

University-Industry Collaborations- It Doesn't Have to be Painful

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Contracting with Industry Cultural Differences

- University culture is more focused on federal compliance issues and its mission as a non-profit educational institution.
- Industry culture is bottom line (profit) driven and risk management is a key issue.
- Industry generally does business with other for-profit companies and they both understand taking risks in order to earn a profit.
- Difficult for Industry to understand the lack of obligations (risks) in University agreements which require a greater degree of trust than they are comfortable with. They often view you as a vendor.

Contracting with Industry

- First question: "Have you contracted for University Research before?" If answer is no, then need to educate:
 - University is a non-profit educational institution and an agency of the state of Texas. It only works on a reasonable efforts basis and cannot warrant the work. Trade-off is University gives Sponsor the right to terminate at any time for any reason. Just ask to cover expenses up to the time of termination.
 - Since non-profit and state agency, University is very risk averse.
 - Important to sell this concept before moving into negotiations.

Typical Industry Contract Terms:

- Want Fixed Price Contract
 - TEES is agreeable to fixed price contracts
- Want Warranty on work, redo at TEES expense if not acceptable
 - TEES cannot warrant -> use reasonable efforts, research results are not guaranteed
- Pay when receive acceptable final product or milestones
 - TEES wants up-front payment with payment schedule not tied to deliverables

Typical Industry Contract Terms:

- Want Indemnification
 - TEES can't indemnify except with qualification
- Want to own Intellectual Property
 - Subject to System Policy but can be negotiated
- Don't want you to terminate w/o cause
 - TEES can agree if Force Majeure clause

Strategy

- Big Company vs. Small Company.
- Who in Company is handling contract negotiation?
- History-> Have we worked with them before (Pull old contracts)?
- PI and University negotiator must work closely to get best outcome.
- Keep PI involved (buy in), use them to go to Company technical contact to help resolve issues.

Working with the PI

- Start with discussion of Statement of Work (is it research or services). Get involved early.
- IP development potential. Any background patents? Will PI want to ask for IP Waiver if sponsor requires rights? Discuss ramifications of giving up IP.
- What does PI think the company wants?
- Publication needs.
- Make sure SOW has clear set of deliverables with dates and look out for contract terms in SOW.

Types of Contract TEES Uses with Industry

- Research Agreement
- Master Research Agreement
- Research Services (RS)/Testing Agreement
- Short form RS/Testing Agreement
- Non-Disclosure Agreement

Negotiations

- After selling Sponsor on what University is about, begin by asking what they want out of the deal.
- Remember, it is easy to talk past one another because of cultural differences.
- Talk first, then follow-up with emails to confirm.
- Don't send templates until after initial discussions on IP terms. Push University contract.
- Move quickly, companies can lose interest easily.
- Have fall back positions on issues.

Intellectual Property

- Patents, copyrights, software, trade secrets, trademarks, etc.
- Often a key issue in sponsored research – the sponsor wants rights to any IP developed because “they are paying for research”.
- Under System Policy 17.01, Component may agree that the sponsor may own any resulting IP if the benefit of the research funding outweighs the potential value of the IP.

Intellectual Property

- System Policy is same as most Universities: Follows patent law, if you invent it, it is yours, if it is a joint invention, it is jointly owned and sponsor has a time limited first option to negotiate a commercial license.
- At Texas A&M, licensing is responsibility of Office of Technology Commercialization. If research agreement moves into licensing issues, we have to involve OTC in negotiations.
- Research Services/Testing agreements are silent on IP except for giving sponsor ownership of Work Product.

Non-Disclosure Terms

- Purpose of NDA is to assure protection of the party's Confidential and Proprietary Information (CI).
- Whenever possible try to use your template mutual NDA especially if other party's NDA is too brief or poorly written.
- Watch out for one-way NDA's. The terms are usually much more in favor of the discloser.
- Make sure NDA has a term for exchanging CI and a period for holding CI, usually from the date of disclosure or end of NDA.

Non-Disclosure Terms

- Important to make sure that orally disclosed CI is reduced to written summary and provided to the recipient within a reasonable period of time (30 days).
- Make sure there is a provision that states the CI can be released as required by law or court order.
- Do not allow terms that should be part of a research agreement to get into the NDA such as IP rights.

Payment Terms

- Industry will typically want a fixed price contract. Risk can be reduced by using reasonable efforts, not warranting work or tying payments to acceptance.
- Try to get as much up-front as possible. TEES standard is 50% up front, 25% half-way through project and 25% at and when final report delivered.
- With foreign companies, try to get 100% up-front or 50% up-front and 50% half-way through. TEES requires wire transfer on foreign payments. Try to get payment in US Dollars. Watch for foreign taxes withheld by sponsor.
- Watch for labor-rate or time and material contracts on cost reimbursable contracts. Often seen on federal flow-through contracts.

Export Controls

- Have your Export Compliance Manager develop and update your standard provision and review sponsor language.
- Especially important to address when a foreign party is involved.
- Watch out for language in sponsor contract restricting foreign nationals and publication restrictions.