



IP COMMERCIALISATION REVENUE GUIDELINES

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1 Introduction / Background

Introduction

1. These guidelines explain the background and purpose of
 - a. the provisions in UOW's Commercialisation Revenue Policy; and
 - b. UOW's procedures regarding the distribution of Nett Commercialisation Revenue.
2. The Guidelines need to be read in conjunction with UOW's Intellectual Property Policy, Student Assignment of Intellectual Property Policy and Fellow, Visiting Student and Volunteer Assignment of IP Policy. These Guidelines use the same definitions of terms provided in the Commercialisation Revenue Policy.
3. The contents of the Intellectual Property Policy, in relation to the distribution of Commercialisation Revenue, and the Commercialisation Revenue Policy apply equally to Staff Members and to Students. Sometimes Students are also employed by UOW. In such cases, if the IP is developed as part of the course of employment of a person, even if they are also a Student, that person will be considered a Staff Member for the purposes of the Commercialisation Revenue Policy.

Background

Industry view upon sharing Commercialisation Revenue

4. In industry, researchers employed by a company to generate IP are not personally rewarded for the IP that they generate. In a company's view, researchers are paid a salary to undertake commercialisable research, and to reward them further for producing that commercialisable research is regarded as paying them twice. However, in industry it is not uncommon for staff to receive bonus payments. These bonus payments may, for example, be referable to scientific achievements, or other milestones.
5. For example, in some companies it is not unusual for there to be an annual salary review, and at the time of that salary review, to agree that the company will pay to the researcher, as a bonus:
 - a. 30% of gross salary if 5 milestones are achieved over the following year;
 - b. 20% of gross salary if 4 milestones are achieved over the following year;
 - c. 15% of gross salary if 3 milestones are achieved over the following year;
 - d. 10% of gross salary if 2 milestones are achieved over the following year; and
 - e. 5% of gross salary if 1 milestone is achieved over the following year.
6. Milestones, for the purpose of these payments may be:
 - a. milestone, in this way rewarding future effort; or
 - b. wholly outside the control of the researcher, such as the grant of a patent in relation to a past invention, in this way using these events as milestones to reward past achievements.

Research community view upon sharing Commercialisation Revenue

7. A model such as that operating in industry would be difficult to implement in the academic research community. In the view of the research community:
 - a. it is proper to reward individual researchers whose cleverness, inventiveness and innovation resulted in a research outcome that is commercialised; and
 - b. it is proper to provide an incentive to researchers to be clever, inventive and innovative.

2 Scope / Purpose

1. The matters covered in these Guidelines are:
 - a. What should be regarded as Commercialisation Revenue;



- b. How to treat equity in a start up company;
- c. Taxation aspects;
- d. What percentage of Commercialisation Revenue should be available to Creators;
- e. To whom should Commercialisation Revenue be paid;
- f. How to divide a share of Commercialisation Revenue amongst several Creators;
- g. The duration of benefits;
- h. Whether a policy should be legally binding, or discretionary; and
- i. The operation of the Commercialisation Revenue Committee.

3 Definitions

1. In this Policy, the following definitions are used. References to the singular include the plural and references to the plural include the singular.

Word/Term	Definition (with examples if required)
Commercialise or Commercialisation	<i>means to use, apply, publish, manufacture, assign, licence, sub-licence, franchise, exploit, market, or otherwise use or dispose of the IP for the purpose of generating financial or other commercial returns.</i>
Commercialisation Expenses	<p><i>include, but are not limited to: (a) patenting expenses; (b) legal expenses incurred on the project (and not just on the particular deal giving rise to the Commercialisation Revenue); (c) external professional expenses incurred on the project (and not just on the particular deal giving rise to the Commercialisation Revenue), this might include: accountants expenses for financial modelling; valuer's expenses, and other consultants expenses (commercialisation consultants, negotiators, other consultants); (d) travel and accommodation expenses incurred on the project (and not just on the particular deal giving rise to the revenue) by any person (whether Staff Member or an external professional); and (e) fringe benefits tax payable by UOW in relation to Commercialisation.</i></p> <p><i>The above list is not exhaustive and the determination of whether a particular expense is a Commercialisation Expense will be made by the Deputy Vice-Chancellor (Research). Commercialisation Expenses do not include: (a) UOW's administration expenses; or (b) the cost of undertaking research.</i></p>
Commercialisation Revenues	<p><i>include, but are not limited to: (a) royalties upon sales by a licensee; (b) royalties from sub-licence fees received from a licensee; (c) lump sum licence fees; (d) proceeds of sale of the IP; (e) signing fees; (f) milestone payments; (g) minimum annual payments; (h) reimbursement of patent prosecution and maintenance expenses; (i) dividends upon shares owned by UOW in a start up company to which it grants a licence; (j) proceeds of sale of shares owned by UOW in a start up company to which it grants a licence; and (k) damages from infringement proceedings.</i></p> <p><i>The above list is not exhaustive. The determination of whether a particular revenue is a Commercialisation Revenue available for distribution to inventors will be made by the Deputy Vice-Chancellor (Research).</i></p> <p><i>Commercialisation Revenue does not include the overhead component of research funds paid pursuant to a research agreement.</i></p>
Creators	<i>means those persons who produce, invent, design, enhance, generate, discover,</i>



