

III.G. CONSULTING AND OUTSIDE ACTIVITIES POLICIES AND PROCEDURES

(Source: Resolution of the Trustees, January, 1966; revised, June 18, 1993 and Offices of the President and Provost, Almanac, March 15, 1994; revised, Resolution of the Trustees, February 11, 2005 and Offices of the Provost and the Faculty Senate, Almanac, February 22, 2005; revised, Office of the Provost, Almanac, February 7, 2006; revised, Resolution of the Trustees, June 18, 2010 and Office of the Provost, Almanac, July 13, 2010; revised, Office of the Provost and Resolution of the Trustees, Almanac, April 21, 2015; revised, Office of the Provost, Almanac, July 12, 2016 (<https://almanac.upenn.edu/uploads/media/071216-supplement.pdf>); revised, Office of the Provost, November 21, 2022)

Article 1. Preamble

1.0 The Trustees of the University of Pennsylvania affirm the following principles as the basis for governing the intellectual property created by faculty, employees, students and guest scholars of the University:

1.1 The mission of the University includes the stimulation of basic and applied research activities of faculty, employees and students of the University, and the dissemination of the results of their research for the purpose of adding to the body of knowledge and serving the public interest.

1.2 The purpose of this policy is to encourage and enable faculty, employees and students to translate new knowledge into social good and provide a framework within which the University can support and facilitate these actions.

1.3 The University endeavors, where it deems appropriate, to secure intellectual property protection for the products of such research and to encourage commercial investment in and development of University intellectual property for the benefit of the public.

1.4 The community has endowed the University with certain privileges, resources and assets in the expectation that no single party will derive sole benefit or be unjustly enriched from what the community has endowed to the University.

1.5 The University as a non-profit organization endeavors to marshal its resources and exploit its assets to serve the public interest, and in so doing reinvests in the research enterprises of its faculty, employees and students. Members of the University community share in the University's responsibility to serve the public interest, and have a duty to disclose and assign their inventions.

1.6 The University is regularly the recipient of grants from the government, foundations or commercial enterprises for the support of research, and is subject to legal and contractual obligations imposed by these entities.

1.7 The University wishes to share the economic benefits of inventions or other intellectual property with the creators of such works in a way that is consistent with the research and educational mission of the University, and conforms to the University's obligations to regulatory authorities, research sponsors and licensees.

1.8 In protecting and managing its intellectual property assets, the University insists that the academic freedom of its faculty and students be preserved, and that collegiality and the open expression of ideas by and among members of the University community be encouraged.

Article 2. Policy and Procedures Relating to Consulting and Outside Activities

2.1 Consulting Policy. As stated in the University policy entitled "Conflict of Interest Policy for Faculty Members" (Section II.E.10 of the *Handbook for Faculty and Academic Administrators*), the University recognizes the value to the institution and to its faculty of permitting the faculty to engage in extramural consulting activities. These activities offer the potential of strengthening the competence and expertise of the faculty as scholars, as well as the potential of developing the intellectual property owned by the University. In all circumstances where consulting activities may result in the creation of an INVENTION, the following procedures and principles apply:

2.1.1 To ensure that the consulting activities are consistent with faculty members' professional obligations to the University, responsibilities with respect to the avoidance of conflicts of interest, and to their commitments for teaching and research, faculty members should comply with the provisions of Section II.E.10 of the *Handbook* which include both the prospective disclosure of the potential consulting activities to their Department Chairs and School Deans, as well as written reports on such activities as set forth in the *Handbook*, or other related procedures established by their School or Department.

2.1.2 In any case where the faculty member, Department Chair, or Dean believes that there is a potential conflict of interest or conflict of commitment, the matter shall be referred to the University Conflict of Interest Standing Committee. The Committee shall review the matter and make recommendations to the Provost, or the Provost's designee, who has the authority to approve, modify, or disapprove any consulting arrangement that raises a potential conflict. In determining whether review by the Conflict of Interest Standing Committee is appropriate, the faculty member, Department Chair, or Dean may consult with the General Counsel.

