

Reviewing and Negotiating Industry Contracts

Bin Ye¹
Jennifer Rodis²

¹College of Agricultural and Life Sciences

²Office of Research and Sponsored Programs
University of Wisconsin



Outline

- **Process of how an industry contract is established**
- **Types of industry agreements**
- **Case studies**



Process of how an industry contract is established



Process of reviewing contracts – ideal world

PI has preliminary discussions with the sponsor.



CDA and/or MTA (PI sends documents to SPO; docs are reviewed and negotiated by administrator.)



PI reviews information and materials.



Meetings between PI and the sponsor to discuss potential research project.



Process of reviewing contracts – ideal world

Budget negotiation (Discussions between PI and Sponsor with assistance of research administrator.)



Research agreement review and negotiation (Discussions between Sponsor and research administrator.)



Agreement signed
Project started



Invoicing and financial reports



Real world process

PI is talking to the sponsor.
PI signed agreement.
PI reviewed the information and received the materials.



Research agreement review and negotiation
(Sponsor and administrator)



Real world process

Agreement signed
Project started



Invoicing and financial reports



Types of industry agreements



Types of industry agreements

Types of Agreements	Purpose	Funding received by institution?	Inventions are a concern?	Publication/ Data Ownership are concerns?
Confidential Disclosure Agreement or Non-Disclosure Agreement	Governs the sharing of proprietary or confidential information	N	N	N
Material Transfer Agreement	Governs the transfer of tangible research materials	N	Y	Y
Data Use Agreement	Governs the use and disclosures of a limited set of information about an individual(s) when the information is protected by HIPAA	N	Y	Y
Research Agreement	Governs the relationship between sponsor and university regarding research project	Y	Y	Y
Fee-for-Service Agreement	Governs a relationship in which institution is a vendor providing goods/services that does not add intellectual content to a project	Y	N	N



Types of intellectual property

	Time	To the public	Example
Trade secrets	No limit	No	Coke recipe
Patent	20 years	Yes	Processes of software
Copy right	Author's life + 70 yrs	Yes	Software codes or publications
Trade mark	No limit	Yes	Google



Factors that influence negotiations

- Federal/state/local laws
- Sponsor's policies and interests
- University's policies and interests
- Context:
 - PI's career stage (Assistant Professor? Tenured? Emeritus?)
 - Graduate students supported on project?
 - Background IP
 - SOW/Deliverables

Case studies



Publications and Publicity

“Release Of Information: University shall not publish any information developed under this Contract, nor disclose, confirm, or deny any details about the existence or subject matter of this Contract, or use Sponsor’s name in connection with University’s promotion or publicity without prior written approval of the Sponsor.”

Publications and Publicity

Strategies:

- It is our mission to disseminate information.
- Publication plays an important role for our scientist's career and reputation.
- Sponsor can have a limited period of time (30-day) to review the publication prior to submission.
- Federal Freedom of Information Act and state's open records laws.
- Replace with, "University shall not use Sponsor's name in connection with University's sales promotion or publicity without prior written approval of the Sponsor. University and its employees shall have the right, at their discretion, to release information or to publish any writings, or material resulting from this agreement, or to use such in any way for research and educational purposes. University shall furnish the Sponsor with a copy of any proposed publication in advance of the proposed publication date and grant the Sponsor thirty (30) days for review and comment. Within this period, the Sponsor may request University, in writing, to delay such publication for a maximum of an additional sixty (60) days in order to protect the potential patentability of any invention described therein. Such delay shall not, however, be imposed on the filing of any student thesis or dissertation."

Publications and Publicity

“Unless the written consent by Sponsor is first obtained, University shall not in any manner advertise or publish or release any statement mentioning Sponsor or the fact that University has furnished or has been contracted to furnish to Sponsor products under this Contract or quote the opinion of any Sponsor employees. Subcontractor shall not disclose any information relating to this Contract except to the extent necessary for performance hereunder. This clause shall survive completion or termination of this Contract.”

Strategies:

- It is our mission to disseminate information.
- Publication plays an important role for our scientist's career and reputation.
- Sponsor can have a limited period of time (30-day) to review the publication prior to submission.
- Federal Freedom of Information Act and state's open records laws.

Confidentiality

“‘Confidential Information,’ for purposes of this Agreement, shall mean: (i) any information in written, other tangible or electronic form which is labeled by the disclosing party as “confidential,” “proprietary” or with a legend of similar import, including any financial data of the Sponsor...the obligations under this clause shall survive the termination of this Agreement for a period of twenty-five years.”

