Spinout Procedure

Section 1 - Introduction

(1) The University of Newcastle (University) is committed to building a thriving culture of entrepreneurship and intend to grow our impact by enabling more spinouts to commercialise the University's world leading research. We welcome regional investment and are committed to creating future local skills and employment opportunities.

(2) University spinouts represent an important strategic approach to addressing our engagement priorities for better healthier living, next generation resources, growing industries and connected communities.

Section 2 - Purpose

(3) This Procedure outlines a standardised approach to enable faster, more effective, equitable and transparent processes to foster enduring, collaborative relationships among key stakeholders through the development of spinouts.

(4) This Procedure provides clear guidance for staff, investors and collaborating entrepreneurs intending to form a separate entity to commercialise intellectual property owned by the University.

(5) Any University staff member or student may request consideration of a spinout as a commercialisation strategy for University owned intellectual property that they have contributed to.

Section 3 - About this Document

Scope

(6) This Procedure applies to;

a. University owned intellectual property; and
b. all plans for commercialisation of University owned intellectual property where the objective is to establish a spinout.

(7) This Procedure does not apply to intellectual property solely owned by students or third parties unless otherwise agreed in writing by the University and the intellectual property owner/s.

Audience

(8) This Procedure should be read and understood by:

a. all staff and students who are originators of University owned intellectual property;
b. potential investors;
c. Heads of School and College Pro Vice-Chancellors;
d. Knowledge Exchange & Enterprise (KEE) staff; and

e. other supporting staff throughout the University.

Associated Documents

(9) This Procedure is a supporting document to the Intellectual Property Policy and should be read in conjunction with that document.

(10) This Procedure should also be read in conjunction with the University's Spinout Framework and the following related policy documents:

a. Intellectual Property Procedure;
b. Disclosure of Interest Policy and Disclosure of Interest Procedure;
c. Commercial Activities Policy; and
d. Outside Work Policy.

Definitions

(11) In the context of this document the following definitions apply:

a. “spinout” is a new organisation formed to commercialise intellectual property (IP) owned by the University. Both the University and some relevant staff will usually have a financial interest in a spinout.
b. “University owned intellectual property (IP)” refers to creations of the mind – generated through the use of University resources including staff time. It can be anything from a name creation or idea and includes inventions, novel methods and processes, literacy and artistic works, designs, symbols and images. All IP created at the University by staff in the course of their employment is owned by the University and in some cases co-owned with other originator/s, including external partners, other universities, and students. In some cases, University IP may originate through the course of a PhD or University project and students may assign their IP to the University;
c. “founding staff” refers to staff who hold founding shares in the company that is the spinout, and who have made a significant contribution to the invention of the relevant intellectual property’
d. “originators” or “originator” means University staff or student(s) who:
    i. in the case of a patentable invention: is an inventor;
    ii. in the case of a copyright work or similar: is an author;
    iii. in the case of a word, colour, smell, slogan, image or similar to be used as a trademark: is a person who conceived, developed or first used the word, colour, smell, slogan, image or similar as a trademark;
    iv. in the case of designs: is a designer;
    v. in the case of plant breeders rights: is a breeder;
    vi. in the case of circuit layouts: is a designer; and
    vii. in the case of trade secrets and know-how: is an originator of that body of knowledge.

Section 4 - Overarching Requirements

Objectives of Spinouts

(12) Spinouts should be a rewarding path for originator/s and the University, which leads to research impact, and provides an opportunity for originator/s to develop new skills, work as a team and grow their industry network.

(13) Spinouts require a significant undertaking in managing strategy, governance and revenue growth.

(14) All spinouts should present opportunity for originator/s and the University to share in intrinsic reward, enhanced reputation, and financial upside.

(15) A spinout may not be appropriate where:

a. staff are solely seeking to supplement their University salary; or
b. grant proposals have not been successful and a funding alternative is desired.

(16) Spinouts should establish independent industry relationships and may or may not achieve commercial success. As such, KEE reserve the right to determine if and when a spinout is a viable option for commercialisation of University owned intellectual property.

Structure

(17) KEE will lead the decision-making process for choosing a business structure and entity registration that is suitable to maximise research impact and minimise risks, subject to approval by the relevant Delegate.

Shareholding

(18) The decision to take ownership by way of equity holding in a spinout is up to the individual originator/s who should seek their own independent advice.

(19) All originator/s will be invited to take shareholding in the spinout.

(20) Founding shares may also be awarded to external parties who are not originators where the spinout is dependent on a diverse range of skills and expertise.

(21) An Employee Share Option may be maintained for up to 20% of the total value of the company.

