Universities and the Validity of their Claims to Student Intellectual Property Rights

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INTRODUCTION

Students enrol in universities with the ambition of developing research skills, pursuing academic excellence and advancing their own and possibly the general boundaries of knowledge in their field of study. Like all creative thinkers, they will feel a strong sense of 'ownership' of the results that unfold in the course of research and studies. This instinctive reaction accords with the legal position. In the absence of any agreement or employment relationship that defines where ownership of intellectual property vests, the legal position is that students own all intellectual property that they create.[1]

There is a broad selection of intellectual property that students create. This will range from copyright in assignments, articles, theses, artistic and musical works or computer programs to patentable inventions, circuit layouts, confidential information, plant varieties and designs. Students may work in collaborative research and development with industry. Collaboration with third parties raises different issues that university intellectual property policies do not attempt to cover. The policies recognise the need for agreements where such collaboration occurs[2] and provide that such agreements prevail over inconsistent provisions in the policy, statute or regulations. This article does not discuss the issues that arise in negotiating these collaborative research contracts.

Where there are no external controls on a student's entitlement to intellectual property, the provision of internal privileges for students may influence a university to make some claim to some interest in the student's intellectual property in its intellectual property statute or policy. The Australian Vice-Chancellors' Committee recommended that the following circumstances may justify some claim to an interest in intellectual property generated by students.[3]

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[1] *Copyright Act* 1968 s 35(2); *Circuit Layouts Act* 1989 ss 16(1) & (2); *Plant Breeder's Rights Act* 1994 ss 3(1)(c), 24(1) & 44(1); *Designs Act* 1906 s 19(1); *Patents Act* 1990 s 15(1).

[2] See Australian Vice-Chancellors' Committee, *University Research: Some Issues* 1996, Part II, Conditions of Acceptance of Research Funds.

[3] Australian Vice-Chancellors' Committee (AV-CC), *Ownership of Intellectual Property in Universities: A Discussion Paper* (1995) 4.3; see the earlier paper, AV-CC *Ownership of Intellectual Property in Universities: A Discussion Paper* (1993).

- generation of the property has involved substantial use of institutional resources and/or services beyond that which is ordinarily provided to students;
- generation of the property has resulted from use of pre-existing intellectual property owned by the institution;
- the property belongs to a set of intellectual property generated by a team of which the student is directly or indirectly a member and which is considered by the institution to be property which should be managed by the institution in the best interests of the team as well as the institution;
- the property is such that ownership by the institution is the best if not the only means of protecting the integrity of the institution;
- the property has been generated as the result of funding provided by or obtained by the institution; and
- control of the future development of the property is sought by the institution to ensure that research programs and other activities are conducted in the best interests of the institution and other students.

A number of universities require students to agree to assign intellectual property where one or more of these criteria are present.[4] They may define these circumstances in an intellectual property policy or statute. They may then draw this to the attention of students when they enrol and make an ambit claim to ownership as a condition of enrolment. Alternatively, or in addition, a university subsequently may enter into a specific agreement that relates to the special circumstances in which the student is to work.[5]

This article examines and identifies the legal limits that a university confronts when it contracts with students for assignments of intellectual property rights. It evaluates the risks that these limitations pose for universities but concludes that the extent to which universities need to revise their contracts and procedures remains problematical. It draws tentative conclusions on the need for universities, in certain circumstances, to seek an assignment of intellectual property from a postgraduate student before research commences. However, it suggests that universities focus upon use of specific agreements for this purpose instead of relying upon ambit claims made on enrolment.

In discussing these issues, two important assumptions are made. The first is that a university has a role to protect and maximise the benefits that arise from intellectual property that its academic staff create.[6] The second is that a university has autonomy to decide how it will perform this role. These assumptions reflect the way in which universities currently deal with issues of intellectual property ownership and exploitation. On that basis, the assumptions are valid for the purposes of this article. However, challenges to the conclusions I draw are possible when the task of formulating an ideal model of

[4] See 'Survey of University Policies' infra.

[5] This is the type of agreement envisaged when I refer throughout this article to 'specific agreements.'

[6] It makes no similar assumption in relation to intellectual property that students create.

a university is undertaken.[7] If that ideal model rejects either or both of these assumptions, it may affect any conclusions drawn about the justifications that universities may have to contract with a student before research commences.

PART I — CLAIMS THAT UNIVERSTIES MAKE TO STUDENT INTELLECTUAL PROPERTY

Government Policy

The claim to own intellectual property that students and staff create is likely to be partially attributable to government policy on innovation. As the following discussion shows, there is no evidence that universities consciously developed or revised intellectual property policies in response to the government policies. However, it is likely that universities unconsciously responded when they felt the direct impact of these policies through their dealings with government and non-government funding sources. Government policies emphasised the importance of innovation and intellectual property protection. These were not only responsible for increased industry and university collaboration but must have influenced the conditions concerning intellectual property ownership that funding sources imposed on universities.

In the 1980s[8] and early 1990s, as with other countries such as USA and Canada,[9] underfunded universities were encouraged to become market oriented and to develop links with industry. In 1980, in a report to the Prime Minister by the Australian Science and Technology Council, conclusions and recommendations were based on the belief that:

> increased interaction between industry, government and higher education will bring with it considerable benefits to research workers, to the firms, agencies and institutions, and to the relevance and quality of Australian R & D.[10]

Various subsequent reports continued to identify the importance of these

[7] The author is aware of a vast quantity of literature that examines the nature and role of a university. However, any detailed analysis of this literature is beyond the scope of this article. It forms a primary consideration in the ARC and Monash Research Fund supported research project that the author is undertaking in collaboration with Associate Professor Sue McNicol and Professor Sam Ricketson entitled 'Universities and the ownership and exploitation of intellectual property rights: a theoretical, national and comparative study'. In addition to surveying and evaluating the present arrangements adopted within all Australian universities concerning the ownership and exploitation of intellectual property in Australian universities, that project aims to examine and consider the role and functions of universities in Australia. In light of this consideration, it seeks to construct a sound theoretical framework for the formulation of policies in relation to these matters.

[8] The changes in this period had their origins in trends in the late 1970s; see Australian Science and Technology Council, *Science and Technology in Australia* 1977–78, (1978).

[9] H Buchbinder, The market oriented university and the changing role of knowledge (1993) 26 *Higher Education* 331, 335.

[10] Australian Science and Technology Council *Interaction between Industry, Higher Education, and Government Laboratories,* 5.1. (1980).

links in developing Australian innovation.[11] Government policies introduced a range of measures to boost this interaction, including Special Research Centres and Key Centres,[12] a 150% tax concession for research and development and the Grants for Industry Research and Development Scheme. When higher education was restructured in 1988, the policies expounded by Minister Dawkins endorsed this changing role for universities. They encouraged higher education institutions to link with industry to make education more relevant to the employers' needs and to provide greater collaboration in research.[13] Universities were seen to play a vital role in contributing to the national economy because most basic research is undertaken by academic staff and postgraduate students in universities.[14] Further measures were introduced to stimulate industry research links through the introduction of Australian Postgraduate Research Awards (Industry),[15] the Collaborative Grants Scheme,[16] and the launch of the Cooperative Research Centres (CRC) Program in 1990.

Over the following years, a variety of reports continued to examine the issues of innovation and intellectual property and the scope for industry and university collaboration.[17] The reports stressed the need to protect

[11] Australian Academy of Technological Sciences, *Developing High Technology Enterprises for Australia,* (1983).

[12] These are discussed in Department of Employment, Education and Training, *National Report on Australia's Higher Education Sector* 1992 (1992) Ch 11.

[13] JS Dawkins, *Higher Education: a policy discussion paper.* (1987); JS Dawkins, *The Challenge for Higher Education in Australia.*(1987); JS Dawkins, *Higher Education: a policy statement.* (1988); JS Dawkins, *A New Commitment to Higher Education in Australia* (1988).

[14] JS Dawkins, *Higher Education: a policy discussion paper.* (1987) Ch 9; these views continue to be expressed — see Industry Commission, *Research and Development.*(1995) which identified the three types of research-generating institutions identified are: 'higher education institutions (universities); public research agencies (for example CSIRO, ANSTO and AIMS); and private firms.'

[15] APRA(I)s were announced in the Government's statement, *Research for Australia: Higher Education's Contribution* (1989).

[16] Announced in the Government's statement, *Higher Education: Quality and Diversity in the 1990s.*

[17] National Board of Employment, Education and Training, *Committee to Review Higher Education Research Policy Report* (1989); Australian Science and Technology Council, *Research and Technology: Future Directions.* (1992); Business/Higher Education Round Table, *Promoting Partnerships: Enhancing Interaction between Business and Higher Education Research.* Task Force Report No 2, (1992); National Board of Employment, Education and Training, *Productive Interaction — An Investigation of the Factors which Constrain and Promote Proposals under the APRA(I) and ARF(I) Schemes.* (1992); P Twomey, *Creating Economic Growth through Enterprise Generation and Industry Research Partnerships.* (1995); P Twomey, *Creating Economic Growth through Enterprise Generation and Industry Research Partnerships: The Role of the Post-Secondary Education Sector.* (1993); Prime Minister's Science and Engineering Council *The Role of Intellectual Property in Innovation.* (1993); National Board of Employment, Education and Training, *Crossing Innovation Boundaries: The formation and maintenance of research links between industry and universities in Australia.* (1993); Industry Commission, *Research and Development.*(1995); National Board of Employment, Education and Training, *Maximising the Benefits: Joint ARC/HEC Advice on Intellectual Property.* (1995); AV-CC, *Ownership of Intellectual Property in Universities,* (1993); *Guidelines for Protection of Intellectual Property in International Agreements,* (1993); Report of the CRC Program Evaluation Steering Committee, *Changing Research Culture Australia — 1995,* (1995).

intellectual property and to ensure the return of significant results to Australia.[18] They continued to emphasise the need for increased interaction with industry and increased involvement of students within this collaboration. Specific recommendations that relate directly to student issues include: increased industry scholarship support for post-graduate students;[19] spin-off enterprises having one objective to 'develop entrepreneur and technology transfer skills in graduates';[20] on-going interaction with the aim of generating a strong and independent flow of research funds[21] and the development of highly qualified post-graduates equipped to confront our major problems.[22]

University response to Government policy

Universities responded to the challenges posed by government to interact positively with outside collaborators.[23] Most had or now have technology transfer companies or departments that assist implementation of this role.[24] They have pursued in varying degrees recommendations of the various committees and we now see extensive participation of staff and students in Cooperative Research Centres (CRCs) and other collaborative research ventures.[25] A recent report that evaluated the CRC program disclosed that 1131 postgraduate students were studying in 43 CRCs throughout Australia.[26] This expansion of collaborative research between universities, government

[18] See for example, Prime Minister's Science and Engineering Council, *The Role of Intellectual Property in Innovation.* (1993); National Board of Employment, Education and Training, *Maximising the Benefits: Joint ARC/HEC Advice on Intellectual Property.* (1995).

[19] AV-CC, *'Report for 1993–95 Triennium'*, (1992) 23.

[20] P Twomey, *Creating Economic Growth through Enterprise Generation and Industry Research Partnerships.* (1995).

[21] *Algar report* (1985).

[22] *Promoting Partnerships,* op cit (fn 17), executive summary.

[23] For example, at the commencement of the 1996 funding round for a further five CRCs, there were 62 current CRCs in six broad fields of research: manufacturing technology, information and communications technology, mining and energy, agriculture and rural based manufacturing, environment and medical science and technology.

[24] Some examples are: Monash University — Montech Pty Ltd; University of Melbourne — Unimelb Ltd; University of New South Wales — Unisearch Ltd; University of Queensland — Uniquest Ltd; University of Adelaide — Luminis Ltd. There is also a national body, Australasian Tertiary Institutions Commercial Companies Association Incorporated (ATICCA) which is a group of organisations which promote effective interaction between tertiary institutions, commerce, industry and government.

[25] S Liyanage and H Mitchell, 'Changing Patterns of Research Direction in Higher Education Institutions: Evidence from Australian Universities' (1992) 35 *Australian Universities Review* 36; R O Slatyer, 'Cooperative Research Centres: The concept and its implementation' (1994) 28 *Higher Education* 147; P Johnson 'Competitive Research Grants and Industry Collaboration: A Challenge for Industries in the 1990s' (1993) 36 *The Australian Universities Review* 15. Report of the CRC Program Evaluation Steering Committee, *Changing Research Culture Australia — 1995* (1995); A Marsh, T Turpin & S Hill, *Concentration and Collaboration: Research Centres in the Australian System* (1992); University of Wollongong: The Centre for Research Policy, *Collaboration between Public Sector Institutions of Higher Education and Private Sector Companies.* (1990).

[26] Report of the CRC Program Evaluation Steering Committee, *Changing Research Culture Australia — 1995* (1995) para 4.86 and table 4.7.

authorities and industry raised new and difficult issues of intellectual property ownership in a practical and random manner that demanded immediate answers. Universities needed clear internal policies when they found themselves confronted with these and other intellectual property issues that involved staff, students and third parties.[27] This is not to suggest that intellectual property policies did not exist already in some universities. A number of older universities had policies to deal with inventions and perhaps other forms of intellectual property as well. However, these existing policies may not have been adequate to deal with the new issues that arose from an increasing emphasis upon innovation and collaboration.

Universities sought advice from the Australian Vice Chancellors' Committee (AV-CC) on 'how to deal with questions of ownership of intellectual property generated within the institution by staff, students, and under agreements with outside bodies, and under grants of sponsorship.'[28] Protection of intellectual property is a key issue in dealings with industry partners and in commercialising the intellectual property.[29] In response to these requests, the AV-CC prepared a discussion paper that raised many of the issues that surround ownership of intellectual property. This advice included substantial sections that dealt with the particular difficulties universities face with staff and students and the intellectual property they create in the course of employment, studies and research.[30] It is obvious that universities will have an interest in the intellectual property that their staff create. The above discussion gives some indication why they are concerned also with intellectual property that students create. One reason is the increasing involvement of students in collaborative research and internal team research. They are not necessarily independent agents in their voyage of discovery. Another is that students conduct a significant amount of the research output within

[27] For example, the standard Industry Research and Development Board (GIRD) Grant is entered into between the Board, a company known as the 'Lead Organisation', the universities concerned 'the Researchers' and a statutory corporation 'the Commercial Collaborator'. It contains detailed provisions that concern the obligation for the parties to enter a separate agreement concerning intellectual property. The entry into such an agreement necessitates a clear understanding between the universities concerned and their researchers as to who owns intellectual property that the researchers create in the course of the research project.

[28] AV-CC, *Ownership of Intellectual Property in Universities: A Discussion Paper* (1995) 1.1; also see the earlier paper, AV-CC, *Ownership of Intellectual Property in Universities: A Discussion Paper* (1993).

[29] Prime Minister's Science and Engineering Council, *The Role of Intellectual Property in Innovation* (1993)

[30] The National Tertiary Education Union (NTEU) produced a complete model policy on which universities could model their own policies. The Council of Australian Postgraduate Associations (CAPA) produced Policy WP11 'Intellectual Property' 1994, revised in 1995. This briefly listed its assertions that students have a legitimate right to own and exploit their intellectual property, that universities must ensure that students sign agreements with informed consent and that moral rights of a student cannot be waived.

universities[31] and hence may produce a significant amount of intellectual property in the course of their research and studies.

Survey of University policies

When a university has complete autonomy, it is likely to define its legitimate interests in student intellectual property in a way that probably reflects its historical origins, the views of its current members as to its perceived roles and a complex mix of other factors. Therefore, a university will answer this question in a way that reflects its interpretation of its interests and role. This results in the following diverse range of models of ownership.[32]

Ownership

The discussion papers that the AV-CC produced in 1993 and 1995 on ownership of intellectual property in universities assisted all Australian universities in their quest to deal appropriately and fairly with the responsibility to protect intellectual property and to transfer it for the benefit of the community. The new and revised university policies and statutes attempt to deal with ownership of all intellectual property that staff, students and visitors create. This article is concerned only with the approach that each university takes to ownership of intellectual property that its students create. A survey of all university policies or statutes shows that they fall within one of four discernible models. All models recognise students' rights to ownership of copyright in their theses. Universities that adopt Model A accept the principle that an intellectual property policy cannot apply equally to staff and students. They make no ambit claims to ownership. The remaining universities assert that the policy should apply equally to staff and students in certain circumstances.[33] Consequently, they include claims of varying scope to intellectual property that students create in the course of their studies and research.

