Draft IP Toolkit

SUBMISSION by the OFFICE OF THE AUSTRALIAN SMALL BUSINESS COMMISSIONER

February 2015
This is a submission by the Office of the Australian Small Business Commissioner (the ASBC)\(^1\) to the Draft IP Toolkit (IP Toolkit) developed by IP Australia and the Department of Industry and Science.

The content of this submission is informed by our ongoing engagement with the business community, including dealings with individual small businesses and their representatives.

The ASBC has an interest in avoiding and resolving small business disputes and, as such, our submission is focused on these areas of the IP Toolkit, namely dispute resolution terms and information, professional advice and contracting.

Further to our submission, the ASBC would welcome the opportunity to be involved in additional consultation in regard to the IP Toolkit or research collaboration with industry more broadly, particularly how these relate to and can assist small businesses.

**GENERAL COMMENTS**

The ASBC is supportive of initiatives to improve and increase collaboration between research institutes and business. We believe collaboration is key to enabling an innovative and internationally competitive business environment.

The Australian Small Business Commissioner, Mark Brennan, is a Board Member of the Small Enterprise Association of Australia and New Zealand (SEAANZ) and has been vocal about the scope for academia and research institutes to better link with businesses and contribute more practically to the business community.

Despite Australia having a highly productive and globally recognised research sector, there is poor translation of research findings into business and commercial outcomes. One reason for this may be the comparatively low levels of collaboration between business and public research institutes in Australia.

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\(^1\) The role of the ASBC is to provide information and assistance to small businesses, represent small business interests and concerns to the Australian Government, and work with industry and government to promote a consistent and coordinated approach to small business matters. In 2013, the Australian Government committed to transforming the ASBC into the Australian Small Business and Family Enterprise Ombudsman that will be a:
- Commonwealth-wide advocate for small businesses and family enterprises;
- Concierge for a dispute resolution service;
- Contributor to the development of small business friendly Commonwealth laws and regulations; and
- Seamless link with the Government’s Single Business Service to help small businesses easily find out about other Government services and programmes, including general business advice.
We believe this current disconnect needs to be addressed in order to unlock potential gains for the research sector and business community, as well as the Australian economy more broadly. We are pleased to see that a range of activities are underway, including the Commercialisation Stream of the Entrepreneurs' Infrastructure Programme, the discussion paper on 'Boosting the commercial returns from research', the review of the CRC Programme, and the IP Toolkit.

We commend IP Australia and the Department of Industry and Science for acknowledging that management of intellectual property and negotiating terms of ownership are key challenges for collaboration and that the provision of guidance material may help to minimise these challenges. In our experience we have found practical tips and tools to be the most useful resources for small business and are pleased to see that the IP Toolkit has taken this practical approach.

**DISPUTE RESOLUTION**

Quick and inexpensive resolution of disputes is crucial for business efficacy; this is particularly the case for small business.

The cost of a dispute encompasses not only the financial cost of the issue and the cost of pursuing a resolution (such as legal fees), but also the opportunity cost and emotional stress involved. The opportunity cost refers to what may been achieved had the time and effort involved in resolving the dispute been used in business operation or progressing research.

It is the view of the ASBC that low cost alternative dispute resolution, such as mediation, is an effective mechanism for resolving business disputes at a lower cost and speed than is available through the more traditional approach of courts and tribunals. Alternative dispute resolution also allows for commercially realistic outcomes and is more likely to preserve the business-researcher relationship.

It is our experience that contracting disputes are the most common type of business disputes. It is important that adequate information is available to help businesses, particularly small businesses, to understand and manage these disputes effectively. Given that the IP Toolkit has been developed to assist contract negotiation, we feel it is important to ensure that dispute resolution is explicitly addressed and explained, in this regard:

- the terms Alternative Dispute Resolution, Mediation, Expert Determination, and Arbitration could be defined in clause 3.1 of the Agreement Terms (Definitions),
document A3, *Sample Term sheet for the two party model contract*, could clearly identify the dispute resolution information, for example by adding a heading or introductory line, and


The ASBC is supportive of the inclusion of clause 34.3 of the Agreement Terms which requires the parties to comply with clause 16 of the Agreement Details (alternative dispute resolution) before a matter can be taken to a court or tribunal.

