



## THE 2005 DENNING LECTURE: Intellectual Property and Employment

I HAVE got used to giving judgments. It is not easy. They are so final — until they are reversed on appeal. They are then futile.

During this year as Treasurer of Gray's Inn I have given talks to students, on Call Day, at advocacy training sessions and so on but not formal lectures. I have never been keen on formal lectures, either as a speaker or a listener. They are almost as awful as after-dinner speeches.

The few lectures I have been to since university were mostly given by friends and I went out of loyalty.

I have accepted some invitations to give lectures, mainly to specialised audiences, when I think there is something useful to say based on personal or professional experience. Rehashing what others have already said better is pointless.

I decided to make an exception from this inclination to extra-judicial silence when, out of the blue, I was invited by BACFI to give this lecture. How could I even think of turning down a Lord Denning event!

With your Chairman's encouragement I have chosen a topic which I hope is relevant to the interests of members of the employed Bar.

### Denning

I also hope that Lord Denning, in whose honour this annual lecture was established more than 20 years ago, would have thought it a fitting subject for a lecture named after him.

I cannot resist telling you that I met Lord Denning several times. I even argued a few appeals in front of him. In one of them he was seen checking me up in the Law List.

His judgments have left their mark on almost every part of the law. Nothing was ever quite the same after a Lord Denning makeover.

I have good memories of appearing before him on appeals in employment and intellectual

**By the Rt. Hon. Lord Justice Mummery**

**28 November 2005 at the Spy Room, Gray's Inn**

property cases in the 1970s.

Although 30 years have passed, the special atmosphere in Appeal Court No 1 is still vivid.

One case was an employee in dispute with his former employer about the enforceability of a restrictive covenant in his contract of employment. Lord Denning was impressed by the fact that my client (the employee) had (on my advice) brought proceedings for a declaration that the covenant was void, rather than sneaking off to work for a competitor until he was found out and then threatened with an interim injunction.

He said: "He did a very courteous and sensible thing, which I have never come across before in these cases. He said 'I want to know my legal position.' He himself issued a writ..."

The Court of Appeal upheld the decision of Fox J to grant the declaration of invalidity. The covenant was in unreasonable restraint of trade. *Greer v. Sketchley* [1979] FSR 197.

Another appeal was a passing off case for Oxford University. It successfully appealed against the refusal of the Chancery Judge (a seriously misguided Cambridge man) to grant an injunction against Robert Maxwell's publishing company Pergamon Press, preventing it from using the word "Oxford" in the title of a spelling dictionary. At that time the university had not registered "Oxford" as a trademark in relation to books or anything else. It now has a mark and puts it on every object imaginable.

Lord Denning mischievously pointed out at the beginning of the appeal that he was one of the plaintiffs, as the correct designation

of the University included the Masters, as well as the Chancellor and the Scholars, in the university. There was no objection and he did not recuse himself. (The position might well be different now under Article 6 ECHR and the ruling of the House of Lords in *Pinochet*). Lord Denning then used his personal knowledge to give evidence to the court that Mr Maxwell's business was based in Headington on the outskirts of Oxford rather than in Oxford itself and that, if his company re-titled its dictionary a "Headington" dictionary, the OUP could have no objection. The suggestion was not taken up. It was no surprise that the university won the appeal *Oxford University v. Pergamon Press* (1977) 121 SJ 758.

Another passing off case was for the BBC. The publishers of "Newsweek" magazine unsuccessfully attempted to prevent the BBC from broadcasting a weekly news programme called "Newsweek." The Court of Appeal upheld the decision of Walton J refusing an interim injunction. The House of Lords, Lord Diplock presiding in a combative mood, refused leave to appeal. *Newsweek Inc v. BBC* [1977] RPC 441. My opponents were Bob Alexander, who sadly died earlier this month, leading Robin Jacob, who is very much alive and is an intellectual property buff and a colleague in the Court of Appeal.

