



Ownership Rights to University Invention: Universities Legal Authority to Exert Ownership Interest or Claim

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ABSTRACT

In the era of technology revolutionisation, universities have taken a huge step forward embarking on research, development, innovation and commercialisation. In order to successfully carry out these missions, a clear ownership of intellectual property generated at the university is crucial to avoid future disputed transactions. Thus, as part of the technology transfer framework at the university, institutional intellectual property policy has been developed as a guideline to ensure smooth and successful management of intellectual property exploitation. The generally practised ownership model of university intellectual property is university ownership compared with inventor ownership. This paper analyses legal authorities which allow a university to exert ownership over intellectual property created within the university, mainly the intellectual property law, contract law employment law and institutional intellectual property policy. Issues on how binding the institutional intellectual property policy of the university is on members are considered to ensure that the university claim over intellectual property is premised on legal perspectives.

Keywords: Intellectual property, university intellectual property policy, university intellectual property ownership, university invention

INTRODUCTION

Universities have evolved from teaching and learning institutions into those devoted to research and innovation in addition to their traditional missions and objectives. Etzkowitz (2000) coined a new terminology, 'entrepreneurial university', to describe the latest development concerning universities. An entrepreneurial university refers to a university involved in commercialising

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its innovations. These developments have validated the importance of clear ownership of intellectual property created at the university so as to avoid any future disputes and their potential effect on the end result of commercialising its intellectual property.

In light of these developments, universities have introduced their own unique intellectual property policy as a guide to manage their intellectual property. The university intellectual property policies are developed at the university administration level and they are not legally binding compared with the statutory law passed by the Parliament such as the Malaysia Patents Act, 1983 and the Malaysia Copyright Act, 1987. The question arising from the implementation of the university's intellectual property policy is whether the policy can legally bind the university community through employment contracts or contracts for admission to universities between students and the university and also contracts between the university and its associates. A study involving 10 university researchers from different public universities in Malaysia found that eight out of 10 researchers were not satisfied with the university claim over their inventions. However, to date, there have been no reported Malaysian cases of dispute over university intellectual property since all disputes were settled within the university through negotiations. This paper discusses the legal elements referred to by the university in order to determine the university intellectual property ownership, namely the statutes on intellectual property,

employment law, contract law and the university's intellectual property policy.

INTELLECTUAL PROPERTY OWNERSHIP LAW

A basic rule of intellectual property rights is that ownership of intellectual property at the first instance is conferred on the inventor or the creator of the intellectual property. Thus, in line with this and the intellectual property justifications such as labour theory and personality theory, the author has original claims or rights to his or her intellectual property. However, in terms of intellectual property law, authorship or inventorship and ownership of intellectual property are two different categories as an inventor or author need not be the owner of the intellectual property he or she has created. The intellectual property can then be transferred from the inventor or author to a third party or to the employer if the intellectual property is created or invented in the course of employment. In this case, the owner of the intellectual property is the employer.

The exception to this rule is when an original invention or creation is made by an employee in the course of employment in which intellectual property rights are accrued to the employer. For instance, in Malaysia, ownership of the copyright as contained in section 26(2)(b) of the Copyright Act 1987, ownership of copyright works created by employees 'in the course of employment' is said to accrue to the employer. Section 26(2)(b) of the Copyright Act 1987 states:

“...not having been so commissioned, is made in the course of the author’s employment, the copyright shall be deemed to be transferred to the person who commissioned the work or the author’s employer, subject to any agreement between the parties excluding or limiting such transfer...” (Section 26(2)(b) Copyright Act 1987)

According to Kamal Halili, the phrase ‘in the course of employment’ in accordance with the provisions can be interpreted as ‘description of job scope’ or ‘working time’ of an employee. In order to provide clarification on the course of employment of an employee, the court in the case of *Stevenson Jordan & Harrison Ltd v MacDonald & Evans* (1952) 69 RPC 10, decided on this issue. In this case, the company was claimed ownership of the copyright for the book written by a former employee during his employment. The question that arose from this case was whether the accountant or the company which was an employer to the accountant was entitled to the copyright of a book produced by him in respect of the public lecture series he presented to discuss financial management in business. The United Kingdom Court of Appeal held that sections of the book related to reports prepared during working hours are owned by the employer while sections of the book dealing with public lectures belonged to the accountant for giving lectures or talks which were not included in the latter’s job scope.