A number of general points are worth noting. First, where a university claims student intellectual property there is generally no distinction between undergraduate and postgraduate students.[34] Secondly, a university that owns

[31] Reference to ABS statistics in 1986 show that 43% of research done in Australia by postgraduate students, 33% by academic staff and 24% by persons in other categories. The number of postgraduate students in Australian universities between 1988 and 1994 rose from 30,000 to almost 60,000 in 1994. D Clark, *Australian Financial Review* 19 July 1994.

[32] The references to university intellectual property policies, statutes or regulations in the following text are to those that were available to the author as at 1 June 1997.

[33] Where universities claim ownership of student intellectual property, they treat students and staff equally for the purposes of sharing the proceeds of commercialisation. There are many different formulae that universities adopt for sharing these proceeds. All follow a basic format of recovering costs and then distributing net profits between the originator, his or her faculty or department and the university. For example, Murdoch University distributes to the originator 75% of net profits up to $20,000 and 50% of the next $30,000. Over $50,000, the percentage reduces to 40% and the percentage shares of the faculty and university adjust accordingly.

[34] Victoria University of Technology, s 5; University of South Australia s 5.4; Swinburne University s 3.1(b); Monash University reg 2.2.1; Melbourne University s 14.1.6; Murdoch University s 3; La Trobe University s 2(2); Australian National University s 23.

intellectual property may grant a non-exclusive, royalty free and irrevocable licence to the student to use copyright for teaching and research purposes.[35] Thirdly, a number of universities claim a non-exclusive, royalty free and exclusive licence from the student owner to use the intellectual property for a variety of different purposes.[36]

The models identified are as follows:

Model A:
Student ownership

Subject to agreement to the contrary, both undergraduate and postgraduate students own all intellectual property that they create.[37] Under this approach, the university can negotiate with the student if and when it seems necessary or appropriate. James Cook University of North Queensland provides that any agreement that permits the University to obtain rights must be 'fully explained and treat the student no less favourably' than employees.[38] While the University of Newcastle, in its policy, makes no claim to intellectual property rights, there is provision for postgraduates to grant a non-exclusive licence to the University.[39] Edith Cowan University takes a similar approach and provides that the University may seek a non-exclusive licence from undergraduate students participating in cooperative education projects. Both append a form of licence to the policy documents. Such a licence excludes works such as books, articles, theses, computer programs without commercial potential, and artistic, musical or dramatic works. However, this exclusion does not apply if the University requests their creation.

Universities within this model appear to place pre-eminence on academic freedom for the student and respect for the principles that vest intellectual property in its originator. They accept that there are differences between staff and students that warrant a divergent approach to ownership of student intellectual property. They may require an assignment as a condition of use of particular resources, but only if the student understands the consequences of the agreement and enters the agreement with informed consent. These universities may believe they have some duty to protect public investment in universities. However, they accept that they have no automatic rights in intellectual property that the student creates when they overlook the need for a specific agreement with a student.

[35] Monash University; Swinburne University; University of Canberra; James Cook University; University of Southern Queensland; Southern Cross University.

[36] University of Ballarat; Edith Cowan University; James Cook University; Newcastle University; Southern Cross University; University of Southern Queensland; Victoria University of Technology; University of Western Australia.

[37] University of Adelaide; University of Canberra; Edith Cowan University; Griffith University; James Cook University of Northern Queensland; University of New England, Newcastle University; Southern Cross University; University of Southern Queensland, University of Western Australia.

[38] S 4.4. This is the approach that the NTEU and CAPA promote in their model policies on intellectual property. Some universities provide a warning of where an agreement may be sought. Southern Cross University s 3(4); University of Southern Queensland s 3(4); University of New England ss 2.6, 2.7; University of Canberra s 4.4.

[39] See also Edith Cowan University s 3.1 and Appendix.

Model B:
Category and Circumstances Approach

Ownership of intellectual property vests either in the students or in the university according to the type of intellectual property and the circumstances of its creation.[40] The usual approach with this category is for the students to own all intellectual property. They then agree to assign to the university such things as

> a patent worthy discovery or invention in respect of the creation of which the university has made a specific contribution of funding, resources, facilities or apparatus.[41]

The University of Melbourne claims ownership of all intellectual property (with the exception of copyright) that is created in pursuance of studies, scholarship or research with or at the University[42] or the creation of which 'has been contributed to substantially by the University . . . by way of funding, salary, resources, facilities, apparatus or supervision.'[43]

Model C:
Circumstances of Creation Approach

Ownership of intellectual property vests either in the students or in the university only according to circumstances of its creation. Except for protecting the rights of the student to copyright ownership of his or her thesis, the university draws no distinction between the types of intellectual property. The circumstances of creation that cause a university to claim ownership include the following: (a) in the course of studies;[44] (b) working in a team;[45] (c) using university resources or facilities;[46] (d) students working in collaboration with another researcher, a research team or an outside body;[47] (e) use of pre-existing intellectual property.[48]

[40] University of Technology, Sydney adopts a different approach. The university claims ownership of all inventions and designs but will allow joint ownership in certain circumstances — ie, where the student creates the invention or design without direction of a staff member (s 2).

[41] Monash University reg 2.2.1. 'specific contribution' is defined in s 1.1 of Statute 11.2.

[42] S 14.1.6(1)(a). See also Murdoch University ss 3.2 & 3.3; Victoria University of Technology s 5.1.

[43] S 14.1.6(1)(b).

[44] Curtin University of Technology s 2.1.1(a) — this is limited to postgraduate students. There is no claim to undergraduate student intellectual property.

[45] Australian National University s 23.

[46] Australian National University s 23; Swinburne University s 3.1(b);

[47] University of South Australia s 5.4.1.

[48] University of South Australia s 5.4.2; Monash University reg 2.2.2. (Provided the student agrees to this prior to its use.)

Model D:
University ownership

The university owns all intellectual property created in pursuance of studies and using resources or facilities material to the development of those rights.[49]

Commentary on Models B, C & D

Universities that are within either Models B, C or D appear to place pre-eminence on maximising the financial return that they receive from use of their educational and research resources. They will protect student academic freedom to publish and perhaps the right to use the intellectual property in later research, but will aim to maintain control over any intellectual property with potential. No-one knows in advance which intellectual property will be a 'winner'. Therefore, an ambit claim to own student intellectual property may provide a university with the opportunity to claim financial benefits arising from that intellectual property if and when they occur. It will enhance the chances for additional protection for the university and any other researchers if someone overlooks first obtaining the student's express agreement. These universities will have no intention to exercise rights in respect of all intellectual property that students create — only that which has some commercial, research or educational value to the university.

Such a university may justify this apparently more commercial approach by asserting that students should not be allowed to either dissipate the value, or to retain the entire benefit of any intellectual property that they create with the benefit of a pre-existing valuable university infrastructure. Although students pay for the facilities, knowledge, resources and so on through the charges made under the Higher Education Contribution Scheme, these charges do not represent a fair commercial value for these benefits.[50]

Differences in approach between Model A and Models B, C & D Universities

The differences in approach to ownership may be more apparent than real. They mask a common understanding, namely the need to seek agreements from students to assign intellectual property to protect the legitimate interests of a university. Model A universities, that make no ambit claims to student intellectual property at the time of enrolment, may nevertheless require students to assign intellectual property as a condition of using particular

[49] 'It is a condition of enrolment that the University owns any intellectual property rights developed by a student in the course of his/her studies at the University and using the resources or facilities of the University material to the development of those rights.' University of Western Sydney Interim Intellectual Property Policy 1994 s 5. See also Macquarie University Intellectual Property Policy 28.02.09 (under revision to, *inter alia*, remove this provision).

[50] Productivity Commission, *Stocktake of progress in microeconomic reform* (1996) 97: 'The Commonwealth funds public universities for the costs of providing education to domestic students, and recoups 23 per cent of these costs through the HECS.'

resources or undertaking particular research. The circumstances in which they seek these agreements and the frequency with which they occur is unknown.

Arguably, the goals of both classes of university are the same but the differences lie in the methodology that each university will accept. The differences lie in who bears the risk of overlooking intellectual property with value. If all universities in fact seek individual agreements in similar circumstances, the distinction between the approaches will blur. The distinction will remain if there is a clear difference in that choice of circumstances.

PART II — MORAL VALIDITY OF FACTORS USED TO JUSTIFY AMBIT CLAIMS

General:

Universities in Models B, C & D claim the right to own student intellectual property that is created in a variety of circumstances that the AV-CC identified as warranting consideration for the claim of some interest.[51] The AV-CC did not necessarily promote ownership claims or ambit claims at the time of enrolment.[52] It is therefore useful, before embarking upon the legal limitations that universities face when they make these claims, to consider the moral validity of a selection of factors identified in Models B, C & D as the grounds for an ambit claim on enrolment to ownership.

Four sets of circumstances are identified for the purposes of this discussion. They are where generation of the intellectual property by a student:

- belongs to a set of intellectual property generated by a team
- involves use of pre-existing intellectual property owned by the institution
- involves substantial use of institutional resources and/or services beyond that which is ordinarily provided to students
- involves use of funding provided by or obtained by the institution

The property belongs to a set of intellectual property generated by a team

Some universities claim ownership of intellectual property that students create when they work with staff on a team project. One likely reason is the perceived need to treat all parties equally. However, both students and staff have different relationships with the university so there is nothing inherently unfair about the fact that they have different entitlements to own intellectual property. Another reason may be to protect the vulnerable position of students who may otherwise find it difficult to assert their legitimate rights or expectations in the face of others in positions of power.

[51] See Introduction supra.

[52] In some cases, ownership will be inappropriate when there are other parties with a prior interest in the intellectual property that a student creates. For example, special attention is required if the student is employed by another organisation to identify possible claims of the employer.

A more convincing reason is to increase certainty of ownership of the set of intellectual property that various members of the team create. There is the risk that a student's intellectual property will become inextricably intertwined with that which the staff team members create. This could result in ownership disputes among team members and less efficient transactions with third parties. These transactions are likely to be important. A common objective of a university is to advance knowledge by undertaking research. Its achievement requires continual injection of funding. The likely sources for substantial increases in such funding are within the private sector as the availability of public sector funds progressively reduces.[53] An industry partner will not inject substantial funds in research and development if there is a risk that the results will be available for all its competitors to use freely.

Ownership gives the rights to decide whether to make intellectual property freely available or to apply for its protection. If students own the intellectual property they create, which may be an integral part of the team intellectual property, a decision to disseminate information freely could result in inadequate protection for the team project as a whole and a destruction of any potential commercial value. A lack of control over the intellectual property that all the researchers, including students, originate in the course of a team project may therefore restrict the ability of a university to liaise successfully with external parties to maximise the financial benefits that arise from the research.

The above factors provide persuasive reasons for a university to require students to agree to assign intellectual property before they become part of certain team research projects. They also provide persuasive reasons for a limited ambit claim to this effect where a university is unable to implement an effective procedure for entry into specific agreements before team research commences. The primary needs of a student who is involved in team research with staff and other students can be protected without the need for a student to own the intellectual property. These needs include the following: freedom to publish; rights to examination of a thesis; rights to due completion of studies; the ability to continue research in the area; respect for moral rights; protection against adverse effects of confidentiality agreements on future employment; a share of profits from successful commercialisation.

University ownership denies a student the right to decide whether or not to seek protection for and to commercialise his or her intellectual property. This is arguably a fundamental aspect of academic freedom. When the student works independently of others this freedom may or may not demand respect, depending upon the circumstances and the philosophical view of the university. However, the position is different when collaboration results in a set of intellectual property rights which are interdependent, some of which are created by a student. Academic freedom of a student cannot justify the student's ability to damage the value that the team's combined intellectual property has for third parties.

[53] Department of Employment, Education and Training, *National Report on Australia's Higher Education Sector*, (1992) Ch 10 and 11.

Use of pre-existing intellectual property owned by the institution

Another claim is to own intellectual property that a student creates with the use of university owned intellectual property. Any assessment of the merit for such a claim requires a consideration of the needs of a university to have ownership as opposed to a licence or some lesser interest in the intellectual property. Where the intellectual property is made available to a student in the course of team research, the issues include that wider dimension as discussed above.

Leaving those special circumstances aside, the merit of such a claim will depend upon a number of other variables. The first is the type of intellectual property that a student uses. For example, it will be entirely inappropriate for a university to own copyright in a student's journal article which has resulted from the use of pre-existing university owned copyright. However, this may not necessarily be the case when a student either creates an electronic database using a university owned database or develops computer programs using intellectual property in intelligence systems. The second is the effect that the new intellectual property has upon the original intellectual property. It may make a difference if the student's research has the potential to develop intellectual property that constitutes a significant advance over the university owned intellectual property and may render the latter valueless and redundant.

A third relevant factor may be the needs of the university and its staff to continue their research using the student's intellectual property. An example may be of a professor in the department of geography who has developed a spatial database in the course of his research. This research is continuing. The database is created in the course of employment and the copyright in that database is owned by the university as the employer. A PhD student, under the supervision of and with the permission of the professor, uses a substantial part of the database to develop a new original copyright work that is a great advance upon the original database. In the absence of some rights in the university, the professor's own continuing research could be compromised.

These examples demonstrate that claims to ownership cannot be justified without some limitation on the nature of university owned intellectual property that is utilised and on the circumstances in which it is utilised. What need does a university have to protect in respect of its intellectual property? The value of a university's intellectual property is multifaceted. It may have an economic value as a resource to convey to others for some financial return. This could be the injection of further research funds or the grant of a licence in return for royalties. It may have an educational value, in that the steps in its creation provide valuable instruction for students. It has a value for research in that it can act as a foundation from which further knowledge can grow. A university will aim to protect each aspect of the value of its intellectual property in order to meet its wider objectives. In some circumstances it will require a specific agreement with the student before there is access to the intellectual property. However, it is not clear that these interests will justify an ambit

claim to own all intellectual property that students create with the use of university owned intellectual property.

Substantial use of institutional resources; funding provided by or obtained by the institution

Neither of these circumstances is likely to provide a satisfactory justification for a broad ambit claim on enrolment. There will be differences of opinion concerning whether a university requires ownership to protect its legitimate interests that arise when intellectual property is created in these circumstances or whether some lesser rights such as reimbursement for use or a non-exclusive licence is more appropriate.

As with the use of pre-existing intellectual property, there may be circumstances in which a university requires ownership of student intellectual property. A specific agreement can be negotiated before the resources and equipment are made available, so that the conditions of use can reflect and protect the needs and interests of all parties. Similarly, if a student is offered a grant by a university, its right to claim ownership of any resulting intellectual property may depend upon a number of factors including the size of the grant, the existence of an employer[54] or other funding sources with similar claims and the type of intellectual property that a student expects to create.

Summary

The above discussion suggests that each of the sets of circumstances may provide grounds for a specific agreement in individual cases where a university has legitimate interests to protect.[55] However, the complexities that arise in each example demonstrate that generalised circumstances of creation generally do not provide a legitimate moral basis for an ambit claim to own student intellectual property. The further discussion in Part III demonstrates that there are also limitations on the legal validity of such generalised ambit claims.

[54] Where a graduate student is sponsored by an employer, a university has an obligation to ascertain any claims that the employer has to intellectual property that the student creates. This should be resolved before the student is enrolled and may require perusal of an employment contract.

[55] This could include the need to protect those employees who work with or supervise a student against diminution or destruction of existing or new intellectual property that they create; to obtain some financial benefit for the use of university owned intellectual property, special equipment and facilities; to freely use a student's intellectual property for teaching and research purposes.

PART III — LEGAL ISSUES THAT LIMIT AMBIT CLAIMS TO STUDENT INTELECTUAL PROPERTY

Powers and capacity of the university to expropriate property

Individual statutes[56] incorporate each of the publicly funded Universities as a body corporate with extensive powers of self governance. Attempts to expropriate property of students in an intellectual property statute or policy will be *ultra vires* if there is no power contained in the enabling statute. Even if an enabling statute gives powers of expropriation, there is the risk that provisions in university legislation that claim ownership of student intellectual property will be invalid pursuant to s 109 Commonwealth Constitution.[57] The inconsistency arises in the following manner. Section 109 provides that 'when a law of a State is inconsistent with a law of the Commonwealth, the latter shall prevail, and the former shall, to the extent of the inconsistency, be invalid.' The *Copyright Act* 1968, *Designs Act* 1906, *Circuit Layouts Act* 1989 and *Plant Breeders' Rights Act* 1994 all expressly vest ownership in the creator, unless the intellectual property is created in the course of employment.[58] There is no express vesting in these terms in the *Patents Act* 1990, but an interpretation of its provisions can provide such rights.[59] A person, not being the employer in those circumstances, can gain rights in the intellectual property from the originator only by way of contract, the operation of equitable doctrines, will or devolution by operation of law.[60] The enabling acts of State universities are statutes of the respective States and the intellectual property statutes are subordinate legislation made pursuant to powers set out in the enabling Act. Each statute is therefore 'a law of a State' within the meaning of s 109.[61] Accordingly, if a university intellectual property statute takes away a right conferred on the originator of the intellectual property by Commonwealth legislation, it is inconsistent with those Commonwealth statutes. The State law is inoperative to the extent of the inconsistency.

