BACK TO BASICS:
ESSENTIAL PROVISIONS
OF A NON-FEDERAL CONTRACT

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Learning Objectives

1. Identify which provisions are essential to every non-federal contract
2. Understand the legal meaning of the terms and conditions
3. Issue Spotting: Recognize problematic language and when essential provisions are missing
4. Understand how clauses are related to one another
5. Recognize and understand non-essential (yet important) clauses often contained in non-federal contracts
ESSENTIAL PROVISIONS:

IDENTITY OF THE PARTIES & SIGNATURES

SCOPE OF WORK

FUNDING, PAYMENT SCHEDULE & INVOICING

SATISFACTION CLAUSES

PERIOD OF PERFORMANCE

TERMINATION

ENTIRE AGREEMENT
IDENTITY OF THE PARTIES

Presented by: Cynthia J. Wells
Director, Sponsored Programs Administration
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What is the Preamble?

The Preamble is an explanatory clause at the beginning of the contract that typically identifies the:

- Type of agreement through a title
- Parties (Legal identifier/address/entity type)

- Typically, the preamble will also include the date on which the agreement was entered into (‘Effective Date’)

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EXAMPLE #1

This Collaborative Research Agreement (hereinafter "Agreement"), is made and entered into by and between The Board of Trustees of The Leland Stanford Junior University, an institution of higher education having powers under the laws of the State of California and located at 1705 El Camino Real, Palo Alto, CA 94306-1106 (hereinafter "University"), and ACME, Incorporated, a Connecticut corporation, having its principal place of business at 123 West Elm Street, New Haven, CT 06510 (hereinafter “Sponsor”).
EXAMPLE #2

This Research Agreement (“Agreement”) is made and entered into effective April 30, 2011 (“Effective Date”) by and between XYZ, Inc., a California corporation, located at 4321 Washington Avenue, Suite 420, Riverside, CA 92507 (“XYZ”), Dr. Ima Researcher (“Principal Investigator”), and The Regents of the University of California, on behalf of its Riverside campus, located at 200 University Office Building, Riverside, CA 92521-0217 (“University”).
EXAMPLE #2 Suggested redline change and rationale

This Research Agreement (“Agreement”) is made and entered into effective April 30, 2011 (“Effective Date”) by and between XYZ, Inc., a California corporation, located at 4321 Washington Avenue, Suite 420, Riverside, CA 92507 (“XYZ”), Dr. Ima Researcher (“Principal Investigator”),[CW1] and The Regents of the University of California, on behalf of its Riverside campus, located at 200 University Office Building, Riverside, CA 92521-0217 (“University”).

Please note that the Principal Investigator (PI), although an employee of the University, is not authorized to enter into agreements on behalf of The Regents, nor may he be a separate party hereto. That said, an acknowledgment block has been inserted, following the signatory section of the Agreement, wherein the PI will indicated that he has read the terms of this Agreement and understands his obligations to comply herewith.
HERE ARE THE TOP 10 REASONS A PRINCIPAL INVESTIGATOR MAY GIVE FOR SIGNING AN AGREEMENT:

10. “The terms & conditions looked good to me.”

9. “. . . but it is my research, I should be able to sign the agreement.”

8. “I knew you were too busy submitting the 2 proposals I dropped off this morning, which by the way are due to the sponsor by 5:00 pm today.”
HERE ARE THE TOP 10 REASONS A PRINCIPAL INVESTIGATOR MAY GIVE FOR SIGNING AN AGREEMENT:

7. “I need to start the project tomorrow.”

6. “I already finished the project and just want to get the funds deposited.”

5. “... but I sign a lot of agreements.”

4. “The sponsor only asked for my signature.”
HERE ARE THE TOP 10 REASONS A PRINCIPAL INVESTIGATOR MAY GIVE FOR SIGNING AN AGREEMENT:

3. “I tried to call your office on Saturday, but you didn’t answer.”

2. “I signed a confidentiality agreement last week, why can’t I sign this one?”

AND THE TOP REASON GIVEN IS . . . .

1. “. . . but I didn’t know that I couldn’t sign the agreement.”
Presented by: Sally O’Neil
Manager, Industrial Contracts Office
Stanford University
The following authorized party representatives have executed this Agreement, including all its terms and conditions.

