

# 2020 Vision: IP Commercialisation Lessons from *USYD v ObjectiVision*

**Kosta Hountalas**, Lawyer, MinterEllison, discusses the recent *ObjectiVision* judgment and the implications it has for commercialising intellectual property.

## Overview

In *University of Sydney v ObjectiVision Pty Limited*,<sup>1</sup> a failed attempt to commercialise technology in the field of visual electrophysiology formed the basis of a dispute heard by Burley J. In a 214-page judgment, His Honour was tasked with dissecting a particularly complex factual matrix, which gave rise to claims of various breaches of contract, copyright infringement, estoppel and implied licensing.

This case note focuses on the copyright issues thrown up in the dispute, which give rise to a useful summary of the law in relation to copyright in software, and its commercialisation.

## Background

Back in 2000, the University of Sydney (**USYD**) and ObjectiVision Pty Limited (**ObjectiVision**) entered into a commercialisation arrangement, whereby ObjectiVision would commercialise technology developed by employees of USYD in relation to the detection of blind spots in a patient's eye (such as in the case of cataracts or glaucoma). The technology is known as 'multi-focal visually evoked potential' (**mfVEP**). USYD, the owners of the mfVEP, licensed its use to ObjectiVision so that it could be commercialised and brought to market (ie turned into a fully-functional, economically viable device that could be marketed to ophthalmic and other eye-related specialists). The device was called the **AccuMap**.

A key part of commercialising the mfVEP was to design a software platform built into the AccuMap for the mfVEP to run off. The first iteration of the software known as Objective Perimetry Evoked Response Analysis (**OPERA**) was created in 2001 by one of ObjectiVision's founding shareholders, Dr Alex Kozlovski.

By 2005, the commercialisation process was not as advanced as anticipated, and ObjectiVision developed new versions of the AccuMap (v2) and OPERA software (v2.3).

When things had not significantly improved by 2008, USYD sent through a notice of breach to ObjectiVision and altered the mfVEP licence to ObjectiVision so that it was no longer exclusive. USYD then developed its own software, known as TERRA, to replace OPERA.

By 2011, relations had deteriorated to the point where USYD gave notice to ObjectiVision that it would terminate the licence altogether. USYD then proceeded to commercialise the mfVEP with another party (**Visionsearch**).

## Legal arguments

USYD commenced proceedings in 2014, alleging that it had terminated the agreement with ObjectiVision which licensed the use of the mfVEP, and that ObjectiVision's continued use of the technology was infringing USYD's rights.<sup>2</sup>

ObjectiVision cross-claimed on a number of grounds,<sup>3</sup> including that:

- the agreement (and therefore licence) was never validly terminated, so that USYD's commercialisation work with Visionsearch was in breach of ObjectiVision's agreement with USYD; and
- ObjectiVision's copyright in the OPERA v2.3 software had been infringed by USYD using it in the AccuMap devices held by USYD, and by reproducing part of the OPERA v2.3 source code in TERRA.

Burley J ultimately found that that ObjectiVision's licence had been validly terminated by USYD, and rejected ObjectiVision's copyright infringement claims.

## Overview of relevant copyright law

The following principles of law relate to ObjectiVision's copyright infringement claims:

- copyright subsists in original literary works, including computer programs;<sup>4</sup>
- copyright in a computer program includes the exclusive right to reproduce the computer program (or a substantial part of the computer program) in a material form;<sup>5</sup>
- reproduction (or authorising the reproduction) of a computer program by someone who is not the owner, and is not licensed by the owner, is an infringement;<sup>6</sup>
- generally, the person who brings a copyright work into existence is its 'author',<sup>7</sup> although this does not

<sup>1</sup> [2019] FCA 1625 ('*ObjectiVision*').

<sup>2</sup> *Ibid*, [22].

<sup>3</sup> *Ibid*, [23].

<sup>4</sup> Copyright Act 1968 (Cth) ('CA'), Part III. See also definition of 'computer program' in 10(1).

<sup>5</sup> *Ibid*, s 31(1)(a)(i).

<sup>6</sup> *Ibid*, s 36(a).

<sup>7</sup> *IceTV Pty Limited v Nine Network Australia Pty Limited* [2009] HCA 14, [98].

always equate to ownership, such as if that person has created the work as an employee in the course of their employment,<sup>8</sup> or they have subsequently assigned their rights to the work to another person;

- where multiple persons' efforts have brought a work into existence, it will be a question of fact and degree whether their effort is sufficient to render them an author for the purpose of copyright law;<sup>9</sup>
- an implied licence may exist to use copyright works in a manner that would otherwise be infringing, where the copyright owner was aware of such use;<sup>10</sup> and
- given the nature of source code, which can be hundreds of thousands of lines of code, the unintentional copying of a small number of source code lines is unlikely to infringe.<sup>11</sup>

In response to ObjectiVision's infringement claims, USYD and Visionsearch argued that ObjectiVision had not proven:

- authorship (ie that ObjectiVision had brought OPERA v2.3 into existence);
- ownership (ie that ObjectiVision was the current owner of the copyright in OPERA v2.3); and
- subsistence (ie that OPERA v2.3 was an original work).

### Copyright authorship

USYD claimed that ObjectiVision had not proven that the software developers of OPERA v2.3 were joint authors for the purpose of copyright. USYD argued that a number of software developers had been engaged by ObjectiVision to work on OPERA v2.3 (and its predecessor versions) in an inconsistent fashion, at different times and varying levels of capacity. Therefore, not all their

work was of the right kind of skill and labour required to warrant their contributions as authorial. This was rejected by the Court and the software developers were found to be joint authors.

