



Higher Education Research Commercialisation IP Framework Response to Draft Practical Guide and Draft Templates

Department of Education, Skills and Employment

March 2022

Executive Summary

The University of Melbourne welcomes the opportunity to respond to the Department of Education, Skills and Employment's consultation on the Higher Education Research Commercialisation Framework's *Draft Practical Guide* and the released draft template agreements.

We acknowledge the Government has sought to take a consultative approach to the development of the IP Framework, responding favourably to some of the feedback received through the public consultation conducted in October 2021 and through subsequent confidential discussions on the content of the template agreements. There are positive elements to the proposed IP Framework. The supporting guidance and educational material to aid negotiations between universities and businesses, and the introduction of greater flexibility into the Framework is a welcome improvement on what was proposed in the 2021 Consultation Paper.

Notwithstanding the ways in which the IP Framework may contribute to Australia's commercialisation and translation ecosystem, we remain concerned with key elements of the proposed Framework. Our foremost concern relates to its mandatory nature, with universities obligated to negotiate within the parameters of the relevant agreement in many cases. Requiring universities to use the agreements in this way will generate a series of problems, as outlined below. Even before coming to those specific problems, the important point is that making the Framework mandatory is entirely unnecessary to advancing the Framework's key policy aims. The Framework should aim to support IP negotiations between universities and businesses by establishing a standard reference point for these negotiations, and by helping to manage the expectations of the negotiating parties. This can be achieved by making the template agreements and guidance material available for voluntary adoption. Forcing universities to use the agreements is unnecessary.

As well as being unnecessary, mandating the agreements in the way now proposed will likely impede (rather than help to facilitate) university-industry collaboration. It is inevitable that the newly developed template agreements will require ongoing work before they reach a point of being fit-for-purpose. Many of the problems with the templates are already evident; others will likely emerge once the Framework has been implemented. It does not make sense to impose the agreements – along with the problems contained within them – upon IP negotiations between universities and industry partners, particularly given that IP Frameworks in other countries that have existed for decades remain voluntary. The University of Melbourne and other Australian universities already have IP templates that are based on extensive experience with IP negotiations and on a deep understanding of the interests and expectations of researchers and industry partners. Forcing universities to abandon these in favour of those that belong to the new IP Framework will introduce new barriers to university-industry collaboration, instead of helping to overcome the existing barriers. The appropriate approach is to make the template agreements voluntary in all circumstances, possibly with the minimal requirement that universities make industry partners aware of the agreements.

In addition to discussing the problems associated with the mandatory approach proposed for the Framework, the comments below identify issues specific to the draft agreements themselves and to the *Draft Practical Guide*. The comments are addressed to the following areas:

- The need for a focus on commercialisation guidance rather than on research contracting
- The administrative burden & transaction costs
- The need for the agreements to be acceptable to all stakeholders
- The need for protections for HDR students

The University has also prepared detailed feedback on the individual clauses of each of the agreements, along with suggested amendments to these. This feedback is included as an attachment to this submission.

We would welcome the opportunity to work further with the Government, the university sector and with industry on the development of the IP Framework, noting the potential benefits to be generated by a Framework that is fit-for-purpose, as well as the risks posed by one that is not.

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:

- **either** remove any obligation on universities to use the agreements, making the adoption of the agreements entirely voluntary (preferred option), **or** limit the obligation to a requirement to make industry partners aware of the applicable agreement.
- make the research template agreements shorter, simpler, and written in plain English.
- refocus the framework on commercialisation and articulating IP ownership and licencing principles.
- remove the requirement for universities to report on compliance and instances of exception to the use of template agreements.
- ensure that the terms of the template agreements are acceptable to universities and industry partners.
- ensure the IP Framework has greater emphasis on provisions and protections for HDR students who are engaged with industry projects.

Comment on Draft Practical Guide and draft agreements

Mandated agreements

Following the public consultation on the IP Framework in October 2021, the Government has decided not to require the use of IP agreements as initially proposed. Instead, the approach now proposed is to require university partners to “offer to negotiate within the parameters of the relevant agreement” (in the case of ‘Accelerated agreements’), or to “make the industry partner aware of the applicable standard agreement that could be used as a starting point for negotiations” (in the case of ‘Standard agreements’).¹

While this is an improvement on what was initially proposed, there remain significant issues with mandating the IP Framework’s templates, even in this more limited sense. The most immediate of these is that requiring universities to negotiate within the parameters of the relevant template agreement advances none of the IP Framework’s policy aims. The primary benefit of template agreements is to assist parties with limited experience when entering IP negotiations. Making IP templates and guidance material available to universities and industry partners will deliver this benefit: obligating universities to offer the relevant agreement is unnecessary and will have significant unintended consequences. There are series of problems with mandating the use of agreements in the way now proposed:

- ***The proposed approach creates an asymmetry in negotiations between universities and industry partners:*** There is a clear asymmetry in obligating universities – but not industry partners – to offer the agreements as the “starting point for negotiations”. While the industry partner may nominate preferred terms, the University’s negotiating position is baselined by the terms of the agreement template. This inequity is particularly noteworthy given the *Draft Practical Guide* identifies that these templates are intended to “balance the needs of both parties” and to “provide a compromise and balanced position for both parties”.²
- ***There is a lack of clarity relating to when universities would be obligated to negotiate within the terms of the relevant agreement:*** As proposed, the level of obligation will depend upon the type of agreement (Accelerated or Standard), rather than upon the circumstances that might make a given template appropriate. This is problematic, given that Practical Guide acknowledges that there is no single consideration that determines which of the two types of agreement is to be used: a multitude of considerations are relevant, including some that are largely subjective such as those relating to project risk. This will generate confusion, instead of the clarity intended by the IP framework.
- ***The approach is uncommercial in many cases:*** As proposed, universities are required to offer the template agreements to industry partners even in cases where they form the the view that an entirely separate engagement would be more appropriate. For example, high-value major initiative engagements (such as under the major funding schemes in respect of which the framework is currently proposed to be imposed) may be better served by very different governance and corporate structures, such as through incorporation of a joint venture vehicle (which falls squarely outside the current framework).
- ***There remain significant problems with the draft agreements:*** While the Government has sought to consult with the university sector on the development of the template agreements, there remain significant issues with these agreements (We go into detail on some of these issues in the comments below and in our feedback on specific agreement terms). Given the complexities involved, the process of developing and refining the agreements will be iterative, with ongoing

¹ *Higher Education Research Commercialisation: Draft Practical Guide*, p.9.

² *Ibid.* p.10.

work needed to address outstanding problems. It is not appropriate to require universities to negotiate within the terms of agreements that contain these problems.

No other jurisdiction that we are aware of mandates the use of template agreements. Instead, agreements are made available to be adopted voluntarily. This includes countries such as the United Kingdom that have had established IP Frameworks for many years. The Australian Government should adopt the same voluntary approach, providing template agreements as a resource to support universities and businesses without mandating their use in any sense.

An alternative approach is to uniformly apply the proposed obligations for Standard agreements – i.e. to make the industry partner aware of the applicable agreement – to all agreements. Even this option is sub-optimal: requiring universities to make the industry partner aware of the agreements that deviate from routinely used and widely accepted university templates such as technical services and research collaboration agreements will result in delays, since revisions will need to be made to reflect the University's position on key matters. Nonetheless, this significantly improves upon the proposed approach of forcing universities to negotiate within the terms of the relevant agreement, in the case of Accelerated Agreements.

Recommendations

The University of Melbourne recommends that the Australian Government **either** remove any obligation on universities to use the agreements, making the adoption of the agreements entirely voluntary (preferred option), **or** limit the obligation to a requirement to make industry partners aware of the applicable agreement.

A focus on commercialisation guidance rather than research contracting

The University of Melbourne has, through longstanding experience and deep expertise in research contracting, developed plain English research contracting templates that are simple and balanced, and well received by both researchers and industry partners. We have invested heavily into making research contracts and contracting processes simpler and faster, with bespoke software that applies automated decision-tree logic to template confidentiality agreements, material transfer agreements, and to our research infrastructure, project and services agreements.

By contrast, the research template agreements in the framework are lengthy, complex, and difficult to follow. They are typically far longer than the templates already developed by the University of Melbourne. The proposed Accelerated Research Agreement and Standard Research Agreement templates are 5,794 and 13,282 words in length respectively. The corresponding three agreements currently used by the University of Melbourne are between 1,312 and 1,959 words in length. Many of the definitions used in the templates conform neither with ordinary dictionary meanings nor with standard legal terminology. For example:

- 'Use' is used to mean 'use for specific internal purposes only';
- 'Collaborator' is used to mean 'client' or 'sponsor'; and
- 'Results' is used to refer to a category of IP much broader than project results (the standard legal term is 'Project IP').

The length and complexity of the proposed research agreement templates – and the associated costs of legal review – will be poorly received by SMEs and other businesses who do not routinely contract with universities. These templates would be far more effective in supporting university-industry collaboration if they were shorter, and made easier to understand by being written in plain English.

The Framework would also be improved by focusing on commercialisation guidance, and in particular on the IP ownership and licencing principles set out in the associated guidance materials. These

materials could have broader application and greater utility to universities and businesses beyond merely serving as guides to the relevant templates.

Recommendations

The University of Melbourne recommends that the Australian Government:

- make the research template agreements shorter, simpler, and written in plain English.
- refocus the framework on commercialisation and articulating IP ownership and licencing principles.

Administrative burden & transaction costs

The University of Melbourne is very concerned about the administrative burden associated with the proposed IP framework. As noted, many of the template agreements are considerably longer than those that we currently use: in some cases, they are six times as long. This will entail longer negotiations and increase the transaction costs for both universities and industry partners. Given the level of university–industry collaboration and industry-funded research & translation activity in Australia’s university sector, the administrative costs of using longer-than-necessary agreements will be substantial, ultimately diverting resources away from research, commercialisation and translation activities.

Similarly, the proposed reporting requirements undermine the key aim aiding commercialisation through a reduction in red tape. For example, the burden imposed on universities by requiring them to report on instances of exception will be significant, but will not deliver any clear benefit.

Recommendations

The University of Melbourne recommends that the Australian Government remove the requirement for universities to report on compliance and instances of exception to the use of template agreements.

Acceptability of the agreements to stakeholders

Many of the template agreements’ terms are likely to be unacceptable to both universities and to their industry partners. More work is required to ensure that the templates are properly balanced and protect the varied interests of their stakeholders. Noting that we provide more detailed comment in our feedback on the individual agreements, examples of provisions that would be unacceptable to universities include:

- the background IP licensing/reach-through provisions have the potential to encumber valuable, independently developed IP. These provisions will deter universities from applying useful self-contained IP to industry projects.
- the templates contain de facto freedom-to-operate warranties and indemnities that universities and many of their partners are in no position to provide. We note that DESE’s 2021 Consultation Paper explicitly stated that "universities should not be expected to warrant non-infringement of third-party IP".³
- 'Confidential Information' is defined as including the 'results' from the Project. This is contrary to well established and sector-standard definitions. Combined with the proposed publication clauses, this definition will impede publications and may lead to the indefinite suppression of results, stymying additional research.

³ *Higher Education Commercialisation Framework: Consultation Paper*, p.17.

- none of the terms of the proposed research contracting templates address or make provision to pass down funding terms, which is an essential requirement for standard compliance and risk apportionment purposes in research contracting. This is particularly problematic given the templates are intended to be used in the context of Government funding schemes.

Recommendations

The University of Melbourne recommends that the Australian Government ensure that the terms of the template agreements are acceptable to universities and industry partners.

Protections for HDR students

A major challenge for universities when partnering with industry is establishing protections to ensure that HDR students are able to engage in vocational research and learning activities that allow them to complete their course (e.g. having their thesis examined and deposited their thesis in relevant university's library), and that they will be able to utilise the outputs of their research to commence or further their careers in their chosen field (e.g. by being able to publish and owning copyright in their thesis). These broad aims are often in tension with aims and expectations of industry partner organisations, for example, relating to confidentiality.

The IP Framework should place greater emphasis on ensuring these challenges are managed: the term 'students' features only twice in the 125-page *Draft Practical Guide*. It is important that the Framework seeks to safeguard the learning outcomes delivered by Australia's research training system, while also aiming to maximise the potential contribution of research students to commercialisation and translation outcomes.

Recommendations

The University of Melbourne recommends that the Australian Government ensure the IP Framework has greater emphasis on provisions and protections for HDR students who are engaged with industry projects.