Intellectual Property Management and Commercialisation

ASQ01

1. PURPOSE

This Intellectual Property Management and Commercialisation (IPM&C) Procedure provides minimum departmental requirements and operational procedures in regard to the management and commercialisation of intellectual property (IP).

All Department of Agriculture, Fisheries and Forestry (DAFF) staff are:

- to recognise that IP created in the course of their employment is the valuable property of the State of Queensland;
- accountable for ensuring Departmental IP is dealt with in accordance with relevant legislation, guidelines and policy. Staff are to recognise that departmental IP must be protected and commercialised for revenue to support additional research, development and extension in accordance with the Queensland Public Sector Intellectual Property Principles (2011) and the DAFF Intellectual Property Management Policy;
- to ensure all IP is recorded, significant IP is registered where appropriate and ensure steps are initiated to commercialise IP appropriately; and
- to ensure the IP-rights of external IP-owners are not violated in the course of research, development, extension and commercialisation of IP.

The Agri-Science Queensland (ASQ) Commercialisation Unit (CU) contributes to policy development and provides advice and support to record, manage and commercialise IP. The CU engages in commercialisation and compliance activities in conjunction with ASQ Business Managers, Line Managers and staff as well as relevant staff of Fisheries Queensland and Biosecurity Queensland.

2. SCOPE

This IPM&C Procedure applies to all DAFF, Agriculture, Fisheries and Forestry departmental staff. DAFF has a responsibility to identify, protect, manage and, where appropriate, commercialise all the intellectual property generated through its world-class research for the economic benefit of Queensland. This procedure encourages use of the Department's intellectual property, and the appropriate sharing of publicly funded research and information.

3. DEFINITIONS

"Commercialisation" – denotes the exploitation of intellectual property for a financial return, including revenue from technology products and services, licensing or assignment of rights, intellectual capital (knowledge), consultancy, contract research and fee-for-service activity utilising IP (excluding products and services covered by the Schedule of Fees and Charges).

"Crown Copyright" – is copyright that is vested in The State of Queensland through its Department of Agriculture, Fisheries and Forestry in the year of publication.

"eResearch Archive (eRA)" – digital copies of journal articles, book chapters, conference presentations and research project data sets.

"Intellectual Property" (IP) – legally classified rights such as confidential information, patents, registered designs, trade marks, copyright, circuit layout rights and plant breeder's rights.

"Moral rights" - are personal rights of attribution possessed by the author of the copyright works. They are non-commercial and non-transferable, regardless of how the IP is subsequently dealt with by the owner, unless the author has given written consent to their employer doing acts which may otherwise infringe their moral rights.

"Officer of the Department" and **"Departmental Officer"** are widely defined to mean, in accordance with the Department's Code of Conduct, all public officials, employees and contractors (including but not limited to temporary employment contractors) of the Department (regardless of level or designation) and any other person who may be engaged to undertake activities or control resources on behalf of the Department, including members of statutory bodies, advisory groups and committees (to the extent that those members exercise judgments or deal with resources for or on behalf of the Department).

"Registered IP" and **"Registrable IP"** – includes IP requiring registration for protection such as patents, trade marks, designs and plant breeder's rights.

"Significant IP" – includes:

a) All registered and registrable IP, copyright works, confidential information, know-how and any other commercially valuable information; or

b) Any IP asset that is significant or key to the core activities of DAFF. For example:

essential policy documents;

databases and computer programs; and

published works, collections of photographs, scientific specimens and the like.

4. RESPONSIBILITIES AND ACCOUNTABILITIES

4.1 ACCOUNTABILITY FOR IP

All Staff are responsible for ensuring IP assets owned or used by DAFF are dealt with in accordance with all relevant legislative and regulatory obligations, including the Queensland Public Sector Intellectual Property Principles (2011) and the provisions of the DAFF Intellectual Property Management Policy, Procedures and ASQ Guidelines. Staff must exercise due care, skill and diligence in all areas of IP management and commercialisation.

General Managers and Managers are responsible for ensuring Departmental Officers observe the policy and procedures outlined and associated Policy, Strategy and Guidelines.

Business Managers of ASQ Business Units and Line Managers are responsible for recognising IP, ensuring protection and implementing plans for commercialisation in consultation with the CU.

The CU is responsible for providing guidelines for commercialisation activities, providing advice on IP-commercialisation negotiations and monitoring compliance as detailed below.

Corporate Capability – Legal receives instructions in regard to contracts and agreements and, where relevant, arranges for signing by delegated officers.

4.2 Departmental contact on IP and commercialisation matters

The CU has been created to improve the management of intellectual property in ASQ, with responsibilities including the following:

- Developing strategic framework(s) for managing key IP/commercialisation issues
- Financial and non-financial performance measures for assessing the Department's IP management/commercialisation performance
- Developing policies and guidelines for managing routine IP/commercialisation issues
- Providing advice on IP/commercialisation issues
- Initiating training processes to improve the understanding of effective IP management across ASQ.

In particular regard to ASQ, the CU's responsibilities also include:

Compiling reporting to ASQ management on IP/commercialisation performance

Developing and maintaining ASQ's IP Register Data Base

Liaising with research partners on the strategic direction of IP / Commercialisation policy

5. PROCESS

MANAGEMENT OF IP

5.1. OWNERSHIP OF IP

The State of Queensland, through DAFF, owns IP created or developed by its employees in the course of their employment.

DAFF may also own IP created by third parties under contractual arrangements.

Accordingly, staff:

- must not deal with IP in a manner inconsistent with the State's ownership;
- must not assign, sell, transfer, supply IP or, disclose confidential knowledge and information to third parties without appropriate authorisation; and
- should consult with the CU for advice on IP-ownership.

5.1.1 STATE OWNERSHIP OF IP PRODUCED IN CONJUNCTION WITH THIRD PARTIES

Staff must ensure that, prior to engaging with third parties, agreements are duly executed which set out ownership of IP by respective parties in accordance with the Queensland Public Sector Intellectual Property Principles (2011) and the DAFF Intellectual Property Management Policy.

In negotiating such arrangements staff must ensure that DAFF is provided with an appropriate share of IP ownership taking into account any financial or 'in-kind' contributions provided by DAFF to the project. Agreements must provide DAFF with the right to use works for the purposes for which they were developed or commissioned and the right to re-use the works as the need arises for departmental or State purposes.

5.2 RECORDING IP

The proper recording of IP is integral to the efficacy of managing IP generated by DAFF staff.

5.2.1 COMMERCIALISATION UNIT (CU)

The CU maintains an IP Register using purchased software for ASQ. The register details all formal IP registrations including Patents, Plant Breeders Rights and Trademarks. The Register also includes details regarding non registered IP (Know-How) and commercialisation activities including licence arrangements.

ASQ staff, through appropriate ASQ Business Managers or Line Managers, are responsible for ensuring CU is notified of all IP available for commercialisation and relevant Background IP details through the completion by the Business Unit of the Agri Science Innovation Disclosure Form

5.2.2 e-RESEARCH ARCHIVE (eRA) AND STAFF PRESENTATIONS

Inventories of journal articles, book chapters and the like, staff publications and staff presentations are maintained by Corporate Capability in the eResearch Archive

Departmental authors are to lodge digital copies of published works with Corporate Information Services. Signed publishing agreements negotiated with external Publishers are to be held by business units. ASQ has requested all staff to archive data from research, extension and regulatory projects for potential future re-use. External funding agencies also expect data acquired with their financial support to be archived for the same reasons. A digital data set is defined as one or more digital files of research data which have enough in common to be viewed as a unit, and which have potential for re-use by researchers.

5.2.3 STAFF PUBLICATIONS

The Corporate Communications group maintains an important collection of publications designed and prepared by the group for the Department including the DAFF internet site.

5.2.4 IMAGES

Collections of images, together with descriptive metadata, exist on various DAFF computer networks. Corporate Communications group has built and is expanding a library of images used in publications. It is available to all staff for new publications and commercialisation.

Departmental officers are to lodge copies of digital images (with descriptive metadata including copyright and moral right ownership) in the image library for Departmental purposes.

5.2.5 CU'S COMMERCIALISATION OPPORTUNITIES WEB PAGES ON DAFF'S INTERNET SITE

The CU maintains web pages that list opportunities for commercialising plant breeder's rights, copyright works, trade marks, patents, products for sale, software and databases. CU is responsible for entering descriptive records about IP available for commercialisation in the IP-Commercialisation web pages, which can be viewed at:
http://www.dpi.qld.gov.au/4791_5968.htm

5.3. PROTECTING IP

5.3.1 REGISTRABLE IP

Certain types of IP, including patents, designs, plant breeder's rights and trade marks require registration with '*IP Australia*' in order to give the owner enforceable rights. Examples where certain types of IP may be sought include:

- It may be worthwhile applying for a patent for a novel and inventive product or method likely to result in significant long term financial returns;
- A registered design protects the overall unique appearance of a product, such as configuration, pattern and ornamentation;
- Plant breeder's rights may be obtained for new plant varieties that meet specified criteria; and
- A trade mark can be a word, phrase, letter, number, sound, smell, shape, logo, picture, aspect of packaging or a combination of any of these elements used to distinguish the goods and services of one trader from those of another.

The decision to register IP should be made on a case by case basis, taking into account cost/benefit considerations. CU provides advice in relation to registration of IP and registers IP with IP Australia. IP specialists such as patent attorneys will be engaged, where appropriate.

When new inventions, know-how or plant varieties are developed, staff should ensure that they obtain advice from CU regarding IP registration before any disclosures or publications are made, and before the IP is used commercially—otherwise the ability to obtain registration may be jeopardised.

5.3.2 NON-REGISTRABLE IP

Confidential information and copyright do not require registration in order for IP-rights to apply.

5.3.2.1 CONFIDENTIAL INFORMATION

Care should be taken by staff to ensure that DAFF's confidential information is not put at risk. For example, confidential information should only be released to third parties where there is a genuine need to provide it to that party for a departmental purpose and after an appropriate confidentiality agreement has been entered into. CU is available to provide advice on disclosure of confidential information.

5.3.2.2 COPYRIGHT - DAFF'S PUBLICATIONS (Refer Section 5.9.)

All staff should refer to the ASQ Guidelines on the CU's page on the Intranet with regard to protecting copyright.

5.3.2.3 THE COPYRIGHT NOTICE

All works published by or on behalf of DAFF are to include the following copyright notice, except those works of ephemeral nature such as abstracts of papers, minutes, correspondence and the like or documents meant for internal use only:

© The State of Queensland, Department of Agriculture, Fisheries and Forestry, [Insert year of publication]

Except as permitted by the *Copyright Act 1968*, no part of this work may in any form or by any electronic, mechanical, photocopying, recording, or any other means be reproduced, stored in a retrieval system or be broadcast or transmitted without the prior written permission of DAFF. The information contained herein is subject to change without notice. The copyright owner shall not be liable for technical or other errors or omissions contained herein. The reader/user accepts all risks and responsibility for losses, damages, costs and other consequences resulting directly or indirectly from using this information. Enquiries about reproduction, including downloading or printing the web version, should be directed to DAFFcopyright@daff.qld.gov.au or telephone +61 7 3239 3116.

5.3.2.4 EXCHANGE OF COPYRIGHT WORKS BETWEEN PROFESSIONAL COLLEAGUES FOR RESEARCH AND STUDY

The Department is willing to freely exchange copyright works for non commercial use provided there is sufficient attribution.

Requests to use the Department's copyright work can be made via the online application form. This provides a streamlined process for managing requests for Copyright.

5.4. INFRINGEMENT

5.4.1 DEPARTMENTAL IP

In order to maintain the commercial value and the effort invested into the development of IP, staff should be diligent in monitoring the use of departmental IP by third parties. Any infringing activity should be reported to CU through the ASQ Business Managers or Line Managers.

5.4.2 THIRD PARTY IP

DAFF staff should take appropriate precautions to ensure their activities do not infringe the intellectual property rights of third parties. For example, patent databases (with IP Australia) can be searched to determine whether third parties own patent rights with respect to products and processes.

When selecting a new name for a departmental service or product, the *Trade Marks Register* (IP Australia, ASIC National Names Index), and other sources such as the *Internet* and *Yellow Pages*, should be searched. Licence agreements should be entered into with owners of intellectual property rights where necessary, and care should be taken to comply with the terms and conditions of the licence.

All staff are to ensure that IP rights of external parties are not violated when writing new and revised publications such as journal articles, book chapters, reports and manuals and using images and diagrams.

5.5. MONITORING LICENCE AGREEMENTS

Licence agreements are systematically monitored by CU to ensure compliance by the licensee with the terms and conditions, including royalties payable to the Department. This process includes raising invoices and checking compliance with contractual obligations.

Any remedial actions such as termination of licence or the termination of the exclusivity of a licence will be conducted collaboratively by CU and the relevant Business Unit.

5.6. IP REVENUE

The CU is responsible for issuing invoices to licence holders and other commercialisation partners based on performance reports following validation of reports by business units and CU's internal appraisal of the report in light of contractual obligations of the licensee. All IP-revenue from invoices prepared by CU is returned to the Business Unit which developed the IP less a cost recovery allocation to the CU that is deducted prior to disbursements. Refer to Process Flow Chart at 6.2.

5.7. RECOGNITION AND REWARDS

5.7.1 MORAL RIGHTS AND REWARDS FOR STAFF WHO CREATE COMMERCIALLY VALUABLE IP

Moral rights are personal rights of the creator of IP. Moral rights cannot be commercialised or assigned. For more detailed information on moral rights contact CU, refer to the Queensland Public Sector Intellectual Property Principles (2011), or see www.copyright.org.au. The relevant legislation in regard to moral rights is the *Copyright Act 1968* (Cth).

Cabinet endorsed the Policy for *Recognition and Rewards for Queensland Public Sector Employees Directive No. 2/07, March 2007,* which is included in the revised Queensland Public Sector Intellectual Property Principles (2011). It has been advised that this Directive is under review with an update planned for the end of 2012.

5.8. COMMERCIALISING DEPARTMENTAL INTELLECTUAL PROPERTY

The purpose of commercialisation is to facilitate the uptake of new plant varieties, technologies and copyright works by industry, and provide financial returns to DAFF which is used for further research, development and extension (R, D&E). It has been mandated that appropriate measures must be taken in order to commercialise assets owned or managed by ASQ for the benefit of the State.

Common methods of commercialising intellectual property include:

- Licensing the right to use (for example, grow, manufacture, sell, reproduce) the IP to one or more third parties in return for an up-front payment and/or ongoing royalty payments. DAFF retains ownership of the intellectual property. This is often the preferred approach for DAFF;
- Assignment (sale) of the IP to another party in consideration for payment of an up-front sum; or
- Sale or hire of products or provision of services incorporating the IP for an agreed price.

5.8.1 DEPARTMENTAL OFFICERS ENGAGED IN COMMERCIALISATION OF INTELLECTUAL PROPERTY

Departmental officers engaged in commercialisation activities must take necessary steps to obtain the best deal for Queensland in an open, accountable and competitive manner. A feasibility assessment of market opportunities, financial viability and any risks associated with commercialisation activities should be conducted.

Opportunities for commercialisation should be appropriately advertised to enable competitive offers to be submitted to the Department for evaluation, for example through newspaper advertisements, industry journals, direct mail to businesses, and promotion on the DAFF "Commercialisation Opportunities" website.

5.8.2 COMMERCIALISATION DEALS WITH THIRD PARTIES

Commercialisation deals with third parties must be recorded in signed agreements.

Agreements must:

- Clearly set out the scope of the rights provided to third parties and the obligations owed by third parties to DAFF, such as remuneration payable.
- Contain provisions to enable CU and Business Units to monitor and enforce royalties payable to DAFF, including:

  a) the requirement for licensees to keep adequate financial records.

  b) the requirement for licensees to provide reports at specified intervals containing detailed information sufficient to determine royalties payable to DAFF and assess progress against minimum performance obligations; and

  c) the right for DAFF or its representative to audit licensees' records.
- Contain provisions requiring licensees to adequately promote IP and make it available to industry, including best endeavour clauses and minimum performance obligations. These requirements are particularly important in the case of exclusive licences.
- Provide the right for DAFF to terminate the agreement or the exclusivity of the licence, in the event the licensee does not adequately meet its obligations.
- Contain appropriate clauses to minimise risks associated with the commercialisation activity.

5.8.3 COMMERCIALISATION OF ASQ INTELLECTUAL PROPERTY

Since commercialisation of IP is analogous to procurement of goods or services, it is important to ensure that DAFF's commercial deals are fair and transparent, stand up to scrutiny and demonstrate good governance. It is recommended that the following steps be followed to achieve many benefits including improved IP income, greater efficiency and negotiation of better contractual deals with licensees. Refer to Process Flow Chart at 6.1.

Step 1 Planning Document

As a rule, the commercialisation process should be initiated by completing the ASQ Innovation Disclosure Form and preparing a planning document outlining a commercialisation plan and stating the nature and scope of research output and description of the IP. The plan should also outline how the selection process will be undertaken, including the criteria and weightings. The General Manager of the respective Business Unit is to approve the planning document.

Step 2 Expression of Interest (EOI) Template

Excepting in situations falling under Step 3, an EOI document should be released to competitive parties either through a public advertisement or from a pre-determined list of potential licensees. The EOI document should contain information under the following headings: scope, background, objective/s, deliverables, terms and conditions, minimum requirements and selection criteria (Link to the EOI template). The ASQ CU will assist with developing the EOI (in consultation with Procurement) and will liaise with CorporateLink to issue the EOI.

Step 3 Approval for Departure from Competitive Process

3.1 Commercialisation deals with domestic parties

Such requests should specify why competitive process cannot be followed and what steps are intended to be taken to ensure that the process will generate better income and stand up to scrutiny. Factors such as availability of only one supplier and the value that is expected to be realised with the commercialisation project will weigh heavily in favour of exemption.

