Industry-Sponsored Research, Technology Transfer, & Intellectual Property: 
An Issue and Process Overview

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Introduction

Education and Research are main elements of the mission of the University of Oregon ("University"). Both activities are heavily supported by external sponsors through grants and contracts given to the University on behalf of Faculty, Staff, or Operating Units.

Governmental funding agencies, non-profits or private sector companies grant funds to the University via sponsored research agreements. The expectations and requirements that accompany support from industry can be very different than those from governmental funding agencies. These differences manifest themselves in the contracting process and, in particular, intellectual property issues surrounding research. This document is intended to help faculty and staff understand the contracting process, how to engage it, and where difficulties may be encountered.

Currently, industrial sponsors provide a small part of the total funding from externally sponsored projects carried out at the University compared to our peer universities. Several trends are driving an increase in the amount of industrially sponsored research being conducted at the University. These include:

- Efforts by the Faculty to broaden their funding base;
- Shifts in the nature of industrial research; and
- Shifts in the attitude of funding agencies towards enhancing economic competitiveness or requiring industry interaction.

This increase in both the level and desire for industry sponsorship of research presents the faculty, staff, and administration with new challenges in managing the research enterprise and requires shifts in our approaches to the funding cycle.

Basic Policies, Academic Merit, and Approvals

Whether supported by the federal government or by the private sector, all grant activity must have academic merit and must be consistent with the mission of the University to provide research, service, and instruction.

A challenge presented by industry sponsored research is that, unlike federal programs, there is no peer review process that serves to aid the faculty and the University in assessing how the research meets the public interest or might affect other research being conducted by the individual. This circumstance places an added burden on the internal review and assessment process.

It is important to keep in mind that as a public institution we are unable to enter into agreements where the institution or the state must continue to support a program funded through gifts, grants, or contracts in the event such funds are discontinued. We are also barred from engaging in the development or support of activities inconsistent with the approved mission of the University.

Not only the Faculty, but also the relevant Chairperson and Dean, have a role in assessing the academic merit of any research to be funded under grant or contract. The review of the proposal, budget, and the routing sheet by the chairperson and dean “relates to the substance and merit of the proposal as well as to budgetary and administrative considerations, and approval by the chairperson (dean) constitutes an endorsement of all aspects of the proposal.” If you have questions, IPS is ready to help!
Contracting
The basis of sponsored research is an actual business contract negotiated between the parties involved. The business contract, whether it is for a sponsored grant or sponsored contract, is a composite of the proposal written by the Principal Investigator (PI) and the terms & conditions negotiated by the University with the sponsor, which in the case of industry partners, is handled by IPS.

Neither the proposal nor the terms & conditions are sufficient by themselves to define the responsibilities that the researchers and University accrue as a result of accepting funding. The proposal defines the project’s technical scope of work, rationale for the scope, and project plan to implement it. The terms and conditions govern the flow and use of money in support of the activities defined by the proposal and the obligations of both parties that result from the relationship.

Negotiating with an industry-sponsor is not the same as negotiating with a federal sponsor. While the volume of federal grants and contracts is very high, because the Government passes the laws that make the rules, negotiating the terms and conditions seldom is at issue. Unlike the case of federal sponsorship of research, no specific body of law defines how industrial research contracts must be structured with universities. Thus, the time and effort required by Innovation Partnership Services for completing a single industry-sponsored research agreement is more variable than that to complete a comparable federal agreement. Federal agencies know that the contract will be completed and will guarantee payment in advance of signing a contract. No comparable guarantee exists in a negotiation with a company for funding.

Federal Support of Research.
Typical grant or contract terms & conditions familiar to most PIs are the defaults of federal support of research. These defaults are a result of federal law developed over the past fifty years. Example terms & conditions governing federal grants are those of the National Science Foundation called the routing sheet or those of the NIH issued in their Grants Policy Statement. The general defaults for working with the federal government are set out in the OMB Circulars and Federal Acquisition Regulations (FAR’s) or their Defense Department counterparts, the DFARs. The Office of Management & Budget through the OMB Circulars provides basic grant management framework including interpretations of applicable laws, guidelines including conflict of interest and auditing guidelines, and references to other regulations such as the FAR’s.