Morris LJ acknowledged that in this case, the employer has to pay lecturing expenses and that the accountant may also have used the facilities and amenities of the company at the time of employment to provide the text for the lectures and that the lectures were a useful input to the employment contract of the accountant. However, he found that the accountant was not directed to prepare and deliver the public lecture series. Thus, copyrights for the public lectures were held to be owned by the accountant. Citing the judgment, Morris LJ stated that:

“...prima facie I should have thought that a man, engaged on terms which include that he is called upon to compose and deliver public lectures or lectures to some specified class of persons, would in the absence of clear terms in the contract of employment to the contrary, be entitled to the copyright in those lectures. That seems to be both just and common sense.”.
(*Stevenson Jordan & Harrison Ltd v MacDonald & Evans*)

Judgement in this case shows the importance of a contract of employment in determining ownership of intellectual property. This is because employment relationship can only be determined through the terms of contract of employment, either it is a contract of service or contract for service.

EMPLOYMENT LAW

The ownership of intellectual property created or invented by an inventor or author can only be transferred to the employer if there is an employment relationship between the creator and the employer, that is contract of service, and in order to differentiate between contract of service and contract for service, reference can be made to the case of *Stevenson Jordan & Harrison Ltd v MacDonald & Evans* (1952) 69 RPC 10, where Lord Denning held that:

“It is often easy to recognise a contract of service when you see it, but difficult to say wherein the difference lies. A ship’s master, a chauffeur and a reporter or the staff of a newspaper are all employed under a contract of service; but a ship’s pilot, a taxi man and a newspaper contributor are employed under a contract for services. One feature which seems to run through the instances is that, under a contract of service, a man is employed as part of the business, and his work is done as an integral part of the business; whereas under a contract for services, his work, although done for the business, is not integrated into it, but is only accessory to it”. (Stevenson Jordan & Harrison Ltd v MacDonald & Evans)

Thus, in determining the existence of employment relationship, there are few tests created by the courts, namely the control test, organisation or integrated test and multiple test (Kamal, 2002; Maimunah, 2011).

With regards to intellectual property rights in the universities, workers are employees of the university and the law provides that if an employee has created an intellectual property in the course of employment, the university as an employer owns the intellectual property, unless there is a contract at the beginning of the period of employment stating otherwise. The legal position is clear to every type of intellectual property.

CONTRACT

A contract is one way of determining university intellectual property rights because the university’s relationship with intellectual property creators at the university is contractual. For employees, employment contract entered into with the university is binding on both parties as well as all statutory provisions relating to employment relationship. As for the students, (the relationship between students and the university is also contractual (Monotti & Ricketson, 2003; Patel, 1996; Lewis, 1983). Similarly, the relationship with university associates is also contractual.

A contract is an agreement enforceable by law and thus, legally binding on the contracting parties when all the elements are fulfilled (Section 2(h) Contracts Act 1950; Sinnadurai, 2003; Mohaimin, 2009). Among

the elements of contracts are proposal, acceptance, consideration, intention to create legally binding relationship, competence, free consent of the parties and validity of contract (Ahmad & Abdul, 2003; Sinnadurai, 2003; Mohaimin, 2009).

There are two types of contracts relevant to university intellectual property rights, namely employment contracts and contracts of assignment. Thus, the terms of the contract should be drafted in clear terms describing allocation of intellectual property ownership created at the university. Besides statutory provisions, employment law and terms of contract, ownership of university intellectual property is also determined through intellectual property policy developed at the university level.

INTELLECTUAL PROPERTY POLICY

Universities policies are meant to be followed by members of the universities which include academicians, researchers, students, non-academicians and associates or in some universities, they are known as visitors. For instance, paragraph 1.1 of the UKM Intellectual Property Policy states that:

“This Policy is applicable to all persons, including Employees, Students and Associates”.

(UKM Intellectual Property Policy, 2010)

AIM AND SCOPE OF UNIVERSITY INTELLECTUAL PROPERTY POLICY

The university involvement in the commercialisation of its intellectual property has turned the institution into a business entity dealing with various business matters such as patent applications, technology transfer agreements, confidentiality and the distribution of royalties (Bertha, 1996). The university intellectual property policy has become a part of the framework for technology transfer at the university (Monotti & Ricketson, 2003) whereby this policy is intended to manage the intellectual property generated within universities, to stimulate the development of science and technology and also to ensure that any invention created within the university will be fully exploited for the benefit of society.

According to the “Guidelines on Developing Intellectual Property Policy for Universities and R & D Organizations” issued by WIPO, there are six fundamental areas of basic university intellectual property policy. They are (i) the coverage of basic intellectual property, (ii) allocation of intellectual property ownership, (iii) disclosure of intellectual property, (iv) commercialisation and licensing of patents, (v) the distribution of royalties and (vi) the rights and responsibilities of the creator to the university. In Malaysia, the five fundamental areas of intellectual property policy looking at intellectual property policies of five research universities in Malaysia are (i) the ownership of intellectual property rights,

(ii) management and commercialisation of intellectual property rights, (iii) income distribution (iv) the dispute resolution and (v) collaboration. It is submitted that intellectual property policies at research universities in Malaysia are in line with the guidelines issued by WIPO. Table 1 compares five main scopes of the university intellectual property policy among the five research universities in Malaysia.