Do not get the impression that my Denning appeals in employment and IP were always successful. They were not. In *Mood Music Publishing v. De Wolfe Ltd* [1976] Ch 119, Lord Denning ruled that highly damaging similar fact evidence of copying other music (which was played in court) could be used against my clients Mood Music in an action for infringement of copyright in one particular musical work in order to show a plan or disposition to copy the works of others for use in TV

*Continued on next page*

## *From previous page*

commercials and such like without obtaining consent.

### **The chosen subject**

This evening's lecture is not, however, about my appeals success rate nor about me nor even about Lord Denning's memorable judgments in the Court of Appeal. Tonight's topic is intellectual property and employment. Both areas of law are within my limited experience, which is more than I can say for a lot of the work that I am expected to do in the Court of Appeal.

The points at which two or more areas of law meet have always had a particular fascination for me. It is one of the aspects of law that makes sitting in the Court of Appeal so challenging. Crossroads are more interesting than motorways.

The meeting points of employment law and IP law stimulate some basic thoughts about law and acceptable solutions to legal problems. A fair balance must be struck between the competing interests and claims of the parties, a balance of justice between employers and employees, between creative individuals and the end-users of their work.

The allocation of rewards and recognition for work must be fair and reasonable. The law must be reasonably compatible with many aspects of the public interest. The law must be realistic and its solutions must be practicable and generally acceptable. There is a public as well as a party interest in the keeping of contracts, the protection of property, in respect for human rights, in the free circulation of ideas and information, the promotion of competition, the maintenance of an efficient and contented workforce.

And ideally all rules of law should be as simple, accessible, practical, certain and predictable as possible. Only in that way can everyone affected by law, and we all are in one way or another, know what the rules are and where they stand so that they can arrange their affairs to be within the law. People will then be better able to avoid the time and money wasted in pointless disputes and stressful litigation.

I shall concentrate on one particular point at the crossroads of intellectual property and employment—entitlement to IP rights.

I shall examine in general terms the circumstances in which an employer is entitled to intellectual property rights in works

created by his employees. This is the most important exception to the general rule of IP law that the creator of a work is entitled to keep and control the fruits of his work.

There is a second significant crossroads point and that is about wrongs rather than rights, the principles of liability for infringing the IP rights, to which other people are entitled. I am afraid there is insufficient time to look at the circumstances in which an employer may be held to be vicariously liable for the acts of an employee who has infringed the IP rights of a third party.

### **Specialisation**

First, before we arrive at the crossroads, a few words about employment law and IP law as specialised areas of legal practice. Over-specialisation creates difficulties in identifying and managing situations in which different specialisations meet.

Professional specialisation is unavoidable. The growing mass of complex specialist information that has to be gathered, updated and digested forces specialisation on all of us.

Nearly all lawyers, both in the employed sector and in independent practice, have to specialise. So there is an Employment Law Bar Association (ELBA) and an Employment Law Association. Similar associations exist for those interested in IP law, both at the Bar and more generally. They all do excellent work in bringing specialist practitioners in contact with one another professionally, socially and for the purposes of discussing legal issues and sharing views. It is one of the more welcome professional developments of recent years.

The problem is that it is, of course, impossible to practise in one area of law, such as employment law or IP law, in isolation from the rest of law. Knowing about other areas of law and of the general principles underpinning the whole of the law is essential to an understanding of legal problems in even the most recondite topics: the core concepts of property, contract, tort, restitution for unjust enrichment, the general principles of civil liability, the outlines of EC and human rights law, the relationship of law and equity, the law of procedure and remedies and so on permeate the whole of the law.

Without awareness of these fundamental principles and of other areas of substantive law, at least in outline, links between different

specialist legal topics would be overlooked and connections that should be made would not be made. Even the most knowledgeable specialist would not really understand his own subject or be in a position to advise on a problem which may well, as many do, cut across more than one specialised area of legal practice. Legal problems do not arrive on your desk or on your screens neatly labelled 'IP' or 'Employment'.

