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Negotiating Research Grant Agreements with Universities and Research Institutions

Presented by: Darren B. Moore
Bourland, Wall & Wenzel, P.C.
Fort Worth, Texas

Understanding the Context

- Common Types of Foundation “Donations” to Universities
 - **Supporting academic research projects**
 - Funding chairs or professorships/supporting quality of academic teaching
 - Obtaining academic expertise in foundation programs, initiatives, or research
 - Supporting capital campaigns or facility development (including athletic support)
 - Providing funding for scholarships or loan programs

Gifts vs Grants (and why it matters)

- Is the foundation looking only to make a transfer of funds with no further follow-up?
- Is the foundation flexible in the time period and methods used by the investigator?
- Does the foundation want a share of any royalties generated as a result of the funded research?
- Will the foundation recoup funds not used for the project?

Gifts vs Grants

Gifts

- Few contractual requirements
- No true deliverables
- No rights in intellectual property
- Typically no specific statement of work (may be restricted to an area of research/project)
- Implementation of donor intent rests with university
- Typically no formal time limit
- Reporting intended to demonstrate use consistent with donor intent
- May be subject to gift fee
- Generally coordinated through development office or affiliated foundation

Grants

- Significant contractual requirements
- Typically requires deliverables
- May require sharing of intellectual property or royalties from intellectual property
- Typically has a specific statement of work with a specific time limit
- Reporting requires more significant detail, including a right to audit income and expenses
- Typically will require return of funds not used for project
- Typically will involve payment of some amount of overhead expenses
- Likely coordinated through technology office/general counsel

Setting the Negotiating Table

- Seek to understand the values, goals, and cultures of each party
 - Are there complimentary or competing values?
 - How will this particular proposed grant further the priorities and values of each party?
- Consider the individuals who will be involved in the negotiation process
 - Foundation staff, board members, counsel, or consultants
 - University researcher(s), office of the president, technology transfer office/general counsel
- Consider the most appropriate method of negotiation
 - How much time is there to negotiate the agreement?
 - Does it make sense to negotiate by email versus phone versus in person?
 - Does the foundation understand at the outset where it may be willing to give with respect to its standard grant agreement?



Common Areas of Negotiation

Indemnification

- **What's the issue?**
 - Allocation of risk exposure (in addition to insurance)
- **Foundation Interest:** Passive funder; entitled to indemnification against claims arising as a result of the university's research
- **University Interest:** Typically reluctant to provide indemnification, but may agree to provide limited indemnification
 - If foundation is to have access to the results of the research, university will want indemnification for use of the research results
 - Consider obligation to provide a defense in addition to obligation to indemnify

Hang-Ups and Alternatives to Indemnification

- State institutions may be limited based on state constitutional limitations on the ability to provide indemnification
- Universities may have strict policies against providing indemnification
- Alternative: Each party is responsible for the actions of its own employees, its conduct, and its use of the results
- Insurance as an alternative or supplement to indemnification

Intellectual Property – Ownership

- **What's the issue?**

- Ownership of any intellectual property (or proceeds therefrom) that results from the university's research funded by the foundation

- **Foundation Interest:** Foundation is typically not interested in research ownership but rather desires rights to use or share intellectual property

- **University Interest:** University almost always requires ownership of intellectual property developed from funded research

- University wants intellectual property for future research projects
 - University wants intellectual property for publication
 - Depending on funded research, university may be willing to divide ownership of intellectual property

Intellectual Property – Licensing

- **What's the issue?**

- Access to and use of intellectual property developed by university through research funded by foundation

- **Foundation Interest:** Foundation often wants ability to use IP for future research projects to be conducted by the foundation or its grantees or for foundation publications

- **University Interest:** University is most typically concerned with *ownership* of IP and willing to grant non-commercial NERF

- **Potential Solution:**

- May be accomplished through a nonexclusive royalty-free license (NERF) for non-commercial use
 - Foundation should ensure it has the right to sub-license the intellectual property
 - University may require approval of sub-license arrangements, particularly if foundation seeks to sub-license to for-profit lab
 - Foundation may need to require access to background IP (can be an issue for university)

