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Deputy Vice-Chancellor (Research)

02 March 2022

To: The Department of Education, Skills and Employment (DESE) and members of its
University Research Commercialisation Taskforce

**Public Consultation for the Higher Education Research Commercialisation (HERC)
Intellectual Property (IP) Framework, March 2022**

The University of Sydney welcomes the opportunity to contribute to the public consultation for the Higher Education Research Commercialisation (HERC) Intellectual Property (IP) Framework.

Please find **attached** the University's detailed feedback on the draft Framework agreements presented in the Department's Consultation Feedback Form as requested.

In providing this third detailed submission on the draft Framework documents, we reaffirm our strong support for the Department's vision to establish the Framework to provide a clear pathway for universities to work with industry partners to negotiate and manage successful collaboration and partnerships.

However, while grateful for the short extension the Department granted for this submission, we remain concerned that universities and industry partners have not had sufficient time to allow careful and complete review and discussion of the Framework's 13 complex agreements and extensive associated material, including the draft Practical Guide (125 pages). The very short period of time provided for consultation undermines any characterisation of the Framework resulting from careful and detailed engagement with stakeholders.

The University has been provided with a copy of the independent submission to this phase of the Department's consultations made by leading IP and commercialisation lawyer, Mr Scott Bouvier of King & Wood Mallesons. The University strongly endorses the content of Mr Bouvier's submission and commends it for consideration by the Department. For completeness we note that although Mr Bouvier has advised the University on various matters over many years, we have not funded or otherwise provided any input into his submission.

We wish to emphasise the following key recommendations to improve the Framework documents:

- **Use of the Framework should be voluntary.** The guidance regarding which parts of the Framework will be mandatory, though now the case in quite limited circumstances, is unclear and places universities at a significant disadvantage. We continue to strongly recommend the Framework would be best released as a voluntary suite of commercialisation documents, like the Lambert Toolkit and other similar resources which have supposedly informed the development of the Framework. At a minimum, universities should be afforded identical 'opt out' rights to industry partners.

- **Rights for university researchers and research students to publish results are not properly recognised or protected.** In an otherwise extremely detailed guide, very little commentary is provided on the importance of the rights of university researchers and research students to publish the outputs of their research, subject to appropriate balancing of commercial interests. The initial HERC IP Framework Consultation Paper recognised that *Publication is one of the primary activities of a university* and assured universities that they will have *the right to publish their research in all standardised and flexible complex agreements* (p18). However, the current agreements fail to meet this assurance and are therefore not fit-for-purpose. We urge the Department to rectify these apparent drafting oversights.
- **Universities should not be exposed to broad and unlimited liability.** As noted in the HERC IP Framework Consultation Paper: *Universities are not, by their nature, in a position to offer warranties or take on liabilities to the same extent that they are taken on or offered by commercial entities* (p17). Unfortunately, the liability provisions in most Framework agreements entirely disregard this principle and frequently expose universities to ‘uncapped’ liability and broad indemnities. We urge the Department to address these apparent drafting oversights.
- **Proposed third party IP indemnities are unfair and unreasonable.** The HERC IP Framework Consultation Paper clearly states: *Universities should not be expected to warrant non-infringement of third-party IP* (p17). This position is long-accepted amongst parties experienced in technology transfer and reflects the nature of universities, as well as the fact the Collaborator is in full control of the use and exploitation of the IPR and is usually better placed to assess and determine matters of risk. Once again, this principle seems to have been lost in the draft Framework documents. We reject the commentary in the Practical Guide, as reflected in many of the Framework agreements, which suggests it is in any way reasonable for universities to routinely provide broad IP indemnities to commercial partners. We recommend that the Department ensure that the Framework documents reflect the policy principle accepted in the Consultation Paper.
- **The agreements’ failures to address Indigenous IP.** Using these agreements in any context involving any Indigenous IP would contravene mandatory sector policies, including the *Australian Code for the Responsible Conduct of Research* (2018); the *NHMRC Ethical conduct in research with Aboriginal and Torres Strait Islander Peoples and communities: Guidelines for researchers and stakeholders* (2018) and the *AIATSIS Code of Ethics for Aboriginal and Torres Strait Islander Research* (2020). It could also breach State biodiversity laws and protections. The failure to require routine consideration of these policies and laws, and provide practical guidance significantly increases transaction costs for all parties, and increases the likelihood of industry partners failing to understand their legal obligations. We urge the Department to ensure that Indigenous IP issues are appropriately recognised and addressed across the Framework documents.