Specialisation works well, but only on the basis that the specialist knows his own subject in detail and also understands its context in the whole legal system, the relationship of his subject with the law as a whole and how it connects with other specialised areas of law.

Remember that the sheer mass and complexity of specialist information which must be mustered and mastered is only the first step to relevant legal knowledge; and knowledge is only the first step to understanding; and understanding is useless without wisdom.

There are other concerns about the world of experts. We have recently seen something of the problem with the use of expert witnesses in criminal and civil litigation. The opinions of a person with relevant qualifications and experience should, of course, be respected, but the treatment of experts can be too deferential. They are fallible. They can be too wrapped up in their own expertise and they can lose a proper sense of perspective.

There is a tendency to think that experts know it all and that they must be right. Non-experts are afraid to know things about which they are not an expert, even the things that they do know something about from their practical experience, general knowledge, human intuition and just plain common sense. I am thinking of experts who pontificate on everyday things like parenting, cooking and gardening, even living — even, dare I say, law.

I am of course leading up to links between IP law and employment as specialist topics and the relationship of each of them with the real world, with realistic standards of fairness, reasonableness and common sense.

### **Similarities and sense**

The two areas do have some significant basic similarities. They are also rooted in the real everyday world of non-experts. In order to remain fresh, relevant and useful they must keep constantly in touch

## *From previous page*

with the real world and with common sense and must be viewed in their proper perspective.

Both areas are about work and work-related rights and liabilities. Central to both is this notion; that most people who work reasonably expect that those who take the benefit of the work should pay something for it.

Work of various kinds is at the centre of all our individual and community lives. Much of our early life is a preparation for work. (The way things are going, we will inhabit the workplace until the end of our lives.)

This is no bad thing. As Ruskin said, no man was intended to live in this world without working; and in order to be happy a man must be fit for his work, not have too much of it to do and "have a sense of success in it" as a job "done well, and fruitfully done." Work and all those who do it should be properly respected, rewarded and recognised.

## **Public interest**

Inevitably, powerful public interest factors influence the law in those areas. Work is central to the interests of the community as a whole as well as to individuals. So employment law and IP law are not just about monetary rewards for the work of individuals.

There is a public interest in freedom of competition, freedom of contract between employers and employees, freedom of expression of ideas and information and the free circulation of persons, property and ideas. The protection of private contract and property rights and the prevention of the abuse of power in employment law and of monopoly rights in IP law are necessary.

I shall now say a few words about the two specialities.

## **Employment law**

I shall start with employment law.

Employment law revolves around a relationship. The rights and duties of the parties to the relationship are determined by a combination of contract and statute law. The combination represents a colossal series of compromises forged in the politics of the workplace and of society at large.

The employment relationship is consensual. We do not have institutionalised slavery. The relationship usually arises when one person agrees to do paid full-time or part-time work for another

person, mainly inside that other person's undertaking and ultimately under that other person's direction or control.

The relationship is subject to statutory intervention, principally in order to confer additional protection on individual employees. In the balance of power in the workplace the employees are usually more vulnerable than the employer. Parliament intervenes to ensure fair treatment. Getting the balance right is difficult in constantly changing local and global conditions. The Employment Rights Act 1996, which runs to hundreds of sections, is a valiant effort as are the anti-discrimination Acts and many regulations which are also applicable to the employment relationship.

Note the most striking legal aspect of the employment relationship, the central feature in determining employment rights, in particular to determining who is entitled to IP rights and who is vicariously liable for infringements of them. The point is that, despite all the statutory intervention, more than in almost any other kind of contract, Parliament has left it to the courts, the much maligned courts, to apply the common law in order to ascertain when that relationship, from which all else flows, exists. So the courts have a pivotal role in deciding who is entitled to the rights and who is bound by the duties of an employment relationship.

