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# INDUSTRY CONTRACTING AT UGA: COMMON ISSUES

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Office of the Vice President for Research  
Sponsored Projects Administration  
Industry Contracts

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## INTRODUCTION

Contracting with industry can vary greatly from grants and contracts with government agencies and these differences can be significant. Lack of awareness on the part of the faculty or staff member can lead to delays during negotiations. Because our goal is to streamline the process and eliminate as many delays as possible, SPA has created this guide for the university research community. While the most frequent issues are covered here, please be aware that each project presents its own set of unique circumstances. Faculty members are strongly encouraged to contact SPA as early as possible in the process.

## FIRST THINGS FIRST

Familiarize yourself with the process of routing proposals here at UGA. A good place to start can be found here: <http://research.uga.edu/SPA/prepare-proposal/get-ready/>

At a minimum, you should submit your technical proposal (called a statement of work), a budget which includes the appropriate fringe benefit rate and the applicable F&A rate, and any additional information required by the sponsor. The current rates can always be found here:

<http://research.uga.edu/SPA/frequently-used-information/>

All proposal submissions must be done through the grants eResearch Portal, which can be accessed online at <http://grant.ovpr.uga.edu>

## THE PROJECT BUDGET

It is best not to share budget information with industry sponsors prior to speaking with SPA. Doing so is likely to cause delays during negotiations. While faculty members often do have a good handle on what is needed to carry out the project and what those costs are, those figures do not reflect the full cost of performing research at the University of Georgia.

Rarely do industry sponsors require budget information to be on a particular form or in a specific format. However, SPA does have a budget format for fully-burdened costs. The internal (to UGA) budget will list direct costs and F&A separately, but the budget sent to corporate sponsors will roll up those costs, providing a simplified cost plan. In general, you should provide a line-item budget (for internal purposes only) of the following: Salaries & Fringe Benefits, Materials & Supplies, Travel (note if it is international or domestic), and any other direct costs associated with the project. UGA's policy on direct costs can be found here:

<http://policies.uga.edu/FA/nodes/view/864/Direct-Cost>

UGA/UGARF expects budgets developed for industry sponsored projects to bear the appropriate F&A rate, depending upon the type of project proposed. Information on UGA's F&A rates and policy can be accessed at

<http://research.uga.edu/SPA/info/fa-primer/> and <http://research.uga.edu/SPA/frequently-used-information/#costs>.

Sometimes a potential corporate sponsor will send UGA/UGARF a letter espousing that their official company policy is to pay a lesser F&A rate. Such letters will not be accepted for three reasons:

- UGA/UGARF cannot perform work for a company if full costs are not recovered. UGA is a state-supported institution; to perform work that does not fully cover the real costs of doing that work means that the taxpayers of the State of Georgia are subsidizing the company.
- Accepting less than full F&A recovery could put UGA's/UGARF's tax exempt status at risk.
- The Federal government expects to pay no more in F&A costs than any other sponsor. Allowing an industry sponsor to pay a lower rate jeopardizes the ability to collect full F&A rates from Federal sponsors.

Specific F&A rates have been negotiated for particular locations such as the Griffin Food PIC. It is always best to check on the current rates with SPA while developing your budget.

#### COMPLIANCE REQUIREMENTS

It is important to note the variety of research-related topics which are subject to specific compliance regulations. Any questions should be directed to the Office of Research Compliance. Additional information can be found at <http://research.uga.edu/compliance>. Information on responsible conduct of research (RCR) can be found there as well.

The following areas will require additional review, which may add to the overall time frame for proposals and awards. Involving SPA early in the process will minimize delays.

