. Okuley* 344 F.3d 578 (6th Cir. 2003). Okuley was a researcher at Washington State University (“WSU”), which had entered into a collaboration agreement with DuPont. The terms of the collaboration agreement were that all IP arising under the collaboration would be owned by DuPont.

In the course of undertaking research under that agreement, Okuley helped in the discovery of the FAD2 gene, which was one of the genes encoding a fatty acid desaturase enzyme.

The WSU Faculty Manual provided that all intellectual property created by WSU’s staff would be owned by WSU.

DuPont claimed that it owned the gene pursuant to the combined effect of the Faculty Handbook, under which intellectual property created by Okuley was owned by WSU, and the collaboration agreement between WSU and DuPont, under which the intellectual property arising from the collaboration was owned by DuPont.

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Okuley argued that at the time of the discovery of the gene he was working in a laboratory at Ohio State University (“OSU”), where he was a visiting scientist, and where he had continued to undertake research pursuant to the WSU—DuPont Collaboration Agreement, and that this led to a different ownership result. § 3345.14(B) of the *Ohio Rev. Code* provided:

“All rights to and interests in discoveries, inventions, or patents which result from research or investigation conducted in any...facility of any state college or university, ...shall be the sole property of that college or university.”

He argued, therefore, that the intellectual property created by him in OSU’s lab was initially owned by OSU.

Examining the facts at this point, the conclusion reached is that:

1. As the IP was created by Okuley while undertaking research under the DuPont collaboration agreement in OSU’s laboratories, under § 3345.14(B) of the *Ohio Rev. Code*, the IP is owned by OSU,
2. OSU owning that IP, not WSU, WSU is unable to vest the ownership of that IP in DuPont, in contravention of its obligations under the Collaboration Agreement, and
3. WSU accordingly is liable to DuPont for DuPont’s loss arising as a result of that breach.

This highlights the potential for legal liabilities to arise when a statutory IP policy contains sweeping provisions that IP arising from research undertaken in the laboratories of a host university is owned by the host university.

Provisions such as these operate without regard to the origin of the research project that a visiting scientist undertakes at a host university.

If a visiting scientist, while at the host university, works on a research project that originates from the host university, it may well be compelling that the host university should own the IP that arises. An argument could be put that the employer university, continuing to pay the visiting scientist’s salary even while at the host university, should, as employer, own the IP created by its employee, even if created in the course of working upon the host university’s research project, while visiting the host university.

If a visiting scientist, while visiting a host university, works on a research project which originates at the employer university, as occurred in *DuPont v. Okuley*, provisions in a statutory IP policy that operate to automatically vest IP in the host university will fragment the ownership of the IP that arises in that research project. That IP will cease to be solely owned by the employer university, whose research project it is, and

will be either solely owned by the host university, or jointly owned by the employer university and the host university. Both possibilities may involve the employer university in liabilities where the employer university is subject to contractual obligations in relation to that research project. Even if the project is not subject to contractual obligations, at the least it will cause the employer university to either have no ownership of the IP arising in its research project, or to have to share the ownership of that IP with the host university.

A statutory IP policy that provides that IP created by a visiting scientist will be owned by the host university presumes that this is the most equitable result, and is justified because the visiting scientist makes “significant” use of the host university’s laboratories and other facilities, as such policies usually say.

When IP policies refer to “significant” use of a university’s equipment, laboratories, and other facilities as triggering the vesting of IP in the university, the question that is begged is what amounts to “significant” use. Even if there is what can be described as “significant” use, there is likely to be a disproportionate relationship between the value of the use made, which most often is modest, and the value of the IP created. Even if the use is more than modest, which has the greater value—the use of the equipment to conduct an experiment, or the conception of the IP before the experiment was conducted?

Perhaps the criteria for the ownership of IP created by a visiting scientist should not be based on whose facilities or equipment was used, but instead based on whether the IP was created in the course of a research project that originates from the employer university, with the employer university owning it, or in the course of a research project that originates from the host university, with the host university owning it in that case.