Strategies:

- Explain to our PI why a long confidentiality period can limit their research ability and damage their career.
- Ask our PI to talk their contact at the company

Intellectual Property

“Any work, writing, idea, discovery, improvement, invention (whether patentable or not), trade secret or intellectual property of any kind first made or conceived by University in the performance of this Contract or which is derived from the use of information supplied by Sponsor shall be the exclusive property of the Sponsor. Any work produced under this Contract is to be deemed a work-for-hire to the extent permitted by law, and, to the extent not so permitted, shall be assigned to, and shall be, the exclusive property of, the Sponsor. University hereby grants to Sponsor and to Sponsor’s subcontractors and customers, in connection with the use, offer for sale, or sale of products provided to or work being performed for Sponsor, an irrevocable, non-exclusive, paid-up worldwide license under any and all intellectual property (whether domestic or foreign).”

“The Sponsor will receive an option for an exclusive, worldwide, royalty-bearing license, with the right to sublicense, to all patent and patent applications on all inventions conceived of or reduced to practice by University. The royalty paid by Sponsor to University will be 1-3% of net sales of licensed products or services. “

Strategies:

- Talk to your scientists and understand the research project.
- Work with your legal office.
- Industry sponsors the research. It is a joint effort.
- An option to negotiate a non-exclusive, exclusive license, or an option agreement.

Data Ownership

“Any ideas, information, and data (excluding properly identified Proprietary Data) received by Sponsor hereunder and ideas and developments accruing therefore shall also be fully disclosed to Sponsor, and shall also become the exclusive property of Sponsor, and may be utilized by Sponsor as such all without additional payment or further consideration under this Contract.
and shall also provide Sponsor an option to negotiate a royalty-bearing exclusive license, and may be utilized by Sponsor for internal research and development purposes without additional payment.”

Strategies:

- Per your State law, data belongs to your State.
- It is our mission to disseminate information.
- Publication plays an important role for our scientist's career and reputation.

Jurisdiction

“This Agreement shall be construed in accordance with, and governed by, the laws of Switzerland, without regard to the conflicts of law provisions thereof. Any dispute arising out of this Agreement shall be submitted exclusively to the competent Courts of Basel City, Switzerland, without restricting any rights of appeal.”

Strategies:

- Can the PI get the materials from other sources, such as from a domestic organization?
- To create a joint project with Sponsor. Sponsor may agree to share liability.
- To purchase insurance to cover the potential liability
- Department or college will take the responsibility for any damages that may arise from the use of the materials.

Invoicing: Effort & Supporting Documentation

“Billing information as follows:

- Labor billings shall include each performer’s category/position, hourly rate, number of hours (for both current billing period and cumulative subcontract) and extended price (for both current billing period and cumulative subcontract)
- Non-labor billings, to include travel, equipment, material and other direct costs (ODCs) shall be itemized and totaled for both the current billing period and cumulative subcontract
- Travel billings shall be supported by the dates, to/from locations, and purpose of each trip, along with the names of the individuals traveling
- Include receipts for all travel expenses exceeding \$75
- Equipment/material or ODC billings shall be supported by copies of vendor invoices, payment receipts, shipping documents, etc., as needed to reasonably support claimed expenses”

Invoicing: Effort & Supporting Documentation

Strategies:

- Universities do not expect faculty and staff to keep timesheets, nor are they required to per OMB A-21, Section J.10. Also, sending back up documentation with every invoice would be overly burdensome.
- Replace with language such as, “University shall submit to the Sponsor an invoice, with costs detailed by major budget category identified in the approved budget for costs incurred in the prior month by University in performance of this agreement and claimed to constitute allowable costs. Each such invoice shall be accompanied by a statement signed by a responsible official of University certifying that the invoice is true and correct. If the Sponsor questions or disputes in writing a cost item on any invoice, the sponsor may request from University documentation supporting that cost item in order to review the allowability of the cost item in question. Such written request shall state in detail the nature of the Sponsor's question or dispute. “

Sponsor Indemnification of University

“SPONSOR agrees expressly to indemnify, defend and hold harmless UNIVERSITY and its directors, employees, researchers and students against any and all claims of or liabilities to third parties, including fees, expenses and costs of claims and suits for any such third parties loss, damage, injury, or loss of life, if such claims or liabilities arise directly or indirectly from the omission or performance of SPONSOR 's rights or obligations arising out of this Agreement.”

Sponsor's position: We provide the materials for free, why do we need to waive your liability?

Sponsor Indemnification of University

Strategies:

- Can the PI get the materials from other sources, such as from a domestic organization
- To purchase insurance to cover the potential liability
- Department or college will take the responsibility for any damages that may arise from the use of the materials.