Intellectual Property – March-In/Diligent Efforts

- **What's the issue?**
 - Ensuring intellectual property is appropriately commercialized
 - Federal government requires march-in rights allowing government to take over IP, including cancellation of exclusive licenses if commercialization has not occurred on an agreed upon timeline
- **Foundation Interest:** University is owner of intellectual property and therefore foundation needs the ability to push university to commercialize
- **University Interest:** March-in rights make commercialization more difficult—licensees do not want to risk expending funds where funder has march-in rights
- **Areas of negotiation:**
 - Full march-in rights
 - Diligence provisions (may require assignment if diligence not pursued)
 - Requiring universities to put diligence provisions in their licensing agreements with third parties
 - Foundation ability to review and approve any exclusive licensing agreements
 - Foundation requirement of diligence provisions without a right to review and approve
- **Related issue:** Require the university diligently pursue patent protection with offer to assign to foundation in the event of abandonment

Intellectual Property – Royalty Sharing

- **What's the issue?**

- Attempts to share in economic proceeds as a result of the funded research

- **Foundation Interest:** As research funder, foundation has a right to share in any royalties or other economic benefits resulting from IP created by foundation-funded research

- **University Interest:** University may be willing to share, but may have agreements with other funders; calculation can be difficult

- **Areas of negotiation:**

- Goal is to reach an equitable figure (flat-rate, multiple of sales, or a percentage of net proceeds allocable to the foundation's funding)
 - Consider caps and minimum thresholds
 - Consider appropriateness of bonuses
 - Consider likelihood of monetization of the intellectual property
 - University will want to take into consideration its facilities and administrative costs

Confidentiality

- **What's the issue?**

- Preservation of confidential information of disclosing party

- **Foundation Interest:**

- Protect any propriety materials or information to be used as part of the research
 - May be an issue if foundation has ongoing academic consortium with real-time sharing of materials between foundation-funded researchers at the request of the foundation

- **University Interest:**

- University concerned about inadvertent breaches as a result of overbroad definitions of confidential information/ambiguity as to CI
 - Prevent overbroad definitions that will impinge on university's right to publish and/or present research results timely

Rights to Publish

- **What's the issue?**

- Right to determine authorship of the manuscript/presentation
- Right to choose the publication/forum in which information disseminated
- Total control over contents of the publication
- Freedom from excessive delays

- **Foundation Interest:** Typically will not seek to restrict university's right to publish; may want right of review to protect confidential information

- **University Interest:** Right to publish is fundamental to university to prevent unrelated business taxable income and protect fundamental research exemption under Export Administration Regulations

- **Most significant issues:**

- Defining confidential information in a way that allows publication of the results of the research while protecting rights of confidentiality
- Timing of pre-publication review
- Acknowledgement of funding/use of marks

Reporting and Audit Rights

- **What's the issue?**

- Right to reports as well as rights to audit the books and records of the academic researcher/department

- **Foundation Interest:** Foundation want assurance funds used in accordance with grant agreement to ensure intended impact

- **University Interest:** University wants as much flexibility as possible

- **Areas of negotiation:**

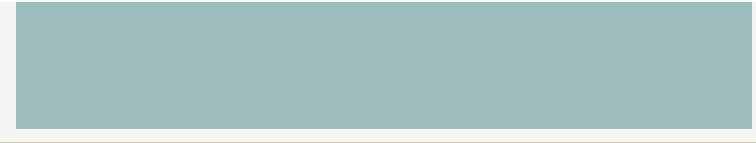
- Foundation should seek interim reports (narrative and financial)
 - Foundation should seek the right to access the books and records upon written request (though this may rarely be utilized in practice)
 - Foundation can model these provisions after expenditure responsibility guidelines
 - Recoup amounts not used/diverted

Other Areas of Negotiation

- ◉ Statement of Work
- ◉ Governing Law
- ◉ Performance Clauses
- ◉ Use of Marks
- ◉ Termination
- ◉ Administration Fees

Other Standard Provisions

- ◉ Amount of the award (timing of any phased funding)
- ◉ Grant term
- ◉ Acknowledgement of the tax status of the grantee
- ◉ Agreement not to use funds for political activity or advocacy
- ◉ Agreement to use all foundation grant funds in compliance with all applicable anti-terrorist financing and asset control laws, regulations, rules, and executive orders
- ◉ Notice provisions
- ◉ Non-assignment provisions
- ◉ Dispute resolution



The information set forth in this outline should not be considered legal advice, because every fact pattern is unique.

The information set forth herein is solely for purposes of discussion and to guide practitioners in their thinking regarding the issues addressed herein.

Non-lawyers are advised to consult an attorney before undertaking any issues addressed herein.

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