GUIDELINES

DISTRIBUTION OF THE NET BENEFITS OBTAINED FROM THE SUCCESSFUL COMMERCIALISATION OF R&D INTELLECTUAL PROPERTY

INTRODUCTION
Guidelines provide user-friendly principles and guidance to staff and students in relation to the University’s policies and procedures. It is expected that guidelines will be updated from time to time to reflect the University’s experience and changes in the external environment.

The framework for the identification, management and commercialisation of R&D intellectual property is contained within:

- The RMIT Act (1992)
- The RMIT Statute 7.1 and Regulation 7.1.2
- The RMIT Intellectual Property Policy
- Procedures and Guidelines that support the Intellectual Property Policy, including:
  
  Procedures
  1. Identification, Management And Commercialisation Of University-Owned R&D Intellectual Property
  2. The RMIT Register Of R&D Intellectual Property
  3. Distribution Of The Net Benefits Obtained From The Successful Commercialisation Of R&D Intellectual Property

  Guidelines
  1. Identification, Management And Commercialisation Of University-Owned R&D Intellectual Property
  2. Distribution Of The Net Benefits Obtained From The Successful Commercialisation Of R&D Intellectual Property

- The R&I Section Code of Research Practice

These guidelines complement the Procedure for the distribution of the net benefits obtained from the successful commercialisation of R&D intellectual property.

OWNERSHIP OF R&D INTELLECTUAL PROPERTY
RMIT Statute 7.1 states the University’s position on ownership of intellectual property created by staff and students as:

- **Staff:** “Any intellectual property created by a member of staff in the course of his or her duties will be the property of the University which may require a member of staff formally to assign to the University his or her interest in any such intellectual property.”

- **Students:** “Any intellectual property created by a student in the course of his or her duties at the University will be the property of the student provided that where a student is to be involved in a project or specific commission in respect of which the University has provided funds, equipment, facilities or supervision the University may require the student, before commencing the same, formally to assign to the University his or her interest in any intellectual property which he or she may create as a result of such involvement.”

The University’s Intellectual Property Policy also states:

1. Any physical object embodying University intellectual property will be the property of the University.
2. The University owns R&D intellectual property created by adjunct professors, emeritus professors, casual staff and other visitors engaged in research or activities where the R&D intellectual property is created directly through their appointment or responsibilities at RMIT University, including through participation in research projects, collaboration with other staff, supervision of students of the University, or while they utilize RMIT University resources or facilities.

3. All University staff who are also students at the University, or who undertake educational programs or activities that may result in the creation of R&D intellectual property, must enter into an agreement with the University that clearly identifies the ownership of any R&D intellectual property that could be created through these activities.

The University also claims a share of intellectual property developed by visiting research staff while working at the University. The share of the intellectual property claimed by the University is determined by the Intellectual Property Committee having regard to the funds, equipment, facilities or supervision provided by the University.

It is essential that all the owners of R&D intellectual property, or all those who contributed to its creation, as applicable, are identified clearly in any proposal to distribute benefits obtained from its commercialisation.

E&T intellectual property is covered by other procedures under the Intellectual Property Policy.
DEFINITIONS AND ACRONYMS

Commercialisation

Commercialisation includes any activity or initiative undertaken with the objective of, or that could contribute to, development or exploitation of intellectual property in ways that might or are intended to generate commercial returns or other material benefits to the owners of the intellectual property.

E&T Intellectual Property

Education and training intellectual property (E&T intellectual property) includes any education and training (or teaching and learning) intellectual property created or developed by staff in the course of his or her duties, pursuant to the work specified in the contract of employment, position description and work plan. This includes all intellectual property in course material, course material delivery systems and other work-related outputs.

Foreground Intellectual Property

New intellectual property created through research, scholarship and similar activities is often called foreground intellectual property, to distinguish it from the pre-existing (or background) intellectual property that often is the foundation that leads to new intellectual property.

Intellectual Capital

Intellectual capital is the knowledge and expertise of the University, accumulated through, and applied in its academic programs. Intellectual capital may include specific items of intellectual property, as well as knowledge and expertise often referred to as “know how”.

