
Confidential Information and Trade Secrets Arising from University Research: Time for Greater Clarity?

ANNA KINGSBURY

Associate Professor in Law, University of Waikato

This article considers the law of confidential information and trade secrecy as it applies to university researchers. It outlines the statutory and policy framework for university research activity and the commercialisation of that research, reviews the relevant civil and criminal law that protects confidential information and trade secrets, and reviews the approach taken to confidential information in the provisions of publicly available New Zealand university intellectual property policies. The article concludes that there is considerable uncertainty about the obligations of researchers and argues that greater clarity would benefit all parties. It proposes that, for staff working on specific projects, employment contracts should provide for clear identification of information to which an obligation of confidence arises, and the nature of that obligation. In addition, it proposes that universities review intellectual property policies in order to clarify claims made to confidential information and the obligations applying to staff.

1 INTRODUCTION

This article is about confidential information and trade secrets arising from university research. The law protecting undisclosed information and trade secrets law is increasingly important internationally, and there are current efforts to further harmonise protection.¹ In recent years growing international concern about cybersecurity and economic espionage has led to greater attention to confidential information and trade secrets law. Additionally, we are in an environment in which intellectual property is increasingly protected by the criminal as well as the civil law, and there is a growing focus on criminal provisions and criminal enforcement across the intellectual property regimes.² We can expect a stronger focus on the application of confidential information laws to researchers and academics in universities over the coming years, and this raises issues of what information is protected, the nature of staff and university employer obligations, and the conduct which can give rise to civil or criminal liability.

This article is not directly about the ownership of patentable inventions, which is in itself contested in the university context, and has received some attention in the literature in recent years in the wake of the

1 See, for example, Proposal for a Directive of the European Parliament and of the Council on the Protection of Undisclosed Know-How and Business Information (Trade Secrets) Against their Unlawful Acquisition, Use and Disclosure (2013/0402 (COD), 28 November 2013).

2 Some requirement for criminalisation of misuse of trade secrets is a likely outcome of the Trans-Pacific Partnership negotiations. See WikiLeaks “Updated Secret Trans-Pacific Partnership Agreement (TPP) – IP Chapter (Second Publication)” (press release, 16 October 2014) at <wikileaks.org/tpp-ip2/>.

Australian decisions in *Victoria University of Technology v Wilson*,³ and *University of Western Australia v Gray*.⁴ This article is about confidential information, which includes information which is required to be kept confidential in the lead-up to a patent application, but also includes a much broader range of information which may or may not relate to a patentable invention but may be valuable or with potential for commercialisation. As universities increase their focus on commercialisation of research results, confidential information and obligations in regard to that information can be expected to assume greater importance, with potential for significant disputes to arise. While the number of such disputes is likely to be low, the impact of any dispute can have significant impacts on staff and on university commercialisation and university management of intellectual property more broadly.

This article first outlines the statutory and policy framework for university research activity and the commercialisation of that research, and then reviews the relevant civil and criminal law that protects confidential information and trade secrets. It then reviews the approach taken to confidential information in the provisions of publicly available New Zealand university intellectual property policies. It concludes that there is considerable uncertainty about the obligations of researchers and the position of the university, and that this creates a level of risk for all parties. It argues that greater clarity would benefit all parties and would encourage innovation and investment in commercialising innovation, and it suggests a way forward for developing an appropriate framework in collaboration with staff. It argues that, where possible, employment contracts should provide for specific identification of information to which an obligation of confidence arises, and the nature of that obligation. It also proposes that universities review intellectual property policies in consultation with staff in order to clarify claims made to confidential information and the obligations applying to staff. It is also argued that the use or threat of use of the criminal law in a university environment is likely to have a chilling effect on innovation and it would be appropriate for university policies to expressly disclaim recourse to criminal action.

2 NEW ZEALAND UNIVERSITIES AND COMMERCIALISING UNIVERSITY RESEARCH: THE STATUTORY AND POLICY FRAMEWORK

New Zealand universities operate within the framework of the Education Act 1989. The Act provides for the establishment and disestablishment of four categories of tertiary institution, including universities.⁵ It provides that each institution is established as a body corporate⁶ governed by a council.⁷ The Act provides a list of characteristics that are required of a university, which are as follows:⁸

- (i) they are primarily concerned with more advanced learning, the principal aim being to develop intellectual independence;
- (ii) their research and teaching are closely interdependent and most of their teaching is done by people who are active in advancing knowledge;

3 *Victoria University of Technology v Wilson* [2004] VSC 33, (2004) 60 IPR 392.

4 *University of Western Australia v Gray* [2009] FCAFC 116, (2009) 179 FCR 346. Relevant articles include Tom Reid “Academics and Intellectual Property: Treading the Tightrope” (2004) 9 Deakin L Rev 759; William van Caenegem “VUT v Wilson, UWA v Gray and University Intellectual Property Policies” (2010) 21 Aust Intellectual Property J 148; Ann Monotti “Is it Time to Codify Principles for Ownership of Academic Employee Inventions? The Disconnect Between Policy and Law” (2012) 38 Monash U L Rev 102.

5 Education Act 1989, ss 162 and 164.

6 Section 166.

7 Section 180.

8 Section 162(4)(a).

- (iii) they meet international standards of research and teaching;
- (iv) they are a repository of knowledge and expertise; [and]
- (v) they accept a role as critic and conscience of society.

Research is therefore expressly required as a characteristic of a university, but there is no statutory requirement for commercialisation of that research. Universities are also required to act as a repository of knowledge and expertise, a reference to the traditional public interest function of universities.⁹ The Act also makes express provision for academic freedom and the autonomy of institutions.¹⁰ Academic freedom in this context includes the freedom of academic staff and students to engage in research.¹¹ The Act therefore requires that the university undertake research and that academic staff and students have academic freedom to engage in research. These requirements are closely connected to the traditionally recognised obligation of university researchers to publish and disseminate the results of research in the public interest.¹²

University researchers do not generally have a culture of maintaining secrecy and protecting research findings as confidential information or trade secrets. Universities have traditionally maintained a culture of collaboration and openness, in which the results of research are published and shared with others in the field and more widely with the interested public. However, changes in the university funding environment, particularly a decline in public funding, have created pressures to attract external funding and new revenue streams, and more focus on intellectual property. Universities and research institutions increasingly compete to obtain external research funding, and universities seek to commercialise their intellectual property.¹³ Commercialisation of research results and technology transfer are encouraged by policy-makers, not so much because they provide additional revenue to universities, but as a means of promoting innovation and economic growth.¹⁴ Although not expressly stated in the Education Act as a characteristic of universities, universities have in more recent times increased their focus on commercial or market activities. All New Zealand universities now operate research and commercialisation offices,¹⁵ established with the broad purposes of attracting research funding and commercialising the results of university research.¹⁶ The

9 See discussion in Ann Monotti and Sam Ricketson *Universities and Intellectual Property: Ownership and Exploitation* (Oxford University Press, Oxford, 2003) at 43–45.

10 Education Act 1989, s 161.

11 Section 161(2).

12 This obligation to disseminate is expressly recognised in New Zealand university intellectual property policies.

13 See the summary of university statements on commercialisation in Alan Collier and Brendan Gray *The Commercialisation of University Innovations – A Qualitative Analysis of the New Zealand Situation* (Centre for Entrepreneurship, School of Business, University of Otago, Research Report, June 2010) at 60–63.

14 The New Zealand Government's *Tertiary Education Strategy 2014–2019* states that “The Government expects TEOs to work more closely with industry to improve the relevance of research and achieve greater transfer of knowledge, ideas and expertise to industry and wider society. We want to increase the tertiary education system’s impact on innovation occurring across the country, and hence lift economic growth”: “Priority 5: Strengthening Research-Based Institutions” in New Zealand Government *Tertiary Education Strategy 2014–2019* (Ministry of Education and Ministry of Business, Innovation and Employment, Wellington, March 2014) 16 at 17. See also New Zealand Government *Statement of Intent 2011–2014* (Ministry of Science and Innovation, Wellington, 2011) and *Building Innovation Progress Report* (Ministry of Business, Innovation and Employment, Wellington, August 2012).

15 See, for example, Viclink at Victoria University of Wellington <www.viclink.co.nz/>, Uniservices at the University of Auckland <www.uniservices.co.nz/>, and Otago Innovation at the University of Otago <www.otago.ac.nz/otagoinnovation/>.