Based on Table 1, there are five scopes in the intellectual property policy of Universiti Malaya, Universiti Sains Malaysia and Universiti Teknologi Malaysia. The intellectual property policy at Universiti Kebangsaan Malaysia does not mention the scope of collaboration while Universiti Putra Malaysia Research Policy contains only two scopes, namely distribution of income and commercialisation. The scope of university intellectual property policy is under the discretion of university management.

The first scope of university intellectual property policy is regarding intellectual

property rights. Some policies provide for ownership according to the category of creator that are employees of the university, students and associates. In the area of management and commercialisation of intellectual property rights, the policy lays down the importance and role of university technology transfer office (TTO) in the management and commercialisation of university intellectual property. The TTO's role includes assessing the intellectual property, carrying out the process and management of intellectual property protection, transferring technology, widening the relationship with potential industries to commercialise intellectual property and also to promote commercialisation of university intellectual property.

The third scope is the provisions for distribution of income which are contained in the university intellectual property policies in order to avoid disputes between the parties concerned. The fourth scope is on dispute resolution which provides for

Table 1
Comparison of Intellectual Property Policy Scopes between Malaysian Research Universities

University	Ownership of Intellectual Property	Management and Commercialisation of Intellectual Property	Income Distribution	Dispute Resolution	Collaboration
Universiti Malaya	✓	✓	✓	✓	✓
Universiti Kebangsaan Malaysia	✓	✓	✓	✓	
Universiti Sains Malaysia	✓	✓	✓	✓	✓
Universiti Putra Malaysia	✓	✓	✓		
Universiti Teknologi Malaysia	✓	✓	✓	✓	✓

Source: Author

an arbitration council set up to help solve disputes regarding university intellectual property. The fifth scope is on collaboration whereby intellectual property policy provides guidelines for the management of intellectual property resulting from collaborative research.

VALIDITY OF UNIVERSITY INTELLECTUAL PROPERTY POLICY

The validity of university intellectual property policies is often the issue in dispute among the creators be they employees, students or associates with the university. The question of the validity of university policy depends on whether the university has the power to enact any policies including the intellectual property policy. In Malaysia, the power to enact laws in universities is provided for in the constitution of the university contained in the First Schedule of the Universities and University Colleges Act 1971.

Article 3 (e) of the constitution empowers the university to carry out and implement the statutes, rules and regulations of the university. This article states that:

“... the Chancellor, the Pro-Chancellors, the Vice-Chancellor, the Board and the Senate are hereby constituted a body corporate with perpetual succession, and with full power and authority under such name;

(e) To exercise and perform, in accordance with the provisions

of this Constitution and of the Statutes, Rules and Regulations, all powers and duties conferred or imposed upon the University by such provisions.” (Article 3(e) of University Constitution)

The power given to the university may be exercised by the authorities such as the University Board, the Senate, the University Management Committee or by Faculty, School, Centre, Academy, Institute, Education Committee, the Selection Committee, Welfare Committee employee, Student Welfare Committee, and other bodies as may be prescribed by the Statute as the University Authority.

Article 16 of the University Constitution states that the board of university has the power to manage, create and oversee university policy and may exercise all the powers given to the University. However, Article 16(2) of the University Constitution provides that the Board has no authority to approve any resolution, which is within the power of the Senate, though they are allowed to offer their views for consideration by the Senate. The senate, under Article 17, is an academic body of the university and has the authority to regulate on matters of teaching, examination, investigation and award of degrees. In addition, the Senate has the power to shape policies and methods of teaching, education, examination, research, scholarship and training conducted within the university as well as formulate policies to protect academic freedom and professional excellence. Article 29 (5) of

the Constitution states that “Regulations may be made by any Authority if it is so empowered by this Constitution, Statute or Rules”. The Constitution also requires that each university statutes and rules legislated should be published, as provided for under Article 30(1) of the Constitution:

When any new Statute or Rules is made, amended or revoked every such Statute, Rules, amendment or revocation shall be published in the Gazette and in such other manner as the Board may direct. (Article 30(1) of University Constitution)

The Universiti Kebangsaan Malaysia, in drafting the UKM Intellectual Property Policy 2010, began with proposals or drafts of Research and Innovation Planning Committee on 30 September, 2009. This proposal was brought to the meeting of the Senate for endorsement on 23 October, 2009. Finally, on December 24, 2009, the draft of Intellectual Property Policy was recommended by the Senate and it was endorsed and approved by the university.

