



The University of Newcastle welcomes the opportunity to make a submission on the Higher Education Commercialisation IP Framework and we consent to our submission being made publicly available.

In developing a framework, we strongly recommend prioritising:

- **Flexibility and responsiveness of approach, and avoiding a restrictive or prescriptive approach**
- **A framework that allows universities to prioritise longer term benefits such as regional jobs and industry growth onshore, or public good, over securing immediate or once only financial return**
- **Sharing best practice approaches and outcomes in a transparent manner**
- **IP Frameworks are one small part of the commercialisation agenda. Changing the nature of university-business engagement requires a much broader suite of policy change and investment, which the Australian Government is embarking on.**

The University of Newcastle strongly recommends the Government conduct a longer and more engaging consultation process with the university sector, with health, industry and the not-for-profit sector.

Flexibility in the approach is key. The University does not support legislation or prescriptive approaches, and instead prefers guidelines and sharing of best practice examples both domestically and internationally.

Above all, a framework should not stifle diverse approaches that prioritise outcomes other than financial return. In the Hunter and Central Coast for example, it could be preferable to prioritise an outcome that sees new jobs and industry located in regional areas, than one off financial gain.

The University would support a transparent reporting framework on outcomes from partnerships, including best practice examples, spin offs, commercialisation income in a transparent manner, and to give a measure of progress and performance on these measures.

We note that while having a flexible set of resources to help set contractual frameworks for IP is useful for engaging with SMEs, the more critical drivers of university-business engagement and research commercialisation require a broader ecosystem of policy changes and resources.

Lastly, a framework should be drafted carefully to avoid negatively impacting universities and industry bona fide commercial decision-making and avoid undue administrative burden on either party to justify decisions.

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

Flexible approaches and templates

Consistent with our preference for guidelines, template agreements must be flexible enough to allow meaningful variation to account for specific circumstances. Attempting to be too proscriptive of certain aspects of contracts will inadvertently encourage companies and universities to find ways to circumvent the conditions. Attempting to implement a restrictive



framework will not benefit industry or universities – agreements seen as being too much in favour of either party will reduce incentives for participation and likely stifle collaboration.

Clear Communication Tools and Streamlined Reporting

A standardised approach can assist universities in their research commercialisation initiatives with industry, it needs to be a simple and clear process. An overly complicated process and procedures might be a deterrent rather than facilitating the industry collaboration, which is needed.

Reference can be made to the existing IP Toolkit but focus on the applicability to the higher education sector with hopefully simplified processes, procedures and some standardised forms.

Streamlined reporting, through governance should prioritise minimising administration so there is not an additional burden placed on universities that become an additional barrier to commercialisation, as an unintended consequence.

Administrative Education

It is understood the Commonwealth intends to recommend a two-tier contractual framework to mandate a template contract for 'low-risk' activities and allow more flexibility for high risk and high value arrangements. It is unclear from the consultation paper what specific factors beyond contract values or perceived complexity will allow universities to deem an arrangement as 'high risk' and therefore provide contractual variations to cater. This gives rise to questions around managing the clash with universities' usual procedures, compliance, and differences of opinion from industry partners.

Reflect Pre-Existing Industry Standards and Pre-existing frameworks

The guidelines should reflect pre-existing industry standards. As such, it should not be that industry standards are mandated by the government, but instead government takes a role in educating actors in this space on industry standards. Consistency of application will be far more likely if the framework reflects what is already acceptable to the sector, including flexible and innovative arrangements.

Government should have no role in IP valuation

The framework should provide no input into IP valuation or negotiation with respect to finances. While the consultation paper notes inconsistency between expectations of industry and researchers regarding IP valuation, consistent application of the framework will only be assisted if the market is allowed to dictate commercial terms rather than government.

Carve-out Big Business

A suggestion from this perspective would be to consider recommending focusing on applying the framework to contracts between SMEs and universities rather than all of industry. The arguments made by the consultation paper with respect to resourcing and or timeliness do not generally apply to large business who have the financial and human capital to handle these risks and will often engage in high-risk ventures as opposed to SMEs. This is more likely to assist in consistent application as the variation in industry needs are likely to be smaller.

Allowance for Frequent Issues

If a framework is to be implemented it will need to allow for certain kinds of engagements (i.e.: Linkage Projects) and issues such as student and scholarship IP, publication and moral rights. If for example student IP is not contemplated (where postgrad students are on related scholarships and

generating IP as non-employees) there will likely be legal barriers to the implementation of the agreements in practice.

Contracts that do not allow researchers to further academic KPIs and do not allow the translation of knowledge through academic papers may also reduce incentives to collaborate in the manner proposed.

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

All parts of standard agreements should allow changes to accommodate variation. Different activities, different industries and specific scenarios or regulatory burdens (state, federal or international) will impact on the proposed activity. This is consistent with our strong preference that a framework should take the form of guidelines and prioritise flexibility.

