

# University Regulations: Regulation 30

## Regulations governing policy and procedures for Sponsored Research, Patent Agreements and Testing (under review)

### I. SPONSORED RESEARCH

#### 1 DEFINITION

Sponsored research is any research undertaken or supervised by members of staff of the University with external financial assistance. It is normally the subject of an agreement or contract between the University and the external body and it is paid for either wholly or in part by the latter. Sponsored research covers a wide spectrum from that loosely defined as 'aided' research where the outside body provides grants with a minimum of conditions to work described as 'purchased' research which may involve total ownership by the sponsoring body of the results of the research.

The rights of the parties concerned in the sponsored research vary according to circumstances, particularly, though not solely, in relation to the contribution that each makes.

Research sponsored by the Research Councils, whilst clearly falling within this spectrum, is excluded because the procedures and principles governing it will be the subject of separate consideration.

#### 2 GENERAL PRINCIPLES TO GOVERN THE UNDERTAKING OF SPONSORED RESEARCH

a) Sponsored research would normally be undertaken by the University only if the academic interest in the work is sufficient to make it attractive, or as a public service to the industrial and commercial Community or the Government or if it has training value to staff and students or if it will serve the purpose of increasing outside income or for a number of these reasons.

Much effort is sometimes needed to obtain sponsorship from firms for research projects or to persuade them to place research contracts with the University and while the general principles apply to all work it would be unwise to take too rigid a view about not

allowing patent rights to accrue to a sponsoring body. It is important that each project be considered on its merits. Restrictions on publication may also be involved.

Financial arrangements for research work will be considered in the light of the following broad principles:

**i)** In each case there should be an assessment of the full costs involved over the whole period of the project with provision for review as necessary.

**ii)** The actual charge should normally reflect what the market will bear and should be as close as judged practicable to the full economic costs. It might even be in excess of full costs in some cases, e.g. where substantial commercial gain seems in prospect for the sponsoring body.

**iii)** Where it is judged to be impracticable or undesirable to charge full economic costs this should be a conscious and deliberate decision of the University.

**b)** Distribution of income from sponsored research should operate to give proper encouragement to academic areas and their staffs to undertake such work, and arrangements to that end should, if possible, be made at the stage of settling the contract.

The University shall have a discretion to allow part of the net income derived from charges for sponsored research work to be allocated for the benefit of the academic area(s) concerned in the research.

**c)** The sponsoring body shall be informed that it will not be in order for it to make, as part of its contract with the University, separate payments direct to staff members in addition to what it will be paying to the University as charges for staff salaries.

**d)** A member of staff engaged on sponsored research may act as a consultant to the sponsoring body concerned provided that it is understood by the sponsoring body that any fees which are paid for consultancy and retained wholly by the member of staff concerned are quite separate from, and independent of, the charges made by the University for the sponsored research. In such cases there should be an entirely separate contract drawn up between the individual member of staff and the body concerned.

**(e)** The circumstances of a contract for sponsored research may be such that, whilst an independent contract for consultancy would be inappropriate, there is nevertheless, arising out of the contract, work which must be performed by a specific member or members of the University but which does not form part of his or her normal duties. In such a case and if the costs have been agreed in the financial estimates an appropriate

payment may be made from the contract income to the member(s) of staff concerned at the recommendation of the Head of Department after consultation with the Director of Research Support and Industrial Liaison, and subject to the final approval of the Vice-Chancellor.

### **3 COSTS**

**a)** Types of costs involved in sponsored research A typical research project might give rise to costs of the following kinds:

**i)** Staff directly employed for the research project, materials used, equipment bought, travel, subsistence, secretarial help, etc.

**ii)** Ancillary costs which represent identifiable additional burdens on the University: for instance, extraordinary labour costs, or the rent, rates, and maintenance of additional premises.

**iii)** Use of expensive equipment or of specific services such as computer time. These costs can usually be assessed by means of standard tariffs (see paragraph I 3. (b) (ii)).