3.2 Commercialisation deals with overseas parties

The competitive process may be dispensed with provided:

(i) Direct dealing with an overseas commercial party would not have the effect of creating any barriers to overseas businesses with Australia; and

(ii) Requests for approval is supported by evidence that it was not viable to initiate the normal competitive bidding process, e.g., that there was only one party that was available for commercialisation.

In both situations (3.1 and 3.2, above), written approval of the Managing Director (ASQ) is required at the following two points:

(a) Initial approval to depart from the competitive process; and

(b) Approval of the terms of the specific commercial deal.

Step 4 Issuing the EOI Document (CorporateLink)

In situations involving public invitation, the EOI should be advertised in appropriate media, such as industry journals and websites, and be posted on the *Queensland Government Marketplace web* site for interested parties to access and download. Where offers are invited from a pre-determined list of commercial parties, the EOI document should be mailed to the relevant parties. For accountability and probity reasons, there are strict conditions relating to the closing time and handling of responses. These are covered in the Conditions of Submitting a Response which will be included in the EOI document issued by CorporateLink.

Step 5 Evaluations of Offers (DAFF)

The relevant Business Manager is responsible for convening an Evaluation Panel (minimum of 2, inclusive of a member of CU) to evaluate the responses received. The Evaluation Panel must act fairly and adhere strictly to the terms and conditions of the Invitation including any methodology, process, selection criteria, weighting or standards provided to the respondents.

A basic evaluation process should ensure:

- a chairperson is nominated;
- there is no conflict of interest with any panel members (an Acknowledgement of Obligation form should be signed by each member prior to commencing the evaluation process);
- all panel members understand what they are 'looking for' in regard to each criteria to ensure the evaluation is consistent;
- the offers are evaluated against the criteria nominated in the Invitation document (additional criteria must NOT be included);
- the entire evaluation process is clearly documented. This includes, but is not limited to, the assessment by each panel member, any clarification sought from offerors, any interviews/presentations etc.;
- all decisions are fully supported and documented;
- the scores are recorded on an evaluation matrix an example evaluation matrix is available in Appendix B of Corporate Standard AS12.002 Purchasing Procedures.
- a detailed evaluation report is completed and signed off by all panel members.

The evaluation report recommending the preferred supplier should be endorsed by the evaluation panel, the Business Units General Manager and a level 2 Purchasing Officer, prior to approval by the Managing Director (ASQ).

Note 1: The evaluation process and decision are available for disclosure under the *Freedom of Information Act 1992*.

Note 2: Any concerns or questions should be referred to a Level 2 or above Purchasing Officer or CorporateLink.

Step 6 Finalising the Commercial Deal

As each EOI will differ from all others, the terms and conditions for commercialisation will also differ. Assistance from Legal may be needed for the development of the License Agreement. The CU will liaise with the Business Unit to finalise the License Agreement.

5.9. COPYRIGHT WORKS

ASQ officers who are asked for copyright works must refer all requests to their respective Business Manager and/or the CU, which will advise on licence conditions and undertake appropriate licensing activities. The Department is willing to share its copyright works for non commercial use provided there is sufficient attribution.

Licensing will be based on the following principles unless strong reason exists for alternatives:

- Due recognition of departmental copyright ownership and appropriate moral rights;
- Non-exclusive and once-only use of the copyright work for a stated purpose and for a limited time and territory; and
- An appropriate rate of remuneration based on intended use of the work within the context of the DAFF Intellectual Property Management Policy and the Queensland Public Sector Intellectual Property Principles (2011)

5.9.1 SCIENTIFIC JOURNAL ARTICLES, CONTRIBUTED BOOK CHAPTERS, CONFERENCE PRESENTATIONS AND PROCEEDINGS PUBLISHED BY AN EXTERNAL PUBLISHER

Authors are not authorised to and must not assign or transfer copyright to an external Publisher of such works.

The minimum Departmental requirements in agreements with external Publishers of such works are:

> The Crown copyright notice is included in journal articles: ©The State of Queensland through its Department of Agriculture, Fisheries and Forestry (Year of publication, e.g. 2012);
>
> In addition to the normal departmental use of published works in teaching and training packages, derivative works and exchange with professional colleagues, the Department reserves the right to archive final versions of the works for non-commercial purposes on its Intranet and Internet sites without a time embargo being imposed by a Publisher;

As per the normal procedure, authors should advise their Unit's Business Manager or Line Manager and follow the Unit's process for submission for publication, and:

> Authors should not sign licence agreements received personally from a publisher; and Authors should forward the unsigned licence agreement to the Unit's Business Manager or line Manager who will manage the agreement with the Publisher using either the Department's standard agreement for journal articles and book chapters, or the Publisher's own agreement provided it meets minimum criteria.

DAFF IP Guidelines contain a recommended procedure in regard to scientific works in which departmental officers are *either* senior *or* junior authors with persons from *other organisations*.

Guidelines are also provided in Corporate Standard AS 3.0.011 *Publishing within DAFF.*

5.9.2 DAFF BOOKS PUBLISHED BY AN EXTERNAL PUBLISHER

Authors should advise their Unit's Business Manager or Line Manager and follow the Unit's process for submission of a text for publication.

The Business Unit is to consult with CU in regard to conditions of licensing the Publisher to publish the work.

Authors should not sign licence agreements received personally from a Publisher. Unsigned licence agreements should be forwarded to the Unit's Business Manager or Line Manager who will liaise with the CU. CU reviews and negotiates commercialisation aspects of agreements and brings agreements to completion using either the DAFF standard copyright agreement for books or the Publisher's own agreement provided it meets the department's minimum requirements. Variations to DAFF's standard copyright licensing agreement are arranged by the CU in consultation with Legal. The initial point of contact is the CU.

5.9.3 GOVERNMENT INFORMATION LICENSING FRAMEWORK (GILF)

The Queensland Government Chief Information Officer released the GILF Policy, Position and Guideline in 2010. These are all available on the GILF website at www.gilf.gov.au/gilf-policy

GILF requires departments to license their public sector information (predominantly Crown copyright) by selecting from:

- the six Australian Creative Commons (CC) licenses OR
- the Restrictive Licence template (RL template).

Copyright protected information (copyright information) comprises the majority of public sector information generated by or for departments in the Queensland Government. Copyright – a type of IP – arises at the point the information is expressed in a material form (usually written, diagrammatical, or audio-visual).

The GILF policy mandates that departments license their copyright information using the CC BY licence – the least restrictive of the six licences – as the default licence, unless there are clear circumstances requiring either the use of one of the other CC licences or the RL template.

The CC BY or other CC licences will readily be able to be used by departments for the significant majority of their copyright information, the majority of which will have no commercial IP value, provided any confidential or private information is able to be removed before licensing.

To address the small minority of cases in which the CC licences are not appropriate, GILF also provides the RL template of standard terms (that should not be altered) and a schedule for departments to use in negotiating a restrictive, contractual licence for the protection of confidential (including commercial-in-confidence) and commercial IP and for public sector information not protected by copyright.

The CC licences apply only to copyright information. Therefore a pre-condition of licensing copyright information is to establish copyright ownership by departments or the legal entitlement to license that public sector information. The RL template will mostly involve the licensing of copyright information.

6. RELATED DOCUMENTS

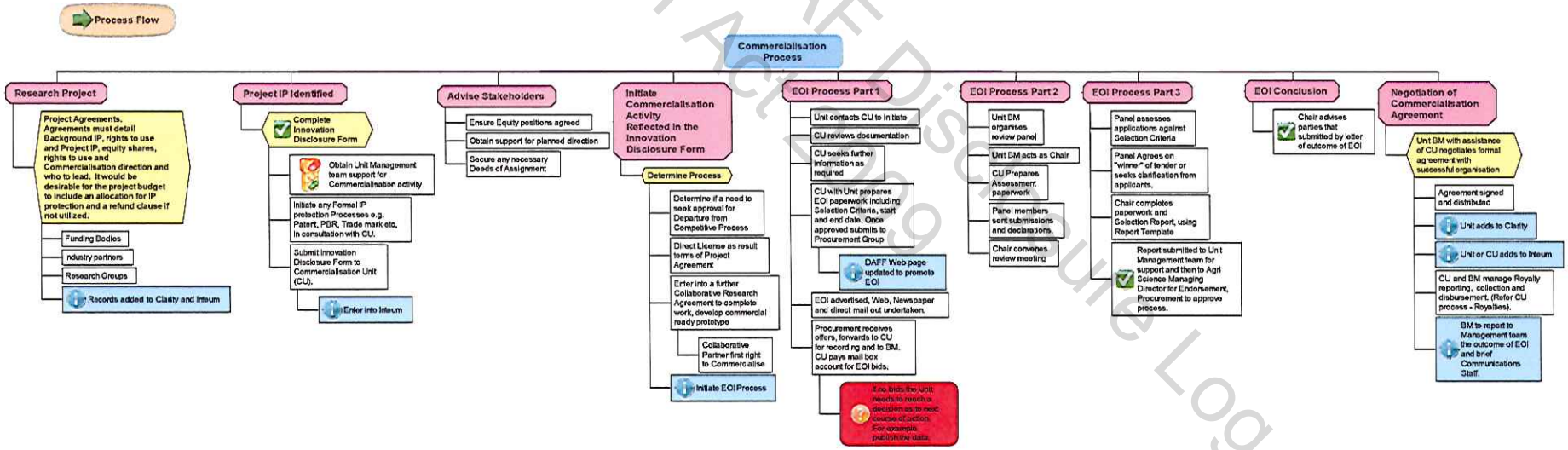
6.1 Flow Chart Agri-Science Queensland Commercialisation Process
6.2 Flow Chart Commercialisation Unit Process - Royalties

7. CONTACT INFORMATION

ASQ Manager Commercialisation

6.1 Flow Chart Agri-Science Queensland Commercialisation Process

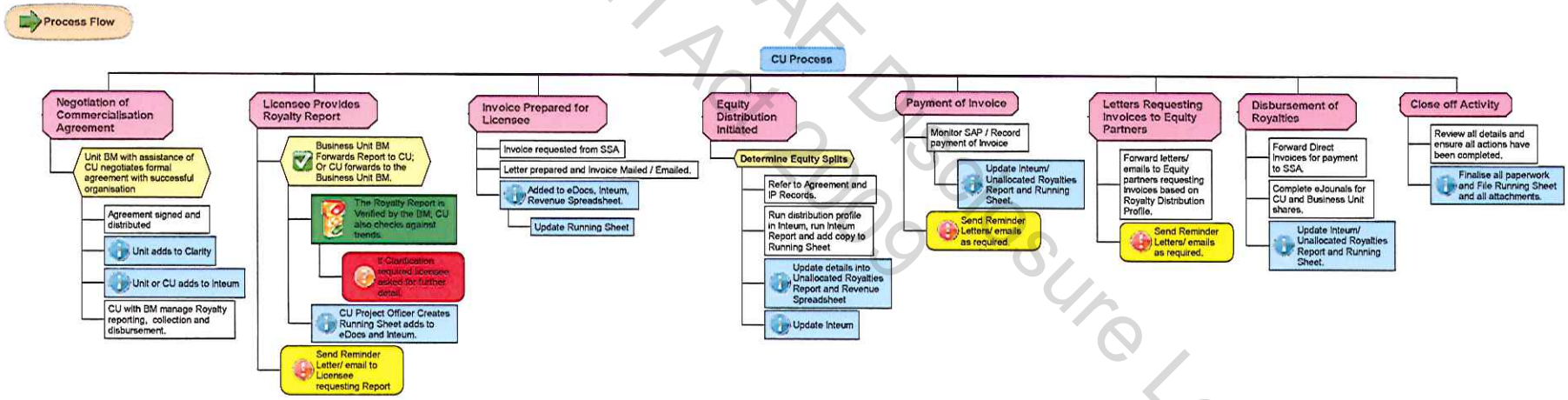
Agri-Science Queensland Commercialisation Process



6.1 Flow Chart Agri-Science Queensland Commercialisation Process (2)310712.mmap - 31/07/2012 - Mindjet

6.2 Flow Chart Commercialisation Unit Process - Royalties

Commercialisation Unit Process - Royalties



6.2 Flow Chart Commercialisation Unit Process - Royalties (2)310712 (2).mmap - 31/07/2012 - Mindjet

Queensland Public Sector

Intellectual Property Principles

Version 2

Great state. Great opportunity.

Queensland Government

Last reviewed by DSITIA January 2013

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Contents

Introduction

The Queensland Public Sector Intellectual Property Principles (IP Principles), together with the information licensing framework known at the national level as the Australian Governments Open Access Licensing Framework – AusGOAL (formerly the Queensland Government Information Licensing Framework (GILF)), provide the high level policy guide for the management of intellectual property by Queensland Government agencies.

Intellectual Property (IP) covers the wide range of intangible property that is the result of investment in the creative and intellectual effort of individuals and organisations. Government copyright protected information has many forms, including public sector information, literary and artistic works, computer programs, databases, film and sound recordings; along with intellectual property in inventions, plant breeder's rights, circuit layouts, trade marks, and designs.

Each government agency is responsible for effectively managing the IP assets it develops, owns or uses. IP is a significant resource and a valuable intangible asset. The effective management of public sector IP offers direct and indirect benefits to the community in a number of ways including:

- knowledge diffusion and its application by other agencies, business organisations and individuals
- commercial products developed by the private and public sectors
- input into improved or new public sector products and services
- input into the development of potential
- commercial products that produce positive net revenue returns to Queenslanders.

The IP Principles identify and encourage best practice for the creation, record keeping, use, sharing, protection, dissemination and commercialisation of IP. The IP Principles aim to assist agencies to determine when professional (legal, financial and commercial) advice about IP should be sought.

The content of the IP Principles is intended to provide a guide only; it does not constitute legal or specialist advice, and is not a definitive resource for all IP management issues.

IP in the Queensland Government

The Queensland Government first endorsed the IP Policy Framework (IP Framework) in 2003 and established the IP Principles.

The IP Framework provides high level guidance and mechanisms to assist agencies manage their IP. The framework also provides guidance to those agencies that are likely to develop IP with commercial potential, including Queensland Health, the Department of Science, Information Technology, Innovation and the Arts (DSITIA), the Department of Agriculture, Fisheries and Forestry (DAFF), the Department of Environment and Heritage Protection (DEHP), the Department of Education, Training and Employment (DETE), and the Department of Transport and Main Roads.

The IP Framework elements are:

- IP Principles (incorporating the IP assessment guide)
- 'Rewards for Creating Commercially Valuable Intellectual Property' Directive (Rewards Directive)
- online IP training modules.

Due to the diverse nature of agency activities, the types of IP managed and the extent to which IP is critical to an agency's core business, IP strategies will differ among agencies and also within an agency.

These IP Principles have relevance to public sector IP ranging from non-confidential copyright such as reports and spatial (raw data) information through to the protection of new health or agricultural products and processes that may have commercial potential.

The IP Principles:

- provide high-level policy advice rather than step-by-step guidance on IP management and commercialisation
- acknowledge the diversity of functions, circumstances and requirements of agencies across Government, and encourage implementation in accordance with an agency's own particular needs and objectives
- reflect Government policy decisions in relation to the introduction of the Queensland Government right to information (RTI) legislation and a consistent information licensing framework (known nationally as AusGOAL).

'Open Government' developments

Since 2003, developments in open government information management policies and processes at the state, national and international level have changed the environment for public sector management (including licensing and commercialisation) of IP.

The Australian Government has advocated a more open information environment evident by its Declaration of 'Open Government';[1] its endorsement in the Australian Government *Statement of IP Principles for Australian Government Agencies*[2] in 2010; and the adoption of Web 2.0 portal technology[3] to enhance connectivity and interaction – information sharing.

The most significant open access developments in the Queensland Government are:

- the *Right To Information Act 2009* (Qld) (RTI), which establishes, as a default position, the proactive release of public sector information into the public sphere ('push' disclosure model) unless the release of this information is determined, via a 'public interest' assessment, to be against the public interest
- the Government Information Licensing Framework (GILF) policy, position and guideline introduced under the Queensland Government Enterprise Architecture (QGEA) in 2010. Details of GILF, now known as AusGOAL at the national level and referred to as AusGOAL, in these Principles, are available on the Queensland Government Chief Information Office website (www.qgcio.qld.gov.au)

  AusGOAL is an online licensing framework that government departments use to grade and selectively license their copyright and other IP information using six Creative Commons licences and one Restrictive Licence (RL) template made available on the AusGOAL website (www.ausgoal.gov.au) For further details refer to the Creative Commons Australia website (http://creativecommons.org.au/)

Broad policy guidance for agency IP management

The IP Principles together with AusGOAL, the QGEA Information Standards and relevant legislation provide the broad policies and standards guiding IP management in Queensland Government agencies.

The IP Principles are mandatory for all Queensland Government agencies and are the key elements of effective IP management in the public sector. Although Government owned corporations and public trading enterprises are not required to apply the IP Framework, they are encouraged to apply the IP Principles.

Agencies are encouraged to develop individual IP policies that reflect their own needs and objectives, consistent with relevant government policies and requirements.

Agencies are responsible for the management of IP assets owned or used by the agency, in a publicly accountable manner, in accordance with relevant legislation, policies and guidelines.

Agencies should consider other IP and information policies for matters that impact on their IP management. These frameworks include:

- the QGEA managed by the Queensland Government Chief Information Office for the licensing of government public sector information under AusGOAL and related Information Standards (e.g. Information Standard 33)
- the RTI – agencies should ensure that all personnel involved in the development, licensing and commercialisation of IP understand the implications of the proactive release of government information (which includes copyright and other IP) to the public under the *Right to Information Act 2009* (Qld)
- the *Financial Accountability Act 2009* (Qld)
- the Commonwealth of Australia IP legislative framework - *Circuit Layouts Act 1989* (Cth), *Copyright Act 1968* (Cth), *Designs Act 2003* (Cth), *Patents Act 1990* (Cth), *Plant Breeder's Rights Act 1994* (Cth), and *Trade Marks Act 1995* (Cth).

