

Intellectual Property: Commercialisation Revenue - Procedures



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Definitions

Please refer to the University's Intellectual Property - Governing Policy and Glossary of Terms for policies and procedures for terms and definitions used in these procedures. These are critical to its interpretation and effectiveness.

1. Purpose of procedures

1.1 These Procedures sets out the operation and administration of USC's Intellectual Property – Governing Policy in relation to the distribution of Commercialisation Revenue, other than from Commercialisation of Teaching Materials and that Intellectual Property not derived from Research, to Creators.

These Procedures complement USC's Intellectual Property - Governing Policy and are compliant with the University's obligations under the National Principles of Intellectual Property Management for Publicly Funded Research.

2. Distribution of Net Commercialisation Revenues

2.1 The Office of Research will arrange for the distribution of Net Commercialisation Revenues (excluding revenues received from the Commercialisation of Teaching Materials and that Intellectual Property not derived from Research) to Creators in accordance with USC's Intellectual Property - Governing Policy and these Procedures, which as a general rule is:

- (a) one half (50%) to all Creators amongst them;
- (b) one quarter (25%) to the Creators' cost centre; and
- (c) one quarter (25%) to USC central funds.

Subject to any existing agreements in place regarding revenue distributions, these Procedures will apply in relation to all Net Commercialisation Revenue (excluding revenues received from the Commercialisation of Teaching Materials) received by USC in accordance with USC's Intellectual Property - Governing Policy.

2.2 Net Commercialisation Revenue available for distribution to Creators is the gross Commercialisation Revenue received by USC from the Commercialisation of the Intellectual Property which Creators have created, less Commercialisation Expenses.

2.3 Commercialisation Revenue may include:

- (a) royalties upon sales by a licensee;
- (b) royalties from sub-licence fees received from a licensee;
- (c) lump sum licence fees (except where those fees are required to be used to subscribe for equity in a start-up company);
- (d) proceeds from the assignment of USC Intellectual Property;
- (e) proceeds of sale of the USC Intellectual Property (where a sale occurs);
- (f) signing fees;
- (g) milestone payments;
- (h) minimum annual payments;
- (i) reimbursement of patent prosecution and maintenance expenses;
- (j) dividends upon shares owned by USC in a start-up company to which it grants a licence;
- (k) proceeds of sale of shares owned by USC in a start-up company to which it grants a licence;

APPROVAL AUTHORITY

Deputy Vice-Chancellor (Research and Innovation)

RESPONSIBLE OFFICER

Deputy Vice-Chancellor (Research and Innovation)

DESIGNATED OFFICER

Director, Office of Research

FIRST APPROVED

28 September 2018

LAST AMENDED

1 October 2018

EFFECTIVE START DATE

1 October 2018

REVIEW DATE

28 September 2023

STATUS

Active

RELATED DOCUMENTS

Intellectual Property - Governing Policy

RELATED LEGISLATION / STANDARDS

National Principles of IP Management for Publicly Funded Research

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- (l) damages from infringement proceedings;
- (m) any income received from the exploitation of USC Intellectual Property, and does not include,
- (n) payments pursuant to a research or consulting agreement; or
- (o) revenues received from the Commercialisation of Teaching Materials.

2.4 The above list is not exhaustive. The determination of whether particular revenue is Commercialisation Revenue available for distribution to Creators will be made by the Deputy Vice Chancellor (Research and Innovation).

2.5 Commercialisation expenses may include the expenses incurred by USC in the production, development, protection, marketing and Commercialisation of USC Intellectual Property, and includes:

- (a) patenting and other Intellectual Property protection expenses;
- (b) legal expenses incurred on the Commercialisation project (and not just on the particular transaction giving rise to the revenue);
- (c) external professionals' expenses incurred on the Commercialisation project (and not just on the particular transaction giving rise to the revenue), which may include:
 - (i) accountants' expenses for financial and taxation modelling;
 - (ii) valuers' expenses; and
 - (iii) other consultants' expenses (e.g. Commercialisation consultants);
- (d) costs associated with the development of the Intellectual Property including proof of concept studies, prototype development, marketing studies and business planning;
- (e) costs associated with the establishment of a startup company (e.g. incorporation, legal, taxation and advisory costs);
- (f) travel and accommodation expenses incurred on the Commercialisation project (and not just on the particular transaction giving rise to the revenue) by any person (whether Staff Member, or an external professional);
- (g) legal costs and related expenses incurred to commence or defend infringement proceedings;
- (h) taxes, duties or any other government levies incurred by USC, in respect of the Commercialisation project or revenue, and does not include:
 - (i) USC's administration expenses;
 - (j) the cost of undertaking research on the Commercialisation project, unless such research is funded by USC.

2.6 The determination of whether a particular expense is a commercialisation expense will be made by the Deputy Vice Chancellor (Research and Innovation), upon recommendation by the Office of Research.

3. Equity in Lieu

3.1 In exceptional circumstances equity for Creators in a startup company will be considered by the Deputy Vice-Chancellor (Research and Innovation) on a case by case basis upon recommendation by the Office of Research. Creators will need to consider the taxation impact, if any, upon them of receiving and holding equity. Similarly, USC will need to consider the fringe benefits tax impact, if any, upon it, and conflict of interest issues and other commercial issues.

3.2 In cases where Creators may personally hold shares, the number of shares to be held between the Creators will be determined in accordance with the same principles that operate in relation to the distribution of Commercialisation Revenues, that is:

- (a) consider the "gross" number of shares available in accordance with the terms of the particular transaction;
- (b) consider the Commercialisation Expenses that would have been deducted from revenue to arrive at a "net";
- (c) calculate the Creators' entitlement to this number of shares, being one half;
- (d) convert this to a number of shares; and
- (e) to arrive at the "net" number of shares to be available to Creators.

3.3 Whether Creators may on a particular occasion hold shares personally, will be determined by the Deputy Vice-Chancellor (Research and Innovation) upon recommendation by the Office of Research, who will consider the taxation implications to USC, if any, conflict of interest and other factors in considering whether to implement this.

4. Miscellaneous

4.1 There will be a legal obligation upon USC, contained in the relevant agreement from staff and students, to:

(a) have the distribution of Commercialisation Revenue addressed in its Intellectual Property - Governing Policy; and

(b) apply it.

4.2 Where there is more than one Creator, generally, they will determine amongst themselves how to divide the proportion of Commercialisation Revenue to which they are entitled.

4.3 If they cannot agree on the division, the matter will be determined in accordance with the Intellectual Property - Governing Policy.

4.4 If there is disagreement on who is a Creator, this will also be determined by the Deputy Vice-Chancellor (Research and Innovation) upon recommendation by the Office of Research.

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