The University strives to expand its intellectual capital and that of its staff through all their endeavours, and improve its application so as to enhance the quality, relevance and value of the University’s teaching, research and other activities.

Intellectual Property

Intellectual property means any confidential information or any rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields, including but not limited to the electronic media and any rights under the Patents Act, Copyright Act, Design Act, Trade Marks Act, Plant Varieties Act and rights under any convention to which Australia is a party and under the Common Law.

Pre-Existing Or Background Intellectual Property

Pre-existing or background intellectual property includes identifiable intellectual property, pre-existing ideas, concepts, theories, designs, processes or other artifices (where ownership by the University or other persons or entities could be established) that could act as precursors to discovery or contribute to the creation of new intellectual property. Pre-existing or background intellectual property does not include ideas, concepts, etc., that would normally be regarded as existing in the public domain.

R&D Intellectual Property

Research and development intellectual property (R&D intellectual property) includes any new ideas, concepts, theories, designs, processes or other artifices created by individuals or teams of people through systematic or adventitious research or discovery or similar activities.
ELIGIBILITY TO RECEIVE BENEFITS

Consistent with the provisions of RMIT Statute 7.1 in relation to ownership of R&D intellectual property, benefits from its successful commercialisation may only be paid to people who are:

- RMIT staff, whether permanent or on fixed term contracts who participated in the creation or commercialisation of the R&D intellectual property that has succeeded as a commercialisation initiative.
- RMIT students who have assigned their R&D intellectual property rights to RMIT University.

It is important to note that the University may also seek a return on the pre-existing or background R&D intellectual property or intellectual capital it has contributed to the activities that led to the commercialisation proposal from which net benefits are expected.

As required in other procedures for the RMIT R&D Intellectual Property Policy, the contribution of the University’s background intellectual property or intellectual capital and the potential commercialisation strategies should be established prior to the commencement of the collaboration or activities that could lead to a commercialisation initiative.

DISTRIBUTION OF BENEFITS OBTAINED FROM COMMERCIALISATION OF UNIVERSITY-OWNED R&D INTELLECTUAL PROPERTY

The RMIT Code of Research Practice states:

Except as provided under income related to copyright materials, any net income from intellectual property will be distributed in a way which recognises the contributions of the involved parties and generally the following will be the initial position for negotiating:

1. One half will be paid to the member of staff or student concerned (where they can be located). Where there is more than one member of staff or students, the Committee will in the absence of agreement by the staff or students, determine the proportions to be paid to the individual members of staff or students
2. One half will be paid to the University. The proportions to be paid to the Centre, Department or other unit where the member of staff was employed or the student was enrolled at the time the intellectual property was created, and the proportion to be paid to RMIT or any other recipient will be determined by the Research & Development Intellectual Property Committee

(Reference: [http://mams.rmit.edu.au/g4cdc8yn748k.pdf](http://mams.rmit.edu.au/g4cdc8yn748k.pdf)).

AMOUNT AND FORM OF BENEFITS

R&D intellectual property that is commercialised successfully can be created by one person in some instances, and by a team of people in others.

The benefits that can be distributed to the creators of intellectual property can take various forms, including, for example:

- Cash payments from the sale of an equity stake in an entity
- Granting of equity in an entity through the issues of shares
- Lump sum cash payments based on the likely value of future revenue streams
- Royalties equivalent to a defined percentage of actual future revenue streams, whether on-going or terminating after a pre-determined number of installments
- Payments which cease on the termination of the innovator’s employment or some other event, or
- A combination of fixed and revenue based payments
- Any combination of the above
The creators of R&D intellectual property may choose to distribute the net benefits to which they are entitled to individuals, to the individual members of a work group or research team, to a specific work group or research team as a whole, or to a wider group within the University. The creators of R&D intellectual property may also choose to distribute some of their net benefits to individuals or organisations that have participated in the commercialisation process.

FACTORS THAT SHOULD BE TAKEN INTO ACCOUNT REGARDING THE CHOICE AND LEVEL OF BENEFIT

Before selecting the type and level of benefits the likely and potential revenue to be received from the commercialisation of the asset must be ascertained as best as possible.