**iv)** Indirect costs, such as the notional rental, rates and maintenance of the University accommodation in which the project is carried out; the cost of academic staff time devoted to the project; and the call on library resources or on the time of senior administrative staff.

**b)** Assessment of the costs involved in sponsored research.

**i)** It is envisaged that, normally, the indirect costs I 3. (a) (iv) could satisfactorily be covered by a percentage addition to the ascertainable costs under (i), (ii) and (iii) above. The actual percentages used may vary widely and can only be determined in the light of the demands of the particular project. They should form the subject of discussion and agreement at an early stage in the negotiations with the sponsoring body. The total assessed cost of the contract (as opposed to the charge actually made) should not vary in relation to the nature of the sponsoring body or to any special conditions laid down by and agreed with that body (eg reservation of patent rights or restrictions on publication of results) or to the importance to the University of the work involved; it should relate only to the extent and cost of the work.

**ii)** Charges for the use of expensive equipment should be calculated on the basis of hourly or daily charges derived from the estimated annual operating costs including

overheads, and a depreciation element based on initial cost amortised over the effective life of the equipment, plus appropriate interest.

**c)** Decision as to the actual charge to be levied.

**i)** Once the total cost has been ascertained, it is a matter for separate decision by the University whether the actual charge for the work should be the ascertained total cost or some higher or lower figure arrived at in the light of the general principles set out in paragraph I 2. (a) above. The reasons for any variation below economic cost should always be placed on record in the University.

**ii)** Sponsored Research undertaken for outside bodies (including Government Departments) may present features which justify a decision not to charge full cost. For example, co-operative research projects with industry or Government research contracts might fall in this category to greater or lesser degrees. These will also be cases where the University wishes to stimulate the interest of outside bodies in the services it is able to carry out for them, whether for mutual advantage in research or for student training or in order to build up a connection to facilitate future co-operation.

**iii)** With regard to Government contracts, there is, as such, no reason not to charge the full cost but the University would not normally charge a higher figure than this and would aim, other things being equal, to give preference to such contracts and not to be reluctant to reduce the charge if the work were likely to be both of public importance and of interest to the University in relation to its own programme of work. It may be, for example, that sometimes there will be services which can properly be rendered to Government departments at a reduced price because capacity, already paid for by the HEFCE, is brought into fuller use or is properly diverted from an alternative use but this is by no means always the case and, in some instances, a refusal to pay real costs could lead to a harmful diversion of resources from the purposes for which they were given or intended.

**iv)** Only in exceptional cases in which the University is, by conscious decision, ready to help to meet the direct costs of the project, should the charge to any sponsoring body fall below the aggregate of direct costs under I 3 (a) (i) (ii) and (iii) above.

#### **4 ADMINISTRATIVE IMPLICATIONS**

**a)** The advice of the Registrar and Secretary, and the Director of Research Support and Industrial Liaison as appropriate, should be sought at a very early stage and invariably

well before the point at which a contract is drafted. The following are some of the aspects on which early advice is particularly necessary.

- i)** The assessment of the full economic cost.
- ii)** Proposals to levy less than the full economic costs.
- iii)** The estimation of indirect costs.
- iv)** Proposals to accept restrictions on publications arising from the research programme.
- v)** Proposals that any of the proceeds from the research should be 'earmarked' for a particular academic area or that individual members of staff should receive extra personal remuneration.
- vi)** Proposals regarding patent rights or other industrial property.
- vii)** If research is 'aided', what is the source of the balance of the finance required.

**b)** The Research Support and Industrial Liaison department has been established with the object of providing the University and its academic departments with assistance in establishing and developing collaborative research between industry and the University, including a central service for the negotiation of resultant contracts and assisting with the associated administrative arrangements. The Director's functions will be complementary to those of the Registrar and Secretary in that his or her expertise will be at the disposal of the University investigators and to the Head of Department or Named Person concerned for, among other things, the preparation of the form mentioned in paragraph I 3. (b) (iii) and the supporting documentation. In addition he or she will be able, if called in at a sufficiently early stage in the negotiations, to help in securing arrangements likely to be acceptable to the University.