The criteria for deciding who is an employee and who is an employer and when an employment relationship exists are to be found in case law, not in legislation. The legislation on both employment law and IP law refer to, but do not attempt to define or codify, the common law concepts evolved by precedent of a "contract of service", as distinct from a contract for services, and of work done "in the course of employment" under a contract of service.

## **IP law**

Let us now look at IP law.

Although Intellectual Property law is also governed by a mass of complex legislation, contract law plays a crucial part in supplying solutions to problems about the ownership, exploitation and liability for the infringement of the relevant rights.

Note IP law also includes the law of confidential information. This is a rapidly-expanding body of case law evolved from contract and equity sources. It forms the basis of protection for much valuable

information which is not protected by statute or express contract — trade secrets, state secrets, business information, customer lists, private facts, non-patentable matter and a whole mass of ideas, data, know-how and information. It has developed property-like features in that the obligation of confidence can bind third parties and it can be assigned and be made the subject of a trust.

IP law focuses on the protection of particular products of creative work, rather than the rights and duties in the particular relationship within which work is produced.

IP law meets up with employment law when, as they often are in the corporate world, creative works are produced in the context of an employment relationship rather than by individuals on their own account.

While the aim of employment law is to define and regulate the employment relationship, the aim of IP law is to provide incentives for creating new work, for making it available to the public and for facilitating its exploitation.

The key question when the work is created in the context of an employment relationship is who should be given the incentive, whether by way of reward or recognition — the employer or the employee.

The main incentive takes the form of conferring exclusive rights in respect of the product of the work as a means of rewarding the creator and those who disseminate the work. Those intending to copy or make substantial use of the products of creative work need the consent of the creator to exercise the relevant exclusive right.

The owner normally expects to be paid for giving consent to use the exclusive rights in the relevant creation.

IP rights may exist in many different kinds of work and can be exploited in a variety of ways.

There is a wide range of products of human ingenuity and creative effort and skill — patentable inventions, registered and unregistered designs, usually for mass produced goods, and literary, musical, artistic, dramatic and other works (copyright and moral rights). The law is principally found in the Copyright Designs and Patents Act 1988, the Registered Designs Act and the Patents Act 1977. Inevitably there is a thick overlay of judicial interpretation of the

*Continued on next page*

## *From previous page*

legislation. Although I do not have time to develop it I should mention that since the UK joined the EC an increasingly influential role is played in both employment law and IP law by the EU Treaty and the directives and decisions of the Court of Justice. Directives on copyright and designs and on equal pay and equal treatment in employment recognise the economic, social and political importance of both employment rights and IP rights in the operation and development of a common market.

### **The crossroads**

The two areas of law meet most often when disputes arise about entitlement to intellectual property rights. I remind you that they also meet when there are disputes about liability for infringement of the rights.

Cases are not confined to disputes between employer and the employee. They can occur in disputes between either of them and a third party, for example the defendant may take a point as to who, on the claimant's side, is entitled to enforce IP rights and who on the defendant's side is liable for infringement; i.e. vicarious liability issues.

In practice the intellectual property and employment issues tend to arise most often in situations where staff are employed in an undertaking in order to create works, in which intellectual property rights exist. In the case of copyright, for example, journalism, the publishing industry, the advertising industry, broadcasting, the film industry, the theatre and the music industry leap to mind.

In many sectors of industry, staff are employed to conduct research, to invent and to produce designs for mass-produced articles. They are all members of a team. Computer software and hardware and information technology are team efforts in the most rapidly expanding IP area.

So millions of people are employed in businesses and industries throughout the world, in which creative work is done. IP rights are extremely valuable corporate assets. From the earliest days, intellectual property has had an international dimension. In an age of globalisation this is truer now than it ever was.

### **Some basic principles**

I turn to look at the main principles relevant to the crossroads of employment law and

IP law to see how far they reflect the reality of the world they are intended to serve and how far they accord with realistic standards of fairness, reasonableness and common sense, to which all law should aspire if it is to be generally accepted and workable.