Unless these issues are addressed, the University is unable to support the statement in the Guide that the templates agreements *provide a fair position for both parties*. In many instances the opposite is true, and our considered assessment is that the Framework guidance and various key provisions will set expectations amongst industry partners that are unhelpful. This will inevitably lead to more difficult and protracted negotiations. In this regard, we note Mr Bouvier’s overall expert assessment that unless the extensive policy and drafting issues he identifies are addressed, “*the HERC IP Framework will result in a less productive contracting process which will not improve commercialisation outcomes in Australia.*”



THE UNIVERSITY OF
SYDNEY

We trust this feedback is useful and reassure the Department that despite our continuing concerns we remain committed to working with it and other stakeholders, constructively, to develop a HERC IP Framework that is fit-for-purpose and capable of delivering on its objective of helping to improve levels of university research commercialisation as well as industry/university collaboration in Australia.

Please do not hesitate to contact me, Dr Andrew Tindell, Executive Director Research Operations (andrew.tindell@sydney.edu.au, 02 8627 8181) or Mr Mike Clarke, Senior Solicitor, Office of General Counsel (mike.clarke@sydney.edu.au, 02 8627 0773) if you would like to discuss any aspect of our feedback.

Yours sincerely,

(signature removed)

Professor Duncan Ivison
Deputy Vice-Chancellor (Research)

Attachment: University of Sydney HERC IP Framework Feedback Table

HERC IP Framework 2022 Public Consultation Feedback Form

The Department welcomes feedback on the proposed HERC IP Framework templates. If you have specific feedback on an individual template or clause, the Department requests that you provide your feedback in the table format provided below. Completed feedback tables will be considered by the Department and inform the further development of the templates.

The Department will not consider feedback provided in the form of marked-up versions of the templates.

Item no.	Agreement clause / schedule number	Feedback / comments	Proposed alternative drafting / amendments (if any)
Accelerated Research Agreement			
1.	1 (Definition of Commercialise)	The inclusion of 'publish or communicate the IPR externally to the party's organisation' in the definition of commercialise is well outside the scope of what is typically viewed as a commercialisation activity. This may also potentially interfere with a university disclosing details to its patent attorneys and other external advisers and may therefore prejudice a future patent application.	Delete limb (a) of the definition of Commercialise.
2.	1 (Definition of Confidential Information)	<p>The proposal to automatically include the Results in the definition as <i>the Confidential Information of both parties</i> is problematic, as when read with the publication review process in clause 8.2 it would permit <u>either party</u> an unlimited and unqualified veto right over the publication of the Results.</p> <p>This is fundamentally unacceptable to universities for almost all research engagements and is also inconsistent with assurances by DESE in its HERC IP Framework Consultation Paper and brief comments in the Draft Practical Guide.</p> <p>As also previously noted, the impact of this approach is especially severe on students who may be prevented from</p>	Delete the words "and includes (as the Confidential Information of both parties) the Results,", or otherwise clarify in clause 8 that the unqualified 'removal' right <i>only</i> applies to confidential information <i>provided by</i> that party to the other (and not the Results).