In general, the following general concepts should be variable:

- IP ownership and licencing (both Background and Foreground IP)
- Regulatory matters
- Indemnities and warranties
- Conditions precedent
- Payment schedules and milestones
- Data management and publication.

This can be achieved by providing a framework that can be used in a similar fashion to the templates found in the IP Australia Toolkit.

The standard agreements should avoid being 'one size fits all', as they will not adequately address any one situation. The standard agreements will most likely be used as a starting template where the parties will then suggest changes and therefore the agreements should be rather flexible to reflect the nature of current collaborative research. Some parts where flexibility could be considered: Access to IP/IP management, ability to add partner at a later date, split the results of the collaboration into different categories depending on the IP.

How universities will operate in the future is very likely to change. As such review of templates is essential. Not all eventualities will be foreseen so there must be clauses that can recognise unforeseeable situations to allow flexibility.

Framework scope

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

Fully informed by longer and broader consultation

An appropriate framework should be the result of a genuine consultation with the sector, with industry, and with other relevant partners, including in health and the not-for-profit sector. Not all IP has a financial goal, nor should it, and this should be considered in the scope of consultation.

Target Australian SMEs

The framework should primarily target SMEs that do not have the resources to understand or negotiate appropriately in relation to IP commercialisation and research. Generally, it is easier to



negotiate with large business, largely because SMEs generally negotiate legal terms that would otherwise be industry standard and are understandably less willing to take on legal risks.

Further, a prescriptive framework may cause some difficulties for engagement with international universities and organisations that may not be willing to engage with Australian regulatory frameworks. It is our recommendation that these also be carved out of the application of the framework.

Should not apply to Pre-Existing Arrangements

The consultation paper mentions that the framework will not apply to pre-existing agreements “unless the parties otherwise agree.” It should be absolute that the framework does not apply, as universities should not be required to renegotiate existing arrangements on the back of a mandated framework.

Indigenous Knowledge

We need to stay continually mindful of protecting and working appropriately with Indigenous Knowledge, led by Indigenous advisers. It is of high importance in the Australian context and historically Australia has not been good at this, especially in matters regarding copyright.

Right to Publish

The right to publish in open access must be maintained for publicly funded research and is important to our research reputation and citation rates, especially in cutting-edge innovation.

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

Current limitations of the Australian IP Toolkit include:

- Low awareness and limited reach within higher education
- The templates provided are limited in application to collaborative arrangements, are overly long and complex, and are highly variable.

It would be useful if the framework and associated tools developed consider professional and support staff who will be key in industry engagement and negotiations. Resources, training, templates etc. could target this audience so they can support an efficient workflow between the parties. This would be particularly useful for universities with smaller IP offices and resources.

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?

The framework contemplates a far larger range of transaction types while the Australian IP Toolkit is limited to funded collaborative arrangements. The framework could be limited to transactions between SMEs and universities, and agreements sitting below government funded programs (such as ARC). The Australian IP Toolkit may be used to inform all other transactions. Flexibility and responsiveness must be prioritised in the development and application of any toolkit. The development of the framework should support, develop and/or add on to the existing Australian IP toolkit to avoid duplication and confusion.

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

formats are best?

The following types of information should be included in material:

- Nature of university research and reasons behind certain positions in proforma contracts (e.g.: no indemnity/warranty for IP, no guarantee that results will be of a certain quality/value etc)
- Explanation of core concepts of Background/Foreground IP and the appropriate warranties and licences that attach
- Parameters in which framework applies and does not apply
- General process for contract negotiation and execution
- Explanation regarding the application of the framework (i.e.: what it requires, what it does not require, how it applies, when variation is permissible, management of complaints, managing non-compliance)
- This information will be dependent on how technology transfer offices will operate on an institutional basis.

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

Data Transfer Agreements should also be included in the framework. The framework should also be appropriate for products, services, and training.

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?

Our preferred approach would be to limit the potential application of a framework to ARC or DESE funded programs, but not mandating this.

Different projects, within different industries, will require different approaches, and in particular, commercial arrangements should not be covered. Moreover, a standard agreement framework that might be applicable to engineering and manufacturing through an ARC scheme may not be appropriate to a pharmaceutical or medical device development project with the NHMRC.

The same approach should not be used across the board. If there are plans to develop models for these different applications, then the roll-out should be iterative, with the model tested for one scheme and improved through feedback before it is extended.

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

- Ethics, privacy, data management requirements for human and animal research (particularly applicable to medical research)
- Contemplate site agreements with localised research sites (such as CTRA administered by medicines Australia) and/or access to industrial sites
- Conditions precedent/subsequent applicable to regulatory issues (e.g.: Defence Trade Controls Act/Foreign Arrangement Scheme/ Therapeutic Goods Administration approvals)
- Pass-down provisions to cater for varied funding agreements
- Confidentiality/security requirements for defence related research



- Limited controls by industry over publication by university, particularly when considering the Freedom of Speech/Academic Freedom code imposed by DESE and the university's own KPIs with respect to publication
- Protocols surrounding the management of Indigenous Cultural and IP where appropriate
- Would depend on co-investors, i.e., small, invested interest vs large corporation – different warranties and indemnities involved and ability to support these.

