

In the case of research contracts between start-up companies in which the principal investigator is directly or indirectly (through the University's benefits sharing policy) a shareholder, it is important to also manage conflicts in the day to day management of the contract. A useful mechanism is the establishment of an independent management committee which oversees the research contract. This committee would include the Head of Department in which the research is occurring, an independent scientist with relevant experience and a representative of the start-up company (but not the principal investigator). This group would assess the milestones and outcomes achieved and report back to the contracting party (the start-up company).

Use of the University's name

Approval from the University needs to be obtained in writing if the University's name is to be used in connection with any external enterprise. Further written approval must be sought if the University logo is to be used in conjunction with the start-up company.

Use of the University's resources

Apart from uses explicitly provided for in formal research contracts or other appropriately documented arrangements, the University's resources (e.g., facilities, equipment) are not to be used by start-up companies. Academic staff who engage with start-up companies under Outside Work Rules are required to observe the guidelines applicable to such activity (see Section 13.3 of the University's Personnel Policy and Procedures manual).

Involvement of students in start-up companies

The University's preference is that the involvement of students in research sponsored by start-up companies is avoided. However the University also recognises the valuable experiences that such opportunities can create for students and thus approval may be sought and given on a case by case basis (usually by the Head of Department). In all circumstances the paramount consideration will be ensuring that the educational experience of the student is not compromised in any way by their involvement with the start-up company.

Austhink Software was established in 2004 by cognitive scientist Dr Tim van Gelder, with a mission to develop high-quality, mass-market software to improve thinking in both education and the workplace. Rationale™, for argument mapping, and bCisive™, for business decision making, are based on successful research into software-supported methods for improving critical thinking developed by Dr van Gelder and The Reason! Project in the Department of Philosophy at The University of Melbourne.



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REFERENCES

University of Melbourne Personnel Policy and Procedures Manual
Section 13. Outside Work, Company Directorships, Board Members
www.unimelb.edu.au/ppp/docs/13.html#13.3

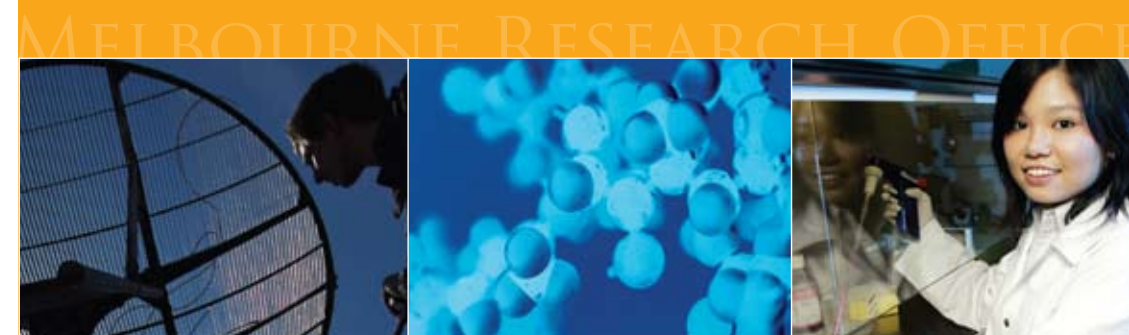
University of Melbourne Regulation 17.1.R8
Code of Conduct for Research
Section 2(5) Conflict of Interest
www.unimelb.edu.au/ExecServ/Statutes/r171r8.htm

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GUIDELINES FOR INVOLVEMENT IN START-UP COMPANIES

MELBOURNE RESEARCH OFFICE AND MELBOURNE VENTURES



MELBOURNE RESEARCH OFFICE



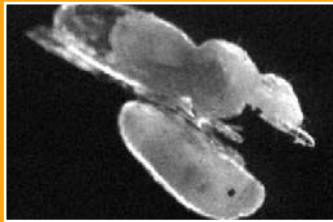
THE UNIVERSITY OF
MELBOURNE

GUIDELINES FOR INVOLVEMENT IN START-UP COMPANIES

The University of Melbourne is committed to supporting the commercialisation of research as a way of delivering the fruits of its research to the broader community, while at the same time generating financial and non-financial benefits for academic staff and the University as a whole. One of the ways in which technology can be commercialised is through the creation of new start-up companies that can provide the skills, investment, and focus required to take technology from the lab to the market.

The University's technology commercialisation company, Melbourne Ventures Pty Ltd (MVPL), exists to support academic staff in their commercialisation endeavours, including through start-up companies, and staff are encouraged to contact Melbourne Ventures as early as possible if they are contemplating going down this path. In addition, the University has put in place a range of policies and processes to ensure that start-up companies are founded and operated as effectively and efficiently as possible, and this document outlines the key elements of that framework with which academics should be familiar.

Contacts for further information in this area are provided on the back of this brochure.