Sponsor

The Board of Trustees of The Leland Stanford Junior University

Signature ___________________________ Signature ___________________________
Name _______________________________ Name _______________________________
Title ________________________________ Title ________________________________
Date ________________________________ Date ________________________________

I, _________________________________, named as Principal Investigator, acknowledge that I have read this Agreement in its entirety and will use reasonable efforts to uphold my obligations and responsibilities set forth herein:

Signature: __________________________
Date: ______________________________
SCOPE OF WORK

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Scope of Work

- Identifies the work for which the sponsor is funding the University to perform
  - It may be broken into tasks and/or milestones
  - It may contain required deliverables (e.g., schedule of reports)
  - It should clearly articulate the science/technical effort

- The text of the scope of work may either be:
  - embedded into a section of the agreement or
  - attached as an exhibit and incorporated by reference.
Scope of Work (cont’d)

- The SOW should not contain:
  - Contractual terms and conditions
  - Budget or payment schedule
  - Obligation to use ‘best efforts’ in the performance of the agreement

  Substitute “reasonable efforts” for “best efforts”. The phrase "best effort" establishes an obligation to utilize all available resources for completing the task, including diverting resources from other tasks/projects and obligations, even if, for example, the diversion of other resources would cause significant or irreparable harm to such other tasks/projects and obligations. The use of "reasonable effort" does not diminish the University’s responsibility to fulfill its’ obligations under the award.
FUNDING, PAYMENT SCHEDULE AND INVOICING

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The total funding obligation must be clearly specified in the Agreement, whether or not a detailed budget is included.

Example
Sponsor will pay University the Total Amount Funded on Page 1. The parties estimate that this amount is sufficient to support the Research. University may submit a revised budget requesting additional funds if Sponsor requests a change in the Statement of Work. Sponsor will not be liable for any payment in excess of Total Amount Funded except on Sponsor’s written agreement.
Advance Payments

Timing of payments should protect the University and the PI.

- If possible, small awards (less than $25k) or short term contracts (6 months or less) should be paid in full upon execution of the contract and receipt of invoice, net 30 days. If not, a portion of the funds should be paid upon execution.

- Larger or longer cost-reimbursement contracts typically provide for an advance payment upon execution and invoice, with subsequent payments due on receipt of an invoice for costs incurred.

- Larger or long term fixed-price contracts typically provide for an advance payment, in addition to scheduled payments for the balance.

- University goal is to get funding in advance to lessen the risk of collecting from a sponsor: (i) whose funding is later cut, (ii) that files for bankruptcy, or (iii) goes out of business.
Upon receipt of an invoice from University, Sponsor will pay University in accord with the Payment Schedule on Page 1. For purposes of identification, each wire or check payment must refer to the Research Program title, the Agreement number, and the name of the Principal Investigator.

Payments shall be sent to:

Mailed payments:
• P.O. Box 44253
• San Francisco, CA 94144-4253
• Stanford University Lockbox

**NOTE:** Partial or full advance payment may be required by your institution.
Example #1

Upon execution of this Agreement and within thirty (30) days receipt of University's invoice, Sponsor shall pay University one half of the budget ($100,000.00) as set forth in Exhibit B. Sponsor shall make subsequent payments at the beginning of each month thereafter, within thirty (30) days receipt of University’s invoice.
Another Cost-Reimbursement Contract With a Fixed Payment Schedule

**Example #2**

Sponsor shall make four equal payments, each for 25% of the budget total in Section 2.2 ($100,000.00 per payment) as follows:

- Upon execution of this Agreement and within thirty (30) days of receipt of University’s invoice
- Quarterly thereafter, within thirty (30) days’ receipt of University’s invoice

Note: Invoice information with contacts will be needed
Q: Looking at the payment clause in the examples, how would I know if the award was a cost-reimbursement contract?
A: You wouldn’t ... solely from those clauses.

 ➤ Instead, look at the funding provision. See if there is a provision that addresses what happens to unexpended funds remaining at completion of the project. Are they required to be returned to the sponsor or may they be kept?
Fixed-Price Contract
With a Fixed Payment Schedule

**Example #1**

This is a fixed-price contract in the amount of $155,000. Sponsor shall make payments in accordance with the following schedule:

- Upon full execution of this Agreement $35,000.00
- Upon delivery of written report under Task 1 $45,000.00
- Upon delivery of written report under Task 2 $25,000.00
- Upon delivery of written report under Task 3 $25,000.00
- Upon delivery of devices under Task 4 $25,000.00

- Some universities don’t want to make payments contingent upon achieving milestones, although reports may be OK. Check with your supervisor or accounting office.
Fixed-Price Contract
With a Fixed Payment Schedule

**Example #2** (One-year contract)

Sponsor will make payments in accordance with the following schedule and upon thirty (30) days’ receipt of University’s invoice:

* Upon full execution of this Agreement: 25% of the amount referenced in Section 2.2
* Quarterly thereafter: 25% of the amount referenced in Section 2.2

When negotiating the payment schedule, be sure to have the PI weigh in on whether the schedule will meet his/her spending needs (Does the PI need a lot of funding during a particular quarter to buy a piece of equipment or to travel to a conference?).
Satisfaction Clauses

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Satisfaction Clauses

BEWARE!

Sponsors sometimes want payment of invoices contingent upon their receipt of "acceptable" or "satisfactory" deliverables. This gives the Sponsor discretion to determine if a deliverable is "unsatisfactory":

(i) negating the need to pay for the deliverables or
(ii) permitting Sponsor to require the work to be re-done.

