

YALE UNIVERSITY
NEW HAVEN CONNECTICUT 06520
(203) 436-4994

THE PROVOST

TO: The Faculty

FROM: William D. Nordhaus *WON*

DATE: September 11, 1986

From time to time, members of the faculty engage in external consulting. Often such activities lead to formal agreements, patents, and copyrights, and faculty must be sensitive to the areas where such activities might possibly intrude upon their time and on University facilities.

The basic University policy on such issues is laid out in the Faculty Handbook. However, the enclosed committee report provides informal but useful guidance on how faculty should protect their own and the University's interests when engaged in such consulting activities. We are grateful to the committee for its time and valuable advice.

Enclosure

To: The Faculty of Yale University

From: The Committee on Cooperative Research, Patents, and Licensing (R. Levin, chair; I. Bernstein, R. Bickerton, R. Handschumacher, J.H. Miller, A. Perlis, C. Radding, B. Skinner)

Subject: Advice on External Consulting Activities

Three years ago, the President circulated among the faculty a report of our committee in which we recommended modifications of the University's policies concerning patents, research sponsored by commercial enterprises, and outside activities of the faculty. After considerable faculty discussion, our revised recommendations were adopted as University policy by the Corporation.

Our report discussed in some detail the appropriate standards governing the University's acceptance of research grants and contracts with commercial enterprises, and we also discussed the University's expectations concerning faculty members who choose to engage in the ownership or management of commercial enterprises. We did not, however, discuss in detail the more traditional form of outside faculty involvement with commercial enterprises -- employment as an external consultant.

In our subsequent work as a standing committee, we have become increasingly aware that faculty members occasionally enter into consulting agreements that unnecessarily restrict their own rights or that conflict with the policies of the University. For instance, we have seen examples of consulting agreements that prohibit a faculty member from disclosing confidential information, or from working for another company in the same line of business, without specifying any time limit on such restrictions. We have also seen agreements in which a company is assigned broad patent rights to a faculty member's inventions even though they may be wholly unrelated to the purposes for which the faculty member is engaged as a consultant. In some cases, faculty members have unwittingly assigned to a company patent rights to inventions conceived and reduced to practice using University facilities and supported by government grants. Such inventions, of course, are the property of the University under University policy and the terms of federal law.

In every instance that has come to our attention, the faculty member who has restricted his or her own rights or who has violated University policy has done so out of carelessness or ignorance. We therefore offer some suggestions with the hope that advice concerning these matters will prove helpful to the faculty.

Committee on Cooperative Research, Patents, and Licensing
Advice to the Faculty concerning External Consulting Activities

May 1986

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 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.

Negotiating a Consulting Agreement

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 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. 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 protected.

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 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.

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.

Intellectual Property (Patents and Copyrights)

It is common for a company to 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 University facilities and resources are in no way involved in work performed under the consulting agreement, and if such work can be clearly distinguished from all work you undertake at Yale under grants or contracts with outside organizations, then you are free to determine whether or not to assign your rights to inventions or copyrightable material to an outside employer. But you should be careful not to sign away rights that are not yours.

The grants and contracts that the University accepts from the federal government impose obligations upon the University and its faculty members. In particular, the rights to any inventions developed wholly or in part with the assistance of federal funds belong to the University, which is obliged in turn to offer the federal government a non-exclusive license. Research agreements with foundations or industrial concerns may contain other provisions that confer property rights on the University or other parties to the agreement. You should be wary of entering into consulting agreements that create claims to intellectual property in conflict with the rights established by prior contractual commitments of the University.

You should also be wary of assigning away rights to inventions or other intellectual property conceived or reduced to practice with the use of University facilities and resources, because the University may claim title to any such intellectual property when it takes the form of a patent or a copyright of material other than traditional literary and artistic creations.

To make certain that you do not assign away rights that are not your own, you should review very carefully the terms of any consulting agreement that grant to others the rights to any intellectual property. The Office of Cooperative Research stands ready to assist you on such matters, or to refer you to qualified attorneys if further help is needed.

The Proper Use of University Facilities and Resources

The facilities and resources of the University are available to the faculty in support of research and teaching, and they are not intended to support private consulting activities. There are times, however, when faculty members can not avoid making use of University resources in support of consulting activities. For example, if a secretary answers your telephone, he or she has no doubt worked in support of extramural consulting.

On the other hand, everyone would agree that it is inappropriate to direct a graduate student to devote a substantial part of his or her time to a faculty consulting project, or to hire a secretary at university expense to devote a substantial portion of his or her time to support a faculty member's external consulting. In all cases where significant claims on University personnel or physical facilities are contemplated, the appropriate arrangement is a sponsored research agreement between the company and the University, not a private consulting relationship between the company and a faculty member.

The appropriate course is to avoid whenever possible the use of University facilities and resources in support of external consulting. If you prepare a substantial manuscript for a consulting client, don't use your secretary; hire a typist at your own or your client's expense. If you need regular and continuing access to a laboratory or a computer to perform services covered in a consulting agreement, use the client's facilities, or, alternatively, suggest that the client ask the Office of Cooperative Research about the possibility of a sponsored research agreement. If borderline cases arise, it is advisable to clear these with the Director of the Office of Cooperative Research or with the Chairman of the Committee on Cooperative Research, Patents, and Licensing.