



**Sponsored Research Agreement Review
Procedures
Research Administration and Finance**

I. Introduction

All sponsored research agreements are negotiated by Research Administration and Finance (RAF). When negotiations are completed, the agreement may only be signed by the Director, RAF or other Institute officers who have a specific delegation of authority from the Board of Trustees of Rensselaer to sign agreements on the Institute's behalf.

A. Proposal Review and Preparation

A research proposal, following written submission to RAF by a Principal Investigator (PI), is reviewed by a RAF Grant Administrator in collaboration with the PI. All required documentation is prepared by RAF with the assistance of the PI, including the budget and scope of work, and is submitted by RAF to the sponsor in a timely fashion.

Should the PI become involved in any preliminary discussions with the sponsor regarding proposed agreement terms, the PI should be aware of the basic elements of the Institute's policies concerning sponsored research agreements with respect to ownership of intellectual property and publication rights. The PI is also encouraged, at any stage, to contact RAF for assistance or to determine any current relationships or pertinent history with the sponsor that may be of use in the proposal development and agreement finalization. When discussions are held between sponsor representatives and Rensselaer faculty or staff, it must be understood that these are preliminary only and cannot contractually bind Rensselaer.

If the proposal is accepted, the sponsor will forward a research agreement for Rensselaer's approval and execution. This process will be managed under the procedures set forth below.

B. Summary of the Agreement Review Process and Expected Timelines

1. The agreement is received by RAF and is entered into an Agreement Log. The PI is notified of receipt of the agreement by email.
2. Within 1 to 3 business days, the agreement is assigned to a Grant Administrator for initial review.
- 3a. If the agreement contains Rensselaer-defined standard terms, RAF reviews the agreement with the PI and, if acceptable, executes the agreement. Standard processing time is approximately 7 business days.
- 3b. If the award involves non-standard terms, further review and discussion is necessary. This process is coordinated by RAF, in active collaboration with the PI, and as necessary, representatives of the Office of General Counsel, and the Office of Technology Commercialization (OTC). This process involves the following steps:

- Review of the agreement for IP ownership, licensing and option issues; (*See* Criteria

- for IP Review, set forth below)
- Review of the agreement for publication, export control and indemnification issues, or for other problem contract clauses. (*See Review of Policy and Compliance Issues and Review of Problem Contract Clauses, set forth below*)

4. Weekly meetings occur at RAF with legal counsel and OTC to discuss the status of all outstanding agreements. At each meeting, action items are determined for each unresolved agreement. Email or telephone communication is made to the PI regarding new developments as they occur.

5. RAF commences communications and negotiations with the sponsor's representative(s). If the negotiation process does not result in a mutually satisfactory agreement, RAF will confer with the PI, and if necessary, refer the matter to the Appeal Process (see Section II. C.).

C. Tracking the Process of Research Awards

An essential step in the process is to establish effective communications with members of the Rensselaer faculty and staff who are now, or may in the future become, involved in sponsored research. RAF has a detailed process in place to track research awards from the date that they are received in RAF until they have undergone the complete review process and are either fully executed or declined. The agreements are logged in when received. Dates and other pertinent information are recorded for each step of the process. The PI is frequently informed of the status and of new developments as they occur and is copied on all correspondence related to the negotiation process. The PI is also welcome to contact the Director, RAF at any time to ascertain the precise status of pending agreements.

II. The Review Process in Detail

A. Initial Review

After an agreement is received and logged in at RAF, an initial review of the terms and conditions is performed with assistance, if needed, from a representative of the Office of General Counsel. If the agreement can be accepted, as is, RAF will review the agreement with the PI and then execute the award. If there are terms and conditions in the agreement that are not acceptable to Rensselaer, RAF will contact the sponsor to negotiate any required changes. Upon agreement of mutually acceptable terms and conditions, the agreement is executed. However, if initial discussions with the sponsor demonstrate that non-standard provisions are being requested and additional discussions will be required, RAF commences a process to negotiate terms in the agreement which will meet acceptable Institute policies. This process involves the PI and as necessary, designated individuals from the Office of General Counsel and OTC.