- Remove "satisfaction clauses" from the contract. If Sponsor will not agree, then revise the clause so that the payment is not subject to the Sponsor’s discretion.
Examples of Satisfaction Clauses

**Example #2:**

"The schedule of payments and current reporting requirements are set forth in the Reporting and Payment Schedule attached as Exhibit B. Sponsor may terminate this Agreement if University fails to submit satisfactory reports on time, as set forth in the Reporting and Payment Schedule attached as Exhibit B."

**Example #2 (Revised):**

"The schedule of payments and current reporting requirements are set forth in the Reporting and Payment Schedule attached as Exhibit B. Sponsor may terminate this Agreement if University fails to prepare and submit timely reports, in accordance with the Reporting and Payment Schedule attached as Exhibit B."
Examples of Satisfaction Clauses

**Example #1:**
"Each Deliverable will be subject to a verification of acceptability by Sponsor to ensure that such deliverable satisfies the requirements set forth in the scope of work."

**Example #1 (Revised):**
"Each Deliverable will be subject to a verification of acceptability by Sponsor to ensure that such deliverable was performed pursuant to the requirements set forth in the scope of work."
If the Sponsor refuses to modify a satisfaction clause, use of the word “satisfactory” must be clearly defined or clarified to remove discretion as to what is deemed acceptable.

Example #2 (Worse case alternative):
"The schedule of payments and current reporting requirements are set forth in the Reporting and Payment Schedule attached as Exhibit B. Sponsor may terminate this Agreement if University fails to submit satisfactory reports on time, as set forth in the Reporting and Payment Schedule attached as Exhibit B; provided that “satisfactory” shall be defined as compliance with the terms of this Agreement (including using the reporting format provided by Sponsor), and shall not be based on Sponsor’s agreement with University’s findings, recommendations, or conclusions."
Examples of Satisfaction Clauses

Example #3:
“Final payment will be made upon Sponsor’s acceptance of the final report.”

Example #3 (Revised):
“Final payment will be made upon Sponsor’s receipt of the final report.”

- Example #3 allows Sponsor to reject deliverables as non-conforming, applying its own unspecified standards. Moreover, Sponsor could extend “acceptance” to the research results in the report!
Examples of Satisfaction Clauses

**Example #4:**
“Final payment will be made upon satisfactory completion of the scope of work.”

**Example #4 (Revised):**
“Final payment will be made upon completion of the scope of work.”

*or*

“Final payment will be made upon University’s performance of the scope of work pursuant to this Agreement.”
PERIOD OF PERFORMANCE

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University of California, Riverside
What is the Period of Performance?

Also known as the “Term”:

- a clearly defined period of time
- during which each party has duties and obligations to perform.
Period of Performance

- The start and end dates must be explicitly stated.
  - Without a **start date**, it is unclear when costs may begin to be charged to an award (i.e., becomes an allowable cost issue)
  - Without an **end date**, the obligations (including liability) remain indefinite and continue in perpetuity!

- **CAUTION:** Verify that the ‘Effective Date’ does not conflict with the ‘Period of Performance’ start date.
Examples of Period of Performance clauses

**EXAMPLE #1**

- The term of this Agreement shall commence on [INSERT START DATE](hereinafter "Effective Date") and shall continue through [INSERT END DATE]. At the end of such term, this Agreement may be renewed upon mutual written agreement of the parties.
Examples of Period of Performance clauses

EXAMPLE #2 (same as Example #1 with the following additional fact)
The Preamble reads:

This Sponsored Research Agreement (hereinafter "Agreement"), is made and entered into this ___ day of October 20___, by and between Acme, Incorporated, a Connecticut corporation, having its principal place of business at 123 West Elm Street, New Haven, CT 06510 (hereinafter referred to as “Sponsor”), and The Regents of the University of California, on behalf of its Riverside campus, having an office located at 200 University Office Building, Riverside, CA 92521-0217 (hereinafter referred to as "University").

Now look at the clause:

The term of this Agreement shall commence on [INSERT START DATE](hereinafter "Effective Date") and shall continue through [INSERT END DATE]. At the end of such term, this Agreement may be renewed upon mutual written agreement of the parties.
Examples of
Period of Performance clauses

EXAMPLE #3 (Same clause, different preamble)
The Preamble reads:

This **Sponsored Research Agreement** (hereinafter "Agreement"), is made and entered into this __ day of October 20__ (hereinafter the “Effective Date”), by and between **Acme, Incorporated**, a Connecticut corporation, having its principal place of business at 123 West Elm Street, New Haven, CT 06510 (hereinafter referred to as “Sponsor”), and **The Regents of the University of California, on behalf of its Riverside campus**, having an office located at 200 University Office Building, Riverside, CA 92521-0217 (hereinafter referred to as "University").

Corrected clause:

The term of this Agreement shall commence on [INSERT START DATE] **hereinafter "Effective Date"**) and shall continue through [INSERT END DATE]. At the end of such term, this Agreement may be renewed upon mutual written agreement of the parties.
Examples of Period of Performance clauses

EXAMPLE #4

• The term of this Agreement shall commence on [INSERT START DATE] and shall continue through [INSERT END DATE], unless extended by mutual written agreement of the parties.

