



SETTING UP FOR SUCCESS: KEY LEGAL ISSUES FOR NEW CRC-PS

Congratulations! You've been successful in your CRC-P application and you and your team are now looking forward to getting stuck into your Project. All you need to do is sign the Grant Agreement and fill in the blanks on the template Partners Agreement for all the partners to sign – right?

Not so fast. A CRC-P project can be a complex research endeavour involving several parties (each with their own, sometimes misaligned, interests) across many years (during which priorities can change). The CRC-P Program also awards grants to a wide range of projects, meaning that the template Partners Agreement is unlikely to be uniformly suitable.

It is vital that the partners to a CRC-P grant – and particularly the grantee – consider their unique circumstances, goals and risks, and document them comprehensively in a Partners Agreement tailored for their particular Project. Below we discuss some of the key points for partners to agree and document in preparing for a new CRC-P, in order to set the Project up for success.

KEY LEGAL ISSUES – AND HOW TO THINK ABOUT THEM

Issue	Considerations
Project management	Research projects tend to evolve over time. Processes for requesting and agreeing changes and updating project plans should be agreed by the partners before the Project starts. Projects should not be allowed to deviate from the original plan without consensus and documentation.
Distribution of funds	<p>The template Partners Agreement does not provide for distribution of funds by the grantee to partners, so if this is intended to occur, payment provisions will need to be added to the agreement.</p> <p>The Commonwealth will pay instalments according to particular payment events or milestones, which may require cooperation from more than one partner to achieve. Partners may seek to have funds paid when they have completed their work towards a milestone, even if the milestone overall has not been achieved. This leaves the grantee exposed to a potential funding gap.</p> <p>There are a few ways to address this so that the risk is appropriately shared by the parties. Often, for example, distribution of funds is dependent on receipt of funds from the Commonwealth. The timing of partners' cash contributions also needs to be factored in.</p>
Key personnel	Are there particular individuals who are key to the Project? If so, it might be necessary to govern how they are made available to the Project and in what circumstances they can be removed and replaced.
Contributions of pre-existing intellectual property	<p>Partners which are contributing pre-existing intellectual property will require protection of that intellectual property. The strength of that protection and the extent of access rights will depend on the nature of the Project and the sensitivity or value of the pre-existing intellectual property.</p> <p>Typically, access to pre-existing intellectual property is required in order to use or commercialise intellectual property developed in the course of a project following the project's completion. The terms of such access, including any royalties or other commercial terms, should be considered upfront. It is much more difficult – and more expensive – to reach agreement at a later date, especially once the value of the pre-existing intellectual property to the potential commercialisation becomes clear.</p>



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	<p>Another frequent question is whether developed intellectual property that can be considered an 'improvement' to pre-existing intellectual property should be owned by the contributor of the pre-existing intellectual property and treated as such. While it can be difficult to identify where improvements end and unrelated developments begin, this approach may be appropriate where pre-existing intellectual property is high-value and discrete.</p>
<p>Ownership and rights to use developed intellectual property</p>	<p>The Commonwealth allows for the grantee and/or other partners to a CRC-P to own intellectual property developed in the course of undertaking a project. The Grant Agreement does not dictate in any way how that ownership should vest as between the partners, but it does require that those arrangements are dealt with clearly in the Partners Agreement.</p> <p>This means it is up to the partners to determine which of them should own developed intellectual property. This decision should be made by reference to what each partner intends to do with the developed intellectual property.</p> <p>Ownership of intellectual property is not required in order to permit a partner to use that intellectual property. Licences can be granted by the owner for use and commercialisation, either as part of the Partners Agreement or separately at the same time or later, pursuant to an option or first right of refusal. Generally, research organisation partners will expect royalty-free licences to use developed intellectual property for future research and teaching purposes.</p> <p>On the other hand, ownership may be important to a partner which is dependent on venture capital or early stage investment, as prospective investors typically value proof of intellectual property rights ownership.</p>
<p>Publications</p>	<p>Generally, research organisation partners will expect and require the right to release academic publications in order to facilitate the research work of their academics and students. A process should be agreed to allow industry partners to ensure that no valuable intellectual property or commercial confidential information is disclosed in the publications, without unduly holding up the publication process.</p> <p>The partners may also wish to agree protocols for other public announcements, allowing for disclosures required by law or, for listed partners, stock exchange rules.</p>
<p>Grant Agreement compliance</p>	<p>It is vital that the Partners Agreement places obligations on the partners to support the grantee in complying with the terms of the Grant Agreement. For example, appropriate requirements to contribute to reports and provide information, to grant the licences required by the Commonwealth to reporting material and to respond consistently with Commonwealth directions or requirements provided for under the Grant Agreement.</p> <p>The Partners Agreement also needs to comply with the specific requirements for partners agreement that are set out in the Grant Agreement, including by containing obligations consistent with specified provisions of the Grant Agreement. It is not necessarily safe to assume the template Partners Agreement covers off all these issues. In the end, it is the responsibility of the grantee to comply with the Grant Agreement.</p>
<p>Liability</p>	<p>The partners need to consider the extent to which different partners should be liable to each other (or protected from liability), in particular if there is a breach of the Grant Agreement or a third party makes an intellectual property infringement claim.</p>



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Termination, withdrawal and removal	<p>The Partners Agreement should make provision for early termination (including if the Commonwealth cancels the Grant Agreement), withdrawal of a partner and removal of a partner.</p> <p>If the Partners Agreement may continue following withdrawal or removal of a partner, it will also need to make arrangements for any changes to the Project necessitated by the loss of the partner. Continuing compliance with Grant Agreement requirements, including in particular to have two Australian industry partners (including one SME) and one research organisation partner, also needs to be provided for.</p> <p>Other questions to address include: What rights do the continuing partners require to the exiting partner's pre-existing intellectual property in order to allow the Project to continue? What rights should the exiting partner continue to have to developed intellectual property?</p>

TIMING

Based on the sample Grant Agreement made available by the Commonwealth, the Partners Agreement must be entered into by all CRC-P partners within 60 days of the commencement of the Grant Agreement. This is an extremely short period for negotiation of the Partners Agreement, so the grantee should kick off the process with a tailored draft Partners Agreement for consideration by the other partners as soon as possible following award announcement.

TAX

Payments of grant funds are taxable income under Australian tax laws, unless an exemption applies, and GST also needs to be considered. On the other hand, the R&D tax incentive may potentially apply in respect of some partners' cash contributions. Each partner should consider the tax implications of participation in the CRC-P Program from the outset.

HOW CAN HWL EBSWORTH HELP?

HWL Ebsworth Lawyers is experienced in working closely with grantees to set up new CRC-Ps and CRCs for success. As a national, full service firm we are well positioned to assist CRC-P grantees and partners to structure their arrangements to facilitate Grant Agreement compliance, successful collaboration and the best possible outcomes. Please contact one of the authors to discuss how HWL Ebsworth Lawyers can assist.



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