16 These changes were discussed in the context of Australian universities in *Victoria University of Technology v Wilson* [2004] VSC 33, (2004) 60 IPR 392 at [148], in which the Court observed that “in the last thirty years public service in general and academia in particular have changed considerably. To a greater or lesser extent, both have been politicised and commercialised.”

assumption is that university research is one driver for innovation, although there is little detailed data on the economic impact of university commercialisation in the New Zealand context.¹⁷ Commercialisation efforts have tended to focus on protecting material that is potentially patentable or material such as software that is subject to copyright protection. Confidential information or trade secrecy has received relatively less attention, other than in the context of maintaining secrecy in the lead-up to a patent application. However, the law relating to confidential information and trade secrets potentially protects a much broader range of information than the narrower category of patentable subject-matter.¹⁸

The law of confidential information and trade secrets has a number of implications for university staff. Universities, while involved in commercial activities, are unlike commerce and industry in important respects. Research is only one function of universities, with teaching also an essential focus. Academic freedom is an important value in universities and is a statutory requirement.¹⁹ Freedom in determining research directions, freedom to publish research results, collaborations with researchers in other institutions and academic staff mobility are all central characteristics of university academic employment.²⁰ It is common for researchers to collaborate and to have affiliations to more than one research institution, often in different countries. It is also common for researchers to move from one institution to another, sharing research information across institutions.²¹ These activities are all explicitly supported by New Zealand government policy, as important contributors to innovation.²² Universities are encouraged by government policy to attract external research funding, and to collaborate with public and private research partners.²³ Government tertiary education policy aims to strengthen collaborative relationships between universities and other research organisations, and strengthen relationships with the private sector.²⁴ The policy envisages greater staff mobility between universities, other research institutions and private industry. The Government's *Tertiary Education Strategy 2014–2019* states that:²⁵

Strengthening research-based provision will require TEOs^[26] to work together and/or specialise in particular areas. There will also need to be closer collaboration between TEOs, with other research organisations, and with industry. This will harness the capability that exists across New Zealand and leverage international partnerships.

17 There is a growing literature on commercialisation of New Zealand university research, but little actual data. See Collier and Gray, above n 13, at 20–23 and 89.

18 A very broad range of subject-matter can be confidential in the context of a university. This article focuses on information resulting from research. See discussion in Ann Monotti and Sam Ricketson *Universities and Intellectual Property: Ownership and Exploitation* (Oxford University Press, Oxford, 2003) at 90–91.

19 Education Act 1989, s 161.

20 The distinctive nature of universities, and the differences between university and other employers, were argued in *University of Western Australia v Gray* [2009] FCAFC 116, (2009) 179 FCR 346 at [95]–[96].

21 As the Full Federal Court noted in *University of Western Australia v Gray*, above n 20, at [164] “the duty of confidence can pose a significant obstacle to the mobility of employees engaged in research-related employment having applications in science or technology”.

22 New Zealand Government *Tertiary Education Strategy 2014–2019* (Ministry of Education and Ministry of Business, Innovation and Employment, Wellington, March 2014) at 16. The Tertiary Education Strategy is required to be issued by the Minister under s 159AA of the Education Act 1989.

23 See discussion in Monotti and Ricketson, above n 18, at 40–49; New Zealand Government *Tertiary Education Strategy 2014–2019* (Ministry of Education and Ministry of Business, Innovation and Employment, Wellington, March 2014).

24 “Priority 5: Strengthening Research-Based Institutions” in New Zealand Government *Tertiary Education Strategy 2014–2019* (Ministry of Education and Ministry of Business, Innovation and Employment, Wellington, March 2014) at 16.

25 At 17.

26 Tertiary education organisations.

Indicators of success will include evidence that “TEOs, industry, and research organisations collaborate more to share expertise, transfer knowledge, and progress joint research programmes to deliver greater impact”, and that “there is greater movement of staff between TEOs and their partners, more opportunity for students to learn and research with the TEOs’ partners, and increased private funding for tertiary education research”.²⁷

In all of these circumstances there is potential for information sharing to constitute breach of confidence or the taking of a trade secret. Particular issues arise for researchers working in more than one institution, doing collaborative work across institutions, or moving employment. Even for staff in a single institution, issues about rights in information and obligations to the university are likely to become more important. Universities increasingly employ a proportion of staff on short-term contracts as well as staff on continuing appointments, so that different staffing arrangements are likely to give rise to differing obligations in relation to intellectual property protection.²⁸

3 THE LAW OF CONFIDENTIAL INFORMATION AND TRADE SECRECY IN NEW ZEALAND: THE CIVIL LAW

Confidential information is generally protected by the civil law in New Zealand through the common law action of breach of confidence. The breach of confidence action applies to employment relationships, including academics employed in universities. In employment contexts, the duty of confidence can arise in equity or as an implied term of the employment contract. Undisclosed information is required to be protected by members of the World Trade Organization under the TRIPS Agreement.²⁹ Most countries in the common law world outside the United States protect confidential information and trade secrets exclusively through the civil law. The civil action meets the requirements of the TRIPS Agreement. Remedies at civil law are typically injunctions, including permanent injunctions against use of the trade secret, and damages. In New Zealand law, confidential information or trade secrets are generally protected through the common law equitable doctrine of breach of confidence.³⁰ The civil action for breach of confidence protects confidential information including commercially valuable information or trade secrets.³¹ The full range of remedies for breach of confidence is available in New Zealand.

27 New Zealand Government *Tertiary Education Strategy 2014–2019* (Ministry of Education and Ministry of Business, Innovation and Employment, Wellington, March 2014) at 17.

28 See discussion in Tom Reid “Academics and Intellectual Property: Treading the Tightrope” (2004) 9 Deakin L Rev 759.

29 Agreement on Trade-Related Aspects of Intellectual Property Rights, Marrakesh Agreement Establishing the World Trade Organization 1869 UNTS 299 (signed 15 April 1994, entered into force 1 January 1995). Article 39(1) of the TRIPS Agreement requires member countries protect undisclosed information as required by art 39(2). Article 39 (2) requires:

2. Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices so long as such information:
 - (a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
 - (b) has commercial value because it is secret; and
 - (c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

30 *Hunt v A* [2007] NZCA 332, [2008] 1 NZLR 368 at [64].

31 See, particularly, *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41 (Ch); *AB Consolidated Ltd v Europe Strength Food Co Pty Ltd* [1978] 2 NZLR 515 (CA); *Hunt v A* [2007] NZCA 332, [2008] 1 NZLR 368.

The civil action for breach of confidence protects confidential information whether or not there is a contractual relationship between the parties.³² Giving the judgment for the Court of Appeal in the case of *Hunt v A*, Hammond J said that the breach of confidence jurisdiction is based on a broad principle of good faith. The doctrine does not depend upon the existence of a contract between the parties or there being “property” in the subject-matter of the confidence, and it does not depend upon the existence of a fiduciary relationship. Breach of confidence is also not a tort; it is a sui generis cause of action.³³ The orthodox view that confidential information is not property has recently been affirmed by the Court of Appeal in New Zealand.³⁴ This view has obvious implications in relationship to claims to “ownership” of information. It is more accurate to refer to obligations in relation to confidential information. Although confidential information is not property and cannot be owned, it is nevertheless commonly included under the general definition of “intellectual property”.³⁵

The breach of confidence action has three elements that are normally required if a case is to succeed outside of a contract.³⁶ In the New Zealand context, the breach of confidence cause of action was considered by the Court of Appeal in the case of *Hunt v A*.³⁷ Giving the judgment of the Court, Hammond J said:³⁸

First, the information must be confidential. That is, it must not be something which is publicly known. Secondly, the information must be imparted in circumstances importing an obligation of confidence. This implies some kind of dealings between the parties (not necessarily resulting in a contract). Thirdly, there must have been an unauthorised use of the information. Fourthly, in some circumstances, there may be just cause for the use or disclosure of the information. The latter qualification can be traced back to the old equitable maxim that “there is no confidence in an iniquity”, although it was subsequently broadened in the more modern judgments.

There is a public interest defence to breach of confidence.³⁹ Establishing the public interest defence requires a defendant to show that the public interest in disclosure outweighs the public interest in confidentiality.⁴⁰ It will be rare for this defence to apply in a university research context. There is also a defence of prior

32 *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* [1963] 3 All ER 413 (Note), (1948) 65 RPC 203 (CA). Parties may also protect trade secrets through contractual provisions.