EXAMPLE #4a (same as Example #4 with dates inserted)

• The term of this Agreement shall commence on the Effective Date and shall continue through October 31, 2012, unless extended by mutual written agreement of the parties.
Examples of Period of Performance clauses

EXAMPLE #4b (same as Example #4a with the following additional fact)
1. The Effective Date listed in the Preamble reads, “November 1, 2011”.
2. You learn that the PI ordered some equipment on September 30, 2011 due to a 60 days lead time.

Period of Performance clause reads:
• The term of this Agreement shall commence on the Effective Date and shall continue through October 31, 2012, unless extended by mutual written agreement of the parties.

Corrected clause:
• The term of this Agreement shall commence on **the Effective Date** September 30, 2011 and shall continue through October 31, 2012, unless extended by mutual written agreement of the parties.
Examples of Period of Performance clauses

EXAMPLE #4c (same as Example #4a with the following additional facts)

The Effective Date listed in the Preamble reads:

This Agreement is effective as of the date of the last signatory below ("hereinafter "Effective Date").

Additional fact: It is now November 1, 2011, but negotiations are on-going and you learn that the PI ordered some equipment on September 30, 2011 due to a 60 days lead time.

Clause 4c

The term of this Agreement shall commence on the Effective Date and shall continue through October 31, 2012, unless extended by mutual written agreement of the parties.

Corrected clause:

• The term of this Agreement shall commence on the Effective Date September 30, 2011 and shall continue through October 31, 2012, unless extended by mutual written agreement of the parties.
EXAMPLE #5

The Preamble reads:

This Sponsored Research Agreement (hereinafter "Agreement"), is made and entered into this ___ day of October 20___ (hereinafter the “Effective Date”), by and between Acme, Incorporated, a Connecticut corporation, having its principal place of business at 123 West Elm Street, New Haven, CT 06510 (hereinafter referred to as “Sponsor”), and The Regents of the University of California, on behalf of its Riverside campus, having an office located at 200 University Office Building, Riverside, CA 92521-0217 (hereinafter referred to as "University").

Clause 5:

The term of this Agreement shall commence on the Effective Date and shall continue until completion of the project.
Examples of Period of Performance clauses

EXAMPLE #5
The Preamble reads:

This Sponsored Research Agreement (hereinafter "Agreement"), is made and entered into this ___ day of October 20___ (hereinafter the “Effective Date”), by and between Acme, Incorporated, a Connecticut corporation, having its principal place of business at 123 West Elm Street, New Haven, CT 06510 (hereinafter referred to as “Sponsor”), and The Regents of the University of California, on behalf of its Riverside campus, having an office located at 200 University Office Building, Riverside, CA 92521-0217 (hereinafter referred to as "University").

Corrected clause 5:

The term of this Agreement shall commence on the Effective Date and shall continue until [INSERT END DATE] completion of the project.

OR

The term of this Agreement shall commence on the Effective Date and shall continue until the earlier of: (i) completion of the project or (ii) [INSERT END DATE].
TERMINATION

Presented by: Sally O’Neil
Manager, Industrial Contracts Office
Stanford University
Early Termination of a Contract

- Occurs when the parties are released from their obligations under the contract (whether by agreement, performance or breach) before originally scheduled.

- Results in an award ending before the end date in the contract and often, reduced funding.

- Can be exercised by one party or by mutual agreement (depending on the contract terms).
Termination

- A termination clause should ensure that, in the event an agreement is terminated by Sponsor for any reason, Sponsor will pay for:
  
  - (i) all costs incurred through date of termination and
  
  - (ii) all non-cancellable obligations
Termination for Convenience

- Prefer that either party can terminate
- For any (or no) reason
- Advance written notice strongly advised
- Usual University obligations: (i) mitigate costs, (ii) furnish final cost report, and (iii) reimburse excess funds to Sponsor
- Sponsor pays: (i) actual direct and indirect costs (incurred through date of termination) and (ii) non-cancellable obligations
Termination for Convenience clauses

**EXAMPLE #1**

This Agreement may be terminated by University or Sponsor upon ninety (90) days prior written notice to the other if either party determines, in its discretion, that the research project under this Agreement is no longer academically, technically, or commercially feasible. Upon receipt of notice of termination, University shall limit or terminate outstanding financial commitments for which the Sponsor is to be liable. Sponsor shall reimburse all costs incurred by University for the research project, including without limitation, all non-cancellable obligations.
**EXAMPLE #2**

Sponsor and/or University may terminate this Agreement, with or without cause, upon 30 days written notice served upon the other party of this Agreement stating the extent and effective date of termination. Upon Sponsor’s notice to terminate, Sponsor shall make payment to University for all services performed in accordance with this Agreement to the date of termination, including payment for any non-cancellable obligations.