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		lodging their complete thesis and thus finishing their degree.	
3.	1 (Definition of Pre-existing IPR)	<p>This definition should be limited to IPR which are actually contributed to the project by a party or included in the Results – any other IPR should not be automatically subject to any commitments or obligations under this agreement.</p> <p>In this regard we note the Standard Research Agreement includes an appropriate and sensible exclusion. It is not clear why these definitions differ and we recommend alignment.</p>	<p>Insert the same exclusion from the definition of Pre-existing IPR in the Standard Research Agreement:</p> <p><i>but does not include:</i></p> <p>(d) <i>except for IPR incorporated into the Results, IPR that are created or developed independently of the Project;</i></p> <p>(e) <i>a Research Tool; or</i></p> <p>(f) <i>IPR that is specified as excluded Pre-existing IPR.</i></p>
4.	3.5 (Achievement of Milestones)	Consistently with our previous feedback, this agreement is intended for research engagement (as opposed to services) and should recognise, as the Standard Research Agreement does, that the conduct of research is unpredictable and the outcomes can be uncertain.	Include wording similar to clause 3.1(c) of the Standard Research Agreement.
5.	5.2(b)	Including automatic perpetual rights for a Collaborator to 'Use' Project IPR internally is not usually proposed as a standard position, as in the event the Collaborator declines to pursue commercialisation, these enduring rights may inhibit further use and commercialisation of Project IPR with other parties – i.e. the University is prevented from offering a competitor truly exclusive rights. We would more commonly see such Use rights limited to the duration of the Project, after which continued use would be expected to be part of any Commercialisation rights.	

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6.	5.3 (Intellectual Property Rights Management)	<p>The University's standard position is that if the industry partner is granted an option to negotiate a licence to commercialise IPR, then the partner should carry the cost of registration of such IPR (in consultation with the university) in order to maintain its option. If the licence granted to the partner is non-exclusive then such costs would be shared amongst licensees. If a partner declines to cover these costs, it is free to withdraw but the option would expire. Otherwise, given universities have limited budgets and many competing priorities, it is unreasonable for them to carry the sole burden and risk of prosecution costs and IPR protection may be forfeited.</p>	<p>Include provisions to oblige the partner to fund or contribute to the costs of IPR protection.</p>
7.	Clause 5.5 (warranty)	<p>We appreciate the Department's removal of the indemnity and the new qualifications added to the IPR warranty.</p> <p>However, this warranty is still deficient as it should be given only at the time of the agreement OR at least when the IP is provided, as it is in the Standard Research Agreement.</p>	<p>Insert "...that <u>as at the time it is provided by a party</u>, it has the necessary rights to vest the IPR..."</p>
8.	Clause 9 (Limitation of Liability)	<p>As noted in the HERC IP Framework Consultation Paper, <i>Universities are not, by their nature, in a position to offer warranties or take on liabilities to the same extent that they are taken on or offered by commercial entities</i> (p17).</p> <p>As a general comment, though this is seemingly not controversial and generally accepted by all industry partners, it is noted that <u>none</u> of the current agreements entirely reflect this principle given the presence of mostly mutual risk provisions and often substantial university indemnities.</p> <p>In the case of this agreement, it is only intended for use in respect of low risk, low value projects and this exclusion</p>	<p>Ideally, delete sub-clauses 9(b)(ii), (iii) and (v) so the liability cap is more complete.</p> <p>OR replace sub-clause 9(b)(ii) to read: <u>a breach of the warranty in respect of third party IPR in clause 5.5.</u></p> <p>AND</p> <p>Insert the same clarification in the Standard Research Agreement (clause 18.5(a)): <u>Except as specified in this Agreement, each party's use of any Pre-existing IPR and Results licensed or made available to it under this Agreement is at its own risk.</u></p>