(22) Where the University holds greater than 10% equity in the spinout, the University may seek to appoint a Director or Observer to the Board.

Capitalisation

(23) The University will adopt a standardised approach to capitalisation of spinouts at the time of incorporation in exchange for an exclusive worldwide commercial licence to the relevant University-owned intellectual property. The standardised capitalisation is a default position and there may be some exceptions.

(24) The default shareholding at incorporation will be split between the University (20%) and founding staff (80%). In consultation with KEE, founding staff are responsible for determining how their 80% is split including what proportion may be allocated to originators and external collaborators who are not founding staff.

(25) The Deputy Vice-Chancellor (Research and Innovation) may authorise an exception to the default shareholding prior to seeking approval of the spinout.

Dilution

(26) The standardised capitalisation will be diluted once investors are identified and make contributions to the spinout.

Costs

(27) The University will pay all initial intellectual property registration and management costs prior to the incorporation of the spinout, including:

a. initial patent filing;
b. trademark registration; and
c. any other associated intellectual property protection costs.

(28) Approval of costs outlined in clause 27 is subject to the University's delegations of authority.

(29) Once rights to commercialise the intellectual property are granted the responsibility of maintaining intellectual property protection and associated costs will be in accordance with the terms of the intellectual property licence.

University Net Returns

(30) The University may be entitled to net returns as a result of its minority share in the spinout. Net returns from the University's equity will be distributed between the originators and the University on a 50/50 basis in accordance with the Intellectual Property Policy and its associated procedure. Originators who hold shares in the company are required to sign an agreement waiving their right to additional net returns from the University's equity whilst ever they hold shares in the company.

Legal Advice

(31) Staff and students are strongly encouraged to seek independent legal advice when considering involvement in a spinout. The Legal and Governance Services unit cannot provide legal advice to individual staff members or students, and can only provide legal counsel to the University.

Confidentiality

(32) It is critical that all University owned intellectual property is maintained in a confidential manner until such time as disclosure would not adversely affect intellectual property protection or commercialisation.

Ongoing Research

(33) Ongoing research may be required by the spinout to continue to develop the intellectual property being commercialised, and to maintain competitive advantage. The University requires that all future research undertaken by the spinout is first offered to be conducted at the University, unless an exception is approved by the Deputy Vice-Chancellor (Research and Innovation).

(34) Collaborative research will be conducted at arm's length and in accordance with the Collaborative Research Procedure and Responsible Conduct of Research Policy.

(35) Any staff member with an interest in the spinout and undertaking ongoing research associated with the spinout are not permitted to simultaneously represent the spinout and the University and must have an approved conflict of interest management plan in place in accordance with Clause 45.

(36) The spinout will be required to enter into formal research contracts when commissioning research from the University. Such contracts will be authorised by an appropriate Delegate who is not a staff member involved in the spinout.

Section 5 - Disclosure and Assessment

(37) University owned intellectual property that may be commercialised via a spinout must be disclosed and assessed in accordance with the Intellectual Property Policy and procedure.

Section 6 - Discovery

(38) KEE will develop plans in consultation with originator/s for engagement with potential beneficiaries, including paying customers, end users, partners, investors, industry and the supply chain to validate critical assumptions about the desirability, viability and feasibility of the commercialisation of the intellectual property. KEE will also develop a business plan in consultation with originator/s to explain the market opportunity, unique value proposition, and team credibility.

(39) Engagement plans should provide market validation and evidence of traction to support any proposal for approval of the spinout.

(40) During the discovery phase, KEE may seek to develop with originator/s a prototype, proof-of-concept or demonstration, or a pitch deck to connect with and gain interest from potential beneficiaries.

(41) Potential investors and industry partners will be required to sign a non-disclosure agreement with the University. Non-disclosure agreements must be executed on behalf of the University in accordance with delegations of authority (see Delegations Register).

(42) As a result of discovery, evidence of traction within the market should be demonstrated by:

a. customer orders;
b. testimonials; or
c. agreements with interested parties.

(43) Where it is determined after disclosure, assessment or discovery that a spinout is not the most appropriate commercialisation option, KEE will work with the originator/s to consider alternate commercialisation options in accordance with the Intellectual Property Policy and procedure.

Section 7 - Approval

(44) KEE will develop a proposal for the spinout in consultation with originator/s detailing the following information:

a. full title and status of the proposed entity;
b. officers of the entity and those responsible for its management;
c. financial forecasts of the entity;
d. purpose and duration of the entity;
e. business plan, risk assessment and pitch deck;
f. evidence of market traction;
g. details of additional agreements such as but not limited to research agreements, use of University facilities, where appropriate; and
h. likely financial involvement of the University.