**Corrected clause:**

Sponsor and/or University may terminate this Agreement, with or without cause, upon 30 days written notice served upon the other party of this Agreement stating the extent and effective date of termination. Upon either party’s Sponsor’s notice to terminate, termination, Sponsor shall make payment to University for all services performed in accordance with this Agreement through to the date of termination, including payment for any non-cancellable obligations.
Termination for Cause

Is the right of a party to completely or partially end performance under the provisions of the contract termination clause.

- Most common cause is material breach.
- Careful: Other “causes” tend to be one-sided in the Sponsor’s favor

- Be sure there is also a mutual termination for convenience clause in the contract.
Termination for Cause

Material Breach

➢ A substantial failure of performance under the contract that is significant enough to release the other party from its performance obligations and brings the right to sue for damages.

➢ Cure period – time the breaching party has to fix the problem to avoid termination (and possible lawsuit)
EXAMPLE #1

This Agreement may be terminated by either party, if the other party breaches any material obligation provided hereunder and the breaching party fails to cure such breach within thirty (30) days from receipt of notice outlining the nature of the breach. In the event such material breach is not cured within the applicable period of time noted above, the non-breaching party may immediately terminate this Agreement by providing written notice to the other party. Reconciliation of Research expenditures and Sponsor's payments shall be in accordance with Section 2, Paragraph 2.3 of this Agreement. University shall make good faith efforts to avoid incurring additional costs following either party's notice of termination.
Consider adding the following:

Notwithstanding the above, this Agreement may be terminated by University immediately, upon written notice to the Sponsor, if Sponsor fails to remit timely payment in accordance with Section 2.2 above.
Termination Costs

Termination costs are incurred when an agreement is terminated before its natural expiration date. Costs may include: additional administrative and clerical expenses from closing down the program; storage and transportation costs for property acquired or produced under the agreement and disposed of in accordance with sponsor requirements; claims under terminated subcontracts; compensation to staff during their notice of termination period; severance pay; leases; and non-cancellable obligations.
An Unacceptable Termination Clause

EXAMPLE #3

• The Sponsor may terminate this Agreement immediately if any of the following events occur, as determined by the Sponsor, in its sole discretion:
  – any material breach or non-performance by University of its obligations under this Agreement, including failure of the University to devote the necessary time, resources, staff and skill to the performance of the Project;
  – the University becomes insolvent, is adjudged bankrupt or takes the benefits of any legislation relating to bankrupt or insolvent debtors;
  – any adverse change in circumstance or conduct of the University which may affect or harm the status or reputation of the Sponsor.

• The Sponsor may, at any time, upon thirty (30) days prior written notice, terminate this Agreement.

• **Consequences of Termination:** As of the effective date of termination, the rights and obligations of the parties shall cease (except to the extent such rights and obligations apply to that portion of the Term occurring prior to the effective date of termination) and the parties shall co-operate in the return of records and information, payments and related matters.
Revised Termination clause

EXAMPLE #3

- **Termination:** The Sponsor may terminate this Agreement immediately if any of the following events occur, as determined by the Sponsor, in its sole discretion:
  - any material breach or non-performance by University of its obligations under this Agreement, including failure of the University to devote the necessary time, resources, staff and skill to the performance of the Project;
  - the University becomes insolvent, is adjudged bankrupt or takes the benefits of any legislation relating to bankrupt or insolvent debtors;
  - any adverse change in circumstance or conduct of the University which may affect or harm the status or reputation of the Sponsor.

- *This Agreement may be terminated by either party, if the other party breaches any material obligation hereunder and the breaching party fails to cure such breach within thirty (30) days from receipt of notice outlining the nature of the breach. If such material breach is not cured within the cure period above, then the non-breaching party may immediately terminate this Agreement by providing written notice to the other party.*

- **Either party** The Sponsor may, at any time, upon thirty (30) days prior written notice, terminate this Agreement.

- **Consequences of Termination:** As of the effective date of termination, the rights and obligations of the parties shall cease (except to the extent such rights and obligations apply to that portion of the Term occurring prior to the effective date of termination, including all non-cancellable obligations) and the parties shall co-operate in the return of records and information, payments and related matters.
“This Agreement represents the entire agreement and understanding between the parties with respect to its subject matter. It supersedes all prior or contemporaneous discussions, representations, or agreements, whether written or oral, of the parties regarding this subject matter. Amendments or changes to this Agreement must be in writing and signed by the parties’ authorized representatives.

