ASE WESTERN RESERVE UNIVERSITY • CLEVELAND, OHIO 44106

February 1, 1983

TO: Deans, Department Chairmen, Departmental Administrators, Faculty

FROM: Thomas H. Moss
Director of Research Administration

RE: Guidelines for Research Agreements with Commercial or Industrial Sponsors

As we are all aware, the University is constantly seeking to broaden and diversify its research support. The Objectives for the University, 1980-1985 specifically acknowledges our position as a research-oriented institution, and cites enhancement of that position as a key objective. Research support is crucial to allowing our teaching staff to reach the Faculty Handbook standards of scholarship and to contribute to the body of knowledge in their chosen fields. It is also vital to broadening the educational horizons and insight of our students.

As part of efforts to maintain and enhance the vitality of our research, we have been seeking industrial support for research activities in those areas where a natural match of interests is evident. Because we have been anxious to avoid compromise of the University's basic goals of education and open scholarship, and because arrangements with commercial sponsors are less familiar than those involved in ordinary federal grant support, some of the details of such research agreements have seemed to present formidable negotiating barriers. The unfamiliarity and complexity have tended to delay decisions and have inhibited formation of these relationships even when many factors point to benefits for both the University and commercial partner. The attached Guidelines are designed to help remove that inhibition and to indicate clearly what arrangements are normally acceptable and simple to implement in our environment.

The Guidelines are based on experience on the CWRU campus and at many other universities where there have now been enough cases of this sort to see a reasonable range of consensus on the key issues. They incorporate concerns of the University legal office, administrative staff, Faculty Senate Research Committee, and many individual Deans and Faculty members. We have found approaches within this consensus to be generally acceptable to all, even though some might have originally entered the discussions with a quite different set of expectations.

The key issues commonly arising are listed on the attachment, with a brief outline of typical considerations determining the University's position in specific cases. This is intended to show examples of how we can handle these issues in an acceptable and prompt fashion. It is important to recognize, though, that there is no single or automatic "model agreement" that can cover even a majority of cases. We have found that there are inevitably a number of specific points unique to the technology, sponsor, or researchers which must be negotiated individually in each case. The Office of Research Administration will provide consultation on these, and participate in negotiations, to aid in reaching agreement efficiently.

The general guidelines listed below are best used in defining the tone of initial contacts between commercial sponsors and university researchers, with commitments being avoided until all parties can discuss and review specific terms. The last page, "Outline of Agreement Essentials", is designed to hand out to prospective sponsors for their information on our practice. The other pages are to assist in forming our negotiating position and are not intended for distribution to potential sponsors.

In certain cases specific arrangements differing widely from these guidelines may turn out to be appropriate. However, these will probably require special discussion with Department Chairmen, Deans, or University Administration. In contrast, agreements within the guidelines are well within existing precedent, and should be acceptable with minimal justification or delay. The Guidelines are designed for arrangements in which the University itself is a party. They thus do not affect individual consulting agreements which are governed by existing departmental and school policies.

I hope you will call these guidelines to the attention of faculty in your schools and departments as you see appropriate. We will also mention their availability in Research News, and copies will be available at the Office of Research Administration. New kinds of issues and opportunities will constantly arise as we gain more experience with these research agreements, and I will welcome at any time your advice on refining our practices.

February 1, 1983

GUIDELINES FOR KEY ISSUES IN INDUSTRY-UNIVERSITY RESEARCH AGREEMENTS

A) Patent Rights: Rights to patents and copyrights stemming from faculty or staff research sponsored by an outside organization are negotiated as appropriate for the specific case. The inventor, outside sponsor, and a representative of the University should be parties to reaching an agreement on this issue before formal joint projects are begun. In accordance with Faculty Handbook policy, the inventor is in any case entitled to 50% of the net income received by the University in the form of royalties or other earnings on inventions.

Generally the University will give up its right to ownership of such patents only with reluctance, but there are cases where it may be reasonable to convey ownership of patents to outside sponsors or the inventor. In many other cases exclusive or non-exclusive licensing arrangements may be a better course. Examples of circumstances where the University might convey patent ownership include:

1) The research has a narrowly focused application, and a single commercial partner is able to commit to develop actively, and to pay royalties for the technology, in all potential areas of use.

2) The patents arising from the research are likely to be contested, and legal resources beyond the University's are going to be needed to combat infringement.

3) The chance of obtaining royalty-generating patents from the research is remote, so that the University could not justify investing its limited funds to obtain the patents.

4) The commercial partner is willing to enter into a compensation commitment or other agreement that is fully competitive with what the University might realize by any other approach. A commitment by the industrial partner to pay royalties on any commercial application of patents conveyed allows the University to share in any unforeseen benefits of the patent, and this makes transfer of patent ownership a less serious gamble.

Examples of where the University would want to retain ownership of patents include:

1) The possible applications are broader than the areas of interest or expertise of the commercial partners; exclusive or non-exclusive license in a specified field of use would be a preferred approach.

2) The University holds or expects to develop related patents, and must be careful not to encumber or limit their potential by losing ownership of one component.