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		<p>clause exposes both parties to a theoretically unlimited level of liability which could be vastly disproportionate to the value of the project. We submit that this agreement should have a simple and complete limit, operating mutually or at least in favour of the universities (consistently with the Department's principle as stated above).</p> <p>Additionally or in the alternative, given the removal of the third party IPR indemnity in clause 5.5, the reference to <i>infringement of third party IPR</i> in clause 9(b)(ii) is somewhat nonsensical, given neither party is expressly responsible for any such loss sustained by the other. This would ideally be deleted, or at least be more directly linked to a breach of the now limited warranty in clause 5.5.</p>	
9.	Clause 11(b) (Termination for Convenience)	We reiterate our objection to the inclusion of termination rights for convenience, even with the added clarification that committed costs will be covered. This is helpful but still insufficient. Such rights can make it difficult for universities to adequately and confidently resource projects including hiring staff.	Delete 11(b).
10.	[N/A – missing]	We note the Framework agreements now appear to be limited for use in respect of projects which are connected in some way to funding received from the Trailblazer Universities Program or Australia's Economic Accelerator Program. Unless either of those programs will fail to prescribe any requirements <i>whatsoever</i> in respect of the application of such funds or resulting outputs (e.g. an obligation to acknowledge such support in publication etc), we again raise the question as to whether these agreements need to recognise overarching compliance with any such funding requirements.	

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		At a minimum, and if these templates are truly intended to be useful tools for universities and industry, the inclusion of a 'Special Terms' section to allow parties to address such matters through inclusion of additional terms (which would take priority over other general terms) would seem sensible.	
Standard Research Agreement			
11.		Most of the comments above are applicable to this agreement and the University restates these comments and proposed amendments, as applicable.	See above proposed amendments.
12.	4 (Acceptance of a Milestone)	<p>These provisions remain unfit for purpose for the conduct of research and continue to reflect a misunderstanding as to the nature of research and research outputs. Quite often, research will simply not produce expected outcomes or generate results of any commercial value or application to the Collaborator. Attempting to impose an 'ICT services' style acceptance testing process on research is misconceived.</p> <p>Of most concern, Collaborators are afforded an almost complete discretion as to whether they can 'accept' or 'reject' Milestones (other than unclear wording that they must 'act reasonably') – the University is simply obliged to 'correct' any supposed deficiency and there is no direct recourse for universities in the event approval is withheld unreasonably, e.g. if the Collaborator is merely dissatisfied with the outcomes of properly conducted research, rather than the University's performance.</p>	We suggest these provisions be removed or at least significantly improved to add more balance and better reflect the nature of research, as already partly reflected in clause 3.1(c).
13.	7.2(c)(ii)	The Collaborator should not have an unqualified ability to compel the University to change any Key Person without	Delete this clause, or include some reasonable and objective criteria to justify a request for removal.

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		cause (which as currently drafted, if the University is unable to identify a replacement, could lead to a right of termination without reimbursement of any costs to the University).	
14.	9 (Payment)	The newly added language that payment is <i>Subject to the University meeting the requirements of the Project Plan</i> is vague and uncertain.	Delete this wording, or at least refer to a more concrete measure of performance to prevent the Collaborator from purporting to withhold payment unreasonably.
15.	13 (Students' right to publish)	<p>As noted above, these provisions may result in a student being obliged to remove the Results or other Collaborator Confidential Information from a thesis, which could be fatal to the student's ability to lodge their thesis and complete their degree.</p> <p>Most universities, including Sydney, have developed very specific and sophisticated mechanisms to deal with this very situation, including the ability to lodge a confidential appendix to a thesis or defer lodgement.</p> <p>Compelling the use of such 'blunt' provisions will have a counter-productive effect, including that students will simply not be able to participate in research conducted under these terms.</p>	Consider including more specific mechanisms in this clause rather than oblige the student to submit to a blanket veto right of the Collaborator.
16.	15 (Moral Rights)	<p>It is unclear why the moral rights requirement has been wholly removed from the Accelerated Research Agreement but not the Standard Research Agreement. This is a matter of principle for universities and is not altered by the nature of the engagement.</p> <p>We are concerned that even including the possibility of academics being obliged to provide moral rights consents may create unhelpful expectations for industry partners and result in longer negotiation times.</p>	Delete clauses 15.1(a) and 15.2.