Target audiences

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

There are pre-existing template suites that should remain available or be heavily incorporated into the framework, such as Clinical Trial Research Agreements administered by Medicines Australia and or Multi-Institutional Agreements created by Australian Research Management Systems for ARC and NHMRC funded collaborations. These are matters that have been largely solved already by industry and are applicable to specific sectors and funding sources. These existing templates should be supplemented or contemplated by the framework rather than replaced. Healthcare and health promotion, inclusive of the provision of services, consultancy, as well as clinical trials, drug development and drug repurposing, and diagnostic/ prognostic/ theragnostic technologies (e.g.: biomarkers, sensor, imaging, digital technologies etc).

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

The framework could accelerate negotiations with a lesser perception of risk and higher confidence, particularly with regard to SMEs. The availability of clear processes and procedures that are accessible prior to engagement with formal IP negotiations would also assist, as would the flexibility to negotiate and modify the agreements.

Key parameters guiding development and implementation

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

Standardised agreements should be provided as a tool to accompany guidelines and should be 'opt in' as there are circumstances where such agreements are unlikely to be applicable:

- Clinical Trials (subject to existing standardised agreements that state hospitals will not accept amendments to)
- Pilot agreements involving construction of experimental equipment
- Commercial agreements/licences with spinouts in which the university holds an equity stake
- Commercialisation agreements with Company Groups who have created a special purpose vehicle/commercialising entity specific for the arrangement
- Privately funded research
- Long term partnerships dealing with the commercialisation of different, undefined IP as the IP is created
- The creation of joint ventures (incorporate and/or unincorporated)



- Research or commercial agreements between universities and spin-out companies in which the university holds an equity stake. These are not likely to be a standard arms-length transaction and would require significant discretion
- Research and commercial agreements with industry partners in which there is no government funding scheme.

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

- High risk activities (as defined by the university's processes)
- Multiple and varied parties/funding sources (international organisations, governments and/or larger business)
- Non-SME engagement
- A complex or large activity with multiple stages
- The existence of other requirements imposed by non-government funding contracts that also funded the research/IP creation that did not contemplate the framework (research will often have multiple funders who engage in different stages of the IP concerned who may impose ongoing obligations that may need to be considered/managed - for example, ACARP)
- Collaborative research activities (both Parties contributing Project IP), Significant Background IP from either Party (not limited to patented or otherwise registered IP), value over \$150,000.

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

All elements should be flexible, and all templates provided on an opt-in basis. With this in mind, flexibility should be particularly expected on:

- Ownership/licencing frameworks
- Warranties/liabilities
- Sub-licensing/on-assignment processes
- Audit/compliance checks
- Payment frameworks
- Assignment of IP rights and the associated funding models.

All agreements, but especially complex agreements should have the flexibility to include licences to commercial licence or assignment of significant Background IP at the discretion of the Parties, where the licence or assignment is for reasonable commercial return.

Complex agreements need to contemplate variations in intellectual and background IP. They also need to contemplate that due to the uncertain nature of research, the nature and value of a Party's actual contribution may significantly vary over the course of a project and variations must be allowed to accommodate changes to the way in which the project is run.

Flexibility in the ability to negotiate certain commercial terms at the end of an engagement in light of respective contributions would also be required.

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?

Term sheets are a frequent and useful tool for setting up commercialisation agreements. Memorandums of understanding are useful from an international perspective. These tend to assist international parties and/or SMEs in feeling as if they are engaging within an existing relationship rather than coming in 'cold.' The existence of standard agreement frameworks could help build trust – many conversations with SME partners stem from a lack of understanding of the technology commercialisation process, which results in a lack of trust in the offered terms. A reassurance that many terms (such as lack of certain IP related warranties and indemnities) are standard in such arrangements due to the nature of the risk-reward profile of each Party in a transaction would help SMEs to understand the reasons for such limitations and resolve potential disputes in the negotiation process.

Implementation

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

From a broader policy perspective, it would be useful to share best practice examples, and openly publish results of partner engagement, in the context of existing reporting, i.e.: spin-offs, new commercial enterprises, commercial or royalty income.

Guidelines and information packs that clearly specify how the framework should operate, included with process flow-charts and checklists to assist with decision-making. These could also be issued to industry when engaging with the university.

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

Further consultation would ensure the administrative implications are understood and appropriate. It would also be useful to share best practice examples, and openly publish results of partner engagement in the context of existing reporting, i.e. spin-offs, new commercial enterprises, commercial or royalty income.

In terms of the guidelines and templates, a pilot could be run, with a period of analysis and feedback, followed by a longer-term, lower intensity monitoring program. Questions regarding the use of the framework in associated contracts could be included in the engagement and impact monitoring activities to gauge its impact and use. Self-reporting as part of the performance management of individual Commercialisation and IP Officer (or similar) roles within universities would also be key.