- Animal use
- Human subjects
- Biosafety
- Conflicts of interest
- Export Controls

#### NEGOTIATIONS: COMMON ISSUES

##### *INTELLECTUAL PROPERTY*

Intellectual property provisions are almost always at the top of any "Most Common Issues" list, and for good reason. Industry sponsors tend to think that if they pay for the work, then they own the results and everything tied to them. The sponsor wants to own the outcomes and limit its competitors from knowing about the work. Universities, especially public institutions, need to carry out their mission of disseminating information to the public for the betterment of society. In government contracts and grants, IP rights conform to the Bayh-Dole Act (United States Code Title 35 Sections 200 – 212, implemented through Title 37 Code of Federal Regulations Section 401). Outside of Federal

funding, however, Bayh-Dole is completely irrelevant. Therefore, it is critical that the university and the corporate sponsor engage in detailed discussions regarding ownership and maintenance of IP. The PI should identify, at the proposal stage and within the statement of work, any intellectual property necessary to carry out the research (“background IP”) and/or whether any intellectual property is expected to result from the project (“foreground IP”). A review of any licensing arrangements for background IP is necessary to ensure there are no conflicting rights (i.e. a third party has an exclusive license to the technology).

Within the research agreement itself, the best approach is for ownership to follow the inventorship. If university personnel invent it, then UGARF owns the rights. If personnel from the corporate sponsor invent it, then ownership remains with the corporation. If both parties are involved in the invention, then both parties will own it together (joint ownership). Generally however, negotiations with regard to IP ownership and rights to use it are complicated and sometimes contentious. This can be compounded by the stress to get the deal done—something that can be mitigated by involving SPA early in the process so expectations can be managed.

Faculty and staff should review UGA’s Intellectual Property policy to understand their rights and obligations under it. For convenience, the policy is online at <http://research.uga.edu/documents/intellectual-property/>.

Innovation Gateway is UGA’s resource for licensing as the need arises. Additional information can be found at <http://research.uga.edu/gateway/researchers/technology-transfer/protecting-intellectual-property/>. It is imperative that inventions are disclosed to Innovation Gateway in a timely manner. Innovation Gateway also handles material transfer requests, confidential disclosure agreements, questions regarding the timing of publications and all general intellectual property questions.

#### **CONFIDENTIAL INFORMATION**

The concept of confidential information is almost foreign to universities. Our culture is one of openness and shared knowledge. Our mission is dissemination of information to the public, which cannot happen if we agree to keep information confidential.

However, it is sometimes necessary for us to receive confidential information in order to carry out the research project. If that is the case, UGA/UGARF will execute a Non-Disclosure Agreement with the industry sponsor. These are also referred to as Confidential Information Agreements, Confidential Disclosure Agreements, and Proprietary Information Agreements. Regardless of what the document is called, the point of it is to control who has access to certain information and for what purposes that information can be used. Sometimes the research agreement itself will contain non-disclosure terms. If a separate NDA is in place, the research agreement should reference and incorporate that document.

Issues surrounding the scope (what type of information will be confidential) and the duration (how long are we under the obligation) are typical. The scope should be as narrow as possible and the term relatively short. Both of these points relate to control; it must clear what information needs to be protected and how long the obligation to do so remains in effect. With regard to the duration,

universities typically do not agree to more than a five year period; the turnover of faculty, staff and students make it impractical to monitor compliance over a longer period. The protection period ought to reflect the actual useful life of the confidential information. Similarly, the scope of protection should be narrowly tailored. This will allow faculty to quickly determine if there is an obligation of confidentiality at the time the information is shared.

One last, but important note: Information which is confidential cannot also be part of fundamental research. This can have serious implications with regard to export controls, most notably in relation to students working on the project. If the PI thinks the project will include receiving confidential information, SPA should be informed as soon as practical.

#### *PUBLICATIONS*

The ability to publish and share information is critically important to a university's academic research mission. In addition, publication may be a requirement of graduation or for tenure. It is appropriate to allow a review period so that the industry sponsor may read through the publication in order to ensure that confidential information is not disclosed and in order to identify any intellectual property which may need to be protected. This review period should be relatively short- no more than 90 days. If a student is working on the project and needs this research for their thesis or dissertation, this review period ought to be 30 days or less. Publication delays should never jeopardize students' academic progress.

#### *WARRANTIES*

Research results can be unpredictable. While universities will often agree to diligent efforts to conduct the research, they will disclaim any warranties as to the results of the project. Universities are generally not equipped to provide verifications of the safety or usefulness of research results, including prototypes, and generally do not have quality assurance systems as their industry sponsors do.