A primary feature of alternative dispute resolution is that it is clear, speedy and inexpensive. In our experience, many disputes are able to be resolved in the pre-mediation phase. To allow this to occur, it is critical that the initial phase of alternative dispute resolution is able to be commenced easily and cheaply. In this context, we note that clause 16 of the Agreement Details requires that mediation, expert determination or arbitration (options B, C and D, respectively) be conducted in accordance with the rules of the Institute of Arbitrators and Mediators Australia (IAMA). If IAMA appoints the dispute resolution service provider fees are applicable - $330 to appoint a mediator or expert\(^2\) and between $1000 and $25000 to appoint an arbitrator depending on the financial value of the dispute.\(^3\)

These fees may attract criticism as an unreasonable impost on small business. Further, when considered with the other costs of dispute resolution (such as the commercial fees of the mediator, expert or arbitrator, and the cost of legal advice and/or representation) a threshold fee charged merely to appoint a mediator, expert or arbitrator appears to be contrary to providing low cost alternative dispute resolution.

By contrast, the State-based Small Business Commissioners\(^4\) provide subsidised low cost alternative dispute resolution services. Where a small business is one of the disputing parties in a research collaboration agreement they should not be solely bound by the rules of IAMA and should be able to access other appropriate services where they are available. In due course, perhaps the proposed Australian Small Business and Family Enterprise Ombudsman could assume responsibility for the resolution of disputes under the research collaboration agreement where the business party is a small business.

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\(^4\) Small Business Commissioners currently exist in New South Wales, South Australia, Victoria and Western Australia.
PROFESSIONAL ADVICE

Entering into a contract, such as a research collaboration agreement, is an important decision and will have continuing implications for the parties involved.

The ASBC encourages parties to seek professional advice before signing a contract. Professional advice often brings attention to obligations that parties may not be aware of and, in the long run, may save time and money.

In our experience many small businesses are concerned about the billable hours associated with seeking professional advice. In relation to seeking advice before signing a contract, too often businesses just want to get in and out as quickly as possible and only want to know if the contract is okay to sign or not. Contracts come with legal obligations and it is important to fully understand these before signing.

In seeking professional advice we encourage small businesses to take extra time and make sure that the contract is fully explained, including the contractual obligations of both parties. In this regard, we have a practical tip that we share with small businesses about colour-coding contracts (see box below). The Department of Finance recognised the value of this suggestion and in 2014 when the Commonwealth Contracting Suite was redeveloped it incorporated a colour-coded version of the Commonwealth Contract Terms5.

This tip could be adopted into the IP Toolkit by including it as a suggestion for parties to consider or by incorporating a colour-coded version of the model Agreement.

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**Practical tip: Colour-code contracts**

It is important to make sure you fully understand a contract before you sign it. Contracts come with legal responsibilities and you do not want to get into trouble for something you were not even aware of.

Take the contract to a legal professional and ask them to explain the details to you and highlight in one colour everything you have to do under the contract and in another colour all the things the other party has to do.

By doing this, you will gain a better understanding of the contractual obligations of both parties and you will have a colour-coded easy to reference document.

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We are pleased to see that paragraph 59 of document B2, *IP related issues in contracts*, highlights the likely need to seek legal advice on a broad range of situations. Given this comprehensive list, we see value in strengthening the language used elsewhere in the toolkit to emphasise the importance of seeking professional advice prior to signing a research collaboration agreement.

For example, the notes at the front of the model research collaboration agreement could be strengthened. Currently it states:

*Please consider whether you require legal or financial advice to complete this Agreement.*

It is our experience that small businesses are not necessarily aware of the situations in which they may or may not require legal or financial advice. As such, wording to the effect of *advise* or *highly recommend* parties seek professional advice to complete this Agreement may improve contractual understanding and therefore be more effective in ensuring the final Agreement reflects the needs and positions of both parties.

Likewise paragraph 23 of the IP Toolkit introduction, where it currently states ‘obtain specialist assistance when needed,’ could be strengthened by removing ‘when needed’. Similarly in paragraph 31 ‘as required’ could be removed from ‘you should seek your own legal advice as required’.

**CONTRACTING**

As mentioned above in Dispute Resolution, contracting issues are the most common type of dispute in business. There are strategies that can be implemented to improve contracting practices and lessen the likelihood of a dispute arising, for example the tip above about seeking legal advice and colour-coding contracts.

The ASBC has developed ten tips to help small businesses improve their contracting capabilities. It is pleasing to see that the IP Toolkit covers some of these tips, such as to put
agreed work in writing at the start, and agree dispute resolution processes. Other tips include:

- Get advice before you sign,
- Document changes, and
- Communicate early and often.