To complete the discussion of *DuPont v. Okuley*, while OSU could have insisted on retaining its ownership of the FAD2 gene, as that IP was created by Okuley when undertaking the research project at OSU, it instead decided to waive its rights under Ohio Rev. Code § 3345.14(B), assigning the intellectual property to Okuley. Okuley being the owner as a result of that assignment from OSU, the IP now vested in WSU pursuant to the Faculty Handbook, and in turn vested in DuPont pursuant to the terms of the Collaboration Agreement.

Thought provokingly, the Court remarked that had OSU decided not to waive its rights, “interesting, but quite different, litigation could have ensued involving WSU and OSU and including questions of the statute’s (that is, Ohio Rev. Code § 3345.14(B)) constitutionality under the Takings Clause (that is, the last clause of the Fifth Amendment).”

United States—IP Policy Incorporated by Reference & Visiting Scientist's Assignments

A visiting scientist will be bound by an IP policy if the visiting scientist is contractually bound. This can occur when a visiting scientist signs a contract a term of which incorporates the host university's IP policy by reference.

The requirements for an IP policy to be incorporated by reference in the United States were considered in Part 1. As was concluded in Part 1, those requirements are sometimes not so easily met, and so the risk remains that the IP policy may not be successfully incorporated by reference, with the result that the visiting scientist will not be bound by it.

This risk is generally well managed by universities in the United States, where the common practice is that visiting scientists are asked to sign a "Visiting Scientist's Agreement" or some other similarly named document. This document will achieve what the IP policy requires. So, if the host university's IP policy is that the host university will own the IP created by the visiting scientist while undertaking research at the host university, the Visiting Scientist's Agreement will give effect to that by including an assignment of IP by the visiting scientist to the host university.

This common practice in the United States relies upon the visiting scientist having the capacity to assign IP to the host university.

In the United States, the first owner of an invention is the inventor (*United States v. Dubilier Condenser Corp* 289 U.S. 178 (1933)). The visiting scientist inventor therefore has the capacity to assign IP to the host university, unless there is a prior assignment to the employer university.

This is illustrated by *Stanford University v. Roche Molecular Systems, Inc.*, 563 U.S. 776 (2011). Holodniy was a researcher employed by Stanford. When his employment at Stanford commenced, he signed a document called a "Copyright and Patent Agreement" by which he "agree[d] to assign" to Stanford his "right, title and interest in" inventions resulting from his employment at Stanford. To better perform his research at the university, Stanford arranged for Holodniy to learn the PCR technology developed at Cetus Corporation, by spending time at Cetus' laboratories. When Holodniy arrived at Cetus he was asked to sign a "Visitor's Confidentiality Agreement" by which he agreed that he "will assign and do[es] hereby assign" to Cetus his "right, title and interest in each of the ideas, inventions and improvements" made "as a consequence of [his] access" to Cetus.

While located at Cetus, Holodniy invented a PCR-based test by which the amount of HIV in a patient's blood could be quantified. In proceedings between

Stanford and Cetus to determine the ownership of that invention, the Court noted that Stanford's "Copyright and Patent Agreement" was not a present assignment, but an agreement to assign in the future. It also noted that Cetus' "Visitor's Confidentiality Agreement," which was later in time, was a present assignment of future created IP.

The Stanford "Copyright and Patent Agreement" being merely an agreement to assign in the future, at the time of signing the Cetus document, Holodniy had not yet assigned anything to Stanford. At the time of signing the Cetus document Holodniy therefore had the capacity to presently assign the future created IP. The result was that Cetus was held to own the invention.

Stanford University v. Roche Molecular Systems illustrates that subject to the terms of any assignment signed by a visiting scientist with his or her own employer university, the visiting scientist will have the capacity to validly assign IP to a host university, under the host university's Visiting Scientist's Agreement.

If Stanford's "Copyright and Patent Agreement" had been not merely an agreement to assign in the future, but a present assignment of future created IP, Holodniy would have lacked the capacity to assign again, under Cetus' "Visitor's Confidentiality Agreement." In that case, Stanford would have owned the IP. But as well in that case, Holodniy would be exposed to liabilities to Cetus, for purporting to assign something to Cetus which he had already assigned to Stanford.

