

Advice to Yale Faculty concerning External Consulting Activities

Committee on Cooperative Research, Patents & Licensing

Approved by Provost Salovey January 26, 2009¹

The Changing Nature of Consulting Activities

The University permits its faculty to engage in external consulting with the understanding that such activities should be consistent with the faculty member's commitment to the general purpose of the University: to preserve humanity's store of knowledge and to enlarge it. Consulting activities often provide an opportunity to apply scholarly expertise to socially useful ends, and they often contribute, directly or indirectly, to the faculty's teaching and research. To avoid conflicts of commitment, however, the University requires its faculty to limit such outside involvement to no more than one day per seven-day week during the academic year, as well as during other periods for which the faculty member is receiving full-time compensation from the University.

This limitation on the time that a faculty member is permitted to engage in consulting is well known and widely observed. Less well understood and probably less widely observed is the requirement that faculty members not enter into consulting agreements that are in conflict with the University's general objectives or its specific policies. Avoidance of such conflicts has become more difficult as the nature of "consulting" has changed in recent years. Traditionally, industrial enterprises have employed faculty consultants for their general expertise, seeking to direct this broad knowledge toward the solution of specific problems. Increasingly, however, industry has sought academic consultants because of a specific interest in the techniques or results of a faculty member's university-based research. The narrowing gap between academic research and commercial development - most notable in the biological, medical, and computer sciences - has blurred the distinction between University research and external consulting and thus made it particularly important that faculty members be mindful of their obligations to the University when entering into private agreements with outside organizations. Some schools or departments have more restrictive rules.

Negotiating a Consulting Agreement

¹ **Original - May 1986; Revised May 2004**

Many outside employers require faculty consultants to sign written consulting agreements. Many companies have a standard form for such agreements, but the standard form in many cases requires the faculty member to surrender far more of his or her individual rights than is necessary for a successful working arrangement. Certain standard forms also contain language that gives appears to give the company rights to physical or intellectual property that is not owned by the faculty member, such as access to lab equipment at Yale or claims to inventions made at Yale. Since the faculty member doesn't have authority to give away rights belonging to Yale, what would happen is that Yale would keep the rights, the company wouldn't have them, and the faculty member would be in breach of the contract with the company. In the paragraphs that follow, we comment specifically on several issues that have arisen often enough to come to our attention, but our general advice is: don't sign any agreement without being certain that your rights and those of the University are clearly described.

In order that there be no confusion, it is useful to spell out in the agreement that the consultant is first and foremost a member of the faculty at Yale and subject to policies of the University. We recommend including language such as the following to avoid any ambiguity.

The Company acknowledges that: (i) the Consultant is a member of the faculty of Yale University (the "University"); (ii) the Consultant may be subject to certain policies of the University, as such policies may be revised from time to time, including, among others, policies concerning consulting, conflicts of interest, and intellectual property; (iii) this Agreement is subject to such policies; and (iv) any provision of this Agreement that conflicts with such policies is superseded by such policies. If the Consultant should leave the University and accept employment with another not-for-profit institution, the policies and guidelines of that institution shall govern.

To be certain that you do not enter into an agreement that is contrary to your own best interest or to University policy, it is advisable to consult with the Office of Cooperative Research. The office can answer your questions concerning University policy on outside activities, on patents and copyrights, and on the use of University facilities and resources. It is also advisable to seek the opinion of an attorney. The Office of Cooperative Research will furnish, upon request, the names of attorneys familiar with Yale's policies who can assist you.

Too often, a faculty member, not wishing to appear uncooperative or distrustful, will simply sign whatever consulting agreement is presented by an employer. You should be wary of such impulses. However "standard" a proposed agreement may look at first glance, most companies will be quite willing to negotiate changes if these are required to protect your own interest or to avoid conflict with University policy. It is a good idea never to sign an agreement "on the spot." Think about it, ask advice if needed, and don't be afraid to ask the company to make alterations in the agreement.

The Duration of a Consulting Agreement

Agreements should have a specified duration. One year is the most common term, renewable if both parties agree. You should retain the right to terminate the agreement with some reasonable advance notice, such as 90 days.

