



UNIVERSITY OF MINNESOTA
TWIN CITIES

Office of the President
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December 14, 1988

To the University Community

Dear Colleagues:

I am writing to transmit an important new University policy, "Disclosure of Financial Arrangements with Industry," and to encourage your continued and active participation in the University's growing technology transfer activities and collaborations with industry.

The attached policy was formulated by a committee representing both faculty and the administration. The policy is not intended to hinder faculty relations with industry. Instead, it clearly states that it "is intended to facilitate and encourage interaction with the private sector by ensuring an environment in which University personnel are permitted the maximum freedom to enter into and continue various types of relationships outside the University, while at the same time furthering the principle missions of the University and maintaining high standards of professional and ethical conduct."

The committee was extremely concerned that the policy **not** be a means to inquire into the faculty's personal financial affairs. As a result, the policy provides adequate safeguards for both faculty and the University, as well as appropriate review mechanisms when considering relationships with industrial sponsors.

In accordance with University procedures, the policy was reviewed and approved by the faculty Senate, was reviewed by the Board of Regents, and was adopted at their meeting on May 12, 1988. The policy was announced in the Office of Research and Technology Transfer Administration's newsletter Research Review in June, 1988, and has been implemented by a revision to the BA Form 23, Application for External Research, Training, or Public Service Support.

Please take a few minutes to read the attached policy. It is based upon the principle that our employees owe their primary professional effort to the University. University personnel, therefore, must arrange their outside interests so that they do not create conflicts of interest or conflicts of commitment with their primary obligations to the University -- recognizing, of course, that proper outside activities benefit all parties.

The policy is implemented as follows:

First of all, University personnel must disclose their interests in a company before the University will transfer technology to it, will

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propose or accept research sponsorship from the company, or will enter into other agreements with it, whenever the personnel:

- have a consulting agreement with the company,
- receive personal payments which exceed \$1,000 in a year from the company,
- have an investment of more than \$1,000 or 5 percent equity in the company, or
- serve as a director, officer, or employee of the company.

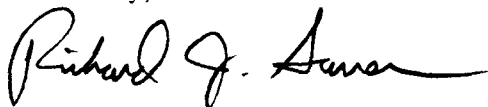
Second, approval of the Vice President for Academic Affairs, Vice President for Health Sciences, Vice President for Agriculture, Forestry, and Home Economics, or Chancellor must be obtained before the University will propose or accept research sponsorship from a company whenever personnel:

- have an investment of more than \$25,000 or 5 percent equity in the company,
- receive personal payments which exceed \$2,000 in a year from the company,
- have a consulting agreement with the company with an annual compensation of more than \$10,000, or
- serve as a director, officer, or employee of the company.

In these latter situations, **only** the appropriate Vice President or Chancellor will fully review all relevant factors and determine whether personnel's financial arrangements or their affiliations with a company, constitute conflicts of interests or commitments with their obligations to the University. This balances the University's need to know, with personnel's legitimate concerns to maintain their privacy. The Vice President or Chancellor shall resolve individually any conflicts which may arise. However, the policy establishes a standing committee which will review, upon request, decisions regarding conflicts of interest or commitment, and otherwise will deal with issues concerning the policy.

This policy, along with the Patent and Technology Transfer Policy, is fundamental to the University's technology transfer program and to the faculty's interactions with the private sector. These relationships advance the University's mission of education, research, and public service. Therefore, I encourage faculty to participate actively in relationships with the private sector, for they enable the University to benefit our State, its economy, and businesses and industry locally and nationally.

Sincerely,



Richard J. Sauer
Interim president

RJS:kb

Enclosure

UNIVERSITY OF MINNESOTA
DISCLOSURE OF FINANCIAL ARRANGEMENTS WITH INDUSTRY

1. PREAMBLE

The University of Minnesota actively encourages and participates in interaction with private companies as an important component of its research, education, and public service missions. Research agreements between the University and private companies provide a valuable source of funds, equipment, and topics for University research. Consulting arrangements and other contacts between faculty and private companies advance the faculty's ability to provide a high quality research and educational experience for students and enhance employment opportunities for students. Licensing by the University to private companies, consulting services by faculty for private companies, assistance by faculty in new company starts, and other forms of technology transfer are critical to meeting society's needs. The University, therefore, clearly has a responsibility to foster the free flow of ideas and individuals between the University and the private sector.