Suppose a scientist on commencing employment with a university executes a Patent Assignment Agreement by which the scientist "does hereby assign to the university all present and future inventions made by the employee in the field or discipline in which the employee is employed, during the term of the employee's employment by the university." The employee's appointment being as a biomedical researcher, all inventions in that field will be owned by the employer university. Suppose now that the scientist becomes a visiting scientist at a host university, whose IP policy states that the host university will own the IP created by visiting scientists. Pursuant to that policy, the host university presents to the visiting scientist a Visiting Scientist Agreement under which the visiting scientist assigns to the host university all inventions made in the course of research that the visiting scientist undertakes at the host university. Suppose now that the visiting scientist makes a biomedical related invention while at the host university. Who will own that invention? Clearly, the assignment to the employer university being broad enough to cover inventions made at locations other than the employer university's campus, for example, at the scientist's home, and elsewhere, it is the employer university that will own that invention.

The assignment being effective to capture the future invention (unlike Stanford's assignment in *Stanford v. Roche*) there is nothing left which the visiting scientist has the capacity to assign to the host university. Under this scenario, the unfortunate visiting scientist will unwittingly be in breach of the assignment made to the host university, and may be exposed to liabilities to the host university.

This will be the result, even if the invention that the visiting scientist made related to a project that originated with the host university, where the host university might reasonably have expected that the fragmentation of ownership of IP arising from its project should be avoided, and that it should own all of the IP arising from a project that originates with it.

Perhaps the criteria for the ownership of IP created by a visiting scientist should not be based on the wording of the employer university's assignment and whether it operates as an agreement to assign in the future, or as a present assignment, but instead be based on whether the IP was created in the course of a research project that originates from the employer university, with the employer university owning it, or in the course of a research project that originates from the host university, with the host university owning it in that case.

United Kingdom

In the United Kingdom, quite different results can be obtained on this question: a host university's IP policy that purports to vest (or to create an obligation to vest) in the host university any IP created by a visiting scientist that is employed by another university, will be ineffective.

Under section 39 of the *Patents Act 1977*, a university will always own the intellectual property created by its employees in the course of their employment.

No assignment document signed by an employee is necessary for the IP created by the employee to vest in the employer. In the United Kingdom there is no such rule as in *United States v. Dubilier Condenser Corp* 289 U.S. 178 (1933) that an employed inventor is the first owner of an invention. An assignment signed by the employed researcher is therefore not required for the ownership of future inventions made in the course of employment to vest in the employer university. In the United Kingdom, ownership vests in the university employer by virtue of the employment relationship. If the scenario in *Stanford University v. Roche Molecular Systems, Inc.*, 563 U.S. 776 (2011) had occurred in the United Kingdom, the university would have clearly owned the invention, since the work undertaken by the scientist (Holodniy) at the host (Cetus) was work undertaken in the course of the scientist's employment by the university (to learn the PCR technology).

This result would be unaffected by whether or not the employee had previously signed an assignment document assigning to the employer the IP created in the course of employment.

If a host university's IP policy states that the host university will own the IP created by a visiting scientist while at the host university, even if the visiting scientist has signed a document that successfully incorporates the host university's IP policy by reference, the IP created by the visiting scientist at the host university will be owned, pursuant to section 39 of the *Patents Act 1977*, by the employing university. The employing university is not contractually bound by the host university's IP policy. The visiting scientist would not have actual or apparent authority to bind the employer university to the host university's IP policy when signing any document presented by the host university.

What determines the matter is that the visiting scientist's participation in a project at a host university is activity in the course of the visiting scientist's employment by the employer university.

But that should not necessarily always be the case. When a visiting scientist visits a host university and undertakes research in relation to a project that originates with the employer university, the employer university will own that IP. When a visiting scientist visits a host university, and undertakes research in relation to a project that originates with the host university, the employer university will again own that IP, although the host university might reasonably have expected that it should own that IP.

Perhaps not all IP created by a visiting scientist should be owned by the visiting scientist's employing university. Perhaps instead ownership should be based on whether the IP was created in the course of a research project that originates from the employer university, with the employer university owning it, or in the course of a research project that originates from the host university, with the host university owning it in that case.

The comments about statutory IP policies in the United Kingdom made in Part 1 make it unnecessary to consider statutory IP policies here.

