

Submission to Department of Education, Skills and Employment

Higher Education Research Commercialisation IP Framework Consultation Paper

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The Australian Academy of Technology and Engineering (ATSE)¹ welcomes the opportunity to respond to the Higher Education Research Commercialisation (HERC) Intellectual Property (IP) Framework consultation, following on from previous consultations on the Government’s proposed HERC scheme.

[ATSE’s submission](#) to the 2021 HERC scheme consultation paper highlighted that IP negotiation can be a barrier to collaboration in commercialisation, and suggested the scheme should therefore aim to manage IP expectations. The Academy is pleased to see this issue being considered further now.

Does the HERC scheme need such a rigid IP Framework?

Establishing mutual understanding and trust in commercialisation partnerships is a key pre-requisite for commercial success. While a fully standardised IP Framework with a set of ‘templates’ for partnership agreements could facilitate some streamlining under the Department’s HERC scheme – particularly for supporting small and medium enterprises (SMEs) to engage in the Framework – it is unlikely to be suitable for most commercialisation partnerships.

There is a huge variety in circumstances between each commercialisation collaboration, including variability in pathways to market and between organisational structures. It is therefore unlikely that a standard set of agreement templates will be robust, yet flexible enough to capture the variability across all commercialisation partnerships in the HERC scheme.

Early Career Researchers (ECRs) and SMEs with less experience and fewer dedicated legal resources are the groups most likely to benefit from standardised agreements in a HERC IP Framework. However, providing resources that can *teach* these groups how to enter into agreements for IP commercialisation partnerships could do more to develop the translation and commercialisation skills of Australia’s ECRs and SMEs for the future, beyond opportunities covered by the HERC scheme.

As an alternative to standardised agreement templates, the HERC scheme could support development of robust IP agreements between collaborators by:

- Creating an education program or set of processes to teach collaborating parties about what to expect when entering an IP partnership, including checklists where required.
- Developing a set of guidelines to inform IP negotiations between parties, including discussion questions to guide negotiations that seek clarification of:
 - a. How to identify the different parties in a collaboration (i.e., higher education institution, researchers, commercial companies, other contributors),
 - b. How to determine who owns the IP versus the product returns, and what to do if there are multiple owners, and
 - c. How to treat background IP, created before the partnership was started.
- Developing an agreed set of terms with definitions that must be used in agreements.
- Developing a set of additional pre-negotiation tools to build relationships and trust between partners (discussed further below, in response to *Question 15* from the consultation paper).

Many universities and publicly funded research organisations already provide resources and advice for the purposes of IP creation and commercialisation. Considering how the Department can work to promote the use of these existing resources should be a priority for the HERC scheme.

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¹ The Australian Academy of Technology and Engineering is a Learned Academy of independent, non-political experts helping Australians understand and use technology to solve complex problems. Bringing together Australia’s leading thinkers in applied science, technology and engineering, ATSE provides impartial, practical and evidence-based advice on how to achieve sustainable solutions and advance prosperity.

Below are ATSE's specific responses to select questions from the consultation paper.

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

ATSE welcomes the breadth of the fields of research proposed for the IP Framework, and specifically the inclusion of how Indigenous Knowledge could be treated within the scheme. The IP Framework should provide specific guidance for collaborators for respectfully incorporating and applying Indigenous Knowledge in commercialisation partnerships.

Clarification about which funding models will be included in the initial phase of the HERC IP Framework is welcomed. It is unclear why existing ARC and DESE research programs are included in the first phase, while several other government funding programs (like PFRAs, the Rural and Research and Development Corporations, and the National Health and Medical Research Council (NHMRC)) are excluded. ATSE suggests clear and proactive communication regarding this distinction, or consideration of removing this distinction.

ATSE also recommends clarification regarding how the IP Framework will apply to collaborations that include PFRAs, such as CSIRO and ANTSO, that are not specified in the consultation paper.

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

Some unique aspects or specific sectors and situations to be considered in the IP Framework are:

- **Clarification regarding how charity and not-for-profit organisations** participating a collaboration should be included in the IP Framework, including how to manage the situation if their expertise is involved in creating IP, rather than in creating the commercialised product or taking it to market.
- **How to specifically encourage entrepreneurship among ECRs** so people can be involved in spin-outs or start-ups that commercialise IP. If ECRs have entrepreneurial ideas, standardised agreements, and clear guidance for pathways to market in the IP Framework help facilitate the transition of these people into new businesses (outside of universities) with contracts of sufficient length that allow them to focus on the commercialisation, rather than on publishing ideas for others to pursue to market.
- **Opt-out processes for certain situations should be established.** If the IP Framework is created with a set of standardised agreements (rather than guidelines or processes, as suggested earlier in this response) then the Framework must also include well-defined process for how specific or unique commercial situations can opt-out of these standard agreements. For example: in the case of contractually obliged university or business legal agreements to support engagement in commercialisation activities.

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

Clear guidelines and procedures for creating partnership agreements between collaborators in the HERC scheme are essential. Companies can have a tendency towards streamlined processes to make business easier – so an IP Framework could make it easier for companies to invest if the Framework creates a simple, repeatable way for businesses to engage with various universities or opportunities.

Guidelines for HERC scheme commercialisation agreements should include specific guidance for all stages of IP creation and commercialisation: from idea inception, proof-of-concept, prototype

development to commercial products. The stage of IP availability may impact the scale of investment needed to get the product to market and thus the possible return on investment.

Knowing the scale of a possible return for investment from IP (as well as clarifying concepts such as market exclusivity of IP) will make collaboration more attractive for investors. Clear guidelines to develop agreements will make IP arrangements easier to negotiate and will provide confidence and common understanding for all stakeholders about the process.

For universities, there could be different incentives for attracting a commercialisation partner to translate their IP or to work collaboratively to take a product to market. While return on commercialised products could create royalties for a university, the commercial funding of research – perhaps from a commercialisation partner who has come on board early in the IP creation process – could offer a much larger source of income for universities. Therefore, specific IP Framework guidance around stages of investment versus returns are important also for universities.

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

Given the immense variability and variety in commercialisation agreements that will be facilitated under the HERC scheme, flexibility is critical to prevent unnecessary barriers for all agreements.

ATSE urges the Department to consider whether detailed guidelines, processes and procedures along with an education program may be more appropriate for improving IP negotiations and agreements under the HERC scheme, compared to the proposed development of ‘agreement templates’ in an IP Framework.

Question 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?

Strong working relationships built on trust are critical for successful commercialisation. ATSE strongly supports the development of pre-negotiation tools and processes to facilitate building relationships and trust between commercialisation partners.

Examples of tools that could be useful (some of which are mentioned in the discussion paper) are:

1. term sheets (ensuring a clear chain of title for the IP, and how background IP is treated and owned),
2. guidance that helps parties consider whether additional, multidisciplinary organisations or partners from other sectors should be involved in the collaboration,
3. project management tools to help parties to scope and plan the project precisely in a form that facilitates incorporation into contract or agreement documentation,
4. discussion guidance to help parties identify the important issues that need to be agreed, and to avoid wasting effort on issues that do not matter,
5. guidance to help parties identify which groups of contract/process templates (if they are created for the IP Framework) are appropriate to their specific collaboration, and
6. economic and business support to help parties calculate the value of the research commercialisation to all organisations involved, for all stages of IP creation.

ATSE welcomes the opportunity to provide further input, clarification, or advice on this matter, drawing on our extensive network of leaders from industry, academia, the public sector, and research institutes.

For further information, please contact the ATSE Policy Team (AcademyPolicyTeam@atse.org.au).