The commitment of the University to this responsibility is reflected by its policies and guidelines relating to interaction with industry. The Patent and Technology Transfer Policy, Policy on Outside Consulting, and Guidelines on Interaction with Industry all recognize the value of various types of relationships with the private sector and provide the means to advance these relationships. These policies and guidelines are supported by the integrity of the faculty and by the adherence of the faculty to principles of good scholarly and professional practice. In view of the increased interaction between the University and the private sector there is a need for a vehicle to safeguard the University's independence, credibility and primary missions and the integrity of those University staff members involved in such interactions. Accordingly, this statement of principles is intended to facilitate and encourage interaction with the private sector by ensuring an environment in which University personnel are permitted the maximum freedom to enter into and continue various types of relationships outside of the University, while at the same time furthering the principal missions of the University and maintaining high standards of professional and ethical conduct.

2. OTHER APPLICABLE POLICIES AND LAWS

This policy complements the provisions of other applicable policy, regulation, and laws, including the Policy on Outside Consulting, the Patent and Technology Transfer Policy, the statement "On Preventing Conflicts of Interest in Government-Sponsored Research at Universities", Guidelines on Interaction with Industry, the Tenure Code, and applicable state and federal law. This policy is intended to help implement and expand

upon these other related requirements. It should be noted that this policy does not apply to Medical School consultation practices that are in accord with the Regents' Policy on Private Consultation Practice.

3. GENERAL PRINCIPLES

With the acceptance of appointment or employment, an individual makes a commitment to the University and accords the University his or her primary professional loyalty according to the terms of appointment or employment. Every person is expected to arrange outside obligations, financial interests, and activities so as not to conflict or interfere with this overriding commitment to the University. At the same time, no one benefits from undue interference with the legitimate external activities of individuals who fulfill their primary full-time duties--teaching at the University, conducting scholarly research under its sponsorship, and meeting the other obligations to students and colleagues. Indeed, the involvement of individuals in outside professional activities, both public and private, often serves not only the participants but the University as a whole. It has been, and continues to be, assumed that all individuals will be alert to the possible effects of outside activities on the objectivity of their decisions, their obligations to the University and the University's responsibility to others.

The areas of potential conflict may be divided into two broad categories. The first relates to conventional conflicts of interest--situations in which individuals may have the opportunity to influence the University's decisions in ways that could lead to personal gain or give improper advantage to their associates. The second is concerned with conflicts of commitment--situations in which an individual's external activities, often valuable in themselves, interfere or appear to interfere with their paramount obligations to students, colleagues, and the University. Researchers and scholars are given great freedom in scheduling their activities with the understanding that their external activities will enhance the quality of their direct contributions to the University.

Currently, universities customarily use the term "industry" in the generic sense, to encompass their relations with all facets of the private sector. Throughout this policy, therefore, the term "industry" is not used in any restrictive sense, but rather applies generally to all private enterprise. This policy is intended to apply solely to sponsored research, technology transfer and other written agreements as provided for in Section 5.f.

4. DEFINITIONS

- a) PERSONNEL shall mean all persons appointed, employed and/or compensated by the University, including faculty, visiting faculty and researchers, professional and administrative staff, civil service employees, research and teaching assistants, residents, fellows, and trainees.

- b) COMPANY shall mean any corporation, partnership, proprietorship, firm, association or other legal entities worldwide, excluding government entities in the United States.
- c) INTEREST shall mean any of the following interests in the aggregate held in a COMPANY, but not in a mutual fund whose investment policies are beyond the control of the individual, by PERSONNEL and/or PERSONNEL's spouse and/or dependent children:
 - (i) an investment comprising equity or options to purchase equity with a total current value of more than \$1,000.00 or representing more than 5% of the total COMPANY equity; and/or
 - (ii) personal payments (excluding consulting fees), gifts, and other benefits, including personal loans and services, received from a COMPANY to PERSONNEL within the previous twelve months with a total current value of more than \$1,000.00; and/or
 - (iii) a consulting arrangement with a COMPANY or other agreement to provide services to a COMPANY which is or should be disclosed in accordance with the Policy on Outside Consulting;
 - (iv) status as a director, scientific director or member of the scientific board of advisors, officer, partner, trustee, or employee (other than a consultant) of a COMPANY.
- d) SPONSORED RESEARCH shall mean any research sponsored by a COMPANY at the University which is governed by an agreement, written or oral, in which there is ongoing expectation or interest by the COMPANY in information developed under the research, the results of the research and/or property rights in the product of the research.

