DRAFT IP Toolkit

Consultation draft January 2015

Responding on the draft IP Toolkit

The Department of Industry and Science and IP Australia invite interested parties to make written submissions on the draft version of the IP Toolkit by close of business on **20 February 2015**. In particular, responses are sought to the questions posed below. Comments are welcome from any interested party.

1. **Does the draft IP Toolkit offer useful guidance and tools to simplify and improve discussions on IP in research collaborations?**
   
   a. What is the most useful part and why?
   
   b. What is the least useful part and why?

2. **Are there any gaps in the information provided?**

3. **How could the draft IP Toolkit be improved for the target audiences of SMEs and researchers?**

4. **Any other comments or suggestions for improvement?**

Note: This consultation draft includes a two party model contract only. A multi-party model contract structure will be developed using feedback. Another case study is also planned for the IP Toolkit.

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

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

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

Both the Department’s Privacy Policy and IP Australia’s Privacy Policy explain more fully our purposes for collection of, and how we handle personal information; how you may access and seek correction of your personal information; and how we receive and handle privacy-related complaints.
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A complete and current version of the draft IP Toolkit and model Agreement is available at www.industry.gov.au/IPToolkit.


Privacy Notice

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The IP Toolkit is only intended as a guide and is not legal advice: you should seek your own legal advice as required. Rather the IP Toolkit is a starting point to assist businesses, researchers and research organisations in their collaboration activities.

There is no one-size-fits-all solution to IP in collaboration. All collaborations are different. However, a framework for a standardised approach can simplify research collaborations by reducing costs and improving outcomes.

In general, the Toolkit does not address in detail the subsequent use of the output of collaboration.
Introduction

Structure of the IP Toolkit
1. The IP Toolkit consists of two parts:
   
   A. Tools
   - A1 Checklist – considerations to assist collaboration decisions
   - A2 Chart – IP considerations in research collaboration projects
   - A3 Sample term sheet – including for use in negotiations
   - A4 Model Contracts – for use as a starting point

   B. Information and context
   - B1 Collaboration tips and case studies
   - B2 IP-related issues in contracts

   The IP Toolkit also includes attachments containing more detailed information on intellectual property (IP) and useful resources for further information.

Who is it for?
2. The IP Toolkit is designed for business (in particular SMEs) and publicly-funded research organisations intending to undertake collaborative activities.

Why has the IP Toolkit been developed?
3. The Toolkit has been developed to provide a standard form of contract that, if widely adopted, will reduce costs and improve the outcome of research collaborations.
4. It does this by offering guidance and provides the tools necessary to simplify and improve discussions around IP in research collaborations. The Toolkit provides information and resources to help establish the terms for managing and using IP in collaborative activities.
5. It also aims to reduce unnecessary delays, costs and difficulties with research collaboration.

Collaboration
6. For the purposes of the IP Toolkit, collaboration is defined as the action of working with someone or an organisation to develop something.1 Collaborations can involve many parties that usually work together on a project.

Research
7. For the purposes of the IP Toolkit, research is defined as experimental and/or theoretical work to acquire new knowledge, achieve an outlined objective,

address a constraint or problem or substantially improve, or produce new products, systems or services.\(^2\)

8. The outcomes of research are never guaranteed and, despite the best efforts of all involved, the research purpose(s) may not be achieved.

**What is IP?**

9. IP rights – short for ‘intellectual property’ rights – refer to specific rights arising from law. This law mainly aims to provide specific protection for the results of creative and innovative endeavours.\(^3\) Examples of IP rights include copyright, patents, trade marks, designs, plant breeder’s rights and circuit layouts.\(^4\)

10. There are two types of IP rights, registered or unregistered. Registered IP rights (patents, trade marks, designs and plant breeder’s rights) must meet certain requirements. Other IP rights (like copyright) are automatically assigned to you provided they meet legislative requirements and do not need registration (e.g. there is no register for copyright and circuit layout rights in Australia).

11. The difference is that registered IP rights can only be fully used after the owner has been granted a legal title after a registration procedure, whereas unregistered IP rights provide protection automatically and can be used immediately. ‘Consequently, choosing an IP protection right includes considering the benefits and disadvantages of choosing registered or unregistered rights\(^5\).’

12. IP rights often support investment and business and research collaboration. They can also greatly influence commercial and academic outcomes from collaboration (such as through rights to make, copy, exploit or publish material).

13. There are limitations to IP rights, such as other parties being able to use them under certain circumstances.

14. Each type of IP has different legal rights and exceptions. Moral rights are different to other IP rights in that they are personal rights of the author of copyright material. Further background on IP is at Attachment 1 – Intellectual Property.

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\(^3\) However, trade marks typically relate to business, product or service reputation and are not necessarily innovative.

\(^4\) IP law is dominated by Commonwealth Legislation, but caselaw can also be relevant such as the tort of passing off for business reputation.

What’s the role of IP in collaboration?

15. For the majority of businesses to remain competitive, the development of, access to, and treatment of, valuable information (including IP) is becoming increasingly important.\(^6\)

16. For example, there are lots of businesses that make pizza. The pizza business with the best processes and software for managing orders and delivery may utilise these to obtain a competitive advantage, potentially making more money than other pizza businesses.

17. It’s this valuable information (e.g. software, product or service specifications and/or branding) that is becoming more important than traditional infrastructure (e.g. pizza ovens) in providing a competitive advantage.

18. The software and branding that you use in your business can be protected as IP.

19. Collaboration can result in the creation of IP in information, documents, products, services, processes, software and other material (i.e. ‘project IP’\(^7\)). Parties also bring IP inputs to collaborations (e.g. ‘background IP’\(^8\)).

20. Collaborations can involve complexity in managing the interrelationships between confidentiality, publication of information, commercialisation and IP decision-making. It is important for parties entering collaborative arrangements to have regard to the IP outputs and set out the terms of any agreement in writing.

21. Collaboration agreements usually set out the terms and conditions that can determine who will benefit from any IP outputs from a collaborative project. These arrangements can determine what can be sold, published, used or improved upon and how this can be done.