It is very important to recognize that some consulting agreements contain provisions that survive the termination of the employment relationship. In particular, companies will often require that the faculty member keep certain data or information confidential after termination of employment (see the discussion of confidential information below). Companies may also retain rights to patent inventions after the consulting agreement terminates. You should be certain that any provision that survives the termination of the agreement has a specified date of expiration. We have seen agreements that purport to effectively deny a faculty member the right to patent in a particular area for an unlimited period of time.

Exclusive Consulting Agreements

Companies will often seek to restrain a consultant from working with other companies for the duration of an agreement or for a limited time thereafter. A consulting agreement may require, for example, that the company approve any consulting agreements entered into with others, or it may require the consultant to agree not to engage, as a principal or as a consultant, in any business that competes with any of the company's businesses. It is the prerogative of the individual faculty member to determine whether to consult on any such exclusive basis, but such Arrangements should be entered only after careful consideration. It is particularly important that any exclusivity provisions be distinctly limited to a specified period of time.

Confidential Information

To achieve the objectives of a consulting relationship it may sometimes be essential that the consultant gain access to proprietary or confidential information. You should understand exactly what information is to be held confidential and how long it is to be held confidential. Failure to understand the terms on which confidential information is provided by a firm can have very serious legal consequences. You should insist that any information which a company considers to be confidential should be provided in writing and marked "confidential." If the information is provided orally it should be reduced to writing and marked "confidential" within a short period of time (e.g. 30 days). Such a practice will markedly reduce misunderstanding about your legal obligations. Otherwise you run the risk of breaching the agreement by disclosing information you didn't realize was confidential. Breach could result in you having to pay significant serious fines and might even carry criminal penalties.

The consulting agreement should identify the period during which information is to remain confidential. Sometimes this period will extend beyond termination of the consulting agreement itself, but the period should be limited (perhaps one to five years, depending on the nature of the information). The agreement should contain language that defines when such information is no longer confidential. You should insist that you be

relieved of any obligation to keep confidential any information that: (1) was already known to you prior to the agreement; (2) is lawfully and without restriction made available to you by a third party; (3) was created by you outside the context of the consulting agreement; or (4) is or later becomes known to others through no breach of the agreement.

You should at all times remain completely aware that confidentiality is antithetical to the basic values of free and open dissemination of information that are at the core of academic life. To the extent possible, you should attempt to restrict the confidentiality requirements of your outside activities to a minimum. If at any time the confidentiality requirements of a corporate employer begin to constrain the work that you are engaged in as a teacher or researcher at the University, you should discuss the matter with your department chair, the dean of your school, or the Provost. Should such circumstances arise, you should take immediate steps to curtail the outside activity.

Although such circumstances are not common, it is nonetheless possible that you may, in your work at the University, generate commercially valuable information that is the property of the University. Such a circumstance might arise if your academic research were likely to produce a patentable result, and premature disclosure outside the context of normal discussion with colleagues and students might jeopardize the validity of a patent. If it seems appropriate to disclose potentially patentable information to an outside employer, you should obtain the employer's written agreement to hold the information confidential and you should reduce any information so disclosed to writing. If such a circumstance arises, it would be advisable to consult the Office of Cooperative Research before disclosing information that is the property of the University. The Office can advise you how to make such a disclosure in a manner that protects the University, as well as your own share in any royalties ultimately received by the University.

We would recommend that you include language such as the following in any agreement:

Confidentiality.

a. The Consultant shall not make available to the Company any information concerning research activities carried out in any University laboratory, or the results thereof or intellectual property arising therefrom, except for information, results, or property available generally to the scientific community at large through published reports or otherwise.

b. Consultant agrees that Consultant will not, during the term of this Agreement, improperly use or disclose any proprietary information or trade secrets of any former or current employer or other person or entity and that Consultant will not bring onto the premises of the Company any unpublished document or proprietary information belonging to such employer, person or entity unless consented to in writing by such employer, person or entity.

c. In providing Services to the Company pursuant to this Agreement, the Consultant may acquire confidential information or proprietary information of the Company that is clearly identified as such in writing, either at the time of disclosure or shortly thereafter. Such information may include, but is not limited to, business plans, technical data, trade secrets or knowhow, research and product plans, products, developments, inventions, processes, computer algorithms, designs, configurations and software, computer passwords and network access mechanisms, DNA and protein sequences in raw and assembled form, and in particular business and/or scientific plans, formulas and technology related to the Company's project in metabolic disease ("Proprietary Information"). The Consultant agrees not to disclose any Proprietary Information to any third party or to use any Proprietary Information for any purpose other than performance of Services pursuant to this Agreement, without prior written consent of the Company.