5. OPERATING PRINCIPLES

- a) General. PERSONNEL may form relationships with COMPANIES, including acquiring an INTEREST in a COMPANY, provided that such relationships satisfy this policy and any other applicable policies and laws. The University encourages all PERSONNEL to form relationships with COMPANIES which further its education, research, and public service missions. For example, effective transfer of University technology may require that the PERSONNEL who originally developed the technology have a consulting agreement with or otherwise assist the COMPANY in acquiring rights in the technology. Under such circumstances, equity in the COMPANY may be an appropriate means to compensate the PERSONNEL. The COMPANY may also desire to fund further University research concerning the technology to be conducted by those PERSONNEL. These combination relationships and other relationships are permissible, and may indeed be very desirable to meeting University objectives, provided that the disclosure requirements in this policy are satisfied. Disclosure will allow the opportunity for review to ensure that the performance of PERSONNEL's duties is not compromised.

- b) Actual Conflicts. PERSONNEL shall not enter into or allow conflicts of interest or conflicts of commitment to the University, as those terms are announced in the General Principles. Determination whether an actual conflict exists shall be made by the appropriate vice president. If PERSONNEL wish to initiate or continue such a conflicting relationship with a COMPANY and remain associated with the University, they shall seek a suitable leave of absence, reduction of appointment, or other arrangements with the University.
- c) SPONSORED RESEARCH Proposals. PERSONNEL with an INTEREST in a COMPANY and who propose SPONSORED RESEARCH to be funded by that COMPANY shall disclose the existence of the INTEREST. To the extent allowed by law, such disclosure shall be considered private until the project is awarded. The disclosure shall be public information after the project is awarded.
- d) SPONSORED RESEARCH Participation. PERSONNEL with an INTEREST in a COMPANY and who participate in SPONSORED RESEARCH funded by that COMPANY shall disclose the existence of the INTEREST. Such disclosure shall be considered public information.
- e) Technology Transfer. PERSONNEL with an INTEREST in a COMPANY shall disclose the existence of that INTEREST in the instance that the University is considering the transfer of rights, by license or otherwise, in technology developed by PERSONNEL to the COMPANY. To the extent allowed by law, disclosure shall be considered private.
- f) Other Written Agreements. In addition to restrictions in applicable law, PERSONNEL with an INTEREST in a COMPANY shall not propose, negotiate or approve on behalf of the University a contract or other commitment concerning that COMPANY without full disclosure of the INTEREST. The disclosure shall be considered public information. This paragraph applies to all written agreements including, but not limited to, lease agreements, and orders and requests for goods, services, or personnel from COMPANIES (including equipment, consulting services, and legal services). This provision does not cover research grants and contracts and relationships otherwise covered by Section 5.c., 5.d. or 5.e. above.
- g) Public statements. PERSONNEL with an INTEREST in a COMPANY are expected to refrain from making public statements (statements for use by the press and/or to individuals with an interest in the stock of the COMPANY) regarding the SPONSORED RESEARCH prior to publication of the results in recognized scientific literature or presentations at recognized scientific meetings. Wherever possible, the University shall include a clause reflecting this principle in each industry sponsored grant, contract, or agreement.

6. IMPLEMENTATION

a) Compliance with this policy requires a three step determination:

(i) Does an INTEREST exist?

The existence of an INTEREST is determined by applying Section 4.c. to the situation.

(ii) When an INTEREST exists, must it be disclosed?

This is determined by applying Sections 5.c., 5.d., 5.e. and 5.f. to the situation.

(iii) When an INTEREST exists, must approval of a vice president be obtained?

This is determined by applying Section 6.b. to the situation or, when a BA Form 23, Application for External Research or Training Support, is not involved, by the appropriate department head or dean after consultation with PERSONNEL involved.

b) Disclosure under Sections 5.c. and 5.d. shall be made in the manner prescribed by BA Form 23. These disclosures will be made as part of the proposal process and shall be updated as PERSONNEL are added to the project or as INTEREST of PERSONNEL changes during the term of the project. After acknowledgment by the appropriate department head and dean, the BA Form 23 and accompanying proposal shall be sent to the Office of Research and Technology Transfer Administration. The Office of Research and Technology Transfer Administration will forward the BA Form 23 to the appropriate vice president for approval when required.

It is required by University policy that all SPONSORED RESEARCH be covered by a BA Form 23. However, disclosures made during the term of the project and disclosures not made on a BA Form 23 shall be in the form of a memo to the appropriate department head and dean for their acknowledgment. The memo shall then be sent to the Office of Research and Technology Transfer Administration for consideration and for forwarding to the appropriate vice president when approval is required.