[1] Endorsing the central recommendation of the Government 2.0 Taskforce's report that the Australian Government makes a declaration of open government. See http://www.finance.gov.au/e- government/strategy-and-governance/gov2.html

[2] The Statement provides a framework for effective management of intellectual property ('IP') by Australian Government agencies. See http://www.ag.gov.au/RightsAndProtections/IntellectualProperty/Documents/StatementofIPprinciplesforAusGovagencies.pdf

[3] See Government 2.0 Taskforce's final report, *Engage: Getting on with Government 2.0*, delivered to the Australian Government on 22 December 2009. See http://www.finance.gov.au/e-government/strategy-and-governance/gov2.html

General principles

1.1 Responsibility

Management of IP should be a priority within agencies and assigned to a senior officer with appropriate skills and knowledge.

Agencies should communicate the IP Principles to staff as part of each agency's IP implementation strategy.

1.2 Implementation of the IP Framework

Agencies should develop an agency specific IP management policy, which supports their core functions and service delivery outcomes. This agency specific policy should reflect:

- their obligations under the IP Principles
- the nature of the IP for which the agency is responsible
- the reporting requirements of the agency, i.e. compliance with financial standards and their statutory and policy obligations in relation to their IP assets under their control.

An agency's IP management policy should be incorporated into the agency's planning, systems and policies.

Agencies should adopt a risk management approach when implementing the IP Principles and allocate appropriate resources to manage risks by:

- maintaining and regularly reviewing their IP management system
- establishing rigorous IP record keeping
- protecting IP rights
- minimising infringement risk
- using IP assets to enhance service delivery.

As part of their management policy, agencies should establish procedures in relation to managing the IP content in their publications and websites and online dissemination including licensing of Government information as required under AusGOAL.

Agencies should take appropriate steps to identify, secure, preserve, maintain, and advertise the availability of open content Creative Commons licensing opportunities for Government public sector information and where appropriate, apply restrictive licensing for IP that offers potential commercial returns.

Agencies should consider broader government objectives, including the benefit to the community as a whole in their approach to the management and use of their copyright and other IP.

1.3 Creative Commons licensing of government copyright information

In assisting agencies to decide the appropriate licence to apply to public information, AusGOAL and relevant QGEA Information Standards provide that :

(a) agencies license their public sector copyright information using the Creative Commons least restrictive licence (i.e. the CC Attribution BY licence) as the default licence of preference following a process of due diligence assessment on a case-by-case basis. However this least restrictive licence may not always be the appropriate licence to use (see (b) below).

This licence includes public sector information, which agencies are generally obliged to publish or otherwise allow free public access for the purpose of:

- informing and advising the public of government policy and activities
- providing information that will enable the
- public and organisations to understand their own obligations and responsibilities to government
- enabling the public and organisations to
- understand their entitlements to government assistance
- facilitating access to government services
- complying with public accountability requirements.

(b) agencies only depart from the least restrictive Creative Commons licensing default position in circumstances where it is in the pubic interest to restrict access to that information.

For example, restriction may be appropriate in circumstances where:

- the IP is of commercial value or potential commercial value
- an exclusive licence or other contractual terms are appropriate for reasons of national security and/or strategic interest
- there are reasons of law enforcement
- there are statutes, regulations, Commonwealth Government policies or prior obligations to a third party or parties
- the IP applies to a critical government ICT system
- the IP includes personal information
- there are protected matters relating to fraud detection and return processing rules

- complex information technology assets involve multiple build partners over the asset lifecycle
- the underlying IP is wholly or
- predominantly owned by the Government before entering into a service agreement
- there are economic and financial risks.

A Creative Commons licence should be used to avoid the necessity of the public having to seek permission for public use and re-use of Crown copyright material. It facilitates the use of copyright where there is no reason or necessity to restrict access.

Before releasing public sector information, for which the Government is not the sole copyright owner, under a Creative Commons standard licence, an agency must seek permission/clearance from any other copyright owners of the material.

It is important for agencies to choose the appropriate licence for the release or restriction of their copyright material. There are six Creative Commons licences and one Restrictive Licence to choose from, at www.ausgoal.gov.au. The IP assessment guide provides further assistance on licensing selection.

1.4 Creative Commons licensing of Queensland records

Queensland records that become available for public access under the *Public Records Act 2002* should be licensed using the appropriate Creative Commons open content licence. Agencies will be responsible for the selection and use of the appropriate licence (in accordance with AusGOAL).

1.5 Sharing IP within government

Government agencies should consider opportunities to share their IP with other agencies. Where there is an expectation that procured IP will be used by other Queensland Government agencies, agencies should make this clear to potential suppliers during the procurement process.

1.6 Maintaining a flexible approach

In considering options for managing (and releasing) IP, agencies should be mindful of:

- their objectives and breadth of activities
- opportunities for obtaining appropriate value in all IP arrangements
- opportunities for financial savings in procurement contracts. Savings may include purchasing/negotiating only those IP rights required to meet the objectives of the procurement, e.g. use of software
- the costs of managing and administering IP
- assets retained by agencies and the potential for some IP assets to rapidly depreciate in value
- the desirability of making IP available to
- entities that are able to use government IP to create jobs and commercial opportunities
- other relevant government policy objectives, including industry development.

1.7 Rewards and recognition

An effective rewards and/or recognition policy (for employees) offers a means to support improved IP management. This process can be linked to human resource performance management systems or other mechanisms which recognise and reward contributions to the achievement of agency objectives. The rewards and recognition policy can be separate and distinct from the monetary rewards criteria made available to staff who commercialise IP for monetary return under the 'Rewards for Creating Commercially Valuable Intellectual Property' Directive.[4]

[4] The Rewards Directive issued by gazettal notice in March 2007, provides the process to be followed by agencies to assist in recognising and rewarding employees who create commercially valuable IP. The Rewards Directive is administered by PSC and DJAG under the *Public Service Act 2008*.

Management principles

2.1 IP management policy

Each agency should have an IP management policy which reflects its objectives and IP Principles. Policies and practices established for the management and use of IP should be an integral part of agencies' broader governance framework, including procurement, accountability, and records and asset management.

An IP management policy should guide staff to:

- deal with record keeping, acquisition, use, sharing, commercialisation, disposal, and public access to IP
- identify and record ownership of IP
- monitor and protect IP
- develop an IP pathway where IP has commercialisation potential.

It should also detail any broader policy considerations that affect the agency's approach to management and use of IP.

2.2 Implementation of the IP management policy

The implementation of an agency's IP management policy should be supported by expert guidance and appropriate training and resources.

- **Professional advice**: Due to the complex nature of IP rights, agencies should seek advice from suitably qualified lawyers, patent attorneys or other consultants where appropriate in-house or in-government expertise is unavailable. This advice is especially required for the commercialisation of IP.
- **Training**: Agencies should provide appropriate training to staff on IP related issues, and ensure staff with adequate skills and knowledge manage their IP assets.

2.3 Identification and recording of IP

Identifying and recording IP may be achieved effectively through maintaining log books (particularly in the case of research and laboratory work) and an agency's dedicated IP register. Agencies should pay particular attention to IP they have identified as being of special value or importance, including copyright information with potential commercial applications, e.g. records and documentation for a patentable invention.

Important IP could include IP which is of public, strategic, innovative or potential financial value.

2.4 Disclosure of IP

Agencies should take care in disclosing their IP to a third party or parties prior to its publication or commercialisation as to do so may:

- in some cases destroy the IP asset's commercial value; and/or
- in the case of patentable subject matter or a design, the opportunity to seek registration may be lost.

2.5 Infringement of an agency's IP

Where appropriate, Chief Executive Officers should seek legal advice as soon as any suspected infringement of an agency's IP is discovered and take such action as is reasonably necessary to protect the agency's interests.

2.6 Avoidance of the infringement of others' IP rights

Agencies should avoid infringing the IP rights of other people or organisations. Where relevant and necessary, agencies should obtain copyright authorisation and conduct trademark and business name searches, patent and design searches.

2.7 Ownership and control of IP

The ownership and protection of IP should be specifically addressed in all circumstances of potential commercial returns to the agency. Details should stipulate who legally owns the IP and include areas such as employment, grants, procurement, consulting, licensing, contracting and commercialisation. This is of particular importance in determining ownership of inventions and authorship for copyright works, especially for agencies involved in scientific research. Maintaining accurate records and research/laboratory log books are integral to this process.

Agencies should take reasonable steps to ensure that Queensland has the best opportunity to benefit from IP whether by way of ownership, licence or other entitlement, whether the IP rights are vested in an agency or shared with a third party.

Agencies must consider and address ownership of IP where commercially valuable IP is created as a result of employment or in relation to a contractor or outside consultant. In particular, agencies should be aware that 'duty to research' does not

automatically imply a 'duty to invent', which needs to be expressly stipulated and managed contractually.

2.7.1 Ownership of IP created by a consultant

When engaging a consultant, agencies should explore whether ownership by the agency of IP developed by the contractor/consultant on behalf of the Queensland Government ('the default position') is the best option for maximising benefits to Queensland.

An agency may agree to a consultant retaining the ownership of some or all of the IP rights created by the consultant during the course of the contract. This may be permissible if other public interests, such as supporting Queensland industry or enabling or facilitating the more efficient delivery of services are considered to be of greater benefit to the public than the retention of ownership of IP by the agency or the State.

Where an agency agrees to a consultant/contractor retaining ownership of some or all of the IP rights created by the consultant, the agency must ensure the Queensland Government retains appropriate access, use and maintenance of outputs that it has paid for.

2.7.2 Joint ownership of IP

Where an agency agrees to joint ownership of IP, the contract should contain appropriate provisions relating to the use, management, commercialisation and administration of IP assets.

2.7.3 Identification of IP created in the course of employment or engagement

All agencies should introduce mechanisms to identify, record and clarify government's ownership of IP generated by public sector employees or consultants in the course of their duties. All contracts in which IP might be created (including outsourcing, consulting and contracting agreements) should specifically address the issues of pre-existing IP and IP to be created during the contract.

Contracts in which IP might be created should address the identification of new and pre-existing IP and the arrangements that apply to the ownership and use of the IP, including licensing arrangements.

2.7.4 Procurement of IP by agencies

When procuring an IP asset (whether such asset is already in existence or yet to be created), an agency should endeavour to obtain such ownership or licensing rights as are consistent with its procurement objectives.

2.7.5 ICT contracts for software

In respect of the Government Information and Technology Contracts (GITC) for software, agencies may give consideration to the adoption of a default position in favour of the Information and Communication Technologies (ICT) supplier owning the IP in the software developed under the procurement contract.

The default ownership position would be conditional on the ICT supplier granting the Queensland Government a perpetual, irrevocable, world-wide (if required), royalty-free, fully paid up licence to all rights normally accompanying IP ownership. This may include a right to sub-license and where appropriate, a non-exclusive right to commercialise as part of this government activity.

Commercialisation principles

3.1 Key consideration

Most agencies may have IP that is of value to other users. However, only a small number of agencies, and limited areas of activity in those agencies, will have IP that offers potential, direct commercial benefit to the government.

In making decisions about licensing and other commercialisation of IP, the agency must be satisfied that Queensland is obtaining the maximum benefit. In some cases this will mean commercialisation decisions that will depart from the (Creative Commons) default position, e.g. transfer, exclusive licensing or access restrictions.

When developing a plan to manage the commercialisation of IP, the agency should consider its core functions and service delivery obligations under the IP Framework.

If a core function is to disseminate policy and public sector information, it may be the agency's policy to emphasise open government Creative Commons' licensing choices rather than restrictive licence exceptions.

Where an agency's core function is to invest public funds in research and development, its policy must stipulate stringent requirements for commercial IP including due diligence, record keeping, auditing, and approval delegations for release and specified review dates.

3.2 IP Pathway - assessment of value and risks

Before commercialising IP, an agency should conduct an assessment of the commercial potential of the asset and all costs and risks associated with its commercialisation.

Where an agency has obtained funding to support R&D projects, the agency should prepare an IP plan (pathway) to demonstrate how the IP will be protected, commercialised and managed.

3.3 Commercialise for the benefit of the State

An IP asset will be commercially valuable to the agency if the agency can raise revenue from the sale or licensing of certain rights to a third party. Equally, an IP asset will be operationally valuable if it plays an important role in the operations or services provided by the agency.

Agencies should endeavour to commercialise IP assets owned or managed by the agency for the benefit of the State. Commercialisation of IP should not proceed if it would significantly interfere with or would cause detriment to the agency's operational activities or service delivery.

3.4 Minimisation of risks

Agencies should minimise the risks associated with the use of IP assets and endeavour to commercialise such assets in a manner which does not expose the agency or the State to unnecessary or disproportionate risks. In the case of commercialisation agreements, this may involve ensuring that any warranties are appropriate and that legal agreements include liability caps or indemnities from liability.

3.5 Commercial expertise – threshold considerations

As a general rule, commercialisation of IP should be carried out with the assistance of another party with appropriate IP skills and expertise.

3.6 Queensland or Australian commercial 'partner'

When selecting a commercial 'partner', such as a head licensee or distributor to commercialise an IP asset, agencies should, where practicable, select a Queensland or an Australian owned enterprise.

3.7 Revenue from commercialisation

As part of the commercialisation process of an IP asset, the agency should consider the impact of IP revenue in accordance with its obligations under the agency's financial management practice manual, Queensland Treasury policies, and relevant legislation.

3.8 Disposal or licensing out of IP assets

When agencies sell, dispose of or license their IP assets they should attempt to obtain the best deal for Queensland and should do so in an open, accountable and competitive manner in order to obtain maximum value for the investment.

IP assessment guide

A. IP assessment

The IP Principles (version 2) address the new open access environment created by the Right to Information (RTI) legislation and the release of the Government Information Licensing Framework (GILF) policy, position, and guideline in 2010. GILF has been adopted nationally as AusGOAL, a name that reflects its national focus. In 2012 QGEA's GILF-related documents on the Queensland Government Chief Information Office website (www.qgcio.qld.gov.au) were updated to refer to the AusGOAL framework.

The AusGOAL framework provides guidance to enable departments to license their public sector information where appropriate by selecting from:

- six Australian Creative Commons[5] (CC) licences
- one Restrictive Licence[6] (RL) template.

Copyright protected information (copyright information) comprises the majority of public sector information, which includes information generated by or for departments in the Queensland Government. Copyright – a type of intellectual property (IP) – arises at the point the information is expressed in a material form.

AusGOAL provides that departments should license their copyright information using the Creative Commons BY Attribution (CC BY) licence – the least restrictive of the six CC licences – as the default licence, unless there are circumstances requiring the use of one of the other CC licences or the RL template or another arrangement.

The CC BY or other CC licences will be able to be used by departments for the majority of their copyright information. The majority of copyright has no commercial IP value, but it is necessary to remove all confidential or private information before licensing.

To address cases in which the CC licences are not appropriate, AusGOAL also provides the RL template of standard terms and a schedule for departments to use in negotiating a restrictive, contractual licence for the protection of confidential (including commercial-in-confidence) information and IP which has been commercialised or has commercial potential.

For example, copyright and commercial-in-confidence information may inform the development of IP that has potential commercial value (e.g. a document pertaining to a trademark, design, patent, or plant breeder's rights). This copyright information may need to be kept protected, to the appropriate extent and duration, by using a contractual restrictive licence negotiated on the basis of the RL template.

A pre-condition to licensing copyright information is to establish copyright ownership by departments or the legal entitlement to license that public sector information.

The following material provides a broad guide to assist in licensing copyright information under AusGOAL and also provides broad guidance in IP commercialisation.

These are steps for agencies to follow in assessing public sector IP:

Step 1: Define the type of IP

For the purposes of decision making in managing IP, IP is a generic term referring to the select sets of intangible property rights which the law grants for a number of years to a person or employer for their novel, original, creative or intellectual endeavours and/or investment. These proprietary rights enable owners to exclude/license reproduction and [for copyright works] online public communication. IP includes copyright, confidential information (such as commercial trade secrets), trade marks, designs and circuit layout rights, plant breeder's rights, and patents.

AusGOAL is the licensing platform that provides guidance on selecting appropriate licences for the release or protection of public sector information - including Crown copyright. AusGOAL applies to all Crown copyright protected information, but not any other forms of IP protection such as trademark, patent, or plant breeder licensing.

Crown copyright is generally regarded as public sector material that demonstrates intellectual endeavour, and that expresses, manipulates and/or presents ideas in a form that clearly shows authorship. Copyright is the most common form of IP owned by public sector agencies and includes original material in literary, artistic, dramatic and musical works; films, broadcasts, sound

[5] Creative Commons Australia is the affiliate of the International non-profit Creative Commons project. It is an innovative way to share and protect information. See http://creativecommons.org.au/about

[6] Note: Restrictive licences modelled on or developed without the use of the Restrictive Licence template under AusGOAL. may be appropriate in some limited circumstances.

recordings and multimedia; computer programs and databases.

Most information is expressed in a material form, usually in the written form and capable of being owned as copyright. AusGOAL only applies to information, which is predominantly copyright material. It is important to understand that most copyright does not have a direct commercial value to the agency and as such, it is able to be released using one of the six Creative Commons licences, details of which are available on the AusGOAL website (www.ausgoal.gov.au)

However, copyright information can inform the development of other IP including IP that has potential commercial value. Where copyright does contribute to IP with potential commercial value, this copyright may need to be protected using the Restrictive Licence template available on the AusGOAL website.

Before deciding upon a suitable licence (one of six Creative Commons or the Restrictive Licence) for the copyright information under AusGOAL, agencies need to determine what public sector information (copyright):

- is owned by them
- they are entitled to release or protect (restrict access)
- may have, or lead to, IP with commercial potential (and should be protected).

