

Submission - Higher Education Research Commercialisation IP Framework Consultation paper

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What will the HERC IP Framework do?

1. *What would ensure the HERC IP Framework is applied consistently across universities (research institutes/centres, colleges, faculties, departments and researchers) and industry?*

In order to ensure that the HREC IP Framework is applied across universities and industry, the federal government must:

- a) require that any federal grant funding is provided only where it is shown that the relevant parties have entered into HERC IP Framework agreements;
- b) legislate that universities (where applicable) must, depending on specified types of commercial dealings:
 - i) enter into HERC IP Framework agreements; or
 - ii) not exclude specific terms contained in HERC IP Framework agreements.
- c) require that the R&D rebate provided to industry is only paid if HERC IP Framework agreements are entered into for specified types of commercial research dealings with universities e.g. contract research agreements.

Also, to ensure that universities implement the framework and meet its aims, universities must, taking a top-down and wide-ranging approach, reform its metrics of success. Such metrics need to change from a primary focus on publications and grant success, to a primary focus on commercialisation.

2. *What parts of standard agreements must allow changes to accommodate variation? Why? How?*

Any part of the standard agreement should allow changes that do not substantially affect the key processes / aims identified in the consultation paper. This is required given each respective university and industry body have their own specific circumstances and requirements. Such changes would be negotiated between the relevant parties.

Framework scope

3. *What should be in and out of scope for the HERC IP Framework to be useful, reasonable and practical?*

The scope of the HERC IP Framework should be as expansive as possible given:

- a) the serious disconnect between Australia's Universities International Innovation ranking (not in the top 100), research and development sector (15th) and university-industry research collaboration (39th); and
- b) that most often, university and industry have significant disparities in:
 - i) desired outcomes of research; and
 - ii) available resources (including financial and personnel).

The abovementioned problems require a highly prescriptive framework that is rigorously implemented through the changes proposed in question 1 above.

Specifically, the HERC IP Framework scope should include:

- a) non-excludable terms regarding basic standards of research in relation to the program of work that a university agrees to perform.
 - i) This should be a standalone obligation as well as a representation and warranty. The basic standard of research must at least include the *Australian Code for Responsible Conduct of Research 2018* and any other codes or guidelines released by the Australian Research Council or other relevant federal bodies from time to time. Such standards are critical as the value of research IP is dependant on the quality of relevant scientific research.
 - ii) To assist in making Australia more competitive in commercialising research, the standards of research should optimally be internationally accepted best practices.
- b) reforms to university delegation of powers to enable:

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- i) **prompt** execution of contracts on behalf of the university by university personnel. Currently it can take many months for a contract to be executed. Within the universities, there appears to be an apparent lack of accountability/responsibility on timely execution, an inability to delegate authority, and a lack of understanding of the crucial importance for maintaining timelines for industry;
- ii) (NOTE – this is my suggestion as a lawyer) university personnel who are capable of executing agreements on behalf of the university to be able to execute deeds. Deeds are needed in a variety of situations, most often where there is questionable or no consideration (a legal concept) provided by a party in an arrangement. Commonly, universities have unclear or outdated delegations in their publicly accessible webpages. This can result in unnecessary confusion, bureaucracy and complexity in dealing with universities;
- c) matters relating to data access in research arrangements. The framework agreements should require that all parties to a research arrangement have equal access to / a right to be supplied with the data generated by a party in the course of their relevant research. Note that the standard NHMRC multi-institutional agreement does not provide such data access rights.

4. What are the strengths and limitations in the current Australian IP Toolkit that could be addressed in HERC IP Framework?

The current Australian IP Toolkit does not adequately cover the wide-ranging types of potential categories of engagements between universities and industry bodies and takes an approach that IP ownership will solve all issues. It also does not have an industry impact led approach to the various pathways to market. The HERC IP Framework can address these as identified in Annexure B and C in the consultation paper. It is important to understand that while addressing IP is important, it will not address a number of critical fundamental issues that inhibit commercialisation of Australian academic research.

5. How could the demarcation between the HERC IP Framework and the Australian IP Toolkit be best set out to avoid confusion about applicability for different transactions?