33 *Hunt v A* [2007] NZCA 332, [2008] 1 NZLR 368 at [64].

34 *Dixon v R* [2014] NZCA 329, [2014] 3 NZLR 504. See also *Watchorn v R* [2014] NZCA 493.

35 The English Court of Appeal has recently recognised that while confidential information is not property it is not inappropriate to include it as an aspect of intellectual property: *Coogan v News Group Newspapers Ltd* [2012] EWCA Civ 48, [2012] 2 WLR 848 at [39].

36 These elements were set out in the case *Coco v AN Clark Engineers Ltd* [1969] RPC 41 (Ch). This case has been regularly followed by New Zealand courts. At [47], Megarry J said in *Coco v AN Clark Engineers Ltd* that:

[T]hree elements are normally required if, apart from contract, a case of breach of confidence is to succeed. First, the information itself...must “have the necessary quality of confidence about it”. Secondly, that information must have been imparted in circumstances importing an obligation of confidence. Thirdly, there must be an unauthorised use of that information to the detriment of the party communicating it.

37 *Hunt v A*, above n 33.

38 At [65], affirming *Coco v AN Clark Engineers Ltd*, above n 31.

39 This defence is based on the idea that “there is no confidence as to the disclosure of iniquity”: *Gartside v Outram* (1856) 26 LJ Ch 113 at 114 per Wood V-C. Iniquity in this context includes crime, fraud, misdeeds, and breaches of national security. See *Attorney General for the United Kingdom v Wellington Newspapers Ltd* [1988] 1 NZLR 129 (CA) at 178.

40 *Lion Laboratories Ltd v Evans* [1985] QB 526 (CA).

publication, but it will also be rare for this to apply. This defence applies if the information is already so widely publicised that it is already in the public domain and is no longer confidential.⁴¹

Particular rules regarding confidential information apply to employees and ex-employees, and these apply also to academic employees, although in a university context it is arguable that additional considerations will also apply.⁴² The law of confidential information applying to employees and ex-employees is subject to the terms of the employment contract and relevant principles of employment law. In many cases, the contract of employment will contain express terms relating to confidential information. If there are no express terms, there may nevertheless be implied terms creating obligations of confidence. In an academic context, relevant factors in determining whether information is confidential and subject to an obligation of confidence will include the level of novelty or originality of the information. Novelty in a patent law sense is not required, but the information cannot be in the public domain, and the fact that the maker has “used his brain and thus produced a result which can only be produced by somebody who goes through the same process” will suggest confidentiality.⁴³ Megarry J said in *Coco v AN Clark* that “there must be some product of the human brain which suffices to confer a confidential nature upon the information”.⁴⁴

The applicable principles in an employment context were set out in the English Court of Appeal decision in *Faccenda Chicken Ltd v Fowler*.⁴⁵ During the course of the employment there is an implied term imposing a duty of good faith or fidelity on an employee.⁴⁶ Academic employees have a contractual duty of good faith and loyalty to their employer. In the Australian case *Victoria University of Technology v Wilson*, the Court found that an academic as professional employee could owe a fiduciary duty to the university, even where work is done outside the course of their employment.⁴⁷ The Court in that case said that “subject to contract, it remains unquestionable that professional employees owe to their employers fiduciary obligations not to profit from their position at the expense of the employer and to avoid conflicts of interest and duty”.⁴⁸

For ex-employees, the duty to the former employer is more limited. It is clear that ex-employees have a continuing obligation of confidentiality in regard to anything that constitutes a trade secret, and this will cover secret processes, formulae, designs, methods or other information sufficiently confidential to constitute

41 The defence applies where the material has already been published to such extent as to destroy confidentiality and this publication has been by someone other than the defendant. The extent of publication required is a matter of degree: *Attorney-General for the United Kingdom v Wellington Newspapers Ltd*, above n 39, at 175–179.

42 See *University of Western Australia v Gray* [2009] FCAFC 116, (2009) 179 FCR 346.

43 *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd*, above n 32, at 415.

44 *Coco v AN Clark (Engineers) Ltd*, above n 31, at 47. This point was also referred to in *University of Western Australia v Gray*, above n 42, at [163].

45 *Faccenda Chicken Ltd v Fowler* [1987] 1 Ch 117 (CA) at 135–138. See also *Nedax Systems NZ Ltd v Waterford Security Ltd* [1994] 1 ERNZ 491 (EmpC); *Canterbury Produce Market Ltd v Richardson* [1993] 1 ERNZ 217 (HC); *Empress Abalone Ltd v Langdon* [2000] 1 ERNZ 147 (EmpC); *Empress Abalone Ltd v Langdon* [2000] 2 ERNZ 53 (CA); *Empress Abalone Ltd v Langdon* [2000] 2 ERNZ 481 (EmpC).

46 This duty of good faith is also a statutory duty under the Employment Relations Act 2000, s 4. See discussion in *SGS New Zealand Ltd v Nortel (1998) Ltd* HC Whangarei CIV-2006-488-384, 20 December 2007 per Winkelmann J.

47 *Victoria University of Technology v Wilson* [2004] VSC 33, (2004) 60 IPR 392, discussed in Tom Reid “Academics and Intellectual Property: Treading the Tightrope” (2004) 9 Deakin L Rev 759. In relation to fiduciary obligations and academics more generally, see Ann Monotti and Sam Ricketson *Universities and Intellectual Property: Ownership and Exploitation* (Oxford University Press, Oxford, 2003) at 286–295.

48 *Victoria University of Technology v Wilson* [2004] VSC 33, (2004) 60 IPR 392 at [149].

a trade secret.⁴⁹ This continuing obligation does not cover all information acquired by the employee in the course of employment. It does not cover the general knowledge and skills that are learned, assimilated, or enhanced during the employment.⁵⁰ It does not cover all information described as “confidential” during the course of employment, and does not cover information in the public domain.

In determining whether information falls within the implied terms so that it may not be used or disclosed after the employment has ceased, it is necessary to consider all the circumstances of the case.⁵¹ The circumstances to be considered include the nature of the employment, the nature of the information, which must be a trade secret, whether the employer impressed on the employee the confidentiality of the information, and whether the relevant information can be easily isolated from other unprotected information.⁵² The categories of information that can be protected after the termination of employment are not clearly defined.

For academics who are employees employed under a contract of service, these principles would seem to suggest that confidential information or trade secrets created in the normal course of employment will be confidential to the employer. The issues arose in a New Zealand case involving a government-funded research project undertaken in conjunction with the University of Canterbury. The case of *Empress Abalone Ltd v Langdon*⁵³ involved a dispute between the employer, Empress Abalone, and the employee researcher, Mr Langdon. Empress brought an action claiming that Mr Langdon had breached his duties of fidelity and confidentiality by applying for patents and for related actions. Empress argued that as the employer it was entitled to ownership of the patents applications and in related intellectual property. In the Court of Appeal Keith J said that where an employee made an invention in the course of their employment which it was part of their duty to make, the law imported into the contract of employment a term that the invention was the property of the employer.⁵⁴ The main difficulty was usually that of determining whether the invention concerned was made in the course of the employment, that is, whether it was something that it was the employee’s job to invent.⁵⁵ Keith J rejected the argument for Empress that it was a breach of the duty of fidelity between the employer and employee for the employee to compete with an employer while still employed. Keith J said that:⁵⁶

The suggested principle of law is, we think, stated too widely. It is not supported either by the cases or by principle. It would mean, for instance, to recall the famous lines of Ralph Waldo Emerson, that had Empress Abalone manufactured mousetraps as well as pearls, Mr Langdon, although employed only [in] respect of pearl production, would not have been allowed to turn his inventive mind for the benefit of himself and humanity to the manufacture of a better mousetrap... [A]ny such invention should belong to the inventor, in the absence of a contractual or other legal obligation to the contrary. The English cases to which we were referred support that limit. In those in which the employer succeeded the inventions were discovered by the employees in the course of the duties of their employment.

49 *Faccenda Chicken Ltd v Fowler* [1987] 1 Ch 117 (CA) at 136. See also *SSC & B: Lintas New Zealand Ltd v Murphy* [1986] 2 NZLR 436 (HC).

