



*Office of the Vice Chancellor for Research
Office of Vice Provost for Intellectual Property and Industry Relations*

To: Faculty, Chairs, Deans, and Directors

A number of federal agencies are required by congress to set-aside funding to support research and development activities under the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) programs. These funds can be awarded only to small businesses as defined by federal regulations

<http://www.sba.gov/aboutsba/sbaprograms/sbir/sbirstir/index.html>.

In some instances, the small company applicant wants UCLA faculty and other employees to participate in the research to advance the company's development aims. In other cases, faculty, postdoctoral scholars, students or staff want to start companies and view SBIR and STTR grants as a good way to fund further research and development of intellectual property that they developed at UCLA. Under both scenarios, UCLA employees may be able to collaborate with small companies on SBIR or STTR-supported projects. However, the following must be observed:

Federal Guidelines:

- Under federal regulations, *only small businesses may apply* for SBIR and STTR grants. Universities are not eligible to apply.
- The Principal Investigator (PI) for a SBIR grant must be employed more than 50% by the small business applicant. That is, the small business should be the PI's primary employer.
- SBIR small business applicants *may* choose to collaborate with a research institution. STTR small business applicants *must* subcontract a minimum of 30% of the proposed work to a collaborating research institution.
- Unless waived in writing by the federal government, some of the research must be conducted by the small company applicant in research facilities that it either owns or controls: at least 67% for Phase I SBIRs, 50% for Phase II SBIRs, and 40% for STTRs. A company whose "research facilities" consist of only a mailing address or administrative offices does not meet these eligibility criteria.

UCLA Guidance:

- Plans for proposed research to be conducted at UCLA under SBIR or STTR programs must be reviewed by the appropriate Department Chair and

Academic Dean *before* subcontract proposal materials are forwarded to the Office of Intellectual Property & Industry Sponsored Research (OIP-ISR) for processing and submission. This will ensure that:

- The proposed work has scientific merit.
- The work constitutes a good use of UCLA research facilities.
- The work does not compromise the faculty member's academic responsibilities.
- The subcontract is for a unique and specific scope of work distinct from research funded by other outside entities, and for work that does not overlap with the UCLA faculty member's other research efforts.
- Budgets reflect full cost recovery (direct and indirect) for the portion of the research project to be conducted at UCLA, including the faculty PI's time.

Written documentation of this review should be forwarded to OIP-ISR with all other internal paperwork.

- The Principal Investigator for the small business applicant should not be a UCLA employee. This conforms to University policy that prohibits UC employees from submitting proposals for research funding through outside organizations without an exception from the Vice Chancellor for Research. It also reflects SBIR eligibility requirements. Even if permitted to serve as the company PI under federal regulations and with an exception to UC policy, the same individual may not simultaneously serve as the PI for the small business and as the PI for work subcontracted to UCLA.
- The small business applicant may not use UCLA-developed technology without first negotiating a letter of intent, option or license from OIP-ISR.
- The small business applicant may not use the UCLA PI's laboratory to conduct the company's portion of the research without both a federal waiver and Vice Chancellor approval.
- Company employees may not use the UCLA PI's laboratory to conduct either the company's portion of the research, or UCLA's portion of the research. Currently, the only approved UCLA space to conduct the company's portion of the research is if under lease in the UCLA Incubator.
- UCLA inventors should not ask postdoctoral fellows or graduate students who work with them on campus to serve as the small business's PI.
- Faculty may conduct research under a subcontract to UCLA, or consult with the company on grant-related issues. However, faculty should not concurrently engage in both activities under the same SBIR or STTR grant.
- Campus-based research supported by an SBIR or STTR grant may be conducted only under the terms of a subcontract. Federal SBIR and STTR grants cannot be used to fund gifts for the support of research at UCLA.
- UCLA cannot accept research funds under STTR or SBIR grants if the small business recipient has not met the federal grant eligibility criteria, even if the federal government has already made an award to the small

company applicant. Unfortunately, such awards have sometimes been revoked retroactively and expended university funds have had to be returned.

Negotiation of Subcontract Agreements:

- Staff of the UCLA OIP-ISR negotiate the written subcontract agreements that must be put into place with the small business applicants. These agreements outline the scope of work and specify the deliverables, reporting obligations, terms of intellectual property ownership, and other terms of the agreement.
- UC employees may neither represent UCLA in negotiating agreements with companies in which they have financial interests, nor act on behalf of businesses that they have founded, in which they have equity interests, from which they receive consulting income, other salary, or honoraria; or in which they have any other financial interests. This reflects both State of California law and UC policy.
- A checklist is being created to facilitate collection of the information needed to ensure that small businesses have met federal eligibility criteria, that UCLA investigators can participate in the proposed projects, and that conflict of interest and commitment issues have been addressed.
- Investigators are urged to contact OIP-ISR to discuss preparation of materials that UCLA must submit to the small business for incorporation into its application for funding, and to resolve potential impediments to participation in such projects, at least one week before the submission deadline.

This memo supersedes SBIR/STTR guidance previously issued in 2001 and 2008. Please contact Ann Pollack, Assistant Vice Chancellor – Research at x40387, or apollack@research.ucla.edu if you have any general questions. Questions about development of intellectual property plans required for STTR proposals, submission of proposals to small business applicants, or negotiation of resulting subcontracts, should be directed to Lillian Smith, Director, Industry Sponsored Research, at x40558, or lsmith@research.ucla.edu.

Sincerely,

Roberto Peccei
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Kathryn Atchison
Vice Provost
Intellectual Property and Industry
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