B. The Negotiation Process

During the negotiation process the focus is on the mutual purposes of the sponsored arrangement:

supporting research, educating students and facilitating technology transfer while keeping in mind the relevant policy considerations and regulatory concerns. Negotiations will consider the various stakeholder groups involved in the process. The interest and needs of the Institute from the perspective of a non-profit, tax-exempt research and educational institution must be met, while also taking into consideration the commercial, for profit goals of corporate sponsors. Special needs, goals or requirements of governmental, nonprofit foundation or other institutional sponsors must also be considered, along with the history of the relationship between the parties. The negotiation relies on interpersonal relationships on both sides and frequent contact for status updates is essential to achieve timely results.

Negotiations should be conducted so as to continually build upon the level of trust that has been developed between the PI and the sponsoring agency, company or other party. Among other things, this means courtesy in dealing with negotiating counterparts, prompt responses to inquiries and counterproposals, the presumption that the counterpart is negotiating in good faith, continual mindfulness of the counterpart's objectives, and having as a goal a long-term relationship with the sponsor.

RAF commences negotiations with representatives of sponsors which involve, as appropriate, the exchange of draft redlined agreements offering alternative contact language, and telephone and/or face-to-face negotiating conferences. RAF actively consults with the PI at all stages of the negotiation process. The negotiation process continues until an agreement which meets accepted parameters is made with sponsor or an impasse has been reached. The PI is advised and in the event of an impasse, the PI or any interested stakeholder may request that the agreement be referred to the Appeals Committee (see Section C below).

C. The Appeal Process

If, following negotiations, the agreement still does not meet accepted parameters regarding policies of the Institute, the issue of whether to accept or reject the award is referred to appeal. RAF solicits the opinion of all interested stakeholders and refers these positions to appeal with the pertinent supporting documentation. The appeal will then promptly be heard and determined by an Appeals Committee comprised of the Vice President for Research, the Provost, and the General Counsel.

D. Criteria for IP Review

1. Ownership of IP

The standard IP ownership language acceptable to the Institute provides that any intellectual property conceived or reduced to practice in the performance of the research project by Rensselaer personnel will be owned by Rensselaer. IP conceived or reduced to practice by sponsor personnel will be owned by sponsor, and jointly invented IP will be jointly owned by Rensselaer and the sponsor in accordance with U.S. patent law.

The Rensselaer Intellectual Property Policy provides that Rensselaer will retain title to all intellectual property that its personnel develops in the course of performing a sponsored research agreement.

2. IP Licensing and Option Rights

A sponsored research agreement, in addition to an IP ownership clause, may give the sponsor a limited right to use technology that has been developed in the performance of the project. All license rights are subject to negotiation after review by RAF, in consultation with the PI, legal counsel and OTC, of all pertinent factors, as described in more detail below.

Some of the types of license rights that a sponsor may request are set forth below:

- A “time-limited evaluation license” is typically a limited right provided to sponsor to internally use the IP developed in the performance of the research project for evaluation purposes only. The license is usually for a limited period of time (3 to 9 months) and patent costs may or may not be charged.
- An “internal use license” is a limited right provided to sponsor to use the IP developed in the performance of the research project for internal use.
- Alternatively, or in addition to the above, a sponsor may also request an option right. Option clauses can grant the sponsor a time-limited exclusive or non-exclusive option to negotiate with Rensselaer for an exclusive or non-exclusive royalty-bearing license to IP developed in the performance of the research project.
- It is even possible that a sponsor might offer a non-exclusive, “cross-license” right to its own IP in partial or full consideration of the performance of the project and/or for license rights to IP developed by Rensselaer in the performance of the research project.

Rensselaer has developed a set of definitions for commonly used terms relevant to intellectual property matters and that glossary is posted at www.rpotechnology.com

The determination of what would be “reasonable” licensing and option rights for a sponsor is made on a case by case basis. Before such clauses can be negotiated, it is important to discuss with the sponsor their needs, what commercial rights they require, and why. OTC will also discuss these issues with the PI. The terms are tailored to suit the technology, its development status, the marketplace, investment required and other commercialization factors. Once the commercial needs and desires of the sponsor have been considered, as well as the amount of funding, the scope of work, and the collaborative nature of the project, the Institute is in a better position to make a judgment as to the appropriate rights to grant up-front in the research contract. The following issues will be considered:

- The amount of compensation for the sponsored research project (including facilities and administrative costs), the field of research, and the expected outcome of the research – including an assessment of the value of what will come out of the research and how the granting of the license will affect the entire portfolio of the Institute.
- Whether the contemplated research project offers benefits that are above and beyond the stated compensation. Examples include: furthering research capabilities or institutional knowledge of Rensselaer through the use of sponsored funds; a grouping with sponsor would facilitate

Rensselaer's entry into new technology markets and/or funding opportunities; research funds would support additional graduate students.