Industrial Support of Research
The University’s baseline Industry Sponsored Research Agreement is similar to those used by peer institutions such as UMN and Stanford. It is a starting point for the University’s desired terms and conditions for conducting the proposed research. However, each side is free to negotiate the actual terms & conditions governing the research and what each party receives from the relationship.

For both sides of the negotiation there may be some terms or conditions that simply are not acceptable. Disputes in those areas may terminate the negotiations. For example, the University by policy prohibits secret research, see University Policy 09.00.07. Contract terms preventing publication of University results or maintenance of secrecy on University-developed information are unacceptable due to policy reflecting issues of academic freedom, tax law, and export control. The University will not include them in research agreements.

The most contentious area is typically that concerning ownership or access to intellectual property (IP) developed under the grant funding. Under federal grant law the organization to which the grant is awarded is allowed to retain ownership in the intellectual property developed under the award subject to various Government Rights. Government Rights seldom interfere with the University’s or a PI’s desire to deploy an innovation created under the contract in a commercial arena through licensing or have other possible research relations.
Companies have very different and less homogenous attitudes towards IP than the federal government. Some industrial sponsors find UO’s standard agreement fine; others feel it should pass control of everything resulting from their funding to them without further obligation. The end result of the contracting negotiation affects other possible corporate research relations and research paths. IPS has the experience and perspective to negotiate agreements that successfully bridge the gaps between the University and sponsors with minimal friction. Working with IPS enables the faculty to make informed choices to achieve balance between what may be otherwise conflicting goals.
The Research Funding Process

The process for securing industrial research support is similar in many respects to that for securing federal support. However, unlike federal grants which are focused on broad topics, industry sponsored research should be narrowly focused. Some of these steps may be combined or unnecessary in a particular case, but it is useful to consider the most general case whose steps are:

- **Identify a sponsor and the technical contact.**
  In doing this remember that the R&D budget for a company in total might range from 1% to 15% of Sales Revenue depending upon whether a company sells commodities or pharmaceuticals. One should not only ask about scientific interests but also about:
  1. the budget limits;
  2. the decision making process including the time to make decisions & who makes final decisions;
  3. the company’s contracting process and contact for contract matters;
  4. the company’s typical terms and conditions for sponsoring university research if available.

- **Engage in technical discussions.**
  Usually this would include:
  1. **Conversations to find area of mutual interest.** If a nondisclosure agreement is required contact IPS if the information is being received by the University;
  2. **Exchanges of an informal proposal.** A “White Paper” or “Concept Paper,” defining what the Research Group might be able to do may be constructed. The specific work plan is variously called the “Scope of Work”, or “Statement of Work” and abbreviated as “SOW” should be constructed later.

    What will define the real relationship is the final proposal in conjunction with negotiated terms & conditions. To help set expectations properly and to discover where expectations differ, talk to IPS about providing the industry partner a copy of the University’s standard industry research agreement with the concept paper so they understand the landscape of the University.

    If the proposal is to be a subcontract in a company’s SBIR or STTR proposal to the federal Government, an example of the necessary Letter of Intent, along with the model subcontract is available through IPS.

  3. **Estimates of the research costs.** Research scopes and budgets need to be approved by the Chair, Dean, and SPS/IPS in the context of a proposal and its routing process. To avoid the embarrassing position of having a company view your estimates as the final word, it is important to include the following statement anytime you provide a cost estimate in a White Paper or Concept Paper. This notifies the company that the estimate is precisely that – an estimate. Actual approved budgets account for appropriate facilities and administration costs.