(45) The University will require a conflict of interest declaration to be submitted by each staff member involved in the proposed spinout in accordance with the Disclosure of Interest Policy and Procedure. Where conflicts of interest are identified, conflict of interest management plans must be prepared by the relevant staff and their line manager and endorsed by the Deputy Vice-Chancellor (Research and Innovation) and provided with the proposal for approval.

(46) Staff seeking directorship of the proposed entity must comply with the requirements of the Outside Work Policy and the outside work must be approved as part of the proposal by an authorised Delegate.

(47) During the proposal preparation KEE will consult with relevant internal and external stakeholders as required, including but not limited to:

a. Financial Services;
b. Legal and Governance Services; and
c. Risk and Insurance.

(48) Endorsement of the proposal will be required from the:

a. relevant Head of School and College Pro Vice-Chancellor;
b. Technology Advisory Group;
c. Deputy Vice-Chancellor (Research and Innovation); and
d. Vice-Chancellor.

(49) Incorporation and/or registration of the spinout cannot occur until such time as the authorised delegate has approved the proposal.

Section 8 - Establishment

(50) KEE will collaborate with Legal and Governance Services and investors to develop a non-binding term sheet for the intellectual property licence agreement, company constitution and shareholders agreement or other appropriate documents where the entity is not a PTY LTD company.

(51) Execution of documents required for establishment of the approved spinout will be in accordance with the University's delegations of authority. Upon execution of the documents by all relevant parties, KEE will:

a. ensure the intellectual property licence is executed, which may include triggers for future assignment of the licensed intellectual property to the spinout; and
b. ensure appropriate Directors and Officers insurance is obtained where applicable for any University appointed directors.

Section 9 - Monitoring

(52) Once a spinout is approved and established, the University Council will require assurance that the spinout complies with:

a. its legal rights and obligations;
b. any contracts that the spinout is subject to; and
c. any conditions of approval imposed by the delegate.

(53) Ongoing management should also ensure that the University achieves optimal benefits while minimising the risks to the University.

(54) KEE will faciltiate the provision of a report on an annual basis to Council to confirm the ongoing viability of the spinout and provide assurance that:

a. the University's obligations as a public authority are being upheld;
b. conditions of approval are being met;
c. contractual and legislative obligations are being complied with; and

d. material changes and risks are reported and addressed.

(55) The Council may also request annual audited statutory accounts or financial reports.

Section 10 - Recordkeeping

(56) All records relating to the development, approval, incorporation and monitoring of spinouts will be maintained in accordance with the Records Governance Policy.

Status and Details

Status	Current
Effective Date	23rd July 2025
Review Date	6th March 2028
Approval Authority	University Secretary
Approval Date	23rd July 2025
Expiry Date	Not Applicable
Responsible Executive	Alan Broadfoot Pro Vice-Chancellor Industry and Engagement
Enquiries Contact	Alan Broadfoot Pro Vice-Chancellor Industry and Engagement

Glossary Terms and Definitions

"University" - The University of Newcastle, a body corporate established under sections 4 and 5 of the University of Newcastle Act 1989.

"Risk" - Effect of uncertainty on objectives. Note: An effect is a deviation from the expected, whether it is positive and/or negative.

"Risk assessment" - The overall process of risk identification, risk analysis, and risk evaluation.

"Student" - A person formally enrolled in a course or active in a program offered by the University or affiliated entity.

"External parties" - Any individual or organisation external to the University.

"Intellectual property" - Intellectual property (IP), as defined by the World Intellectual Property Organisation, refers to creations of the mind: inventions; literary and artistic works; and symbols, names and images used in commerce. Intellectual property is divided into two categories: Industrial property includes patents for inventions, trademarks, industrial designs and geographical indications; and Copyright covers literary works (such as novels, poems and plays), films, music, artistic works (e.g. drawings, paintings, photographs and sculptures) and architectural design. Rights related to copyright include those of performing artists in their performances, producers of phonograms in their recordings, and broadcasters in their radio and television programs.

"Research" - As defined in the Australian Code for the Responsible Conduct of Research, or any replacing Code or document.

"Staff" - Means a person who was at the relevant time employed by the University and includes professional and academic staff of the University, by contract or ongoing, as well as conjoint staff but does not include visitors to the University.

"Delegate" - (noun) refers to a person occupying a position that has been granted or sub-delegated a delegation of authority, or a committee or body that has been granted or sub-delegated a delegation of authority.