When benefits are calculated by reference to revenue only, all costs associated with the protection and commercialisation of the asset (including development costs incurred after disclosure of the invention) should be deducted from the revenue received.

Factors to be taken into account regarding the choice and level of benefits thus include:

- Actual or realised commercial value of the intellectual property asset
- Returns to owners of background intellectual property that has contributed to the new commercialisation initiative, e.g. to RMIT in accordance with approved commercialisation strategies
- Whether the commercialisation is completed (i.e.: an outright sale of the asset or where there is no reasonable expectation of further income from the commercialisation of the asset) or whether RMIT may grant further licenses or receive more revenue from the asset’s commercialisation (such as a continuing royalty flow)
- Amount of revenue obtained from the commercialisation of the intellectual property asset
- Cost of the asset’s development
- Cost of commercialising the asset
- Proportion of work done in the asset’s development subsequent to the work of the innovator
- Novelty or inventiveness of the R&D intellectual property created, and
- Degree of innovation by the staff members and/or student.

Substantial taxation liabilities can be incurred by the recipients of various types of benefits from the commercialisation of intellectual property. These liabilities could include Capital Gains Tax, income tax, Goods and Services Tax (GST), and other taxes imposed on the operations of companies and business entities.

Specialist advice on taxation requirements should be sought regarding the type and amount of the benefits, the employment or business circumstances of the proposed recipients of benefits and all other relevant matters.

CONTENTS OF BENEFITS DISTRIBUTION PROPOSALS

The Benefits Distribution Proposal must describe the proposed benefit, the reasoning behind its provision and its calculation, and contain sufficient information to enable the R&D Intellectual Property Committee to make an informed decision regarding the proposal.

A Benefits Distribution Proposal must include:

- Details of the R&D intellectual property asset that has been created and commercialised
• Details of the proposed distribution scheme. This should include a breakdown of the proposed allocations of the expected total benefits, taking account of the returns to the University (including the return for the background R&D intellectual property or intellectual capital the University has contributed), the costs of development and protection of the R&D intellectual property and the returns to the proposed recipients

• Details of all the proposed beneficiaries (including their position at RMIT and their role in creating the intellectual property that has been commercialised). If the intellectual property was created by a team, the extent of each recipient’s contribution must be identified

• The likely monetary value of the benefit to each recipient (to the extent it can be calculated, e.g. the net amount that could be paid to each beneficiary)

• The proposed nature of the benefit (e.g. single lump sum payment, periodic payments subject to a future revenue stream)

• The way in which the potential benefits were calculated (e.g. based on the likely total amount of revenue that could be raised through the commercialisation). If it is proposed that the benefits are to be distributed as a royalty, is the royalty equivalent capped at a maximum amount or is term of the royalty fixed?

• The terms and conditions of the benefit for each recipient (e.g. are the recipients paid only while they remain staff members of the University, or are periodic payments to be paid over a fixed term?)

• Detailed description of the taxation requirements and provisions for all the participants and the implications for the University

• Copies of any legal or other agreements relating to the distribution of benefits to the creators of the intellectual property, notifications of any encumbrances or liens on the distribution, etc.

Each Benefits Distribution Proposal must include confirmation in writing from the creators of the intellectual property and the potential beneficiaries that they agree to the distribution proposed.
SOURCES OF ADVICE AND ADDITIONAL INFORMATION

Advice regarding this Procedure and these Guidelines should be obtained from the University’s Research and Innovation Section.

The University’s Financial Services Group can provide information and analyses to confirm the availability of financial returns from the commercialisation of R&D intellectual property and the contents of a benefits distribution proposal.

The University’s Financial Services Group, or their external consultants, may be able provide initial advice in relation to taxation of benefits and similar matters. General advice from this group can be sought in the first instance.

ACKNOWLEDGEMENTS

Some of the material in these guidelines is based on ‘Encouraging Innovation by Government Employees: Procedures for the payment of monetary rewards to innovative Government employees’, which was published by the Department of Industry and Technology of the Western Australian Government. RMIT acknowledges its indebtedness to this organisation for access to this document.