The issue of the validity of intellectual property policy developed by the university has been disputed in the case of *University of Western Australia v Gray* (No 20) [2008] FCA 498. Dr Gray was employed by the University of Western Australia (UWA) as a professor of surgery. During his employment period, Gray applied for several patents for inventions and ownership of these patents were subsequently transferred to a company, Sirtex Medical Ltd., which was founded by

Gray for the purpose of commercialisation of these patents. The question posed before the court was whether Gray had breached his employment contract. Terms of the contract of service stated that his job responsibilities are “to teach, to undertake research, to organize research and generally to stimulate research among the staff and students.” The court ruled that Gray does not have the responsibility to invent. In addition, the High Court of Australia considered whether Gray violated the employment contract by failing to comply with two university policies referred to by the university within the terms of the employment contract. These policies were the Patents Regulations and the Intellectual Property Regulations.

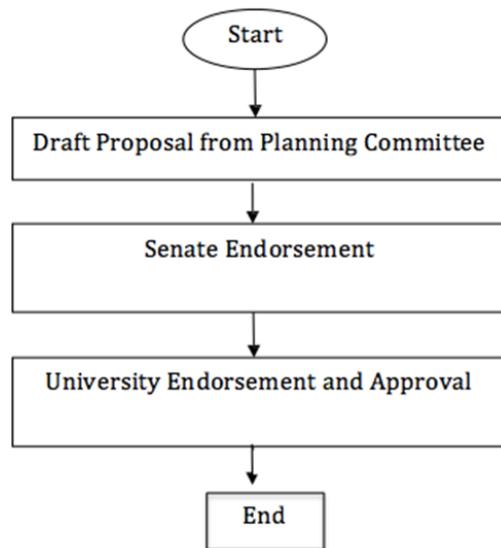


Figure 1. Flow Chart of the Process of Legislating University Policy in UKM (Source: Author)

The first policy, the Patents Regulation, was implemented in 1975 and its scope included the establishment of a Patent

Committee, disclosure of inventions to the Vice Chancellor and the transfer of ownership of the invention to the University of Western Australia. The second policy was the Intellectual Property Regulations implemented in 1997. Under this policy, a committee known as Intellectual Property Committee was formed and empowered to make guidelines for the disclosure of potential inventions to be patented to the Vice-Chancellor. Moreover, both these regulations provided for university intellectual property ownership created by the employee. Under Rule 4(4) of the Intellectual Property Regulations and Rule 6(3) of the Patents Regulations, the university owns all intellectual property (unless the copyright), which is created by an employee during the employment period.

According to French J , the issue of validity of the regulation by the University of Western Australia can be determined through reference to the provisions under the University of Western Australia Act, which empowers the university Senate to enact laws on universities. Section 5 of the Act provides that the Senate is the power of the university authorities. Section 13 of the University of Western Australia empowers the Senate to control and manage the affairs of the university and states that the Senate:

“... may from time to time appoint deans, professors, lecturers, examiners, and other officers and servants of the University ...”
(University of Western Australia v Gray)

Section 14 of the same Act also stated that:

“Control and management of real and personal property vested in or acquired by UWA is also conferred upon the Senate.” (University of Western Australia v Gray)

In addition to the jurisdiction conferred to the senate in the above provisions, Section 31 of the Act empowers the Senate to make, amend and change the statute for matters related to (i) management, administration and discipline at the university, (ii) the appointment and dismissal of deans, professors, lecturers and other employees at the university, and (iii) control and invest the assets of the university. In formulating its policy-making procedure at the University of Western Australia, French J decided that:

“By section 31(2) the draft of every proposed Statute is to be submitted to the Convocation for its consideration. Under section 31(3) the Convocation may consider and draft amendments to the proposed statute and return the draft to the Senate. If the Senate agrees, it may forthwith make the Statute. If it does not, there is a process for a conference between the Senate and the Convocation. Where agreement cannot be reached, the Senate can nevertheless make the statute. By section 33 Statutes require approval of the Governor and

must be published in the Gazette and “shall thereupon have the force of law”. They are subject to annulment by resolution of either House of Parliament.” (University of Western Australia v Gray)

The University of Western Australia’s statute drafting procedure can be formulated as a Figure 2.