Therefore, the sections of any regulations, statutes or policies that purport to claim ownership of student intellectual property will be invalid or unenforceable. A valid claim is dependent upon the existence of an enforceable agreement with the student that includes these sections as terms of the contract. As a university may make claims at the time of enrolment, there is the need to examine the legal nature of the student enrolment to ascertain the

[56] For a list of the Statutes, see Education: The provision of Higher Education in Australia; (2) Legislation establishing Universities in Australia, 5 *Halsbury Laws of England, Australian Commentary* (1992), C101A.

[57] A Monotti, 'Who Owns My Research and Teaching Materials — My University or Me?', (1997) 19(4) *Syd LR* 425, 445–9.

[58] *Copyright Act* 1968 (Cth), s 35(2); *Circuit Layouts Act* 1989 (Cth), s 16(1); *Plant Breeder's Rights Act* 1994 (Cth), ss 4(1) & 44(1); *Designs Act* 1906 (Cth) s 19(1).

[59] For a detailed discussion of this issue, see op cit (fn 57) supra 447.

[60] *Copyright Act* 1968 (Cth) ss 35 & 196; *Designs Act* 1906 (Cth) ss 19 and 25C; *Plant Breeder's Rights Act* 1994 (Cth) ss 20, 24 and 25; *Circuit Layouts Act* 1989 (Cth) ss 16 and 45. Devolution by operation of law refers to an automatic vesting as occurs in an intestacy or bankruptcy.

[61] P Hanks, *Constitutional Law in Australia* (2nd ed, 1996), 260; *Hume* v *Palmer* (1926) 38 CLR 441.

extent to which it is contractual. This is relevant to whether the promise to assign future intellectual property at the time of enrolment is a contractual promise. There is a need to examine also whether there are other legal aspects of the student/university relationship that may impose obligations on a university when it attempts to secure this promise.

Legal nature of the student enrolment

There are decisions that expressly recognise a contractual relationship between students and the providers of private education.[62] However, the legal nature of the relationship between students and the public university is more complex.[63] This is because the rights and liabilities under the relationship do not arise necessarily from, and are not interpreted solely upon the basis of a contractual relationship. Three aspects of the relationship are clear. First, university 'laws' — statutes, by-laws and regulations — bind enrolled students whether or not they agree to be bound.[64] The validity of such laws depends upon them being within the scope of the powers conferred on the university, not upon whether the student has agreed to their provisions.[65] Secondly, policies or resolutions of the university do not automatically bind enrolled students.[66] Such documents do not have the 'attributes of generality of operation and binding force upon itself and others. A mere resolution ... cannot take the place, or have the effect of a 'by-law'.[67] Thirdly, disputes that involve the internal management and regulation of a university fall outside the jurisdiction of the courts. They either fall within the jurisdiction of the university Visitor or according to the principles of administrative law.

[62] *Education Australia Pty Ltd* v *The Commonwealth of Australia* (unreported, No NG 905 of 1993, Federal Court) Gummow, Lee & Hill JJ; *Commonwealth of Australia* v *Noel Ling* (1993) 44 FCR 397; *Noel Ling* v *The Commonwealth of Australia* (1994) 51 FCR 88.

[63] V D Nordin, 'The Contract to Educate: Toward a more workable theory of the student-university relationship' (1981) 8 JCUL 141; C B Lewis, 'The Legal Nature of a University and the Student-University Relationship' (1983) 15 *Ott LR* 249; R White, 'Wanted: A Strict Contractual Approach to the Private University/Student Relationship' (1980) 68 *Ken L J* 439; D Considine,'The loose canon syndrome: University as business and students as consumers' (1994) 37 *The Australian U Rev* 36; R L Cherry, and J P Geary, 'The College Catalogue as a Contract' (1992) 21 *J L & Edu* 7; V J Dodd, 'The non-contractual nature of the student-university contractual relationship' (1985) 33 *Kan L Rev* 701. However, the relationship between a student and a private education provider is clearly contractual. See *Commonwealth of Australia* v *Ling* [1993] 44 FCR 397; *Ling* v *Commonwealth of Australia* [1994] 51 FCR 88.

[64] *Ex parte Forster; Re University of Sydney* [1964] NSWR 1000, 1007; *London Association of Shipowners & Brokers Ltd* v *London & Indian Docks Joint Committee* [1982] 3 Ch 242, 252 (per Lindley J); see fn 57 supra, 429–31.

[65] *Clark* v *University of Melbourne (No 2)* [1979] VR 66, 73.

[66] *Ex parte Forster; Re University of Sydney* [1964] NSWR 1000, 1007.

[67] Ibid.

University Visitor

The legal nature of the public university/student relationship is one that has substantially escaped both judicial and academic attention in Australia.[68] The obvious reason for lack of judicial comment is the nature of the disputes brought before the courts. Until recently, the few reported disputes that involved students and an Australian university[69] did not concern the legal nature of the relationship. Instead, the reported disputes have usually concerned validity of university actions, statutes and regulations in matters such as exclusion of a student from a course,[70] imposition of annual general service fees,[71] refusal of a deferred examination,[72] eligibility for election as an undergraduate member of Council[73] and refusal of an application to re-enrol.[74] Interpreting the relevant university legislation to ascertain the powers of the university can resolve these issues. There were no express provisions that conferred specific legal rights upon individuals in any of these cases, and hence the concept of a contractual relationship was irrelevant in resolution of the dispute.

Furthermore, the nature of these disputes that involved the internal management and regulation of an Australian university and interpretation of its internal statutes and regulations substantially[75] falls within the exclusive jurisdiction of the university Visitor.[76] Students are subject to that jurisdiction

[68] The only case in which this is mentioned is *Bayley-Jones* v *University of Newcastle* (1990) 22 NSWLR 424.

[69] *Bayley-Jones* v *University of Newcastle* (1990) 22 NSWLR 424 (ALD) (doctoral student claiming misapplication of university rules); *Re University of Melbourne; ex parte De Simone* [1981] VR 378 (Visitor) (four students alleging breaches of internal legislation); *Farrell* v *Mulroney* [1978] 1 NSWLR 221 (Eq) (student claimed imposition of fees *ultra vires*); *Clark* v *University of Melbourne (No 2)* [1979] VR 66 (student claimed regulations *ultra vires*); *Ex parte Forster; Re University of Sydney* [1964] NSWR 1000 (student challenge to validity of exclusion); *Murdoch University* v *Bloom and Kyle* [1980] WAR 193.

[70] *Ex parte Forster; Re University of Sydney* [1964] NSWR 1000.

[71] *Clark* v *University of Melbourne* [1979] VR 66; *Farrell* v *Mulroney* [1978] NSWLR 221; *Re University of Melbourne; Ex parte de Simone* [1981] VR 378.

[72] *Ex parte McFadyen* [1945] 45 SR (NSW) 200.

[73] *Graeme-Evans* v *University of Adelaide* [1973] 6 SASR 302.

[74] *M* v *The University of Tasmania* [1986] Tas R 74.

[75] Where there is no visitatorial jurisdiction, or where it is optional, a student can seek a remedy by means of judicial review of an administrative decision. *Administrative Decisions (Judicial Review) Act* 1977 (Cth); in Victoria, the *Administrative Law (University Visitor) Act* 1986 (Vic) inserted s 14 into the *Administrative Law Act* 1978 to provide for review of matters within the jurisdiction of the Visitor of a Victorian University. See *Hazan* v *La Trobe University [No 2]* [1993] 1 VR 568 for a discussion of the relationship between the jurisdiction of the Visitor and s 14(2) *Administrative Law Act* 1978 (Vic). In NSW, all functions and jurisdiction of the Visitor, other than ceremonial functions, were abolished by the *University Legislation (Amendment) Act* 1994 (NSW).

[76] For commentary on this jurisdiction see: J W Bridge, 'Keeping Peace in the Universities: The Role of the Visitor' (1970) 86 LQR 531; W Ricquier, 'The University Visitor' (1977 — 1978) 4 *Dalh L Jl* 647; P Willis, *Patel* v *University of Bradford Senate* (Case Note) (1979) 12 MULR 291; P M Smith, 'The Exclusive Jurisdiction of the University Visitor' (1981) 97 LQR 610; R Sadler, 'The University Visitor: Visitatorial Precedent and Procedure in Australia' (1981) 7 *Univ Tas LR* 2; J L Caldwell, 'Judicial Review of Universities — The Visitor and the Visited' (1982) *Cant L R* 307; G Warburton, 'Taking Student Rights Seriously: Rights of Inspection and Challenge' (1985) 8 UNSWLJ 362; J L Roberts, 'Education — Universities — The Role of the Visitor' (case note) (1991) 65

either because the enabling statute of the university includes students as members of the university,[77] or because they agree to be bound by the statutes of the university.[78] The established limits of this exclusive jurisdiction are:

> Whatever relates to the internal arrangements and dealings with regard to the government and management of the house, of the domus, of the institution, is properly within the jurisdiction of the Visitor, and only under the jurisdiction of the Visitor, and this Court will not interfere in those matters, but when it comes to a right of property or rights as between the University and a third person dehors the University, or with regard, it may be, to any breach of trust committed by the corporation, that is the University, and so on, or any contracts by the corporation, not being matters relating to the mere management and arrangement and details of their domus, then indeed the Court will interfere.[79]

Where this visitorial jurisdiction is exclusive, it ousts any jurisdiction of the courts.[80] However, it seems that the Visitor will not interfere until other bodies with power to make a decision have exercised those powers.[81] Even then, 'the jurisdiction cannot properly be exercised so as to usurp the exercise of that discretion if it has been honestly carried out.'[82] When the Visitor accepts the jurisdiction, he or she judges according to the statutes of the university[83] and administers a law that is different from that of the common or statute law.[84] Hence, the Visitor is 'not limited to or bound by the forms of relief available in the courts.'[85] Rather, the Visitor has the discretion to award whatever remedy he or she considers to be appropriate. In choosing that remedy, 'the visitor is at liberty to choose, for the welfare of the University, the manner of so doing.'[86] Accordingly, it is largely irrelevant[87] to present any argument about the contractual or other nature of the legal relationship of a university and its students when the nature of the dispute is within the exclusive jurisdiction of the Visitor.

However, the nature of the legal relationship becomes relevant when a student challenges the validity of a 'term' of enrolment that requires an agreement to assign intellectual property. Such a 'term' extends beyond the scope of

ALJ 299; S Robinson, 'The Office of Visitor of an Eleemosynary Corporation: Some Ancient and Modern Principles' (1994) 18 UQLJ 106; A N Khan and A G Davison, University Visitor and Judicial Review in the British Commonwealth (Old) Countries, (1995) 24:3 *J L & Ed* 457.

77 Bridge, op cit (fn 76) 538; *Re University of Melbourne; ex parte De Simone* [1981] VR 378, 386.

78 Sadler, op cit (fn 76) 4.

79 *Thomson* v *University of London* (1864) 33 LJ Ch 625, 634 per Kindersley VC; *Murdoch University* v *Bloom and Kyle* [1980] WAR 193, 196 per Burt CJ lists a number of propositions that concern this jurisdiction.

80 *Patel* v *Bradford University Senate* [1978] 1 WLR 1488, 1493–4.

81 Sadler, op cit (fn 76) supra, 11; *Re University of Melbourne; ex parte De Simone* [1981] VR 378, 387.

82 *Re University of Melbourne; ex parte De Simone* [1981] VR 378, 387.

83 *Philips* v *Bury* K B 714; 90 ER 1294 (Sir John Holt CJ).

84 Bridge, op cit (fn 76) 545.

85 *Murdoch University* v *Bloom and Kyle* [1980] WAR 193.

86 *Bayley-Jones* v *University of Newcastle* (1990) 22 NSWLR 424, 431.

87 In *Bayley-Jones* v *University of Newcastle* (1990) 22 NSWLR 424, 431, Allen J was prepared to recognise a breach of contract that supported a claim to damages.

university statutes, rules and regulations. It will be within the jurisdiction of the courts because it relates to a property right and because the 'enrolment contract' concerns matters outside domestic affairs of the university.[88] Students are likely to ask whether the enrolment constitutes a contract, whether the requirement to assign future intellectual property is a term of that contract and if so, whether the term is enforceable. They may also argue that the university owes some duty of care to protect their interests in intellectual property that they create in the course of their research and studies. These questions may require a court to consider whether an *in loco parentis* or other fiduciary relationship may exist to impose such duties. The following commentary discusses these possible facets of this relationship.

Contractual nature of the student enrolment in a public university

There is little authority concerning whether the student/university relationship is contractual or partly contractual. One Canadian commentator argues that the enrolment can at least be analysed as a legal contract to the following extent;

> the student, on registration or payment of fees, enters into a contract with the university whereby he agrees to be bound by its statutes and regulations.[89]

American authorities accept that the legal relationship between students and private universities and colleges is contractual.[90] However, the approach to the relationship within public universities is not so clear.[91]

In the United Kingdom, the 1864 case of *Thomson* v *The University of London*[92] rejected the presence of a contract between a Doctor of Laws candidate and the university. However, a decision of the Privy Council[93] concerning the University of Ceylon accepts the presence of a contract between the student and the educational institution 'at least to the extent that he must

[88] *Re University of Melbourne; ex parte De Simone* [1981] VR 378 per Sir Henry Winneke (Visitor); 'The Visitor has cognizance only of offences against the foundation instrument and which are not merely offences against some other statute or at common law.' *R* v *St John's College, Cambridge* (1693) 4 Mod 233; *Ex parte McFadyen* (1945) 45 SR (NSW) 200, 203.

[89] Lewis, op cit (fn 63) 254.

[90] GA Fowler, 'The Legal Relationship Between the American College Student and the College: An Historical Perspective and the Renewal of a Proposal' (1984) 13 *J L & Educ* 401; Cherry & Geary, op cit (fn 63); Dodd, op cit (fn 63); A L Goldman, 'The University and the Liberty of its Students — A Fiduciary Theory' (1966) 54 *Ken LJ* 643; AW LaTourette and R D King, 'Judicial Intervention in the student-university relationship: due process and contract theories' (1988) 65 *University of Detroit Law Review* 199; Nordin, op cit (fn 63); Furay, 'Legal Relationship between the Student and the Private College or University' (1970) 7 *San D L Rev* 244; Clowes, 'The Student-Institution Relationship in Public Higher Education' (1973) 2 *J L & Edu* 127; White, op cit (fn 63). In Australia the provision of private educational services is described as contractual — *Commonwealth of Australia* v *Ling* (1993) 44 FCR 397; *Ling* v *Commonwealth of Australia* (1994) 51 FCR 88.

[91] Nordin, op cit (fn 63) 144, comments that 'some form of contractual analysis of the legal relations between the university and the student . . . is used increasingly by the courts for public and private institutions.'

[92] (1864)33 Ch 625, 635–9.

[93] *University of Ceylon* v *Fernando* [1960] 1 All ER 631.

be taken to have agreed, when he became a member of the university, to be bound by the statutes of the university."[94] A more recent decision of a Visitor merely suggests without deciding that a contractual relationship may exist between the student and the university.[95]

There is some limited Australian authority to support the view that post-graduate student enrolment constitutes a contract. This authority comes from the case of *Bayley-Jones* v *University of Newcastle*,[96] a case concerning a dispute between the university and a student for the degree of Doctor of Philosophy. The university accepted Ms Bayley-Jones as a student for this degree but subsequently terminated her candidature for reasons that are unimportant in this context. She petitioned the Visitor who declared there was wrongful termination of her contract. He also made an order for compensation, and this order became the subject of proceedings in the Administrative Law Division of the NSW Supreme Court. In the course of his judgment, Allen J rejected the University's complaint that Ms Bayley-Jones should not be able to rely upon breach of contract to support a claim in damages.