Step 2: Determine the form of IP

There are many forms of information that may require copyright or other IP protection. In determining the class of information and whether it qualifies for release, consideration needs to be given to issues such as information class, IP criteria, its confidentiality/security status, public interest, commercial and public good potential.

There are a number of issues that also need to be considered in the assessment process, including:

- ex ante decision making rules for proactive push release of government information under RTI principles
- public interest considerations in releasing the information assessed in accordance with AusGOAL, RTI and the Queensland Public Sector IP Principles
- factors relevant to Crown copyright and Restrictive Licence choices under AusGOAL, such as the information security classification.

Agencies need to ask whether the information should be licensed using the Creative Commons licences with the CC BY licence as the least restrictive licence in the AusGOAL framework.

Step 3: Conduct a licensing review

The AusGOAL website (www.ausgoal.gov.au) contains a useful guide to help agencies to conduct a licensing review and decide on the appropriate licence for their copyright material.

As part of the licensing review, the following issues need to be determined:

- If the information to be licensed is already protected by copyright or other IP protection. This assessment could involve:
  - (a) ascertaining whether copyright or other IP exists in the information to be licensed
  - (b) considering (if relevant) the bundle of exclusive rights of copyright to be licensed
  - (c) ensuring that the copyright or other IP rights have not lapsed or expired.
- Whether or not the copyright is owned fully by the agency (the State). This assessment could involve:
  - (a) ensuring there are no third party contractual constraints restricting licensing
  - (b) confirming that State of Queensland is legally entitled (including having obtained all necessary third party permissions) to license the work.

Disputes over information ownership should consider:

- who owns the copyright (or related IP) in the inputs/components and who are the authors/inventors/generators of that copyright and other IP
- the licence terms of all licences/ contracts/IP legislation that entitle the department to license the information or that restrict the department's entitlement/ ability to license the information.

After completing this information gathering step, effort needs to be directed to selecting the most appropriate licence to use.

Step 4: Select the most appropriate licence

AusGOAL, supported by relevant Information Standards and other licensing information provided under the QGEA, mandates that agencies consider the use of the appropriate licence for their copyright. The guiding principle for this step is that agencies apply the least restrictive Creative Commons licence – the Attribution CC BY licence, unless there are exceptions for restricting release of the IP. If there is to be a restriction of the copyright material, it is necessary to select of one of the other five CC licences or a negotiated contractual licence, which may be based on the Restrictive Licence template under AusGOAL.

Consideration should be given to:

- whether or not the Creative Commons CC BY licence or another Creative Commons licence is appropriate. For further advice, refer to Creative Commons Australia (http://creativecommons.org.au/) or AusGOAL (www.ausgoal.gov.au)
- if restriction of the release of IP is necessary, and the CC licences are not appropriate, the Restrictive Licence template may be used as a basis to negotiate a contractual licence.

To determine if a restrictive licence should be used, consideration should be given to:

(a) the Restrictive Licence (RL) template on the AusGOAL website and its key terms as indicative of some of the issues to be considered in drafting a contractual licence

(b) IP rights – ownership and management and choice of one of the CC licences or the RL template (under AusGOAL) should be consistent with the delivery of agencies' core functions and services. Any commercialisation of IP consistent with core functions should produce benefits for Queensland commensurate with the transaction costs in protecting and commercialising the IP. Where this IP is deemed to have potential net commercial benefits, the copyright should be protected using a RL licence

(c) the agency's commercialisation principles and these IP Principles incorporating the IP assessment guide.

It should be noted that software is an example of information that would need to be restricted using a restrictive licence.

Seek advice from the relevant agency's legal unit in settling the terms of the licence. Note: once completed, the contract may be authorised by the agency as a master agreement for that class of information.

It is important that the IP Principles, the AusGOAL website and QGEA Information Standards are consulted. Further information on this matter will be available via the online IP Training Modules (under development).

Step 5: Check IP Principles and relevant policies and standards

Consider the Queensland Government IP Principles; QGEA Information Standards; and Department - specific IP/Information Management and RTI policies and guidelines. Of specific relevance are the QGEA Information Standards 26, 33, 34, 40 and 44.

Step 6: Obtain approvals for release

Agencies need to obtain all necessary internal approval and delegation before applying the selected licence to the information. It is important to gain appropriate level approval for the Creative Commons or RL template chosen under AusGOAL.

Step 7: Apply the correct (licensing) symbol

Apply the Creative Commons or RL symbol, website address, and attribution and licence statements – see the AusGOAL website and the Creative Commons Australia website directly for details on CC and consult the Creative Commons and Government Guide. Include a copyright notice for the licensing of copyright information via one of the CC licences, a RL or another arrangement

Relevant information includes:

- chosen licence marking and web address to the agency's document or web page
- Intellectual Property Officer contact details for copyright enquiries (not required for CC BY Attribution licence)
- agency or other contact details for copies or further information
- author details
- version number.

B. IP commercialisation

These are steps for agencies to follow in assessing the commercialisation potential of public sector IP:

Step 1: Perform IP pre-assessment

Does the IP have potential commercial value, even at the early stages? Could the 'Crown copyright' material be of value to the agency? Is there an imperative for protection by Government?

- **Assessment of the agency's functions and powers** as defined within each agency's core legislative and policy responsibilities including:
  (i) relevance of the commercialisation of IP to the agency's core business and primary objectives
  (ii) any legislative or policy instruments that may impact on the commercialisation of IP (e.g. RTI, AusGOAL, funding and contractual obligations, Cabinet decisions and pricing guidelines, etc.)
- **Description of the IP** and any unique characteristics, advantages and weaknesses in relation to:
  (i) Early stage technical and commercial potential
  (ii) IP protection/registration
  (iii) attracting relevant partners/investors
  (iv) market and competitors
- **IP commercialisation readiness** – lead-time required to develop the IP into a product/service and its release in the intended market and availability of resources to make this happen

Step 2: Seek expert opinion

Advice should be obtained to assess commercial feasibility and the most effective management of this IP, i.e. the extent of commercial potential, the appropriate process of commercialisation and options in IP protection.

This will involve establishing a **commercialisation team**. Agencies should outline the establishment of the team that includes the following components:

- **Technical expertise:** Technically trained people with history and experience in the development of the IP asset
- **IP commercialisation skills:** People with the expertise to organise, describe and commercialise (negotiate, contract, conclude the transfer) the IP
- **Legal:** Experienced IP lawyers in the aspects of preserving IP rights and contracting those rights to other parties.

The commercialisation process should consider the following in developing the commercialisation plan.

Step 3: Prepare a business case

The business case is to outline the costs and potential returns, and a pathway to achieve commercialisation and the appropriate IP protection.

- **Commercialisation mechanisms**– assessment of the advantages and disadvantages of each mechanism, e.g.
  (i) sale or assignment
  (ii) licensing – whether r o y a l t y based or royalty free Creative Commons licences
  (iii) franchise
  (iv) collaborative ventures/joint venture start up
  (v) spin-off companies
- **Resources** required – depending on the complexity of the IP itself and the commercialisation mechanism utilised and the requisite expert IP skills and resources
- **Sources of finance –** development of an objective business plan which will

assist in determining the requisite funding required and potential source of funding

- **Due diligence –** assessment of risks associated with commercialisation of the IP, including legal, infringement, accounting risk management and business structures that will vary according to the type of IP involved and portfolio responsibility
- **Minimisation of risks** – once the risks have been identified and evaluated, an appropriate risk management strategy should be implemented. Agencies should also have regard to their obligations under their legislation and policies and not expose the government to unnecessary or disproportionate risks that may be more appropriate for the private sector
- **The market** – a general description of the initial and future markets for the IP and some indication of the size of the market (e.g. small niche, a growing market or large public market nationally and internationally)
- **SWOT** – undertaking (strengths, weaknesses, opportunities and threats) analysis and evaluate size and potential growth; potential clients; competitors and competitive products; pricing and distribution charges; influences, factors, trends and opportunities/challenges in the marketplace; partners, and potential applications in other markets
- **Cost/benefit** – cost of commercialising versus predicted returns from the commercialisation method – returns may be monetary or in kind
- **Cost of the commercialisation method** – agencies weigh up the costs of administering any fees and charges levied by the agency (e.g. collection costs through licence agreements) compared with the benefits/cost savings of providing the IP to the public using the Creative Common licences under the Queensland Government's information licensing policy
- **Delegations** – agencies should consider delegating responsibility for approval processes to specific positions within the agency to minimise bureaucratic delays and thus avoid losing market opportunities.

Step 4: Obtain approval of the business case

The business case needs to be considered and endorsed by the agency or CBRC as appropriate.

Step 5: Convert IP and plan to achieve appropriate licensing returns

If commercially feasible, establish **project team** to implement business case to ensure appropriate IP protection and receipt of commercial returns. This will include seeking expert advice where necessary, e.g. legal, technical, and/or financial.

TYPES OF LICENCES

Intellectual property (IP) licensing gives the licensee the right to use, but not own, the IP.

The licence can be:

- an exclusive licence
- a sole licence
- a non-exclusive licence.

LICENCE CONDITIONS

Licence conditions may be put in place to cover:

- accounts, inspection and audit
- sub-licensing
- assignment (transfer)
- pre-market-entry commercialisation milestones
- post-market entry performance targets
- confidential information.

LICENCE ROYALTIES

Licence royalties are paid to the owner of the intellectual property (IP) by the person licensed to commercialise the IP. There are a number of things to consider:

Royalties on sales

Royalties for the use of a process

Lump-sum licence fees

A lump-sum licence fee is often sought at the time of granting a licence. This could be a:

- signing fee
- milestone payment.

COMMERCIALISATION PATHWAY

Commercialising a new product or service is typically a journey of many steps comprising a 'route to market' or 'commercialisation pathway'.

Examples of steps towards commercialisation (not necessarily taken in this order) include:

- sourcing a commercialisation opportunity, e.g. by accessing clear legal rights to existing IP
- defining and documenting the IP and its related commercial opportunities
- evaluating the IP to determine if the risks of commercialisation are worth taking
- establishing a legal business structure, at least for the first stage of commercialisation
- filing for IP protection
- preparing a detailed commercialisation plan
- sourcing funding
- developing the product or service to a marketable level
- building capability for manufacturing (if applicable), sales and marketing.

Several steps may be taken simultaneously, some may be skipped, and some repeated. The most appropriate steps and their best sequence depend on the specific IP involved and require careful consideration.

COMMERCIALISATION STRATEGY

Questions to consider when determining the strategy include:

- how does the proposed new product or service fit with the established core business interests of the venture participants?
- who will want it, and why it instead of an alternative? (i.e. what is the 'business proposition'?)
- how, where and by whom will it be sold?

Example: 'First to market' strategy

A simple example of a commercialisation strategy is the 'First to Market' approach, or 'First-Mover Advantage'. This strategy is chosen when the venture is confident that it can enter and capture a new, lucrative market before competition can develop sufficiently to challenge its dominance. Continued commercial success may depend on having an established presence in the market and a respected brand – being the 'original and best'.

This 'first to market' strategy may be an effective option if the IP can only be kept a secret for a short period of time, it has a short effective lifespan because it exists in an industry that's rapidly evolving or if it doesn't meet the inventive step required for a patent.

Many other commercialisation strategies exist and usually relate to the choice of 'commercialisation vehicle'.

COMMERCIALISATION VEHICLES AND STRUCTURES

You need to determine how legal rights to the IP will be held and conveyed during commercialisation. The commercialisation vehicle or business model refers to this manner of conveyance and relates to practical considerations broader than legal issues. Examples of commercialisation vehicles are licensing and franchising.

By contrast, the concept of a business structure refers to a purely legal (including tax-legal) entity.

A business structure is a category of entity that is legally recognised by, and defined by, a government authority. Any business structure applies only in a specific jurisdiction (e.g. a country). Each venture participant may be involved in one or more business structures, or all venture participants may be covered by a single business structure.

In Australia, a common choice of business structure for small-to-medium IP ventures is a type of private company known as a proprietary limited (Pty Ltd or P/L) company.

The choices for the commercialisation vehicle and the business structure(s) are closely related and interactive. A vehicle can be altered and several types may be used simultaneously during commercialisation. As your business grows and changes you may also decide to move to a different type of structure, however you need to be aware of the differences and obligations for each.

GLOBAL CONSIDERATIONS

If you're considering entering a global market, you should consider where you would generate the best returns and whether you have the resources to successfully commercialise in, and supply to, countries outside of Australia.

Before entering a foreign market, it's important to ensure your IP is protected in the relevant country.

It's also important to understand IP protection in the country you would like to establish your market position to ensure you don't infringe on existing IP in that country.

FORMS OF IP PROTECTION

Some forms of legal rights require registration, others do not.

Registered forms of legal protection in Australia include patents, trade marks, designs and plant breeder's rights. You may also be able to obtain IP legal protection in forms not requiring registration include copyright and circuit layouts.

A trade secret is a form of IP protection that is an alternative to some forms of legal protection. It cannot be used simultaneously with legal protection for the same IP. Trade secrets may be partly implemented by use of confidentiality agreements, also known as non-disclosure agreements (NDAs). An NDA is a type of legal contract that can maintain secrecy, however it is not itself a form of IP protection.

MAINTAINING SECRECY WITH NON-DISCLOSURE AGREEMENTS (NDA'S)

NDAs legally oblige one or more recipients ('disclosees') of secret IP provided by the 'discloser' to be kept secret for a specified period. An NDA does not cover public IP revelations (i.e. IP disclosures, discussed above), it's limited to specific disclosees.

In many cases, NDAs need only apply until the IP is disclosed in, say, a patent application publication.

In any case, an IP owner can reveal minimum information necessary to meet the terms and objectives of the NDA.

It's important for both parties, but in particular for a smaller business, that the definition of the IP in the NDA is accurate and well defined to avoid problems if it's breached.

REVIEW THE IP BACKGROUND - DUE DILIGENCE

If a person or organisation (a business 'entity') believes they own IP or have an opportunity to source IP from others, a comprehensive appraisal of the viability of commercialising that IP should be made before committing to its commercialisation.

Many companies seek to secure their freedom to operate (FTO) at an early stage of their activity. This ensures that you don't infringe the IP rights of others through the commercial production, marketing or use of your new product, process or service. This is also known as 'due diligence'. Legal, technical, commercial and personal issues should also be considered through this phase. An IP professional can assist you through this process.

If several entities are considering sharing the risks of the venture, each should ensure the due diligence is completed to their individual satisfaction. Information provided to a potential venture participant by an IP owner usually is required to be legally warranted by the IP owner as being reasonably accurate.

Due diligence precedes the creation of a business plan. If the venture proceeds, much of the work conducted during due diligence may contribute to the plan.

The following issues should be resolved:

- IP definition: Exactly what is the IP? How does it differ from, or improve upon, what's come before?
- IP ownership: Who really has rights to use the IP?
- IP preliminary valuation ('validation' or 'risk validation'): Does the IP have sufficient commercial usefulness to warrant reasonable expenditure on its commercialisation?

CHOOSE YOUR COMMERCIALISATION VEHICLE OPTION

If due diligence indicates the proposed venture can proceed with acceptable confidence, a next step is to determine how legal rights to the IP will be held and conveyed during commercialisation.

Assignment - selling your IP

An assignment is an outright sale of your IP in which you transfer your ownership to another entity usually through an up-front lump-sum payment. If IP rights are sold, the IP is legally assigned to the new owner/s. This is because the IP legal rights are issued on a country-by-country basis.

If assigned, the commercialisation vehicle benefitting the seller (the 'assignor') is a sale arrangement and the assignor's commercialisation process is complete. The lump-sum payment for an assignment should be regarded as a purchase price.

Direct in-house use of IP

Owners of IP rights may choose to commercialise the IP entirely within an existing entity already controlled by them. That entity is then the commercialisation vehicle. When you commercialise in-house you develop your product to a market-ready state without any external ownership of your venture. This means that, apart perhaps from outsourcing some manufacturing, you take on the work and risk associated with launching a new product. It also means that if you are successful you reap all the benefits.

Start-ups and spin-offs

If an IP commercialisation vehicle is a new entity created specifically to commercialise the IP, it's called an 'IP start-up'.

An 'IP spin-off' is an IP start-up created by partitioning it off from an existing (parent) company.

Start-ups have the advantages of being fresh and free of the distractions and liabilities or legal encumbrances often associated with established entities, particularly as regards choice of directors and shareholders. Unfortunately, these same factors often imply lack of experience and stability.

Start-ups are often preferred for highly inventive IP because then new arrangements are required anyway. They're also a fundamental link for technology transfer between research organisations and industry.

The creation of a start-up can be a complex process. It requires the development of a separate business with allocation of IP rights, project and risk management and, in certain circumstances, fundraising to attract investors.

A conventional start-up company can be set up in two ways:

1. a new company, a spin-off, is created from a parent organisation that contributes financial, human and intellectual capital. The aim is to further develop and commercialise the IP created at, and assigned by, the parent organisation. Together with the relevant intangible asset, the parent organisation also transfers the obligations and risks of commercialising the IP.
2. a start-up can also be a company established independently of the existence of any parent organisation, with a view to exploiting the licensed intangible asset. This encourages interested venture capitalists to invest in the development of the IP created by the organisation.

IP licensing

A common commercialisation vehicle is to license, not sell, the IP rights via one or more licensing agreements. It means that you give permission for another entity to use your IP on agreed terms and conditions. If you don't have the resources or experience to develop and market your product or service, licensing can be an effective strategy.