A full copy of the ASBC’s *Tips to improve contracting and avoid disputes* is attached to this submission for your information and is also available on the ASBC website at [www.asbc.gov.au/resolving-disputes/tips](http://www.asbc.gov.au/resolving-disputes/tips)

**CONCLUDING REMARKS**

The ASBC is supportive of initiatives to improve collaboration between businesses and research organisations.

Our submission focused on the parts of the IP Toolkit that relate to dispute resolution, seeking professional advice and general contracting practices. In this regard we have made a number of suggestions for consideration:

1. Clear explanation of alternative dispute resolution terms may improve understanding. In clause 3.1 of the Agreement Terms, the terms Alternative Dispute Resolution, Mediation, Expert Determination, and Arbitration could be defined.

2. In document A3, *Sample Term sheet for the two party model contract*, the dispute resolution information is difficult to find. This could be improved by clearly distinguishing dispute resolution information by adding a heading or introductory line.

3. If an issue or dispute arises it can be difficult to know what to do. In document B2, *IP-related issues in contracts*, a section could be included to provide information on what to do in the event of an issue or dispute arising. Information about understanding and managing disputes is available on the ASBC website at [www.asbc.gov.au/resolving-disputes/understand](http://www.asbc.gov.au/resolving-disputes/understand)

4. There are a range of low cost dispute resolution services available. In clause 16 of the Agreement Details, consideration could be given to wording that would enable dispute resolution services other than IAMA to be used, for example State-based Small Business Commissioners.
5. Seeking professional advice before signing a contract can help to prevent issues arising. Consideration could be given to including the ASBC’s practical tip about colour-coding contracts into the IP Toolkit or incorporating a colour-coded version of the model Agreement.

6. Language in the IP Toolkit relating to professional advice could be strengthened to better encourage parties to seek legal and other professional advice. For example:

6.1. In the notes section at the front of the model Agreement ‘please consider whether you require legal or financial advice to complete this Agreement’ could be strengthened to ‘it is advisable (or highly recommended) to seek legal or financial advice to complete this Agreement’.

6.2. In paragraph 23 of the IP Toolkit introduction ‘when needed’ could be removed from ‘obtain specialist assistance when needed’.

6.3. In paragraph 31 of the IP Toolkit introduction ‘as required’ could be removed from ‘you should seek your own legal advice as required.'
1. **Know who you are dealing with.** Look behind the business name, check references and meet with them. Ensure the person you are dealing with has the authority to enter into and amend contracts.

2. **Communicate goals and expectations.** Make sure your employees know and understand the goals and values of your business and what is expected of them. Make sure they are aware of the scope of their authority to enter into or amend contracts on your behalf.

3. **Put agreed work in writing at the start.** Your agreement should outline the goods/services to be provided, any quality and quantity specifications, the price or basis for calculating charges, payment terms, timeframes, delivery terms, etc.

4. **Agree dispute resolution processes.** An agreed process, included in your written agreement, will allow for disputes to be dealt with quickly and cost effectively, and you will be more likely to preserve the business relationship.

5. **Get advice before you sign.** Don’t rely on what the other party says, a contract is legally binding and you should get professional advice before you sign. We suggest asking your lawyer to colour-code the rights and responsibilities of each party.

6. **Estimate the costs.** Provide a quote. If you charge for services on a time basis make sure you keep a work sheet detailing the time spent and a description of the work done.

7. **Document changes.** Write down any agreed changes, such as quantity or timeframes, and attach to the original agreement. At a minimum email the agreed changes to the other party.

8. **Manage the contract.** Once signed, don’t put the contract in the bottom draw and forget about it. Check it regularly to make sure you and the other party are meeting the requirements. If you have any concerns, raise them early.

9. **Get help if you need it.** Some jobs are complex or involve large sums of money. Project management for these jobs can be complicated and sometimes risky. If you don’t have strong expertise in project management, consider hiring an expert.

10. **Communicate early and often.** Communication must be clear, transparent and frequent to make sure everyone is on the same page. If issues arise address them straight away, don’t leave it to develop into something more serious.

If you need help with dispute resolution contact the Australian Small Business Commissioner on 1300 650 460, at enquiries@asbc.gov.au or visit www.asbc.gov.au/resolving-disputes