> Any lawyer reading her petition would have been evincing a remarkable lack of perspicacity if his mind did not turn immediately to the law of contract. The word 'contract' is not used. The expression 'breach of contract' is not used. But the relevant facts are alleged. One can have contractual rights which are a reflection of rules of the University. Where in such a case what constitutes the breach of the contract is breach of the rules of the University the Visitor's jurisdiction, which is exclusive, is attracted. In my opinion it is clear that in the present case the plaintiff is entitled to rely upon any breach of contract between her and the University which was involved in the ultra vires purported termination of her candidacy.[97]

The position of students who enrolled at Monash University in 1997 provides an example to demonstrate the existence of a contractual relationship for undergraduate students. They received an enrolment package that congratulated them on the offer of a place to study at the university and contained a sheet entitled '1997 Enrolment Information'. This detailed the ten steps to enrolment and provided that students must complete two forms. Part A provided personal particulars and subject details and an acknowledgment by the student of conditions on which the university can release student information. Part B was an enrolment questionnaire and declaration. The latter was in the following terms:

> I declare that the information given in support of my enrolment as a student is correct and complete, and I acknowledge that I am bound by the statutes and regulations of the University. I agree to pay all fees and levies charged directly to me arising from my enrolment. I declare that the information supplied on this form is complete and correct.

[94] Id 639. See also *D'Mello* v *Loughborough College of Technology* The Times (unreported, HC, 17 Jun 1970); *Sammy* v *Birbeck College* The Times (unreported, HC, 3 Nov 1964); Lewis, op cit (fn 63) 254–5.

[95] *Casson* v *University of Aston in Birmingham* [1983] 1 All ER 88, 91.

[96] (1990) 22 NSWLR 424.

[97] *Bayley-Jones* v *University of Newcastle* (1990) 22 NSWLR 424.

Subject to satisfying the requirement that there is an intention to enter legal relations, there appears to be a contractual relationship in the following terms. The university agrees to enrol the student in the particular course in exchange for the student's promise to pay all fees and levies.[98] It is the enrolment that then subjects a student to the powers of management of the university and provides the opportunity to study and graduate in a chosen course.

In those Australian universities where the university Visitor has exclusive jurisdiction over internal matters, it will be unnecessary to undertake an analysis of documentation to find the terms of the contract where the dispute falls within that jurisdiction. Where the dispute concerns a right of property, rights between the university and a third party or a breach of trust, it may be important to find the terms of the contract. Such a dispute could arise from a university's ambit claim to an assignment of a student's intellectual property. An express condition in the enrolment papers under which a student agrees to assign future intellectual property to the university is likely to be a contractual promise.

Fiduciary relationship

Another aspect of the student/university relationship may be fiduciary.[99] The consequences are that equity imposes proscriptive obligations not to obtain any unauthorised benefit from the relationship and not to be in a position of conflict.[100] This is not one of 'the accepted fiduciary relationships of trust and confidence or confidential relations; ... trustee and beneficiary, agent and principal, solicitor and client, employer and employee, director and company and partners.'[101] However, as the categories of fiduciary relationships are not closed, courts occasionally find fiduciary relationships outside these 'accepted' categories.[102] Are they likely to find a fiduciary relationship in the university/student relationship? It seems that a significant aspect of the relationship is that the fiduciary must act in a representative character in the exercise of his or her responsibility.[103] The essence of a fiduciary relationship is described as

> that the fiduciary undertakes or agrees to act for or on behalf of or in the interests of another person in the exercise of a power or discretion which

[98] This is consistent with the assumption of CB Lewis in *Judicial Remedies in Public Law* (1992) 44–5, where he states that 'the jurisdiction is likely to be derived from the contract of membership between the university or college and the student.'

[99] Fowler, op cit (fn 90).

[100] *Breen* v *Williams* (1996) 186 CLR 71, 108 per Gaudron & McHugh JJ.

[101] *Hospital Products Ltd* v *United States Surgical Corporation* (1984) 156 CLR 41, 96–7 per Mason J; See also *Breen* v *Williams* (1996) 186 CLR 71, 92 per Dawson & Toohey JJ.

[102] R P Meagher, W M C Gummow and J R F Lehane, *Equity: Doctrines and Remedies* (3rd ed, Butterworths 1992) Ch 5 [501].

[103] *Hospital Products Ltd* v *United States Surgical Corporation* (1984) 156 CLR 41, 96–7 per Mason J; *Breen* v *Williams* (1996) 186 CLR 71, 92–3 per Dawson & Toohey JJ; 107 per Gaudron & McHugh JJ.

will affect the interests of that other person in a legal or practical sense.[104]

The essential quality of this representative character of the relationship provides a strong basis upon which to argue that the student/university relationship is not fiduciary. As a patient places trust and confidence in the doctor,[105] perhaps the student places some trust or confidence in the university. However, this is not because the university assumes any obligation to act on behalf of the student.[106] It is because the student is entitled to expect the observance of professional standards in matters of education and administration of the university. Remedies are available if those standards are not observed and if the student suffers damage. These may be by the internal tribunals of the university, by the university Visitor where this jurisdiction exists, and, depending upon the circumstances, in contract, tort, equity, under statute and administrative law. To superimpose a fiduciary duty upon the enrolment contract, to the effect that a university will always act in a student's best interests, would conflict with the narrower contractual duties that a university assumes upon enrolment,[107] with its obligations to the university as a whole and with its broad powers of management under the university enabling statute. However, it is worth mentioning that the rejection of the entire relationship as fiduciary does not mean that fiduciary duties cannot arise in relation to particular aspects of that relationship.[108]

It may be possible to construct arguments to support extending the 'accepted' categories of fiduciary relationships to include a university and its students. This could focus attention on the various circumstances that may point towards, but not determine, the existence of a fiduciary relationship.[109] Such circumstances include; (a) the existence of a relation of confidence; (b) inequality of bargaining power; (c) dependence and vulnerability; and (d) the scope of the university to unilaterally exercise discretions and powers which

[104] *Hospital Products Ltd* v *United States Surgical Corporation* (1984) 156 CLR 41, 96–7 per Mason J. See Meagher, Gummow & Lehane, op cit (fn 102); see also P D Finn, 'The Fiduciary Principle' in *Equity, Fiduciaries and Trusts* (T D Youdan, ed, 1989) 31.

[105] *Breen* v *Williams* (1996) 186 CLR 71, 93 per Dawson & Toohey JJ.

[106] By analogy with a similar conclusion drawn by Dawson & Toohey JJ in *Breen* v *Williams* (1996) 186 CLR 71, 93 in relation to the doctor-patient relationship.

[107] See *Hospital Products Ltd* v *United States Surgical Corporation* (1984) 156 CLR 41, 97 where Mason J explains the relationship of fiduciary obligations and contractual rights. See also *Breen* v *Williams* (1996) 186 CLR 71, 110 per Gaudron & McHugh JJ for an analogous comment concerning the doctor-patient relationship.

[108] *Breen v Williams* (1996) 186 CLR 71, 92 per Dawson & Toohey JJ; 107–8 per Gaudron & McHugh JJ; *Hospital Products Ltd* v *United States Surgical Corporation* (1984) 156 CLR 41, 98 per Mason J; see Meagher, Gummow & Lehane, op cit (fn 102) Ch 5 [502].

[109] In *Rigby* v *Technisearch Ltd* (1996) 67 *Industrial Reports* 68, 89 (Industrial Relations Court of Australia), Marshall J believed that Technisearch Ltd, a commercial subsidiary of RMIT, had a special relationship with international students 'in relation to whom the respondent has a role somewhat akin to a fiduciary one in that the respondent had a special opportunity to exercise a power or discretion to the detriment' of the international student. There is considerable debate in the United States of America about the existence of fiduciary relationship between the university and its students. See for example: Goldman, op cit (fn 90) 671; R Faulkner, 'Judicial Deference to University Decisions not to grant Degrees, Certificates, and Credit — the Fiduciary Alternative' (1989) 40 *Syracuse L Rev* 837, 855–7.

affect the rights and interests of the students.[110] However, even if this were successful, it does not mean that all aspects of the relationship will be fiduciary.[111] Not only must the relationship be found, but it is also 'necessary to [ascertain] the subject matter over which the fiduciary obligations extend.'[112]

Accordingly, whether or not courts extend the range of fiduciary relationships to encompass the university and its students, it is difficult to see how there can be a fiduciary obligation on a university to serve exclusively the interests of students when it establishes its terms of enrolment. A university must retain the freedom to enter contracts with students and to impose terms that protect its separate and legitimate interests.[113] Such a term may require a student to agree to assign intellectual property to the university. The absence of fiduciary duties over this aspect of the relationship does not leave a student without protection. Other legal and equitable doctrines such as contract, undue influence, unconscientious dealing and misleading and deceptive conduct are available to set limits on a university's power to impose such conditions. It is more likely for a court to provide a remedy under one of these existing doctrines than to extend the categories of fiduciary relationships to include the university/student relationship.

'In loco parentis'

The meaning given to the expression *in loco parentis* is literally 'in place of the parents'. In the educational context,[114] the doctrine has its origins in the United Kingdom as the basis of a school's disciplinary authority over its students.[115] It was used to justify a school's infliction of punishment. The scope of the doctrine expanded to provide educators with the parental authority to protect students' welfare and was used to measure the standard of care

[110] See *Breen* v *Williams* (1996) 186 CLR 71, 107 per Gaudron & McHugh JJ for a discussion of these characteristics.

[111] *Breen* v *Williams* (1996) 186 CLR 71, 82 per Brennan J; 92 per Dawson & Toohey JJ; 107–8 per Gaudron & McHugh JJ. *NZ Netherlands Society 'Oranje' Inc* v *Kuys* [1973] 2 All ER 1222, 1229–30.

[112] *Birtchnell* v *Equity Trustees, Executors & Agency Co Ltd* (1929) 42 CLR 384, 409; *Breen* v *Williams* (1996) 186 CLR 71, 82 per Brennan J; 107–8 per Gaudron & McHugh JJ; 135 per Gummow J.

[113] An analogy is present in *Noranda Australia Ltd* v *Lachlan Resources NL* (1988) 14 NSWLR 1 where Bryson J considered that parties to a mining joint venture were entitled to act in their separate interests regarding a provision that regulated assignment of interests. It may be a different situation where an agreement is negotiated with a third party concerning intellectual property created by a student.

[114] Other relationships in which the term has been applied include foster parents (*Commissioner for Railways* v *Nash* [1963] NSWR 30, 33–5); stepfather and stepchild (*In the Marriage of Mee & Ferguson* (1986) 84 FLR 179, 187; *Re Wiseman* (1985) 80 FLR 163, 174); stepmother and child (*McGillivary* v *Secretary, Home Department* [1972] Imm AR 63); stranger and child (*DHSS* v *Simpson* [1985] Fam Law 277).

[115] *Blackstone's Commentaries* (1886) 453. 'A parent may also delegate part of his parental authority, during his life, to the tutor or schoolmaster of his child; who is then *in loco parentis*, and has such a portion of the power of the parent, viz. that of restraint and correction, as may be necessary to answer the purposes for which he is employed.' *Hutt* v *The Governor of Haileybury College* (1888) 4 TLR 623, 624; *Fitzgerald* v *Northcote* (1865) F & F 656; 176 ER 734; *Ryan* v *Fildes* (1938) KBD 517, 519.

in negligence actions that arose from school accidents.[116] The early theory was that parents delegated their obligation to take reasonable care for a child to the teacher, which placed the teacher in a position of *in loco parentis*.[117] This view is no longer accepted in the context of compulsory schooling. Instead, at least in the public school system, the teacher 'in performing his duties, is exercising authority derived by him from the Crown in respect of obligations assumed by the Crown.'[118] Consequently, the use of the doctrine in the public school setting as the sole source of powers and standards is now discredited.[119]

Commentators sometimes use the expression *in loco parentis* to describe the student/university relationship in Australia, but the basis for its application in this context is unclear. Certainly, the concept was in favour up to the 1960s in the United States of America, especially to justify its authority to direct behaviour of students and to punish rule violations.[120] One commentator describes its acceptance as directly related to the collegiate model of the early American universities. They resembled a 'large family in which the intimate nature of residential life demanded strict authority and control.'[121] Accordingly, that early authority recognised that college authorities 'stand *in loco parentis* concerning the physical and moral welfare and mental training of the pupils.'[122]

However, the notion that an institution holds parental duties and privileges came increasingly under attack and after a series of cases in the 1960s the doctrine was declared an outdated concept and inoperative.[123] This was due to growing student independence, the Vietnam war, lowering the age of majority to 18 for voting, the student's capacity to contract, marry and purchase firearms and a variety of other factors.[124] It was also due to the changing nature of American universities. An increasing number had expanded to become 'multiversities' whose students were relatively free of paternalistic control. As

[116] *Ramsay* v *Larsen* 1964 111 CLR 16; I Ramsay, 'Educational Negligence and the Legislation of Education' (1988) 11 *UNSWLJ* 184, 215 cites this case as the death of the doctrine in Australia in the context of public secondary education; V Gleeson, 'Schooling and the Law' (1984) 11 *Rupert Public Interest Journal* 33.

[117] *Hole* v *Williams* (1910) 10 SR (NSW) 638.

[118] *Larsen* v *Ramsay* (1963) 80 WN (NSW) 1627, 1634–5 per Ferguson J.

[119] Discipline: G J McCarrey, 'Some Legal Aspects of Punishment in Schools' (1984) 58 *ALJ* 707; duty of care: *Ramsay* v *Larsen* 1964 111 CLR 16; *Geyer* v *Downs* (1978) 52 ALJR 142; *Commonwealth* v *Introvigne* (1982) 56 ALJR 749; *Richards* v *State of Victoria* [1969] VR 136; P Heffey, 'The Duty of Schools and Teachers to Protect Pupils from Injury' (1985) 11 *Mon L R* 1, 6–7; *Glynn* v *Keele University* [1971] 2 All ER 89, 91.

[120] D Hoekema, 'Campus Rules and Moral Community: In Place of In Loco Parentis' in *Issues in Academic Ethics* (S M Cahn, ed, 1994) 27.

[121] Jackson, 'The Lingering Legacy of *In Loco Parentis*: An Historical Survey and Proposal for Reform' (1991) 44 *Vanderbilt L Rev* 1135, 1140.

[122] *Gott* v *Berea College* 156 Ky 376, 161 S W 204 (1913).

[123] T Stamatakos, 'The Doctrine of *In Loco Parentis*, Tort Liability and the Student-College Relationship' [1990] 65 *Indiana L J* 471, 474; Jackson, op cit (fn 121) 1136.

[124] J Szablewicz & A Gibbs, 'Colleges' Increasing Exposure to Liability: The New *In Loco Parentis*' (1987) 16 *J L & Edu* 453, 456–7; Jackson, op cit (fn 121) 1148; D Hoekama, op cit (fn 120), 28; W W Van Alstyne, 'The Student as University Resident' (1968) 45 *Denver L J* 582, 591; L K Ray, 'Towards Contractual Rights for College Students' (1981) 10 *J L & Edu* 163, 166; *Bradshaw* v *Rawlings* (1979) 612 F2d 135, 138–40 (US CA 3rd circuit; Delaware Valley College); *Buttny* v *Smiley* (1968) 281 F Supp 280, 286 (US District Court; University of Colorado).

they no longer retained a cohesiveness found in smaller colleges and communities, the philosophy underlying the doctrine of *in loco parentis* was irrelevant.[125] Courts in more recent cases continue to reject the proposition that an institution occupies a position of *in loco parentis.*[126] While there is some academic debate as to whether or not the doctrine has re-emerged within American universities in another guise,[127] there is no judicial recognition of its emergence and strong opposition to the theory. In any event, its proponents concede any application is limited to protection of students' safety.[128]

There is no judicial precedent in Australia[129] or the United Kingdom that supports the notion of a university occupying the position of *in loco parentis* to its students. However, it is important to explore its possible application because there may be important consequences in defining the student/university relationship in these terms. One is that it arguably places a university and student in the special class of relationship from which undue influence is presumed unless rebutted.[130] The other concerns the imposition of duties on the university. There is no use of the doctrine in the United States to impose a duty to protect the economic or commercial interests of a university student. However, there was a recent unsuccessful call in the United Kingdom to widen the scope of the duties that arise when a school occupies a position of *in loco parentis.* The plaintiff sought to impose a duty on the school to protect the economic welfare of a student.[131] Even though the court rejected the claim, the case may encourage a claimant to try to apply the doctrine in the tertiary context. If so, he or she may argue that a university has a duty to protect a student against economic loss that arises in connection with the student's intellectual property.