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17.	17.2 (Indemnity)	<p>It is unclear why the IPR indemnity was removed from the Accelerated Research Agreement but remains in this agreement.</p> <p>The HERC IP Framework Consultation Paper clearly states: <i>Universities should not be expected to warrant non-infringement of third-party IP</i> (p17). This position is long accepted amongst parties who are experienced in technology transfer and reflects the nature of universities, as well as the fact the Collaborator is in full control of the use and exploitation of the IPR and is usually better placed to assess and determine matters of risk.</p> <p>Additionally, the Draft Practical Guide states: <i>For <u>many</u> research projects the industry partner should not insist on an indemnity from the university to cover infringement of IPR from your use of the results for the agreed purpose. This is because the outcomes of a research project are often unknown at the start and therefore it is not reasonable, or sometimes even possible, to know whether the results might infringe third party rights or not.</i></p> <p>Including this indemnity as a <u>standard</u> term for each and every research project is therefore in direct contradiction of the Department's own guidance and sets extremely unhelpful expectations on the part of industry partners.</p> <p>Like the Accelerated Research Agreement, this indemnity should be deleted, and replaced with a qualified warranty by the University that it has the necessary rights to vest the IPR and grant the licences under the agreement at the time the IPR are provided.</p>	Delete clause and replace with a warranty in the form of clause 5.5 of the Accelerated Research Agreement.
18.	18.6 (Liability Cap)	We repeat our comments regarding unlimited liability as noted for the Accelerated Research Agreement above.	See above.

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19.	21.3 (Termination for Convenience)	We repeat our comments regarding termination for convenience as noted for the Accelerated Research Agreement above.	See above.
Multi-party Collaborative Research Agreement			
20.		Most of the comments above are applicable to this agreement and the University restates these comments and proposed amendments, as applicable.	
Accelerated Non-Exclusive Licence Agreement (including low risk commercialisation)			
21.		<p>The University was unable to complete a full review of this agreement in the limited time provided, although we note that many of the comments above appear to be applicable to this agreement and we restate these comments and proposed amendments, as applicable.</p> <p>The University would only otherwise observe that the grant of a stand-alone non-exclusive commercial licence is quite rare and we would not expect this template to have much utility.</p>	
Assignment Agreement			
22.		The University was unable to complete a review of this agreement in the limited time provided.	
Material Transfer Agreement			
23.		Many of the comments above are applicable to this agreement and the University restates these comments and proposed amendments, as applicable and with	

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		particular regard for limitations on liability, warranties and indemnities.	
24.		There is an absence of any provisions that clarify ownership of improvements, results, modifications, or any new IPR created by the Recipient using the Materials.	
25.	7(b)	Any transfer of title in the Materials to the Recipient should only occur with express consent of the Provider, not exist as a default position as set out in clause 7(b).	
26.	9(a)(i)	The “purpose” for which the parties may use each other’s Confidential Information should be clearly articulated. For example, such use may be limited to the “Permitted Use” set out in the Details or defined under item 12 (Confidential Information)	
Licence agreement for equipment			
27.		The University was unable to complete a review of this agreement in the limited time provided.	
Licence Agreement (including commercialisation) – Exclusive Licence			
28.		<p>As a general comment, this template remains extremely long, complex and difficult to navigate and interpret as compared to more succinct and specific templates developed by universities.</p> <p>The comments below are not exhaustive but represent key concerns with the revised template.</p>	

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29.	3 (Licence Grant)	This template continues to allow only an exclusive or non-exclusive grant of rights. It is much more common for this to be split between exclusive (for patent rights) and non-exclusive (for Know-How).	Allow for the flexibility to identify different exclusivity for the Licensed IP.
30.	3.2 (Reservation of Rights)	The grant of rights back to the Licensor for research, teaching and publication should be more clearly enshrined in these terms – currently the reference to the Schedule is unclear and this critical right for universities does not appear to be expressly captured.	
31.	7 (Improvements)	Again, we note it is the standard position of the University to retain ownership of <i>non-severable</i> improvements and to automatically license such improvements back to the Licensee – this will require amendment of the template on almost every use.	
32.	10.2 (Proceedings or Other Action)	In our experience, most exclusive licensees will find this regime and the requirement to obtain consent for enforcement to be too restrictive.	
33.	11.5 (Liability Cap) and 12.1 (Indemnity)	It remains unclear why the Licensor is expected to indemnify the Licensee for breach of the agreement – and at the very least, why is this only unilateral? The University does not typically agree to indemnity counterparties for breach of contract as they are already entitled to rely on rights and remedies for breach directly – accordingly, we feel this is redundant, one-sided and should be deleted.	Delete the Licensor's indemnity.