The memo shall define the nature of the contract or other agreement and the COMPANY involved. Where possible, appropriate documentation from the COMPANY shall be attached. This memo shall be submitted in a timely manner so as to permit consideration by appropriate administration officials prior to consummation of the relationship.

c) Approval of the appropriate academic vice president must be obtained prior to submission of the SPONSORED RESEARCH proposal to the COMPANY or participation in SPONSORED RESEARCH, and approval of the Vice President for Finance and Operations must be obtained

prior to the transfer of rights in technology developed by PERSONNEL to the COMPANY, when PERSONNEL have an INTEREST in the COMPANY that is:

- (i) an investment comprising equity or options to purchase equity with a total current value of more than \$25,000.00 or representing more than 5% of the total COMPANY equity; and/or
- (ii) personal payments (excluding consulting fees), gifts, and other benefits, including personal loans and services, received from a COMPANY to PERSONNEL within the previous twelve months with a total current value of more than \$2,000.00; and/or
- (iii) a consulting arrangement with a COMPANY or other agreement to provide services to a COMPANY which is or should be disclosed in accordance with the Policy on Outside Consulting and with annual compensation of more than \$10,000; and/or
- (iv) status as a director, scientific director or member of the scientific board of advisors, officer, partner, trustee, or employee (other than a consultant) of a COMPANY.

Faculty may wish to seek the above approval in appropriate cases where an INTEREST exists but does not meet the above definitions. Approval shall be granted or denied within two weeks of submission to the vice president.

Factors that will be taken into account by the appropriate vice president determining approval include:

- (i) THE PROMINENCE AND SIGNIFICANCE GIVEN THE UNIVERSITY AFFILIATION. Where the name and/or authority of the University (as opposed to that of the researcher) is more clearly being invoked, the University should institutionally examine research affiliations more carefully.
 - (ii) THE EFFECT OF THE OUTCOME OF THE PROJECT ON EXPECTED BEHAVIOR OF OTHERS. Where endorsement of a project or policy will result in people in significant numbers using a product or investing money or otherwise changing their lives, the University must bear responsibility to maintain objective evaluations. Where these first two factors combine to suggest the University, or a segment thereof, is acting as an independent evaluative laboratory, University responsibility is at a maximum.
 - (iii) DEGREE OF INVOLVEMENT AND DANGER OF OVER-COMMITMENT TO DETRIMENT OF UNIVERSITY MISSIONS. The University has the duty to scrutinize requests in the light of its own missions. High quality research should be encouraged. The extent of involvement of PERSONNEL in a project should not conflict with University activities.
- d) Disclosure under Section 5.e. shall be in the form of a memo to the Assistant Vice President for Research and Technology Transfer Administration. This memo shall be submitted in a timely manner

so as to permit consideration by appropriate administration officials prior to consummation of the relationship.

- e) Disclosure under Section 5.f. shall be made by memo to PERSONNEL with no INTEREST in the COMPANY who have final authority over negotiations and approval. The memo shall define the nature of the contract or other agreement and the COMPANY involved. Where possible, appropriate documentation from the COMPANY shall be attached. This memo shall be submitted in a timely manner so as to permit consideration by appropriate administration officials prior to consummation of the relationship.
- f) The University will maintain a standing committee to deal with issues concerning this policy. This committee shall have the following principal functions:
 - (i) to assist in the implementation of this policy;
 - (ii) to answer questions concerning this policy (the identity of PERSONNEL asking questions and the specific facts of questions shall be kept private to the extent allowed by law);
 - (iii) to review and comment on any disciplinary action to be taken under this policy;
 - (iv) upon the request of affected faculty, to review a decision by an administration official that an INTEREST constitutes an actual conflict of interest. The results of this review shall be forwarded to the appropriate vice president and President of the University for final action; and
 - (v) to periodically review this policy, including the set financial thresholds established herein.

This committee shall be comprised of:

- 1 member of the Senate Research Committee
- 1 member of either the Senate Faculty Affairs or Judicial Committees
- 1 member of the Patent and Technology Transfer Council
- 1 member of the Medical School
- 1 member of the Institute of Technology
- 1 member of the other colleges
- 1 member of the coordinate campuses
- 1 ex officio member of the Office of Research and Technology Transfer Administration
- 1 ex officio member of the University Attorney's Office

The members from the Medical School, the Institute of Technology, the other colleges, and the coordinate campuses shall be appointed by the Vice President for Academic Affairs in consultation with the other vice presidents. Members from standing committees shall be appointed by the standing committee. The member from the Patent and Technology Transfer Council shall be appointed by the Council.