50 *Nedax Systems NZ Ltd v Waterford Security Ltd* [1994] 1 ERNZ 491 (EmpC) at 505.

51 *Faccenda Chicken Ltd v Fowler*, above n 49, at 137; *Peninsula Real Estate Ltd v Harris* [1992] 2 NZLR 216 (HC) at 218–219.

52 *Faccenda Chicken Ltd v Fowler*, above n 49, at 137.

53 *Empress Abalone Ltd v Langdon* [2000] 2 ERNZ 53 (CA).

54 At 55. Keith J here quoted from TA Blanco *White Patents for Inventions and the Protection of Industrial Designs* (5th ed, Stevens, London, 1983) at [7-004].

55 *Empress Abalone Ltd v Langdon*, above n 53, at 55.

56 At 55–56.

This case demonstrates that rights in relation to confidential information or trade secrets created by academic researchers are likely to be contestable. If the information is created in the course of employment the common law will generally imply a term into the employment contract providing that rights in relation to the information attach to the employer. However a central issue will be whether the confidential information or trade secret created was something that it was the employee's job to invent or create.

The issue arose in *Victoria University of Technology v Wilson*⁵⁷ where the Court had to consider whether an invention made by academic staff of Victoria University of Technology was made within the scope of employment.⁵⁸ It was argued that it was enough to make the invention the property of the University that the academic staff were paid to be researchers and that the invention was the product of research.⁵⁹ The Supreme Court of Victoria disagreed, holding that it is not enough that the process of invention can be characterised as one of research, but that it all depends upon the nature of the research that the employee is retained to perform.⁶⁰

The Australian case of *University of Western Australia v Gray*⁶¹ is also authority against implying a general term granting the employer ownership of all inventions into all contracts of employment between universities and academic staff.⁶² This case was about ownership of patents for inventions created by Dr Gray, who was employed by the University of Western Australia (UWA) as a professor of surgery at the time that the inventions were created. The University argued that there was an implied term in Dr Gray's contract providing that an invention developed by an employee as a result of research belonged to the employer.⁶³ The Full Federal Court rejected this contention, upholding the judgment of French J. The Court said that an employee's duty of confidence to his or her employer can arise by way of implied contract or as a matter of equitable obligation, and that in employer-employee cases the historical tendency had been to treat the matter as one of implied contract.⁶⁴ The Court said that ex-employees were entitled to make full use of the general knowledge, skill and experience, or know-how, resulting from the previous employment, but could not use or disclose confidential information that could fairly be regarded as a separate part of the employee's stock of knowledge which would be recognised by a man of ordinary honesty and intelligence as property of his old employer.⁶⁵ However, the Court distinguished between a general duty to conduct research, and a duty to invent, finding that Dr Gray had a duty to research but he was free to determine the subject-matter and manner of his research; he had no duty to invent.⁶⁶ Academics had an obligation to research, but freedom to choose the subject or line of research and freedom to determine when and how to publish.⁶⁷ The Court put considerable weight on the freedom to publish results of research, notwithstanding that this may destroy patentability.⁶⁸ The Court held that

57 *Victoria University of Technology v Wilson* [2004] VSC 33, (2004) 60 IPR 392.

58 At [107]–[140].

59 At [107].

60 At [108].

61 *University of Western Australia v Gray* [2009] FCAFC 116, (2009) 179 FCR 346.

62 At [168]–[173].

63 At [85].

64 At [161].

65 At [164], citing *Printers & Finishers v Holloway (No 2)* [1965] RPC 239 (Ch) at 255.

66 At [94]–[195].

67 At [186] and [197].

68 At [197]–[198].

Dr Gray was not constrained by a secrecy obligation.⁶⁹ The Court discussed the relationship between the claimed implied term in relationship to ownership of inventions, which focused on patentable inventions, and trade secrets. The Court expressed concern at the effects the claimed implied duty would have if it was underpinned by a duty not to make an unauthorised use or disclosure of confidential information generated in research.⁷⁰ The Court said:⁷¹

It would have prohibited publications (not authorised by UWA) containing information that was “relatively secret”; would have impaired academic collaborations and exchanges because of the potential for participating in breaches of confidence; and would have restricted academic staff mobility.

The Full Court in *University of Western Australia v Gray* agreed with French J at first instance that university employers are distinctive.⁷² French J had placed weight on the views of Monotti and Ricketson in their book *Universities and Intellectual Property: Ownership and Exploitation*.⁷³ French J quoted with approval their view that:⁷⁴

... in the absence of an express or implied duty to invent and to hold any information secret, the principles that operate in industrial settings seem to have no application to the creation of inventions in the performance of normal academic duties of teaching, research and administration.

The Full Federal Court upheld French J’s approach in finding that universities had distinctive characteristics, and upheld his use of Monotti and Richardson’s work.⁷⁵ While the UWA had, like other universities, engaged in commercial activities, these activities had not displaced the University’s traditional public function, and its function was not limited to engaging academic staff for its own commercial purposes. Dr Gray was not required to advance a commercial purpose of the University when selecting what research to undertake. In finding that universities were distinctive, the Court placed weight on the fact that academic staff were both employees and members of the UWA. The Court also placed weight on external funding of research and inter-institutional collaborative arrangements as factors against an implied term of university ownership.⁷⁶ The Court found clear reasons against implying a term into Dr Gray’s contract that an invention developed as a result of research belonged to the employer.

These cases are important and likely to be persuasive in New Zealand courts. Each individual case will, of course, be decided on its own facts. In any particular case the nature of the duty as expressed in the employment contract with the university will be an issue. The staff member’s particular duties will be relevant to the issue of whether the work was made in the course of employment. An academic may have a general duty to undertake research, but no duty to invent or to create information that has potential for commercialisation.⁷⁷ The university expectations that academics will publish their research, that they

69 At [198].

70 The University denied that it would be underpinned by such a duty, but the Court doubted the rationale for this: *University of Western Australia v Gray* [2009] FCAFC 116, (2009) 179 FCR 346 at [90]–[191].

71 At [190].

72 At [184].

73 Ann Monotti and Sam Ricketson *Universities and Intellectual Property: Ownership and Exploitation* (Oxford University Press, Oxford, 2003).

74 At [6.67]; *University of Western Australia v Gray*, above n 70, at [169].

75 *University of Western Australia v Gray* [2009] FCAFC 116, (2009) 179 FCR 346 at [209].

76 At [200]–[205].

77 See Monotti and Ricketson, above n 73, at 244–249; *University of Western Australia v Gray*, above n 70.

engage in research collaboration,⁷⁸ and that they seek external research funding are all in conflict or potential conflict with an expectation of secrecy.⁷⁹ In addition, for academic researchers, employee mobility would be potentially restricted by obligations of confidence that prevent the staff member doing similar work in another institution or for another employer.⁸⁰ The nature of universities as public institutions and considerations of academic freedom are also relevant.⁸¹ In particular, in *University of Western Australia v Gray*, the Full Federal Court said that the constitution of the University of Western Australia provided that Dr Gray was a member of the university as well as an employee, and that consideration of Dr Gray's employment should take account of his membership of it.⁸² The New Zealand framework is not the same as that in the *University of Western Australia v Gray* case. Nevertheless, similar considerations may be argued. The Education Act 1989 provides that each institution "shall consist of its governing body, the chief executive, the teaching staff, general staff, the graduates and students, and such other people as the governing body may from time to time determine", and that each Order in Council establishing an institution "shall make provision for determining the people who are to constitute the institution".⁸³ What is clear is that universities differ from most industrial or commercial contexts, in which these wider considerations do not apply.⁸⁴

This means there may be some uncertainty for an academic about whether confidential information has been created within or outside the employment relationship, whether it therefore carries an obligation to their employer to keep it secret, and whether it constitutes a trade secret or similarly protected information or is knowledge or skills which may be taken to new employment. Ideally, the contract of employment will resolve this uncertainty, but this is particularly difficult in relation to confidential information, which takes a variety of forms. There are also other particular difficulties in applying the law in the university environment. Increasingly, universities employ staff on contract arrangements other than the classic employee contract for services arrangements. Academics may be on continuing appointments involving teaching and research, they may be employed as contract teachers and/or researchers, or they may be sessional assistants on contracts for services. In some cases these arrangements may result in uncertainty about the obligations applying to the academic where research is undertaken as part of a general research duty, or even more so where it is undertaken to an extent separately from the obligations under the contract with the university. The potential uncertainty as to whether information generated in research is confidential so that there is a duty not to make an unauthorised use or disclosure of it is a risk for academic staff. It is also a risk for universities and other employers, who may face claims in relation to confidential information when employing new staff who bring knowledge from a former employer.⁸⁵

78 For a discussion of the intellectual property issues raised by the rise in research collaboration see Rochelle Cooper Dreyfuss "Collaborative Research: Conflicts on Authorship, Ownership and Accountability" (2000) 53 Vand L Rev 1159.