    “The cost estimate provided to you with the Scope of Work outlined in this document is provided as Rough-Order-of-Magnitude (ROM) estimate only. It is provided for planning purposes only. The actual costs of providing best efforts research may differ. Offers to perform the research under a specified cost proposal are only valid when provided by an authorized contracting officer of the University of Oregon.”
- **Initiate the contracting process.**
  Usually a difficult step in the mechanics is actually getting the contracting process started in the company. The following steps outline the most general approach and insure that both the company approval process and the University’s approval process are engaged. In the end, this is often the fastest way to get a contract through because it ensures all the necessary people are involved at the right time. The steps are:

  1. The company technical contact takes the Concept/White Paper and the University’s standard research agreement and uses it to initiate a Request for Proposal (RFP) or a Request for Quote (RFQ) through the company’s contracting authority, which is often the Purchasing Department. The RFP should be sent to the PI, or to SPS & IPS with the PI named in it.

     This step makes sure that the company contracting authority is primed to handle the proposal when it arrives, that the company approval process is engaged, and that IPS will know who at the company is their counterpart in the process.

  2. The PI modifies the Concept/White Paper into a proposal in response to the RFP and creates a budget.

  3. The complete proposal package including the RFP moves through the standard SPS/IPS grants & contracts approval process, including creating an EPCS record;

     Steps 2 and 3 engage the necessary approval process and contracting authority at the University.

  4. SPS processes the proposal and sends it out officially to the company’s contracting authority.

     These steps make the combined proposal and budget a valid offer by the University to the company for the PI to perform the research. It also begins formal negotiations.

- **Negotiate any agreement terms.**
  Any terms that differ between the University’s standard agreement and that of the company are negotiated by IPS, which is a unit of the Office of the Vice President for Research Innovation and Graduate Education; Orca Merwin, Information Asset & Industry Agreements Administrator, is responsible for IPS’s handling of the negotiation and processing of the proposal after they receive it. IPS has signature authority and is responsible overall for negotiating the grant’s terms & conditions with the Company.

  In cases where specialized intellectual property expertise is required IPS calls on its Technology Development Associates as needed to provide detailed background and strategic recommendations.

  The PI’s role in any negotiation is to serve as a technical advisor both to IPS and SPS. In particular the PI helps IPS and SPS understand how changes in terms & conditions may affect the research to be conducted by UO, the ability of the research group to do further research, or to communicate to the technical personnel at the company. Because the grant or contract is being initiated at the request of the PI and the PI has the prime responsibility to ensure the research is conducted in accordance with the proposal and the terms and conditions resulting from the negotiation, the PI may be required to co-sign the business contract and/or have a Participation Agreement (Project Rules) signed off by University participants in the work.
In instances where difficult or unusual negotiations are anticipated, the PI should coordinate with Orca Merwin and Chuck Williams, Assistant Vice President for Innovation, early in the concept discussions. You can check the status of a negotiation, or a proposal, by contacting IPS.

**Contact information:**
1. IPS currently is headed by Chuck Williams, Assistant Vice President for Innovation.
2. IPS industry agreements is headed by Orca Merwin, Information Asset & Industry Agreements Administrator.
3. Another source of information is the RIGE links on Research Policies and Guidelines.

If the differences in terms are substantial, the negotiation may be difficult and take months. Factors that affect the progress of negotiating include, for example, the involvement of senior corporate counsel, the necessity for senior management approval, the workloads of both parties, and the necessity for access to existing intellectual property. Some negotiations fail.

**The University cannot agree to certain terms by policy.** When a company demands such terms, signing of an agreement by the University is not possible. For example, prohibitions on publication cannot be agreed to by mission or policy.

- **Execute the research agreement and other related documents.**
  Other documents may include participation agreements (Project Rules) for all researchers involved in the program.
  1. Research agreements may have an acknowledgment page requiring the PI’s signature.
  2. Participation Agreements (Project Rules) by all researchers and students on the project may be required in cases where the University is obligated to deliver specific IP rights to the sponsor that are outside of UO's normal policy defaults.

