



Australian Government
Department of Industry
IP Australia



IP TOOLKIT FOR COLLABORATION

*Consultation on a toolkit of practical resources for
PFRO and industry collaborations*

28 MARCH 2014

FOR OFFICAL USE ONLY

Responding to this Paper

This paper seeks views on the *IP Toolkit for Collaboration* proposal and the elements it should offer to be of greatest value to collaborating parties.

The Department of Industry and IP Australia invite interested parties to make written submissions **by 23 May 2014** and in particular seek responses to the questions posed in the paper. Comments are welcome from any interested party.

The Department of Industry and IP Australia will consider the submissions, and undertake further consultation as necessary.

Submissions should be sent to **iptoolkit@industry.gov.au**

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Please note that, unless specifically requested otherwise, submissions to the Department of Industry and IP Australia will be made publicly available on the website.

A request made under the *Freedom of Information Act 1982* for access to a submission marked confidential will be determined in accordance with that Act.

This paper is also available at:

<http://www.industry.gov.au/industry/IPtoolkit/Pages/default.aspx>

Submissions should be submitted no later than 23 May 2014.

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Content contained herein should be attributed as Commonwealth of Australia, *IP Toolkit for Collaboration: Consultation on a toolkit of practical resources for PFRO and industry collaborations*, March 2014.

1. Objective

The objective of this paper is to stimulate discussion on the form and content of an IP Toolkit for Collaboration. The primary aim of the Toolkit is to assist universities, publicly funded research organisations (PFROs) and industry parties, including small and medium-sized enterprises, establish the terms of collaborative activities. The Toolkit will however contain practical tools and templates for use by any potential collaborating parties (including business-to-business level), by providing model legal agreements¹ that focus on the intellectual property (IP) aspects.

2. Introduction

Collaboration is important for maximising the value of PFRO research and enhancing the productive use of research by Australian industry. The 2012 *Australian Innovation System Report*, for example, found that innovators that collaborated (including PFROs) were twice as likely to report productivity improvements as innovators that did not collaborate.²

Collaboration by Australian businesses, however, lags behind collaboration levels for businesses in other developed countries. Australia is ranked 23rd out of 26 OECD countries in the proportion of businesses collaborating on innovation. Global Competitiveness Report indicators of the extent of networking such as the 'state of cluster development' and 'value chain breadth' show that Australia is considerably behind other OECD countries, ranking 21st and 34th, respectively, among the 34 OECD countries.³

Furthermore, rates of collaboration between PFROs and innovation-active Australian businesses, including small and medium-sized enterprises, are particularly low⁴.

Collaborations between universities and PFROs with industry firms can result in world-class technologies and products. Managing intellectual property (IP), and negotiating terms of ownership and use have been identified as key challenges for collaborations. The issue of managing IP has been highlighted recently by the Chief Scientist and the Advisory Council on Intellectual Property (ACIP). Negotiating IP clauses in collaborative agreements can be unnecessarily lengthy and complicated.

As one of its five *Top Breakthrough Actions for Innovation*⁵, the Office of the Chief Scientist proposed in December 2012 that:

The Commonwealth should require a standardised and simplified IP policy framework covering publicly funded research agencies, departments and universities. The framework should build on the best aspects of current IP policies.

¹ The templates would necessarily use Australian law and conventions, but could be used as a basis for negotiations with potential international collaborators.

² Australia. Department of Industry, Innovation, Science, Research and Tertiary Education (2012), [Australian Innovation System Report 2012](#), DIISR, Canberra, November 2012, accessed 23 March 2014.

³ World Economic Forum (2013), *The Global Competitiveness Report 2012-2013*.

⁴ The *Australian Innovation System Report* (op. cit.) noted that the proportion of innovation-active SME businesses collaborating with universities or other research institutions fell from 12.1% in 2006 to 9.6% in 2010.

⁵ Australia. Office of the Chief Scientist (2012), [Top Breakthrough Actions for Innovation](#), Office of the Chief Scientist, Canberra, December 2012, accessed 23 March 2014.

Specific actions proposed included:

Establish consistent principles and model contract templates for the management of IP across public research organisations.