3) Proposed royalties are not competitive with reasonably foreseeable alternatives.

B) Confidentiality of Research Results: As an open institution dedicated to building and disseminating knowledge, the University seeks to minimize its obligations to maintain confidentiality of research results. However, we recognize the need to allow commercial partners to benefit from their research investments including ownership of patents or proprietary information and research results. Examples of reasonable approach are:

1) 90 day to 12 month delays on publications to allow a sponsor to identify patent opportunities or inadvertent disclosure of proprietary information. The need for graduate students to submit theses for degree requirements should be particularly protected, however. Graduate students should be made aware of any confidentiality agreements in a project before associating their thesis work with it, and arrangements for rapid or preliminary screening of thesis material must be made with the outside sponsor so that no delays are encountered in award of degrees.

2) "Best Efforts" to avoid inadvertent disclosure of proprietary information to outside parties.

Examples of commitments the University will seek to avoid are:

1) Lengthy delays of publication or indefinite confidentiality obligations, or granting to outside sponsors unspecified absolute approval rights for publication.

2) Any publication restrictions which would delay graduate students degrees or limit future career opportunities for graduate students.

3) Requirements that graduate students or employees enter into separate individual agreements with outside sponsors to maintain confidentiality. A better approach, which is usually acceptable to sponsors, is for students and employees to sign a statement for the record that they have read and understand the terms of the University-Outside Sponsor Agreement, and agree to comply with its terms.

4) Formal or physical security arrangements which are incompatible with the maintenance of an open and fertile intellectual atmosphere on campus.

C) Indirect Costs: The University regards the federally audited indirect cost rate as a minimum realistic estimate of true indirect costs. The federal rate is designed to reflect required cost sharing by the University in actual indirect costs, and it explicity excludes amortization of capital or infrastructure costs or investment in development for the future. Indirect cost rates must then be carefully negotiated; rates should rarely fall below the normal campus rate, and then only when it is recognized that the true cost will have to be absorbed in another fashion.

D) Third Party Involvement: It has normally worked best for the University to deal directly with developers proposing to manufacture and market our technology, as opposed to those interested in seeking future sublicensing agreements to which the University would not be a party. Control of use of the University's name and reputation is much more clearly guaranteed in this manner.

E) Use of the University's Name: Many commercial patent developers are very eager to associate the University's name with marketing efforts for a product or technology. This needs to be negotiated with care, insuring especially prior University approval of any advertising material.

F) Duration of the Agreement: Because of the changing nature of faculty interests and student participation, we should avoid open-ended or very long-term commitments which might be difficult for the University to fulfill.

BASIC CLAUSES FOR UNIVERSITY - INDUSTRY CONTRACTS

1) "Hold harmless" from liability clause:

The UNIVERSITY agrees to idemnify and hold (name of corporation) harmless from any liability for damages, or claims for damages, including legal expenses, of whatsoever nature arising from the performance of this AGREEMENT. (Name of corporation) agrees to idemnify and hold the UNIVERSITY harmless from any liability for damages or claims for damages, including legal expenses, of whatsoever nature arising from the performance of this agreement or (name of corporation's) use of technology resulting from it.

2) "Ohio Laws" clause:

This AGREEMENT shall be construed, interpreted and applied in accordance with the laws of the State of Ohio.

3) "Entire Understanding" clause:

This AGREEMENT sets forth the entire understanding between the parties as to the subject matter of the AGREEMENT. Any Amendment to this AGREEMENT shall be in writing signed by the parties.

4) "University royalty-free use" clause: (name of corporation) agrees to allow the University royalty-free use for on-campus research and development of any technology to which it has acquired in this agreement.

5) "Notices" clause:

All notices to the UNIVERSITY under this AGREEMENT shall be in writing and sent to:

Director
Office of Research Administration
Case Western Reserve University
2040 Adelbert Road
Cleveland, Ohio 44106

All notices to (name of corporation) under this AGREEMENT shall be in writing and sent to:

INDUSTRY-UNIVERSITY JOINT RESEARCH PROJECTS

OUTLINE OF AGREEMENT ESSENTIALS

1) The University agrees to a research program described as an attachment

   a) Starting and ending dates are designated.

   b) The commercial partner agrees to a funding level and schedule.

2) The ownership and/or licensing rights to patents arising directly from the research are designated.

   a) The duration of licensing or other commitments are specified.

   b) Royalties and commercial partner commitment to active developing and marketing are specified.

   c) The terms of third party licensing are specified.

   d) Options for first refusal of patent and/or licensing rights to unplanned technological developments are specified.

   e) The University is given royalty-free use of the technology for further on-campus research and development.

3) Obligations are specified concerning the exchange or confidentiality of information shared as part of the project.

4) Use of the University's name is protected.

5) Rights to terminate the project are specified for both parties.

6) Parties agree to hold each other harmless from any liability arising from the research project or the developed technology.

7) The agreement is specified to reflect the full understanding of the parties, and to be interpreted under the laws of the State of Ohio.