Usually, the licensor (the IP owner) requires each licensee to pay a percentage of its sales revenue in arrears to the licensor at regular intervals. These payments are called 'royalties'. Many variables may be negotiated for each licence agreement, including:

- whether the rights are exclusive to that licensee, or non-exclusive, or sole
- whether sub-licensing by the licensee is allowed
- what 'territory' (e.g. which country/ies) applies
- what limitations (if any) exist to the fields of application (i.e. uses) of the IP
- what limitations (if any) exist to the avenues of exploitation (marketing, manufacturing, R&D)
- what time limitations apply (expiry terms)
- what lump-sum payments (if any) are required to be paid by the licensee
- what is the royalty rate and what other royalty terms apply
- what performance obligations (e.g. development milestones and minimum sales) are imposed upon the licensee.

Franchising

Franchising extends the use of licensing to create a significantly different commercialisation vehicle.

In a franchise agreement, one party (the franchisor) grants one or more other parties (the franchisees) the right to use its trade mark or trade name as well as the use of its business systems and processes (which may also involve IP). These licensed rights are used by the franchisees to provide goods or services to agreed specifications controlled by the franchisor. In return, the franchisees pay royalties and often pay fees and contribute to marketing costs.

Mergers and acquisitions (M&As)

'M&As' are a pair of legal transactions at corporate level that are similar to each other in the way they produce a desirable business entity to serve as a commercialisation vehicle.

A merger is the legal consolidation of two business entities into one. An acquisition occurs when one entity takes ownership of another. Both transactions result in the consolidation of assets and liabilities into a single entity, and the distinction between a merger and an acquisition can be vague in commercial terms.

Joint venture (JV)

A JV is a legal arrangement similar to a merger in its desired outcome of providing a suitable commercialisation vehicle. However, unlike a merger a JV does not alter the ownership of participating entities.

A JV is an agreement for two or more entities to collaborate on a specific venture of limited term, such as the commercialisation of IP which may or may not be jointly owned. The JV is separate from other business interests that the participants have. The participants may have any business structure individually.

If you participate in a JV, you're usually responsible for your own costs, incurred individually. (By contrast, a legal partnership is a business structure that in Australia usually requires the partners to be jointly and severally liable for costs. The JV participants are often loosely called partners, using the common non-legal meaning.)

A common use of JV is to partner with a local business to enter a foreign market and benefit from an existing distribution network. Some countries have restrictions on foreigners entering their market, making a JV with a local entity the only means of access.

Early Stage Venture Capital Limited Partnership (ESVCLPs)

Provides ESVCLPs with a flow-through tax incentive and a complete tax exemption on an investor's share of afund's income to increase investment in early stage venture capital businesses.

At a minimum, you must:

+ be either a limited partnership or an incorporated limited partnership
+ be established in Australia or in a country that Australia has a double tax agreement with
+ have a partnership agreement that ensures the partnership exists for between 5 and 15 years.

CHOOSE YOUR BUSINESS STRUCTURE

A business structure is a legal entity. In Australia, which is typical of developed economies in this respect, the following main choices exist:

Sole trader

This is an individual, a person, who has legal responsibility for all aspects of the business, including any debts and losses, which cannot be shared.

Despite the word 'sole', a sole trader may employ others in his/her business.

Partnership

A partnership is a business structure in which two or more people carry on a business together. A written partnership agreement is prudent but not mandatory.

The partnership may employ people who are not partners. The partners share income, losses and control of the business. As with a sole trader entity, it's not legally separate from the people in it, meaning each partner is personally liable for partnership debts, including their share of the partnership tax obligations.

Private company (Proprietary company)

A private company is a legal entity with, for control purposes, at least one person as a director who has responsibilities governed by the Corporations Act 2001. It has at least one shareholder, not necessarily a person, as owner(s). Unlike a sole trader or a partnership, it's a separate entity from its directors and shareholders – profits, losses and tax obligations belong to the company.

Shares may be sold, but not publicly.

Pty Ltd is an abbreviation for Proprietary Limited that is often placed at the end of the company name. 'Proprietary' means the company is privately held and 'Limited' means the liability of each shareholder to pay company debts is limited to the amount unpaid (if any) for his/her shares in it. (Proprietary companies can by choice be unlimited.)

A private company is relatively complex and expensive to establish and maintain. However, for on-going small-to-medium IP ventures, it's a highly practical, flexible and robust business structure.

Public company

Unlike private companies, public companies may sell their shares publicly.

They may be 'listed' or 'unlisted'. Listed public companies are included in the official list of a prescribed financial market such as the Australian Securities Exchange (ASX) where their shares can be bought and sold by the public.

For large IP ventures in particular, this business structure may facilitate the raising of funds by increasing the number of potential shareholders.

In addition, because ownership is public, the conduct of the business must be transparently of high integrity; this increases the management workload and costs. A potentially disadvantageous consequence is that public companies must have at least three directors, two of whom must be Australian residents.

Trust

A trust is a business structure in which a legal obligation exists on a person or company, known as a 'trustee', to hold assets for the benefit of others, known as 'beneficiaries'. The trustee is legally responsible for the business' operations.

It's important to note you cannot register a trade mark or design registration under the name of a Trust.

A formal trust deed is mandatory to define how the trust operates and who the beneficiaries are, so a trust is generally as complex as a company, but less flexible as regards control. Therefore it's not usually appropriate as the main business entity for commercialisation.

However, when the trustee is a private company, the trust operates like a private company, and the beneficial features of a private company mentioned above can be realised for small ventures.

IP VENTURE FUNDING OPTIONS

Two golden rules when seeking funding for a venture:

- never proceed underfunded
- allow for contingencies.

This is particularly true for IP ventures because of their novelty.

As the amount of required funding and associated risk increase, funding choices generally decrease. Ventures that prematurely run short of funds will be perceived as being higher risk.

Funding rarely occurs as a single lump-sum for commercialisation ventures and often it requires multiple sources. Some funding options are:

Private venture capital (VC) companies

VC funding is generally characterised as high-risk/high-return opportunities with strong growth potential. Specialised in this area, VC companies are rarely interested in funding under $1 million.

As well as funding, VC companies usually contribute managerial skills, but they may demand significant equity and control in return for funding.

Government commercialisation grants, loans and incentives

There are a number of government grants and funding programs available to assist Australian businesses to develop and commercialise their intellectual property (IP). Business.gov.au has a comprehensive list of these grants and programs, including the:

- Export Market Development Grant
- R&D Tax Incentive
- The Entrepreneurs' Programme.

Individuals ('business angels')

'Business angels' are affluent individuals who provide capital for start-ups in exchange for equity or an inflated profitable return on their loan ('convertible debt'). They may provide mentoring to start-ups.

This option can be an uncomplicated arrangement for small-to-medium ventures.

Crowdfunding

Crowdfunding is the practice of funding a venture by raising relatively small cash contributions from a large number of people. Worldwide, in 2015, it's estimated that over US$34 billion was raised this way.

Although crowdfunding has long been executed through mail-order subscriptions, benefit events and other methods, it has recently exploded in popularity with the availability of online registries.

If you're considering crowdfunding, it's important that you have already considered how you are protecting your idea.

Crowd-sourced equity funding

Crowd-sourced equity funding (CSEF) is a new fundraising approach available to Australian public companies with a turn over and gross assets of less than $2 million. [This is being made available through the National Innovation Science Agenda.]

Initial public offerings (IPOs)

An IPO, or float, occurs when a venture structured as a public company raises equity capital by offering shares to the public for the first time. This is usually only appropriate for larger ventures.

SOURCE IP - DIGITAL MARKETPLACE

Did you know that Australian businesses that collaborate with research organisations to innovate can be more profitable? This collaboration also increases their potential to grow and compete both nationally and globally.

Unfortunately, Australia's current rate of collaboration on innovation between industry and researchers is the lowest in the OECD. IP Australia has developed Source IP to help Australian businesses, including small businesses, to connect with potential research partners.

Source IP is a digital marketplace specifically created to help businesses and researchers collaborate by facilitating quick and easy contact.

Source IP helps businesses:

- access public sector inventions and technology available for licensing
- identify potential collaboration opportunities.

Source IP helps research institutions:

- signal their patent licensing intent
- promote their key areas of technology to potential industry partners.

With Source IP, you can search through the research that's already been started by Australia's public sector research organisations and get in touch with the researchers you're interested in working with.

Source IP currently features research expertise from over 50 research organisations including Commonwealth research organisations, universities, Medical Research Institutes and Cooperative Research Centres.

TYPES OF LICENCES

Intellectual property (IP) licensing gives the licensee the right to use, but not own, the IP.

The licence can be:

- an exclusive licence
- a sole licence
- a non-exclusive licence.

If you are thinking of licensing your IP, be aware of licence conditions and the licence royalties.

An exclusive licence is the most common form of commercialisation.

Exclusive licence

An exclusive licence is one where the licensee is given the right to commercialise the IP to the exclusion of all others, including the licensor.

Benefits of an exclusive licence

- **IP owner:** benefits by receiving an agreed sum that compensates for loss of future earnings and avoids the risk of the product not reaching the market or being successful.
- **Licensee:** benefits by knowing that they will be the sole recipient of the profits after bringing the product to a market-ready state.

Limiting an exclusive licence

Exclusive licences do not always provide blanket protection for the licensee. The IP owner can place restrictions that limit the licence.

- **Product restrictions:** restrict the licensee's use of the IP to a particular class of product.
- **Field restrictions:** restrict the licensee to a specific field of application.
- **Territory restrictions:** restrict the licensee to a specific geographical area.

The IP owner may choose to limit the licence to achieve one of two objectives:

- to retain the residual rights to commercialise in-house
- to license the IP rights to a number of different licensees, all being granted exclusive licences with complementing restrictions.

Sole Licence

This is like a crossover between an exclusive and non-exclusive licence. Like an exclusive licence, it does not allow other licensees to use the IP. However, it still permits the licensor to continue using their IP. The key benefit is that you as the licensor will still be able to use the IP and have more control than in the case of an exclusive licence.

What should I keep in mind?

In considering which licence best suits you, you should ask yourself: why are you licensing out your IP? Are you looking to commercialise? Are you licensing because you don't have the resources to market your product yourself? How involved do you want to be? This will determine the most appropriate licence for you. If you are looking for minimal involvement and would like your product or service developed on the side, then the exclusive licence is the most appropriate. If you want to actively grow your business, then a non-exclusive licence may suit you more.

Non-Exclusive Licence

A non-exclusive licence gives the licensee the right to use the IP. However, the licensor is also free to exploit the IP at the same time and allow others to do so. This is also a relatively common licence as it allows the licensor to give out a licence to an unlimited number of licensees.

The benefit of this licence is that it still allows the licensor to use the IP and may increase the commercialisation of the IP even if more licensees are allowed to use and exploit it. However, some licensees may be reluctant to buy a non-exclusive licence as they will hope for an exclusive one.

LICENCE CONDITIONS

Licence conditions may be put in place to cover:

- accounts, inspection and audit
- sub-licensing
- assignment (transfer)
- pre-market-entry commercialisation milestones
- post-market entry performance targets
- confidential information.

Accounts, inspection and audit

All licence agreements typically demand that:

- the licensee maintains good records and accounts
- the licensor is permitted to inspect those accounts and records
- the licensor usually bears all costs of that inspection.

Sub-licensing

Australian licensees often form partnerships with multinational companies to commercialise the intellectual property (IP) globally. In these cases, the Australian licensee would grant a sub-licence to an overseas company, which then becomes the sub-licensee. Typically the licensee gains the licensor's consent, which must not be unreasonably withheld.

Informing the licensor and gaining consent ensures the licensor will be satisfied that:

- the sub-licences are only being granted to companies that have the capability and resources to commercialise the product or service to best advantage
- the sub-licences' financial terms, as they impact on the licensor's royalties, are within commercial parameters.

Assignment (transfer)

Assigning a licence is different from granting a sub-licence. An assignment involves the transfer of all the licensed rights from the licensee to the assignee. Typically, a licence will state that a licensee must not assign the licence without the prior written consent of the licensor and such consent must not be unreasonably withheld.

Pre-market-entry commercialisation milestones

These are performance obligations on the licensee, between the time the licence is granted and the first product sale. They are indications of progress through the product development stage.

Milestones may be:

- manufacturing a working prototype
- manufacturing a production model
- a patent being granted
- securing a sub-licensee with the capacity to market worldwide
- spending a specific amount of money to develop, market or sell the IP product
- the acceptance of a business plan
- the first sale of a product.

If commercialisation milestones are not achieved by the agreed dates, the licensor has the right to terminate the licence and grant it to another person or company.

Post-market entry performance targets

A typical post-market entry performance obligation makes provision for a licensee to achieve certain minimum sales. If the minimum sales are not achieved, the licence may be terminated.

In a typical model:

- the territory is divided into markets
- in each market there is a different minimum sales target each year or every six months
- each sales target is assessed against a particular market, a business plan, whether there are competing products, and other factors
- the parties agree to a minimum sales target for each market, or failing agreement, a sales target is decided by an independent expert according to commercial benchmarks
- if an agreed minimum sales target is not achieved the licensor may terminate the licence.

Confidential information

Typically, a licence will require that the licensee does not disclose material relating to the IP or other confidential information to outside parties. This is especially important if it is an exclusive licence.

For example, a licensee may have an exclusive licence in a particular field of use, but should be obliged to maintain confidentiality in relation to its application in all other fields. They should be prohibited from using the IP and confidential information outside the agreed field of use. This applies whether there is product, field or territorial restrictions.

Licence Royalties

Licence royalties are paid to the owner of the intellectual property (IP) by the person licensed to commercialise the IP. There are a number of things to consider:

Royalties on sales

Usually, royalties are expressed as a percentage of the product's sale price. However, many factors influence a royalty rate. These include:

- industry type (as different industries have different rates)
- state of IP development (as the closer the product or service is to market-readiness, the higher the royalty)
- relative bargaining positions of the licensor and the licensee.

There is no standard 'sale price' where a royalty on sales is calculated. The starting point is usually the price at which the product is invoiced. From this, it is common for different types of deductions to be made, such as:

- sales tax
- GST
- turnover tax
- import or export tax
- excise duty
- a customs duty.

Freight and insurance costs are sometimes factored into the definition, where these costs are added to the invoice and appear as separate items.

Sometimes royalties may be increased as product sales reach certain milestones. For example:

- sales below $10 million - 5 per cent royalty rate
- sales above $10 million - 6 per cent royalty rate.

Royalties may also be paid on sub-licence fees. These are royalties received by a licensee from a sub-licensee in relation to product sales made by the sub-licensee. As an alternative, a sub-licensee may pay a lump-sum payment.

Royalties for the use of a process

If a product is manufactured using licensed IP then it is appropriate that a royalty be paid for the use of that process. The most common way of structuring IP royalty rates for processes is to pay the royalty based on the gross sales price of the product manufactured with that process.

Lump-sum licence fees

A lump-sum licence fee is often sought at the time of granting a licence. This could be a:

- signing fee
- milestone payment.

Generally a lump-sum fee will recover the expenses of developing the IP to a point where a licence is possible. These include research and development costs, administrative and indirect costs, along with a profit component.

Signing fee

A particular type of lump-sum licence fee is a signing fee. This can reimburse the out-of-pocket commercialisation costs incurred by a licensor up to the date the licence is granted, and can include:

- patent application costs and patent attorney's fees
- legal fees
- accountant's fees
- other consultants' fees.

Milestone payments

Milestone payments are made by the licensee as certain, defined milestone events occur during the conduct of the commercialisation process by the licensor. Examples of milestones that may trigger such payments are:

- manufacturing a working prototype
- manufacturing a production model
- a licensee granting a sub-licence to operate in North America
- the patent being granted
- the first sale of a product
- the making of cumulative sales of a stipulated amount.

As the commercialisation process advances through these milestones, the uncertainty of market entry reduces and the IP correspondingly becomes more valuable.

Commercialisation pathway

Commercialising a new product or service is typically a journey of many steps comprising a 'route to market' or 'commercialisation pathway'.

Examples of steps towards commercialisation (not necessarily taken in this order) include:

- sourcing a commercialisation opportunity, e.g. by accessing clear legal rights to existing IP
- defining and documenting the IP and its related commercial opportunities
- evaluating the IP to determine if the risks of commercialisation are worth taking
- establishing a legal business structure, at least for the first stage of commercialisation
- filing for IP protection
- preparing a detailed commercialisation plan
- sourcing funding
- developing the product or service to a marketable level
- building capability for manufacturing (if applicable), sales and marketing.

On the commercialisation pathway, several steps may be taken simultaneously, some may be skipped, and some repeated. The most appropriate steps and their best sequence depend on the specific IP involved and require careful consideration.

Commercialisation strategy

The 'commercialisation strategy' is the overall plan of action designed to achieve the long-term aim of the commercialisation venture. It guides, and interacts with, the considerations involved in choosing the commercialisation pathway.

This strategy is usually critical to the prospects of the venture. It may be adapted as needed. Often, a dominant part of the strategy is the marketing strategy.

Questions to consider when determining the strategy include:

- how does my proposed new product or service fit with the established core business interests of the venture participants?
- who will want it, and why it instead of an alternative? (i.e. what is the 'business proposition'?)
- how, where and by whom will it be sold?

Example: 'First to market' strategy

A simple example of a commercialisation strategy is the 'First to Market' approach, or 'First-Mover Advantage'. This strategy is chosen when the venture is confident that it can enter and capture a new, lucrative market before competition can develop sufficiently to challenge its dominance. Continued commercial success may depend on having an established presence in the market and a respected brand – being the 'original and best'.

Successful examples of this approach include eBay (the first online auction service), Kleenex (the first packaged facial tissues) and Amazon (the first online bookstore).

This 'first to market' strategy may be an effective option if the IP can only be kept a secret for a short period of time, it has a short effective lifespan because it exists in an industry that's rapidly evolving or if it doesn't meet the inventive step required for a patent.

Many other commercialisation strategies exist and usually relate to the choice of 'commercialisation vehicle'.