Similarly, in its November 2012 report on Collaborations between the Public and Private Sectors: The Role of Intellectual Property⁶, ACIP recommended that the Government should:

Encourage the development and promotion of educational resources to assist PFROs, industry and researchers to form and conduct collaborations. Resources should be easily identifiable and accessible to all stakeholders, particularly PFROs and SMEs, and be supported by relevant training.

Guiding principles for universities and PFROs when considering how to manage IP and enter into agreements and collaborations already exist. These principles are set out in the *National Principles of Intellectual Property Management for Publicly Funded Research* published by the Australian Research Council (ARC) and the National Health and Medical Research Council (NHMRC).⁷ The principles, originally drafted in 2001, were updated in April 2013 after a review by a Working Group⁸ and are particularly relevant for valuable IP.

They are consistent with the IP Principles for Government Agencies in that IP is managed to benefit the Australian community as a whole.⁹

The challenges for universities and PFROs when it comes to negotiating collaborations are not unique to Australia. For example, a 2003 review of business-university collaboration in the United Kingdom identified similar issues and resulted in the development of the Lambert Toolkit which contains nine model agreement templates, guidance notes and decision guides.¹⁰ The Chief Scientist referred to the Lambert Toolkit as an example of a resource for fostering collaboration.

⁶ Australia. Advisory Council on Intellectual Property (2012). [Collaborations between the Public and Private Sectors: The Role of Intellectual Property](#), accessed 23 March 2014

⁷ National Principles of Intellectual Property Management for Publicly Funded Research, available from: http://www.arc.gov.au/about_arc/principles_ip.htm, accessed 1 August 2013.

⁸ The working group included the ARC; NHMRC; IP Australia; the Department of Agriculture, Forestry and Fisheries; the Department of Sustainability, Environment, Water, Population and Communities; the Department of Defence; Geoscience Australia; the Australian Institute of Marine Science; the Council of Rural Research Development Corporations; and the then Department of Industry, Innovation, Science, Research, and Tertiary Education.

⁹ Australian Government intellectual property rules, available from: <http://www.ag.gov.au/RightsAndProtections/IntellectualProperty/Pages/AustralianGovernmentIPrules.aspx>, accessed 28 March 2014

¹⁰ See: http://webarchive.nationalarchives.gov.uk/http://www.hm-treasury.gov.uk/consultations_and_legislation/lambert/consult_lambert_index.cfm, accessed 28 March 2014. Also see <http://www.ipo.gov.uk/lambert>.

3. Elements of an Australian IP Toolkit for Collaboration

The proposal is to create an Australian IP Toolkit for Collaboration to reduce the time and effort of negotiations and provide concrete advice. The IP Toolkit for Collaboration will be a free resource available to research providers and businesses that wish to undertake collaborative research projects.

The Australian IP Toolkit for Collaboration is proposed to include:

- a model term sheet (information on the terms and conditions of a business agreement involving collaboration and IP)
- a small set of model agreements
- links to the existing *National Principles of Intellectual Property Management for Publicly Funded Research*
- links to other relevant resources.

Once complete, the IP Toolkit is to be hosted on the website of IP Australia.

Model term sheet

The aim of the model term sheet is to provide information on the basic terms and conditions of a business agreement which the parties need to agree. It is usually short and frames the expectations of each party when entering their collaboration agreement. The term sheet may set out options for each principle issue and can be used to guide the negotiations and preparation of a formal legal agreement.

Attached is a draft Model Term sheet which is presented for comment. The front page is proposed to be a smart form with each of the **SUBJECT** terms linked to a definition and explanatory text. These definitions and explanatory texts are provided on the pages following the front page.

It is further proposed that **OPTIONAL TERMS and CONDITIONS** be provided which also link to more information and provide guidance on the various choices.

It is proposed that a small set of model agreements be accessible, subject to the selections made on the smart form.