Australia

The situation in Australia is different again. Because Australia does not have a statutory provision like section 39 of the United Kingdom's *Patents Act 1977*, the ownership of IP created by a visiting scientist will depend upon the terms of the employment contract between the university and its employee, and the terms of a Visiting Scientist's Agreement, if any, between the visiting scientist and the host university.

In Australia, the ownership of intellectual property created by a university employee will depend upon the

employee's duties. If those duties include the duty to invent, either expressly or impliedly, then IP created by the university employee, within the scope of that duty, will be owned by the university employer (Case 1).

But there is scope for the IP created by a university employee to be owned by the employee. If a university in Australia neglects to expressly include a duty to invent in its employee's employment contract, and such a duty cannot otherwise be implied, the IP created by the employee will be owned by the employee (Case 2).

This is the result of the decision in *University of Western Australia v. Gray* [2008] FCA 498. (See Part 1 for the facts and a lengthy discussion of this case.)

Against these principles we can now overlay what occurs when a university employee is a visiting scientist at a host university.

In Case 1 the situation will be not unlike the situation in the United Kingdom. The employer university owns the IP created by the visiting scientist while at the host university, since the work undertaken at the host university is part of the visiting scientist's duty to invent under the terms of the employment agreement with the employing university. If the visiting scientist signs a document agreeing to be bound by the host university's IP policy, which is successfully incorporated by reference, and it claims ownership of IP created by visiting scientists, the situation is unchanged. The IP will still be owned by the employer university, which is not bound by the host university's IP policy, and is not bound by any document that the visiting scientist may have signed, since the visiting scientist lacks any actual or apparent authority to bind the employer university to the host university's IP policy.

In Case 2, the situation is not unlike the situation in the United States. The visiting scientist in this case does have the capacity to assign to a host university the IP created in the course of research undertaken by the visiting scientist at the host university. The host university's IP policy, which claims ownership of IP created by a visiting scientist, will not by itself be effective to vest the ownership of IP in the host university. But if the host university has the visiting scientist sign a document which successfully incorporates the IP policy by reference, or has the visiting scientist sign a document by which the IP created at the host university is assigned to the host university, the host university will own that IP.

In Australia, whether IP created by a visiting scientist will be owned by the employer university or the host university will depend on how well prepared the employer university's staff contract of employment happens to be. A well prepared employment contract, appropriately expressing the employee's duty to invent, will ensure that the employer university will own the IP created by a visiting scientist at a host university. A not so well prepared employment contract

may result in the host university owning that IP.

But the ownership of IP created by a visiting scientist at a host university, whether it is owned by the employer university or a host university, should not depend on how well an employment contract was drafted by the employer university.

Perhaps instead the ownership of IP created by a visiting scientist at a host university should be based on whether the IP was created in the course of a research project that originates from the employer university, with the employer university owning it, or in the course of a research project that originates from the host university, with the host university owning it in that case.

The comments about statutory IP policies in Australia made in Part 1 make it unnecessary to consider statutory IP policies here.

Conclusion: Is a Visiting Scientist Bound by an IP Policy?

Visiting scientists in the United States may be bound by a host university's IP policy, either because the IP policy is enshrined in a state law, or because the IP policy is successfully incorporated by reference, for example, into a Visiting Scientist's Agreement, which a host university will generally present to a visiting scientist.

However, if a visiting scientist in the United States has already assigned to his or her employer university the future IP to be created, the visiting scientist will not own, and therefore will not have the capacity to assign IP created at a host university, even if bound by the host university's IP policy. In this case, a visiting scientist is not bound by a host university's IP policy. If the host university seeks to own the IP created by a visiting scientist, it will in this case have to obtain an assignment from the employer university.

A visiting scientist in the United Kingdom will not be bound by a host university's IP policy. Even if a visiting scientist in the United Kingdom is presented with a Visiting Scientist's Agreement which incorporates the IP policy by reference, or even contains a provision by which the visiting scientist assigns IP to the host university, the visiting scientist will still not be bound. The IP created by a visiting scientist is owned by the visiting scientist's employer. That being so, the visiting scientist has nothing to assign to the host university. The visiting scientist lacks any capacity to vest the ownership of IP in the host university.