The creator of a work is normally the first owner of the IP rights in it. The inventor, in the case of a patentable invention, has the right to the grant of the patent for his invention. Similarly, the designer in the case of a registered or unregistered design and the author in the case of literary, musical and artistic copyright works. The general legal principle enacted in statute reflects the natural expectation that you own, and are entitled to control, the exploitation of what you have made.

This is so whether it is the physical object itself, such as the painting, or an intellectual creation; that is the artistic work expressed in the form of painting, though not of course in the idea or choice of subject or the particular style which are not covered by the exclusive rights. Your time, skill and effort give you a better claim than anyone else to reap rewards and receive recognition for what you have made. It is quite simply yours.

IP rights are generally assignable, either formally in writing or informally by express or implied agreement. They are a form of property. Generally speaking you should be entitled to do what you want with your own property.

IP rights are quite sophisticated. They can be dealt with contractually by formal and informal exclusive or non-exclusive permissions or licences from the owner of the rights to the user of them. A price is normally paid for the grant of rights.

The most significant exception to the general rule that the creator is the first owner of IP rights is the case of a work produced by an employee in the course of his employment under a contract of service. There are automatic vesting provisions in the IP legislation. I shall take section 11(2) of the 1988 Copyright, Designs and Patents Act for copyright works to illustrate the point. The provisions have four aspects. They only apply to (1) the work of an employee (2) the work must be made in the course of his employment by another (3) it must be under a contract of service and (4) it is subject to any agreement to the contrary, which may be express or implied. Each aspect can give rise to uncertainties and disputes

and I shall refer to some of them later. Straying for the moment away from the details, some may ask why have automatic vesting at all? Why not leave it to the parties to sort it out between themselves by contract? Would it not be fairer to have a sharing provision or vesting in the employer subject to an obligation to pay compensation or a royalty? Section 215(3) of the 1988 Act for design right and section 39 of the Patents Act 1977 are broadly similar, the latter providing that, as between the employee and the employer, the invention shall be taken to belong to the employer if made in the course of the normal duties of the employee or in the course of duties specifically assigned to him and in either case in such circumstances that an invention might reasonably be expected to result from the carrying out of his duties.

There are also provisions in section 40 for the payment of compensation to employees for certain inventions where the invention is of "outstanding benefit" to the employer and it is just to award compensation to the employee.

This exception, like the general rule, reflects the reasonable expectations of reasonable people and represents a reasonable compromise of conflicting claims. If an employee is paid by his employer to work in the employer's business, on the employer's premises and with his equipment and materials to invent or to improve inventions, or to create works for him, the reasonable expectation is that the person paying for the work to be done and investing in capital and labour and running the risks involved in the market is entitled to the benefit of the work and to exploit the economic rights in it.

Although the employer is not the creator of the work, he is in a real sense the person who is responsible for the production of the work. Even if there were no statutory vesting of the rights in the employer that would normally be the agreement which the parties would make between themselves and in the absence of an express agreement it would be the normal contractual implication, save possibly that the rights vested in the employer would be confined to those relating to the business or to businesses allied to those in which the employee was employed when he created the work.

Even if there were no statutory rule or express agreement to that effect, that would be the normal contractual contemplation of the

## *From previous page*

parties and the implication from all the circumstances in the majority of cases. An employee owes a general duty of fidelity to the employer, to be loyal to him and to work for him, not to work for himself or for a third party without the employer's permission. He also owes a general duty during the employment relationship not to use confidential information for his own benefit or to disclose it to third parties.

Even after the employment relationship has ceased the obligation of confidence persists in respect of trade secrets. The economic rewards normally belong to the employer who is owed the duties of fidelity and confidentiality. He is the paymaster and the investor in the undertaking and he bears the market risk.

From a practical point of view what would happen if the rights were vested solely in the employee or were joint property, making the employee's consent necessary? There would be real problems with rights clearance. The funding of, and investment in, projects would become more difficult. Exploitation of the IP rights would be impaired. In the case of a complex project, such as a work of architecture or the production of a daily newspaper or a film or broadcast or recording, many people collaborate with one another on the creation of many different IP works, which together make up the whole production. People come and go during the course of the project. There is a risk that the need for assignments and consents would be overlooked, disputes might arise and might jeopardise the completion or exploitation of the project.