Model agreements

The aim of each of the model agreements contained in the IP Toolkit for Collaboration is to provide a standard agreement balancing market exclusivity and open access, risk and commercial return. Each agreement is designed to present a workable and reasonable compromise and, if the parties are agreeable, it will remove the need for complex and time consuming negotiations. At a minimum, each agreement will provide a good starting point for negotiations.

The Australian IP Toolkit will contain a small set of contract templates for different circumstances, or types of collaborations. For example, templates would vary depending on IP ownership or future licensing arrangements.

Examples of model agreements

The Cooperative Research Centres (CRCs) IP Management Guide can be found at < <https://www.crc.gov.au/For-CRCs/Documents/Intellectual%20Property%20Management%20Guide.docx>>.

CRC term sheets for proposed collaboration can be found at < <https://www.crc.gov.au/Selection-Rounds/Documents/Term%20Sheet%20Template.pdf>>.

Model agreements designed for use in the UK as part of the Lambert Toolkit are provided at < <http://www.ipa.gov.uk/lambert>>.

4. Questions

The development of a toolkit is intended to facilitate collaboration between Australian business, universities and research organisations. Consultation, feedback and input from key stakeholders are critical to the development of a toolkit that meets the needs of research and industry. The following questions are intended to assist stakeholder input into this process.

1. What features do you think should be included in the Australian IP Toolkit for Collaboration?
2. We are proposing to include a model term sheet in the Australian IP Toolkit for Collaboration (see the **Attachment** to this paper). Is the proposed model term sheet suitable?
 - a. If not, please explain why.
Can you suggest any improvements to the model term sheet?
 - b. Do the definitions provided under the subject areas broadly meet expectations? Please provide detailed comment.
 - c. Are there additional subject areas which you would consider to be necessary for inclusion in the model term sheet? Please provide detailed comment.
3. We are proposing to include model agreements in the Australian IP Toolkit for Collaboration.
 - a. Can you suggest any improvements to the model agreements in the Lambert Toolkit (including suiting the Australian environment)?
 - b. If you have had experience with the model agreements in the Lambert Toolkit, how did it work for your organisation?
4. Have you any experience with a similar Toolkit or resource?
 - a. How is it similar to the proposed Australian IP Toolkit for Collaboration?
 - b. How did it work for your organisation?
 - c. What elements of that toolkit (including existing or model clauses) would you suggest for inclusion in the Australian IP Toolkit for Collaboration?
 - d. What do you think are the benefits of including your suggested elements?
5. Do you have any additional comments on the proposal?

Model Term Sheet

Including basic terms and conditions of a business agreement involving collaboration and intellectual property (IP)

Draft Model Term Sheet

Research Institution – Company
Research Agreement

SUBJECT	OPTIONAL TERMS and CONDITIONS
Term	TBD
Financials	TBD
Background Intellectual Property Ownership	Background IP
Foreground Intellectual Property Ownership	<input type="checkbox"/> Research Institute owns Foreground <input type="checkbox"/> Company owns Foreground <input type="checkbox"/> Joint ownership of Foreground
Student Activity	
Improvements and New Discoveries	
Performance Milestones	
Confidentiality and Academic Publication	Confidential Information <input type="checkbox"/> Unrestricted Academic Publication <input type="checkbox"/> Academic Publication with limitations <input type="checkbox"/> No Academic Publication
Indemnification and Warranties	<input type="checkbox"/> Limited Warranty offered by RI <input type="checkbox"/> No Warranty offered by RI <input type="checkbox"/> Limited Indemnity of RI by Company <input type="checkbox"/> Full Indemnity of RI by Company
Licensing options	<input type="checkbox"/> Option <input type="checkbox"/> Non-Exclusive <input type="checkbox"/> Exclusive <input type="checkbox"/> Specific Field of Use <input type="checkbox"/> Rights to sublicense <input type="checkbox"/> Duration of Use
International collaborations	

Explanation of Terms

OWNERSHIP OF INTELLECTUAL PROPERTY (IP): It is anticipated that, in all cases, the business is interested in acquiring rights to IP developed through the collaboration. The IP can take many forms—patentable or copyrightable material, trademarks, etc.