In Australia, if an employer university has prudently framed its staff employment contracts by recording an employee's duty to invent, the situation will be the same as in the United Kingdom. The IP created by a visiting scientist will be owned by the employer university, and the visiting scientist accordingly has nothing to assign to a host university. The visiting scientist is therefore not bound by a host university's IP policy,

even if the visiting scientist signs a Visiting Scientist's Agreement that successfully incorporates by reference the host university's IP policy.

If a visiting scientist participates in a research project at a host university, which originates from the host university, and the host university seeks to ensure that it has ownership of the IP created by the visiting scientist, in the United Kingdom and Australia, the host university needs to obtain an assignment, not from the visiting scientist, but from the visiting scientist's employer university.

A university must be cautious when seeking to ascertain what best practice is in relation to IP policies. IP policies need to operate within a country's legal system. The laws of one country cannot be presumed to be the same as the laws of another country. For the example, the law that an inventor is the first owner of an invention, not the inventor's employer, is a US law (*United States v. Dubilier Condenser Corp* 289 U.S. 178 (1933)). This is not necessarily the law in other countries. A university in one country that indiscriminately imports the principles in the IP policy of a university in another country will risk, in its different legal system, having an IP policy which is ineffective, or even one that operates inconsistently with its own national laws. When ascertaining best practice in relation to IP policies it is necessary to consider the legal and cultural landscape in which what is sought to import or duplicate works, and it is also necessary to assess whether what is intended to import can be done with or without any adjustment or customisation.

Conclusion—Should a Host University Own the IP Created by a Visiting Scientist?

Universities expect to own the IP created in the course of projects that originate from the university. They do not expect that their ownership may become fragmented when their staff are visiting scientists visiting a host university, and at that host university, not unexpectedly, continue working on their projects which originated from the employer university.

Yet, IP policies enshrined as legislation at state universities in the United States may cause a different result, as may Visiting Scientist Agreements in the United States. A different result may also occur in Australia when a Visiting Scientist Agreement is effective, but this will only occur if the visiting scientist's employer university has a poor employment agreement with its staff members that has failed to record a duty to invent.

Similarly, a host university expects to own the IP created in the course of projects that originate within the host university. It does not expect ownership to become fragmented if a visiting scientist should participate in the host university's projects. Yet, in the

United Kingdom, a visiting scientist's employer university will always own the IP created by the visiting scientist at a host university. That will also be the case in Australia when the employing university has properly drafted its staff employment agreement.

The ownership of the IP created by a visiting scientist at a host university has mostly little to do with the host university's IP policy. That ownership, instead of depending upon the host university's IP policy, will often depend on the way that employee's assignment documents or employments contracts have been prepared by its employer university, and in the United Kingdom, on section 39 of the Patents Act 1977. It almost seems like where the ownership of the IP created by a visiting scientist lies will be accidental.

It might be asked whether it really matters if the IP arising under a research project that originates with an employer university is owned partly by a host university, given that under an inter institutional agreement the host university can license its share of the IP connected to that project, to the employer university.

An employer university, in relation to the IP arising from a project that originates at the employer university would respond that it would matter, when:

1. The fragmented ownership of IP might put the employer university in breach of contractual obligations (as occurred on the facts of *DuPont v. Okuley* 344 F.3d 578 (6th Cir. 2003)), or
2. A host university overvalues the IP created at the host university, and undervalues the IP created at the employer university.

What influences where the ownership of IP created by a visiting scientist should lie should not be the accidental factors that depend upon the drafting of an employee's assignment (such as in *Stanford v. Roche*), whether the visiting scientist is British (when section 39 of the *Patents Act* 1977 will apply) or the drafting of the university's staff employment contract, where the visiting scientist is Australian.

The most important factor that should influence where the ownership of IP created by a visiting scientist should lie is what the employer university and the host university would have agreed to be an equitable result if they had specifically directed their attention to the matter. That is most likely to be that the employer university should own the IP created by a visiting scientist at a host university, when it arises from projects that originate from the employer university, and that the host university should own the IP created by the visiting scientist that arises from projects that originate from the host university. ■

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