Commercialisation vehicles and business structures

You need to determine how legal rights to the IP will be held and conveyed during commercialisation. The commercialisation vehicle or business model refers to this manner of conveyance and relates to practical considerations broader than legal issues. Examples of commercialisation vehicles are licensing and franchising.

By contrast, the concept of a business structure refers to a purely legal (including tax-legal) entity.

A business structure is a category of entity that is legally recognised by, and defined by, a government authority. Any business structure applies only in a specific jurisdiction (e.g. a country). Each venture participant may be involved in one or more business structures, or all venture participants may be covered by a single business structure.

In Australia, a common choice of business structure for small-to-medium IP ventures is a type of private company known as a proprietary limited (Pty Ltd or P/L) company.

The choices for the commercialisation vehicle and the business structure(s) are closely related and interactive. A vehicle can be altered and several types may be used simultaneously during commercialisation. As your business grows and changes you may also decide to move to a different type of structure, however you need to be aware of the differences and obligations for each.

Global considerations

If you're considering entering a global market, you should consider where you would generate the best returns and whether you have the resources to successfully commercialise in, and supply to, countries outside of Australia.
Before entering a foreign market, it's important to ensure your IP is protected in the relevant country.
It's also important to understand IP protection in the country you would like to establish your market position to ensure you don't infringe on existing IP in that country.

Forms of IP protection

If your IP strategy includes legally protecting your idea, brand, design or even the application of your idea, it's important to understand the different forms of IP legal rights. Some forms of legal rights require registration, others do not.

Registered forms of legal protection in Australia include patents, trade marks, designs and plant breeder's rights. You may also be able to obtain IP legal protection in forms not requiring registration include copyright and circuit layouts.

A trade secret is a form of IP protection that is an alternative to some forms of legal protection. It cannot be used simultaneously with legal protection for the same IP. Trade secrets may be partly implemented by use of confidentiality agreements, also known as non-disclosure agreements (NDAs). An NDA is a type of legal contract that can maintain secrecy, however it is not itself a form of IP protection.

Maintaining secrecy with non-disclosure agreements (NDAs)

NDAs, also known as confidentiality agreements, legally oblige one or more recipients ('disclosees') of secret IP provided by the 'discloser' to be kept secret for a specified period. An NDA does not cover public IP revelations (i.e. IP disclosures, discussed above), it's limited to specific disclosees.

NDAs can be 'two-way', when each party exchanges confidential information with the other.

Execution of NDAs is often one of the first steps taken in commercialisation so that potential participants in the venture, other than the IP owner, can consider the IP before it is publicly revealed.

NDAs can be essential for commercialisation to proceed in the case of undisclosed IP. At least, they help to establish if a potential venture participant is genuinely interested rather than simply accepting free information about potential opportunities.

In many cases, NDAs need only apply until the IP is disclosed in, say, a patent application publication.

In any case, an IP owner can reveal the minimum information necessary to meet the terms and objectives of the NDA.

It's important for both parties, but in particular for a smaller business, that the definition of the IP in the NDA is accurate and well defined to avoid problems if it's breached.

Review the IP Background – Due Diligence

If a person or organisation (a business 'entity') believes they own IP or have an opportunity to source IP from others, a comprehensive appraisal of the viability of commercialising that IP should be made before committing to its commercialisation.

Many companies seek to secure their freedom to operate (FTO) at an early stage of their activity. This ensures that you don't infringe the IP rights of others through the commercial production, marketing or use of your new product, process or service. This is also known as 'due diligence'. Legal, technical, commercial and personal issues should also be considered through this phase. An IP professional can assist you through this process.

If several entities are considering sharing the risks of the venture, each should ensure the due diligence is completed to their individual satisfaction. Information provided to a potential venture participant by an IP owner usually is required to be legally warranted by the IP owner as being reasonably accurate.

Due diligence precedes the creation of a business plan. If the venture proceeds, much of the work conducted during due diligence may contribute to the plan.

The following issues should be resolved:

- IP definition: Exactly what is the IP? How does it differ from, or improve upon, what's come before?
- IP ownership: Who really has rights to use the IP?
- IP preliminary valuation ('validation' or 'risk validation'): Does the IP have sufficient commercial usefulness to warrant reasonable expenditure on its commercialisation?

IP definition

Defining your IP often receives attention too late, in particular if you wish to file for patent or design protection for your idea. In these cases, a detailed search of the prior art should be conducted to determine how likely it is that the idea is novel.

Because there may be millions of relevant articles published anywhere in the world over many decades, realistically no prior-art search can establish definitely that novelty (and inventiveness) exists, but a search may show that novelty definitely doesn't exist.

Defining your IP also helps to determine what type(s) of IP protection are suitable.

Good practice is to proceed as if an application for an appropriate type of legal IP protection is being made even if subsequently a decision is made not to file it. The form and content of such applications are mandated in a manner designed in part to make the IP clear.

Proper documentation of IP includes creating a summary, or IP register, in which the commercialisation entity records all of its IP. For each relevant country, the recording includes how each IP item is protected, the date an application for each protection was filed, the date that protection was granted, and prior-art information.

In Australia, patents are published 18 months after the applicant's earliest priority date, trade marks are published within a few days of filing and designs are published generally around two to three months after filing provided they are eligible for registration.

Our registers may not necessarily suit all of the requirements of the IP venture as we don't register information filed in another country.

IP ownership

Most venture financers prefer not to participate in a commercialisation venture unless ownership of the relevant IP is 'clean', or uncomplicated. If more than one entity is responsible for the creation of the IP, that IP is usually jointly owned initially.

Establishing and operating an IP venture can be difficult if there are more than two IP owners. Use of legal assignments or similar agreements can reduce the number of owners or clarify ownership.

IP sourced from publicly funded R&D organisations may have particularly complex ownership issues. Even if there is a sole IP creator, the relevant R&D is often funded by several organisations having various IP ownership arrangements. In addition, the IP may be difficult to separate from closely-related IP created under different funding arrangements.

For IP rights in Australia, the online Personal Property Securities Register should be checked in order to ensure that any rights being acquired by the commercialisation entity is not likely to be repossessed by a third party.

IP preliminary validation

Commercialisation should always involve a business plan, and one of the first steps towards developing a detailed plan should be to 'validate' the venture by establishing that it's worthwhile.

This involves valuing the IP assuming a reasonably appropriate business scenario, for example, by estimating the likely financial profit made by the venture over the first seven years of operation assuming specific financial investments in the first three years.

These preliminary validations tend to be of dubious accuracy, being heavily dependent on critical assumptions, but they can still provide significant information for the potential venture participants.

A critically important issue is to determine if any legal restrictions exist that may prevent the venture from operating effectively. Such restrictions include a vast range of regulatory hurdles (e.g. safety regulations) and ethical restrictions.

A venture has restricted FTO when an entity not associated with the venture has rights (such as a granted patent) to IP that the venture requires. A search of the patent register may discover if a restriction to FTO exists. If so, it may be possible for the venture to negotiate FTO with the other entity.
IP protection does not address any of these potential legal restrictions on the venture.
Because IP involves novel concepts, the legal restrictions on IP ventures may not be as obvious as the restrictions on more routine ventures.

Choose your Commercialisation Vehicle Option

If due diligence indicates the proposed venture can proceed with acceptable confidence, a next step is to determine how legal rights to the IP will be held and conveyed during commercialisation.

Assignment - selling your IP

An assignment is an outright sale of your IP in which you transfer your ownership to another entity usually through an up-front lump-sum payment. If IP rights are sold, the IP is legally assigned to the new owner/s. This is because the IP legal rights are issued on a country-by-country basis.

If assigned, the commercialisation vehicle benefitting the seller (the 'assignor') is a sale arrangement and the assignor's commercialisation process is complete. The lump-sum payment for an assignment should be regarded as a purchase price. You should factor in:

- all costs including direct and indirect costs of research and development, materials, any outsourcing and the cost of protecting the IP
- a profit component
- the potential market value of the technology or IP.

Although this commercialisation vehicle may achieve a quick and simple exit, it's usually less profitable than any of the alternatives because the assignment does not reduce the risk of commercialisation for the assignee.

Direct in-house use of IP

Owners of IP rights may choose to commercialise the IP entirely within an existing entity already controlled by them. That entity is then the commercialisation vehicle. When you commercialise in-house you develop your product to a market-ready state without any external ownership of your venture. This means that, apart perhaps from outsourcing some manufacturing, you take on the work and risk associated with launching a new product. It also means that if you are successful you reap all the benefits.

This vehicle is common if the IP was originally created in-house, or if the IP was acquired because it was a good match to the established business interests of the existing entity. Commercialising in house might involve:

- having (or acquiring) your own manufacturing facilities
- manufacturing the product using your own facilities, staff and resources
- marketing and promoting the product using your own staff and resources
- arranging all distribution and sales channels.

Start-ups and spin-offs

If an IP commercialisation vehicle is a new entity created specifically to commercialise the IP, it's called an 'IP start-up'.

An 'IP spin-off' is an IP start-up created by partitioning it off from an existing (parent) company.

Start-ups have the advantages of being fresh and free of the distractions and liabilities or legal encumbrances often associated with established entities, particularly as regards choice of directors and shareholders. Unfortunately, these same factors often imply lack of experience and stability.

Start-ups are often preferred for highly inventive IP because then new arrangements are required anyway. They're also a fundamental link for technology transfer between research organisations and industry.

The creation of a start-up can be a complex process. It requires the development of a separate business with allocation of IP rights, project and risk management and, in certain circumstances, fundraising to attract investors.

A conventional start-up company can be set up in two ways:

1. a new company, a spin-off, is created from a parent organisation that contributes financial, human and intellectual capital. The aim is to further develop and commercialise the IP created at, and assigned by, the parent organisation. Together with the relevant intangible asset, the parent organisation also transfers the obligations and risks of commercialising the IP.
2. a start-up can also be a company established independently of the existence of any parent organisation, with a view to exploiting the licensed intangible asset. This encourages interested venture capitalists to invest in the development of the IP created by the organisation.

IP licensing

A common commercialisation vehicle is to license, not sell, the IP rights via one or more licensing agreements. It means that you give permission for another entity to use your IP on agreed terms and conditions. If you don't have the resources or experience to develop and market your product or service, licensing can be an effective strategy.

Usually, the licensor (the IP owner) requires each licensee to pay a percentage of its sales revenue in arrears to the licensor at regular intervals. These payments are called 'royalties'. Many variables may be negotiated for each licence agreement, including:

- whether the rights are exclusive to that licensee, or non-exclusive, or sole
- whether sub-licensing by the licensee is allowed
- what 'territory' (e.g. which country/ies) applies
- what limitations (if any) exist to the fields of application (i.e. uses) of the IP
- what limitations (if any) exist to the avenues of exploitation (marketing, manufacturing, R&D)

what time limitations apply (expiry terms)

what lump-sum payments (if any) are required to be paid by the licensee

what is the royalty rate and what other royalty terms apply

what performance obligations (e.g. development milestones and minimum sales) are imposed upon the licensee.

Cross-licensing is a version of licensing in which two or more entities each grant rights to their IP to the other entity/ies.

By use of this vehicle, the licensor gains rapid expansion of business with minimal capital expenditure. However, the licensee's control of the use of the IP is diminished.

If you're thinking of licensing your IP, be aware of the types of licences, licence conditions and the licence royalties.

Franchising

Franchising extends the use of licensing to create a significantly different commercialisation vehicle.

In a franchise agreement, one party (the franchisor) grants one or more other parties (the franchisees) the right to use its trade mark or trade name as well as the use of its business systems and processes (which may also involve IP). These licensed rights are used by the franchisees to provide goods or services to agreed specifications controlled by the franchisor. In return, the franchisees pay royalties and often pay fees and contribute to marketing costs.

The franchisor gains rapid expansion of business with minimal capital expenditure. Based on the franchisor's initial success, the franchisees gain immediate brand recognition and established business processes and products.

Franchise agreements tend to be more complex than licensing agreements, partly because the franchisor must ensure that franchisees consistently provide high quality products and services so that the brand's reputation is not tarnished. Consequently, many countries have regulations specific to franchising. In Australia, the Franchising Code of Conduct applies under the *Competition and Consumer Act 2010* .

Mergers and acquisitions (M&As)

'M&As' are a pair of legal transactions at corporate level that are similar to each other in the way they produce a desirable business entity to serve as a commercialisation vehicle.

A merger is the legal consolidation of two business entities into one. An acquisition occurs when one entity takes ownership of another. Both transactions result in the consolidation of assets and liabilities into a single entity, and the distinction between a merger and an acquisition can be vague in commercial terms.

For example, if you're an inventor you may hold IP as an asset in a small, non-operational company that you own and run for prototyping and demonstration purposes only. You then seek acquisition or merger of your company by or with a larger organisation with the funds to commercialise the IP.

An acquisition (rather than a merger) is considered to occur when your company is significantly smaller than the other, or when the transaction is forced upon your company.

Joint venture (JV)

A JV is a legal arrangement similar to a merger in its desired outcome of providing a suitable commercialisation vehicle. However, unlike a merger a JV does not alter the ownership of participating entities.

A JV is an agreement for two or more entities to collaborate on a specific venture of limited term, such as the commercialisation of IP which may or may not be jointly owned. The JV is separate from other business interests that the participants have. The participants may have any business structure individually.

If you participate in a JV, you're usually responsible for your own costs, incurred individually. (By contrast, a legal partnership is a business structure that in Australia usually requires the partners to be jointly and severally liable for costs. The JV participants are often loosely called partners, using the common non-legal meaning.)

A common use of JV is to partner with a local business to enter a foreign market and benefit from an existing distribution network. Some countries have restrictions on foreigners entering their market, making a JV with a local entity the only means of access.

Choose your business structure

A business structure is a legal entity. Business.gov.au can help you decide which business structure best suits you needs. In Australia, which is typical of developed economies in this respect, the following main choices exist:

Sole trader

This is an individual, a person, who has legal responsibility for all aspects of the business, including any debts and losses, which cannot be shared.

Despite the word 'sole', a sole trader may employ others in his/her business.

This is the simplest and least expensive business structure, with maximum personal control. Changing it to an alternative business structure is simple. Thus it may be attractive for IP ventures at an early pre-commercialisation stage, or for micro ventures.

However, it can have disadvantages:

- it does not permit multiple entities to share ownership or control , which can be unacceptable to IP venture funders and other venture participants.
- it has unlimited liability; all the sole trader's personal assets (not just business assets) are at risk if the business fails.
- business profits or losses cannot be split with family members in order to take advantage of a common tax arrangement that allows a reduction in tax payable.

These three disadvantages are addressed to variable extent in each of the alternative business structures described below.

Partnership

A partnership is a business structure in which two or more people carry on a business together. A written partnership agreement is prudent but not mandatory.

A partnership may overcome disadvantage (a) listed above in an inexpensive manner, but it still suffers from disadvantages (b) and (c). Therefore it is likely to be attractive for IP ventures only at a pre-commercialisation stage, or for micro ventures.

The partnership may employ people who are not partners. The partners share income, losses and control of the business. As with a sole trader entity, it's not legally separate from the people in it, meaning each partner is personally liable for partnership debts, including their share of the partnership tax obligations.

Private company (Proprietary company)

A private company is a legal entity with, for control purposes, at least one person as a director who has responsibilities governed by the Corporations Act 2001. It has at least one shareholder, not necessarily a person, as owner(s). Unlike a sole trader or a partnership, it's a separate entity from its directors and shareholders – profits, losses and tax obligations belong to the company.

Shares may be sold, but not publicly.

The Australian Securities and Investments Commission (ASIC) regulates companies. Each company has its own set of rules, its constitution.

Pty Ltd is an abbreviation for Proprietary Limited that is often placed at the end of the company name. 'Proprietary' means the company is privately held and 'Limited' means the liability of each shareholder to pay company debts is limited to the amount unpaid (if any) for his/her shares in it. (Proprietary companies can by choice be unlimited.)

Most small companies in Australia are Pty Ltd companies.

A Pty Ltd company almost comprehensively overcomes disadvantages (a) and (b) mentioned above, i.e. excessively limited control and ownership, and unlimited personal liability.

Further, particularly in combination with the use of trusts (described below), the tax-related disadvantage (c) is alleviated in companies.

A private company is relatively complex and expensive to establish and maintain. However, for on-going small-to-medium IP ventures, it's a highly practical, flexible and robust business structure.

Public company

Unlike private companies, public companies may sell their shares publicly.

They may be 'listed' or 'unlisted'. Listed public companies are included in the official list of a prescribed financial market such as the Australian Securities Exchange (ASX) where their shares can be bought and sold by the public.

For large IP ventures in particular, this business structure may facilitate the raising of funds by increasing the number of potential shareholders.

A disadvantage when a company is publicly listed is that shareholders usually demand some control in a manner that may be difficult for the original venture participants to manage.

In addition, because ownership is public, the conduct of the business must be transparently of high integrity; this increases the management workload and costs. A potentially disadvantageous consequence is that public companies must have at least three directors, two of whom must be Australian residents.

Trust

A trust is a business structure in which a legal obligation exists on a person or company, known as a 'trustee', to hold assets for the benefit of others, known as 'beneficiaries'. The trustee is legally responsible for the business' operations. It's important to note that you cannot register a trade mark or design registration under the name of a Trust.

A formal trust deed is mandatory to define how the trust operates and who the beneficiaries are, so a trust is generally as complex as a company, but less flexible as regards control. Therefore it's not usually appropriate as the main business entity for commercialisation.

However, when the trustee is a private company, the trust operates like a private company, and the beneficial features of a private company mentioned above can be realised for small ventures.

Many trusts have an additional legal advantage: they enable a person who is a beneficiary to split his income amongst family members so that he/she can reduce the overall family tax payable (in contrast to disadvantage (c) mentioned above for sole traders).

This advantage is a significant consideration at the very beginning of a commercialisation venture. A person with shares in a company formed for commercialisation purposes may benefit by having his/her shareholding registered on behalf of a trust rather than him/herself.