#### *INDEMNIFICATION*

Indemnification clauses shift the obligation to cover certain damages or injuries to third parties from the responsible party to another. State universities typically will not agree to these clauses. In Georgia, indemnification is an obligation which only the state legislature has the authority to fund. The university would, in essence, be promising to cover the cost of some future event using state resources. Georgia's constitution prohibits 'pledges of state credit', which is what this situation would be. (see Constitution of the State of Georgia, Article VII, Section IV, Paragraph VII)

Generally, UGARF will agree to language which provides that each party shall be responsible only to the other party for the actions of its employees, its conduct of the research and its use of the results.

#### *CHOICE OF LAW*

Choice of law just refers to which laws will govern how the contract is interpreted. States are sovereign entities, and as such are not required to submit themselves to the laws of other states or other countries. State universities are an arm of the state itself. Therefore UGA/UGARF will very

rarely agree to be bound by any other law than Georgia's. If UGARF and the sponsor cannot agree on Georgia law, we will request to remain silent on this issue.

#### *VENUE*

While choice of law deals with the issue of which law applies, venue deals with where lawsuits will be heard. If a state entity is a party to the lawsuit, it will want that lawsuit to occur within its own jurisdiction. UGARF will request Georgia as the venue. If the sponsor will not agree to that, then another option is to remain silent.

#### SPECIAL CONSIDERATIONS FOR INTERNATIONAL COLLABORATIONS

##### *CURRENCY*

Although not typically an issue, UGA requires payment in U.S. dollars. SPA can work with the sponsor on an appropriate payment schedule. Some sponsors will want an invoice at the same time the research contract is executed. If that's the case, SPA will work with the post-award team member responsible for invoicing to be sure one is sent immediately after the award is completed in the system.

##### *EXPORT COMPLIANCE*

Export control regulations are very technical in nature and are administered through the U.S. Department of Commerce's Export Administration Regulation (EAR), the Department of State's International Traffic in Arms Regulations (ITAR), and the Department of Treasury's Office of Foreign Assets Control (OFAC). UGA's export compliance policy, as well as additional resources, is available at <http://research.uga.edu/export-control>. Most research at UGA will fall under the Fundamental Research Exclusion (FRE), and will therefore be excluded from regulations. The FRE applies to information (but not physical items or software) which results from basic and applied research and that is typically published or otherwise shared broadly within the scientific community (to be excluded under ITAR, the information must actually be published). Therefore the ability to publish is critical in order to protect FRE status. Proprietary information agreements in which research results are included in the definition of confidential information, terms that include publication restrictions, or projects that are restricted to only U.S. citizens will destroy the FRE. If the project is likely to involve export controlled information or technology, please inform SPA as soon as possible

##### *NON-DISCRIMINATION LAWS & POLICIES*

UGA is committed to a respectful and fair environment for the entire campus community. The university will comply with all U.S. non-discrimination laws, Board of Regents' policies, and campus policies. Although not typically an issue, any contract that includes terms which restrict or boycott other countries cannot be signed by UGA/UGARF. We will request those terms to be deleted. UGA's non-discrimination policy can be found at <https://eoo.uga.edu/policies/non-discrimination-anti-harassment-policy>.

#### *FOREIGN CORRUPT PRACTICE ACT*

The Foreign Corrupt Practices Act (FCPA) is administered by the U.S. Department of Justice and prohibits payments or gifts of "anything of value" to a foreign official for the purpose of influencing that official in decision-making or to obtain an advantage in any matter under consideration. A "foreign official" could include any employee or contractor of a foreign government. Even individuals employed by foreign universities could be characterized as "foreign officials" under the FCPA. While it is unlikely that a research agreement would contain terms that outright violate the FCPA, it is important to be mindful of the restrictions while interacting with colleagues and officials from other nations.

#### CONCLUSION

The issues listed here are the most common ones found in university research contracts. These issues will require a detailed and tailored review by SPA. Faculty members who involve SPA early in discussions will find that the negotiation and award processes are much easier to navigate. An added benefit is the goodwill built with the industry sponsor. The process will not take as long, the administrative work will be streamlined, and the awards will be made quickly. This can only add to UGA's image as a top-tier research university.

QUESTIONS? Please call Angela Steltzer at (706) 542-8014 or email her at [asteltzer@uga.edu](mailto:asteltzer@uga.edu).