79 *University of Western Australia v Gray*, above n 70. See discussion in William van Caenegem "VUT v Wilson, UWA v Gray and University Intellectual Property Policies" (2010) 21 Aust Intellectual Property J 148.

80 This was a concern in *University of Western Australia v Gray*, above n 70, at [164]. The Court said that "the duty of confidence can pose a significant obstacle to the mobility of employees engaged in research-related employment having applications in science or technology". See also discussion in Orly Lobel *Talent Wants to be Free: Why We Should Learn to Love Leaks, Raids and Free Riding* (Yale University Press, New Haven 2013) at ch 5.

81 *University of Western Australia v Gray*, above n 70. See discussion in Caenegem, above n 79.

82 *University of Western Australia v Gray*, above n 70, at [96].

83 Education Act 1989, s 163.

84 See discussion in Monotti and Ricketson, above n 73, at 42–49.

85 See discussion in Adam Waks "Note: Where the Trade Secret Sits: How the Economic Espionage Act is Inflaming Tensions in the Employment Relationship and How Smart Employers and Employees are Responding" (2014) 3 NYU J Intell Prop & Ent L 391.

4 TRADE SECRETS IN NEW ZEALAND: THE CRIMINAL LAW

As has been asserted, the New Zealand civil law relating to breach of confidence leaves significant areas of uncertainty and consequent risk for academic staff. This risk is compounded by the additional availability of a criminal action. In 2003, a criminal provision applying to trade secrets was introduced into the Crimes Act 1961. Section 230 of the Crimes Act 1961 provides as follows:

230 Taking, obtaining, or copying trade secrets

- (1) Every one is liable to imprisonment for a term not exceeding 5 years who, with intent to obtain any pecuniary advantage or to cause loss to any other person,—
 - (a) dishonestly and without claim of right, takes, obtains, or copies any document or any model or other depiction of any thing or process containing or embodying any trade secret, knowing that it contains or embodies a trade secret; or
 - (b) dishonestly and without claim of right, takes or obtains any copy of any document or any model or other depiction of any thing or process containing or embodying any trade secret, knowing that it contains or embodies a trade secret.
- (2) For the purposes of this section, “trade secret” means any information that—
 - (a) is, or has the potential to be, used industrially or commercially; and
 - (b) is not generally available in industrial or commercial use; and
 - (c) has economic value or potential economic value to the possessor of the information; and
 - (d) is the subject of all reasonable efforts to preserve its secrecy.

The result is that broad protection of confidential information is provided by the equitable action of breach of confidence, but in a narrower range of cases the criminal law may apply. The definition of “trade secret” in s 230(2) is much narrower than that applying in the broader civil action. The criminal provision is focused only on industrial or commercial information with economic value. There are as yet very few New Zealand cases on this section, and none involving university researchers or similar.⁸⁶ There is considerable potential for s 230 to be used in cases involving the taking of commercially valuable information, for example by departing employees. The available penalty is imprisonment for a term not exceeding 5 years. In the university context, there is considerable scope for research to result in information that will meet the definition of a trade secret as having the potential to be used industrially or commercially, not generally available and having potential economic value. It is to be hoped that universities would not seek to use the criminal provision against a staff member or former staff member, but the potential clearly exists in New Zealand law.

New Zealand is one of few comparable countries to have a criminal offence for the taking of trade secrets as well as the possibility of civil action for breach of confidence. There is no equivalent in Australia, the United Kingdom or Canada. A number of European countries have some criminal protection for trade secrets, but there is presently no Europe-wide provision.⁸⁷ The United States, however, has had a criminal provision covering the taking of trade secrets since 1997, and there have been a number of recent cases involving researchers, including university researchers. In the United States, trade secrets are protected by

⁸⁶ There was a recent case involving an employee downloading data from a former employer in a set of facts that could potentially have involved a trade secret claim, but the case on the facts and as argued focused instead on s 249 of the Crimes Act 1961, involving accessing a computer system for a dishonest purpose. See *Watchorn v R* [2014] NZCA 493.

⁸⁷ See Baker & McKenzie *Study on Trade Secrets and Confidential Business Information in the Internal Market: Final Study* (Prepared for the European Commission, April 2013) at 7–8.

both the civil and criminal law.⁸⁸ The United States had no federal criminal law protecting trade secrets until the passage of the Economic Espionage Act in 1996,⁸⁹ in force from 1 January 1997.⁹⁰ The Economic Espionage Act provides for a crime of economic espionage, which generally constitutes the taking, copying or receiving of a trade secret, intending or knowing that doing so will benefit a foreign government, foreign instrumentality or foreign agent. Penalties are fines of up to US\$5 million or 15 years imprisonment or both for individuals, and for organisations, fines of up to US\$10 million or three times the value of the stolen trade secret to the organisation.⁹¹ It also provides for a crime of trade secret theft without a requirement of benefit to foreign entities. For this offence the penalties are fines and imprisonment of up to 10 years, and fines for organisations of up to US\$5 million.⁹²

There have been a number of recent prosecutions under the Economic Espionage Act 1996 involving theft of trade secrets by research scientists who are employees, including university employees.⁹³ These cases raise issues about the application of trade secrets law, and particularly the criminal law, to university researchers. New Zealand has not yet seen similar cases of criminal prosecutions of scientists, engineers and academics, but the United States cases demonstrate that criminal prosecution is a real possibility. The changing social and political context is an important factor here. Academics and researchers operate in a context in which political and media attention is increasingly focused on economic espionage and the potential taking of trade secrets. Organisations are more aware of the value and potential value of research information and data and are concerned to maximise commercialisation opportunities.⁹⁴ In this climate, we can expect the sharing of information by researchers to be increasingly reported and investigated. Disputes will arise, and will commonly be resolved through negotiation or through the civil law, but criminal action is available. This has implications for researchers and for the universities and research organisations that employ them. In universities, the traditional culture of disclosure and publication is in direct conflict with the need for secrecy. Researchers are accustomed to the need for secrecy in relation to potentially patentable inventions, and to provisions in some research contracts. However, trade secrecy can involve a much wider range of information. As discussed, New Zealand law protects trade secrets and confidential information through both the criminal and civil law, with particular rules for employers and employees. In the university context these general rules leave considerable uncertainty at the margins. Universities attempt to provide guidance through the application of institutional intellectual property policies.

88 Civil law breach of confidence was codified by statute since the 1979 approval of the Uniform Trade Secrets Act, which has been widely adopted across the United States. See discussion in Robert Denicola “The Restatements, the Uniform Act and the Status of American Trade Secret Law” in Rochelle Cooper Dreyfuss and Katherine Strandburg (eds) *The Law and Theory of Trade Secrecy: A Handbook of Contemporary Research* (Edward Elgar, Northampton (MA), 2011) at 18.

89 Economic Espionage Act 18 USC §§ 1831-1839.

90 Hedieh Naseri *Economic Espionage and Industrial Spying* (Cambridge University Press, Cambridge, 2005) at 129. The Act was amended in 2012 by the Theft of Trade Secrets Clarification Act, to extend coverage to products or services used in or intended for use in commerce. See Economic Espionage Act 18 USC § 1832(a).

91 Economic Espionage Act 18 USC § 1831.

92 Economic Espionage Act 18 USC § 1832. There is also provision for other orders including criminal forfeiture, orders to preserve confidentiality and injunctions in civil proceedings: Economic Espionage Act 18 USC §§ 1834-1836.

93 See, for example, *United States v Yudong Zhu* 41 F Supp 3d 341 (SD NY 2014).

94 In New Zealand recent amendments to the security services legislation extending powers of intelligence services were justified on the basis of protecting cybersecurity and intellectual property. See the Government Communications Security Bureau Act 2003, s 8A (amended by Government Communications Security Bureau Amendment Act 2013). See also discussion in the Government Communications Security Bureau and Related Legislation Amendment Bill 2013 (109-1) (explanatory note).