Decide how to fund your idea

IP venture funding options

Two golden rules when seeking funding for a venture:

- never proceed underfunded
- allow for contingencies.

This is particularly true for IP ventures because of their novelty.

As the amount of required funding and associated risk increase, funding choices generally decrease. Ventures that prematurely run short of funds will be perceived as being higher risk.

Funding rarely occurs as a single lump-sum for commercialisation ventures and often it requires multiple sources.

Some funding options are:

Private venture capital (VC) companies

VC funding is generally characterized as high-risk/high-return opportunities with strong growth potential. Specialised in this area, VC companies are rarely interested in funding under $1 million.

As well as funding, VC companies usually contribute managerial skills, but they may demand significant equity and control in return for funding.

Government commercialisation grants, loans and incentives

There are a number of government grants and funding programs available to assist Australian businesses to develop and commercialise their intellectual property (IP). Business.gov.au has a comprehensive list of these grants and programs, including the:

- Export Market Development Grant
- R&D Tax Incentive
- The Entrepreneurs' Programme.

Export Market Development Grant

The Export Market Development Grant scheme is the Australian Government's major financial assistance program for Australian exporters. Grants are available to individuals, partnerships, trusts and companies that qualify with a turnover of up to $50 million.

The scheme supports a wide range of industry sectors and products, including the export of IP outside Australia.

The scheme reimburses up to 50 per cent of expenditure incurred in allowable export marketing activities. To qualify, at least $10 000 will need to have been spent over two years on eligible exporting.

The scheme is administered by Austrade.

R&D Tax Incentive

The Research and Development (R&D) Tax Incentive is the Australian Government's principal measure to encourage industry investment in research and development. It's a broad-based, market-driven program that aims to boost company competitiveness, improve productivity and deliver economy-wide benefits to Australia.

The R&D Tax Incentive provides generous benefits for eligible research and development activities. It's jointly administered by AusIndustry (on behalf of Innovation and Science Australia) and the Australian Taxation Office.

The Entrepreneurs' Programme

The Entrepreneurs' Programme could be of assistance to you, and offers support to businesses through three elements:

- Accelerating Commercialisation, helping entrepreneurs, researchers and businesses address key challenges in the commercialisation pathway of bringing new products, processes and service to the market by matching the companies' investments dollar for dollar and providing experienced Commercialisation Advisers to guide them through the commercialisation process
- Business Management, provides advice and facilitation services to improve business capabilities and networks
- Innovation Connections, helping small and medium businesses to access knowledge, engage with researchers and foster innovation.

These usually suit small-to-medium ventures. Typically, they provide cash subject to the recipient meeting various milestones and contributing matching funding.

Governments do not require any equity or on-going control of the venture, but the paperwork can be onerous for inexperienced applicants.

Individuals ('business angels')

'Business angels' are affluent individuals who provide capital for start-ups in exchange for equity or an inflated profitable return on their loan ('convertible debt'). They may provide mentoring to start-ups.

Some angel investors are organised into groups or networks, so they can pool their capital and expertise to support the ventures in which they invest.

Some business angels are attracted to a venture by an emotional connection with its mission as much as by the prospect of financial gain.

This option can be an uncomplicated arrangement for small-to-medium ventures.

Crowdfunding

Crowdfunding is the practice of funding a venture by raising relatively small cash contributions from a large number of people. Worldwide, in 2015, it's estimated that over US$34 billion was raised this way.

Although crowdfunding has long been executed through mail-order subscriptions, benefit events and other methods, it has recently exploded in popularity with the availability of online registries.

If you're considering crowdfunding, it's important that you have already considered how you are protecting your idea. We discussed with Ash Newland, founder of the Scrubba Wash Bag, his crowdfunding journey.

Crowd-sourced equity funding

Crowd-sourced equity funding (CSEF) is a new fundraising approach available to Australian public companies with a turn over and gross assets of less than $2 million.

This is being made available through the National Innovation Science Agenda.

Initial public offerings (IPOs)

An IPO, or float, occurs when a venture structured as a public company raises equity capital by offering shares to the public for the first time. This is usually only appropriate for larger ventures.

Source IP

Did you know that Australian businesses that collaborate with research organisations to innovate can be more profitable? This collaboration also increases their potential to grow and compete both nationally and globally.
Unfortunately, Australia's current rate of collaboration on innovation between industry and researchers is the lowest in the OECD. IP Australia has developed Source IP to help Australian businesses, including small businesses, to connect with potential research partners.
Source IP is a digital marketplace specifically created to help businesses and researchers collaborate by facilitating quick and easy contact.
Source IP helps businesses:

- access public sector inventions and technology available for licensing
- identify potential collaboration opportunities.

Source IP helps research institutions:

- signal their patent licensing intent
- promote their key areas of technology to potential industry partners.

With Source IP, you can search through the research that's already been started by Australia's public sector research organisations and get in touch with the researchers you're interested in working with.
Source IP currently features research expertise from over 50 research organisations including Commonwealth research organisations, universities, Medical Research Institutes and Cooperative Research Centres.

Queensland public sector intellectual property principles factsheet

Final | May 2018 | v3.0.0 | PUBLIC | Owner: HPW

Description

The Department of Housing and Public Works (HPW) is responsible for the administration of Crown copyright and other IP (Crown IP) across the Queensland Government.

Guidance on the effective management of Queensland Government IP is contained in the Queensland public sector intellectual property principles (IP principles). Queensland Government agencies should refer to the IP principles for high level policy guidance on best practice in IP management, including ICT related IP, when creating, recording, using, sharing, protecting, publicly releasing or commercialising IP assets.

Information on licensing Queensland Government copyright material before publication is included in the IP principles, the QGEA Information access and use policy (IS33), and the Australian Creative Commons website.

The IP principles are part of a broader Queensland Government IP policy framework, which includes the:

- IP principles (incorporating an IP assessment guide and a section on commercialising IP)
- 'Rewards for Creating Commercially Valuable Intellectual Property' Directive (Rewards directive)
- online IP training modules for government employees, to be situated on the Business Innovation and Improvement in Government (BiiG) website.

Under the Financial and Performance Management Standard 2009, agencies are required to manage their assets (including their IP rights) appropriately. Each government agency is responsible for the day to day management of the IP it develops, owns or uses, in accordance with applicable legislation, the IP principles and other relevant policies.

Queensland public sector intellectual property principles

The IP principles reflect developments in open government information management policies and processes. Significant open access developments in the Queensland Government have included:

- the Right to Information Act 2009 (Qld) (RTI), which provides for the proactive release of public sector information to the public as a default position, unless the release of the information is determined to be against the public interest
- the Queensland Government open data initiative, under which suitably licensed public sector information is released for public use through the Open Data portal.

The IP principles, IS33 and relevant legislation, guide Queensland Government agencies in managing the IP they create or use. The IP principles define 'intellectual property' and provide high level guidance on the effective administration of Crown IP.

The IP principles are divided into:

- general principles
- management principles
- commercialisation principles
- IP assessment guide.

Queensland public sector employees can also obtain information about effective IP management by accessing:

- the whole of government business and industry portal at http://www.business.qld.gov.au/ , especially the IP Infokit at https://www.business.qld.gov.au/running-business/protecting-business/ip-kit
- online IP training, to be situated at http://biig.govnet.qld.gov.au.
- The Department of Housing and Public Works (DHPW) - please send email inquiries to crown.ip@qld.gov.au or contact Clare Hoey, Manager, DHPW, by phoning 07 3719 7839 or emailing clare.hoey@qld.gov.au.

Queensland Government staff working with Indigenous communities or products and practices originating from Indigenous communities should be aware and respectful of traditional knowledge and its relation to the IP system. Traditional knowledge does not fit neatly into the current Australian IP system, where IP rights belong to a particular person or legal entity for a specified period of time, rather than to a group of people collectively for an indeterminate period of time.

EVALUATION PLAN

FOR

INVITATION TO OFFER DAFO*{Insert}*

FOR

{Title}

1. INTRODUCTION

Statement re opportunity e.g. *{DAF's stone-fruit breeding program at Maroochy Research Station is achieving its goal of generating good quality, low-chill, early-ripening peaches and nectarines for the Australian market.*

Seven (7), novel varieties were selected from the program because of their fruit quality, appearance or shape, blossoming and fruit harvest times and low chilling requirements. Subject to more extensive commercial-scale testing, these are likely to meet niche, Australian marketing requirements. }

An Invitation to Offer for Expressions of Interest (EoI) (designated DAFO{----} was publicly promoted on the Queensland Government's on-line Tenders web site (https://tenders.qld.gov.au/queensland) with closure date of *{Enter}*.

The EoI was associated with a fact sheet describing and comparing *{Enter}*.

Statement re desired outcome e.g. *{DAF is seeking a commercial partner to maximise the varieties' potential in Australian stone-fruit markets and production regions and achieve profitable financial returns to the commercialisation partner with a royalty stream for DAF and equity partner Horticulture Australia Limited (HAL). The commercialisation partner is expected to provide for substantial commercial evaluation trials of the varieties for sufficient time and locations in order to prove commercial potential and to exercise first right of refusal to undertake planned commercialisation of selected varieties for fresh market production including legal protection of the intellectual property, annual reporting and royalty payments}*.

2. OBJECTIVES OF EOI EVALUATION

The objectives of this plan is to fulfil the requirements of the Invitation as well as to ensure that the evaluation process is:

- ethical and fair
- consistent for all offers
- well documented

and that any decision made to select any offer/s must be able to withstand public scrutiny.

3. DEFINITIONS

A **conforming offer** is one that meets all mandatory requirements of the invitation.

An **alternative offer** is one that proposes a means of satisfying the requirements of the criteria but which differs from the specified criteria in material respects. .

A **non-conforming offer** is one that does not meet any one of the specified criteria.

4. EVALUATION PANEL AND RESPONSIBILITIES

An Evaluation Panel has been formed. They will evaluate all offers and identify the preferred licensee and prepare a recommendation and report.

The Evaluation Panel is to comprise:-

Role	Person	Position
Chair		Business Manager, *{Enter}*, Agri-Science Queensland, DAF
Representative		
Representative		
Representative		

All members of the Evaluation Panel are considered to have the necessary skills to evaluate each offer received for this commercialisation scheme. Where necessary, other specialists may be called upon to provide advice to the Evaluation Panel.

To ensure there is no public perception of conflict of interest or bias, all members of the Evaluation Panel may not accept any gifts or benefits of any nature and should avoid situations that could compromise, or be seen to compromise, the fair handling of the evaluation.

All members of the Evaluation Panel are to notify the Chair immediately of any circumstances, including any current, prior or proposed association with offerer's, which could possibly be construed as having the potential to influence the impartiality of one or more aspects of the Evaluation Panel's deliberations. All members of the Evaluation Panel are to refer any uncertainty to the Chair for resolution.

The Chair of the Evaluation Panel will refer to the Agri-Science Executive Director or delegate for resolution of any substantial circumstance or issue, including any current, prior or proposed association with offerers, which could possibly be construed as having the potential to influence the impartiality of the Evaluation Panel's deliberations.

Attention. All members of the Evaluation Panel must sign the Department's Disclosure Statement at Attachment A prior to the commencement of the Evaluation. These must be retained by the Evaluation Panel Chair. Evaluation Panel members will not receive offers until after the Evaluation Panel Chair has received completed and signed Disclosure Statement forms from each Panel member.

4.1 Evaluation Panel Chair

The Chair of the Evaluation Panel is responsible for:

- ensuring that all copies of offers released to Evaluation Panel members are registered, accounted for and controlled;
- ensuring that all discussion of the offers, suppliers and the evaluation is carried out in a secure location;

- chairing all meetings of the Evaluation Panel;
- ensuring the evaluation process complies with this Evaluation Plan;
- initiating all contact with offerers during the evaluation process (if required) through the Procurement Unit;
- initiating all contact with offerer's referees (if required);
- ensuring that the Evaluation Panel maintains the highest standards of probity and official conduct;
- seeking expertise from other sources on matters relevant to evaluation deliberations, where necessary;
- reviewing the Evaluation Reports generated by the Evaluation Panel;
- preparing the Evaluation Panel's report for endorsement by the Agri-Science Executive Director and review of the process by DAF's Procurement unit or a Level 2 Purchasing Officer., and
- addressing any challenges to the evaluation process.

4.2 Evaluation Panel Members

The Evaluation Panel members are responsible for:

- ensuring that all evaluation material is held in a secure location at all times;
- evaluating all offers in accordance with the Evaluation Plan;
- thoroughly documenting the reasons for each rating in the Panel Sheet (Attachment B), to indicate how the rating was determined;
- maintaining the highest standards of probity and official conduct; and
- assisting the Chair with the compilation of reports.

4.3 Timing and Location

The Evaluation Panel will convene at the following time and location:

Date	Venue	Purpose
		Evaluate all offers and select a bidder with whom contractual negotiations will subsequently commence.

The above time-frame may be subject to change depending on the commitments of the Panel members.

5. EVALUATION METHODOLOGY

When all of the offers have been opened, a registry of offers received and late offers received will be created. The original of each offer will be forwarded to the Commercialisation Unit and then to the Evaluation Panel Chair.

The Evaluation Panel will:

- review, determine and document which offers (if any) do not meet mandatory requirements and should be excluded from further consideration;
- conduct a detailed qualitative and comparative assessment of each offer, using the Evaluation Criteria and rating system detailed in this Evaluation Plan;
- consider and resolve any apparent inconsistencies or uncertainties that arise from a comparison between the technical performance and financial assessments (as necessary);
- seek written clarification information from suppliers (if applicable);
- moderate their scoring as necessary;
- confirm the final assessment;
- advise any relevant Project Panel and/or Steering Panel of the recommendation (where necessary) and seek approval by the Business Unit Management team; and
- prepare the Evaluation Report using the developed Template for endorsement by the Agri-Science Executive Director and review of the process by Procurement or a Level 2 Purchasing Officer.

6. EVALUATION PROCESS

6.1 Introduction

All offers were mailed to the Queensland Government's Shared Services Agency by the closing date and time nominated in the Invitation to Offer.

A master copy of all offers will be retained on file by the Evaluation Panel Chair.

6.2 Compliance/Conformance Checking

Compliance/conformance checking will be undertaken by the Chair of the Evaluation Panel who will review, determine and document which offers (if any) do not meet the mandatory requirements of the Conditions of Offer and any specifically required by the Invitation to Offer document.

However, the Evaluation Panel reserves the right to accept an Offer with departures from the specified mandatory requirements, where, after taking all factors into consideration, it is considered this Offer provides the best solution.

Due consideration will be given to alternative offers. An alternative offer will only be considered if accompanied by a conforming offer.

6.3 Evaluation Criteria Weightings

The following weightings have been assigned to the Evaluation Criteria as detailed in the Invitation to Offer. The weightings reflect the relative importance of each criterion.

In summary, weighting is used to reflect the relative importance of the Evaluation Criteria, and ratings are used to indicate how well the offerer's solution meets the Evaluation Criteria.

Criterion	Factors taken into consideration as part of this criterion include, but are not limited to, the following:	Criterion Weighting
	Mandatories The extent to which the offer complies with mandatory requirements of the Invitation to Offer.	
1	*e.g. {Demonstrated experience in the propagation and production of {trees of a range of disease-free, clonal stone-fruit varieties in sufficient quantity for firstly, licensed commercial evaluation and secondly, large-scale commercial development.}*	**%**
2	*e.g.{Demonstrated experience or ability to rapidly acquire experience in preparing and enforcing sub-licensing agreements with plant propagators and growers to grow sufficient numbers of trees of varieties in enough locations to facilitate thorough evaluation and documentation of the commercial potential of the plant intellectual property to meet both grower and market expectations.}*	**%**
3	e.g. {Demonstrated experience or ability to acquire experience in the effective management, marketing and commercialisation of protected plant intellectual property in Australian markets in regard to: • legally registering and protecting selected varieties under the *Plant Breeder's Rights Act* 1994; • marketing plans to advertise, promote and sell selected, licensed varieties;	**%**
4	*e.g.{Presentation of an outline of indicative performance targets that will be binding and enforceable including:* • *a firm indication of the growing locations and minimum number of plants to be propagated and distributed under licence for initial, commercial evaluation in-orchard including sufficient volume of fruit in major consumer markets;* • *anticipated minimum number of plants to be propagated for use in the supply chain following the final selection and legal protection of selected varieties; and* • *a firm indication of the minimum per-tree royalty, fruit production royalty, or combination of the two forms of royalty to be paid to DAF.}*	**%**

5	*e.g.{Description of the applicant's business organisation and practices, including experience in efficient collection of royalties and timely and appropriate record keeping, reporting and royalty payment practices}*	**%**

6.4 Numerical Rating (Non-Costing Criteria)

Allocation of point ratings in the range 0, 1, 3, 5, 7 and 9 (except price, refer section 6.6) will be in accordance with the following table:

Rating	Description
0	Totally fails to satisfy requirement (eg. no response)
1	Fails to satisfy requirement (eg. poor or nil response)
3	Partially satisfies requirement
5	Satisfies requirement
7	Exceeds requirement
9	Excellent satisfaction of requirement

6.5 Evaluation of Offers

Offers will be assessed by the panel against the Evaluation Criteria identified in the Invitation to Offer and this Plan. The rating system shown at 6.4 above will be applied to each Evaluation Criterion for each offer by each Evaluation Panel member. Ratings will be based on quantitative (where appropriate) and qualitative assessment of the solutions offered, with higher ratings indicating better performance. The reasons for each rating will be thoroughly documented in the Panel Member Evaluation Sheet (Attachment B), to indicate how the rating was determined.

If the Evaluation Panel does not agree on a single rating, then the Panel member's ratings will be averaged to determine the Panel's rating for each Evaluation Criterion. The ratings for each offerer for each Evaluation Criterion will be compared with other relative offerers to reduce the likelihood of any imbalance between ratings. A final rating (based on consensus) for each Evaluation Criterion shall be determined and recorded in the Panel Summary Evaluation Sheet (Attachment C).