University Indemnification of Sponsor

“The University agrees to indemnify and hold harmless the Sponsor, from and against any and all losses, claims, demands, and damages that may arise by reason of acts or omissions on the part of the Institution, its agents, employees, contractors and subcontractors, in performance of this Agreement shall assume full responsibility for the defense thereof, and upon its failure to do so on proper notice, the Sponsor reserves the right to defend such action and to charge all costs to the University.”

University Indemnification of Sponsor

Strategies:

- University may be limited in its ability to indemnify another party. Check with risk management for language appropriate for your institution.
- If public institution, insert phrase “to the extent allowed by _____ state law.”
- Omit the clause in its entirety.

Warranty

“Unless stated otherwise in the documents accompanying these terms and conditions, University shall warrant all services against defects in performance for a period of one year following delivery. If this Contract includes the provision of Services, University warrants that it has and will maintain sufficient trained personnel to promptly and efficiently execute the Services contemplated under this Contract. University further warrants that the services shall be performed to at least the standard of performance reasonably expected of similar service providers in Sponsor’s geographic area.”

Warranty

Strategies:

- Omit the clause in its entirety. As universities perform experimental research and development, they cannot guarantee results fit for a particular purpose.
- Replace with language such as, **“THE UNIVERSITY MAKES NO WARRANTIES, EXPRESSED OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE CONDITION OF THE RESEARCH OR ANY INVENTION(S) OR PRODUCT(S), WHETHER TANGIBLE OR INTANGIBLE, CONCEIVED, DISCOVERED, OR DEVELOPED UNDER THIS AGREEMENT, OR THE OWNERSHIP, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF THE RESEARCH OR ANY SUCH INVENTION OR PRODUCT.** The University shall not be liable for any direct, indirect, consequential, special or other damages suffered by any licensee or any others resulting from the use of the research or any such invention or product.”

Insurance

“The University must provide at its expense and shall maintain for the duration of the Contract:

- (a) Workers’ Compensation and Employer’s Liability Insurance. The University shall maintain Statutory Workers’ Compensation and Employer’s Liability insurance for its employees with minimum limits of not less than \$500,000 Bodily Injury by Accident, Each Accident; \$500,000 Bodily Injury by Disease, Policy Limit...
- (b) Commercial General Liability Insurance. The University shall maintain Commercial General Liability Insurance including Bodily Injury & Property Damage Coverage...with limits of not less than the following: \$2,000,000 General Aggregate; \$1,000,000 Products & Completed Operations Aggregate...
- (c) Commercial Automobile Insurance. The University shall maintain Commercial Automobile Insurance for all owned, non-owned and hired vehicles with a combined single limit of not less than \$1,000,000 for Bodily Injury and Property Damage Liability...”

Insurance

Strategies:

- Public universities may be self-insured as indicated by state statutes. Verify with risk management office the appropriate language to incorporate.
- Universities may not have coverage that match specific limits. Insert language appropriate for institutional coverage.
- May be necessary to purchase additional insurance coverage if sponsor insists.

Infringement

“University warrants that the sale, offering for sale, use, or incorporation into manufactured goods and materials (including software) of all machines, parts, components, services, devices, material, and rights furnished or licensed hereunder which are not of Sponsor’s design, composition, or manufacture does not and will not infringe any valid patent, copyright, trade mark, or other proprietary or intellectual property rights.”

Strategies:

- Omit the clause in its entirety, as universities are performing experimental research and development. We are not commercial vendors selling off-the-shelf products. No reason to believe that work would be infringing. Also, universities generally do not have the resources to perform patent searches for every research project they undertake.
- Revise the beginning to state, “University, to the best of its knowledge and without further investigation, represents that the sale...” Confirm with the PI that s/he believes this to be the case.

In closing, remember...

For scientists:

1. You may have a good friend in an organization who will sponsor your research. However, he or she doesn't represent you.
2. Our Grants & contracts specialist may not be your best friend, but they will represent you.



For research administration, be careful of:

1. Purchase Orders can come with terms and conditions.
2. Terms that state that non-U.S. Citizens may not be allowed to work on this project, without authorization from Sponsor in advance.



In closing, remember...

Scientists and research administrators are in the same boat. It takes team work to finish a project.



Acknowledgements

- NCURA Region IV
- College of Agricultural and Life Sciences and Office of Research and Sponsored Programs at University of Wisconsin
- Michael Morris, Office of Research and Sponsored Programs, UW-Madison, for his helpful comments.



Questions?

Bin Ye
binye@cals.wisc.edu
(608)890-1648

Jennifer Rodis
rodis@rsp.wisc.edu
(608) 262-4990

