CONFLICTS OF OWNERSHIP AND COMMERCIALISATION IN THE RESEARCH OF UNIVERSITY ACADEMICS IN AUSTRALIA: VICTORIA UNIVERSITY’S IP3 LITIGATION

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Government is more persistent in its pressure on universities to commercialise their research. There are a number of intellectual property issues raised by this policy. Some are practical issues that would be faced by any commercial research organisation. Some issues are peculiar to the university community. These include a fairly complex picture of ownership of creative output arising from the combined teaching, research and administrative roles of its academic members. This paper looks at the issue of ownership of intellectual property rights in material developed at universities by highlighting a piece of litigation involving Australia’s Victoria University. It explores the obligations of academic managers in relation to commercially valuable opportunities to create and exploit intellectual property material offered to the university but taken up by the managers in a personal capacity. It looks beyond the initial litigation about ownership of rights to the position of the university when it discovered the relevant rights had been transferred to a corporate entity. The rights were now in the hands of a public company with third party investors who had been involved in the further development of the intellectual property material. Not only was the university now facing a corporate strategy intended to dilute the shareholding in the company it had only just acquired from its employees as a result of the litigation, it was also having to fend off a claim to some of those shares by the chief executive officer of the corporate entity.

I Introduction

It is impossible to deny the changed role of the university in the modern economy. Part of that role has been the increased commercialisation of its teaching and research activities. Government is more persistent in its pressure on universities to commercialise their research. Universities, like any commercial research organisation, will face practical issues such as the requirement to seek registration for some categories of material and to actively assert rights against infringers and others who would seek to appropriate the rights. However some issues are peculiar to the university community. These include a complex picture of ownership of creative output arising from the combined teaching, research and administrative roles of its academic members.

This paper looks at the issue of ownership of intellectual property rights in material developed at Australian universities by highlighting litigation involving Victoria University (formerly Victoria University of Technology-VUT). It explores the obligations of academic managers in relation to commercially valuable opportunities to create and exploit intellectual property material offered to the university but taken up by the managers in a personal capacity.
The litigation between the university and its employees has not been the end of the matter. During the initial litigation about ownership of the intellectual property rights, the university discovered the relevant rights had been transferred to a corporate entity. They were now in the hands of a public company with third party investors who had been involved in the further development of the intellectual property material. The university faced a strategy intended to dilute the shareholding in the company it had just acquired from its employees as a result of the litigation. It also had to fend off a claim to some of those shares by the chief executive officer of the corporate entity.

II BACKGROUND TO THE LITIGATION

As recognised by the court early in the litigation, VUT ‘has significant business activities’. At the relevant time it operated an education, research and consultancy unit, the Centre for International Business Research and Education (CIBRE), headed by Donald Feaver (a senior lecturer). CIBRE was part of the School of Applied Economics (in the Faculty of Business and Law), then headed by Kenneth Wilson (a professor). Wilson and Feaver both had expertise in aspects of international trade.

In July 1999 a former student of VUT, then in the employ of World Trade On-line Holdings Ltd (WT), approached Wilson about a plan by WT to establish an electronic international trade exchange, a platform to enable international traders to arrange transactions online. Accredited users of the exchange would be required to undertake an on-line training course and WT wanted VUT to develop the course. The plan was a very general one at this stage and depended for its further development on WT obtaining funding from third parties.

As head of school, Wilson was keen for CIBRE to take on the online education portion of the project but during further discussions Wilson and Feaver agreed to assume the additional role of developing the system architecture (involving business process mapping). The systems development role was taken on by them reluctantly. They thought the online education project would not go ahead without the development of the electronic exchange. Wilson and Feaver were joined in the task by Craig Astill, a former student of Wilson, who had become part of the project through his connection with WT. Soon after becoming involved, Astill changed his role and contributed to the project in his capacity as private investor rather than as representative of WT.

WT’s interest in the project gradually declined and its involvement ended by December 1999. Responsibility for developing the system, including obtaining funding, was thereafter assumed by Wilson, Feaver and Astill (who became an associate of CIBRE). During the period when they first assumed control, the three came to an agreement on a split of the intellectual property rights that would be generated by the project. Wilson and Feaver were to have a 40 per cent share each and Astill’s share was to be 20 per cent. A memorandum of understanding to this effect was signed by them on 23 September 1999. Under the agreement, a company was to be incorporated to act as the owner and licensor of the intellectual property. IP3 Systems Pty Ltd (IP3) was incorporated on 6 December 1999. The shares in the company were held by Wilson, Feaver and Astill, not in their own names, but through each of their private companies.