**c)** As soon as it is proposed to enter into a contract for sponsored research, it shall be the responsibility of the University investigator to consult the appropriate Head of Department or Named Person and the Director of Research Support and Industrial Liaison. The official form (copies are obtainable from the Director of Finance) should be completed and sent to the Registrar and Secretary accompanied, should there be any proposals of the kind described in paragraph I 4. (a) (ii), (iv), (v) or (vi), by fully reasoned case in support.

In completing the form it should be borne in mind that the economic costs of the proposed research will be evaluated on the basis of paragraph I 3. (a). d) The completed form and its supporting documentation will provide the basis on which consideration will

be given to the viability of the proposal. Subject to such consideration, which will involve the Registrar and Secretary consulting the Vice-Chancellor and such other persons as may be necessary, having been given, and its outcome being favourable, the Registrar and Secretary will notify approval of the proposed arrangements to the investigator and to the Head of Department or Named Person concerned. This will enable the investigator to proceed with the sponsoring body to the stage of preparing a draft contract or agreement, which will then be scrutinised and signed by the Registrar and Secretary and subject to the approval of the Vice-Chancellor it will then be agreed on behalf of the University.

## II. PATENT AGREEMENTS

### 1 POLICY

**a)** Patents may arise from:

**i)** sponsored research, in which case the true inventor may be a member of the permanent staff, or a research fellow or assistant, or a student, or any combination of the above;

**ii)** work done by a member of staff as part of his normal duties;

**iii)** work done by a member of staff wholly independently of his normal duties.

**b)** It is essential that any contract for sponsored research in which there is any possibility of patentable inventions occurring should provide for the vesting of the ownership of the patent rights. This may be the sponsoring body, the investigator, or it may be the University. If it is the sponsoring body the contract may provide for a share of royalties to accrue to the University. The proportion which should so accrue will depend entirely upon the agreement of the parties as set out in the contract.

**c)** If the contract for sponsored research provides that any patent rights vest in the University, there may then be a need for a second and separate contract to be concluded between the University and the member(s) of staff who is (are) the true inventor(s). This contract should be drawn up as provided in paragraph (d) below.

**d)** In the case of a patent arising from an invention produced by a member of staff in the course of their normal employment, the property in the patent will vest in the University which will in every case retain the full patent rights and deal with royalties as follows:

**i)** The University will recoup all the accrued costs, including the costs of obtaining the grant of the patent.

**ii)** The above costs having been recovered, 50% of royalties will accrue to the inventor(s).

**e)** If, in the cases specified in paragraphs (c) and (d) above, there are two or more true inventors, the University shall normally enter into a contract with the true inventors jointly or, at the request of the inventors, may enter into a contract with one of the true inventors on behalf of them all.

**f)** Members of staff may wish to take out a patent arising from work which is neither the subject of sponsored research nor related to their work in the University at all. In such circumstances, the policy of the University is to advise the inventor to file a patent with the aid of a patent agent.

**g)** In circumstances where an invention arises from work carried out within the University by a member of staff outside the course of his normal duties the University would not be concerned with the patent as such, but might require to enter into a contract with the inventor at the time of his taking out the patent, to provide for the recovery by the University of all or part of any costs incurred by the University in providing the facilities which enabled the original work to be carried out. This contract would normally specify a lump sum as agreed between the parties to be paid as a first charge against any royalties accruing.

**h)** Members of staff are required to inform the Council, through the Registrar and Secretary of their intention to take out a patent associated with their work in the University. In the case of patents not so associated members of staff are advised to consult the Council, again through the Registrar and Secretary.

**j)** The services of the Director of Research Support and Industrial Liaison are available for discussions on all the above matters.

**l)** Publication of the Patents Act 1977 is noted and the terms of the University agreements are of course subject to the statutory provisions laid down therein or in any subsequent relevant Patent legislation.