- **Manage the research.**
  Well-written industrial proposals have a focused research plan and statement of work, but sometimes things evolve differently than envisioned or the company wishes the PI to do something different. If you begin to deviate from the work outlined in the proposal, add things on to the work, or somehow wish to use the money differently than proposed, then:
  1. Notify the technical contact at the company and agree on a new Statement of Work and any budget changes required to implement it.
  2. Send the revised SOW and/or budget through IPS with a request that they ask the Company to amend the contract for the new Statement of Work and/or budget.

**CAUTION – Don’t Work Before They Pay**
Unlike contracts negotiated with the Federal Government, the probability that the University and a company fail to come to an agreement on the terms and conditions of the research agreement is significant. About 5% of the agreements in negotiation fail to ever be signed. This means that if research is commenced prior to the actual signing of a research contract, the PI is funding the research AT RISK. Aside from the question about whether the source of temporary funding is appropriate, should the negotiations fail, all costs expended by the PI in anticipation of funding are the responsibility of the PI. RIGE will not supply funds for such shortfalls; government funds cannot be used.
A Checklist

1. Company contact identified?
2. Company decision-makers identified?
3. Company budget process and signature authorities identified?
4. Company contract authority & process identified?
5. Copy of Company standard research agreement or IP requirements obtained, if available? **IF SIGNIFICANT DIFFERENCES EXIST BETWEEN THE COMPANY’S IP CLAUSES AND UO’s, CONTACT ORCA MERWIN AT IPS AND DISCUSS THE ISSUES RAISED BY THE DIFFERENCES WITH HIM.**
6. Concept Paper sent including
   a) Focused Statement of Work?
   b) Rough budget?
   c) ROM Disclaimer with budget estimate?
   d) UO model research agreement?
7. Company contract authority ready (RFP issued formally or informally)?
8. Concept Paper adapted into a proposal responsive to the RFP?
9. ePCS record and formal budget created?

**INCLUDE COPIES OF ANY OTHER DOCUMENTATION RELEVANT TO THE PROPOSAL EFFORT SUCH AS COMPANY STANDARD RESEARCH AGREEMENT, THE RFP, & CORRESPONDENCE WITH THE COMPANY.**

10. Differences in standard terms requiring detailed negotiation - IPS to iron out contract provisions in consultation with PI?
11. Documents executed? Agreement, PI acknowledgement, Participation Agreements (Project Rules)?
12. Terms of contract met?
   a) Participation Agreements (Project Rules) signed by all research personnel?
   b) Publication notifications being made and approvals obtained?
   c) Intellectual Property being disclosed to IPS for formal disclosure to Sponsor?
   d) Reports provided to company?
   e) Statement of Work completed? Any changes required in budget or SOW done through IPS and SPS so that contract reflects true obligations?
IP Basics

Intellectual Property (IP) may be defined in various ways but within the University what one generally means is the results of research within the context of:

- technical information
- tangible research products and data
- trade secrets – generally held between time of discovery and time of publication
- potentially patentable inventions (http://www.uspto.gov)
- copyrightable works (http://lcweb.loc.gov/copyright)
- trademarks (http://www.uspto.gov)

Background IP is any of the above that exists prior to the research but are needed as part it. Both background IP and IP created under funding are obligated to be disclosed by the PI.

The issues that are of interest to Sponsors generally involve:

- access to technical information, tangible research products and data, and trade secrets;
- use of technical information, tangible research products and data, and trade secrets, patentable inventions, and copyrightable works; and
- control of portions or all the IP produced with the help of their funding.

For more information on general aspects of intellectual property, visit the Innovation Partnership Services website.

Some Relevant UO Policies and State Laws

A large number of laws, policies and procedures can affect the conduct of research, the handling of intellectual property, and its commercialization. University policies are available at http://policies.uoregon.edu/. The policies that come into play in any given situation are fact specific and depend upon the exact circumstances involved. Some of the most relevant are:

- Classified Research
- Proprietary Research
- IMDs
- Conflicts of Interest
- Obligation to Disclose
Special Programs

- **SBIR & STTR programs.** The [Small Business Administration](https://www.sba.gov) is responsible formally for all Small Business Innovative Research (SBIR) or Small Business Technology Transfer Research (STTR) programs.