In the event of any conflict between the terms and conditions set forth in this Agreement and the Exhibits, the parties agree that the terms and conditions of this Agreement shall take precedence.”
Rationale

Covers the University in case of:

• PI promises or assumptions
• Sponsor promises or assumptions
• Workstatement terms that should be in the contract only.
• Sponsor’s PO with conflicting terms.
QUESTIONS?
NON-ESSENTIAL YET IMPORTANT CLAUSES
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Publication

- University MUST have unrestricted first right to publish or otherwise disseminate its findings
- Sponsor may be provided a time-limited period in which to review the proposed publication (typically 30-days)
  - Sponsor reviews for the presence of its’ confidential or proprietary information
    -- Must identify the confidential/proprietary information to University within the designated review period and request redaction
  - Sponsor reviews for patentable subject matter
    -- Must identify the patentable subject matter to University within the designated review period
  - If patentable subject matter is identified, Sponsor may be provided a time-limited delay of the proposed publication (typically 60-days) to request University to either (i) obtain appropriate patent protection or (ii) remove the enabling portion from the proposed publication
    - Review period and delay must be time limited to avoid being deemed a publication restriction
      - Caution: Publication restrictions have export control implications (Takes University out of ‘safe harbor’ of the fundamental research exemption)
- Sponsor shall not have editorial rights nor approval rights (but may submit comments for University’s consideration)
DATA RIGHTS AND INTELLECTUAL PROPERTY

Presented by: Sally O’Neil
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Stanford University
Data Rights Clause

"Data" shall mean any and all data, information or results, arising solely and directly out of the performance of this Agreement but excluding Inventions (as hereinafter defined).

University shall own all Data created by University personnel under this Agreement. University and Sponsor will jointly own Data created by University and Sponsor personnel. Each party may freely use jointly owned Data without permission from the other.
Data Rights: Ownership and Use

- Who gets ownership/control?
- Who else gets to use the data and under what restrictions?
  - Typically, University owns/controls access
  - Assignment to Sponsor could prevent publication!
  - May agree to joint ownership with Sponsor in special situations*
  - Even if Sponsor has rights to use data, the University must be able to use the data for future research and education
*Check your university’s policy.
What is Intellectual Property?

- Intellectual property in university research agreements usually is limited to patentable inventions (e.g., a new way to make low-power chips or a method to predict adverse drug reactions), and
- Copyrighted materials (reports, publications and, often, software)
Intellectual Property Clauses

- University owns the entire right, title, and interest, including all patents, copyrights, and other intellectual property rights, in and to all technology developed using University facilities and by University personnel under this Agreement.

- Sponsor owns all interests, including all patents, copyrights, and other intellectual property rights, in and to all technology developed using Sponsor facilities and by Sponsor personnel under this Agreement.

- Technology that is jointly developed by University and Sponsor personnel will be jointly owned.
IP Ownership Fundamentals

- Who qualifies as an inventor is determined under applicable (US or foreign) patent laws.
- Who qualifies as creator of a © work is covered under applicable (US or foreign) copyright laws.
- Under the law, ownership follows inventorship; most university inventors have assigned their rights to their employers. So the university owns inventions its researchers invent and may own © works.
- For joint inventions, under US patent law, the owners share an undivided interest in the invention.
Under federal law (Bayh-Dole), universities own inventions funded by the federal government.
- Subject to the federal government’s non-exclusive license and march-in rights

For many universities, this ownership applies to inventions funded by nonprofits and for-profits (or a mix of several funders) as well.
CONFIDENTIALITY

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Confidential Information (CI)

- Determine whether the project dictates having a one-way vs. a two-way confidentiality provision (or none at all)
  
  - Verify with PI whether one or both parties will need to disclose CI for the performance of the SOW under the Agreement
  
  - Example of two-way CI provision: “Any information considered proprietary or confidential by the Disclosing Party shall be provided to the Receiving Party…”
Confidential Information (CI)

- University prefers not to receive any CI
  ...Why?
  - University is an institute of higher education
    whose principles include the freedom to publish (disseminate information)
  - If confidential information is defined too broadly, then may be tantamount to a publication restriction
Confidential Information (CI)

• **Definition of CI must be narrowly defined**
  
  1. Information must be in tangible form
  2. Information must be considered by the disclosing party to be its proprietary or confidential information
  3. Any disclosure of CI from sponsor should be made directly to the University’s PI

  - *Example:* “Any information, formulations, techniques and data considered proprietary or confidential by Sponsor shall be provided to University’s Principal Investigator by Sponsor...”
Confidential Information (CI)

• **Definition of CI must be narrowly defined**

4. Disclosed in a writing marked as “confidential”
   • If disclosed orally, reduced to a marked writing within thirty (30) days of oral disclosure

   **Example:** “Any information considered to be confidential and proprietary by the Sponsor shall be disclosed to Institution, through its Principal Investigator, by the Sponsor in a writing marked as ‘Confidential’ or, in the case of oral disclosure, identified at the time of such disclosure as confidential and reduced to a marked writing within thirty (30) days of oral disclosure (hereinafter “Confidential Information”).”
Confidential Information (CI)

• Definition of CI must be narrowly defined

4. Disclosed in a writing marked as “confidential”

Another example: “‘Confidential Information’ shall mean all information and data, which the Sponsor treats as its proprietary or confidential information, that is disclosed to Institution, through its Principal Investigator, by the Sponsor in a writing marked as ‘Confidential’ or, if transmitted orally, is identified as confidential at the time of disclosure and reduced to a marked writing within thirty (30) days of such oral disclosure.”
Confidential Information (CI)