Burley J's reasons included that:

- each developer made a contribution to the final OPERA v2.3;
- for each subsequent contribution, the contributor had to understand how their work would necessarily interact with the existing code, which would indicate that each contributor had collaborated with the others; and
- there was a common instructor throughout the software development process (that common instructor being Associate Professor Klistorne).<sup>12</sup>

### Copyright ownership

After joint authorship had been established, the next question was whether ObjectiVision actually owned the copyright in OPERA v2.3.<sup>13</sup> Two key questions arose:

1. Were the software developers employees of ObjectiVision at the time they contributed to OPERA v2.3? If they were, copyright would have automatically subsisted with ObjectiVision.
2. If not, had the copyright vesting in each developer been assigned to ObjectiVision (eg through an effective Consultancy Agreement)? If it had, copyright would have subsequently subsisted with ObjectiVision.

It was vital that ObjectiVision demonstrate copyright ownership (at least as a joint author) for it to have a right to sue for infringement. The analysis of this issue was complex, and each developer was slightly different.

For example, ObjectiVision had engaged software consultants (PMP) to perform some of the work, pursuant to an arrangement in which PMP agreed to assign any and all of its intellectual property (IP) rights to ObjectiVision. Some of PMP's employees, however, switched to independent contractors during the course of their work for ObjectiVision. The result was that during their time as employees, PMP was the author and first owner, and ObjectiVision was the subsequent owner, however once they became independent contractors to PMP, they retained copyright ownership and no further assignments were effectively executed.

Other issues that played against ObjectiVision were deficient assignments and unexecuted agreements.

In the end, the Court found that ObjectiVision had not established copyright ownership in respect of the majority of the contributions from software developers. ObjectiVision contended that even if it only had fractional ownership interests, it was still entitled to injunctive relief and nominal damages, however, as outlined below, the Court did not need to resolve this as copyright infringement was not proven.

### Subsistence of copyright

Subsistence was not a major issue and the Court was prepared to find that OPERA v2.3 was an original work.

### Copyright infringement

Two separate infringement claims were advanced:

1. USYD infringed copyright in OPERA v2.3 by reproducing the software in the AccuMap devices USYD held.<sup>14</sup>

<sup>8</sup> CA, s 35(6).

<sup>9</sup> *ObjectiVision*, [480]; CA ss 78 – 83. See also definition of 'work of joint authorship' in s 10(1).

<sup>10</sup> See, eg, *Concrete Pty Ltd v Parramatta Design & Developments Pty Ltd* (2006) 229 CLR 577; *Beck v Montana Constructions Pty Ltd* (1964) NSW 229.

<sup>11</sup> *ObjectiVision*, [640]–[648], [730].

<sup>12</sup> *ObjectiVision*, [560].

<sup>13</sup> *Ibid*, [584]–[614].

<sup>14</sup> *Ibid*, [618]–[635].

2. USYD and Visionsearch infringed copyright in OPERA v2.3 by reproducing it when developing the TERRA software.<sup>15</sup>

In relation to claim 1, Justice Burley held that USYD had an implied licence to use OPERA v2.3, largely due to evidence His Honour accepted that ObjectiVision was fully aware of USYD's use of the software, and that this implied licence was never effectively revoked by ObjectiVision (although, this point became redundant, by way of a pleading deficiency on ObjectiVision's part).

In relation to claim 2, expert evidence was tendered that went to the similarity of OPERA v2.3 to TERRA, and a key issue was that one of the software developers had worked on

both, after moving from ObjectiVision to USYD. After an extensive analysis of the source code in each software product, including a finding that only 0.07% of the 175,293 lines of code in TERRA were the same as in OPERA v2.3, Justice Burley was not satisfied that infringement had occurred, and that any reproduced lines of code were merely 'fragmentary and inadvertent'.<sup>16</sup>

### Commercial implications

This decision is a useful and timely reminder of what parties should be alive to when negotiating and entering into arrangements such as procurement, consultancy or service agreements, which involve the creation, assignment and commercialisation of IP rights. As can

be seen in this case, the issues that arise in relation to copyright can be complex, particularly with software products.

Parties procuring or commissioning the creation of a product should consider the following:

- **Authorship:** Where multiple persons are working on the product, thought should be given to how their contributions might impact on whether they are the legal authors of any copyright subsisting in the resulting product. Software development should be project-managed effectively so that each developer's contribution can be clearly demonstrated, collaboration between developers should be encouraged, and where possible, there should be a common 'instructor' throughout the development process.
- **Ownership:** Where it is contemplated that both employees and independent contractors will work on developing the product, it is vital that appropriate agreements are in place. For the avoidance of doubt, employee agreements should contain robust IP clauses that make it clear that IP created in the course of employment will vest with the employer. For third-party contractor agreements, there should be an effective assignment clause and warranties to the effect that the contractor will only allow employees, or contractors that have signed a similar agreement to work on the product.
- **Implied licences:** To avoid a finding of an implied licence which might be contrary to the intentions of the licensor, all of the contemplated and permitted use of IP rights should be explicitly set out in a licence agreement, including the process of termination. In the event that a licence should need to be revoked, the revocation should be clearly communicated to the licensee.

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<sup>15</sup> Ibid, [636]-[736].

<sup>16</sup> Ibid, [798].