6.6 Numerical Rating of Cost Information

Offerers may submit information regarding royalty rates/licence fees under very different bases and conditions. It may be necessary to standardise values offered to ensure that the Evaluation Panel is satisfied that there is a common basis for comparison.

6.7 Calculation of Overall Score

When the moderated ratings are entered, they will be multiplied by the weightings which will produce a score for each Evaluation Criterion which, when added,

produces the Overall score for each offer. The offerer(s) with the highest score(s) at the end of the selection process shall be selected as the preferred licensee.

7. ADMINISTRATION OF THE EVALUATION

7.1 Audit Trail of Assessment and Decisions

To ensure a clear audit trail is maintained throughout the evaluation process, all conclusions and decisions, processes and deliverables leading thereto, will be recorded in the evaluation documentation. All judgments of compliance, effectiveness, financial and other matters will be supported by relevant documentary evidence/written comments for each offerer.

7.2 Clarification by Offerers

Where clarification is required, all communication with offerers will be authorised and coordinated by the Evaluation Panel Chair. Clarification of questions and their responses will be confirmed in writing by all parties and, will be the sole means of formal communication between the Evaluation Panel and offerers. Clarification of responses will not allow an offerer to modify their offer.

7.3 The Evaluation Report

The Evaluation Panel will use the Template developed for the Evaluation Report.

The Evaluation Panel will recommend, that based on the outcomes of the evaluation process, the highest scoring offerer(s) be awarded the commercialisation licence.

7.4 Security Measures

Following closing of the Invitation to Offer the Chair will register and securely retain the original of all offers.

All other copies of the offers will be received, registered, accounted for, and controlled by the Evaluation Panel Chair. No additional copies or copying of any part of the responses will be permitted without the authorisation of the Evaluation Panel Chair.

No offer or evaluation material is to leave a secure location and not left unattended, or otherwise be handled in a manner that may lead to its dissemination. All discussion of the offers, offerers, and the evaluation as a whole is only to be carried out in a secure location.

The security of the offer documents, evaluation matrices and submissions will be the responsibility of the Evaluation Panel Chair.

The evaluation will be fully recorded, and all information and documentation treated as “Commercial-In-Confidence”.

No unnecessary discussions will take place with any person outside the Evaluation Panel concerning any aspect of the evaluation.

All members of the Evaluation Panel will sign and date this Evaluation Plan, their evaluation working papers and the Evaluation Report.

7.5 Unsuccessful Offerers

Unsuccessful offerers will be advised by the Chair.

Upon written request, the Chair will provide to unsuccessful offerers the written comments provided by the Evaluation Panel in their Evaluation Report. Where an unsuccessful offerer requests further personal feedback, the Evaluation Panel Chair and one other officer shall provide a debriefing session to the requesting organisation. Only the details pertaining to the requesting organisation's offer and if requested, the name of the successful offerer(s) will be discussed.

The debriefing session will be formally documented and a copy of the minutes of the meeting forwarded to the organisation and a copy kept on file.

7.6 Timetable

The target for completion of the evaluation is *{Enter Date}*. If the Department decides not to proceed, or to prolong the process, offerers will be advised accordingly.

8. ATTACHMENTS

Attachment A: Acknowledgement of Obligations Proforma
Attachment B: Panel Member Evaluation Proforma
Attachment C: Panel Summary Evaluation Proforma

ATTACHMENT A:

DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY

DISCLOSURE STATEMENT

Acknowledgement of Obligation

REQUEST FOR OFFER: ***{Enter}***

By this declaration dated the…….. day of ……..…….. 2011

I, ……. ……..
(name) (position)

acknowledge and agree to the following:

1 CONFIDENTIALITY OBLIGATIONS

1.1 In the course of performing services for the Department of Agriculture, Fisheries and Forestry ('the Department'), relating to evaluation of offers process, I will be exposed to information which is confidential.

1.2 Improper use or disclosure of that information could jeopardise or invalidate the evaluation process and may severely damage the Department's ability to perform its governmental/statutory functions.

If a DAF employee, select the following paragraph

1.3 I am aware of my obligations under the legislation which governs my employment (and associated code of conduct) to take all reasonable steps in ensuring the Department's confidential information is kept confidential and in performing those services faithfully and without any conflicting interest.

If external to the Department, select the following paragraph -

1.3 I agree to treat all information provided to me in the course of performing the services described in Clause 1.1 herein as confidential information, which must not be divulged to any person without the prior written consent of the Department.

1.4 I am aware that under the Crime and Misconduct Act 2001, disclosure of confidential information may be Official Misconduct and as such is an offence under the Act.

Confidential information includes information of a sensitive, personal, commercial or political nature made available to you in connection to your role as a public official that could cause harm to individuals or the State if disclosed other than in accordance with its intended purpose to target audience.

2 CONFLICT OF INTEREST

2.1 I warrant that before signing this declaration, I have disclosed on this document all the past, current and anticipated interests which may conflict with my impartial involvement in the evaluation process.

2.2 I agree that during the course of the evaluation process I will not engage in any activity or obtain any interest likely to conflict with my impartiality in respect of this project. In the event that a real or apparent conflict of interest arises, I shall immediately disclose it to the Department.

Declaration of Conflict of Interest

I declare that the following are all the past, current and anticipated interests which may give rise to a real or apparent conflict with my impartial involvement in the evaluation process.

I note that conflicts of interest may arise under the following situations:

- an event or situation and the context in which it occurs;
- the nature of my work;
- any personal or private interests that may directly or indirectly influence and/or benefit me or others;
- my relationships with, or the names of other parties;
- a conflict of interest may relate to both pecuniary and non-pecuniary interests.

The reason/s why I consider the situation may be a conflict of interest or be perceived by others as a conflict of interest are below (if none write NONE):

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

(Continue overleaf if necessary)

Signed: Witnessed:

Name: Name:

Date: Date:

ATTACHMENT B:

PANEL MEMBER EVALUATION SHEET

Offeror Name:

DATE: / /

EVALUATION CRITERIA

The following Evaluation Criteria were used for evaluation in accordance with INVITATION TO OFFER *DAFO*{----} FOR COMMERCIALISATION and were scored in accordance with the Evaluation Plan. Each major evaluation element has been examined.

Rating

Rating	Description
0	Totally fails to satisfy requirement (e.g. no response)
1	Fails to satisfy requirement (e.g. poor or nil response)
3	Partially satisfies requirement
5	Satisfies requirement
7	Exceeds requirement
9	Excellent satisfaction of requirement

Invitation to Offer DAFO{----}: ***{Enter}***		**PANEL MEMBER'S RATING & COMMENTS (Strengths and Weaknesses)**
Criterion 1		Rating
Criterion 2		Rating
Criterion 3		Rating

Invitation to Offer DAFO{----}: *{Enter}*		**PANEL MEMBER'S RATING & COMMENTS (Strengths and Weaknesses)**
Criterion 4	-	Rating

Invitation to Offer DAFO{----}: *{Enter}*		**PANEL MEMBER'S RATING & COMMENTS (Strengths and Weaknesses)**
Criterion 5		Rating

Signed by:

…….
Evaluation Panel member

……2011

ATTACHMENT C:

PANEL SUMMARY EVALUATION SHEET

Offeror Name:

DATE: / /

EVALUATION CRITERIA

The following Evaluation Criteria were used for evaluation in accordance with INVITATION TO OFFER DAFO{----} {Enter Details} FOR COMMERCIALISATION and were scored in accordance with the Evaluation Plan. Each major evaluation element has been examined.

Rating

Rating	Description
0	Totally fails to satisfy requirement (e.g. no response)
1	Fails to satisfy requirement (e.g. poor or nil response)
3	Partially satisfies requirement
5	Satisfies requirement
7	Exceeds requirement
9	Excellent satisfaction of requirement

Invitation to Offer DAFO{----}: **{Enter}**		**PANEL'S SUMMARY RATING & COMMENTS (Strengths and Weaknesses)**
Criterion 1		Rating
Criterion 2		Rating
Criterion 3		Rating

Invitation to Offer DAFO{----}: **{Enter}**		**PANEL'S SUMMARY RATING & COMMENTS (Strengths and Weaknesses)**
Criterion 4		Rating

Invitation to Offer DAFO{----}: {Enter}		PANEL'S SUMMARY RATING & COMMENTS (Strengths and Weaknesses)
Criterion 5		Rating

Signed by:

……
Evaluation Panel Chair

……2011

Signed by:

……
Evaluation Panel member

……2011

Signed by:

……
Evaluation Panel member

……2011

Signed by:

……
Evaluation Panel member

……2011

Department of Agriculture and Fisheries

Evaluation Report

For

Invitation to Offer DAFO*{----}*

{Title:}

1. Purpose

The purpose of this document is to report on the offer evaluation process and to recommend an offer for acceptance and approval for the Expression of Interest DAFO*{----} 'Title:'*.

2. Background

Introduction: *e.g. {(DAF's stone-fruit breeding program at Maroochy Research Station is achieving its goal of generating good quality, low-chill, early-ripening peaches and nectarines for the Australian market.}*

What is on offer: *e.g. {Seven (7), novel varieties were selected from the breeding program because of their fruit quality, appearance or shape, blossoming and fruit harvest times and low chilling requirements. Subject to more extensive commercial-scale testing, these are likely to meet niche, Australian marketing requirements.}*

Details: *{Describe material}*

DAF is seeking a commercial partner to maximise the *{materials}* potential in Australian markets and production regions and achieve profitable financial returns to the commercialisation partner with a royalty stream for DAF *{and equity partner e.g. Horticulture Australia Limited (HAL)}.*

The commercialisation partner is expected to provide for substantial commercial evaluation trials of the *{material}* for sufficient time and locations in order to prove commercial potential and to exercise first right of refusal to undertake planned commercialisation of selected varieties for fresh market production including legal protection of the intellectual property, annual reporting and royalty payments.

3. Tender Process

The Expressions of Interest DAFO*{----}* was publicly promoted on the Queensland Government's on-line Tenders web site (https://tenders.qld.gov.au/queensland). A copy of the Expression of Interest is included as Appendix 1 to this report

The Expression of Interest opened on *{add date}* and closed close-of-business on *{add date}*.

4. Offers Received

Offers were received from the following Offerors:

{List}

-
-

5. Evaluation Criteria and Weightings

Evaluation criteria were developed in order to determine the Offerors ability to meet the department's requirements. The evaluation criteria were stated in the Invitation to Offer document (refer Appendix 1).

Offers were first reviewed to determine if the information and documentation as specified in the Invitation to Offer had been provided.

Offeror's must have met the mandatory requirements prior to being considered for evaluation against the specified criteria.

The evaluation criteria and weightings used to evaluate this Invitation to Offer are as follows:

Criterion	Factors taken into consideration as part of this criterion include, but are not limited to, the following:	Criterion Weighting
	Mandatories The extent to which the offer complies with mandatory requirements of the Invitation to Offer.	
1	*e.g. {Demonstrated experience in the propagation and production of {trees of a range of disease-free, clonal stone-fruit varieties in sufficient quantity for firstly, licensed commercial evaluation and secondly, large-scale commercial development.}*	**%**
2	*e.g.{Demonstrated experience or ability to rapidly acquire experience in preparing and enforcing sub-licensing agreements with plant propagators and growers to grow sufficient numbers of trees of varieties in enough locations to facilitate thorough evaluation and documentation of the commercial potential of the plant intellectual property to meet both grower and market expectations.}*	**%**
3	e.g. {Demonstrated experience or ability to acquire experience in the effective management, marketing and commercialisation of protected plant intellectual property in Australian markets in regard to: • legally registering and protecting selected varieties under the *Plant Breeder's Rights Act* 1994; • marketing plans to advertise, promote and sell selected, licensed varieties;	**%**

4	*e.g.{Presentation of an outline of indicative performance targets that will be binding and enforceable including:* • *a firm indication of the growing locations and minimum number of plants to be propagated and distributed under licence for initial, commercial evaluation in-orchard including sufficient volume of fruit in major consumer markets;* • *anticipated minimum number of plants to be propagated for use in the supply chain following the final selection and legal protection of selected varieties; and* • *a firm indication of the minimum per-tree royalty, fruit production royalty, or combination of the two forms of royalty to be paid to DAF.}*	**%**
5	*e.g.{Description of the applicant's business organisation and practices, including experience in efficient collection of royalties and timely and appropriate record keeping, reporting and royalty payment practices}*	**%**

6. Evaluation Ratings

Evaluation ratings have been allocated in the range 1-9 in accordance with the following table:

Rating	Description
0	Totally fails to satisfy requirement (e.g. nil response)
1	Fails to satisfy requirement (e.g. poor or inadequate response)
3	Partially satisfies requirement
5	Satisfies requirement
7	Exceeds requirement
9	Excellent satisfaction of requirement

7. Summary of Evaluated Offers

The Evaluation Panel members met on *{add date}* to moderate scores for offers received.

Moderated scores are based on the individual assessment of each offer and are documented on the Panel Summary Evaluation Sheet for each Offeror (refer Appendix 2 – Panel Summary Evaluation Sheets).

The Chair has completed and documented the outcome of the evaluation in Appendix 3 – Evaluation Panel Assessment Scores. The Evaluation Panel Assessment Scores show the rating the Evaluation Panel gave to each criterion, the weighted score for each criterion, and the total weighted score for each offer assessed.

8. Evaluation Outcome

Offers were initially assessed in terms of compliance with the mandatory requirements of the Invitation to Offer. Conforming offers were evaluated against the weighted criteria. The outcome of this evaluation was a final score against each criterion for each offer.

Overview of review: *e.g. {The offer from ABC Company Pty Ltd was not rated and was excluded from any further consideration by the Evaluation Panel because it failed to meet the minimum requirements of the Invitation to Offer. That is, the Offeror had failed to clearly document how they met the evaluation criteria in sufficient detail as required in the Invitation to Offer document. The Evaluation Panel agreed that the Offeror had provided insufficient information on which to properly assess and rate the offer against the evaluation criteria.}*

Summary of review: (*by offeror) e.g.*

{XYZ Pty Ltd

XYZ provided a comprehensive offer that satisfied or exceeded all the evaluation criteria. Specific strengths of the XYZ offer were:

- *XYZ has extensive experience in and a long term commitment to the low-chill stone fruit industry.*
- *XYZ has made a firm commitment to propagate and evaluate a greater numbers of trees (min. 1000/variety vs. 60-250/variety) at a greater number of sites (10 sites vs. 3-5 sites) than the other rated offer.*
- *XYZ has provided a firm timetable for completing the commercial evaluation and selection of varieties (by 1 February 2017).*
- *XYZ has provided a comprehensive and well thought through marketing strategy.*
- *XYZ has committed to a $3,500.00 ($500.00/variety) licence fee on execution of an exclusive licence agreement. The Panel felt this was a demonstration of the Offeror's bona fides and their commitment to successfully commercialising the varieties.*
- *XYZ has committed to a $1.00/tree/year tree rental for growers involved in the commercial evaluation of the varieties, and a $2.00/tree/year tree rental for new growers once the varieties have been evaluated and selected for commercialisation.*

The Evaluation Panel did identify some weaknesses in the XYZ offer including:

- *XYZ's lack of experience in the commercial production and supply of stone fruit propagation material;*
- *XYZ's lack of experience in the protection of new plant varieties including plant breeder's rights and sub-licensing of growers, propagators, distributors and marketers; and*
- *XYZ's lack of experience in the collection and payment of royalties to a variety owner.}*

Statement re review results: *e.g. {The total weighted scores for XYZ and XXX were equal at the conclusion of the Evaluation Panel's assessment (refer Appendix 2 – Evaluation Panel Assessment Scores).}*

{The Evaluation Panel has however agreed to recommend that XYZ be selected as the preferred Offeror. The Panel believes that XYZ has made a firm commitment to a licence fee and royalty structure that will provide the variety owners with the best return over time. The Panel also felt that XYZ's commitment to an up front licence fee and a firm royalty structure demonstrates the company's bona fides and commitment to the successful commercialisation of the varieties. XYZ's superior tree numbers and trial sites during the evaluation phase, the limited number of varieties they will be managing, and their proposed marketing strategy were also factors in the Panel's decision.}

{The Panel recommends that DAF discuss with XYZ the possibility of them partnering with an established nursery business to ensure that an adequate supply of trees is able to be produced and the trees are of an acceptable quality.}

9. Recommendation *e.g.*

{On completion of the assessment of the offers against the abovementioned evaluation criteria, the Evaluation Panel members determined that the offer submitted by XYZ Pty Ltd was compliant with the specified requirements documented in the Invitation to Offer document and will best satisfy the department's requirements.}

{It is recommended that the department offers XYZ Pty Ltd first rights to negotiate the terms and conditions of an exclusive licence agreement to manage commercial evaluation trials of the seven novel, low-chill stone fruit varieties and to subsequently undertake commercialisation of the selected varieties in Australia for the fresh market.}

Signed by:

.....

Business Manager (*Unit*)
Agri-Science
DAF
Chair of Evaluation Panel

Date:

Signed by:

.....

Evaluation Panel member

Date:

Signed by:

.....

Evaluation Panel member

Date:

Signed by:

.....

Evaluation Panel member

Date:

Endorsement by

Signed by:

.....
General Manager (*Unit*)
Agri Science QLD
DAF:

Date:

Signed by:

.....
Executive Director
Agri Science QLD
DAF:

Date:

11. Procurement Review

I certify that the evaluation was conducted in accordance with the requirements of the State Procurement Policy and approve that *[Company Name]* be appointed for *[Offer Number]*.

Signed by:

.....
[insert Procurement Consultant's name]
Procurement Consultant
Procurement Certification Level :

Date: