

## NEWSLETTER

### Legal Up-Date

May 2005

#### **EMPLOYEE INVENTIONS AND INTELLECTUAL PROPERTY – WHO OWNS THEM?**

Inventions and intellectual property created by an employee can be very valuable assets to a company. However, in many instances, companies find that they do not in fact own the inventions or intellectual property created by their employees.

Generally, an employer is entitled to ownership of an invention or intellectual property created by an employee during the employee's course of employment. If there is no written contract of employment between the employer and the employee, or if there is a written contract but it makes no specific mention of ownership of inventions or intellectual property created by the employee, at law there is nevertheless an implied term that the employer will be entitled to the benefit of these if created by the employee during the course of his or her employment. Despite this, the situation may not be as clear cut in practice. This is because, in certain circumstances, where there is no written employment contract or if the employment contract is inadequate, it may be difficult to ascertain precisely what constitutes the duties of the employee.

A recent Federal Court decision illustrates the difficulties an employer is likely to face in a dispute about the ownership of an invention created by its employee. In this case, the employee did not have a written contract of employment. The Court held that, in the absence of a written contract, the question was: what were the duties that the employee was employed to perform?

The matters which need to be considered in this situation are as follows:

- (a) is the inventor the employee in question?
- (b) is the invention created in the course of the employee's employment having regard to things such as:
  - (i) the nature and seniority of the employee's position, including whether the employee is under a special obligation to further the interests of the employer's business;
  - (ii) what are the normal duties of the employee;
  - (iii) whether there are any specific directions or assignments provided by the employer;
  - (iv) whether the making of an invention or the creation of the intellectual property was expected of the employee; and

- (c) whether the application of the general principle mentioned above, has been ousted by an agreement between the employee and the employer.

Although the decision dealt specifically with the issue of the ownership of an invention, the same principles apply to the creation of intellectual property such as copyright works and designs by employees.

To avoid difficulties down the track, the employer should be vigilant and do a number of things, including:

- (1) providing a detailed written contract of employment with specific attention paid to defining the duties of the employee; and
- (2) including a term in the contract vesting ownership of all inventions and intellectual property created by the employee whilst performing the employee's duties, in the employer.

In relation to copyright, employers should also ensure that the employee's written contract of employment includes a moral rights waiver clause. Moral rights only exist in relation to copyright but, unlike copyright, these rights are personal to the creator or author and cannot be assigned. In many instances, even where a copyright has been assigned by the employee to the employer, the value of that copyright will be largely diminished if the employer is restricted from making alterations to the work the subject of the copyright. As such, it is equally important for the employer to include in its contract of employment, a clause whereby the employee gives the employer his or her consent to any act or omission committed by the employer which would otherwise constitute an infringement to the employee's moral rights.

Companies should also note that the general principles set out above only applies to employees and not to independent contractors.

#### **RECENT CHANGES TO THE RETAIL LEASES ACT – LANDLORDS BEWARE!!**

If you are a landlord of retail premises, you should be aware of the Retail Leases Amendment Act ("Act") 2004 which received assent on 3 November 2004. The Act will come into effect on 1 July 2005.

The Act has certain very important implications for landlords of retail premises. In the past, landlords have been able to

recoup their legal costs for preparing retail leases from tenants. However, the Act will prohibit this practice. The penalty for breach of the prohibition is 100 penalty points which is equivalent to \$11,000.00.

The Act will remove a retail landlord's right to recover reasonable legal expenses incurred in the preparation of a lease. Landlords should therefore take into account when determining the rent they are willing to accept, the likely costs they will have to pay themselves for the preparation, finalisation, stamping and registration of retail leases.

A new provision will also come into effect which allows a landlord to recover a reasonable sum for making an amendment to a proposed lease that was requested by or on behalf of the tenant. However, this excludes any costs incurred in relation to varying the particulars of the tenant, the rent or the term, or any amendments which arise as a result of the landlord's failure to include any terms previously agreed by the parties. If the tenant is liable to make a payment under this section then the landlord must provide the tenant with a copy of the account. The tenant will not be required to make any payments unless and until the landlord has complied with this obligation. Similar provisions will also apply to renewals and extensions of retail leases.

As a result of the Act, landlords of retail premises should now factor the costs of preparing the lease into the rent payable by the tenant during the negotiation stage.

## **REDUNDANCY - LATEST DEVELOPMENTS**

People involved in the sale or purchase of a business may be aware of the difficulties posed by the recent Amcor decision handed down by the Federal Court on the question of redundancy.

In the Amcor case, the Federal Court ruled that an employee becomes "redundant" when the employer no longer requires the employee's services. The Court considered that it was irrelevant whether the employee had secured ongoing employment with the new owner of the former employer's business.

The Federal Court's decision produced an undesirable and anomalous result as it exposed many vendors in business sale transactions to redundancy claims by employees even though the employees themselves may have been offered employment by the purchaser of the business on no less favourable terms, and taken up that offer. This meant that even though employees continued in the same job without interruption, on the same or better terms and conditions and suffered no real loss, they could nevertheless mount a redundancy claim against the former employer who sold the business.

The decision of the Federal Court has now been overturned by the High Court.

The High Court has now ruled that in each situation, it is necessary to consider the relevant clauses dealing with redundancy in the employee's certified agreement having regard to the following:

- other redundancy provisions contained in the agreement;
- the words and operation of the agreement as a whole; and
- the legislative background against which the agreement was made.

The same considerations would also apply to an employee's terms of employment even if not under a certified agreement.

The certified agreement in Amcor provided that if a position became redundant and an employee was subsequently retrenched, the employee would be entitled to certain redundancy payments.

In applying the above analysis, the High Court gave a broad interpretation to the meaning of "position". The Court concluded that the sale of assets by Amcor did not result in any redundancy in any positions of the employees. None of the work being undertaken by the employees before the sale disappeared as a result of the sale.

It must be emphasized that the facts of each case should be considered individually having regard to the particular wording of any relevant certified agreement, award or employment contract. One should not for instance, regard the Court's decision as authority in all cases that employees who are offered employment by the purchaser of a business will not also be entitled to make redundancy claims arising from the disposal of the business by the former employer. Each case must be looked at on its own merits.

## **INTRODUCING DAVORIN CAJIC:**



Davorin joined the firm this year as a Migration Agent. Before joining Schweizer Kobras, he worked in the area of personal injury litigation. Davorin holds a Bachelor of Arts and a Bachelor of Laws Degree (B.A. LL.B.) from Macquarie University and is also a registered Migration Agent.

Davorin's work at Schweizer Kobras principally concerns Business and Skilled Migration. However, he also advises in other migration areas as required.

We are delighted to welcome Davorin on board. Please do not hesitate to contact him if you have any queries concerning immigration.

**Languages:** English, German, Serbian, Croatian and Macedonian

## **YOUR FEEDBACK**

If you have any comments about this newsletter, suggestions for improvement or would like to see any particular areas of law which interests you covered, please drop us a line at:

email: mail@schweizer.com.au  
fax: +61 2 9223 4729  
mail: PO Box H283,  
Australia Square NSW 1215