- The anticipated effect of providing IP rights to the sponsor on other commercialization efforts by the Institute, i.e. whether giving commercial licensing rights to research results to the sponsor would have an adverse effect on Rensselaer's ongoing or anticipated commercialization efforts.
- Whether the sponsored project involves confidential or proprietary technology of sponsor that would make the research results not independently capable of commercial development by Rensselaer.
- Whether alternate research support could be obtained from other sources.
- Whether any IP rights provided to sponsor could adversely impact further research or development activities of Rensselaer, the PI, and/or prospective or current licensees.
- Company's contribution to the IP generation in terms of initial conceptualization of the research, background IP, and the joint development of the IP.
- The relative value of the subject invention, or anticipated invention, to the market value of the product or service that it may enhance.

3. Other Intellectual Property Considerations

(a) Whether the project will affect background IP issues.

The issue of whether the award under review will ultimately implicate background intellectual property previously developed by the Institute, and if so, whether this request will affect either: (a) third party rights; or (b) ongoing or anticipated commercialization efforts need be reviewed and resolved.

(b) Whether equipment, material, technology or resources used on the project involves third party rights.

The issue of whether any equipment, material or other resources that is contemplated to be used on the new project may involve intellectual property rights held by a third party should be carefully reviewed. Examples of such interests include:

- rights conferred to a provider of biological or other tangible material or technology under a Material Transfer Agreement (MTA) or an equipment loan agreement which provides to a third party license rights to Institute inventions;
- rights held by another institution or an individual faculty member in pre-existing technology or research tools used in the project that may cloud or impair Institute IP rights in technology and inventions resulting from the project;

- rights to third parties which may result if a researcher working on the project is a visiting scientist, an employee of a private company, or otherwise subject to a separate intellectual property agreement or policy which might provide that the work results of that researcher might be owned by a third party.

In each case, these rights must be identified and pertinent information must be forwarded to RAF for proper management.

(c) Whether third-party royalty obligations are present

Some sponsors (e.g., NYSERDA) may impose “reach-through” royalty obligations, where the Institute may be ultimately required to pay that granting authority a back-royalty in the event that a technology developed with that funding is successfully commercialized. Therefore, the proposal announcement or solicitation, if available, should be reviewed to determine whether such an obligation exists, and if so, reported to RAF. The PI should review all contemporaneous or past awards involving the same or similar Statements of Work for such obligations and report them to OTC.

E. Review of Policy and Compliance Issues

Assuming that IP ownership, licensing and option rights issues are resolved, remaining issues may concern publication rights, export controls, and other regulatory issues that are triggered by the terms of the research agreement. These also must be addressed. The most prominent of them are the following:

1. Publication restrictions

It is the policy of Rensselaer that all of the results of a research project must be publishable and that persons associated with Rensselaer and engaged in research pertaining to the project must be permitted to present the research results at symposia, national, or regional professional meetings and to publish this information in journals, theses, or dissertations. Rensselaer will not accept any clause in a research agreement which imposes a restriction on this right. However, a sponsor may be permitted the opportunity to review a proposed publication in advance of its submission, presentation and/or publication and be allowed to either request removal of their confidential information or be provided a short delay, generally not to exceed thirty (30) days, to allow for the filing of patent application(s) directed to patentable subject matter contained in the proposed publication or presentation.

2. Export control laws

Export control laws are federal laws which have been implemented by the U.S. Department of Commerce through its Export Administration Regulations (EAR), the U.S. Department of State through its International Traffic in Arms Regulations (ITAR), and the U.S. Department of Treasury through its Office of Foreign Asset Controls (OFAC).

The Department of State regulates export of technologies relating to military applications listed on

the Munitions Controls List (MCL) under the International Traffic in Arms Regulations (ITAR).

The Department of Commerce regulates export of technologies relating to civilian applications listed on the Commerce Control List (CCL) under the Export Administration Regulations (EAR). This list is sometimes also called the “Dual-Use” list.

The Department of the Treasury administers the Office of Foreign Asset Control, (OFAC) which prohibits outright any transactions (including exports) to certain designated embargoed foreign countries, such as Afghanistan, Armenia, Azerbaijan, Belarus, Cuba, Iran, Libya, North Korea, Sudan, Syria, Tajikistan, and Vietnam without a (very rarely granted) license.