An Australian court is likely to say that the doctrine of *in loco parentis* has no application to the student/university relationship. It is a model that has limited operation in a school context and has been expressly rejected in the United States in the tertiary education context. Universities certainly supply all sorts of services for students, such as counselling, health and housing and have disciplinary powers that are not typical in the commercial context. All

[125] Jackson, op cit (fn 121), 1161.

[126] *Furek* v *University of Delaware* (1991) 594 A 2d 506, 522; *Beach* v *University of Utah* (1986) 726 P 2d 413, 418–9; *American Future Systems* v *SUNY College* (1983) 565 F Supp 754, 764–5; *Hartman* v *Bethany College* (1991) 778 F Supp 286, 295; *Campbell* v *Board of Trustees* 495 N.E.2d (Ind App 1st Dist 1986) 232–3.

[127] Doctrine is dead: Hoekema, op cit (fn 120); Stamatakos, op cit (fn 123); P Zirkel & H Reichner, 'Is the *In Loco Parentis* Doctrine Dead?' (1986) 15 *J L & Edu* 271; Doctrine alive: Jackson, op cit (fn 121); Szablewicz & Gibbs, op cit (fn 124).

[128] Szablewicz & Gibbs, op cit (fn 124) 465.

[129] An individual teacher may perhaps occupy this position. See the decision of Mr Terry Mangan, an officer of the New South Wales TAFE Commission that concerned the dismissal of a teacher for sexually inappropriate conduct and behaviour. 'I concur with the TAFE Commission's submission that Mr Matkevich was in a position of being in loco parentis and as such abused his position of trust.' This was referred to by Kirby P in *Matkevich* v *NSW TAFE Commission [No 3]* (unreported, NSW Court of Appeal, No 40050, 1995) 5.

[130] *Bank of NSW* v *Rogers* (1941) 65 CLR 42, 52 and 54 per Starke J.

[131] *Van Oppen* v *Clerk to the Bedford Charity Trustees* [1989] 1 All ER 273 (QBD, Boreham J); [1989] 3 All ER 389 (CA).

these have a flavour of parental responsibility and authority — of acting *in loco parentis*. However, it is doubtful that even parents exercise these powers or responsibilities over their children who are university students. Even if they did, it does not mean that universities assume these powers and duties by virtue of parental delegation. Their source must be the broad powers contained in their enabling statutes.

The vast majority of university students are adults who enter into a relationship with a university independently of parent involvement. They are legally entitled to vote, marry, enter into contracts and take responsibility for a myriad of activities in which adults engage. A student may not be a free agent in the same way as other consumers in the market place, but this does not justify distorting a doctrine to provide a remedy. The idea that a parent delegates authority and powers to a university is inconsistent with the notion of a public university administering a campus with a substantial student population with powers granted in its enabling statute. A university may accept responsibilities for its students but parental delegation is unlikely to be their source. Unless a university resembles 'the intimate and insular collegiate structures' that gave birth to the *in loco parentis* doctrine in the United States,[132] there can be no place for the application of this doctrine in the Australian tertiary sector. Even if an institution does resemble this structure, the factors that led to the doctrine's demise in American universities should influence courts to reject the doctrine. Courts must use more appropriate doctrines to protect student rights or to give a university necessary powers.

Enforcement of the promise to assign intellectual property to the University

General

In the absence of a specific power in the enabling statute to expropriate student property, the university must have an enforceable agreement to bind the student to a promise to assign intellectual property. An enforceable agreement is essential as 'the financial opportunities created by some inventions can interfere with what often happens to be an inherently collegial community.'[133] It is also essential in the sense identified earlier — expropriation by statute may be unconstitutional. A university may attempt to include this agreement as part of enrolment or to subsequently enter a separate agreement that relates only to intellectual property. After a student creates intellectual property, he or she may decide to dispute the right of the university to insist upon its assignment.[134] This may be on the basis that there is no contract for reasons of lack of intention to create legal relations or insufficiency of consideration. The student may also argue that there is a failure through

[132] Jackson, op cit (fn 121) 1161.
[133] M T Stopp and G H Stopp, 'The Enforcement of University Patent Policies: A Legal Perspective' (1992) 24 *SRA — Journal of the Society of Research Administrators* 5, 7.
[134] Computer Age, Tuesday 10 September 1996, reports a current dispute.

inadequate notice to incorporate a condition to this effect in the contract. In addition, a student may claim the clause imposes an unreasonable restraint of trade. Unfairness in the bargaining process and method of making the contract could result also in a successful challenge to the validity of the agreement to assign future intellectual property to the university.[135] This may be on the basis of undue influence, unconscientious dealing, or under statutory provisions that concern unfair contracts.[136]

No attempt is made here to analyse the detailed application of any of these doctrines because this is entirely dependent upon the particular facts. The purpose is to alert the various parties to the possibility that they may apply when a university makes claims to a student's intellectual property. This may then influence a university in its decisions when and how to make these claims.

Consideration

There is no contract in the absence of an intention to create legal relations. The circumstances of each case may differ and no generalisations are possible. Similarly, there is no contract in the absence of consideration provided for the promise. The consideration must be 'sufficient' in the sense that it is sufficient to support a promise. This does not mean it must also be fair and courts do not inquire into the adequacy of that consideration. If enrolment involves a contractual relationship that includes a promise by the student to assign intellectual property, the benefits of enrolment are probably sufficient in this limited sense to support that promise. The University provides libraries and other research facilities, tuition and many other resources to the student. In return, the student accepts responsibility for HECS payments and levies and agrees to be subject to university legislation. An additional promise to agree to assign intellectual property that a student makes concurrently with the other promises does not require the university to provide further consideration for that promise. Sufficiency of consideration is assessed in respect of the contract as a whole, not in relation to its individual promises.

A separate agreement after enrolment may raise more complex questions concerning the presence or absence of consideration. There may be insufficient consideration for a later promise to assign intellectual property for which the university offers nothing more than is offered in return for enrolment. Whether this is a case of a further promise for which only past consideration is offered by the university will be a matter of 'construction of the words of the contract in the circumstances of its making'.[137] Normally an

[135] For general references see: A Duggan, 'Unconscientious Dealing' and 'Undue Influence' in *The Principles of Equity* (P Parkinson, ed, 1996); J Glover, *Commercial Equity: Fiduciary Relationships* (1995); Meagher, Gummow, & Lehane, op cit (fn 102) supra, Chs 15 and 16.

[136] *Trade Practices Act* 1974 (Cth) ss 51AA & 51AB; State fair trading legislation, eg *Fair Trading Act* 1987 (NSW) s 43; *Fair Trading Act* 1989 (Qld) s 39; *Fair Trading Act* 1985 (Vic) s 11A; See also *Contracts Review Act* 1980 (NSW) ss 7–14. See J Goldring, 'Certainty in Contracts, Unconscionability and the Trade Practices Act: The Effect of Section 52A' (1988) 11 *Syd L R* 514.

[137] *Pao On* v *Lau Yiu Long* [1980] AC 614, 630.

agreement to pay a different price for performance of the same contract does not amount to sufficient consideration.[138] By analogy, there may be insufficient consideration for an agreement to assign intellectual property if a student receives no additional benefits to those provided on enrolment. It may depend upon whether the parties envisaged this promise from the outset.[139] However, there will be sufficient consideration for this further promise if the later agreement offers additional benefits to students. These could be the use of university owned intellectual property to which they have no right and the ability to participate in a particular research project with academic staff. They could also include the obligation of the University to: (a) apply for registered protection where that is appropriate; (b) provide services for commercialising the intellectual property; and (c) share any profits that result from a successful commercialisation of the intellectual property. On balance, the question of a contract failing on the grounds of insufficiency of consideration does not seem to be a significant issue.

Incorporation of terms

A university policy may provide that it is a condition of enrolment that a student agrees to assign intellectual property in the circumstances specified in the intellectual property policy. If a university proposes to incorporate the condition in its contracts with students merely by reference to a university policy, that incorporation may be ineffective. Provisions that claim ownership of intellectual property are onerous because they reduce the property rights of the student. The usual principle is to specifically draw onerous terms to the attention of the other party[140] at the time of or before entry into the agreement[141] to render them enforceable.[142] However, a term in a university policy that purports to vest student intellectual property in the university is invalid upon the assumption that it is *ultra vires* or unenforceable if it is inconsistent with any Commonwealth legislation. It is not clear that drawing a student's attention to an intellectual property policy is adequate to incorporate the entire policy, including invalid or unenforceable terms, into the contract. It is likely that the only way to incorporate the term is to expressly include the term in the contract itself.

[138] DW Greig & J L R Davis, *The Law of Contract* (1987) 88 and the authorities to which the authors refer.

[139] Ibid.

[140] *Balmain New Ferry Co Ltd* v *Robertson* (1906) 4 CLR 379, 386 per Griffith CJ. Australian Universities Academic Staff (Contract of Employment and other matters) Interim Award 1988 s 4 provides that 'where the conditions of employment and/or statement of duties are incorporated by reference to other documents, the contract shall advise the employee where those documents are.'

[141] *Causer* v *Browne* [1952] VLR 1; *Oceanic Sun Line Special Shipping Co Inc* v *Fay* (1988) 165 CLR 197.

[142] Eg *Parker* v *South Eastern Railway Co* (1877) 2 CPD 416; *Thornton* v *Shoe Lane Parking Ltd* [1971] 2 QB 163; *Interfoto Picture Library Ltd* v *Stiletto Visual Programs Ltd* [1989] 2 QB 433; *Dillon* v *Baltic Shipping Company 'Mikhail Lermontov'* (1990) ATPR 40-992.

Restraint of Trade

A condition that requires a person to give up some freedom[143] concerning ownership of intellectual property[144] is potentially vulnerable to application of the restraint of trade doctrine.[145] This doctrine recognises that 'everyone should be free so far as practicable to earn a livelihood and to give to the public the fruits of his particular abilities.'[146] As the doctrine is not confined to 'trade' in a limited sense but extends to the exercise of a person's profession or calling[147] it could apply to agreements with students.[148] The doctrine permits the imposition of reasonable restraints on the person's freedom to pursue the trade.[149] A restraint is reasonable if it affords 'no more than adequate protection to the party in whose favour it is imposed.'[150] In *A Schroeder Music Publishing Co Ltd* v *Macaulay*[151] Lord Diplock saw the test as 'whether the restrictions are both reasonably necessary for the protection of the legitimate interests of the promisee and commensurate with the benefits secured to the promisor under the contract.'[152]

There are three critical issues. The first is to identify which university interests provide legitimate justifications for a claim to own the intellectual property. The second is to define what restrictions on student intellectual property ownership are necessary to protect those interests. The third is to translate those restrictions into an ambit claim. If its provisions go beyond the defined restrictions, it may be so broad in its potential application that it may well afford a university more than adequate protection for its legitimate interests.[153] For example, assume that all parties accept that a university must own all intellectual property that a team of students and academic staff create in order to protect the value of the 'team' intellectual property. Assume further, that in all other circumstances, such as use of university owned intellectual property or resources such as video equipment, the parties believe that a licence, a fee or a royalty may be adequate protection for those interests. Students may then suffer an unreasonable restraint of trade if a broad ambit claim requires them to agree to assign all other intellectual property that they

[143] *Esso Petroleum Co Ltd* v *Harper's Garage (Stourport) Ltd* [1968] AC 269, 298; [1967] 1 All ER 699 per Lord Reid.

[144] *Electrolux Ltd* v *Hudson* [1977] FSR 312; *Triplex Safety Glass Co Ltd* v *Scorah* (1938) 55 RPC 21.

[145] In NSW, it may also be vulnerable as an unfair contract under Part 9 of *Industrial Relations Act* 1996 or as a restraint of trade under the *Restraints of Trade Act* 1976.

[146] *A. Schroeder Music Publishing Co Ltd* v *Macaulay* [1974] 1 WLR 1308.

[147] *Hepworth Manufacturing Co Ltd* v *Ryott* (1920) 1 Ch 1, 26.

[148] If I am wrong in my conclusion that the student-university relationship is contractual, the doctrine of restraint of trade will still apply. *Buckley* v *Tutty* (1971) 125 CLR 353, 375: 'It is unnecessary to decide these matters because the doctrine of the common law that invalidates restraints of trade is not limited to contractual provisions. There is both ancient and modern authority for the proposition that the rules as to restraint of trade apply to all restraints, howsoever imposed, and whether voluntary or involuntary.'

[149] *Nordenfelt* v *Maxim Nordenfelt Guns and Ammunition Co* [1894] AC 535, 565; *Morris (Herbert) Ltd* v *Saxelby* [1916] 1 AC 688, 700, per Lord Atkinson.

[150] *Herbert Morris Ltd v Saxelby* [1916] 1 AC 688, 707, per Lord Parker.

[151] [1974] 1 WLR 1308.

[152] Id 1315–6.

[153] *Electrolux Ltd* v *Hudson* [1977] FSPR 312.

create. The position may be different if the claims are made in a negotiated contract with the student or if the terms of a standard agreement were approved by an organisation representing the interests of students.[154] There is consideration above of the justifications that universities may have for claiming the right to an assignment of student intellectual property. A university is unlikely to be able to justify a general ambit claim to own the intellectual property that a student creates in the course of research and studies. Some restrictions, beyond exclusion of claims to own copyright in a thesis or articles, are necessary.

Even when the interests that a university seeks to protect are legitimate and justify an ambit claim to ownership, vesting all rights that flow from ownership may constitute excessive protection for a university. The clause may still constitute an unreasonable restraint if it fails to grant a student some rights in the intellectual property. For example, in *A Schroeder Music Publishing Co Ltd* v *Macaulay*,[155] an agreement to assign copyright in all future works by a song writer for a period of years was not regarded in itself as an unreasonable restraint. Instead, the decision turned on aspects of the agreement that prevented the songwriter from using the intellectual property to earn a living and deprived the public of the benefit of his talents. These aspects included the publisher's freedom not to publish the songs and the songwriter's inability to have copyright re-assigned in the event of non-publication. Similarly, unrestrained university control over publication and dissemination of student intellectual property may also impose an unreasonable restraint in the academic context.

A university can minimise the risks of an ambit claim imposing an unreasonable restraint by reserving rights that are critical to a student's academic freedom. In addition to the right to publish, these may include the grant to the student of a non-exclusive royalty free licence to use the intellectual property for teaching and research purposes. They may also include the offer to contribute funds and administrative services toward commercialising the student's intellectual property with the grant of a generous percentage of profits realised from successful commercialisation.

Undue Influence[156]

A student can make a plea of actual[157] or presumed[158] undue influence against a university based on actions of its officers and employees.[159] Undue influence occurs where one party unconscientiously uses a position of influence over

[154] *A. Schroeder Music Publishing Co Ltd* v *Macaulay* [1974] 1 WLR 1308, 1315 per Lord Diplock.
[155] [1974] 1 WLR 1308.
[156] For a detailed discussion of this doctrine see Duggan, 'Undue Influence', op cit (fn 135); Meagher, Gummow & Lehane, op cit (fn 102) Ch 15.
[157] *Johnson* v *Buttress* [1936] 56 CLR 113, 119 (per Latham CJ), 'where undue influence is proved as a fact'.
[158] Ibid.
[159] *Commercial Bank of Australia Ltd* v *Amadio* (1983) 151 CLR 447.

another to affect or overbear that other's 'will or freedom of judgment.'[160] The conduct in respect of which equity provides a remedy is victimisation — the exercise of influence to do something that the person otherwise would not have done.

For actual undue influence, no antecedent relationship of trust and confidence is necessary. However, there must be proof that a person had capacity to influence the other and improperly exercised that influence to persuade him or her to enter the transaction.[161] As the essence is proof of actual undue influence, there is no obvious restriction upon the range of possible relationships to which the doctrine can apply.[162] The plea would be available to a student if he or she can prove the elements of the action. A plea of presumed undue influence does not require proof of actual undue influence but requires an antecedent relationship of influence.[163] The relationship between a student and the university does not fall within the scope of an established relationship for the purposes of presumed undue influence.[164] However, a presumption may arise also when a 'meticulous examination of the facts'[165] discloses and proves that a person 'is in a position to exercise dominion over the former by reason of the trust and confidence reposed in the latter.'[166] These proven relationships generally take time to mature[167] and differ from a normal friendship or business relationship[168] because they expose the person to the dominating influence of another. Such exposure is not a normal incident of most friendships and business relationships.[169]

[160] *Johnson v Buttress* [1936] 56 CLR 113, 134 (Dixon J). Undue influence is presumed from the relations existing between the parties.