Having assumed full control of the project and determined the shares each would hold in the intellectual property assets, the three then embarked on the development of the system and the task of obtaining funding. The funding was sought from overseas sources. Initially, and somewhat confusingly bearing in mind the agreement reached between them in September 1999, the search
for funds was conducted with materials (documents and Powerpoint presentations) co-badged with VUT and CIBRE (e.g., names and logos).  

Meanwhile the system was being developed by the three, at times with the assistance and advice of VUT staff (e.g., Sonny Joura, a casual staff member at CIBRE). The further work moved the project away from the idea of the central trading exchange originally envisaged by WT, to a business-to-business trading architecture.  

By the beginning of 2000 the three developers became concerned about VUT making a claim against its employees’ (i.e., Wilson and Faever) share of the intellectual property in the trading system. Wilson sought informal advice from a friend, an academic at VUT who had held very senior administrative posts at the university. Later the three sought legal advice from a large commercial law firm. The oral advice received from the law firm was that the university would have no claim.  

In January 2000 Price Waterhouse Coopers (PWC) became involved as a collaborator on the project. It agreed to provide expertise and other resources in the development of a prototype of parts of the trading system (leading to the creation of associated software) in return for shares in IP3. As head of school, Wilson arranged for the purchase of two ‘high powered’ computer servers that were then ‘lent’ to the project, and for this purpose, located at PWC premises. The period of the loan was some two years and only ended, in late 2002, when VUT demanded their return. When returned, the hard disk drives had been ‘scrambled or stripped’ to remove all data.  

Having been alerted to the need to obtain patent registration by potential overseas investors, in March 2000 Wilson, Feaver and Astill lodged a provisional patent application (in the name of IP3) for the system (‘E-Commerce Facilitation’). The complete patent specification was filed a year later in the names of the three developers, who immediately assigned the rights to IP3.  

What was VUT doing when all these activities were taking place? Its attention was first drawn to questions about the activities of Wilson and Feaver in 2000. At that time VUT arranged for a search of the patent register, but without the further information about the ownership of IP3, the search was unsuccessful. After VUT obtained this further information in mid-2002 (a VUT academic had discovered the IP3 website, read about the role of Wilson and Feaver and broadcast an email on the VUT intranet querying their involvement) and investigated the issues for a time, it was led to believe a sale of the intellectual property was about to take place. VUT moved to preserve the evidence and the intellectual property by applying ex parte for Anton Piller and Mareva orders against Wilson and Faever and their associated companies. These were granted on 4 June 2003. The orders were continued (with minor amendment) with consent until the determination of the case.  

III THE ARGUMENTS AT TRIAL  

At the trial VUT argued that the intellectual property (patent and associated software) involved in the project belonged to it. This was according to the university intellectual property policy that constituted part of the terms of employment of Wilson and Feaver, that is, the intellectual property was created in the ‘course of employment, studies, scholarship or research by or at the university’ or in its creation the university had ‘contributed substantially through funding, salary payments, resources, facilities, apparatus or supervision’. A second argument relied upon by VUT based its ownership of the intellectual property on an implied term of employment that Wilson and Feaver ‘would not enrich themselves or obtain other benefit or advantage at the expense of the
university or assist others to do so, and would not take advantage for themselves or for others’. The third argument was that in their positions Wilson and Feaver were fiduciaries and therefore owed obligations of good faith to VUT. The obligations were breached when they took advantage for their own benefit of an opportunity (i.e., the project) offered to VUT. IP3 and Astill were argued to be liable as knowing participants in the breaches of obligation by Wilson and Feaver.

For their part Wilson and Feaver argued their work on the project was not done in the course of their employment with VUT and they otherwise denied any breach of duties of good faith and loyalty owed by them as employees to VUT.

IV The Judgment

Nettle J in the Supreme Court of Victoria found in favour of VUT, based on VUT’s third argument.