Significant criminal sanctions (including money and/or prison sentences for individuals) can apply in the case of violations. It is therefore essential that faculty and other researchers in departments, laboratories and centers understand their obligations under these regulations and adhere to them.

The term “export” in the regulation refers not only to technology leaving the shores of the United States (including transfer to a U.S. citizen abroad whether or not it is pursuant to a research agreement with the U.S. government), but also encompasses transmitting the technology to an individual other than a U.S. citizen or permanent resident *within* the United States. A disclosure to a foreign researcher or student in a laboratory *on campus here at the Institute* is therefore considered a “deemed export.” If research involves protected technologies, the ITAR and/or EAR may therefore require universities to obtain a license from the responsible federal agency before allowing foreign nationals to participate in the research or to receive any research related information – orally or in writing.

However, in the case of academic or research institutions, there is a very important exclusion from the requirements of export controls under ITAR and EAR – the exclusion for materials or information that is created as a result of fundamental research, the results of which are or are about to be in the public domain.

Fundamental research is generally defined under export control laws as basic or applied research in science and/or engineering taking place at an accredited institution of higher education within the United States when the resulting information is expected to become part of the public domain, i.e. when there are *no restrictions on publication* beyond those intended to protect pre-existing proprietary information or intellectual property rights.

It is *critically important* to recognize that research projects are *not eligible* for the fundamental research exemption if the federal government designates the research results as classified, administratively controlled, or otherwise restricted or sensitive.

Therefore, it is essential to seek the removal of clauses in sponsored research agreements which either: (1) seek to limit the performance of the work to US citizens only; or (2) seek to impose any restriction on publications other than a short delay to allow for the redaction of sponsor confidential information or an opportunity to secure appropriate intellectual property protection on the developed technology.

It is the policy of Rensselaer to uniformly remove all publication and access restrictions from sponsored research agreements so as to permit the Institute to claim that the resulting research results are excluded from export control requirements by asserting the fundamental

research exclusion.

G. Indemnification, Warranties and Penalties

Sponsors may include certain provisions in agreements which need to be negotiated. Examples of these include the following;

- Indemnification clauses. These clauses require the Institute to defend, at Institute expense, and hold sponsor harmless from and against any loss or damage which may arise out of the project or the use of any project deliverable. It may or may not be conditioned upon a finding that the Institute is negligent. It may strictly confine itself to personal injury or property damage liability or may encompass other kinds of damage, like lost profits, contract breach damages or other kinds of compensatory or incidental damages. It may include an obligation to defend and indemnify sponsor against resulting damages and liability if the research deliverables infringes third party patent or copyright rights. The Institute generally does not accept indemnification clauses.
- Warranty clauses. These types of clauses have the effect of representing and promising to a sponsor that certain work or products meet certain special characteristics: that they are of merchantable quality; fit for the use or purpose intended by the sponsor; free of defects; or meet certain technical standards or professional standards. These clauses may or may not promise to redo work that is found to be insufficient. These clauses sometimes also provide that the Institute is liable for damages for the cost of remedial work if the warranty is breached. The Institute generally does not accept these clauses and will, as necessary, insert language that the research work will be performed on a “best-efforts” basis and that any research results are provided “as-is” without representation or warranty.
- Penalty Clauses. These clauses provide that if the Institute does not finish the requested work, or finishes it in a manner that is unsatisfactory to the sponsor, that the Institute may be liable to the sponsor for costs and damages, which may include a set amount of damages (“liquidated damages”), or the amounts incurred by sponsor to remedy allegedly inferior work or to have it re-performed. The Institute does not accept these clauses.
- Accounting/Financial Clauses. RAF also reviews agreements to determine whether that they meet accepted Institute parameters regarding financial effort and other reporting requirements, invoicing and payment terms and other financial issues. These financial issues include the following:
 - US Dollars as currency of payment;
 - Acceptable frequency of interim invoices and reports;
 - Acceptable frequency of payments;
 - Acceptable terms for final invoicing and reports, and due date;
 - Standard level of detail required for invoicing;
 - Acceptable terms for effort reporting;
 - Acceptable terms for re-budgeting authority;
 - Acceptable termination provisions, and
 - Detailed contact information for financial reporting requirements.