[161] *Bank of Credit and Commerce International S.A.* v *Aboody* [1990] 1 QB 923, 967 [CA]; *Johnson* v *Buttress* [1936] 56 CLR 113, 134 (Dixon J).

[162] Actual undue influence has been pleaded in cases involving banks and customers; *National Australia Bank Ltd* v *McKay* (1995) ATPR 41-409; *James* v *Australia and New Zealand Banking Group Ltd* (1986) 64 ALR 347; *Williams* v *Bayley* (1866) LR 1 HL 200; husband and wife; *Bank of Credit and Commerce International SA* v *Aboody* [1990] 1 QB 923; *Farmers' Co-operative Executors & Trustees Ltd* v *Perks* (1989) 52 SASR 399.

[163] Duggan, 'Undue Influence', op cit (fn 135), 419.

[164] One basis upon which this could arise is if the relationship between a student and a university is classified as *in loco parentis*. However, such a relationship has not been accepted in the past and is unlikely to arise in the future.

[165] *James* v *Australia and New Zealand Banking Group Ltd* (1986) ALR 347, 389.

[166] *Johnson* v *Buttress* [1936] 56 CLR 113, 119 per Latham CJ and 135 per Dixon J; or 'whenever one party occupies or assumes towards another a position naturally involving an ascendancy or influence over that other, or a dependance or trust on his part.'

[167] Id 115 and 121 (friendship of some 20 years before death of wife); *Union Fidelity Trustee Co of Australia Ltd* v *Gibson* [1971] VR 573 (friendship of many years); *Adenan* v *Buise* [1984] WAR 61; *D* v *L* (1990) 14 Fam LR 139; *Lloyds Bank* v *Bundy* [1975] QB 326, 344 (a banking relationship over many years). A decision of the Court of Appeal in *National Westminster Bank* v *Morgan* [1983] 3 All ER 85 that held that a presumed relationship arose from a brief five minute interview between the bank manager and Mrs Morgan was overturned in the House of Lords, Lord Scarman viewing the interview as an ordinary banking transaction from which no special relationship could be established.

[168] *National Westminster Bank* v *Morgan* [1985] 2 WLR 588, 601; *James* v *Australia and New Zealand Banking Group Ltd* (1986) ALR 347, 389.

[169] 'It was . . . conceded . . . that the relationship between banker and customer is not one which ordinarily gives rise to a presumption of undue influence: and that in the ordinary course of banking business a banker can explain the nature of the proposed transaction without laying himself open to a charge of undue influence.' *National Westminster Bank*

These restrictions suggest that it will be rare for a presumption of undue influence to arise between a university and a student. However, it may be possible to find a member of staff who has a relationship of some standing with a student that exposes the student to a presumption of influence. For example, if that member of staff assumes a role of generally advising the student whom he or she is supervising, this may change the relationship to one of trust and confidence. A presumption may arise if a staff member provides the student with legal advice on the agreement to assign intellectual property and encourages the student to sign the agreement. A comment made by Slade LJ on the banker-customer relationship provides a useful comparison:

> Though [the bank] may have a worthy desire to spare the customer the trouble and expense of taking legal advice of his own, it has to bear in mind that, in assuming the mantle of adviser, it may be placing itself in a position where the customer is manifestly looking to it for protection, but its own interest and duty conflict. In such circumstances the presumption of undue influence is, in my judgment, quite capable of arising, though everything must depend on the facts of the particular case.[170]

If confronted with this presumption, a university must prove that the entry into the transaction was 'the pure, voluntary, well-understood act of the mind.'[171] A traditional method for rebutting the presumption is to show that the weaker party received independent legal advice,[172] although this would not be the only means by which successful rebuttal may occur.[173] The challenge for a university is to establish procedures that will successfully rebut this presumption should it arise. In some cases this may require independent advice for a student but it is probably impractical and inefficient to impose this as a prerequisite for all intellectual property agreements. Alternative precautions may be for the university itself to provide clear, relevant and accurate information to the student with sufficient time to read and understand its content. Ideally this should be before enrolment when the university seeks the student's agreement at the time of enrolment. This could be sent to a student when the offer of a place is made. The delay between receiving the offer and enrolment would provide the student with time to read the information carefully and seek independent advice if necessary.

One final question is whether the student must suffer a 'manifest disadvantage' to claim relief against undue influence. The exercise of influence to do something that the person would otherwise not have done will usually result in a bargain that is disadvantageous to the person influenced. This is usually a gift or a transaction that is at undervalue. But is this necessary? If it is, there is the chance that a student's claim may be unsuccessful. The usual provisions in university intellectual property policies grant the student a

v *Morgan* [1985] 2 WLR 588, 600 per Lord Scarman; *James* v *Australia and New Zealand Banking Group Ltd* (1986) ALR 347, 389.

170 *National Westminster Bank plc* v *Morgan* [1983] 3 All ER 85, 93 per Slade LJ.

171 *Johnson* v *Buttress* [1936] 56 CLR 113, 119 per Latham CJ.

172 Meagher, Gummow & Lehane,op cit (fn 102) para [1525] — [1529]; Duggan, 'Undue Influence', op cit (fn 135) supra, 399–400.

173 *Inche Noriah* v *Shaik Allie Bin Omar* (1929) AC 127, 135; *Johnson* v *Buttress* [1936] 56 CLR 113, 119 per Latham CJ.

generous percentage of profits from commercialisation and sometimes grant a licence to use the intellectual property for further research. The presence of adequate consideration for the assignment of any intellectual property and other sources of disadvantage which are not material is always arguable on the particular facts.[174]

Although the position in Australia remains unresolved,[175] the likelihood is that manifest disadvantage is not a requirement for either actual or presumed undue influence. A recent decision of the House of Lords in *CIBC Mortgages plc* v *Pitt*[176] held that manifest disadvantage is not a requirement in the UK for a claim of actual undue influence to succeed. The position with presumed undue influence is not so clear.[177] There is House of Lords authority that there is the need to prove manifest disadvantage[178] but the court strongly suggested in *CIBC Mortgages plc* that this principle may have to be reconsidered.[179]

While one cannot dismiss the possibility of a successful claim in undue influence against a university, it will be a rare set of circumstances that will establish actual or presumed undue influence.

Unconscientious dealing

The doctrine of undue influence addresses the unconscientious use of power over another's mind or will that results in a lack of freedom of judgment. Another equitable doctrine, unconscientious dealing, focuses on 'the exploitation by one party of another's position of disadvantage in such a manner that the former could not in good conscience retain the benefit of the bargain.'[180] The elements of the doctrine[181] are that one party is at a special disadvantage or under a special disability in dealing with the other who then unconscientiously takes advantage of this disability. The disability must be sufficiently evident to the stronger party to make it prima facie unconscionable to take the benefit of the transaction.[182]

[174] Such sources may include the loss of control over methods of exploiting the intellectual property, undue delays in publication, restrictions on future use of the intellectual property and so on.

[175] Meagher, Gummow & Lehane, op cit (fn 102) para [1524]; Duggan, 'Undue Influence', op cit (fn 135) 395.

[176] [1994] 1 AC 200, 207–209 per Lord Browne-Wilkinson with whom the other Lords agreed. The decision overruled *Bank of Credit and Commerce International SA* v *Aboody* [1990] 1 QB 923 CA on this issue.

[177] See Duggan, 'Undue Influence', op cit (fn135) 388–90 and 394–6 for an analysis of the authorities.

[178] *National Westminster Bank* v *Morgan* [1985] 1 AC 686, 707 and 709 per Lord Scarman.

[179] *CIBC Mortgages plc* v *Pitt* [1994] 1 AC 200, 209.

[180] *Commercial Bank of Australia Ltd* v *Amadio* (1983) 151 CLR 447, 489 per Dawson J.

[181] For a detailed discussion of unconscientious dealing, see Duggan, 'Unconscientious Dealing', op cit (fn 135); Meagher, Gummow & Lehane, op cit (fn 102) Ch 16.

[182] *Commercial Bank of Australia Ltd* v *Amadio* (1983) 151 CLR 447, 474 per Deane J and 467 per Mason J; *Louth* v *Diprose* (1992) 175 CLR 621, 626 per Brennan J and 637 per Deane J with whom Dawson, Gaudron & McHugh JJ agree.

The classes of special disability remain open and are incapable of being comprehensively listed.[183] Fullagar J in *Blomley* v *Ryan* said

> Among them are poverty or need of any kind, sickness, age, sex, infirmity of body or mind, drunkenness, illiteracy or lack of education, lack of assistance or explanation where assistance or explanation is necessary. The common characteristic seems to be that they have the effect of placing one party at a serious disadvantage *vis a vis* the other.[184]

A difference in bargaining power alone is an insufficient disability.[185] However, Mason J suggests in *Commercial Bank of Australia Ltd* v *Amadio* that there may be a serious disability when a party enters into 'a standard form contract dictated by a party whose bargaining power is greatly superior.'[186] He does not suggest that entry into a standard form contract is unconscionable in itself. It is merely another example of a special disability that may invoke the underlying principle of unconscientious dealing.

A student could be in a *prima facie* position of serious disadvantage *vis a vis* a university if asked to agree to assign intellectual property rights at the time of enrolment. Although this represents a novel relationship and fact situation for the purposes of this doctrine,[187] there are a number of factors that suggest it meets this threshold requirement. These include youth, lack of assistance or explanation where assistance or explanation is necessary,[188] lack of business experience, ignorance of intellectual property and its associate rights and entry into a standard form enrolment contract whose terms are dictated by a university whose bargaining power is greatly superior. The fact that a student may have no realistic ability to reject the place and enrol in a course at another institution may therefore be a relevant factor. None of these factors are definitive in themselves. The combination of some or all of these factors may be one that 'seriously affects the ability of the innocent party to make a judgment as to his own best interests'.[189]

To attract the doctrine, the student must not only prove the disability; but also that the university took advantage of the situation. This is usually

[183] *Commercial Bank of Australia Ltd* v *Amadio* (1983) 151 CLR 447, 461–2 per Mason J; *Blomley* v *Ryan* (1956) 99 CLR 362, 405 per Fullagar J and 415 per Kitto J.

[184] *Blomley* v *Ryan* (1956) 99 CLR 362, 405 per Fullagar J; *Louth* v *Diprose* (1992) 175 CLR 621, 637 per Deane J.

[185] *Commercial Bank of Australia Ltd* v *Amadio* (1983) 151 CLR 447, 462 per Mason J; *A Schroeder Music Publishing Co Ltd* v *Macaulay* [1974] 1 WLR 1308, 1316 per Lord Diplock.

[186] *Commercial Bank of Australia Ltd* v *Amadio* (1983) 151 CLR 447, 462 per Mason J. He cites the relationships discussed in *A Schroeder Music Publishing Co Ltd* v *Macaulay* [1974] 1 WLR 1308, 1314–1316 (namely an unpublished 21 year old song writer who negotiated a five year contract with a large American music publishing corporation) and *Clifford Davis Management Ltd* v *WEA Records Ltd* [1975] 1 WLR 61, 64–5 as examples of possible situations in which it may be appropriate to invoke the underlying principle.

[187] Instances in which the doctrine of unconscionable dealing has been applied in the past include contracts of guarantee (*Commercial Bank of Australia Ltd* v *Amadio* (1983) 151 CLR 447); gifts (*Louth* v *Diprose* (1992) 175 CLR 621; *Wilton* v *Farnworth* (1948) 96 CLR 646); sales (*Blomley* v *Ryan* (1956) 99 CLR 362) and loan contracts. See Duggan, 'Unconscientious Dealing' and 'Undue Influence', op cit (fn 135) supra.

[188] *Commercial Bank of Australia Ltd* v *Amadio* (1983) 151 CLR 447, 477 per Deane J.

[189] Id 462 per Mason J; *Louth* v *Diprose* (1992) 175 CLR 621, 629 per Brennan J.

established by proof of the university's knowledge of that disability.[190] This combination creates a presumption of unconscientious dealing.

Once the student establishes a presumption of unconscientious dealing, the onus shifts to the university to show that it took no advantage of the student's position of disadvantage. The university has the onus to show that the transaction was 'fair, just and reasonable'.[191] There are a number of matters that may support an inference that the conduct of a university is 'fair, just and reasonable' in the circumstances. One relevant factor is where the agreement was the subject of extensive discussion and negotiation with and acceptance by the body representing student interests. Fairness in terms is likely to suggest that there was no exploitation of a position of disadvantage. These may include provisions for adequate consideration including an equitable share of profits of exploitation, reassignment to the originator if the university does not commercialise the intellectual property, the grant of a royalty free licence to the student to use the intellectual property for future research and teaching, provision for publication without restraint and provision to involve a student in the decisions to exploit. Another important factor may be evidence that students have privileged access to resources in consequence of their agreement to assign intellectual property. Unfairness in the terms may support an inference of procedural unfairness but is not conclusive.

What happens if adequate consideration moves to the student, and if the terms of the assignment are objectively fair but the student enters the transaction unwillingly? It appears that a successful claim of unconscientious dealing may still be possible. Fullagar J in *Blomley* v *Ryan*[192] states that:

> it does not appear to be essential in all cases that the party at a disadvantage should suffer loss or detriment by the bargain. In *Cooke* v *Clayworth* (1811) Ves Jur 12; 34 ER 222 in which specific performance was refused, it does not appear that there was anything actually unfair in the terms of the transaction itself.

Theoretically, there may be unconscientious exploitation in the requirement for the student to agree to assign intellectual property against his or her will in circumstances that do not meet the legitimate needs of the university. This will be even though the consideration that the student receives is not inadequate and the loss of control is not otherwise detrimental to the student. The unfairness arises from the fact that the university has no legitimate interest it is seeking to protect by requiring the assignment.

An alternative way to rebut the presumption is for the university to show that it attempted to remedy a student's disadvantage at the time of transacting. The nature of the student's disadvantage will determine what is appropriate. Assume that in a particular situation a presumption of unconscientious dealing arises from the combination of youth, lack of business experience and ignorance of intellectual property generally and of the legal

[190] *Commercial Bank of Australia Ltd* v *Amadio* (1983) 151 CLR 447, 467 per Mason J and 479 per Deane J.

[191] Id 474 and 479 per Deane J; *Fry* v *Lane* (1888) 40 Ch D 312, 321; *Louth* v *Diprose* (1992) 175 CLR 621, 637 per Deane J.

[192] (1956) 99 CLR 362, 405–6.

and practical consequences of agreeing to its assignment, together with the entry into 'a standard form contract dictated by a party whose bargaining power is greatly superior.'[193] One way of remedying the position of disadvantage is to refer the weaker party for independent legal advice before proceeding with the transaction.[194] This is impractical where a student must agree to assign intellectual property at the time of enrolment, unless materials are sent to the student some time before the date of enrolment. It also increases transaction costs and raises the issue of who bears this cost. As an alternative, the university may decide to provide the relevant information itself at or before the time of enrolment. If it assumes this responsibility the information must be accurate and complete. There is a risk that inaccurate advice will amount to a misrepresentation and that the incomplete information will be insufficient to overcome the student's lack of understanding.

Much will depend upon the extent of the claim that a university makes and upon the clarity of its explanations to the student. If the terms of the agreement are fair and reasonable and if there are legitimate reasons for a university to seek ownership, it will be difficult to prove that a university exploited a position of special disadvantage. A clear and accurate explanatory document that precedes or accompanies the contract provides additional evidence of remedying any disadvantage from which a student may suffer. This suggests that it may be 'fair, just and reasonable' to insert a clear and limited ambit claim that is directed to protecting the legitimate interests of a university. This remains true even if the contract is presented to the student on a 'take it or leave it' basis. On the other hand, a more general claim may be open to challenge, both on the grounds that it may constitute a contract in restraint of trade and on the grounds that the university has exploited the vulnerable position of its students by claiming more than is necessary to protect its legitimate interests.

Economic Duress

The discussion of undue influence and unconscionable dealing relates to an abuse of a position of influence or power. Economic duress provides another basis upon which to set aside a contract when there is abuse of a dominant position. This ground of relief is available where one person has applied improper or illegitimate pressure on the other so as to induce the person to enter into a legal relationship. It is sufficient that the illegitimate pressure is one of the reasons for entering the agreement, but it is not clear whether it

[193] *Commercial Bank of Australia Ltd* v *Amadio* (1983) 151 CLR 447, 462 per Mason J.