2.1.3 In all consulting relationships, faculty members have the duty to protect any intellectual property owned by the University and the ability of the University to fulfill its obligations to government funding agencies and commercial and non-commercial sponsors of research.

2.2 Consulting Agreements. Except to the extent set forth in Section 3.4 below, faculty members contemplating entering into a consulting agreement shall ensure that their obligations under the PATENT POLICY are not compromised and the University's rights are protected. Specifically, faculty members have the responsibility to ensure that the following terms are not part of any consulting agreement: (1) confidentiality provisions that prevent the individual from publishing research or from reporting results of University research to research sponsors; (2) confidentiality provisions that prevent the individual from providing TANGIBLE RESEARCH PROPERTY or other deliverables to a University research sponsor or other entity as required by federal law, federal regulation, or by sponsor agreement; (3) intellectual property provisions that preclude the consultant from assigning any inventions that arise out of the consulting relationship to the University; and (4) any provisions that are designed to circumvent University policies and procedures for the disclosure, review and approval of sponsored research projects or other University policies

concerning intellectual property. Moreover, in the context of academic research, it may be difficult to avoid commingling of research activity or resources with services provided under the consulting agreement. It is the obligation of the faculty member in negotiating the consulting agreement to ensure that any consulting relationship entered into protects against any such commingling of research or resources.

2.2.1 Faculty members may seek the assistance of the IPA in determining whether a proposed agreement conforms to these guidelines. Such assistance should not be construed to be advice or counsel as to the faculty member's personal interests in the consulting agreement.

2.3 Consulting Activity with a Company Providing Sponsored Research. In addition to the procedures set forth above, if a faculty member contemplates a consulting relationship with a company that sponsors research for that individual at the University, the proposed consulting agreement shall be disclosed to the IPA, along with an explanation of the nature and scope of the individual's anticipated activities. The IPA shall refer the matter to the University Conflict of Interest Standing Committee, with copies of all applicable documentation to relevant Deans, Department Chairs and the General Counsel, or the General Counsel's designee, for review. The Committee shall make recommendations to the Provost, or the Provost's designee, who shall have the authority to approve, modify or disapprove any such proposed agreements.

2.4 Exception to the General Consulting Policy. Notwithstanding the policies articulated in Article 2.0 above, and in the general consulting policy set forth above, the University recognizes that faculty members may seek to undertake consulting engagements, at the direction of a firm or entity other than the University, that may require that any resulting INVENTIONS be assigned to the sponsor of the engagement. While not providing the University with ownership of the INVENTION, these consulting engagements may nevertheless provide significant benefits to faculty members and to the University. For this reason, it is the policy of the University to authorize a Dean, in the Dean's discretion, to permit these consulting engagements, without claiming any ownership interest in the INVENTION for the University, under the follow conditions.

2.4.1 Conditions for Consulting Engagements. In order for a faculty member and the faculty member's particular proposed consulting engagement to be eligible for consideration under this exception to the consulting policy: (1) The engagement must be consistent with the policy on "Conflict of Interest Policy for Faculty Members" (*Handbook for Faculty and Academic Administrators*, II.E.10); (2) no undergraduate or graduate students may be involved in the engagement; (3) the faculty member must be compensated in cash, and the compensation must be fixed and not variable, must reflect the fair market value of the consulting to be performed, and must not vary according to the perceived value of INVENTIONS assigned. (The faculty member may not be compensated with EQUITY or any form of contingent or variable compensation, including but not limited to options, warrants, royalties, or a payment that varies based upon the sales, revenues or other perceived success of an INVENTION or product or service based upon such INVENTION); (4) the faculty member may not have a SIGNIFICANT EQUITY INTEREST in the sponsoring entity or an affiliate of that entity; (5) performance of the engagement may not involve the use of any University facilities, personnel, equipment or assets, except for *de minimus* amounts or uses; and (6) the terms of the engagement must not conflict with any existing commitments under sponsored research or otherwise for ownership of resulting inventions, and shall not make assignment of ownership of any future INVENTION not conceived and reduced to practice during

the term of, and as a direct and sole result of performing, the consulting engagement.