	<i>make, originate or otherwise bring into existence IP.</i>
IP	<p><i>means intellectual property, which includes rights (including rights of registration or application for registration) relating to:</i></p> <ul style="list-style-type: none"> • <i>literary, artistic, musical and scientific works;</i> • <i>computer programs and algorithms;</i> • <i>multimedia subject matter;</i> • <i>performances of performing artists, phonograms and broadcasts;</i> • <i>inventions in all fields of human endeavour;</i> • <i>scientific discoveries;</i> • <i>industrial designs;</i> • <i>trade secrets and confidential information;</i> • <i>trademarks, service marks and commercial names and designations;</i> • <i>plant varieties;</i> • <i>patents; and</i> • <i>circuit layouts;</i> <p><i>but does not include any moral rights.</i></p>
Nett Commercialisation Revenue	<i>is the gross Commercialisation Revenues received from Commercialisation of IP less Commercialisation Expenses.</i>
Staff Member	<i>means all persons appointed to the academic or general staff of UOW, whether they hold full-time, part-time, casual or conjoint appointments.</i>
Student	<p><i>means a person:</i></p> <p><i>(i) who has been accepted for admission to or enrolled in any course or program offered at, or in conjunction with, the University of Wollongong or the Wollongong College Australia; or</i></p> <p><i>(ii) whose body of work, completed while so enrolled (e.g. a research thesis), is still under examination.</i></p>
UOW	<i>means the University of Wollongong.</i>

4 What should be regarded as Commercialisation Revenue

Nett Commercialisation Revenues

Introduction

1. Only "Nett" Commercialisation Revenues are subject to distribution.

Out of Pocket Commercialisation Expenses

2. Out of pocket Commercialisation Expenses should be recovered by UOW before Commercialisation Revenue is available for distribution. This includes:
 - a. patenting costs;



- b. legal expenses incurred on the project (and not just on the particular deal giving rise to the revenue)
- c. external professionals' expenses incurred on the project (and not just on the particular deal giving rise to the revenue). This might include:
 - i. accountant's expenses for financial modelling;
 - ii. valuer's expenses; and
 - iii. other consultant's expenses (commercialisation consultants, negotiators, other consultants);
- d. travel and accommodation expenses incurred in commercialisation activities for the project (and not just on the particular deal giving rise to the revenue) by any person (whether Staff Member, or an external professional); and
- e. fringe benefits tax payable by UOW in relation to Commercialisation.

Expenses from non revenue generating projects

3. Typically, these expenses that are deducted relate only to the particular project in relation to which revenue has been received. It is not usual for Commercialisation Expenses incurred on Project A to be deducted from revenues on Project B. If that were to happen, the Creators on Project B would be penalised for the failure of Project A.
4. Policies operating at universities and non profit research institutes operate so that it is only the expenses from the project that generated revenue that are deducted from that revenue, and not the expenses from other projects.

Administration Expenses

5. It is not customary to deduct administration expenses from Commercialisation Revenue to arrive at the "nett". For example, the following are not deducted to arrive at the "nett":
 - a. the cost of UOW's administration staff; or
 - b. UOW's administration expenses (rent on building, cost of computers, cost of plant and equipment etc).

Research Expenses

6. It is not customary to deduct research expenses to arrive at the "nett".

Patent Expenses

7. Patent prosecution and maintenance expenses will be deducted from Commercialisation Revenues to arrive at the "nett".

Litigation Expenses

8. Any litigation expenses, whether incurred in prosecuting a patent, pursuing infringers, or defending an action of infringement, will be deducted from Commercialisation Revenues to arrive at the "nett".

Other Expenses

9. Not all Commercialisation Expenses can be anticipated. Other types of expenses may be incurred which should properly be deducted to arrive at the "nett". The determination of whether a particular expense is or is not deducted from Commercialisation Revenue to arrive at the "nett" will be made by the Deputy Vice-Chancellor (Research).

What is Commercialisation Revenue

10. Commercialisation Revenues are all financial revenues actually received by UOW from the Commercialisation of IP. This may include:
 - royalties upon sales by a licensee;



- royalties from sub-licence fees received from a licensee;
 - lump sum licence fees;
 - proceeds of sale of the IP (where a sale occurs);
 - signing fees;
 - milestone payments;
 - minimum annual payments;
 - reimbursement of patent prosecution and maintenance expenses;
 - dividends upon shares owned by UOW in a start up company to which it grants a licence;
 - proceeds of sale of shares owned by UOW in a start up company to which it grants a licence;
- and
- damages from infringement proceedings.
11. However, no commercial transaction will involve the receipt of all these types of revenues. Sometimes, only royalties will be received. All revenues actually received, regardless of description, are subject to distribution. This list is not exhaustive, as there may be other types of Commercialisation Revenue which are not included in this list. The determination of whether a particular item is revenue that is subject to distribution will be made by the Deputy Vice-Chancellor (Research).

Signing Fees

12. Signing fees, when they can be secured, are often reimbursement for out of pocket expenses incurred in procuring a licence or other Commercialisation transaction. These out of pocket expenses might include legal fees, patent prosecution and maintenance expenses, patent attorney's fees, financial adviser's fees, consultant's fees, travel expenses and so on.
13. It is because signing fees are often a reimbursement that it is appropriate to:
- a. count the signing fee as a revenue; and
 - b. deduct the expenses actually incurred in order to arrive at the "nett".
14. The two are rarely equal and therefore rarely cancel each other out, and that is why the revenue is added, and the expenses deducted.

Lump Sum Licence Fees

15. A lump licence fee is a revenue that is available for distribution.

Lump Sum Licence Fee paid by a Start Up Company Licensee

16. However, where UOW receives the revenue and then uses the whole of that revenue to subscribe for shares in a start up company, no part of that revenue fully expended upon those shares is a revenue that is available for distribution. This is because that revenue is intentionally paid by the start up company to UOW, with the complementary obligation to use that revenue for the shares which may entitle the start up company to a taxation deduction. What is available for distribution instead are the dividends from those shares, and the proceeds of sale of those shares.

Shares received by UOW issued for intellectual property

17. The benefits received by UOW from shares issued to it in return for IP, whether:
- a. received directly for an assignment or licence or IP; or
 - b. paid for by UOW with a lump sum licence fee
- are a Commercialisation Revenue available for distribution. These benefits include dividends and proceeds of sale.



Shares received for Services

18. However, where UOW receives shares in return for actually supplying services to a company, such as:
 - a. the use of its laboratories or other premises; or
 - b. the use of its facilities,these shares are in a different category, and dividends on these shares, and the proceeds of sale of these shares, are not a Commercialisation Revenue.
19. Similarly, where UOW receives monetary consideration for these services, and applies those monies to purchase shares, these shares are in a different category, and dividends on these shares, and the proceeds of sale of these shares, are not a Commercialisation Revenue.

Reimbursement of Patent Expenses

20. Patent prosecution and maintenance expenses will be deducted from Commercialisation Revenues to arrive at the "nett". However, UOW would endeavour, as is usual, to procure that these expenses be reimbursed by any licensees. Where patent expenses have been deducted from Commercialisation Revenues, but are later reimbursed by a licensee, the amount of the expenses, to the extent of the reimbursement, will be added to Commercialisation Revenues, and be available for distribution, since the expense has already been deducted to arrive at the "nett".

Damages

21. If damages are received by UOW in relation to any infringement, they are received as compensation for Commercialisation Revenues that would otherwise have been expected, and so should properly be included as a Commercialisation Revenue available for distribution.
22. If infringement litigation is undertaken by UOW instead of by a licensee, legal fees will be incurred, and these will be deducted from the Commercialisation Revenues available for distribution.

Research funded by granting bodies and industry sponsors

23. Research funds received from any granting body, or from an industry sponsor, are not a revenue available for distribution to Creators.

Ongoing Administration Out of Pocket Expenses

24. In the course of administering a licence for its full term, such as the possible 20 year term of a patent, UOW will incur expenses relating to the use of its staff. These expenses will not be deducted from Commercialisation Revenues available for distribution. However, there may be a need to incur out of pocket expenses in administering a contract, such as legal fees etc. These out of pocket expenses will be deducted from Commercialisation Revenues available for distribution.

5 How to Treat Equity in a Start Up Company

Introduction

1. Where UOW negotiates a transaction where equity in a company, typically a start up company, is to be received, there are two ways that this might be dealt with:
 - a. UOW retains the equity in the company; or
 - b. UOW makes part of the equity in the company available to be held directly by the Creators.

UOW retains equity

2. If UOW retains the equity in the company:
 - a. dividends may be paid by the start-up company and any such dividends received by UOW are a Commercialisation Revenue and subject to distribution to Creators; and
 - b. when UOW sells any shares, the proceeds of sale are a Commercialisation Revenue, and subject to distribution.



3. This means that, in relation to the start-up company, Creators:
 - a. do not personally own shares;
 - b. have no control over when shares are sold;
 - c. do not have voting rights that may be attached to the shares; and
 - d. have no control over or influence over dividend declaration decisions made by the start-up company.

Creators personally hold shares

4. Some Creators will prefer to personally own shares and in this way:
 - a. have any voting rights attached to those shares, and
 - b. be able to personally decide when to sell those shares.
5. Subject to the taxation considerations referred to below, it may well be appropriate for Creators to personally hold shares, after they have considered the taxation implications of doing so. In these cases, the number of shares to be held by the Creators will be determined in accordance with the same principles as are described in these Guidelines in relation to the distribution of Commercialisation Revenues, so that Creators receive their share of the “nett” shares, not the gross shares.
6. In the same way that inventors receive “nett” income, after deducting the expenses such as out of pocket Commercialisation Expenses, similarly, inventors should receive “nett” shares after deducting an appropriate allowance for expenses.
7. The following example will illustrate the process:
 - a. IP is licensed into a start up company (“SU”)
 - b. SU pays UOW \$1,000,000 for that licence.
 - c. UOW pays \$1,000,000 for 1,000,000 shares
 - d. Commercialisation out of pocket expenses have been \$150,000.
 - e. The “gross” number of shares is 1,000,000.
 - f. The “nett” number of shares is 1,000,000 less 150,000 = 850,000
 - g. The “nett” number of shares that are accordingly available to be distributed to inventors is 850,000.
8. In all cases, whether a Creator may personally hold shares in a company is a matter for the determination of the Deputy Vice-Chancellor (Research).

6 Taxation Aspects

Creators need to obtain own advice

1. The comments below are general comments, and are not a substitute for professional advice which each Creator should obtain on the Creator’s own personal taxation affairs. Creators will need to rely on their own such advice.

Commercialisation Revenue

2. The Creator’s employer must deduct Pay As You Go (income) tax from the payments to be made to Creators.

Issue of shares to Creators – personal taxation issues

3. The taxation implications of the issue of shares to a Creator in a start up company needs to be carefully considered. This is because the issue of shares to the Creators in a start up company is a benefit received by Creators in the course of their employment.



4. This could cause difficulties for the Creators. For example, a Creator may receive \$100,000.00 worth of shares, and on a marginal tax rate of 48.5%, will have to pay tax of \$48,500.00. As the shares are not marketable at this stage, none of the shares can be sold to obtain the funds to pay this tax, and the Creator will have to resort to the Creator's own funds to pay this tax.

Issue of shares to Creators – Fringe Benefits Tax issues to employer

5. A separate consideration is that UOW has to consider the fringe benefits tax implications of an employee holding shares. Fringe benefits tax is payable by UOW upon the value of any fringe benefit given by UOW to an employee. As such, these considerations do not apply where shares are to be held by a Creator that is a Student, because of the absence of an employment relationship. Fringe benefits tax is payable by UOW upon the value of any fringe benefit given by UOW to an employee.
6. In relation to the formation of a start up company, consider the following example:
- 6.1. an employee forms a company and owns 100 shares;
 - 6.2. at this stage the company's assets are \$100.00, being \$1.00 for each share;
 - 6.3. 3UOW assigns or licenses IP to the company;
 - 6.4. the IP has a value of, say \$1,000,000.00;
 - 6.5. the assignment is made by UOW for 50% of the company, namely the issue of another 100 shares;
 - 6.6. the result is that the employee now has an asset, namely 100 shares, valued at 50% of the value of the company's asset, namely \$500,000.00; and
 - 6.7. if this is a fringe benefit, UOW will have to pay fringe benefits tax upon the \$500,000, at the employee's usual marginal rate, which if it is 48.5% will lead to a fringe benefits tax of \$242,500.00.
7. Any fringe benefits tax liability which UOW may have in relation to a start up company will need to be considered on a case by case basis

7 What Percentage of Nett Revenue should be Paid to Creators

Survey

1. The following table indicates the percentage of Commercialisation Revenue, as at 1 May 2006, that the following universities pay to their Creators. All the information in the following table has been accessed on the internet.

University	Percentage Paid to Creators
University of Sydney	<p><i>Until "establishment costs" are recovered, 15% to Creator, 85% to University. After "establishment costs" are recovered, and subject to payment of "protection costs:"</i></p> <p><i>one third to Creators</i></p> <p><i>one third to University Department</i></p> <p><i>one third to University Centre</i></p>
University of New South Wales	<p><i>Subject to negotiation, but as a guide, "at least 33% of the nett benefits" to the Creator.</i></p>
University of Technology Sydney	<p><i>"Net Revenues"</i></p> <p><i>50% to Creators</i></p> <p><i>30% to Department</i></p> <p><i>20% to University</i></p>
University of Queensland	<p><i>one third to Creators</i></p>



	<p><i>one third to University Department or Centre</i></p> <p><i>one third to UniQuest (tech transfer office) on behalf of the University</i></p>
Queensland University of Technology	<p><i>For up to \$250,000 of "Net Revenue" a sliding scale operates. Over \$250,000:</i></p> <p><i>20% to Creators</i></p> <p><i>35% to Faculty, School or Department</i></p> <p><i>45% to University</i></p>
Griffith University	<i>Not available on internet</i>
University of Melbourne	<i>Not included in survey – see section 7.4.</i>
Monash	<i>Not available on internet</i>
La Trobe University	<i>Not available on internet</i>
Deakin University	<i>Not available on internet</i>
Swinburne University	<p><i>For up to \$100,000 of "Net Revenue" a sliding scale operates. Over \$100,000:</i></p> <p><i>40% to Creators</i></p> <p><i>30% to Faculty, School or Department</i></p> <p><i>30% to University.</i></p>
University of South Australia	<p><i>For "Net Benefits" up to \$50,000, a sliding scale operates. For remaining income:</i></p> <p><i>40% to Creators</i></p> <p><i>20% to Faculty, School or Department</i></p> <p><i>40% to University</i></p>
University of Adelaide	<p><i>After "direct initial costs" are recovered:</i></p> <p><i>33.3% to Adelaide Research and Innovation (tech transfer office) (one third);</i></p> <p><i>remaining two thirds shared in equal proportions between all Creators and the Department, with the Department obtaining at least one sixth.</i></p> <p><i>For example, if there is one Creator:</i></p> <p><i>33.3% to Adelaide Research and Innovation (one third)</i></p> <p><i>33.3% to Creator</i></p> <p><i>33.3% to Department</i></p> <p><i>Or, if there are two Creators:</i></p>



	<p>33.3% to Adelaide Research and Innovation (one third)</p> <p>22.2% to first Creator</p> <p>22.2% to second Creator</p> <p>22.2% to Department.</p>
Flinders University of South Australia	<p>For amounts up to \$100,000, a sliding scale operates. For amounts over \$100,000:</p> <p>40% to Creators</p> <p>30% to Faculty</p> <p>30% to University</p>
Australia National University	<p>For amounts up to \$100,000, a sliding scale operates. For amounts over \$100,000:</p> <p>35% to Creators</p> <p>15% to Anutech (tech transfer office)</p> <p>30% to school, faculty or centre</p> <p>20% to university</p>

Analysis of Survey

2. The table indicates that:
 - 2.1. most universities reflect some concept of cost recovery before distribution to inventors, or some other aspect of only "nett" amounts being subject to distribution;
 - 2.2. six universities use sliding scales where they distribute a larger percentage to Creators on lower amounts of Commercialisation Revenue, and a lower percentage on higher amounts. In other words, the lower the amount of revenue, the greater the percentage paid to Creators; and
 - 2.3. the following table summaries the percentage paid to Creators, and where the university uses sliding scales, the percentage paid to Creators once the upper limit of that sliding scale has been reached.

University of Sydney	<i>One third to Creators</i>
University of New South Wales	<i>"At least 33% of the nett benefits" to the Creator.</i>
University of Technology Sydney	<i>50% to Creators</i>
University of Queensland	<i>One third to Creators</i>
Queensland University of Technology	<i>20% to Creators</i>
Swinburne University	<i>40% to Creators</i>
University of South Australia	<i>40% to Creators</i>
University of Adelaide	<i>33.3% to Creator – or more</i>
Flinders University of South Australia	<i>40% to Creators</i>
Australia National University	<i>35% to Creators</i>



<i>University of Melbourne</i>	<i>Not included in survey. See section 7.4.</i>
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2.4. The following table summarises the different percentages to Creators that prevail:

20%	<i>1 university (QUT)</i>
33.3% or 35%	<i>5 universities (Sydney, New South Wales, Queensland, Adelaide, ANU)</i>
40%	<i>3 universities (Swinburne, South Australia, Flinders)</i>
50%	<i>1 university (UTS)</i>

2.5. Disregarding the extreme amounts of 20% and 50%, which are each supported by one university only, the prevailing percentage of “nett revenue” that is paid by universities to their Creators is one third (5 universities) or 40% (3 universities).

2.6. Of the five largest research universities in Australia, the percentage paid by them to their Creators is:

<i>University of Sydney</i>	<i>One third to Creators</i>
<i>University of New South Wales</i>	<i>“At least 33% of the nett benefits” to the Creator.</i>
<i>University of Queensland</i>	<i>One third to Creators</i>
<i>Australia National University</i>	<i>35% to Creators</i>
<i>University of Melbourne</i>	<i>Not included in survey. See section 7.4.</i>

3. Amongst these largest universities, the percentage paid by them to their Creators is one third, and in one case, 35%.

University of Melbourne

4. The University of Melbourne has not been considered in this survey. The University of Melbourne has a policy whereby its staff personally own the IP that they create. Creators at the University of Melbourne therefore do not receive Commercialisation Revenue from the University of Melbourne, but instead pay to the University of Melbourne a royalty referable to any Commercialisation they undertake of their own IP.

Analysis of survey in relation to payments other than to Creators

5. The following table summarises the payments from Commercialisation Revenue, other than payments to Creators.

<i>University of Sydney</i>	<i>One third to University Department One third to University Centre</i>
<i>University of Technology Sydney</i>	<i>30% to Department 20% to University</i>
<i>University of Queensland</i>	<i>One third to University Department or Centre One third to UniQuest (tech transfer office) on behalf of the University</i>
<i>Queensland University of Technology</i>	<i>35% to Faculty, School or Department</i>



	<i>45% to University</i>
Swinburne University	<i>30% to Faculty, School or Department 30% to University.</i>
University of South Australia	<i>20% to Faculty, School or Department 40% to University</i>
University of Adelaide	<i>33.3% to Adelaide Research and Innovation (tech transfer office) (one third) 33.3% to Department or less</i>
Flinders University of South Australia	<i>30% to Faculty 30% to University</i>
<i>Australia National University</i>	<i>15% to Anutech (tech transfer office) 30% to Faculty, School or Centre 20% to University</i>

6. The following table summarises the percentage that prevail in relation to payments to Departments:

20%	<i>University of South Australia</i>
30%	<i>University of Technology Sydney, Swinburne University, Flinders University of South Australia, Australia National University</i>
One third	<i>University of Sydney, University of Queensland, University of Adelaide</i>
35%	<i>Queensland University of Technology</i>

7. The percentage which dominates is clearly 30% (4 universities) or one third (3 universities). The following table summarises the percentage that prevails in relation to payments to a university's central administration:

20%	<i>University of Technology Sydney, Australia National University</i>
30%	<i>Swinburne University, Flinders University of South Australia</i>
One third	<i>University of Sydney, University of Queensland, University of Adelaide</i>
40%	<i>University of South Australia</i>
45%	<i>Queensland University of Technology</i>

8. The percentage which dominates is clearly 30% (2 universities) or one third (3 universities).

Conclusion on distribution

9. This analysis supports a model whereby the division of Nett Commercialisation Revenues may be:



One third	<i>Amongst all Creators</i>
One third	<i>University Department, School or Faculty</i>
<i>One third</i>	<i>University Administration</i>

10. UOW has decided however, that the distribution of Nett Commercialisation Revenues at UOW shall be:

One half	<i>Amongst all Creators</i>
<i>One half</i>	<i>University of Wollongong</i>

Manner of University expending its share

11. This is a matter for the Deputy Vice Chancellor (Research)'s discretion. In making this decision, the Deputy Vice-Chancellor (Research) will determine a financial contribution to the relevant Faculties/Units based on their relative contributions to development and commercialisation of the IP.

Conflicts of interest

12. There are various conflicts of interest that can emerge in relation to Creators receiving Commercialisation Revenue. These include potential conflicts associated with:
- the conduct and reporting of research;
 - the Creator's involvement in decision making about grants, scholarships, recruitment, practices and resource allocation; and
 - the Creator's involvement in expert, advisory or regulatory capacities, both within and outside their course of employment at UOW.
13. UOW's Conflict of Interest Policy provides a framework for resolving situations where conflicts of interest exist or may be perceived to exist.

8 Who is a Creator - To Whom should Commercialisation Revenue be Paid

- Commercialisation Revenue is paid to Creators. In the case of a patent, the Creators will be those people who have made an inventive contribution to an invention or discovery that is the subject of a patent. In the case of IP that is software, the Creators will be the code developers and code engineers. In the case of IP that is commercialised and is not encompassed in a patent, and not software, such as where confidential information is commercialised, the Creators will be those persons who were responsible for the development of the confidential information.
- UOW will have regard to the views of the project team as to who should be considered a Creator for the purpose of the disbursement of Commercialisation Revenues. UOW will decide who the Creators are that will be entitled to Commercialisation Revenues, having regard to the same principles of inventiveness that apply in relation to patents, and principles of authorship in relation to works where copyright subsists.
- In terms of identifying inventors for the purposes of a patent application, in all cases where there is likely to be more than one Creator ("inventor" under patent law), UOW will undertake a formal Inventorship Determination via a registered Patent Attorney. This will be done in order to ensure that UOW does not invalidate the patent by incorrectly identifying inventors.
- It is creatorship that is the principal criteria, not employee status. As a result, both Staff Members and Students can equally be regarded as Creators. In the context of a Student Deed of Assignment, only Creators would be promised a share of Commercialisation Revenue. UOW will not have the obligation to pay a share of Commercialisation Revenue just because a Deed of Assignment is signed by a Student as there must be creatorship.
- UOW needs to be able to determine who is a Creator, bearing all these matters in mind, including the determination of any expert. The decision concerning who is a Creator is to be made by UOW's



authorised delegate(s) considering a recommendation made by the Commercialisation Revenue Committee referred to in the Commercialisation Revenue Policy.

9 Dividing Revenue amongst Several Creators

1. Where there is only one Creator, the whole of the Creator's share is paid to that Creator. Where there is more than one Creator, the Creators' share needs to be divided between all the Creators. In deciding how, proportionally, to divide the Creators' share, UOW will have regard to:
 - a. any agreement as to that division reached by the Creators; and
 - b. generally, all other matters, including the relative inventive and authorship contributions by all the members of the research team.
2. UOW will normally accept the divisions that the Creators themselves recommend and agree to. However, UOW retains the right to decide upon a manner of dividing the Creators' share of revenue to ensure that from all objective criteria, the division of the Creators' share is made in a way that is seen to be, and is, equitable. This is to minimise the possibility that coercion or duress occurred amongst the Creators or the appearance of this, particularly for Student Creators. This would be done via the Commercialisation Revenue Committee.
3. Where there is no risk of appearance of coercion, there may still be controversy. In that case, mediation amongst the Creators can be considered. Any cost of expert advice, and any cost of mediation is a Commercialisation Expense that is set off against the Creators' entitlement to Commercialisation Revenues, instead of being set off against the gross revenue that is received.
4. The incurring of such an expense does not occur at the time of signing the Deed of Assignment. It is incurred only
 - a. if and when Commercialisation Revenue is received; and
 - b. if there is a dispute, or risk or suspicion of coercion.

10 The Duration of Benefits

1. Creators will receive the benefit of the Creators' share for the duration that Commercialisation Revenue is received. This may be as long as 20 years, such as the duration of a patent. Receipt of benefits is not dependent upon employment continuing. IP rights exist for certain statutory periods:
 - a. in the case of patents: 20 years from the date of the patent application (although the duration of some patents can be extended);
 - b. in the case of copyright: the period equal to the life of the author, plus 70 years;
 - c. in the case of Confidential Information, for so long as it generates revenues, which is linked to how confidential it remains over time, and continues to be outside the public domain, which may be a short period, or a long period.
2. It is customary for the duration of benefits to Creators to be for these periods, namely, for as long as Commercialisation Revenue is received, and this will be the case. When a Creator dies, it is customary for benefits to continue to be paid to the Creator's estate, and this also will be the case.

11 Should the Policy be Legally Binding or Discretionary?

Introduction

1. A distinction needs to be made between:
 - a. the fact that there is a policy to be applied, and
 - b. the result of the application of the contents of the policy being legally binding at a particular point in time.

The case for the result of the application of the policy being legally binding

2. There is a persuasive case to be made for the result of the application of the policy being legally binding.



3. Creators will need to sign a Deed of Assignment. In the case of a Student, the Deed of Assignment must refer to or reflect the Commercialisation Revenue Policy for the Deed of Assignment to not risk being declared void. In the case of staff this is not necessary, since the Deed of Assignment does not vest the ownership of IP, which is owned by the employer as a matter of law.
4. When a Student or a Staff Member is asked to sign a Deed of Assignment, the Student or Staff Member will seek to have certainty about entitlements, and to have that recorded. Suppose there are two Creators. If the Creators' share is 50%, and if their inventive contribution is equal, each Creator will seek to have an unequivocal statement in the Deed of Assignment that each is entitled to 25% of Nett Commercialisation Revenue. Once such a covenant is contained in the Deed of Assignment, that 25% is paid to each of the two Creators, it is fixed forever.

The case against the result of the application of the policy being legally binding

5. UOW must have flexibility in application (e.g. via an Assignment Deed) of the Commercialisation Revenue Policy in order for the policy to be fair and workable. At the time the policy is applied via an Assignment Deed, the full extent of information may not be known and may have an impact on the fair distribution of revenue if an inflexible approach is taken. The likelihood of change in the future needs to be anticipated. Changes can include:
 - a. different types of Commercialisation Revenue may be received that are not anticipated, thus there is a need to have flexibility to include these in the application of the policy;
 - b. conversely, Commercialisation Expenses may be incurred that are not anticipated, thus there is a need to have flexibility to take these into account in the application of the policy; and
 - c. Creators involved with the technology may differ from start to finish and may make unequal inventive contributions (as the technology evolves). Further, the individuals identified as Creators may vary with time.
6. To demonstrate what can happen if there is no flexibility, two examples are provided below.

Example 1

- the two initial Creators move on to other employers or other projects;
 - the project continues with five new researchers; and
 - the ultimate patent application records all seven researchers as Creators.
7. The five more recent Creators will now seek to be beneficiaries of the policy. However, the original two Creators via Deeds of Assignment have between them been guaranteed the whole Creators' share of 50%. This means that either:
 - a. the more recent five Creators get nothing, which would result in UOW breaching its legal obligation to its staff:
 - i. to have a policy; and
 - ii. to apply it; or
 - b. UOW allocates another 50% to the more recent five Creators, with the result that UOW now retains 0% (100 – 50– 50) of revenues instead of 50% of revenues.
 8. Clearly, to avoid either of these scenarios, the result of the application of a policy should not be legally binding upon UOW. UOW's legal obligation should be:
 - a. to have a policy; and
 - b. to apply it.

Example 2

9. Over time, prevailing conditions may change, so that while 50% today may be the benchmark, in the future, the benchmark may increase or decrease, and UOW will need to amend its policy to be responsive to changes in prevailing conditions. If so, it would be regarded as inequitable for:
 - a. some researchers to get the benefits of a 50% policy; and



- b. other researchers to get a higher or lower percentage if prevailing conditions change to reduce the Creators' share.

10. Consider the implications of the policy if Creators receiving 50% of commercial income increases to 60%, or reduces to 30%, in each case to keep in line with the prevailing practice in the research community:

	Present Policy - 50%	Possible Future Policy - 60%	Possible Future Policy - 30%
<i>Creator makes a one fifth contribution to IP and receives:</i>	10%	12%	6%

11. If the policy evolves from providing 50% to Creators to providing 60%, it would be inequitable upon the Creator for the Creator's share to be fixed at 10%. The Creator should become entitled to the higher 12%.
12. If the policy evolves, in line with the prevailing practice in the research community, so that the Creators' share of commercial income reduces to 30%, then a Creator who makes a one fifth contribution now may be entitled to 10%, and a Creator who some years from now in the same project also makes a one fifth contribution will only be entitled to 6%. Yet, both Creators in the same project have made an equal one fifth contribution. It is inequitable that those two Creators should receive unequal benefits when their contributions have been equal. Their contribution being equal, they should receive the same benefits.
13. As the above examples demonstrate, if UOW was bound to apply the results of the policy at one point in time, without flexibility to take change into account, this might cause inequity upon the Creator signing the Deed of Assignment today, or it might cause inequity to a Creator who signs a Deed of Assignment at a later date. There is also the risk, as a result of entrenching rights to particular Creators, that UOW will in fact have to pay more than the 50% that it allocates for all Creators. For example:

Inventor	Contribution	Policy when Deed signed	Share Entitlement
A	1/5th	50% (Policy A)	10%
B	1/5th	50% (Policy A)	10%
C	1/5th	60% (Policy B)	12%
D	1/5th	60% (Policy B)	12%
E	1/5th	60% (Policy B)	12%
		TOTAL	56%

Conclusion

14. UOW needs to be able to determine the Creators' proportions, bearing all of the above matters in mind, including the determination of any expert. The forum for this should be the Commercialisation Revenue Committee referred to in the Commercialisation Revenue Policy.
15. For the above reasons:
- the results of the application of the policy at a particular point in time should not be legally binding; and
 - the policy should be applied, in whatever form the policy is, at the time that Commercialisation Revenue is actually to be distributed.



12 Application of the Policy

1. If the policy is a flexible one for the reasons described in 11.5, Creators will be concerned about how their rights will be adequately protected. This is overcome by there being a legal obligation, created in the Deed of Assignment:
 - a. to have a policy; and
 - b. to apply the policy.
2. The distinction between:
 - a. the legal obligation to have a policy; and
 - b. the application of the policy at the required point in time
 needs to be stressed.
3. If the policy has the flexibility discussed above, Creators will be concerned about the application of the policy and the possibility that it may be applied in a way that is contrary to their interests. This legitimate concern can be addressed as to:
 - a. who is a Creator; and
 - b. in what proportions Creators will share in Commercialisation Revenues being determined by the Authorised UOW delegate(s) considering recommendations made by the Commercialisation Revenue Committee.

13 Roles & Responsibilities

1. It is the responsibility of the Managers of Innovation and Commercialisation to ensure that the requirements of this policy are followed when determining commercialisation revenue sharing.
2. It is the responsibility of Creators to cooperatively participate in the process of determining inventorship or authorship for the purposes of implementing this policy.

14 Version Control Table

Version Control	Date Effective	Approved By	Amendment
1	23 June 2006	University Council	New Policy
2	6 May 2009	Executive Officer, Research Development	Migrated to UOW Procedures Template as per Policy Directory Refresh