[194] K Lindgren, 'Unconscionable Dealing' Ch 35.9 in *Laws of Australia* (Law Book Company Ltd, Sydney) para [23]. A contract may still be upheld without independent advice. See *Goldsbrough* v *Ford Credit Australia Ltd* (1989) ASC 56-946; M Sneddon, 'Unfair conduct in taking guarantees and the role of independent advice' (1990) 13 *UNSWLJ* 302.

must also be a significant cause.[195] According to McHugh JA (as he then was) in *Crescendo Management Pty Ltd* v *Westpac Banking Corporation*[196] (with whom the other members of the court agreed):

> Pressure will be illegitimate if it consists of unlawful threats or amounts to unconscionable conduct. But the categories are not closed. Even overwhelming pressure, not amounting to unconscionable or unlawful conduct, however, will not necessarily constitute economic duress.[197]

For this remedy to be available, the pressure must be unconscionable in the sense that the weaker party has no reasonable alternative but to submit.[198] The precise limits of the jurisdiction are not clear, but it is worth raising the general principles for discussion in the context of students and universities. Could the refusal to enrol the student in the course in which he or she has secured a place unless the student promises to assign intellectual property rights accordingly amount to 'illegitimate pressure'? Is the student in a position where he or she has no reasonable alternative but to submit? The answers to these questions will depend upon the facts of each case. Relevant factors may include the ability to gain acceptance into an equivalent course at another university and the ability to strike out the clause from the enrolment documents. However, this doctrine is unsatisfactory for a student because the remedy is to avoid the whole contract, not just the promise to assign intellectual property. 'Selective voidability is a notion unknown to contract law, except possibly in unconscionability cases.'[199] The impact of statute in this area provides wider scope for a suitable remedy if unconscionable conduct in the nature of undue pressure or duress is established.[200]

Statutory provisions

In addition to the above equitable doctrines, there are statutory remedies to protect consumers from various forms of unconscionable and misleading conduct. These are contained in the *Trade Practices Act* 1974, the *Fair Trading Acts* of the various States and the *Contracts Review Act* 1980 (NSW).

[195] McHugh JA in *Crescendo Management Pty Ltd* v *Westpac Banking Corporation* (1988) 19 NSWLR 40, 46 stated that the illegitimate pressure must be one of the reasons whereas Lord Goff in *Dimskal Shipping Co SA* v *International Transport Workers Federation* [1992] 2 AC 152, 165 requires that the economic pressure must constitute a significant cause. This latter test was applied by Burchett J in *News Limited* v *Australian Rugby Football League Limited* (1996) 58 FCR 536.

[196] (1988) 19 NSWLR 40, 46.

[197] This concept of economic duress has been applied in a number of cases; see *Dimskal Shipping Co SA* v *International Transport Workers Federation* [1992] 2 AC 152, 165–6; *News Limited* v *Australian Rugby Football League Ltd* (1996) 58 FCR 447, 535; *Cockerill* v *Westpac Banking Corporation* (1996) 142 ALR 227; (1998) 152 ALR 267,289, where Kiefel J commented that the reference to 'unconscionable' is not a reference to the equitable doctrine of unconscionable dealing.

[198] *Universe Tankships Inc* v *International Transport Workers Federation* [1983] 1 AC 366, 400 per Lord Scarman and 384 per Lord Diplock; *Crescendo Management Pty Ltd* v *Westpac Banking Corporation* (1988) 19 NSWLR 40, 46.

[199] J G Starke, N C Seddon, and M P Ellinghaus, *Cheshire & Fifoot's Law of Contract* (6th ed, Butterworths, Sydney) [807] and [829].

[200] *Contracts Review Act* 1980 (NSW), s 9(2)(j); *Trade Practices Act* 1974 (Cth) s 51AB(2)(d); State *Fair Trading Acts* — eg *Fair Trading Act* 1985 (Vic) s 11A (2)(d).

These provisions give courts considerable discretionary powers to provide relief against exploitation and unfair dealing. Therefore, there is a brief comment on, but no detailed analysis of each of these statutory regimes to determine the extent to which they apply in the university context.

Trade Practices

(a) General

There are two essential elements that a university must satisfy before this Act can apply. First, a university must be a 'corporation' within the meaning of the Act. Secondly, a university must not be an emanation of the Crown in the right of a State.[201]

Is a university a 'corporation' within the meaning of the Trade Practices Act?

It is likely that many State universities[202] satisfy the requirement that a corporation under the Act is a 'trading corporation'.[203] A corporation may be a trading corporation, even though trade does not describe its dominant undertaking.[204] The essential requirement is that the trading activities represent substantial activities of the corporation and are not merely ancillary or peripheral to its more general objectives.[205] Although the acts of buying and selling are at the heart of trade,[206] there is no restriction to dealing in goods or commodities.[207] There are no judicial decisions that deal with whether a university is a trading corporation, but a recent ruling of the Australian Industrial Relations Commission considered this issue in the context of enterprise bargaining. Vice-President McIntyre was reported as deciding[208] that the University of Wollongong was a 'trading corporation' within the meaning of the

[201] This requirement applies no longer in so far as Restrictive Practices under Part IV of the *Trade Practices Act* 1974 are concerned (s 2B).

[202] The definition in s 4(1)(c) includes a body corporate that 'is incorporated in a Territory'. This latter corporation does not have to be a 'trading corporation'. Therefore, universities incorporated in the Australian Capital Territory and the Northern Territory are 'corporations' for the purposes of the Act, irrespective of the extent of their trading activities. They are prima facie subject to the legislation.

[203] Section 4(1)(b). This term is defined to mean 'a trading corporation within the meaning of paragraph 51(xx) of the Constitution'.

[204] *State Superannuation Board* v *Trade Practices Commission* (1982) 150 CLR 282, 303–4; *E* v *Australian Red Cross Society* (1991) 27 FCR 310, 340–4; *The Australian Beauty Trade Suppliers Limited* v *Conference and Exhibition Organisers Pty Ltd* (1991) 29 FCR 68, 72.

[205] *Ex parte Western Australian National Football League (Adamson)* (1979) 143 CLR 190, 208–9 per Barwick CJ.

[206] *Higgins* v *Beauchamp* [1914] 3 KB 1192, 1195; *Ex parte Western Australian National Football League (Adamson)* (1979) 143 CLR 190; *Commissioners of Taxation* v *Kirk* [1900] AC 588, 592; *E* v *Australian Red Cross Society* (1991) 27 FCR 310; *The Australian Beauty Trade Suppliers Limited* v *Conference and Exhibition Organisers Pty Ltd* (1991) 29 FCR 68.

[207] *Ex parte Western Australian National Football League (Adamson)* (1979) 143 CLR 190, 208–9 per Barwick CJ and 235 per Mason J.

[208] The *Australian Financial Review*, June 23, 1997, 7 (Mark Davis).

Constitution because a substantial part of its activities involved trade in educational services.

It is a question of fact for each university to decide whether it is a 'trading corporation.' Annual accounts will show the extent to which it earns income from activities that involve the buying and selling of services. These activities could include the provision of courses to fee paying students, consultancies, sales of distance education materials, operations of a publishing house, the provision of contract research services for third parties and licensing and assignments of intellectual property. It is not clear whether provision of education for non full fee paying students will amount to 'trade'. The introduction of places for full fee paying Australian students at some universities will clearly have an impact upon the extent of trading activities. The motive with which a university conducts these trading activities is irrelevant[209] — the test is whether they represent substantial activities of the University or are merely ancillary or peripheral to its more general objectives. Although the amounts earned from these trading activities will be important, they do not have to be the major source of funds.[210] The proportion that the income earned from 'trading activities' bears to other income sources will be a significant but not a decisive factor. There is therefore a strong probability that most universities will meet the criteria of a 'trading corporation'.

Is a University an agent or an emanation of the Crown?

The provisions of Parts IVA and V of the *Trade Practices Act* 1974 do not bind a corporation if it is an agent or an emanation of the Crown in the right of a State.[211] It is not a relevant inquiry whether a State statute confers on a corporation any privileges or immunities of the Crown in any of its functions.[212] 'The question, in effect, is whether the body is the alter ego of the Crown'[213] or servant or agent of the Crown.[214] This is a matter of legislative intention that is

[209] *E* v *Australian Red Cross Society* (1991) 27 FCR 310, 343; *State Superannuation Board* v *Trade Practices Commission* (1982) 150 CLR 282, 305.

[210] *Sun Earth Homes Pty Ltd* v *Australian Broadcasting Corporation* (1991) ATPR 41-067, 52,035 — 'They are important activities which are carried on, on a significant scale.' (per Burchett J). But note Forbes v Australian Yachting Federation Inc (1996) 131 FLR 241, 290—1.

[211] *Bradken Consolidated Ltd* v *Broken Hill Pty Co Ltd* (1979) 145 CLR 107, 123 (Gibbs ACJ), 129 (Stephen J), and 136 (Mason & Jacobs JJ); *Burgundy Royale Investments Pty Ltd* v *Westpac Banking Corp* (1987) FCR 212; *Bourke* v *State Bank of New South Wales* (1989) 22 FCR 378; *Jellyn* v *State Bank of South Australia* (1995) 119 FLR 59, 66. Note that s 2B, inserted by s 81 of *Competition Policy Reform Act* 1995 (No 88) and s 2B(1) repealed and replaced by s 3 Schedule 1 of *Trade Practices Amendment (Telecommunications) Act* 1997 (No 58), now binds the Crown in the right of a State or Territory to Part IV and other provisions of the Act in so far as they relate to Part IV.

[212] *State Superannuation Board* v *Trade Practices Commission* [1982] 150 CLR 282, 307 per Mason, Murphy and Deane JJ; *Jellyn Pty Ltd* v *State Bank of South Australia* (1995) 119 FLR 59, 69–70.

[213] *State Superannuation Board* v *Trade Practices Commission* (1981) 60 FLR 165, 192 per Franki, Northrop and Ellicott JJ.

[214] *Jellyn* v *State Bank of South Australia* (1995) 119 FLR 59, 75.

derived from the statute that establishes the corporation.[215] Although a variety of factors are relevant,[216] the critical factor is the extent to which the corporation is subject to executive control.[217]

There is no clear authority that examines whether a State university is an emanation of the Crown in the right of the State. The Full Court of the Supreme Court of Victoria held in *Clark* v *University of Melbourne (No 2)*[218] that the University of Melbourne 'is neither the Crown nor a body substituted for the Crown to perform a Crown or executive function'. However, its authority is limited because there was no serious attempt to analyse the extent of executive control over the university.

The authorities show that it is not possible to specify precisely the degree of control that results in the corporation being an agent of the Crown. Accordingly, if a university asserts that it is not bound by Parts IVA and V of the Act on these grounds, it will be a matter for a court to analyse and evaluate the extent of executive control over the university provided in its enabling statute and any other statutory provisions. This process was recently followed by the Full Federal Court when it decided that The Royal Prince Alfred Hospital was subject to Part V of the *Trade Practices Act* 1974 and was not an emanation of the Crown in the right of the State of New South Wales.[219]

Although this will therefore be a question of fact for each university to combat, it is worth noting that there is general reluctance of the Federal Court and High Court to expand the range of bodies that it considers to be an emanation of the Crown.[220]

Both in England and in Australia there is evidence of a strong tendency to regard a statutory corporation formed to carry on public functions as distinct

[215] *Kinross* v *GIO Australia Holdings Limited* (1994) 55 FCR 210, 215; *State Superannuation Board* v *Trade Practices Commission* (1981) 60 FLR 165, 192; *Jellyn* v *State Bank of South Australia* (1995) 119 FLR 59, 75; *Townsville Hospitals Board* v *Townsville City Council* (1982) 149 CLR 282, 289.

[216] The function of the corporation; whether or not its property and funds are held independently of government; its obligations, if any, to supply information to the Government. See *E* v *Australian Red Cross Society* (1991) 27 FCR 310.

[217] *State Superannuation Board* v *Trade Practices Commission* (1981) 60 FLR 165; *Superannuation Fund Investment Trust* v *Commissioner of Stamps of the State of South Australia* (1979) 145 CLR 330; Hogg, P, *Liability of the Crown* (2nd ed, 1989), Ch 11.

[218] [1979] VR 66, 73.

[219] *E* v *Australian Red Cross Society* (1991) 27 FCR 310. Despite the presence of some degree of ministerial and State bureaucratic control, the Full Federal Court rejected the proposition that The Royal Prince Alfred Hospital was an emanation of the Crown in the right of the State of New South Wales. It held that 'the legislation stopped short of such a degree of control as would make the hospital an emanation of the Crown.'

[220] *State Superannuation Board* v *Trade Practices Commission* (1982) 150 CLR 282; *Launceston Corporation* v *Hydro-Electric Commission* (1959) 100 CLR 654, 662; *State Electricity Commission (Vic)* v *South Melbourne* (1968) 118 CLR 504, 510; see also *Kinross* v *GIO Australia Holdings Limited* (1994) 55 FCR 210, 216 per Einfeld J; *E* v *Australian Red Cross Society* (1991) 27 FCR 310; *Holflex Pty Ltd* v *Paradox Pty Ltd* (1989) 97 FLR 443; *Townsville Hospitals Board* v *Townsville City Council* (1982) 149 CLR 282, 291 per Gibbs CJ; *Soil Conservation Authority* v *Read* [1979] VR 549, 563 per Gobbo J.

from the Crown unless parliament has by express provisions given it the character of a servant of the Crown.[221]

(b) Section 51AB (unconscionable conduct)

Assuming that a university meets these threshold requirements, the possible application of ss 51AB and 52 to university assertions of ownership of student intellectual property need to be considered. Section 51AB(1) is a general proscription of unconscionable conduct that may apply to transactions with students. It reads as follows:

> A corporation shall not, in trade and commerce, in connection with the supply or possible supply of goods or services to a person, engage in conduct that is, in all the circumstances, unconscionable.

In contrast to s 51AA,[222] s 51AB is limited to essentially consumer transactions. Goods or services to which the above section applies are 'goods or services of a kind ordinarily acquired for personal, domestic or household use or consumption.'[223] The provision of an education appears to fall within the scope of these words.[224] Section 51AB is different from, and wider than, the equitable doctrines of unconscionable dealing and undue influence in that it expressly provides a range of inclusive circumstances which a Court may take into account in determining whether or not the contract or a provision in the contract is unjust in the circumstances relating to the contract at the time it was made. This range of circumstances appears to permit courts to consider substantive as well as procedural unconscionability.[225] In addition to other specific factors such as the relative bargaining positions,[226] the section imports all undue influence jurisprudence into the section,[227] and applies to conduct before and after the contract formation.[228] Of particular relevance is s 51AB(2)(b) which provides that the court can consider:

[221] *Launceston Corporation* v *The Hydro-Electric Commission* [1959] 100 CLR 654, 662. See also *Townsville Hospitals Board* v *Townsville City Council* (1982) 149 CLR 282, 291 per Gibbs CJ.

[222] Section 51AA reads as follows:
'A corporation must not, in trade or commerce, engage in conduct that is unconscionable within the meaning of the unwritten law, from time to time, of the States and Territories.' As section 51AB extends beyond the scope of section 51AA, this latter section will not be discussed. See Sneddon, op cit (fn 193) supra.

[223] Section 51AB(5) *Trade Practices Act* 1974 (Cth).

[224] The definition of 'services' includes: any rights . . . benefits, privileges or facilities that are . . . provided . . . in trade or commerce, and without limiting the generality of the foregoing, includes the rights, benefits, privileges or facilities that are . . . provided . . . under:
(a) contract for or in relation to:
(i) . . .
(ii) the provision of, or the use of or enjoyment of facilities for, amusement, entertainment, recreation or instruction; or
(iii) ...

[225] Sneddon, op cit (fn 194); A Duggan, 'Trade Practices Act 1974 (Cth), Section 52A and the Law of Unjust Contracts' (1991) 13 *Syd LR* 138, 144–5. [s 52A is in identical terms to s 51AB]

[226] Section 51AB(2)(a).

[227] Section 51AB(2)(d).

[228] Sneddon, op cit (fn 194) 329, commenting on s 52A, the earlier equivalent of s 51AB.

> whether, as a result of conduct engaged in by the corporation, the consumer was required to comply with conditions that were not reasonably necessary for the protection of the legitimate interests of the corporation.[229]

As 'conduct' includes the making of a contract,[230] this may permit a court to consider whether both an agreement to assign intellectual property and the terms of that agreement are reasonably necessary for the protection of the legitimate interests of the university. However, the presence (or absence) of any of the listed factors is not decisive in establishing unconscionable conduct.[231]

In a recent decision of *Qantas Airways Limited* v *Cameron*,[232] Davies J gave 'unconscionable' its *Shorter Oxford English Dictionary* meaning of 'showing no regard for conscience; irreconcilable with what is right or reasonable'. This means that the various factors to which a court refers must display an extremely high degree of disregard for student rights before a student can succeed with a claim under this section. If a university takes precautions to make claims that protect only its legitimate interests and if it provides clear and accurate explanations of its claims before a student enters the agreement, proof of contravention may be difficult in other than isolated cases.