d. Proprietary Information subject to (c) above shall cease to be Proprietary Information if it: (i) is or later becomes available to the public through no breach of this Agreement by the Consultant; (ii) is obtained by the Consultant from a third party who had the legal right to disclose the information to the Consultant; (iii) is already in the possession of the Consultant on the date this Agreement becomes effective as evidenced by competent written records or (iv) is required to be disclosed by law, government regulation, or court order, or (v) is independently developed by the Consultant as evidenced by competent written records.

Intellectual Property (Patents and Copyrights)

The Yale Patent Policy states

“An invention made by a faculty member in the course of a paid consulting engagement for a company may be assigned to the company only if it is unrelated to the activities for which the faculty member is employed by Yale and it was not made or conceived under circumstances involving University facilities or personnel. Such an invention will be considered unrelated to the activities for which the faculty member is employed by Yale if the invention arises directly out of consulting activity paid for by the company, and, for example, it is made in response to a problem posed by the company or is based on nonpublic information provided by the company to the faculty member for use in the consulting engagement. It will be considered not to have involved the use of University facilities if no University facilities or resources (including but not limited to space, computers, laboratory equipment and supplies), no University-administered funds, and no University personnel other than the faculty member himself or herself, are involved in the conception or reduction to practice of the invention. All inventions made by Yale faculty members in the course of consulting, and any assignments of rights to such inventions, must be reported promptly to the Office of Cooperative Research. That Office will agree to abide by reasonable confidentiality restrictions for disclosures of inventions and assignments made in the course of consulting.”

Companies often require a consultant to assign to the company any rights to patents or copyrights developed by the consultant in the performance of the services described in a governing consulting agreement. When there is a close connection between the work you perform as a consultant and the work you undertake as an academic researcher such provisions can be a source of great difficulty. If you sign away rights that belong to the University, there is a risk that you will be in breach of your consulting contract, and would be subject to a lawsuit by the company.

The grants and contracts you work on create obligations governing your inventions. In particular, the rights to any inventions developed wholly or in part with the assistance of federal funds, which belong to the University, include a non-exclusive license and related rights in the federal government. Research agreements with foundations or industrial concerns usually contain provisions giving them rights pertaining to the resulting intellectual property. You may not enter into consulting agreements that create claims to intellectual property in conflict with the rights established by prior contractual commitments of the University.

You need to make sure, therefore, that your consulting contract doesn't make commitments about your intellectual property that you cannot keep. Yale offers the following solution to assist you. Before you sign a consulting contract, write in above the signature block: "Subject to Attached Intellectual Property Addendum." Then attach the following Addendum:

Intellectual Property Addendum

THIS ADDENDUM hereby modifies and supplements the consulting contract or similar document ("Contract") to which it is attached.

Whereas, the parties to the consulting contract as modified and supplemented by this Addendum are: _____ (Consultant) and _____ (Company); and

Whereas, the Consultant is an employee of Yale University ("Yale"), and is therefore subject to the Yale University Patent Policy², which gives Yale ownership and other rights to certain intellectual property created by Consultant, including intellectual property created while conducting work for others;

Now therefore:

² <http://www.yale.edu/ocr/pfg/policies/patents.html>. See in particular Section 6, "Inventions Not under University Auspices."

1. *The parties agree that wherever there is any conflict between this Addendum and the Contract, the provisions of this Addendum take precedence and the Contract shall be construed accordingly.*

2. *Notwithstanding any terms in the Contract to the contrary, Consultant and Company agree as follows:*

Intellectual property created by Consultant at any time may be owned by or subject to other obligations to Yale, pursuant to the Yale University Patent Policy, or, if Consultant conducted sponsored research at Yale, by or to the sponsors such research, including providers of research materials. Company's rights pursuant to intellectual property created by Consultant shall be subject and secondary to such ownership rights or other obligations.

3. *For record keeping purposes, Consultant requests that Company sign a copy of this Addendum and return it to Consultant. However, if Company allows Consultant to perform under the Contract without signing a copy of this Addendum, that manifests Company's assent to the terms of this Addendum.*

CONSULTANT

Date

COMPANY

Date