## **2 PROCEDURE**

**a)** The University wishes to encourage ideas likely to have practical application, and any member of staff can normally expect that the University will support a patent application, given a reasonable likelihood that the invention has commercial potential. Each case will be considered on its merits and if the decision is taken to proceed the Registrar and Secretary will authorise the Director of Research Support and Industrial Liaison to file an

application and the University will pay the costs of the application, patent agents' fees, and any other necessary expenses.

**b)** If the University does not wish to patent or exploit the invention it will inform the member of staff who will then be free to make his or her own arrangements.

**c)** Where the University makes application for a patent it will use the early stages of the process to gather information and, with the assistance of the inventor, to attempt to interest industry and to explore the possibility of commercial exploitation.

**d)** The Director of Research Support and Industrial Liaison will advise the University on the appropriate action to be taken in any particular case. This may be:

**i)** To file a complete specification in the United Kingdom in the name of the university and to take the necessary action in such other countries as seems appropriate. The inventor could be licensed by the University to file in any additional countries at his own expense.

**ii)** To act through the NRDC (surrendering 50% of the potential income in return for their financial and other assistance).

**iii)** To offer the invention to industry with the assistance, if appropriate, of a patent agent, with the aim of achieving agreement with one or more manufacturers for licensing the patent, preferably with the licensee paying the cost of the completed specification.

**iv)** To sell an option on the patent.

**v)** To consider the formation of a company, with others or not, to exploit the patent.

**vi)** To consider other possible methods of exploiting the invention.

**e)** The position will be reviewed by the University, in consultation with the Director of Research Support and Industrial Liaison and the inventor within nine months of the date of filling the application. The purpose of this review will be to recommend which, if any, of the above courses of action should be followed. Where any course of action involving a continuing University interest is taken, the Director of Research Support and Industrial Liaison will periodically review the position on behalf of the University in order to decide any appropriate further action, or alternatively to recommend that the rights of the University in the patent be allowed to lapse.

**f)** If the University decides not to file a specification or decides to allow the rights to lapse, then the inventor will be free to act in his own interests at his own expense.



### III TESTING

**1** Routine testing is undertaken by the University only in those cases where the necessary special equipment or expertise of personnel is available neither in industry nor in a special routine testing organisation; where it is in the national or regional interest; or where the work is undertaken directly to serve the interests of the University. It is undesirable that routine testing should occupy anything but a very small fraction of the time and attention of academic staff. There is, however, no objection to using technicians for this purpose.

**2** Costing of routine testing should, in principle, be on the same basis as Sponsored Research work, except that, in this case, because of the nature of the work, it will usually be practicable to work out an average price for certain kinds of test. The net income derived from charges for such work will normally be placed at the disposal of the Head of Department or Named Person concerned for use in the academic purposes of the relevant Department.

**3** Normally a contract for testing will be in simple form, evidenced by an exchange of correspondence. The Industrial Liaison Service is available to advise on the form of the Contract.

### IV INDEMNITY

**1** Any agreement or contract established under the rules set out in this Regulation shall contain an indemnity clause. The revised text which follows should be suitable for most contracts but if this is not the case the members of staff involved in drafting the contract should consult the Registrar and Secretary on the precise wording of the clause in the particular case:

The SPONSOR hereby agrees with the UNIVERSITY that no legal liability in contract tort or otherwise shall attach to the University arising out of the provision of any facilities, accommodation or any assistance whatsoever in connection with any work undertaken by the University or arising out of the results of any work being the subject of this agreement PROVIDED THAT in accordance with the provisions of Section 2 of the Unfair Contract Terms Act 1977 the University does not exclude or restrict liability for death or personal injury resulting from the negligence of the University, its servants or agents. PROVIDED ALSO that in the event of the University being sued in an action arising out of this agreement the sponsor will indemnify the University in respect of any damages or costs awarded.

**2** The above clause will protect the University in the case of death or personal injury not resulting from the negligence of the University and for any other loss or damage even if

caused by negligence provided that the tests of reasonableness as required by the Unfair Contract Terms Act 1977 are observed.

**3** The only other case in which the clause would be ineffective is if the sponsor had insufficient funds to meet their obligations.