Background IP — This is IP developed prior to or outside of the agreement. Each party generally retains ownership of its own background IP. However, parties generally grant each other a royalty-free, non-exclusive license to use their background IP solely for the purposes of carrying out the collaboration.

The agreement should clearly set out which party is responsible for obtaining licenses to background IP belonging to parties outside of the collaboration agreement. This will reduce the risk of the collaboration infringing such IP.

Foreground IP — This is IP developed under the agreement. It is preferable for the party best able to develop or commercialise the IP to own the foreground IP. If this party is the business, then the business should grant the PFRO a non-exclusive, non-commercial, internal license to use the IP for academic/research/administrative purposes. If this party is the PFRO, then the PFRO should grant the business a license to use the IP on either an exclusive or non-exclusive basis, depending on the arrangements that best suit the parties. The territory covered by the license will also need to be agreed.

Joint ownership of the foreground IP is not preferred due to potential complications that can arise. If joint ownership is required, then the agreement should clearly state how each party can use the foreground IP. The agreement should also clearly state who is responsible for the maintenance and enforcement of the foreground IP.

Student activity — Students participating in collaborations may be asked to assign their IP to the PFRO as part of the IP protection process and this is particularly important for spin-offs. Each party should conduct an IP audit as part of the process to ensure that all of the inventors, authors, etc. of any foreground IP are acknowledged in any application for IP protection.

Student involvement is a particularly sensitive issue. Students working on industry collaborations including those with spin-offs are usually required to sign confidentiality and IP agreements. It is important that researchers are aware that students who have not signed such agreements should be excluded from the collaboration so as to not compromise any subsequent IP application. Students or researchers may be required to publish the results of their work to fulfil qualification requirements (eg. PhD thesis) or career advancement. This should be taken into account in designing the collaborative agreements. PFRO staff should also be advised of their obligations to maintain confidentiality as employees when they are involved in certain projects.

Improvements and New Discoveries — PFRO researchers may make improvements to the technology as commercialisation proceeds. These will be made known to the business which provides funding for the research work. Rights to improvements to the technology and new technologies derived from the original IP would normally be owned by the party that owns the original IP. Continuing collaboration between the PFRO and business should be encouraged. These arrangements must be specified in the original license agreement.

Performance Milestones — Each party's expectations (such as performance milestones, business milestones and key performance indicators) are detailed in the agreement.

For example, performance milestones may include the PFRO producing a certain number of developments (depending on the technology) in an agreed timeframe. Business milestones may include funding arrangements, drafting a business plan or progress on marketing and commercialisation activities. Each party reports against these milestones periodically.

Confidentiality and Academic Publication — The confidentiality of information provided by any party should be respected. Confidentiality requirements are agreed in the original collaboration agreement. Any rights that the business has to delay publication are detailed in the agreement.

Businesses will not unduly limit academic publication. However, care needs to be taken that the IP is not compromised by these activities. There should be one or more clauses in the agreement to address situations such as lecturing, publishing articles and participating at conferences. In particular, the PFRO would normally submit details of any results developed through the collaboration to the business for approval to publish.

Indemnification and Warranties — The PFRO expects the business to indemnify it from any negative repercussion of the business's activities or products in the marketplace and may request that product liability insurance be in place. The PFRO is unable to provide any warranties with respect to suitability for the markets, freedom from infringement of third-party patents, etc.

A **License Agreement** is the usual legal instrument to acquire access to IP. It defines the relationship between the PFRO and the business and authorises development and/or commercialisation. By signing a License Agreement that defines the rights to the IP, a business has clear access to the technology and the team of researchers who can provide assistance.

OPTION AGREEMENTS: Sometimes an exclusive Option Agreement precedes a full License Agreement. In this manner, the business does not need to commit to the license and related performance terms until it has a chance to convince itself of the market potential. Upon payment of an option fee, the business is granted a time-limited option to acquire a license under negotiated terms. During the option period, the business has an exclusive opportunity to understand the technology and its market potential as well as work with the PFRO to create a product. A formal License Agreement can be signed at any time during the option period.

If there is **international collaboration** between parties, the intellectual property regimes of both countries should be taken into account when drafting an agreement.