2.4.2 Procedures for Disclosing Consulting Engagements. To qualify for consideration under Section 3.4 and allow for meaningful advance review, the specific terms of the proposed agreement must be disclosed to the Department Chair and the Dean at a reasonable time prior to the commencement of the engagement and, in all circumstances, prior to the faculty member entering into any legally binding agreement to engage in the engagement. The engagement and its terms must be reported to the Department Chair and the Dean, in writing, on an annual basis. If the Dean determines, after consultation with the Department Chair and the IPA that criteria set forth in Section 3.4.1 have been met, the Dean may approve the engagement, in the Dean's discretion, but is not required to approve the engagement. If the Dean determines that the criteria set forth in Section 3.4.1 have not been met, or otherwise declines to approve the engagement, the Dean should so notify the faculty member, who may then seek review of the decision by the APPEALS BOARD. The Dean should notify the faculty member of the decision promptly, and if possible, within thirty (30) days of receipt of the disclosure.

2.4.3 Procedures for Waiver of Conditions. Should a faculty member seek to undertake a consulting engagement that is neither within the general consulting policy, nor satisfies the criteria of Section 3.4.1, the faculty member may request a waiver from the Dean to permit the faculty member to enter into the consulting arrangement. In order to request a waiver, the faculty member must comply with Section 3.4.2 as well as disclose the proposed consulting engagement to the *Conflict of Interest Standing Committee* (CISC) as required under the *Policy on Conflicts of Interest Related to Research*. After the review by CISC, the Dean, in consultation with the General Counsel, the Provost or the Provost's designee and the IPA—may grant the waiver. If the Dean determines that, under the facts and circumstances of the particular case, the waiver would undermine the principles underlying the PATENT POLICY, violate any legal or regulatory requirement, present an unmanageable conflict of interest or otherwise violate University policy, the Dean should deny the waiver and notify the faculty member. The decision should be made and communicated to the faculty member as promptly as possible, generally within fifteen (15) days of receipt of the waiver request. Should the waiver be denied, the faculty member may appeal the decision to the APPEALS BOARD. Approval of a waiver under the PATENT POLICY shall not constitute approval under or waiver of other University policies, such as the *Policy on Conflicts of Interest Related to Research*.

Waivers will ordinarily be granted to allow for EQUITY compensation in cases in which the amount of EQUITY is fixed based on the fair market value of the consulting services at the time delivered, and it does not involve a form of contingent or variable compensation, including but not limited to options, warrants, or a conditional grant of EQUITY that varies based upon the sales, revenues or other perceived success of an INVENTION or product or service based upon an INVENTION.

2.4.4 Liability when Consulting. Faculty members entering into consulting engagements should understand that they are undertaking personal responsibilities and may be assuming certain personal risks of liability. For that reason, all faculty members may wish to seek personal legal counsel, at their own expense, for the purpose of reviewing proposed consulting agreements so as to protect their personal interests. To the extent, however, that faculty members are availing themselves of this exception to the PATENT POLICY, they are doing so entirely at their own risk and are not, in any way, protected by the University. For this

reason, faculty members are well advised to seek personal legal advice before entering into such a consulting relationship.

2.5 Application of the Consulting Policy and Procedures to Administrators and Staff. The University recognizes the value to the institution and of permitting administrators and staff, as well as faculty, to engage in extramural consulting activities, under certain circumstances. Except as specifically set forth below, the above policy applies to administrators and staff who seek to enter into consulting engagements.

2.5.1 Staff and administrators who contemplate entering into consulting engagements are subject to the "Guidelines for Extramural Activities, Associations, and Interest for Staff" (*Human Resources Policy Manual*, Policy No. 006 (<https://www.hr.upenn.edu/policies-and-procedures/policy-manual/other-policies/guidelines-for-extramural-activities-associations-and-interest-for-staff/>), effective 2/1/1990) and should follow the procedures for disclosure and clearance of potential conflict of interest issues set forth in those guidelines.