- g) Appropriate disciplinary action (for faculty, under the Tenure Code) may be taken by the University against PERSONNEL who violate this policy.

PROPOSED ADDED LANGUAGE TO BA FORM 23

16. Disclosure of Financial Arrangements with Industry

(This section must be completed if the proposal is to a COMPANY). The disclosure is required by the policy on Disclosure of Financial Arrangements with Industry. A copy of this policy may be obtained from the Office of Research and Technology Transfer Administration

Yes No An individual associated with this proposed research has an INTEREST in the COMPANY that is the proposed sponsor⁷.

Yes No Approval is required by the appropriate vice president.

If yes, state the nature of the INTEREST as defined in footnote 8. (For example "I have a consulting arrangement that pays more than \$10,000.00 annually" or " A technician in my lab received a gift in excess of \$2,000.00 from the COMPANY last month).

Approved; Signature _____ Date _____
Appropriate Vice President

Footnote⁷ (on reverse side)

SPONSORED RESEARCH Proposals. PERSONNEL with an INTEREST in a COMPANY and who propose SPONSORED RESEARCH to be funded by that COMPANY shall disclose the existence of the INTEREST. To the extent allowed by law, such disclosure shall be considered private until the project is awarded. The disclosure shall be public information after the project is awarded.

SPONSORED RESEARCH Participation. PERSONNEL with an INTEREST in a COMPANY and who participate in SPONSORED RESEARCH funded by that COMPANY shall disclose the existence of the INTEREST. Such disclosure shall be considered public information.

- a) PERSONNEL shall mean all persons appointed, employed and/or otherwise compensated by the University, including faculty, visiting faculty and researchers, professional and administrative staff, civil service employees, research and teaching assistants, residents, fellows, and trainees.
- b) COMPANY shall mean any corporation, partnership, proprietorship, firm, association or other legal entity, excluding government entities.

- c) INTEREST shall mean any of the following interests in the aggregate held in a COMPANY by PERSONNEL and/or PERSONNEL's spouse and/or dependent children:
- (i) an investment comprising equity or options to purchase equity with a total current value of more than \$1,000.00 or representing more than 5% of the total COMPANY equity; and/or
 - (ii) personal payments (excluding consulting fees), gifts, and other benefits, including personal loans and services, received from a COMPANY to PERSONNEL within the previous twelve months with a total current value of more than \$1,000.00; and/or
 - (iii) a consulting arrangement with a COMPANY or other agreement to provide services to a COMPANY which is or should be disclosed in accordance with the Policy on Outside Consulting; and/or
 - (iv) status as a director, scientific director or member of the scientific board of advisors, officer, partner, trustee, or employee (other than a consultant) of a COMPANY.
- d) SPONSORED RESEARCH shall mean any research sponsored by a COMPANY and at the University which is governed by an agreement, written or oral, in which there is ongoing expectation or interest by the COMPANY in information developed under the research, the results of the research and/or property rights in the product of the research.

Footnote⁸

Approval of the appropriate academic vice president must be obtained prior to submission of the SPONSORED RESEARCH proposal to the COMPANY or participation in SPONSORED RESEARCH, and approval of the vice president for Finance and Operations must be obtained prior to the transfer of rights in technology developed by PERSONNEL to the COMPANY, when PERSONNEL have an INTEREST in the COMPANY that is:

- (i) an investment comprising equity or options to purchase equity with a total current value of more than \$25,000.00 or representing more than 5% of the total COMPANY equity; and/or
- (ii) personal payments (excluding consulting fees), gifts, and other benefits, including personal loans and services, received from a COMPANY to PERSONNEL within the previous twelve months with a total current value of more than \$2,000.00; and/or
- (iii) a consulting arrangement with a COMPANY or other agreement to provide services to a COMPANY which is or should be disclosed in accordance with the Policy on Outside Consulting and with annual compensation of more than \$10,000; and/or

- (iv) status as a director, scientific director or member of the scientific board of advisors, officer, partner, trustee, or employee (other than a consultant) of a COMPANY.

Faculty may wish to seek the above approval in appropriate cases where an interest exists but does not meet the above definitions. Approval shall be granted or denied within two weeks of submission to the vice president.