22. The IP position may affect the extent to which a business can use the collaboration output in their business.

23. Likewise, for researchers, IP arrangements in collaborations may affect their ability to meet their objectives of advancing and disseminating knowledge\(^9\). A way to deal with such complexity in collaboration outputs is to:

\begin{itemize}
  \item use the general approaches set out in this guide as a starting point (e.g. who can use or sell a product); and
\end{itemize}


\(^7\) For more information on project IP, see paragraph 18.

\(^8\) For more information on background IP, see paragraph 15.

\(^9\) For ease of reading, a reference to researcher in the IP Toolkit is taken to include research organisations where applicable throughout.
• obtain specialist assistance when needed.

Ways to manage valuable collaboration inputs and outputs

24. There are different ways of managing valuable collaboration inputs and outputs. Two possible ways include:
   • using processes to manage IP rights; and/or
   • using processes to manage confidential information (including know-how and trade secrets).

25. Often both methods are used. For example, collaboration outputs may be agreed to be protected by patents. In addition, collaborators may use secure processes to limit access to, and publication of, valuable material. This can include using mandatory data access restrictions, confidentiality agreements and visitor policies.

Overall approach

26. The overall approach of the IP Toolkit is to provide a framework to assist the collaborators in agreeing on the IP that parties bring to the collaboration as inputs and what can be done with the finished product or outcome of the collaboration.

27. This ‘IP position’ in a collaboration should be guided by the project goals of those involved. This should be agreed by all collaborators before a contract is entered into, to increase the chances of a successful collaboration.

28. For instance, if the main goal of collaboration is to commercialise material and this does not happen (say within three years of the collaboration), a common IP position is that the IP arrangement allows those who want to commercialise the output to try other avenues outside the collaboration after a set period.

29. A carefully defined process is likely to help decision-making and can assist in successful collaborations and maximising the value of the outcome(s). But keep in mind that a simple collaboration may only require a simple IP position.

30. There is no one-size-fits-all solution to IP in collaboration. All collaborations are different. However, a framework for a standardised approach can simplify research collaborations by reducing costs and improving outcomes.

31. The IP Toolkit is only intended as a guide and is not legal advice: you should seek your own legal advice as required. Rather the IP Toolkit is a starting point to assist businesses, researchers and research organisations in their collaboration activities. In general, it does not address in detail the subsequent use of the output of collaboration.

32. The IP position is important as it can protect much of the input and output material in collaboration.
A. Tools

A1. Decision assistance checklist – Have you considered:

The following questions draw on the material from the Toolkit. They are intended to prompt potential collaborators to consider important issues in collaboration project design.

Project purpose and Scope

1. Is the collaborative project mainly to solve an industry constraint or problem, commercialise or improve existing material, develop knowledge in an area or develop new material for commercialisation?
2. Which party is driving the project and who should be the project parties?
3. What are the project aim, scope and budget?
4. What is the key reason for each party’s decision-maker to agree to participate?
5. Who controls the project?
6. What are key project deliverables (distinguished from other investigator research)?
7. If there are any dates for project deliverables important to a party, what are they?
8. Are there key research outcomes or publications important to a party, what are they?
9. How should project deliverables be reflected in milestones?
10. What should be the consequence of a milestone being met or not?
11. What is a minor variation period for all or specific milestones that is agreeable to each party?
12. How is a milestone demonstrated to be met to the satisfaction of all parties?
13. When should the project start and finish mindful of realistic timeframes?
14. What is the agreed approach for collaboration (e.g. good faith, level of researcher documenting requirements)?
15. Is the appropriate starting point that the sponsor will meet the full cost of the project?
16. What are the key risks of the project, who is best placed to manage them and what issues will require expert advice?
17. What, if any, promises should be made and liability taken on by parties?

Project inputs

18. Who are key project personnel?
19. Which party contributes what, including money, staff, staff funding, equipment and facilities?
20. What background information and IP is needed for the collaborative project from each party?
21. Do the parties own the IP inputs needed for collaboration (e.g. researchers may own some IP and employment and third party agreements may be relevant) and are there any preconditions (such as approvals) for collaboration?
22. What is specified as confidential information from each party and what should other collaborating parties do in relation to this information?

Project activity

23. How is the project to be managed (e.g. through a project plan, measures to ensure quality of project IP and other research results, conflict of interest and privacy requirements)?
24. How are parties able to monitor the project (e.g. regular meetings, updated project plans and/or reports) and how often should this occur?
25. Who should be able to participate in the project or have access to project material and facilities (e.g. students and IT access restrictions)?
26. How is project IP identified and recorded, and by whom and how often?
27. Does one or more parties decide to register, maintain and defend IP, on what basis, and which party or parties pays for these activities?
28. How do parties notify, resolve and deal with changes and disputes quickly?
29. How can a collaboration be terminated?

Project outputs

30. What does each party want to reasonably do with outputs in domestic and international markets?
31. What should each party be able to do other than to use project inputs and outputs solely to fulfill the project, (e.g. publication and naming authors, further research, improvements and teaching)?
32. Who should own what outputs (including IP and other research results) or is another option such as a licence suitable?
33. How will these outputs/outcomes be managed?

Post project needs and obligations

34. What will each party need after project completion (e.g. confidentiality obligations, reasonable requests for data, further research, teaching, and the ability to provide improvements)?
A2. Chart of IP considerations in research collaboration projects

1. PROJECT SCOPING (e.g. aim)
   - Is the collaboration to develop new or improved material for the:
     - sponsor, or
     - research organisation?
   - Is the collaboration to commercialise existing material for the:
     - sponsor, or
     - research organisation?
   - Is the collaboration to:
     - remove a constraint or solve a problem, or
     - develop knowledge to publish or for research?
   - Who will control the collaboration and what is the scale of the project budget?
   - What are the key risks of the project and who will manage them?