  If the proposal is to be a subcontract in a company’s SBIR or STTR proposal to the Federal Government, an example of the necessary Letter of Intent is available through IPS along with the model research agreement.

- **Consortia.** Consortia or multi-sponsored research programs generally require special agreements and handling. The VP Research and Innovation handles consortia directly.

- **Technology Information Access Programs**
FAQ’s for Industrially Sponsored Research & IP

What are some of the most common mistakes made in seeking, securing, & conducting Industrially-sponsored Research? What are the consequences?

Here are seven common mistakes:

1. Failure by the PI to understand the corporate budgeting, contracting, and decision-making process - this mistake generally results in delays or loss of funding.
2. Failure of the company to understand the contracting process of the University - this mistake usually results in delays in processing the proposal and signing the contract.
3. PI’s negotiating terms and conditions with the company on research agreements rather than simply the technical content and estimated budget - this mistake generally creates confusion and delays any real progress on executing the contract. Only IPS has the authority to negotiate industry agreements.
4. Failure to create and follow a sufficiently focused Statement of Work - this mistake generally obligates more to the sponsor than the PI intended and may prevent the PI from seeking support from other sponsors.
5. Failure to cost the Statement of Work properly - this mistake results generally in the inability to perform the research, a cost overrun, or the loss of follow-on funding.
6. Doing all of the key research before the funding comes in - this mistake can cause the following problems:
   - IP obligations follow funding, the corporate partner may lose IP rights they were promised;
   - The research results may be obligated to two sponsors in an incompatible fashion leading to either a lawsuit for breach of contract or the necessity to refund all the support provided by one of the sponsors.
   - The negotiations on the contract may fail, leaving the research group to pay for funds spent in anticipation of funding;
7. Failure to change the contract to reflect work actually done - this mistake may obligate the University to perform more work for the sponsor than the PI intended and cost the PI part of his/her discretionary funds. RIGE funds and grant funds cannot be used.

Who owns the IP produced by the research conducted at UO?

It depends on the facts surrounding the generation of the IP and is case dependent. Generally the University owns employee produced IP, especially when there is a contractual obligation to perform research and deliver results, the University owns the work product in order to fulfill delivery obligations.

To whom should one go with questions on industrially-sponsored research and corporate contracts?

Start with Innovation Partnership Services. IPS partners with Sponsored Projects Services for responsibility of industry research grants. SPS handles the standard pre-award and post-award functions while IPS is the lead on developing industry relationships, providing expertise on how to shape the proposed relationship, and negotiating the agreements that will govern the research relationship. Within IPS, industry-sponsored research agreements are handled by Orca Merwin.
Who makes decisions on IP ownership arising out of research conducted at UO?

Innovation Partnership Services is responsible by University Policy for IP owned by the University. IPS Managers determine if the University is not an owner, is a joint owner, or is the sole owner of IP developed by faculty, staff, and students at the University on the basis of:

- The facts surrounding the generation of the intellectual property
- Applicable University policies & operations procedures
- Governing laws

What are the most common IP problems encountered between the University and Companies?

- Ownership of, or free license to, IP developed with the aid of Company funds
- The right to publish the University’s results
- Confidentiality of results produced by the research
- The conditions of use surrounding the University’s use of Company information

What if a student or I want to commercialize the results of the sponsored industrial research?

You may not be able to do so. It depends on the facts surrounding the generation of the IP and the terms & conditions of the contract that funded the work. Generally a company does not sponsor research without the possibility of taking a license to the results. Contact IPS before taking any action.

A company, for which I consult, wants to support research at UO, any problems?

There may develop a conflict between your primary obligations to the University and the State of Oregon, and your relationship to the company. It depends upon the nature of the proposed research and the details of your previous relationship to the company as they pertain to the research. Actions perceived by State as promoting a private gain by those involved at public expense are prohibited. Usually such conflicts can be managed. A good place to start is a discussion with IPS.