



Higher Education Research Commercialisation IP Framework Consultation Paper

Department of Education, Skills and Employment

October 2021

Executive Summary

The University of Melbourne welcomes the opportunity to respond to the Department of Education, Skills and Employment's Consultation paper on a Higher Education Research Commercialisation IP Framework.

The University strongly supports the development of a standardised set of agreements and supporting educational material designed to facilitate collaborative research and commercialisation arrangements between universities and industry. If approached in the right way, the proposed Framework has the potential to facilitate greater knowledge transfer, and to accelerate the economic outcomes generated by Australia's university research ecosystem.

There is little doubt that the complex nature of IP contracting can present barriers to collaboration and technology transfer between universities and industry. This is particularly true for Small to Medium Enterprises (SMEs) which by their nature have fewer resources and are therefore typically less well equipped to negotiate and navigate the complexities of IP arrangements. The proposed Framework will offer an invaluable starting point for negotiations by establishing a standard reference for industry-university engagements and by helping to manage expectations on both sides. Similarly, the proposals relating to educational material for industry will help foster engagement, particularly with smaller organisations.

The University of Melbourne is pursuing continued improvement in this area. Our new strategy, Advancing Melbourne, commits to deepening ties with external research partners in support of "translational research for the benefit of society". We are seeking to ensure that research translation and impact activities, including partnering with business and end-users, are recognised and valued in our academic performance and promotion processes

Our primary concern is that there is sufficient flexibility built into the proposed IP Framework such that it does not have counterproductive effects on industry collaboration. We argue that there are significant issues that need to be addressed if the core aims of the Framework are to be achieved without generating unintended consequences. We identify three material issues here:

1. The Framework's agreement templates should not be mandatory.
2. The reforms should include parallel initiatives that introduce greater consistency in government research contracts and that align such contracts with the proposed Framework.
3. The implementation of the proposed Framework should be delayed to allow the Government, the university sector and industry stakeholders time to prepare for the changes.

The proposed mandatory nature of the Framework is the most problematic element for the University of Melbourne. Imposing mandatory terms on IP agreements will make Australian universities less, rather than more, attractive to potential industry partners and act as a potential roadblock to constructive engagement, particularly with larger businesses that have less need for the guidance the Framework would offer. The University would welcome the opportunity to further discuss these challenges with the Government.

For further information, or to discuss the submission, Professor James McCluskey, Deputy Vice-Chancellor (Research) can be contacted at dvc-research@unimelb.edu.au.

Recommendations

The University of Melbourne recommends that the Australian Government:

- develop template IP agreements and supporting guidance and educational material to assist negotiations between universities and businesses.
- **not** make template agreements mandatory, as this will impede rather than promote university-industry collaboration.
- introduce greater consistency in government research contracts and ensure that these align with the proposed IP Framework.
- delay the implementation of the IP Framework until 2023, to:
 - allow for the detail of the Framework to be further refined;
 - ensure that the problems that the Framework intends to solve are accurately defined; and
 - give the university sector and industry stakeholders sufficient time to prepare for the changes.

Comment on the proposed IP Framework

An opportunity to drive university-industry collaboration

The proposed IP Framework represents a key opportunity to facilitate greater research collaboration between universities and industry partners. While there are many barriers to greater university-industry research engagement, the complexity in IP arrangements plays a clear role in constraining technology transfer and the commercialisation of university research in Australia. The introduction of template IP agreements – designed specifically for university research, and complementing existing templates developed by IP Australia – is a positive intervention that will assist negotiations between universities and businesses. These agreements will help to shape the expectations of both parties by indicating a default set of terms that serve as the starting point for these negotiations.

Similarly, the introduction of guidance and education material, and additional communications and engagement delivered by the Australian Government, will help to inform expectations when parties approach potential IP agreements. The proposed Framework is especially likely to support engagement with SMEs. SMEs typically have less experience in IP licencing than larger businesses, and therefore will benefit most additional support provided by the various elements of the Framework.

Recommendation

The University of Melbourne recommends that the Australian Government develop template IP agreements and supporting guidance and educational material to assist negotiations between universities and businesses.

Issues with the IP Framework as proposed

Notwithstanding the potential benefits, there are significant issues with the Framework as proposed in the Consultation paper. The University of Melbourne identifies three material issues that should be addressed to ensure that the Framework delivers on its intended aims without generating unintended and harmful consequences.

1. The Framework's agreement templates should not be mandatory.

The University does not support making template agreements mandatory: doing so will impede rather than advance the aims of the proposed Framework. Mandating template agreements will interfere with partnerships between universities and businesses. In many cases, it is the industry partner rather than the university that has bespoke requirements that need to be incorporated into an agreement. This is particularly true of large and global organisations that typically already have significant experience in IP contracting. Imposing inflexible contracting terms on these businesses may deter them from engaging with Australian universities. Relatedly, mandatory agreements may act as a problematic restraint on trade and adversely impact competition by restricting universities' freedoms to contract on individual terms.