2. INPUTS (e.g. resources & background IP)
   - Was the creation of the background IP or ensuring ownership of very resource intensive for the:
     - sponsor, or
     - research organisation?
   - What level of inputs is each party providing including:
     - monetary and in-kind resources (e.g. staff and facilities),
     - background IP, and
     - equipment?
   - Which party is accepting more risk and/ or obligations (e.g. providing key confidential information)?
   - Is the collaboration crucial for either party (e.g. impacts of a milestone not being met on time, PhD awards relying on project)?

3. OUTPUTS (e.g. software, publications and patents)
   - Identify the most important outcomes for the entire project and how they are reflected in milestones.
   - Define the project milestones, performance and delivery criteria for payment.
   - Decide what each party might reasonably want to do with the output.
   - Determine the key project dates and deliverables.

4. CONSIDER CONTRACT ARRANGEMENTS THAT:
   - Align IP ownerships with the party best able to enforce it.
   - Include more restrictions on publishing if it has a high risk of limiting commercialisation (e.g. invention details preventing patenting).
   - Assign IP rights needed for envisaged commercialisation activity in each country/market.
   - Identify and manage IP and confidential information with agreed processes.
   - Clarify collaboration project, management reporting, recording and deliverable requirements.

5. FORM OF CONTRACT
   - Consider using the model two party model contract unless the collaboration:
     - has more than two parties;
     - has lots of IP that will change hands;
     - is dependent on external funding or approvals; or
     - is for output mainly outside Australia. In such cases, consider using the complex model contract.
A3. Sample Term sheet for the two party model contract

This sample term sheet is designed to be used in the following order: 1) define the project, 2) engage appropriately with internal policies, processes and approval mechanisms, 3) use in negotiations and 4) once it captures the agreed terms, use as contract drafting instructions.

Parties to collaboration (Who is collaborating)

Research Organisation contracting name ______________ ACN/ABN _______________
- Research organisation representative and contact details (Principal Investigator) _______________
- Research organisation address and contact details for notices: _______________

Sponsor contracting name ______________ ACN/ABN _______________
- Sponsor representative and contact details _______________
- Sponsor address and contact details for notices _______________

Project purpose and scope

Name of the project ______________ Objectives of the project (optional) _______________
Project background (no obligations in this) _______________
Anticipated project outputs or results _______________

Project start date ______________ or project start date on last party signing
Project end date ______________ or date when all parties obligations performed or date to be agreed in writing by parties
Project deliverable(s) to be produced by research organisation (if applicable include who owns deliverable, IP Register and updates, project plans and reports) _______________

Project inputs
Project budget ______________ e.g. salaries, travel, operating, capital Note this operates as the agreed financing for the project and payments from budget are made under project activity (milestones)
In-kind contribution(s) of the sponsor ______________ (list each with due date and agreed value and roles)
In-kind contribution(s) of the research organisation ______________ (list each with due date and agreed value and roles)
Key research organisation personnel to be provided ______________ Key sponsor personnel to be provided ______________
Numbers of full and part-time staff to be provided by each party ______________:
- If recruitment of staff is required for above, is approval of the other party required? Y/N
Names of student(s) and/or volunteer(s) participating in the project as research personnel ______________ or none
Project equipment is owned by the (circle): sponsor or research organisation
List of project equipment ______________ and conditions for each ______________
List of equipment loaned by the research organisation ______________ on condition ______________ (e.g. maintenance and insurance)
List of equipment loaned by the sponsor ______________ on condition ______________ (e.g. maintenance and insurance)
Any background IP (including third party IP) to be provided by the sponsor and by when
- Sponsor background IP list ______________, third party IP ______________
- Sponsor confidential information list ______________
- Confidentiality of all background IP Yes/No (for period ______________) and other materials Yes/No (for period ______________)
- Mechanism(s) required by research organisation for protecting background IP and other listed materials ______________
• Any grant relating to background IP or Third Party IP other than for use in the collaboration
• Any condition of use of background IP and Third Party IP to other party for internal purposes
• Any condition of use of background IP and Third Party IP to other party for other purposes

Any background IP (including third party IP) to be provided by the research organisation and by when
• Research organisation background IP list third party IP
• Confidentiality of all background IP Yes/No and listed other materials Yes/No for period
• Mechanism(s) required by sponsor for protecting background IP and other listed materials
• Any grant relating to background IP or Third Party IP other than for use in the collaboration
• Any condition of use of background IP and Third Party IP to other party for internal purposes
• Any condition of use of background IP and Third Party IP to other party for other purposes

Project Manager responsibilities

Reporting content required by the principal investigator to every

Liability - Indemnities, warranties and insurance to apply (circle below):
A – general legal principles to apply
B – each party indemnify the other or
C – research organisation to indemnify Sponsor and Sponsor’s personnel
D – any other warranties or indemnities to apply

• any liability cap
• any insurance arrangements, Sponsor Research organisation

Project activity

Reports from the research organisation will concern and are due to

Location of project activity and governing jurisdiction of the agreement if different

Project schedule of work including tasks to be performed by each party, methodology, task location and task due date

IP register required Y/N

Project deliverables by research organisation (include who owns deliverable and IP register if applicable, project plans and reports and due dates)

Payment schedule for milestones (include due dates and criteria for meeting each milestone)

Obligations for record keeping and data management

Note that a party must notify the other party of a dispute
If parties cannot agree on an issue of a notified dispute within 20 business days then parties (circle one):
A – may refer the dispute for alternate dispute resolution
B – must appoint mediator and participate in mediation
C – must refer dispute for expert determination (parties must agree to be bound by the outcome) or
D – must refer dispute for arbitration (parties must agree to be bound by the outcome)

Project outputs

The ownership, use or exploitation of the project IP:

by the sponsor specified in the schedule is:
  • This is to enable the sponsor to:

by the research organisation specified in the schedule is:
• This is to enable the research organisation to:

Note that unless agreed otherwise the owning party of the project IP owns it on creation. They may choose whether to pursue registration or other protection in their name at their own expense but must first consult with the other party.

All non-specified project IP [and other research results] is to be owned on creation by (circle one):

A – the sponsor
B – the research organisation or
C – both parties jointly as tenants in common in the following proportions (e.g. 50% each) – if chosen see clause 9

Registration and payment for project IP (circle one):

A - the owning party decides whether to apply for registered IP at their own expense after consulting other party(s)
B - other mechanism to decide whether to apply for registered IP and all IP payments from collaboration output which is:________

The research organisation or its personnel may publish the following collaboration material:______________

• Conditions that must be met for publication of the above material:__________________________

Project IP commercialisation rights, conditions and period:

A – only the owning party can commercialise project IP
B – the owning party has the first right to commercialise project IP within ___ years from the end of the term then the other party may request a license on reasonable terms
C – (generally only for joint IP) Either party may commercialise the IP as agreed: ____(e.g. 50% each of net income after costs)___
D – (risks no agreement) a party can only commercialise as agreed (e.g. using agreed commercialisation strategy) in writing

Conditions of above are: (e.g. notify other party, prior written consent, as agreed, for fee or fee on reasonable commercial terms) _________________________

Publication of the following material is permitted by the research organisation: e.g.

A – list particular outcomes or deliverables
B – all project outcomes and deliverables
C – all material comprising project IP owned by the research organisation

Subject to the following conditions: e.g.

A – nil
B – in a particular journal
C – with prior written consent of the sponsor on a case-by-case basis
D – only after the application for registration of the project IP
E – only after set a period (say 3 years) after the project term

Other

Special conditions: ______________________________ or other project details _____________________
Research organisation moral rights obligations required Y/N if so the conditions are __________________________
If the granting party decides on a reasonable basis that their ___[specified]_____ IP has not been used to achieve the following objectives ______ within ___[e.g. # of years] then __________________________
Sponsor publication restrictions _______________________
Conditions concerning background material that is not IP or confidential material _______________

Post project needs and obligations

What activities/obligations are to continue after the collaboration (e.g. confidentiality obligations, reasonable requests for data, further research, ability to provide improvements, ability to use the research for teaching)?
A4. Model contracts

- Contract 1 – Two-party model contract attached separately (with user notes detailing options).
- Contract 2 – Multi-party model contract structure – with key items left for negotiation – is to be developed based on feedback on the two-party model contract.
B. Information and context

B1. Collaboration tips and case studies

Purpose

1. This section provides an overview of key collaboration concepts for businesses and researchers to consider before entering into a collaboration.

Key ideas for collaboration

2. Collaboration can involve activities such as cross-training and exchange of staff, inter-organisational working groups, common financial arrangements (e.g. cost-sharing of services), the sharing of administrative and research data, and joint project management.

3. A successful, long-term collaboration will usually start out as one or more short-term engagements. Through the experience gained in these engagements, parties are then able to develop the following typical features of a longer-term collaboration:
   - a shared vision and commitment to common goals;
   - deep organisational connections involving regular communication between the people involved at multiple levels, and the sharing of information in a strategic (as opposed to an ad hoc) way;
   - pooled and/or collective resources or other material in order to show commitment to the collaboration and achieve the shared goals; and
   - mutual trust.\(^\text{10}\)

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CASE STUDY: Laserlife Littlejohn

Laserlife Littlejohn is a small manufacturing company that has been producing rubber and anilox rollers for the printing and packaging industry for over 40 years. It employs around 30 people.

In 2010, Laserlife Littlejohn partnered with CSIRO. Together, they collaborated to research and develop a new way to manufacture an anilox roller utilising both new materials and technologies. The project was undertaken as part of the Victorian Direct Manufacturing Centre consortium. Managing Director of Laserlife Littlejohn, Alex Engel, says that whilst the company had ideas on how to improve the technology they were unsure how to realise them.

In return for a financial injection to the collaboration, Laserlife Littlejohn was provided with access to scientists, researchers, facilities and equipment. The parties worked together to research the new anilox roller, technology that allowed Laserlife Littlejohn to grow as a company by offering more services to more people, both domestically and overseas. Additionally, a long standing relationship between Laserlife Littlejohn and the research organisation was established. This has permitted further collaborations between the parties to improve and develop technology.

Obtaining a patent was chosen as the means to protect the IP developed in the collaboration. The parties considered that the technology could easily be reverse-engineered and therefore keeping the IP in commercial confidence would not prevent third parties replicating the product without authorisation.

The patent was registered and owned by CSIRO and a licence granted to Laserlife Littlejohn. Mr Engel stated that whilst the company does not own the IP from the project, the outcome was beneficial given the IP ownership responsibilities fell to CSIRO, with financial contributions provided by Laserlife Littlejohn. CSIRO’s reputation and the resources they have to prosecute and defend the patent mean they are in a better position to undertake these tasks.

Mr Engel attributes much of the success of the collaboration to planning. He stresses the importance of making sure the scope of the collaboration is clear at the outset. Forward planning, such as allocation of costs and strict budgeting documented in a written agreement, helped minimise potential disputes arising later in the project. He also emphasises the importance of understanding risks and that not all research results in a profitable or successful outcome. The involvement of Laserlife Littlejohn as not only a financial contributor but in a more hands on manner in the collaboration proved beneficial in producing successful outcomes and maintaining the relationships with the organisation.

**A useful way to think of a collaborative project**

4. In order to assist in managing a collaboration, it can be useful to think of a collaboration project as having five parts:

1. **purpose and scope** – what is the aim and intended outcome of collaboration?

2. **inputs** – e.g. what expertise, confidential information, background IP, resources and equipment/facilities does each party bring to the collaboration?

3. **activity** – how is the collaboration to be managed and each stage assessed by the parties?

4. **outputs** – what is the result of the project?

5. **post-project needs and obligations** – e.g. what are the continuing confidentiality obligations, licensing arrangements and ongoing IP protection responsibilities?

5. It is important to undertake collaboration with an understanding of what each party might reasonably want to do with the output(s) of the collaboration. Often the more IP is involved in the collaboration, the more complex the issues.

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**CASE STUDY: Riancorp Pty Ltd**

Ann Angel is the CEO of Riancorp Pty Ltd, a small company that manufactures laser devices for the treatment of post-mastectomy lymphedema. This is a potentially debilitating condition that can affect patients following breast cancer surgery, causing massive swelling and discomfort due to the retention of lymphatic fluid.

Ann’s company collaborated with researchers at Flinders University in Adelaide to carry out clinical trials to establish the safety and efficacy of their device. These clinical trials are necessary to obtain the regulatory approvals needed to market a medical device.

Riancorp retained full ownership of the patent covering the device and of the subsequent patents that have come from its collaboration with the university. Riancorp received a Commonwealth Government grant and it used this to fund the clinical trials, which were carried out by a graduate student at the university.

The benefits of the collaboration went both ways – Riancorp received high quality research to enable it to gain regulatory approval in many countries, while the university further developed its expertise in this area and gained recognition. The graduate student who conducted the trials won a prize for the research and presented the findings at a conference in Italy.

Ann’s relationship with the university has been an ongoing and mutually beneficial one. They continue to share knowledge to maintain their expertise in this field.

Industry collaboration is becoming increasingly important for universities and is commonly one of the performance criteria for promotion of academic staff. Ann has been able to provide letters of support for the academic staff she has collaborated with, which has assisted them in gaining promotions.

Riancorp exports its medical device all over the world. The Professor who led the research attended her meetings with the US Federal Drug Administration to support the application for regulatory approval in that country and has also presented the research results in Japan, Korea and New Zealand.

Ann’s advice to potential collaborators is to ensure that you focus on developing a good relationship first, then work through the legal matters that need to be handled. A good relationship with the researchers who will carry out the work can be instrumental in getting the project smoothly through the contract development stage.
Start with the goals in mind

6. Copyright and patents are the most common forms of IP used and created in industry and research collaboration projects.

7. Any output from the project (e.g. products, services or documents) may have a potential value that a project party may wish to use or exploit. Unnecessary problems can arise, especially in relation to IP rights, if issues are not dealt with initially. For example, a non-disclosure agreement should be considered for initial discussions.

8. The IP position in each collaboration should follow from the parties collaboration project goals and be agreed before a contract is in place. This is important as otherwise the project may not be able to achieve its goals and can lead to disagreements about IP ownership rather than achieving project goals.

9. Some examples of IP approaches that may need to be considered are:
   • whether software, writing or images setting out details of a new product or service can be distributed (and if so, who by);
   • which project details can be used in an article by a researcher;
   • the extent of a party’s ability to commercialise and/or benefit from an invention, such as a new component used in a product or service; and
   • which party owns and benefits from project improvements to an existing invention (whether patented or not).

10. By discussing and understanding how these and other inputs and outputs (e.g. third party IP and confidential material) could be used by all parties at the start, and agreeing on how to handle them, the IP approach can be settled.

If possible, start small.

11. If little is risked in testing the waters, potential collaborating parties can be more likely to interact at an early stage. They may also have a better understanding of the value of a particular collaboration. Taking a small step to explore the potential for collaboration can be useful in building trust for a successful collaboration. For example, a meeting with potential collaborators focussing on an industry constraint or problem.

Different drivers for collaboration

12. It is also important to consider the reasons why participants are collaborating, as in many cases people and organisations have different reasons for being involved.

13. Understanding these drivers means you can identify key issues that need to be agreed before commencing the collaboration. The table below outlines general drivers for research and business.
Table 1 – General drivers for research¹¹

<table>
<thead>
<tr>
<th>General drivers for research organisations</th>
<th>General drivers for business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publication and learning opportunities</td>
<td>Competitive advantage</td>
</tr>
<tr>
<td>Income stream from licensing</td>
<td>Speed of commercialisation</td>
</tr>
<tr>
<td>Sponsored funding for current and future research</td>
<td>Increasing enterprise value</td>
</tr>
<tr>
<td>Challenging research problems to solve</td>
<td>Access to expert knowledge and highly skilled researchers</td>
</tr>
<tr>
<td>Research work-integrated learning opportunities for post-doctorates and students</td>
<td>Productive use of resources</td>
</tr>
<tr>
<td>Employment opportunities for graduates</td>
<td>Patent rights for market exploitation</td>
</tr>
<tr>
<td>Access to company data for more market-relevant research</td>
<td>Funding access or funding business case</td>
</tr>
<tr>
<td>Commercialisation expertise in research (e.g. prototyping)</td>
<td>Access to cutting edge equipment and facilities</td>
</tr>
<tr>
<td></td>
<td>Market image and reputation</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>General research organisation focus</th>
<th>General business focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advancement of knowledge</td>
<td>Market-driven</td>
</tr>
<tr>
<td>Academic freedom</td>
<td>Return on investment</td>
</tr>
<tr>
<td>Publication of results</td>
<td>Very cost conscious</td>
</tr>
<tr>
<td>Education of students</td>
<td>Profit-based</td>
</tr>
<tr>
<td>Relaxed approach to time frame and milestones</td>
<td>Particularly sensitive to timing and milestones</td>
</tr>
<tr>
<td>Competing demands on research resources</td>
<td>Time and research constraints</td>
</tr>
</tbody>
</table>

14. It is important to note that many publicly funded research organisations have distinct objectives and these will also influence the objectives of the project. For example, the Commonwealth Scientific and Industrial Research

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Organisation (CSIRO) have as an objective of carrying out scientific research for the purpose of ‘assisting Australian industry’\textsuperscript{12}. These drivers will influence their perspective and so may not reflect the research drivers above.

B2. IP related issues in contracts

Background IP

15. ‘Background IP’ (also called existing IP) is IP arising from work created prior to, or independently of, the collaboration which may be used to assist collaboration work. The definition of background IP may need to be tailored in the agreement to reflect the parties’ agreed meaning.

16. It is important to have a clear understanding about whether any background IP will need to be used, and by who, during and after the collaboration. It is also important for parties to try and specify all the background IP for use in the written contract (often there is a list in a schedule or IP register). How parties are able to use background IP should also be specified to minimise any disputes.

17. Commonly, a licence to access or use background IP may be required. The scope of the licence will need to be broad enough to enable the collaboration work to be carried out and the outcomes of the collaboration to be used for the intended purpose. For example, if the researchers need to access or use industry background IP to carry out the collaboration work and also need to use collaboration outputs for teaching purposes later, then a licence to use of the background IP in these ways should be sought in negotiations.

Approach to project IP (or foreground IP)

18. The type of work produced during the collaboration will determine what, if any, IP will be created.

19. ‘Project IP’ (sometimes referred to as foreground IP or contract IP) is the new IP created under the collaboration project. The most common types of IP rights developed in such projects are copyright and patentable material.

20. Copyright often applies to a report or an article. However, often more than one type of IP can apply to the same material. For instance, a prototype, set of test results, process enhancement or elements of an invention can to varying extents be covered by copyright and patents.

21. Careful consideration should be given to how the parties will need to use output from the collaboration and what type of rights are needed in relation to the IP created under the project (e.g. how the copyright in a research conference presentation is managed in the contract).

22. Other considerations include whether IP ownership, licensing or other mechanisms are necessary to allow a research organisation or researcher to publish, disseminate and use material from the project for research, teaching or contributing improvements after collaboration.
23. The involvement of students in the collaboration may also need to be specifically considered. For example, the terms of the contract should not restrict a PhD student from publishing their thesis in accordance with university requirements.

24. An alternative approach to the vesting of ownership of the IP on creation might be to transfer ownership of the IP at a specified time such as when the collaboration is complete. Consideration should also be given to whether the research organisation or researcher needs to retain any rights to the work so they can use it for future research, teaching or work they might undertake.

25. It may be that IP ownership is not required (a precondition) to commercialise the material covered by IP protection or other arrangements. A license may be sufficient.

26. An option agreement (where a party has an option to purchase IP or buy IP component(s) that allow commercialisation within a time period) means that the business does not have to pay the full cost of commercialisation (they often pay an option fee) until it has assessed the market potential. During the option period, the business may have an exclusive opportunity to understand the technology and its market potential as well as work with the research organisation to create a product.

27. A formal licence agreement can be signed at any time during the option period. Also, option agreements are often time-limited so that if the option is not taken up, it can be exploited by another party in a timely manner.

28. In collaborations likely to generate sufficiently valuable IP, e.g. invention(s), an IP register that lists potentially valuable material for IP may be useful. A person could be nominated to update the register regularly (e.g. fortnightly).

**Proving the origin of project IP (ensuring the ‘chain of title’)**

29. Accurate recording of authors and potential inventors of IP (including planned material for patent applications) for the entire period of collaboration can ensure that the source of collaboration outputs can be proven. Often this is managed using a register of authors (including all software developers) and/or potential inventors.

30. Clear evidence of the origin of project IP assists in its commercialisation and in any potential litigation. In cases of very valuable potential project IP that may arise from a project, researchers’ notebooks may be registered and secured in safes (including nightly deposit of notebooks).

31. Where an invention may result from a collaboration, all publications and communications (including preliminary findings emailed by researchers to others and conference presentations) could be monitored through internal
processes to ensure that a potential invention remains patentable and is not prevented by prior disclosure.

Confidential information (including trade secrets and know-how)

32. Confidential information is generally considered to be information provided by one party to another where the information is:
   • designated as confidential by the Party by or for whom the information is provided;
   • imparted in circumstances of confidence; or
   • such that the recipient of the information knows, or ought to know, is confidential;
but does not include information which is already known by the receiving party at the time it is disclosed, or which is or becomes public knowledge.

33. For the purposes of the IP Toolkit, trade secrets and know-how are categories of confidential information and can include valuable information such as a product formulation.

34. There are two main circumstances where confidentiality processes or mechanisms are used in a collaboration:
   • to allow the sharing of information; and
   • as a pre-condition to accessing or participating in collaborative research (including access to background IP).

35. Ways to manage confidential information include confidentiality and employment agreements, an assessment of whether the information is required for the research collaboration, security measures for confidential information (e.g. secure cabinets) and participation and access policies (e.g. computer, student and visitor access restrictions). Care should be taken that the designation of information as confidential does not prevent appropriate publication of the project outcomes.

36. As with background IP, it is important for parties to specify what is confidential information in contracts and what other parties have to do in relation to it to avoid later problems.

37. The definition of confidential information may need to be tailored to reflect an agreed meaning.

38. Businesses and researchers typically have different views and interests in relation to disclosing and sharing information. For example, industry often seeks a commercial advantage by restricting access to valuable information.

39. It may be in the interests of business collaborators (and be an obligation to shareholders in maximising business value) to allow researchers access to
detailed confidential information that gives the business collaborators a competitive advantage (as long as the information remains confidential).

40. On the other hand research organisations and researchers typically wish to publish information about the collaboration. Also research organisations may have legislative obligations to disclose information (e.g. freedom of information in relation to public sector agencies).

41. These different views, interests and obligations can result in collaboration parties having differing approaches to aspects of confidentiality in collaboration projects and associated agreements.

Publication

42. Similarly, there can be different party views on publishing.13

43. It is worth considering the approach to publication that the UK Government has recommended in its Lambert Toolkit for universities and businesses wishing to undertake collaborative research projects:

“The ‘middle ground’ [on publication] is represented by the academic researchers being able to publish under a protocol that allows the commercial ‘partner’ an element of control over the content of, and the timescale for, publication (e.g. in order to give the sponsor an opportunity to secure patent protection).”14

Research results

44. Research data should be managed well to enable the research results to be relied upon. This can also be important for IP as good records (on when the IP was created and who created it) can facilitate commercialisation.

45. A key way to ensure the quality of raw research data is to generate and record research data in accordance with good scientific practices.

46. Similarly, a key method for ensuring the quality of research analysis is to analyse research data appropriately and without bias in accordance with good scientific practices.

47. It is worth considering the approach to research results recommended by the Lambert Toolkit:

“Data trails must be kept to allow people to demonstrate easily and to reconstruct key decisions made during the conduct of the research.