In relation to the first argument, the court found the intellectual property policy had in fact not been formally adopted by VUT, so it did not apply. There were some operative policies that may have been breached. The court was of the view that Wilson and Feaver, in using VUT equipment (i.e., computers, email and mobile phones) for purposes other than those of the university, may have been in breach of their employment contracts and if so, damages would be the appropriate remedy. A finding of breach of implied terms of good faith would be to the same effect. However, these causes of action would not supply the remedy of constructive trust or an account sought by VUT.

The court rejected VUT’s second argument. It found that Wilson and Feaver had not created the intellectual property in the course of their employment. This finding was not as straightforward as it seems. The activities in question did not at first glance constitute the usual type of research or consultancy conducted by the school, that is, ‘it has never been part of the activities of the School of Applied Economics to invent Internet based e-commerce systems’. However, given Wilson’s authority as head of school to determine the type of work to be undertaken within it, his decision to take on the project meant from that time, the work was conducted in the course of the employment of Wilson and Feaver. But by a further twist, in the same way that work on the project had been brought within the realm of the school’s activities, the September 1999 agreement reached between Wilson, Feaver and Astill (on how they would share personally the intellectual property rights generated), meant that Wilson as head of school was also deciding the work was no longer a school project: ‘the effect of the agreement was that the three men ceased at that point to work on the project on behalf of [VUT] and that the work which they carried out on the project after that point was done on their own account’.

What the court based its finding in favour of VUT on, was the breach by Wilson and Feaver of fiduciary obligations owed by them to the university. The VUT outside work policy permitted its academic staff to work outside university hours without consent, provided it did not interfere with their university duties. However, the two academics, as professional employees (professional public servants ‘in the broad sense’) were bound to ensure such outside work did not conflict with VUT’s interests and they were bound to account to their employer for ‘gains derived’ from their fiduciary position. The opportunity to develop the project was presented to Wilson as head of school and Feaver as head of CIBRE. The September 1999 agreement with Astill to divide ownership of the intellectual property, amounted to the taking of the opportunity from VUT and its diversion to them personally, in breach of their fiduciary obligations. While the scope of employment of Wilson and Feaver might be manipulated by the academics as part of their
administrative role, as fiduciaries they were not entitled to similarly manipulate the extent of their fiduciary obligations. The breach of fiduciary duty may have been avoided by a full disclosure to VUT, but this had not occurred.

After having determined there was a breach of fiduciary obligation, the court went on to consider the appropriate remedy. It was concerned not to ‘unjustly enrich’ VUT, so it was prepared to make an allowance for the ‘efforts and outgoings’ of Wilson and Feaver in respect of the development of the intellectual property. This was in the context of its finding that they acted ‘in ignorance’ of the extent of the obligations owed to VUT and ‘more probably than not in the positive belief that they were doing nothing wrong’.

A significant complication in determining an appropriate remedy was the position of third parties. Because of the ownership structure adopted for the project intellectual property (it was held in the name of IP3, with shares in IP3 held in part by private companies controlled by Wilson, Feaver and Astill as well as others such as PWC), the remedy sought by VUT (a constructive trust over the intellectual property held by IP3) would inevitably affect third parties.

VUT’s claims against Astill and IP3 were unsuccessful. VUT failed to establish its case against Astill as being ‘knowingly involved’ in the breach of fiduciary duty by Wilson and Feaver. In relation to IP3, although in its early stages the company may have been seen as the ‘alter ego’ of Wilson and Feaver, this was no longer the position. Third party investors had arrived on the scene and the company was now a public company. One of the third parties was USA Health Investors LLC (USA Health), who had paid ‘almost $560,000’ to each of Wilson and Feaver to purchase a large number of IP3 shares.

An order for costs was awarded against VUT in favour of Astill and IP3. The court discussed the appropriate remedy to be given against Wilson and Feaver and their private companies. A possible approach was to require an account in respect of the value of the shares in IP3 held now or in the past (to take account of the sale of shares to USA Health). Another was to find a constructive trust over the IP3 shares they now controlled as well as recognising an obligation to pay over to VUT the proceeds of the earlier sale. In the court’s view the value of the shares represented the ‘gain’ obtained by Wilson and Feaver in breach of their fiduciary obligations and any ‘adverse effects’ on innocent third party investors in IP3 and others involved in the project, were avoided by this measure. There was to be ‘due allowance’ made for the ‘skill and expenses’, ‘time and effort’ expended ‘out of hours’ by Wilson and Feaver, and for the contribution of Astill, but VUT was also to be given appropriate credit for its ‘time and resources’ used in the project.