There is, however, room for another view in the case of creative work; that it should remain with the creator and that the only implication should be that the employer has only the right or a licence to use the work in the business in which the creator was employed, but that, as regards the rest of the world, the exclusive rights should remain with the creator. To some people it seems absurd that an employee may need permission for the use of his own work and that in the absence of the employer's consent the employee may be liable for infringing the rights in the work he has created. On the whole that approach has not found favour in our legislation.

In theory it is always open for the general rule vesting IP rights in the employer to be excluded or modified by agreement between the

parties. The legislation allows for this in recognition of the principle of freedom of contract. The general principle of contractual freedom is recognised and preserved by statute. In practice the employer sets the terms of employment. The general vesting rule in the employer's favour is a practical and reasonable solution.

Even if the employee retains ownership of the rights in what he creates, this does not mean that his intellectual property rights in his creation are either absolute or perpetual. No person lives in total isolation from others. Human beings live in society. If there were no society, the creative work would no doubt satisfy the creative instincts and needs of the creator, but would have no exploitation value. It is human society and the transactions between its members that afford opportunities for the creation and exploitation of the individual's works, in which intellectual property rights exist.

In recognition of the debt to others in society and in the interests of the public limits have been set on rights available to the owner of the rights, whether he is the employee who created the work or the employer who financed and facilitated the production of it. Time limits have been set by statute on the duration of the rights and on their nature and extent and defences are made available to certain users of the works in question.

I should add that just as the employer takes the benefit of the work done for him at his expense and under his control by his employee, so he also takes the burden of the acts committed by an employee in the course of his employment. In accordance with general principle an employer is vicariously liable for infringements of IP rights by an employee in the course of his employment; i.e. in the course of doing what he was employed to do. The employee is also personally liable to the third party for the infringement.

### **Some IP questions in employment situations**

So let us look now at the principal points which are likely to crop up at the crossroads of IP and employment situations.

Where creative works are made in an employment situation some basic questions must be addressed before the full implications of the employment situation can be assessed. In some cases it will turn out that an IP problem arising in an employment context can be

resolved without ever having to address the employment issue.

**SUBSISTENCE.** Is the product of the employee's work one in which intellectual property rights can exist? Not every product of time, effort and skill qualifies for protection as intellectual property.

The law lays down conditions which must be satisfied for a product to qualify as an invention, a protectable design or an original copyright work. If the conditions are not satisfied there will not be any property to which either the employer or the employee can claim entitlement or be liable for infringing.

**OWNERSHIP.** On the assumption that the qualifying conditions are satisfied, who is entitled to the relevant rights?

I have already outlined the particular circumstances in which an employer is entitled to intellectual property rights in the creations of his employees. I shall say more in a moment about the difficulties in deciding whether there is an employment relationship.

**INFRINGEMENT.** Has a third party user infringed the right? If what he has done is not an infringement, questions of entitlement as between employer and employee are academic.

Rights are of different kinds. Some rights are infringed only if there has been access to them and direct or indirect copying of them or of a substantial part of them. Other IP rights confer a wider monopoly and are enforceable against a person who has by coincidence made use of the same invention or registered design.

Uses are of different kinds and not all uses of the creative work infringe the IP rights. If there is no infringing act, no question will arise as to who is entitled to sue or as to whether there is vicarious liability for infringement on the part of the unauthorised user. Users may include both employees and employers, so that questions of vicarious liability can occur if there infringing acts have been committed.

**DEFENCES.** What defences and exceptions are available to the user who has committed infringing acts? In balancing the rights of the creator and the claims of other members of society the legislation defines many situations in which use of another's creative work can be made without infringing the creator's rights.