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13 For more information on different drivers including on publishing see paragraph 12.
Other research results

48. Other research results are those results from a collaboration project that are not covered by IP arrangements (although they may be able to be covered by IP). Examples of other research results include undocumented findings, conclusions, methods, techniques and know-how. They can also include raw data, other information, samples or prototypes.

49. These other research results may be used in further research or for commercial purposes related to the commercialisation objective of the project, such as to support a proposed patent application or regulatory approval.

50. There are many reasons that IP may not be the immediate or primary method of protecting these types of research results. These include:
   - that the collaborating parties are not the parties appropriate to apply to register IP and defend it if needed;
   - parties may wish to apply for registered IP at a specific time for strategic reasons; or
   - parties may decide to maintain confidentiality of methods, techniques or know-how for use in other contexts.

Liability (warranties and indemnities)

51. Warranties and indemnities are often used to manage risk in all transactions including collaborations.

52. A warranty is a contractual promise where one party provides an assurance to another party in relation to a certain subject or state of affairs.

53. Warranties can be included in collaboration agreements in relation to IP matters. For example, a party may ask a research organisation to warrant that, to their reasonable knowledge, they own or have the right to make background IP available, or that the work they produce under the collaboration contract will not infringe the IP rights of a third party.

17 Note that the Personal Property Securities Act 2009 creates a register that can significantly affect the ownership and value of personal property such as IP. Note that the register relates to security interests which have attached to property and lists securities on IP. Third parties may register such a securities on this register.
54. An indemnity is a legally binding promise to accept the risk of loss or injury another party may suffer as a result of certain events.

55. In many cases, the issue of whether a party is willing to give a warranty or indemnity, such as for IP ownership, can prevent collaboration altogether. There is often uncertainty and therefore unquantifiable risk and liability associated with warranties and indemnities relating to IP ownership. For instance, patents are not searchable until published.

56. Requiring unreasonably broad warranties or indemnities can be viewed by potential collaborators as excessively onerous, given the risk, and act as a disincentive for research collaboration. Indemnity issues can also adversely affect the research organisation’s insurance arrangements for the collaboration activity.

Key issues highly likely to require legal advice

57. For the purposes of this IP Toolkit, legal advice is a specialised ability to advise on the law as it applies to a specific situation\(^\text{18}\).

58. While many of the issues referred to in the IP Toolkit may require legal advice from an expert, there are some issues that are more likely to require legal advice than others.

59. Legal advice is highly likely to be needed in situations that include where:
   - the collaboration IP affects business viability or researcher career prospects;
   - the collaboration requires extensive use of existing IP owned by non-collaborating parties;
   - a planned collaboration output is for an overseas application for registrable IP, such as a patent;
   - an IP collaboration output is very valuable and an organisation seeks to borrow against it or protect it;
   - the collaboration is planning legal action or a collaborating party has been sent correspondence claiming infringement of another’s IP connected with the collaboration;
   - there is to be joint ownership of the project IP (as this often leads to complex issues such as decision processes for registering IP and obligations that relate to payment for registration);
   - a potential collaborating party has been asked to warrant or indemnify another party;
   - a party is considering ending the collaboration early;

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\(^{18}\) See Attachment 2 – Useful additional resources.
the subject of collaboration relates to national security or defence (there may be legal restrictions\textsuperscript{19});

- substantial legal risks have been identified in relation to undertaking the collaboration; or
- a party is considering how it addresses infringement of their IP (which can be costly to enforce).

\textit{International issues}

60. If there is international collaboration between parties, the IP regimes of all collaborating party countries should be taken into account when drafting an agreement.

\textsuperscript{19} For instance, see the \textit{Defence Trade Controls Act 2012} at \url{http://www.comlaw.gov.au/Details/C2012A00153} accessed on 30 September 2014.
Attachments

Attachment 1 – Intellectual Property

Introduction
1. This attachment outlines the main types of collaboration material that can be regulated by IP law. Registered IP such as patents and trade marks can be complex to obtain and enforce, so the services of IP attorneys and lawyers are typically employed.

Patents
2. In Australia, patents are governed by the *Patents Act 1901*. Patents give a patent holder the exclusive rights, during the term of a patent, to exploit an invention and to authorise another person to exploit (e.g. sell) an invention. Patents can protect how a technical innovation works.

3. The main types of collaboration material that can be governed by patents are:
   a) inventions for new or improved products (including components of products);
   b) inventions for new or improved processes (including for service delivery and manufacturing); and
   c) certain types of biological inventions.

4. These inventions can include isolated biological material, a new therapeutic technique, computer software and hardware, engineering, electrical and other types of technology.

5. A patent must satisfy a number of criteria before it can be granted by IP Australia. There are two types of patents that can be granted - standard patents and a lower level patent aimed at Australian SMEs, called innovation patents (referred to as utility or petty patents in some countries).

6. Patents can be necessary for the successful commercialisation of collaboration output.

Designs
7. In Australia, design is protected under the *Designs Act 2003*. Design is the overall appearance of a product including the shape, configuration, pattern or ornamentation of a product. A design often differentiates a product in the market. A registered design gives the owner exclusive commercial rights such as to use, sell or license it.

8. Design registration is often used for protecting the design of packaging or clothing, but can also be used for a wide variety of goods such as electronics, tools, cars and caravans, building materials, furnishings and sporting goods.
9. Designs can be a valuable result of industry and researcher collaboration as the new or unique appearance of a product can influence behaviour and create commercial advantage.

Copyright

10. In Australia, copyright is governed by the Copyright Act 1968. Under that Act, ‘copyright’ is a bundle of rights in qualifying original literary, dramatic, musical and artistic works. Similar, but more limited rights, are for qualifying sound recordings, films, television and sound broadcasts and the typographical arrangements of published editions of works.

11. Copyright applies to the format of the material, not the ideas in the material (e.g. copyright applies to the wording of a report, not the ideas within the report or ideas referred to by it).

12. Copyright is a bundle of rights to do certain acts with copyright material. These rights include the right to copy, publish, communicate (e.g. broadcast, make available online) and publicly perform the copyright material. Copyright rights can be important to commercialisation of collaboration output.