Orders were made by Nettle J on 3 March 2004 declaring a constructive trust over the IP3 shares held by Wilson and Feaver’s private companies in favour of VUT. The shares were later transferred to VUT. The assessment of the quantum of VUT’s further claim against Wilson and Feaver and their companies was referred to a special referee under the court rules. In accordance with Nettle J’s judgment, this assessment was to take into account Wilson and Feaver’s out of hours input (discounting for university time and resources used) and other appropriate expenses (e.g., subscription moneys, expenses). This amount would be offset against the further funds due from Wilson and Feaver in respect of the proceeds of the earlier sale of IP3 shares to USA Health.
The litigation over the ownership of the intellectual property generated by the project was not the end of the matter for VUT. It became involved on three further fronts: in takeovers proceedings; litigation involving claims by IP3’s chief executive officer (CEO) against IP3 shares promised to him by Wilson and Feaver; and, in the special referee’s determination of the quantum of its successful claim against Wilson and Feaver.

As a result of the litigation against its employees, VUT became the owner of shares in IP3 previously held by Wilson and Feaver companies (amounting to 46.49 per cent of IP3 shares). During the litigation it had been revealed that a rights offer was being arranged for IP3. The rights offer was being underwritten by USA Health, the holder of 11.22 per cent of IP3 shares. In the circumstances, if VUT did not take up the offer of shares, it was likely USA Health would gain control of IP3. The offer document was an information memorandum (dated 25 January 2005) rather than a full prospectus as IP3 was relying on an exception to the prospectus requirements.

VUT applied to the Takeovers Panel in February 2005 arguing, amongst other issues, that the offer document should have included further information about the potential for USA Health to gain control of IP3. It sought orders restraining IP3 from going ahead with the rights offer. The Takeovers Panel is an expert body established to act as the main forum for disputes arising during a takeover. Quick recourse to the Panel avoids a party referring a dispute to the court and in this way slowing the process for its strategic advantage.

During its consideration of the VUT application, the Panel formed the view the IP3 rights offer required prospectus standard disclosure, in particular disclosure about the likelihood of USA Health gaining control of IP3 and its intentions for the company if this occurred. This was required so that the offer was ‘genuinely accessible’ to all shareholders and thus fell within the relevant corporations legislation exemption being relied upon. However, the Panel did not proceed with a declaration of unacceptable circumstances or order. There was no need to do so, because IP3 had notified the Panel, in March 2006, that USA Health had decided to terminate the underwriting agreement and IP3 had decided to withdraw and cancel the rights offer.

Unfortunately for VUT, Takeover Panel proceedings involve undertakings by the parties not to ‘participate in, induce or facilitate the canvassing in the media’ of the issues and VUT was found by the Panel to have breached these undertakings. VUT did this in a media release issued on 10 March 2005 following its receipt of news that the rights issue would not go ahead. The media release had been issued by VUT while the Takeover Panel proceedings were still on foot. The Panel found that the media release:

… included inflammatory and self serving statements and was drafted in a manner that was not calculated to give a balanced and impartial view of the Panel’s proceedings or its decision. The VUT Media Release implied the Panel had found that the Rights Offer and underwriting had been conducted for improper purposes, which VUT had no basis to believe or assert.

The next day the Panel issued its own media release indicating it had written to VUT asking it to ‘show cause’ why the Panel should not take action against it for the breach. A further media release issued by VUT on 15 March 2005 explained the state of the proceedings and apologised for VUT’s mistaken belief that the cancelled rights offer had ended the takeovers proceedings and its obligations in relation to the undertakings. The Panel decided not to take the matter of VUT’s ‘inadvertent breach’ any further.
In May 2005 VUT was back in the Supreme Court of Victoria before Whelan J defending a claim by IP3’s CEO (Ahmed Youssef, formerly of PWC) against 1,400,000 of the shares it now held in IP3, earlier transferred by Wilson and Feaver pursuant to the orders of Justice Nettle. Youssef claimed that in 2002, in return for him remaining at IP3 and assuming the position of CEO, Wilson, Feaver and Astill promised to each transfer to him 700,000 shares in IP3. The delay in the transfer of the shares from the three to Youssef had been the result of uncertainties about the capital gains and income tax liability attracted by the transfer. A delay in raising the claim during the earlier proceedings meant that Nettle J did not discuss it in his judgment. However, when making his orders in the case, the judge stated them to be ‘without prejudice’ to Youssef’s claim.