I have no time to go into them

*Continued on next page*

## *From previous page*

now, but, if there is a cast-iron defence, questions of disputed entitlement as between employer and employee are academic.

**REMEDIES.** What remedies are available to the owner of the relevant intellectual property right who establishes infringement of the relevant right?

Far more points arise under these headings than I have time to deal with. My focus is on the effect of the presence of the employment relationship on entitlement to enforce and exploit IP rights.

### **The employment relationship**

Whether the problem is one of determining entitlement to the rights or vicarious liability for the wrongs of infringing the rights, it is necessary to determine whether there is an employment relationship.

How easy is it to define an employment relationship? Recognition in actual particular cases is far easier than attempts at a general definition aimed at catching all relevant cases.

I shall use copyright law to illustrate the point. Similar considerations apply to other areas of IP law, such as patents and designs.

As I said earlier, under section 11 (2) of the 1977 Act the employer is the first owner of the copyright in a work made by his employee if the work is made by a person in the course of his employment under a contract of service. This is the important exception to the general rule that the creator is the first owner of an IP right — the author, the designer, the inventor. The exception is subject to a contrary agreement between the parties.

The fundamental question is whether the relationship between the parties is one of employment. What is a contract of service? Who is an employee? Who is his employer?

As I have explained, this has been left to the courts to determine in accordance with the common law by particular reference to the law of contract. What criteria are laid down in the common law for deciding whether the contract is one of employment or not?

In the majority of cases there is no problem. You look at the contract to see how the parties have structured their relationship and settled upon its terms. This is not, of course, necessarily the same as the label they have put on it. The relationship is usually governed

by written terms and conditions of service setting out the job description, stipulating the hours of work, the rates of pay and so on. The contractual terms will usually reflect the situational reality of the parties — full time work for agreed rates of remuneration under the control of the other party in a continuous dependent relationship.

The long-recognised distinction in the area of vicarious liability for tort between, on the one hand, a contract of service (employees) and, on the other hand, a contract for services (independent contractors) is difficult to apply in some factual situations of disputed ownership, but it is a valid distinction which works well enough in most cases for determining who is the owner of the relevant right.

The core content of the employment relationship is mutuality of obligation — on the one side, an obligation to work and, on the other side, an obligation to pay for it. Mutuality is usually accompanied by elements of continuity, integrated organisation and general work direction or control, though close or supervised operational control is not necessary, particularly in the case of staff occupying professional or managerial positions. Uncertainties and disputes are best avoided by anticipating the problems and making express provision for them in a written contract of service.

The totality of the legal and factual content of the relationship gives a sound steer as to its true nature; being at the workplace, working under direction, set rates of pay, agreed holiday entitlement, grievance procedures, PAYE and NI arrangements. Contrary indications of independence rather than dependence are to be found in working at home or in different locations determined by the person doing the work, doing similar or other work for others, payment in the form of fees rather than wages or salary at pre-determined rates, sharing profits, supply of own equipment and working materials and so on.

The really difficult cases have cropped up more often in the enforcement of employment rights, such as unfair dismissal and discrimination in employment, than in cases of intellectual property. But they could occur there also, mainly as a result of changing patterns of employment.

The really difficult cases are those in which you would normally expect to find an employment

relationship, but a deliberate attempt has been made, usually on the putative employer's part, to set up a carefully-drafted documented arrangement which may or may not reflect the real relationship between the parties. The object of the documentation is usually clear, even if the effect is not — to produce a situation in which (a) the person who does the work does not enjoy the statutory employment rights conferred on employees (in particular, the right not to be unfairly dismissed) and (b) the person for whom the work is done is free of the obligations imposed on employers (for example the obligation to deduct PAYE).

The development of outsourcing and the widespread use of labour supplied to an end-user through intermediaries, as is the case with agency or many temporary workers in certain sectors of the economy, has increased the uncertainty about the status of many workers, particularly in the unskilled lower-paid sector. In most cases their work is unlikely to be in areas giving rise to intellectual property problems, but, where it is, the outcome is often difficult to predict.