Hatchtech was founded in late 2001 by Dr Vern Bowles from the Centre for Animal Biotechnology within the School of Veterinary Science. The company is focussed on developing a new generation of insecticides that target the egg stage of the insect. Hatchtech's most advanced program is in the development of a new treatment for the control of head lice in children.

Photos by Dr Vern Bowles. Top: Late stage embryo and louse hatching from the egg. Middle: Newly emerged louse on a hair shaft. Bottom: Hatched louse egg.

GRANTING THE COMPANY ACCESS TO INTELLECTUAL PROPERTY

Start-up companies emanating from University research will generally want to secure exclusive access to the key intellectual property (IP) the company is seeking to exploit. This is usually achieved through the negotiation of an exclusive license between the University and the company, although in certain circumstances the IP may alternatively be assigned directly to the company. A common situation is to have a license which includes an automatic trigger for assignment on events such as achieving key milestones, or securing major financing rounds.

The negotiation of these arrangements will usually be led by Melbourne Ventures, who will broker a suitable deal which is then recommended to the University for approval. In granting the company access to the IP the University will generally require certain commitments from the company with regard to the diligent development and commercialisation of the technology.

SHARING THE FINANCIAL RETURNS

In recognition of its role in the creation of the technology, the University will expect to share in the financial return created through commercialisation. This return can come in many forms, and could include license fees and royalties, lump-sum payments, research funding, or equity in the new venture. The exact structure of any deal is tailored to suit the particular features of each case, and the University can be quite flexible in how this is structured. Melbourne Ventures is usually responsible for structuring and negotiating the deal, taking into account the general

market demand for the technology, as well as historical benchmarks for similar deals.

Where the University does elect to take equity in the new venture, this is held by the University's commercialisation trustee, UM Commercialisation Pty Ltd. Decisions relating to the management of the shareholding, and the ultimate exit from the investment, are assessed by UM Commercialisation Pty Ltd on a case by case basis based on the advice of Melbourne Ventures, and taking into account the strategic objectives of the University.

GAINING APPROVAL FROM THE UNIVERSITY

The process for gaining University approval for a start-up deal is generally as follows:

1. Melbourne Ventures works closely with the relevant academic staff and any potential investors to develop a deal structure which is acceptable to all sides. During this phase Melbourne Ventures will also conduct a detailed due diligence review to ensure that any risks associated with the deal are appropriately identified.
2. In most cases the board of Melbourne Ventures will be required to approve the proposed transaction before it is submitted to the University for approval. Some faculties also have internal approvals processes that must be observed.
3. The University's Legal Services reviews the proposed transaction (often in parallel with step 1 above) to confirm that the legal terms are acceptable to the University.
4. Melbourne Ventures provides a recommendation to the University together with final legal documentation, including appropriate sign-off from Legal Services, to enter into the proposed transaction.

Any unusual transaction features may require additional approval processes. These are handled on a case by case basis.

THE ROLE OF THE UNIVERSITY AFTER THE COMPANY IS FORMED

Once a start-up company is formed it is a legally distinct entity with its own board and management, and the University ensures that this governance structure is respected. Nonetheless, the University may continue to have a relationship with the company in a number of ways:

- The University may, by virtue of its shareholding, have the right to appoint a director to the board of the company.
- The company may request the involvement of academic staff members as directors or officers of the company.
- The company may seek to enter into a research contract with the University to conduct further research on its technology.
- In some cases the company may engage Melbourne Ventures to provide specialist management services to help the company get off the ground. In such cases Melbourne Ventures may enter into an arm's-length services contract to provide these services, but typically only in the early years of the company's existence.

In all of the instances above there is the potential for conflicts of interest, both real and perceived, to arise, and it is therefore important for staff to familiarise themselves with University policies and procedures in this regard. These are discussed in more detail in the following section.

THINGS STAFF SHOULD THINK ABOUT WHEN WORKING WITH START-UPS

Members of staff as directors and officers

Members of staff may be in a position to hold directorships in start-up companies through their role as technology inventor, or as a representative of the University. Approval to hold a directorship must be sought from the University in accordance with established procedures (see Section 13.3 of University's Personnel Policy and Procedures Manual).

Conflict of interest

Conflicts of interest can come in many forms, both real and perceived, and any form of conflict of interest can be damaging to individuals and the University if not well managed. Whilst conflicts of interest can be difficult to totally avoid when working with start-ups, this is not a reason to avoid involvement in start-ups totally – but it does mean that careful attention should be paid to the issue of conflict of interest. Conflicts of interest need to be managed effectively, and in accordance with University's Code of Conduct for Research, to ensure that the interests of both the University and members of staff are protected.

For example, members of staff who are agreeing to contracts with the University to fund their own research work. In this case, the conflict of interest needs to be declared (assuming it hasn't been already), and the member of staff must not be involved in contract negotiations. Staff without conflicts of interest, such as heads of department or deans of faculty, must approve contracts in consultation with the Melbourne Research Office and the Deputy Vice-Chancellor (Research).