While the UK's Lambert IP Toolkit and Knowledge Transfer Ireland's frameworks have been identified as international exemplars for the proposed Framework, neither of the UK nor Ireland mandate the use of model agreements. A 2013 Review of the impact of Lambert IP Toolkits found that agreements are typically used as a starting point or impartial reference point, and that whole agreements were adopted without modification by only three per cent of organisations.¹ The Review also found that

¹ Intellectual Property Office (2013), *Collaborative Research between Business and Universities: The Lambert Toolkit 8 Years On*, p.3.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/311757/ipresearch-lambert.pdf

industry stakeholders strongly opposed any move to mandate model agreements, viewing this as a “retrograde step” that would erode the UK’s competitive advantage in terms of flexibility. Of large companies that were surveyed as part of the Review, 88 per cent strongly disagreed with mandating agreements.²

By way of an example of the counterproductive effects that mandating agreement terms may have, the Consultation paper states that “non-severable improvements to Significant Background IP should be owned by the party that contributes the background to the project.”³ While this is appropriate in many cases, mandating this position in all cases may deter universities from engaging in collaborations aimed at developing and optimising industry Background IP, or vice versa.

The appropriate approach is to develop template agreements that are not mandated (regardless of contract value) but that offer a starting point for interactions between universities and businesses. This will help to facilitate collaborative and commercialisation engagements between universities and smaller businesses, without also having a disruptive effect on broader university-industry relationships.

Recommendation

The University of Melbourne recommends that the Australian Government **not** make template agreements mandatory, since this will impede rather than promote university-industry collaboration.

2. The reforms should include parallel initiatives that introduce greater consistency in government research contracts and that align such contracts with the proposed Framework.

The reforms proposed in the consultation paper do not address the IP issues that universities and industry face when contracting with government organisations. Research funding and collaboration arrangements presented by Government vary considerably between government organisations and are often highly complex and contain problematic terms.

Some government grants (e.g. MRFF) include a clause that provides the Government with a permanent licence to use IP, thereby preventing universities from offering industry partners exclusive rights (typically a commercial necessity for commercialisation) and from obtaining the subsequent investment and industry involvement needed to bring discoveries to market. This significantly limits the likelihood of relevant IP being commercialised.

Moreover, a wide variety of IP agreements are used across Research Development Corporations. Some of these agreements include terms that are problematic for universities and industry, and that ultimately add to the costs of research engagement and limit the economic impact generated. The suite reforms should include the standardisation of government agreements, and ensure that their terms are appropriate for industry involvement and technology transfer.

Recommendation

The University of Melbourne recommends that the Australian Government introduce greater consistency in Government research contracts and ensure that these align with the proposed IP Framework.

² Ibid. p.83.

³ Consultation paper, p.17.

3. The implementation of the proposed Framework should be delayed to allow the Government, the university sector and industry stakeholders time to prepare for the changes.

The University of Melbourne has significant concerns about the implementation timeline suggested in the Consultation paper. Given the issues with IP Framework as proposed, the aim of mandating agreements as “part of legislation for DESE administered funding for research commercialisation” in the first half of 2022 is not feasible.

Importantly, delaying the implementation will allow time for the development of template agreements designed for international partnerships, noting that the Consultation paper does not focus on these. Establishing ‘Delaware-friendly’ templates to aid engagement with US companies would provide a competitive advantage for Australian universities. It is also important to note that the administrative work required of the university sector and industry to prepare for the new Framework will be substantial; it is not realistic for this to be completed within the timeframe suggested in the Consultation paper.

Moreover, further work is needed to properly define the problems that the proposed Framework intends to solve:

- The Consultation paper suggests that the comparatively small number of co-filed patents in Australia demonstrates a lack of research collaboration.⁴ Co-filed patents are in fact a poor measure of the level of university-industry collaboration. Due to the legal difficulties encountered in joint ownership, research partners often choose to instead have one entity own the IP with the other provided necessary rights through a licence. This point has been repeatedly made by eminent IP commentators.⁵
- The discussion of IP in the Consultation paper does not fully accord with the University of Melbourne’s experience when negotiating IP agreements. For example, while the Consultation Paper notes the need to address Background IP as a significant challenge for research agreements, this is not normally a major point of contention. Similarly, freedom to operate (FTO) issues arising from “fluid multiparty ventures in which new parties enter and others exit quickly” are rarely encountered.

Since the proposed IP Framework aims to drive gradual, long-term improvement in commercialisation outcomes, it is sensible to ensure that its stakeholders have had the opportunity to provide adequate input and delay its the implementation to 2023, allowing time for the detail of the Framework to be properly considered.

Recommendation

The University of Melbourne recommends that the Australian Government delay the implementation of the IP Framework until 2023, to:

- allow for the detail of the Framework to be further refined;
- ensure that the problems that the Framework intends to solve are accurately defined; and
- give the university sector and industry stakeholders sufficient time to prepare for the changes.

⁴ Consultation paper, p.4.

⁵ See for example, Mark Summerfield, <https://blog.patentology.com.au/2017/04/ip-australia-research-challenges-claims.html>.