There are three possible outcomes in the case of agency workers: (a) that they are employed by the agency that supplied their services to a client, even though immediate control is exercised by the end-user; (b) that they are employed by the end-user, even though they receive their pay directly from the agency; and (c) that by some legal miracle they are not employees at all, even though they work for pay under the direction of others and run no business undertaking of their own. I would not like to predict the outcome in any particular case, though I have sometimes attempted to achieve a more rational and fair result than the documents allow on a literal reading.

### **Scope of employment**

Not everything done by an employee is done 'in the course of' his employment. It is necessary to ascertain from the contract of employment what he is employed to do. What is his job? What are his duties? What is he paid to do? What the employee produces or does in his own time outside the performance of his contractual duties is outside the automatic vesting provisions and belongs to him, unless there is an express or implied term to the contrary.

A wider effect may be given to "course of employment" in the

## *From previous page*

context of vicarious liability. An employer is vicariously liable for the wrongdoing of his employee, such as infringing IP rights, even though he is not employed to do wrong, such as infringing IP rights of third parties. A distinction is drawn between the manner of doing what he is employed to do, for which the employer is liable, and going off on a frolic of his own for which the employer is not liable.

### **Contrary agreement**

The agreement may be express or it may be implied from all the circumstances of the parties. It may be in writing. It may be oral. It may be implied from conduct in the particular case or from a course of dealing over a period or from the custom of the trade.

### **Conclusion**

Finally three particular kinds of case to show how in general the law works when employment law and IP law meet.

#### **1: COMPANY DIRECTORS.**

A company director is not necessarily employed by his company under a contract of service. Even if he is, not everything that he does will be in the course of his employment. He may write a book or agree to give a course of

lectures in his spare time or design furniture or write pop songs or symphonies as a hobby.

It is legally possible for a sole director of a one-man company (i.e. owner of all the shares) to be employed by the company. Don't ask me how this works in practice, but that is what the Court of Appeal has held, even though he is the only person who can direct him what to do and effectively the only person who can dismiss him.

Even if he is not an employee a company director may not, however, be entitled to claim the copyright in his work, as he will usually owe fiduciary duties to the company requiring him to hold it in trust for the company.

So the answer to an employment or IP problem is not always in the employment or IP legislation. That is an important point which I have tried to demonstrate in this lecture.

#### **2: JOURNALISTS**

Normally there is no difficulty in spotting the difference between an in-house or staff journalist employed to work for a paper or periodical, and the freelance journalist or photographer who writes contributions for a range of papers and magazines.

Special terms may be implied

from a course of dealing or conduct between the parties, from the circumstances surrounding the creation of the particular work or from the custom of the industry.

#### **3: UNIVERSITY ACADEMICS**

This is potentially a tricky area and I shall only touch on it briefly in conclusion. It highlights a number of the difficulties mentioned earlier about where it is reasonable, fair and sensible to draw the line between what is properly recognisable as the property of the employer and what is properly the property of the employee.

Academic staff are usually employed by a university, college, school or other institution under a contract of service. The position relating to IP rights depends on the scope of their employment and on express or implied terms in the contract of service.

University professors, lecturers and teachers are employed primarily to teach and assess their pupils. They may also be employed to engage in research and to write course materials during the course of their employment.

The IP rights will usually belong to the employer in creative work which staff are employed

and paid to produce. Different considerations usually apply to books and learned articles, even though they relate to the subjects taught by the author. Depending on the circumstances, they could well be written as a by-product of teaching work, but outside the course of his employment. Novels written by a professor of English, even novels about university life and his experience of it, would normally belong to the author.

The position is different for course work written and computer software-produced by the staff for teaching and examination uses in the institution in which they are employed.

So that is where we leave this particular legal crossroads. There are many other crossroads at which the courts have to make decisions as to which road to take, only to be told later by those who know their way around the area that the road not taken was the right one. ■