Each of the websites for the HERC IP Framework and the Australian IP Toolkit should provide clear demarcations of what transaction types are respectively covered. Also, relevant demarcation information should be provided to universities / industry where relevant such as in grant applications and R&D rebate applications etc...

6. What information should be in the process maps, guidance and educational material? What formats are best?

- No comment

7. What other processes and agreements should be included in the HERC IP Framework?

- No comment

8. Should the HERC IP Framework apply to (a) only ARC or DESE research programs; or (b) also extend to publicly funded research at federal level through departments, Rural Research and Development Corporations, the NHMRC and PFRAs?

Both categories. Please see response to 1 and 3.

9. What specific issues in different fields of research should the HERC IP Framework include?

- No comment

Target audiences

10. What unique aspects of specific sectors and commercial situations should be accommodated in the HERC IP Framework? Why? How?

- No comment

11. What would make the HERC IP Framework attractive to collaborating and investment partners?

A framework which mandates:

- a) project IP to be owned by industry as much as possible, including where universities are contributing resources above what is funded under a grant. I.e. university resources should be viewed as a public utility and not private funds akin to a private corporation;

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- b) benefits (as provided in a sliding scale contained within the framework) to universities to be agreed upon before the project commences; and
- c) where Project IP is owned by industry, permits project IP to be assigned to third parties without needing university approval.
- d) A balanced, rational and commercial approach to negotiating the actual value of the university's contribution. It is often the case that a university places a valuation on their contribution that will guarantee the project cannot proceed as 'down-stream' investors will not be able to realise a return on their investment.

The above would avoid a university's ability to scuttle commercial progression of Project IP through slow university bureaucratic processes and/or unreasonable uncommercial benefit demands.

Key parameters guiding development and implementation

12. What specific activities in your organisation would not be amenable to a standardised agreement?

- No comment

13. What design aspects – such as a \$100,000 investment, or significant background IP - should define the threshold for more complex agreements?

Thresholds for industry should be calculated on an enterprise size basis and should at least consider:

- project cash contribution amount;
- background IP investment size; and
- profit to losses ratio (calculated over the relevant company group).

14. What elements must be flexible to prevent barriers in complex, high value agreements? How would these work in practice?

For large, sophisticated industry enterprises that have significant resources, any term of the framework can be modified / excluded if such enterprise elects (which it may do in its absolute discretion). Such election and the terms negotiated in its place must however be consistent with the aims of the HERC Framework.

Trust and culture

15. Would pre-negotiation tools (such as term sheets or non-binding agreements) help your organisation build trust and confidence in a partnership? What tools would help?

Pre-negotiation tools such as term sheets and non-binding agreements would greatly assist in building trust between organisations. These tools should be used prior to organisations applying for grant funding or other joint activities to avoid problems down the track.

It would also be helpful to have a national framework for assessing commercial valuation. For example:

- a. Does research funded by an NHMRC or ARC grant count toward the university's assessment of its contribution to commercial value, or is it more appropriately reflected as a Government/tax-payer contribution to the project? The universities often include the former to inflate the value of their research contribution.
- b. Does research funded by industry attract the multiple overheads that universities typically apply. These typically include a Departmental overhead, a School overhead, and an Organisational overhead. As a result the amount of funds provided for the research can be as little as 30% of the total industry investment.

Implementation

16. What communication and educational subject material would help your organisation in implementing the Framework?

- No comment

17. How can performance of the HERC IP Framework be monitored without an undue administrative burden on users?

With respect to the mechanisms raised in question 1 above, relevant bodies need to declare HERC IP Framework compliance to appropriate federal government departments. Such government departments should conduct random audits for compliance where non-compliance results in (at least) any one or more of:

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- a) return of federal funds / grant funds / R&D rebate funds;
- b) temporary or permanent revocation of deductible gift recipient status; and
- c) temporary or permanent bans from participating in federal subsidised R&D programs.

Also, to ensure that the aims of the HERC IP Framework is achieved, it is suggested that following its implementation, industry (particularly SMEs) is regularly consulted by the federal government. This could be done every 6 months for the first five years and less frequently after.