The court found in favour of Youssef. The orders in the earlier proceedings imposing a constructive trust over the shares expressly excluded those shares that Youssef could establish were subject to the 2002 agreement. The remedy granted to VUT by the earlier proceedings against the shares held by Wilson and Feaver (through their private companies) did not extend to the shares already agreed to be transferred to Youssef (they had already been ‘bargained away’) and there were no proceeds of sale, as was the case with the earlier sale of shares to USA Health. The court also decided that if it was wrong in relation to the above finding, Youssef still had the better equity than VUT. By virtue of the constructive trust granted in its favour by Nettle J, VUT had an equitable interest in the IP3 shares held by Wilson and Feaver’s companies. This interest was earlier in time than the equitable interest of Youssef under the 2002 agreement because it dated from the ‘occurrence of the circumstances giving rise to the entitlement to the remedy’. However the court agreed with Youssef that he had ‘the better equity’ because otherwise, someone who had not been guilty of any breach of fiduciary obligation, would still be required to account to VUT. Without those shares due to Youssef, VUT would still be recovering all of the profit (in shares and proceeds of sale) from those in breach of their fiduciary duty (i.e., Wilson and Feaver). VUT was ordered to transfer the 1,400,000 shares to Youssef.

In October 2005, once again, VUT found itself back before the Victorian Supreme Court, arguing this time about the report of the special referee (Greg Meredith of Ferrier Hodgson, accountants) ordered in the initial proceedings. In May 2005 the referee had determined the sums due to Wilson (and his company) and Feaver (and his company) ‘for expenses, subscription moneys, skill, effort and risk’ were respectively $508,249.51 (including interest of $98,808.01) and $588,665.93 (including interest of $120,579.07). VUT was ‘happy with this outcome’. The amount would be offset in each case against the proceeds of sale received on the earlier transfer of shares to USA Health due to VUT under the judgment, resulting in what VUT expected to be a net payment to it. VUT sought orders that the referee’s report be adopted. Wilson and Feaver on the other hand sought an order remitting the matter to Meredith once again. They argued that rather than a calculation based on what the referee characterised as ‘actual’ expenses incurred and an amount representing the skill and effort expended, the referee should have made a determination in the order of $6.5 million for each, based on what the special referee characterised as a ‘hypothetical’ remuneration package in ‘start up technology companies’ which would include an “‘equity” profit component’.

Justice Harper decided the distinction drawn by the referee between the actual and hypothetical approaches was incorrect, as was the referee’s view the equity component was not consistent with the reasoning of Nettle J. The court remitted the matter back to the special referee, with the starting point for the referee’s determination to be:
... evidence of the terms that were most likely to have been agreed between the University on the one hand and Professor Wilson and Dr Feaver on the other, assuming that both sides were at arms length, properly advised, fully informed and willing to be reasonable. Each side was bound to accept that the setting against which their negotiations were taking place was academia, and that the setting in the wider world of commerce might not necessarily be the same. The remuneration packages of employees of ‘start up technology companies’, as the defendants called them, might not, therefore, be as relevant as might have been assumed in the presentation to the special referee of the defendants’ case. The ‘intellectual property’ policies of academic institutions (including the embryonic intellectual property policy of the Victoria University of Technology itself), as these policies adjust the respective rights of the institutions and their academic staff to the property in inventions and the like made under the aegis of the academic institution, are – it seems to me – very much in point.  

The hypothetical engagement was then to be adjusted according to ‘what actually happened’, including the use by Wilson and Feaver of university time and resources (so that they were not ‘paid twice’) and any failure of them in their obligations to VUT. Overall a determination was to be made as to the profit they derived from their breach of fiduciary duty but this profit did not include payment to them of:

- an award that does no more than provide to each such remuneration as he would have received had he been as open with the University as he should, had thereafter agreed with the University upon appropriate terms of engagement, and had then given effect to his obligations under those terms.

### VI What Can We Take From the Case?

Does this case say anything new about the ownership of intellectual property rights in the university context?