- **Definition of CI must be narrowly defined**

4. Disclosed in a writing marked as “confidential”

   - *Example (in the case of a 2-way provision):*
     
     “The term ‘Confidential Information’ under this Agreement means any confidential or proprietary information of the disclosing party (‘Disclosing Party’) which is disclosed to the other party (‘Receiving Party’) in a writing marked “Confidential” or, if orally disclosed, is identified as such at the time of disclosure and reduced to a marked writing by the Disclosing Party to the Receiving Party within thirty (30) days of the oral disclosure.”
Confidential Information (CI)

• **Definition of CI must be narrowly defined**

4. Disclosed in a writing marked as “confidential”
   • If sponsor refuses to mark the information, only then consider the addition of (not in lieu of) the reasonable person test

   ❑ Example: “The Institution shall maintain the confidentiality of all information which is disclosed by Sponsor, to the Institution’s Principal Investigator, in a writing marked as “Confidential” or, if not so marked, is considered by a reasonable person to be the confidential or proprietary information of Sponsor given its content and circumstance of disclosure (“Confidential Information”).”
Confidential Information (CI)

- **Definition cannot include the:**
  - Agreement itself, else violation of CPRA*
    *Entities of the State of California are required to maintain a public list of its proposals and awards pursuant to the CA Public Records Act (Government Code Section 6250 et seq.)
  - Research results, else publication restriction
  - University’s data, else restricts future research
  - **Know-how = knowledge developed with experience; difficult to establish that a PI developed “know-how” through sponsor’s confidential information**
  - Trade secrets = *information that the owner takes reasonable efforts to keep confidential*
    - Universities don’t typically have “trade secrets

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Confidential Information (CI)

• **Time-limited period of non-disclosure**
  
  ➢ The period of non-disclosure **cannot remain indefinite** (i.e., in perpetuity)!!!
    
    o *Possible publication restriction*
    
    o *Possible impact on obtaining certain IP rights*
• **Time-limited period of non-disclosure**

  ➢ CI provision typically is included in the list of clauses which survive the expiration or early termination of the Agreement, thus it is imperative to place a time limit on the period of non-disclosure

  o Prefer limiting to five years (or less) following expiration or early termination of the Agreement

  ❖ Careful: Period of non-disclosure is separate and apart from the period of performance
Confidential Information (CI)

• Time-limited period of non-disclosure

  Example: “The obligations of confidentiality and non-disclosure survive for five (5) years following the expiration or early termination of this Agreement.”

  Example: “Notwithstanding the foregoing, the period of non-use and confidentiality on the Receiving Party will continue during the term of this Agreement and for a period of five (5) years following expiration or earlier termination hereof.”
Exclusions (aka carve-outs) to CI

- **Standard exclusions/carve-outs**
  
  - Certain information that will not be treated as confidential:
    
    1. Information that is already in the public domain at the time of disclosure
    2. Information that becomes in the public domain after disclosure, through no fault of University
    3. Information lawfully obtained from third parties under no obligation of confidentiality
    4. Information previously known or independently developed by University without use of Confidential Information
    5. Information that is legally required to be disclosed pursuant to a governmental order, subpoena, or applicable law.
Exclusions (aka carve-outs) to CI

Example: “Confidential Information does not include information to the extent that it: (a) is already in the public domain at the time of disclosure; (b) becomes publicly available through no fault of Institution; (c) is lawfully obtained from a third party who is under no restriction of disclosure; (d) can be shown, as evidenced in writing, to be previously known or independently developed by Institution without access to the Confidential Information; or (e) is legally required to be disclosed by governmental order, subpoena, or applicable law.”
Exclusions (aka carve-outs) to CI

• Standard exclusions/carve-outs

➢ If one of the carve-outs is missing from the provision, be sure to insert it.
  ○ Acceptable to:
    ✔ Add it to the list with the other carve-outs; or
    ✔ List it in a separate stand-alone paragraph within the Confidentiality section of the contract
Exclusions (aka carve-outs) to CI

• **Standard exclusions/carve-outs**

5. Information that is legally required to be disclosed pursuant to a governmental order, subpoena, or applicable law.

➢ This carve-out is sometimes expanded to address a Receiving Party’s obligation to inform the Disclosing Party when an incident arises that triggers the disclosure of CI by law, so that the Disclosing Party may: (i) prevent the disclosure by seeking a protective order and, possibly, (ii) minimize the amount of CI disclosed by Receiving Party (whether or not the protective order is obtained).
Exclusions (aka carve-outs) to CI

- **Example:** “The obligations of non-disclosure do not apply to information, which the University is required by law to disclose, provided that, in any such event, Institution will provide Sponsor with reasonable prior written notice so that Sponsor may seek a protective order, and University shall furnish only that portion of the Confidential Information that University’s counsel advises is required to be disclosed by law.”
Recap of a full CI Clause

Example:

“The Institution shall maintain the confidentiality of all information which is disclosed by Sponsor, to the Institution’s Principal Investigator, in a writing marked as “Confidential” or, if orally disclosed, is reduced to a marked writing by Sponsor and provided to the Institution’s Principal Investigator within thirty (30) days of oral disclosure (“Confidential Information”).

During the term of this Agreement and for a period of five (5) from the expiration or earlier termination thereof, the Institution shall not disclose Confidential Information to any third party, other than employees, students, and agents of the Institution, who have a need to know such information for the performance of the project under this Agreement and who have been informed of the obligations of confidentiality hereunder.

The obligations of non-disclosure do not apply to information:

i. which is in the public domain or comes into the public domain through no fault of the Institution;

ii. learned by the Institution from a third party not subject to an obligation of non-disclosure of such information;

iii. developed by the Institution independently of knowledge or information obtained by the Investigator from Sponsor;

iv. already known to the Institution before receipt from Sponsor, as shown by the Institution’s prior written records; or

v. which the Institution is required by law to disclose, provided that, in any such event, Institution will provide Sponsor with reasonable prior written notice so that Sponsor may seek a protective order, and Institution shall furnish only that portion of the Confidential Information that its counsel advises is required to be disclosed by law.”
Additional CI Provisions

• **Standard of Care**
  - May agree to use the same standard of care to protect CI as University utilizes to protect its own CI (nothing higher)
    - Universities typically do not have clear processes or controls to guard the access and use of CI
    - Do not agree to hold CI in strict confidence
  - **Example:** “University will use the same degree of care to prevent the unauthorized use, dissemination, or publication of the CI as the University uses to protect its own confidential information, but no less than reasonable care.”
  - **Example:** “The Receiving Party shall protect the CI using the same degree of care as the Receiving Party uses to protect its own confidential information, but in any event no less than a reasonable degree of care.”
Additional CI Provisions

• Disclosure of CI to Employees
  ➢ Do NOT agree to have University enter into separate written confidentiality agreements with its employees
    
    **Bad Language:** “University shall not disclose Confidential Information except to those employees and agents who are bound by a similar written agreement...“

  ➢ Instead, agree only to disclose to employees and agents:
    - On a need-to-know basis
    - Who are made aware of their obligation of confidentiality

  ❑ Good Example: “Institution may disclose the Confidential Information of Sponsor to persons within its organization who **have a need to receive** such Confidential Information in order to further the purposes of this Agreement and who are **informed of their obligation**, as agreed to by the Institution, to protect the confidentiality of such Confidential Information, as set forth in this Article.”
Additional CI Provisions

• **Intellectual Property**

  - No implied license granted by disclosing CI necessary for the performance of the project under this Agreement

  - Example: “It is further agreed that furnishing of Confidential Information to the Institution shall not constitute any grant, option or license to same under any patent or other rights now or hereinafter held by Sponsor or held by any third party from whom Sponsor receives information protected by a confidentiality agreement.”
Additional CI Provisions

• Intellectual Property

- Example: “Neither this Agreement nor the disclosure of Confidential Information hereunder shall be deemed by implication, estoppel, or otherwise to vest in the University any rights or licenses to any patents, trade secrets, or others property of Sponsor.”

- Example: “The Confidential Information shall remain the exclusive property of the Disclosing Party, and the Receiving Party shall have no rights, by license or otherwise, to use the Confidential Information except as expressly provided in this Agreement.”
Additional CI Provisions

• Remedies
  ➢ Do NOT agree that Sponsor is entitled to damages in the event of disclosure of CI
  ➢ Instead, can agree that Sponsor:
    o May be caused irreparable harm
    o Is entitled to seek damages, at law or in equity
Additional CI Provisions

• Remedies

Example: “The University acknowledges that disclosure or distribution of the Confidential Information or use of the Confidential Information contrary to the terms of this Agreement may cause irreparable harm for which damages at law may not be an adequate remedy, and agrees that the provisions of this Agreement prohibiting disclosure or distribution of the Information or use contrary to the provisions hereof may be specifically enforced by a court of competent jurisdiction in addition to any and all other remedies available at law or in equity.”
**Additional CI Provisions**

- **Remedies**
  - Example: “In the event of a breach or threatened breach of the confidentiality obligations of this Agreement by University, Sponsor shall be entitled to seek a protective order prohibiting University from the unauthorized use or disclosure of the Confidential Information, as well as other legal relief as a court may determine.”
SURVIVAL

Presented by: Sally O’Neil
Manager, Industrial Contracts Office
Stanford University
What Lives on?

A survival clause ensures that certain provisions of the agreement remain in force after the termination or expiration of the agreement.

- Look carefully at what will survive.
  - It is reasonable for indemnification and confidentiality provisions to survive the end of the agreement since future lawsuits can occur (indemnification) and secret information may remain secret.
  - But it may not be fair or logical, to allow some provisions to survive, particularly in the event that the other party materially defaults (rights to IP created in the project).
Example Survival Clause

“The following provisions shall survive any expiration or termination of this Agreement: Sections 3, 4, 5, 6, 8, 9, 10 and 11.”

This looks like pretty much the whole agreement survives!
Questions?

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