5 NEW ZEALAND UNIVERSITY INTELLECTUAL PROPERTY POLICIES AND TRADE SECRETS

All New Zealand universities have intellectual property policies in some form, and these can provide guidance to both staff and the university as to legal obligations and university practice. These policies are made by each individual institution, with no system for national co-ordination.⁹⁵ Universities are governed by councils.⁹⁶ Making policies for a university is a function of its council.⁹⁷ In determining policy, councils are required to consult with relevant bodies within the institution.⁹⁸ New Zealand universities have policies applying to intellectual property created within the institution. These policies are important within the institution, and provide evidence of university policy and practice.⁹⁹ However, they are not part of staff employment contracts unless incorporated into those contracts,¹⁰⁰ and they do not automatically override the applicable statutes and common law.¹⁰¹ The decision in *University of Western Australia v Gray* suggests that New Zealand courts may not readily imply a term of ownership of inventions into academic employment contracts that carries with it an implied obligation that research results will be kept secret. New Zealand courts have not as yet provided significant guidance, so that there are remaining issues for university researchers seeking to apply the law of confidential information to their particular situations. The main issues for university staff and researchers are identifying the information subject to an obligation of confidentiality and the obligations of the staff member to the university.

A review of publicly available New Zealand university policies suggests that their drafters were not particularly focused on issues of confidential information or trade secrecy. There is some inconsistency of approach across institutions, and remaining issues to be clarified.¹⁰² There is considerable variation in (i) the extent to which confidential information or trade secrets are expressly identified as an aspect of intellectual property in the policy definitions, (ii) approaches to ownership of intellectual property (which may or may not expressly include confidential information or trade secrets),¹⁰³ and (iii) obligations of disclosure and confidentiality specified in the policies.¹⁰⁴ None of the policies makes any express reference to the criminal law.

95 See Alan Collier and Brendan Gray *The Commercialisation of University Innovations – A Qualitative Analysis of the New Zealand Situation* (Centre for Entrepreneurship, School of Business, University of Otago, Research Report, June 2010) at 66.

96 Education Act 1989, s 165.

97 Section 180.

98 Section 182.

99 There was discussion of the relevant university intellectual property policy in *Victoria University of Technology v Wilson* [2004] VSC 33, (2004) 60 IPR 392 but on the facts the policy was not adopted and in force at the relevant time.

100 In *Abbott v Chief Executive, Whitireia Polytechnic* ERA Wellington WA151/10, 27 September 2010 at [17] the Employment Relations Authority noted that the Polytechnic's intellectual property policy was not an express term and condition of the employment agreement.

101 This issue was considered in an Australian context in *University of Western Australia v Gray* [2009] FCAFC 116, (2009) 179 FCR 346 at [105]. The Federal Court agreed with the Judge at first instance that the UWA could not, by regulation, acquire property from its staff members.

102 Policies reviewed here are from the University of Auckland, University of Waikato, Massey University, Victoria University of Wellington, Lincoln University, University of Canterbury and University of Otago.

103 The intellectual property policies considered here do not generally distinguish in relation to ownership between confidential information and other forms of intellectual property such as inventions. Confidential information is, however, not property that can be owned. See *Hunt v A* [2007] NZCA 332, [2008] 1 NZLR 368; *Dixon v R* [2014] NZCA 329, [2014] 3 NZLR 504. Information can be confidential so that there is a duty not to make an unauthorised use or disclosure of it.

5.1 Definitions of Intellectual Property

New Zealand university intellectual property policies show considerable variation in their definitions of intellectual property, with some but not all referring to confidential information and/or trade secrets. The University of Otago intellectual property policy definition of “intellectual property” does not include confidential information. The only reference to confidentiality is a provision that university staff engaged in contract research must comply with any confidentiality requirements in the contract.¹⁰⁵ The University of Waikato intellectual property policy also makes no express mention of confidential information or trade secrets in its definition of intellectual property. It defines “intellectual property” to mean “knowledge and creations arising from intellectual activity” and it includes “literary, artistic and scientific works, performances, sound recordings, broadcasts, inventions, scientific discoveries and industrial designs”.¹⁰⁶

Other universities’ policies do make some express provision for confidential information as an aspect of intellectual property as defined, but with little detail. Commonly the definitions of intellectual property in the policies are at least potentially broader than intellectual property as generally defined in law. This is particularly the case in relation to confidential information, not all of which will constitute a trade secret in the sense that it cannot be taken by a departing employee. The University of Canterbury defines “intellectual property” to include “trade secrets and other materials subject to an obligation of confidence”.¹⁰⁷ Lincoln University also refers to “trade secrets and confidential information” in the definition of “intellectual property rights”.¹⁰⁸ The University of Auckland definition of “intellectual property” includes “material subject to an obligation of confidence” so long as it meets the criteria of “any discovery, innovation, form, shape, sound, image, expression, technique or process which is the product of skill, effort or intellect”.¹⁰⁹ Victoria University of Wellington’s intellectual property policy defines “intellectual property” as “[t]he outcomes of intellectual activity and creative effort for which various rights and protections may be conferred by statute, contract or common law”.¹¹⁰ It expressly includes any trade secret.¹¹¹ Massey University’s definition of “intellectual property rights” includes trade secrets and also know-how.¹¹² Massey University also includes a broad definition of “confidential information” as meaning information obtained by a staff member in the course of employment or a student in the course of enrolment,¹¹³ and refers to a broad obligation of confidentiality applying to staff and students.¹¹⁴

104 University policies in other jurisdictions also take variable approaches to rights in confidential information. See Ann Monotti and Sam Ricketson *Universities and Intellectual Property: Ownership and Exploitation* (Oxford University Press, Oxford, 2003) at 370–375.

105 University of Otago “Intellectual Property Rights Policy” (2001) <www.otago.ac.nz> at [7].

106 University of Waikato “Intellectual Property Rights Policy” (March 2006) <www.waikato.ac.nz/> at [1], definition of “Intellectual Property (IP)”.

107 University of Canterbury “Intellectual Property Policy” (January 2015) <www.research.canterbury.ac.nz> at 2, definition of “Intellectual Property (IP)”.

108 Lincoln University “Intellectual Property Policy” (19 July 2013) <registry.lincoln.ac.nz/> at [1.4].

109 University of Auckland “Intellectual Property Created by Staff and Students Policy” (2011) <www.auckland.ac.nz> at [2.13], definition of “Intellectual Property”.

110 Victoria University of Wellington “Intellectual Property Policy” (18 July 2013) <www.victoria.ac.nz> at [4], definition of “Intellectual Property (IP)”.

111 At [4], definition of “Intellectual Property (IP)”.

112 Massey University “Intellectual Property Policy” (May 2014) <www.massey.ac.nz> at 5, definition of “Intellectual Property Rights”.

113 At 4.

114 At 8.

5.2 Ownership

There is also some diversity in intellectual property policies in relation to the details of ownership of intellectual property, but generally universities assert ownership of most staff-created intellectual property as defined. There is an issue here that, in law, confidential information is not property that can be owned.¹¹⁵ This issue is not addressed in the policies. It could be argued that the broad claim to ownership of intellectual property in intellectual property policies could be interpreted in relation to confidential information as meaning an obligation to maintain confidentiality of the information, so that there is a duty not to make an unauthorised use or disclosure of the information. However, greater clarity on this issue would be desirable.

Different universities have different provisions on ownership of intellectual property, particularly in relation to teaching materials and copyright works. In relation to confidential information and trade secrets, there are generally no specific provisions on ownership, other than catch-all assertions that the university owns all intellectual property created in the course of employment. For example, Victoria University of Wellington in its intellectual property policy asserts ownership over all intellectual property created by staff in the normal course of employment,¹¹⁶ or as commissioned from staff as part of their employment duties.¹¹⁷ “Staff” is defined as meaning full and part-time employees of the University.¹¹⁸ Independent contractors are not included in the definition. Other universities’ policies include similar but not identical provisions in relation to ownership. Generally the claims to ownership are limited to material created by staff in the course of employment. Independent contractors are not covered. Intellectual property produced by students is also generally not covered, unless there are special circumstances.¹¹⁹ Massey University, however, asserts ownership over new intellectual property rights (with some exclusions) created by staff in the course of employment or by students in the course of enrolment, where “the course of employment or enrolment will be read widely to include all research, development, inventive and/or creative work undertaken by that Staff member or Student in connection with their employment or enrolment (as the case may be) or otherwise using University resources as part of their employment or enrolment”.¹²⁰ This broad assertion covers trade secrets and know-how.¹²¹ Some universities make provision for intellectual property created by visitors, which may belong to the university in some circumstances, and for intellectual property created in collaboration with external third parties.¹²² As already discussed, these assertions of ownership are not necessarily conclusive that all staff-created

115 *Hunt v A* [2007] NZCA 332, [2008] 1 NZLR 368; *Dixon v R* [2014] NZCA 329, [2014] 3 NZLR 504. The English Court of Appeal has recognised that while confidential information is not property it is not inappropriate to include it as an aspect of intellectual property: *Coogan v News Group Newspapers Ltd* [2012] EWCA Civ 48, [2012] 2 WLR 848 at [39]. Arguably this is the sense in which confidential information is included in the definitions of intellectual property in the various intellectual property policies.

116 Some exclusions apply, but not in relation to trade secrets.

117 Victoria University of Wellington “Intellectual Property Policy” (18 July 2013) <www.victoria.ac.nz> at [5.1.4].

118 At [4], definition of “staff”.

119 See, for example, the University of Canterbury policy which provides for exceptions where the student is significantly assisted by a staff member, the intellectual property relies on prior intellectual property owned by the University, the intellectual property is generated by a team, and/or the generation of the intellectual property has involved the use of University resources and/or services beyond what is needed to pursue the student’s agreed topic of research. See University of Canterbury “Intellectual Property Policy” (January 2015) <www.research.canterbury.ac.nz> at 2. Lincoln University, however, provides that intellectual property created or acquired by a postgraduate or honours student will, by agreement, belong to the University: Lincoln University “Intellectual Property Policy” (19 July 2013) <registry.lincoln.ac.nz/> at [4.5].

120 Massey University “Intellectual Property Policy” (May 2014) <www.massey.ac.nz> at 5–6.

121 At 5.

122 See, for example, University of Canterbury “Intellectual Property Policy” (January 2015) <www.research.canterbury.ac.nz> at [4].

intellectual property will belong to the university, and confidential information cannot be owned as property. There will remain issues as to creation in the course of employment and about the scope of employees' duties and other relevant circumstances. The status of the information as confidential is also not always clear, and it is certainly not the case that a university can claim ownership of all confidential information such that a staff member could not take this to new employment.

5.3 Obligations of Disclosure and Confidentiality

A number of policies emphasise academic freedom and the value of disseminating knowledge, commonly through academic publishing. The University of Auckland, for example, emphasises the freedom of academic staff to engage in research and the University's role under the Education Act 1989 as a critic and conscience of society.¹²³ Similarly, the University of Waikato intellectual property rights policy makes reference to the obligation to "advance, disseminate and assist the application of knowledge".¹²⁴ The University of Waikato Code of Ethics for Academic Staff states that "academic staff have a responsibility to advance and disseminate knowledge and understanding", and goes on to refer specifically to academic freedom and the critic and conscience role.¹²⁵ Universities generally identify academic publishing and presentations as a means to disseminate knowledge, but commercial development is also identified as another form of knowledge dissemination. For example, the University of Canterbury notes that "while dissemination of knowledge is commonly achieved through teaching, publications and conferences, it can also be achieved by consulting and in some cases by commercial development".¹²⁶

It is common for university intellectual property policies to impose on staff a duty to disclose to the university any intellectual property that is possibly commercially valuable or with potential for commercialisation.¹²⁷ This duty to disclose applies to intellectual property variously described as created by staff in the normal course of employment, created using university resources, or where it is intellectual property to which the university has a claim. In some universities, the duty to disclose is to a company that acts as a commercialisation arm for the university.¹²⁸ Under the policies, the decision whether to commercialise particular intellectual property lies with the relevant university or its commercialisation

123 University of Auckland "Intellectual Property Created by Staff and Students Policy" (2011) <www.auckland.ac.nz> at [1.3].

124 University of Waikato "Intellectual Property Rights Policy" (March 2006) <www.waikato.ac.nz> at 1.

125 University of Waikato "Code of Ethics for Academic Staff" (undated) <www.waikato.ac.nz> at "section 1".

126 University of Canterbury "Intellectual Property Policy" (January 2015) <www.research.canterbury.ac.nz> at 1. The University of Waikato also makes reference to making knowledge available through commercial development. See University of Waikato "Intellectual Property Rights Policy" (March 2006) <www.waikato.ac.nz> at 1.

127 University of Auckland "Intellectual Property Created by Staff and Students Policy" (2011) <www.auckland.ac.nz> at [3.1]; University of Canterbury "Intellectual Property Policy" (January 2015) <www.research.canterbury.ac.nz> at [6]; University of Waikato "Intellectual Property Rights Policy" (March 2006) <www.waikato.ac.nz> at [7].

128 At the University of Auckland, disclosure is to UniServices Ltd, a wholly-owned company at the University of Auckland. See University of Auckland "Intellectual Property Created by Staff and Students Policy" (2011) <www.auckland.ac.nz> at [6]. See also <www.uniservices.co.nz/about/uniservices>. At Victoria University of Wellington, the disclosure goes to Victoria Link Ltd (VicLink) See Victoria University of Wellington "Intellectual Property Policy" (18 July 2013) <www.victoria.ac.nz> at [5.1.5]. See also <www.viclink.co.nz>. At the University of Waikato, disclosure is to WaikatoLink Ltd, a wholly-owned subsidiary of The University of Waikato. See University of Waikato "Intellectual Property Rights Policy" (March 2006) <www.waikato.ac.nz> at [8]. See also <www.waikatolink.co.nz>.

arm.¹²⁹ Information relating to the intellectual property is required to be kept confidential until released by the university or commercialisation arm.¹³⁰

There is some diversity between universities as to the description of the information that is required to be disclosed to the university, and as to the staff member's knowledge requirement in terms of their assessment of whether it needs to be disclosed. In the University of Canterbury policy this is material that the staff member "knowingly creates" and "is potentially able to be commercialised".¹³¹ In the University of Otago policy, the duty to disclose applies to "results that are novel and have potential commercial applicability".¹³² The Victoria University of Wellington policy refers to intellectual property that the "creator reasonably believes...will be of commercial interest or value to the University", and further that if a creator is unsure then "he or she must assume the IP will be of commercial interest".¹³³ The University of Auckland policy requires disclosure of intellectual property "which in the creators' view offers possibilities for commercial exploitation".¹³⁴ The University of Waikato requires disclosure where a staff member "has clearly identified that an invention or any other IP created in the course of his or her normal duties may have potential for commercialisation".¹³⁵ Clearly there is a difference of emphasis here, and room for difference of opinion as to whether a particular item of intellectual property is required to be disclosed. This is particularly the case in relation to information that may qualify as confidential information or a trade secret, but is not patentable or protected by copyright.

Similar uncertainty exists in relation to confidentiality. Where confidentiality is provided for, it is generally in relation to information which is commercially valuable or potentially patentable or in relation to requirements of confidentiality in externally funded research.¹³⁶ For commercially valuable or potentially patentable information the requirement is that it is to be kept confidential until released by the university or its commercialisation arm.¹³⁷ For externally funded research, the university intellectual property policies generally contain some provision for ownership, and in some cases confidentiality, so that these issues are to be governed by the terms of the relevant research contract.¹³⁸

The University of Canterbury policy has particularly detailed provisions on confidentiality and restrictions on publication. Under the policy the University claims ownership of all intellectual property as defined that

129 Victoria University of Wellington "Intellectual Property Policy" (18 July 2013) <www.victoria.ac.nz> at [5.1.5(c)]; University of Waikato "Intellectual Property Rights Policy" (March 2006) <www.waikato.ac.nz/> at [8]; University of Auckland "Intellectual Property Created by Staff and Students Policy" (2011) <www.auckland.ac.nz> at [7.1].

130 See, for example, Victoria University of Wellington "Intellectual Property Policy" (18 July 2013) <www.victoria.ac.nz> at [5.1.5(g)]; University of Waikato "Intellectual Property Rights Policy" (March 2006) <www.waikato.ac.nz/> at [8.5].