The VUT litigation is not a case about what creative activities fall within the usual scope of the employment of academic staff and therefore in most instances, without express terms to the contrary, give rise to rights of intellectual property in favour of the employer. There have been significant changes in the nature of the work undertaken at universities but these have been developing for some time. The case recognises the ability of university management to manipulate the scope of duties of its academics.

The imposition of equitable rights as an overlay to those rights which arise under more general intellectual property law principles is not new. An example of this is *Bulun Bulun v R & T Textiles* (1998) 41 IPR 513, a case about fiduciary duties (in respect of copyright rights) owed to the indigenous tribal group by an individual member. Another example is the suggestion by some members of the High Court in *Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199 that a constructive trust may arise over intellectual property in the circumstances of an invasion of legal or equitable rights or a breach of obligation owed by its maker.

What is interesting about the litigation is its illustration of some of the consequences of the increased commercialisation of university teaching, research and consultancies. It shows that academic staff in senior administrative positions may not yet appreciate fully the additional obligations this brings. The commercialisation of the full range of its core activities means there
are more funds being attracted through these additional avenues to many different parts of the university community and the university will need to monitor these more closely.

The case is essentially about academics in key administrative roles, (however ‘innocently’) using their positions to divert to themselves opportunities that were found to belong to their employer. In their respective senior administrative posts (head of school and head of a research unit), the academics were in the position to determine what might and might not fall within the usual scope of the activities of their administrative groups. It would have been far less of a problem had a clear intellectual property ownership policy been in place for the university, but even where there is such a policy, there will often still be room to argue about the application of its terms.

What the case recognises is that in the environment of changing roles and expectations many academic managers may be unprepared to deal with situations of conflicting interests where there are assets of significant commercial value at stake. It also shows one of the consequences of increased commercialisation of the work of universities—that they will have to be prepared to act commercially where this valuable property is put in jeopardy.

VII BIBLIOGRAPHY


The Sunday Age ‘“David and Goliath” IT case may mean big damages bill for uni’, 21 March 2004.


Victoria University Media Release ‘Victoria University’s comments regarding IP3 Rights Issue’ 15 March 2005.