13. The main types of collaboration material that can be governed by copyright are:

   a) documents including drafts (e.g. project plans, research methods, reports and diagrams) and electronic text (e.g. emails, test results and presentations);

   b) photographs, sketches, plans and schematics;

   c) software, including source code and multimedia;

   d) film (such as demonstration videos or animations of processes);

   e) sculptures (which may include prototypes); and

   f) audio recordings (such as dictated research notes).

Moral rights

14. If copyright material is produced under a collaboration then moral rights also need to be considered. Moral rights are personal rights of the author of a work separate to a copyright but also protected under the Copyright Act 1968.

15. Moral rights are:

   • to be clearly and prominently identified as the author of the work;
   • not to have authorship falsely attributed; and
   • not to have anyone treat the work in a derogatory manner.

16. Moral rights cannot be bought, sold or licensed, unlike copyright material or other forms of IP rights. They are also non-economic and cannot be used for
It is not an infringement of an author’s moral rights to do, or omit to do, something in relation to their work if the act or omission is within the scope of a written consent genuinely given by the author (a moral rights consent).

17. Many bodies automatically seek moral rights consents through their contracts. This is rather than assessing the risk of infringing an author’s moral rights and how this could be managed through the intended use of relevant copyright material.

18. It should also be noted that requesting moral rights consents may place a research organisation in a difficult position, especially if one of their researchers refuses to sign a moral rights consent. A research organisation may also be obliged (due to employee agreements or policy) to insist on moral rights clauses and not be in a position to agree to moral rights consents.

19. However a research organisation may be able to seek agreement to the way an industry collaborator may use the copyrighted material and obtain a tailored moral rights consent.

Other IP law (trade marks, geographical indications, plant breeder’s rights, circuit layouts)

20. There are other types of IP rights that may be important to collaboration such as:
   a) plant breeder’s rights for new plant varieties\(^{20}\);
   b) trade marks, which differentiate goods and services in a market, and are often used for the commercialisation of a technology (e.g. logos and brand identity)\(^{21}\);
   c) circuit layout rights for computer chip design\(^{22}\); and
   d) geographical indications, which are relevant to the distinctive properties of products associated with a geographic region and are often used for wine areas in Australia\(^{23}\).

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Other IP issues

Limits to IP

21. Each type of IP is limited in different ways to cater for issues such as access and competition. Also there are different rules worldwide for the different types of IP, for instance the length of copyright and the criteria for granting patents varies globally. Some of the most relevant IP limitations for collaborations (such as the length of IP rights and criteria for IP ownership) are outlined below.

22. In Australia, standard patents are generally limited to 20 years (the term can be more for pharmaceuticals). Whereas copyright in documents, software and images is generally the life of the author plus 70 years.

23. Contract, employment and case law usually govern IP ownership. Copyright ownership is often dependent on the type of employment of the author and whether the work is ‘in pursuance’ of the employment.

24. A key determinant of any IP ownership (and also IP length) can be in employment agreements. Employment agreements and policies can vary, particularly for each research organisation.

25. Copyright is only available for certain types of original content in a material form (i.e. there is no copyright in ideas). It also has exceptions, such as those for research and study, which enable others to use the content in limited ways without infringing the copyright.

26. A patent may not be granted for an invention if someone publicly discloses it before patent protection has been sought. For example, discussing an invention with a third party or publishing relevant details (such as in a conference presentation) without a non-disclosure or confidentiality agreement may constitute public disclosure. This could make the invention unpatentable because it is now in the public domain.

   • Patent applications need to disclose the full details of the invention as these are made publicly available. Fees must be paid to apply for, and maintain, a patent in each relevant country. The validity or scope of a patent may be disputed and can be costly to defend in court.

27. In Australia, there is a research exemption for patents. This means that work done for experimental purposes relating to the subject matter of the invention does not infringe the patent.

Realistic IP valuation for collaboration

28. If one party has an unrealistic view of the value of the IP that they bring to the collaboration (background IP), it can affect the degree of mutual trust and hence impact on the likelihood of collaboration. This is because of the...
common expectation that there will be proportional value of inputs and outputs.

Why potentially commercially valuable IP can be offered for free

29. A party’s goals may not be furthered by a commercial IP valuation.

30. While the IP may have been costly to create (in terms of research time and resources), it may also be costly to commercialise. As part of a research organisation’s valuation of the IP that it brings to a collaboration, the research organisation may take into account the benefits of increased sponsored research and student development arising from the collaboration.

31. A number of Australian universities are using the Easy Access IP scheme to offer free access to potentially valuable IP. The purpose of the scheme is to increase the up-take of university IP by industry, accelerate the translation of IP into commercial outcomes and encourage new opportunities for collaboration between universities and industry.

Licensing IP

32. Licensing options can include exclusive and non-exclusive use. Exclusive use precludes competition in a relevant market and is generally more commercially valuable to a party than non-exclusive use. Similarly, rights to sub-license IP to other parties can be commercially valuable as they allow flexibility in commercialisation. Full ownership of IP without any constraints effectively provides exclusive use and rights to sub-license.

33. A licensing option is to limit the scope of the IP to a time period. This is often based on activity, e.g. if the sponsor does not commercialise the IP in the specified time period then IP rights revert back to the research organisation.

Creative commons licensing

34. Creative commons refers to standard copyright licences to facilitate the legal sharing and reuse of copyright material.

Traditional knowledge and IP

35. There are also many issues surrounding traditional knowledge and IP where materials have an indigenous source.

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24 For example, see http://www.nsinnovations.com.au/easy-access-ip accessed on 17 August 2014.
25 Exclusive licensing may preclude an IP owner from using or commercialising the IP.
26 See http://creativecommons.org.au accessed on 8 December 2014.
Attachment 2 – Useful additional resources

Australia

- For information on copyright see www.ag.gov.au.
- For information on patents, trade marks, designs and plant breeder’s rights see www.ipausralia.gov.au.
- For geographical indications for wine see www.wineaustralia.com.
- The Institute of Arbitrators & Mediators Australia: www.iama.org.au.

International

- WIPO Collaboration Agreements.