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Mutual Confidentiality Agreement			
34.		The University was unable to complete a review of this agreement in the limited time provided.	
Variation Agreement – two party agreements			
35.		The University was unable to complete a review of this agreement in the limited time provided.	
Variation Agreement – multi party agreements			
36.		The University was unable to complete a review of this agreement in the limited time provided.	
Licence Agreement (including commercialisation) – Non-Exclusive Licence			
37.		The University was unable to complete a review of this agreement in the limited time provided.	
Technical Services Agreement			
38.		<p>Many of the comments above are applicable to this agreement and the University restates these comments and proposed amendments, as applicable.</p> <p>Speaking generally, these terms appear to be extremely 'pro-Collaborator' and would not be viewed as suitable or attractive for use by universities for most service offerings without substantial amendment.</p>	
39.	1 (Definition of Commercialise)	Not used in agreement	Delete

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40.	1 (Definition of Contract Material) and 5.1 (New IPR in Contract Material)	<p>If this definition is to be used to identify materials to be assigned to the Collaborator, it must exclude Pre-Existing IPR or otherwise be confined to such materials which are <i>created by the University in the course of providing the Services</i>, or similar formulation of commonly used wording.</p> <p>Similarly, the references in clause 5.1 to 'new IPR in the Contract Material' is entirely vague and uncertain – this should be rectified in the definitions.</p>	
41.	1 (Definitions of Pre-Existing IPR and Third Party IPR)	<p>It is not appropriate for the default position in these agreements to oblige the University to grant access to its entire portfolio of Pre-Existing University IPR, <u>or</u> commit to source and make available Third Party IPR which may be vaguely 'necessary' to use the Project IPR, in circumstances where such IPRs are not directly used or incorporated by the University itself in the Contract Material.</p> <p>The agreement places an unfair and unreasonable burden on universities to carry all the risk to identify and procure such Third Party IPR in particular. If the Collaborator requires access to such external rights, this should be subject to express identification and agreement by the parties in the Schedule (and not, as is currently the case, require an 'exclusion' to be stated in the Schedule).</p>	Amend the treatment of such Background IPRs and Third Party IPRs to be 'opt in' rather than oblige universities to exclude such rights.
42.	4 (Access to premises)	Universities do not routinely grant clients broad access rights to their premises unless such rights are for specific and limited purposes (such as an annual audit or similar) and subject to reasonable constraints and limitations. Such rights are unnecessary and will also be irrelevant to the vast majority of services engagements.	

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43.	10 (Limitation of Liability and Indemnity)	<p>Consistently with our comments on other agreements, these liability exclusions are far too broad and uncertain.</p> <p>Additionally, the proposed indemnity is extremely broad and very unfavourable for universities. We do not accept the proposition that such an indemnity should be considered to be a 'standard' or starting position for technical services, especially when delivered by not-for-profit public institutions such as universities.</p>	<p>See proposed amendments discussed above.</p> <p>Delete 10(c).</p>
44.	12 (b) (Termination for convenience)	<p>Once again, the inclusion of termination rights for convenience puts universities at a significant disadvantage to resource these projects and we would not routinely offer such rights to clients, nor are they routinely requested – clients understand this is not a reasonable request for a university to manage.</p>	
45.	12(d) (Consequences of termination)	<p>The Collaborator's rights to own IPR should not continue if the reason for termination is due to a failure to pay the fees.</p>	<p>Qualify 12(d)(i) to be 'subject to payment of any outstanding Fees.'</p>