ENDNOTES


2. At the time of the litigation, VUT had 3,000 staff and 50,000 students: Victoria University of Technology
5. Ibid.
6. Ibid [2], [3].
7. Ibid [10].
9. Ibid [20].
10. Ibid [19].
11. Ibid [41].
12. Ibid [44]. Wilson and Feaver claimed their work on the project was done at night and on week-ends: Ibid [20], [24].
13. Ibid [27].
15. Ibid [29], [43], [45]. Feaver and Wilson claimed the travel and other associated costs of their overseas search for funds was paid ‘from their own resources’: Ibid [48]. Time spent by Wilson on the project included periods when he was on study leave and long service leave: Ibid [68].
16. Ibid [35], [60].
17. Ibid [36].
18. Ibid [50].
19. Ibid [51].
20. Ibid [59].
21. Ibid [58], [61].
22. Ibid [68].
25. Ibid [64].
26. Ibid [69].
29. Ibid [72].
30. Ibid [72].
31. Ibid [73].
32. Ibid [82].
33. Ibid [106].
34. Ibid.
35. Ibid.
36. Ibid [110].
37. Ibid [122], [137].
38. Ibid [139].
39. Ibid [148].
40. Ibid [147].
41. Ibid [150]. A fiduciary is in a relationship of trust and confidence with another. The fiduciary is bound to look to the interests of the other party and not to allow personal interests to conflict with the obligations to the other party: *Boardman v Phipps* [1967] 2 AC 46; *Hospital Products Ltd v United States Surgical Corp* (1984) 156 CLR 41. Reid argues the increased commercialisation of the university environment, where academics act as consultants or contractors, means it will be less likely for the courts to find a fiduciary obligation owed to the university: Tom Reid, ‘Academics and Intellectual Property: Treading the Tightrope’ (2004) 9(2) *Deakin Law Review* 32.
42. Ibid [150].
43. Ibid [200].
44. Ibid [201].
45. Ibid [183].
46. Ibid [215]. According to Australian Securities and Investments Commission (ASIC) records, the change from proprietary to public company was notified to ASIC in February 2001. The records also note a subsequent change from public company back to proprietary company notified to ASIC in May 2006 (ASIC website: <http://www.asic.gov.au> at 24 August, 2006).
47. Ibid.
48. Ibid [226]. In its Annual Report 2004, Victoria University referred to a March 2004 Victoria Supreme Court order that VUT compensate IP3 ‘for damages incurred consequential upon restraining orders issued in June 2003’ (72). In order to obtain interlocutory injunctive relief, the applicant is usually required to give undertakings as to damages, that is, a promise to compensate those subject to the orders for the damage suffered as a result of the grant: IP3 Systems Ltd [2005] ATP 7, [28]. The Annual Report 2004 indicated IP3 had claimed $55.5 million and VUT was disputing the amount. The Annual Report 2005 noted that settlement of all claims had been reached between VUT and IP3 on 20 December 2005. The settlement appears to involve a selective buy back (a purchase by a company of its own shares, in fact leading to a cancellation of the shares, with the offer being made only to particular shareholders) by IP3 of VUT’s shares: HAJ Ford, RP Austin and IM Ramsay, Ford’s Principles of Corporations Law (12th ed, 2005) 1251; Victoria University Annual Report 2005, 82.
49. Ibid [221].
50. Ibid.
51. Ibid [223].
52. In March 2004 the two companies had each transferred 4,381,786 shares to VUT: Youssef v VUT [2005] VSC 223, [4], [77].
53. Supreme Court (General Civil Procedure) Rules 1996, Order 50.
54. Youssef v VUT [2005] VSC 223, [75].
55. An offer of shares to existing shareholders: Ford, Austin and Ramsay, above n 48, 846.
56. An agreement to take up the shortfall, those shares not taken up by shareholders, for a fee: Ibid 1126.
59. The rights offer was for 8 new shares (at 22c per share) for every 5 shares held. A rights offer made at an issue price below market value provides the offeree with a valuable right which may be renounceable in favour of another party: Ford, Austin and Ramsay, above n 48, 846. The IP3 rights offer was non-renounceable. The offer was to close on 16 February 2005: Ibid.
60. In the matter of IP3 Systems [2005] ATP 7, [9].
63. Ibid.
64. Takeovers Panel Media Release, n 58 above.
65. Ibid.
66. Ibid.
67. In the matter of IP3 Systems Ltd [2005] ATP 7, [86].
68. The Panel expressed its concern that a significant tertiary educational institution such as VUT would breach a binding undertaking to a statutory body such as the Takeovers Panel for apparently essentially tactical commercial motives in a dispute with a commercial entity over intellectual property: Takeovers Panel Media Release ‘IP3 Systems Limited: VUT Breach of Undertakings’ 11 March 2005.
69. In the matter of IP3 Systems Ltd [2005] ATP 7, [89].
70. Ibid [90].
72. Ibid. The issue of tax liability had the parties making several aborted attempts at structuring the proposed transfer of shares. Youssef was found to have been involved in some backdating of documents. The costs order made in the proceedings was ‘discounted’ to reflect Youssef’s role in ‘the creation of the misleading documentary record’ and ‘his wrongful conduct in backdating documents’: Youssef v VUT
[2005] VSC 385, [20].

73. Ibid [74].
74. Ibid [92].
75. Ibid [93].
76. Ibid [97].
77. Ibid [109].
78. Ibid.
81. Ibid.
82. Ibid [18], [19].
83. Ibid [45].
84. Ibid [51].
85. Ibid [53].
86. Ibid [54].
87. Ibid [55].
89. Contrast the view of Moodie who sees the senior lectureship of Feaver as relatively junior and he therefore extends the ramifications of the case to lecturers: Gavin Moodie, ‘The Supreme Court of Victoria Tries Some Socio-legal Analysis in Reconceptualising the Role of Academics’ (2004) 13(2) Griffith Law Review 225. However it was not Feaver’s senior lectureship that attracted the obligations; it was his administrative position as head of CIBRE.
90. A fiduciary will breach his or her obligations if they place themselves in a position where personal interests actually or potentially conflict with the interests of the party to whom they owe their duties. A breach of the obligation may occur even where the fiduciary acted honestly and where the other party was unable to take up the opportunity diverted by the fiduciary. A fiduciary may be relieved of the duty by fully disclosing to the other party and obtaining their consent. Regal Hastings Ltd v Gulliver [1967] 2 AC 134.