(c) Section 52 (misleading conduct)

Apart from the concerns that relate to unconscionable conduct, a university must also avoid conduct that has a tendency to mislead or deceive.[233] This may arise when a university makes misleading statements about the scope and content of the contract to assign intellectual property or provides incorrect advice. It may also arise if a university fails to disclose relevant information in circumstances where a court decides it has a duty to do so.[234] Section 52(1) reads as follows:

> A corporation shall not, in trade or commerce, engage in conduct that is misleading or deceptive or is likely to mislead or deceive.

Apart from uninformed statements of its staff, risks of misleading statements and the provision of inaccurate information arise when a university aims to remedy a student's position of disadvantage by assuming the responsibility to provide explanatory material. The question of liability for non-disclosure of information is more difficult to define.[235] However, it seems that a university is wise to disclose the legal position with ownership, namely that a student owns intellectual property that he or she creates unless there is an agreement to the contrary. Any suggestion or implication to the contrary could be misleading if one applies the 'reasonable expectations test' described in

[229] Section 51AB(2)(b).
[230] Section 4(2).
[231] Duggan, op cit (fn 225) 155, discussing s 52A.
[232] (1996) 66 FCR 246, 262 per Davies J.
[233] *Parkdale Custom Built Furniture Pty Ltd* v *Puxu Pty Ltd* (1982) 149 CLR 191.
[234] See A J Duggan, 'Misrepresentation', in *The Principles of Equity* (P Parkinson, ed, 1996).
[235] Id, 189–91; A J Duggan, M Bryan and F Hanks, *Contractual Non-Disclosure: An Applied Study in Modern Contract Theory* (1994).

Demagogue Pty Ltd v *Ramensky*.[236] A student is entitled to believe that a university will disclose such a fundamental legal principle before it seeks to obtain the student's acknowledgment that the university will own such intellectual property.

A university needs to determine a policy on the provision or otherwise of advice to individual students. The direction to staff to abstain from giving any advice is one means of minimising risks of misleading conduct. Another is to provide independent legal advice to students or require them to seek this advice before signing the agreement. This is unlikely to be practical, economical or even necessary in the majority of cases. Where a university assumes this responsibility, not only is the content of the material important but the education of its staff becomes crucial.

(d) Does the university engage in conduct 'in trade and commerce'?

A breach of sections 51AB and 52 requires that the corporation engages in the prohibited conduct 'in trade or commerce'.[237] The conclusion that a university is likely to be a 'trading corporation' was based on the assumption that education is not 'antithetical to the notion of trade.' The possible limitation on these sections is only the requirement that the conduct is *'in'* trade or commerce. This is interpreted to refer to the 'central conception' of trade and commerce as opposed to all activities in which corporations may engage.[238] This combined phrase clearly covers the exchange of goods or services and the negotiations, arrangements and delivery of those goods and services.[239] Whether the sections apply will depend upon whether the 'trade' in educational services extends to all undergraduate and postgraduate courses.

If a student pays full fees for the course, there is a clear commercial character to the enrolment and provision of educational services. Conduct surrounding the agreement to assign intellectual property may therefore be 'in trade and commerce'. For other students, it will depend upon whether the significant contributions that students now make under the Higher Education Contribution Scheme provide a commercial character to what is otherwise viewed as publicly provided education. If it does, then the position will be the same as applies to full fee paying students. There will be no difference if a university requires such an agreement at a later date because the provision of educational and research services to the student bears the same character throughout. Another way to characterise this conduct, as 'in trade or commerce' that will apply the sections to all students, is to argue that a university

[236] (1992) 110 ALR 608, 609–10.

[237] The words 'trade' and 'commerce' are terms of common knowledge of the widest import when used in the context of s 52 *Trade Practices Act* 1974. *Concrete Constructions (NSW) Pty Ltd* v *Nelson* (1990) 92 ALR 193, 196 per Mason CJ, Deane, Dawson & Gaudron JJ

[238] *Concrete Constructions (NSW) Pty Ltd* v *Nelson* (1990) 92 ALR 193, 197.

[239] *E* v *Australian Red Cross Society* (1991) 27 FCR 310 at 345; *Wright* v *TNT Management Services Pty Ltd* (1989) ATPR 40–929, 50,064 per McHugh J.

requires a student to agree to assign intellectual property to indirectly protect the commercial interests of the university.[240]

Fair Trading legislation & Contracts Review Act 1980 (NSW)

If a State or Territory university does not meet the description of a 'trading corporation', it may still be within the scope of the relevant *Fair Trading Act*. This legislation provides sections that are a mirror image of ss 51AB and 52 of the *Trade Practices Act* 1974 and applies to all individuals and corporations. Furthermore, the *Contracts Review Act* 1980 (NSW) may also be available where the proper law of the contract between a university and its students is the law of New South Wales. This legislation provides relief for harsh, oppressive, unconscionable or unjust contracts. It expressly provides a list of circumstances to which a Court shall have regard in determining whether or not the contract, or a provision in the contract, is unjust in the circumstances relating to the contract at the time it was made.[241]

The Act is similar in its operation to the equitable doctrines of unconscientious dealing and undue influence, but, like s 51AB, appears to permit courts to consider substantive as well as procedural unconscionability.[242] The Act applies to contracts and contains no limitations that would operate to exclude contracts made by universities. Unlike the provisions of the *Trade Practices Act* 1974 (Cth) and the respective State *Fair Trading Acts*, there is no requirement that the contract be made in trade or commerce.

Consequences of breach of statutory provisions

All statutory provisions provide a much broader range of remedies than is available for either economic duress, equitable unconscientious dealing or undue influence. In the event of breach, the court has wide discretionary remedies[243] that include orders to refuse to enforce any or all of the provisions of the contract, orders declaring the contract void, in whole or in part, and orders varying the contract. One significant aspect of the wide range of remedies in the current context is the ability of a court to provide a remedy for the student without having to declare the entire contract of enrolment void.

[240] See *Glorie* v *W A Chip & Pulp Co Pty Ltd* (1981) 55 FLR 310, 320.
[241] Section 9
[242] Duggan, op cit (fn 225) 144–5.
[243] *Trade Practices Act* 1974, s 80 (injunction); s 82 (damages); s 87(2)(a) (avoid contract in whole or part); s 87(2)(b) (vary contract); s 87(2)(ba) (refuse to enforce provisions), s 87(2)(c) (return property); s 87(2)(d) (compensation); For State fair trading legislation, see, for example, *Fair Trading Act* 1984 (Vic), ss 34 & 41; *Contracts Review Act* 1980 (NSW) s 7(1) and Schedule 1.

PART IV — POSSIBLE SOLUTIONS

General

Students do not need to justify their right to own intellectual property. They are not employees, and in the absence of this relationship being superimposed on their status as a student, the statutory and common law principles vest in them the ownership of any intellectual property they create. A university cannot rely upon a provision in its intellectual property statute or policy to claim ownership of intellectual property that its students create. The only ways in which a university or anyone else can claim an interest in intellectual property that a student creates is by way of agreement with the student, will or devolution by operation of law.[244] The most likely method in practice is by agreement. This is not necessarily contentious. For example, an agreement to assign intellectual property that is entered into with a student after his or her studies and research are complete is an appropriate commercial transaction. What may be contentious is when students are offered a place on a 'take it or leave it' basis that includes an agreement to assign future intellectual property that they create in specified circumstances.

The discussion in Part II demonstrates that there are circumstances in which a university may feel itself justified in making claims to own intellectual property that students create. There are two alternatives for dealing with the conflict that arises and these are evident in the four descriptive models identified above. Model A universities will leave such claims to the realm of specific agreements (no ambit claims). This is the preferred model. Models B, C & D universities are unwilling to rely solely upon specific agreements to protect their interests in intellectual property that students create in particular circumstances. They will include ambit claims to ownership in enrolment agreements (specific ambit claims).

No ambit claims

Apart from minimising the risks of invalidation that are discussed in Part III, there are several other important reasons for recommending that universities seek specific agreements where necessary rather than bind all students, both undergraduate and postgraduate, with an ambit claim.

1. There is no need to bind all students to an ambit claim particularly where undergraduate students are concerned. The opportunities for undergraduate students to create intellectual property that has commercial value are relatively remote.
2. A student is more likely to recognise that the agreement has legal consequences if it is negotiated independently of enrolment.
3. A specific agreement increases the chances of enforceability in respect of the intellectual property that the student actually creates.

[244] *Copyright Act* 1968 ss 35 & 196; *Designs Act* 1906 ss 19 & 25C; *Plant Breeder's Rights Act* 1994 ss 20, 24 & 25; *Circuit Layouts Act* 1989 ss 16 & 45. Devolution by operation of law refers to an automatic vesting as occurs in an intestacy or bankruptcy.

4. A student may be more likely to accept the grounds upon which the university makes its claim if it is tied to the use of specific resources or research conditions.
5. There is likely to be more time for a university to remedy any position of disadvantage.
6. There is more scope for a student to obtain and to act upon independent legal advice. When the latter is available, it becomes a valuable tool for a university to prove it took steps to remedy the disadvantage and that it gained no unconscionable benefits from the student's position of disadvantage.

If the use of specific agreements, where appropriate, is combined with adequate education, readily available advice on intellectual property issues and good commercial technology transfer companies, it theoretically encourages true collaboration. A student can view the process as a co-operative effort to assist all parties to achieve the maximum value from any intellectual property that may be created.

Specific ambit claims

A university that takes this approach faces a number of legal limitations on the extent to which it can impose ambit claims on students. These restrict the breadth of the claims and impose necessary precautions to protect student interests. A university that chooses to continue with this approach is wise to take account of these precautions that include:

1. Defining the legitimate interests that a university needs to protect.
2. Defining the restrictions on student intellectual property ownership that are necessary to protect these interests.
3. If it is necessary to use an ambit claim, defining this by reference to those restrictions.
4. Setting out the terms of the ambit claim expressly in the contract of enrolment rather than use a general reference to the binding nature of university policies and statutes.
5. Reserving rights that are critical to a student's academic freedom.
6. Avoiding a situation where a student can allege that his or her 'will or freedom of judgment is overborne.' This is best achieved by the provision of independent legal advice. It may also be possible with the provision of clear and accurate information at a time when the student has time to read and understand its contents.
7. Providing benefits to the student to minimise any inference of unconscientious exploitation or restraint of trade.

However, as the discussion above suggests that the value of even limited ambit claims may be overestimated, universities still need to ask whether protection of their legitimate interests is possible through the use of specific agreements alone. Such universities are wise to reconsider the merit of these claims, taking into account the following factors:

- The effect of these claims on the quality of research that is created. The

use of ambit claims may not preserve incentives for discovery and exploitation of new knowledge. A claim to own student intellectual property in circumstances that suggest some form of compulsion can provoke resentment. It may encourage the student to keep secret any such applications so that it can be commercialised for the sole benefit of the student on completion of studies.

- The emotional relationship between a university and its students — this can be important for future benefaction.
- The ability of a university to attract top research students.
- The regard with which the university is held in the community.
- The importance of encouraging the originator to co-operate further in the development and commercialisation of the intellectual property. Ambit claims may discourage this and thereby diminish the value of the intellectual property to potential third party licensees or assignees.
- Experience has shown that the role of the innovator can rarely, if ever, be performed entirely by others with lesser knowledge of the invention and so the innovator's continued involvement is essential.[245]
- The extent to which a university is prepared to enforce its rights against the student. It may succeed in its claim, but what will be the extent of adverse publicity among the student population and will this have any impact upon future enrolments? Instead of creating an atmosphere of collaboration and co-operation, students may resent what appears to be a hard commercial approach that sits uneasily with the university's ethical obligations to its students.

Concluding Comments

Irrespective of the approach that universities adopt, they all face pressure to develop or expand programs in several directions. Successful implementation or development of the following programs is likely to reduce the perceived need that some universities have for an ambit claim to ownership.

The first is to establish clear procedures to identify intellectual property that students are likely to create or have created. The opportunities for undergraduate students to create intellectual property that has commercial value are so restricted that procedures should be possible within each faculty or department, to specifically identify these. In the case of postgraduate students, it is possible to delegate to departments and supervisors the responsibility of identifying both research that has commercial potential, and special circumstances such as promising team research, potential for involvement with external organisations, and use of university owned valuable intellectual property.

The second is to establish clear procedures for prior agreements with students. This has three separate aspects — the need for a student to be

[245] Prime Minister's Science and Engineering Council, *The Role of Intellectual Property in Innovation: Perspectives* (Vol 2) 3.3 — Role of the Higher Education Public Sector Innovator (1993); Department of Employment, Education and Training, *National Report on Australia's Higher Eductation Sector* 1992, (1993) Ch 11.

accurately informed about the arrangements; the provision of benefits; and the negotiation and production of standard agreements. All aspects suggest that universities should consider the need for an independent person with practical experience in intellectual property negotiations who is readily accessible, and who, without cost to the students, can advise on agreement terms. This person ideally could also provide guidance on what is a fair arrangement for sharing intellectual property rights with the university, a supervisor or with team members. Provision of this advice in the early stages could be a valuable investment as it may avoid later confrontation, misunderstanding and the need for dispute resolution. The main practical problem with this suggestion is cost. The University of Canberra takes a novel approach to this issue of independent advice by seeking co-operation of student associations to act as sources of independent advice.[246] The wisdom of this approach relies upon the ability of these associations to provide both independent and adequate advice in the particular circumstances.[247]

It should be possible to streamline the negotiation procedures by producing a standard form of agreement that, with the use of variable and optional clauses, meets most, if not all, circumstances in which the agreement is sought. As new circumstances arise any specially drafted provisions can become additional variables for use in future negotiations. Although each university is likely to create its own bank of agreements, there is merit for all universities to attempt some uniformity in this area.

The third is to gain student confidence so that they choose university assistance rather than seek help elsewhere. This means that students must have adequate support before and during their research. For example, a student needs support and advice on what should or should not be published when there may be a patentable invention involved. It also means that university technology companies and departments must be adequately resourced if they are to have the skills to provide competitive and expert assistance with commercialisation.

The fourth is to disseminate the intellectual property policy widely and to provide regular education on intellectual property issues.[248] A number of universities provide such sessions at the commencement of postgraduate studies and include explanations of intellectual property policies in student handbooks and on the internet. The obvious matters on which students must be informed include the nature of intellectual property, the provisions in university intellectual property statutes, the consequences of agreeing to an assignment, procedures and responsibilities for reporting intellectual property and guidance to facilities at the university to assist in advising on creation of intellectual property and its protection. Other technical matters of

[246] Policy on Intellectual Property s 10.2.
[247] See Sneddon, op cit (fn 194) 319–25.
[248] See National Board of Employment, Education and Training, *Maximising the Benefits Joint ARC/HEC Advice on Intellectual Property.* (1995) Ch 4. A number of intellectual property policies make specific reference to the obligation of the university to educate its staff and students on intellectual property issues. For example, James Cook University s 11; University of Canberra, s 10.

importance include when and how to disclose an invention, the steps to commercialisation, who to consult, charges for consultation, and distribution of royalties. If such a program is implemented, and if students respond positively, they will become knowledgable about their rights and be less inclined to view the university/student relationship with suspicion. Furthermore, whether or not there is a specific agreement with the university, they may more actively seek to maximise the benefits arising from their research which will benefit the university and the community.

A university has freedom to negotiate with a student to agree to assign ownership of intellectual property. The critical issue is how, and under what circumstances, this agreement should be sought. A university neither needs nor can justify claiming everything that a student creates to provide a possible means of catching intellectual property that may otherwise fall through the net of specific agreements. Not only are there legal risks to validity, but the action creates poor public relations and sets the educational role of the university on a collision course with the role to exploit intellectual property. The main aim must be to identify the legitimate interests of a university that require it to own student intellectual property and to institute procedures for specific agreements of the nature discussed in this article. Use of ambit claims for postgraduate students only is better seen as supplementary to agreements and should be confined, if used at all, to specific and limited circumstances. This does not guarantee validity but the chances of harmony and enforcement must increase when there is time for explanations and opportunities for true consensus.