131 University of Canterbury "Intellectual Property Policy" (January 2015) <www.research.canterbury.ac.nz> at [6.2].

132 University of Otago "Intellectual Property Rights Policy" (2001) <www.otago.ac.nz> at [1].

133 Victoria University of Wellington "Intellectual Property Policy" (18 July 2013) <www.victoria.ac.nz> at [5.1.5(a)].

134 University of Auckland "Intellectual Property Created by Staff and Students Policy" (2011) <www.auckland.ac.nz> at [6.1].

135 University of Waikato "Intellectual Property Rights Policy" (March 2006) <www.waikato.ac.nz/> at [7].

136 University of Auckland "Intellectual Property Created by Staff and Students Policy" (2011) <www.auckland.ac.nz> at [8].

137 See, for example, Victoria University of Wellington "Intellectual Property Policy" (18 July 2013) <www.victoria.ac.nz> at [5.1.5(g)]; University of Waikato "Intellectual Property Rights Policy" (March 2006) <www.waikato.ac.nz/> at [8.5].

138 Compare as examples the provision in the University of Waikato policy that refers generally to ownership, and the Victoria University of Wellington policy that refers to ownership, income distribution and confidentiality. See University of Waikato "Intellectual Property Rights Policy" (March 2006) <www.waikato.ac.nz/> at [5]; Victoria University of Wellington "Intellectual Property Policy" (18 July 2013) <www.victoria.ac.nz> at [5.1.7]. See also University of Otago "Intellectual Property Rights Policy" (2001) <www.otago.ac.nz> at [7(b)].

is “created by any of its staff during the course of their employment or arising out of performance of a duty relating to their employment”.¹³⁹ Staff may be required to enter into intellectual property agreements with the University or third parties which may require assignment of rights.¹⁴⁰ University of Canterbury policy allows for commercial confidentiality under a research contract, but emphasises that all research work that is publicly funded should be effectively transferred or disseminated to achieve appropriate public good.¹⁴¹ The University of Canterbury policy includes detailed provisions related to confidentiality and restrictions on publication in research contracts, providing among other things that the reasons for the restrictions must be clearly specified in writing, the duration and scope of restrictions shall not extend beyond what is reasonably necessary, they should not pose a danger to society or public health, and that the maximum period of delay in publication is 12 months or 24 months in exceptional cases.¹⁴²

In summary, the university intellectual property policies are all different, but with common ground. Provisions related to confidential information are particularly diverse, and there is scope for considerable uncertainty as to whether information is covered, and as to obligations in relation to that information. Policies generally make provision for confidentiality in external research contracts and in relation to information that is potentially valuable information, which there is an obligation to disclose to the university. However, in the absence of such a contract there remains considerable uncertainty at the margins, and scope for differences of interpretation. There are also unresolved questions as to the extent to which the policies on ownership and obligations are actually enforceable in law.¹⁴³ The policies themselves are not enforceable on their own, although they do contribute to the overall factual matrix. Policies will be more likely to be enforceable if incorporated into individual employment contracts.

6 CONCLUSION

There remains ongoing uncertainty for university research staff about their obligations in relation to confidential information and trade secrets resulting from research. There is uncertainty about what constitutes protected confidential information or trade secrets and how this information is to be distinguished from more general knowledge and subject expertise. There is continuing uncertainty at the margins as to who owns or has rights in inventions and research results, the rights of the employer and in what circumstances the researcher has rights. The rights of the various parties will depend in part on the circumstances of creation, the employment contract, institutional policy and any applicable research contracts. There may also be issues for temporary staff, contract staff and graduate students working as part of research teams. There is also uncertainty about the scope of staff obligations in relation to confidential information and trade secrets to which they have access, and a need for greater clarity as to the circumstances in which that information can or cannot be shared with collaborators or new employers. Researchers need greater clarity concerning their obligations, and about the risks of any conduct that may give rise to civil or criminal action.

There are important values involved here. There is a need for clarity on intellectual property obligations, and how these vary with differing employment arrangements. Innovation policy suggests there is a need to encourage collaboration and information sharing in order to advance research and opportunities for economic

139 University of Canterbury “Intellectual Property Policy” (January 2015) <www.research.canterbury.ac.nz> at [2.1].

140 At [2.4].

141 University of Canterbury “Research Conduct Policy” (September 2014) <www.research.canterbury.ac.nz> at 2–3.

142 University of Canterbury “Intellectual Property Policy” (January 2015) <www.research.canterbury.ac.nz> at [8].

143 The Australian cases already discussed, *Victoria University of Technology v Wilson* [2004] VSC 33, (2004) 60 IPR 392 and *University of Western Australia v Gray* [2009] FCAFC 116, (2009) 179 FCR 346, highlighted the issues in relation to ownership.

development, and internet technologies have facilitated long distance and international collaboration. Staff with affiliations across institutions and across jurisdictions require some assurance that, so long as these are disclosed, they are not at risk of allegations of breaching obligations of confidentiality. It is also important that staff mobility is not discouraged by uncertainty of obligations. Both universities and staff need to have a shared understanding of obligations of confidentiality and disclosure and the circumstances in which they apply. Universities have a legitimate interest in recouping investment where resources have been allocated to researchers and to commercialisation.¹⁴⁴ Staff inventors also have an interest in benefitting from innovations they have created. There is also a wider public interest in publication of research and disclosure of inventions, especially in public institutions. Academic freedom as to research directions is a relevant consideration. These considerations are best negotiated as part of employment contracts and university policy rather than through law which is typically designed for commercial enterprises rather than universities.

This raises the question of the best way forward for universities and staff. The law does not present an easy solution. The Full Federal Court in *University of Western Australia v Gray* observed that there are clear reasons for not implying a term into academic employment contracts that the university owns all inventions. The Court said that:¹⁴⁵

If a less crude and more fair and reasonable result is to be achieved which balances the respective interests of a university and its academic staff members, this will need to be done by or under legislation or, if it could be devised, by an express contractual régime appropriate to the circumstances of the individual case.

New Zealand legislation is currently of little assistance on university employee obligations of confidentiality, and devising sufficiently specific legislative provisions would be extremely difficult. The criminal law can potentially apply to some of these situations, but use of the criminal law is likely to have a chilling effect on research and innovation, so that it would be appropriate for university policies to expressly disclaim recourse to criminal action. Use of employment contracts is a possible approach but most academic staff are employed on generic employment contracts that provide no specific guidance on obligations in any particular case. Where practical for specific staff working on specific projects, employment contracts can be drafted to provide for clear identification of information to which an obligation of confidence arises, and the nature of that obligation. This approach has the benefit that it will apply to a group of staff who are particularly likely to be involved in producing research with potential for commercialisation, and it should not be dismissed as a solution for those staff. In situations where staff are producing research using university resources, and that research is then commercialised by the university, it is reasonable that the university would seek a return on that investment and that contracts would therefore impose confidentiality obligations. However, for most staff in universities employed on generic employment contracts with a general duty to research, this level of specificity is not achievable. For these staff, as French J noted at first instance in *University of Western Australia v Gray*, the transaction costs of administering and enforcing provisions in individual employment contracts, and the uncertainty surrounding their scope and application, raises a real question as to their utility.¹⁴⁶ It is therefore argued that, in addition to drafting of specific employment contracts for a group of staff, universities should review their intellectual property policies

144 See discussion in Ann Monotti “Is it Time to Codify Principles for Ownership of Academic Employee Inventions? The Disconnect Between Policy and Law” (2012) 38 Monash U L Rev 102 at 114–117.

145 *University of Western Australia v Gray* [2009] FCAFC 116, (2009) 179 FCR 346 at [211].

146 *University of Western Australia v Gray* [2008] FCA 498, (2008) 76 IPR 222 at [14]. A better approach might be that suggested by French J in *University of Western Australia v Gray* who suggested that instead of claiming ownership of intellectual property, universities might offer commercialisation services to staff in exchange for negotiated interests in the intellectual property.

in consultation with staff in order to clarify claims made to confidential information and the obligations on staff. It would also be desirable to assess the potential innovation benefits of achieving much greater consistency of approach across the New Zealand universities and the wider sector, which suggests a need for a collaborative inter-institutional approach.

This article was accepted for publication on 25 March 2015