In regard to the provisions on university power, the court held that both the rules by UWA were invalid because they were outside the authorised power that allowed the University of Western Australia to legislate under the University of Western Australia Act. This Act empowers the members of the university Senate to make regulations relating to the control and

management of university property. The court ruled that the university does not have the power to make regulations that encroach on other people’s property rights.

French J held that:

“Moreover, in my opinion, such provisions of the Regulations made by UWA as purport to vest intellectual property rights in it or interfere with the intellectual property generated by its academic staff, are not valid. UWA did not rely upon the earlier Patents Regulations as a source of its property rights. But the IP Regulations assert ownership by UWA of all intellectual property developed by its staff (apart from most copyright).

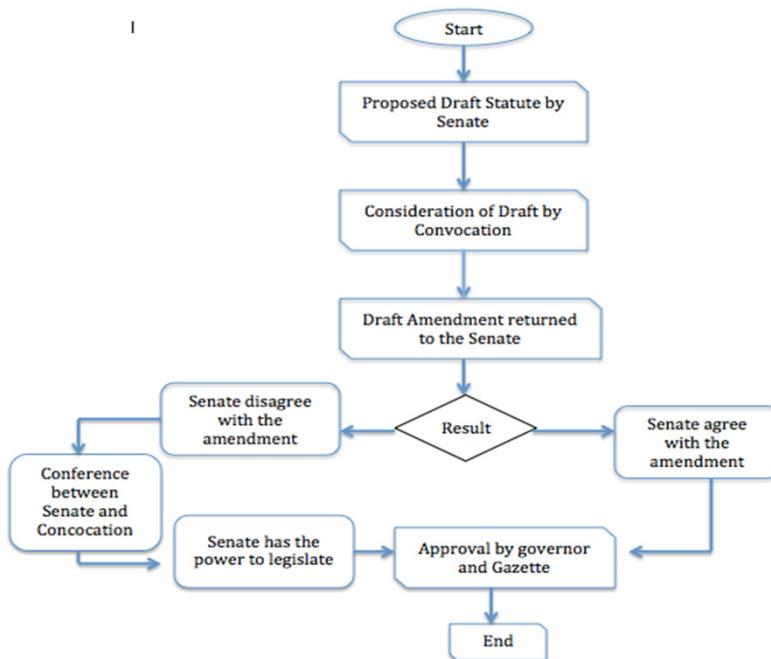


Figure 2. Flow Chart of Statute Legislation at the University of Western Australia in the UWA v Gray Case (Source: Author)

UWA was authorised, by the UWA Act, to make regulations relating to the control and management of its own property. It was not authorised by the Act to make regulations acquiring property from others or interfering with their rights.” (University of Western Australia v Gray)

Hence, the rules for intellectual property rights regarding inventions by university employees as well as any regulations relating to the management of intellectual property are not valid. The Court has also ruled that in determining university policies, the term which was inserted into the employment contract of Gray, the university’s policy should be valid in order to be enforceable and in this case, there was no breach of the employment contract by Gray as the basic university Patent Regulation and Intellectual Property Regulation was found to be invalid because the university acted beyond perpetrated legal power. The Court held:

“Property rights vested by contract in the university or otherwise devolving on the university can be protected, managed and controlled by statute or regulation as can any of its property. However UWA cannot, by regulation, acquire property from its staff members. The position is no different where the staff member’s contract embodies a regulation, which purports to declare that intellectual property generated by him or her belonged to UWA. If

the regulation is not valid for the reasons I have outlined then it could not be said that it was intended by either party that compliance with an invalid regulation could become a contractual obligation. The incorporation of the Statutes and the Regulations of the university into staff contracts is, in my opinion, posited on their validity.” (University of Western Australia v Gray)

According to the Gray case, provided that the policy is formulated in accordance with the university’s procedure, all university staff are obliged to comply with any policies formulated by the university, including university intellectual property policies. For workers, the terms of the service contract also clearly state that employees must adhere to any university policies, including the intellectual property policy, and that the workers are bound by the regulations contained in the policy. According to the outcomes of the Gray case, a university policy can only be effective if there are proper procedures and approval by the Senate of the law-making body of the University of Western Australia.

University intellectual property policies can only be enforced if the procedure is followed in full within the jurisdiction of the university as provided by the statute or the constitution of the university. University intellectual property policies can bind employees, students and associates in the event this policy is valid and provided for

in the employment contract or in a contract between the university and the students and associates.

CONCLUSION

In conclusion, a university could claim ownership of intellectual property created at the university if it is based on statutory provisions on intellectual property ownership, employment law that determines the employer-employee relationship and also on contract law. Besides that, the university's intellectual property policy must also provide guidelines on the allocation of university intellectual property ownership provided that the policy is legally valid to bind members of the university.

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