Article 3. Definitions and Miscellaneous

3.0.1 The **APPEALS BOARD** is empowered to resolve disputes arising from the interpretation or administration of this **CONSULTING POLICY**, as described in Section 3.2. The **APPEALS BOARD** comprises nine (9) voting members (seven [7] standing members and two [2] ad hoc members). The seven standing members shall be comprised of: one (1) voting Chair, appointed by the Faculty Senate and who shall be a Standing Faculty member; four (4) administrators (each appointed by the Vice Provost for Research); and two (2) term faculty appointed by the Faculty Senate. The two (2) ad hoc members shall be faculty selected for expertise by the Dean(s) of the relevant School(s) or the Chair(s) of the relevant Department(s), except that if one or more of the individuals involved in the appeal is an emeritus faculty, the two ad hoc voting members selected by the Dean(s) or Department Chair(s) shall be emeritus faculty and if one or more of the individuals involved in the appeal is a graduate student, the two ad hoc voting members selected by the Dean(s) or Department Chair(s) shall be graduate students. In addition, the **APPEALS BOARD** shall include one nonvoting member ex officio, who shall be an attorney from the Office of the General Counsel and appointed by the General Counsel. The **APPEALS BOARD** shall be staffed by the Office of the Vice Provost for Research.

3.0.2 CONSULTING POLICY means this Consulting and Outside Activities Policies and Procedures of the University of Pennsylvania, with any amendments.

3.0.3 EQUITY means ownership interests or securities, including but not limited to shares of stock or securities; stock options; warrants or any other rights to purchase stock or securities; debt instruments; partnership interests in a general or limited partnership; or membership interests in a limited liability company or partnership.

3.0.4 EXECUTIVE COMMITTEE provides oversight and steering of the technology transfer process, including assisting in setting the operating budget for the **PENN CENTER FOR INNOVATION (PCI)**. The **EXECUTIVE COMMITTEE** is appointed by the Provost in consultation with the Vice Provost for Research and chaired by the Vice Provost for Research. The **EXECUTIVE COMMITTEE** is comprised of the **INTELLECTUAL PROPERTY ADMINISTRATOR (IPA)**, ex officio; the Vice Provost for Research; the Dean of the School of Medicine or his/ her designee; one faculty from each of the School of Arts and Sciences and the School of Engineering and Applied Science; one at-large faculty; and an attorney from the Office

of the General Counsel selected by the General Counsel, who shall be nonvoting and ex officio.

3.0.5 INTELLECTUAL PROPERTY ADMINISTRATOR (IPA) means the Executive Director of PCI (or the Executive Director's successor, as designated by the Vice Provost for Research).

3.0.6 INVENTION means and includes discoveries and inventions and related technical information, trade secrets, developments, knowhow, methods, techniques, formulae, data and processes; **TANGIBLE RESEARCH PROPERTY** upon which a patent has issued or a patent application has been filed and is still pending; and other proprietary matter.

3.0.7 INVENTORS means University faculty, emeritus faculty, visiting faculty or researchers, adjunct faculty, postdoctoral employees or trainees, or other employees, or students, or others who individually or jointly make an **INVENTION** subject to the **PATENT POLICY** and who meet the criteria for inventorship under United States patent laws and regulations.

3.0.8 PATENT POLICY means the Patent and Tangible Research Property Policies and Procedures of the University of Pennsylvania, with any amendments.

3.0.9 PENN CENTER FOR INNOVATION (PCI) means the administrative unit, under the direction of the **INTELLECTUAL PROPERTY ADMINISTRATOR (IPA)**, which is responsible for the receipt, review, management and administration of intellectual property matters of the University.

3.0.10 SIGNIFICANT EQUITY INTEREST means any **EQUITY** or other financial interest that when aggregated for the individual and the individual's spouse and dependent children exceeds \$25,000 in value, as determined through reference to public prices or other reasonable measures of fair market value, and does not represent more than five percent (5%) ownership interest in any single entity.

3.0.11 TANGIBLE RESEARCH PROPERTY means unique research products or tools, such as biological materials or chemical moieties, whether or not patentable or otherwise protectable using intellectual property laws. Categories of biological material include organisms, cells, viruses, cell products, cloned DNA, as well as DNA sequences, mapping information and crystallographic coordinates. Some specific examples of biological materials include specialized and/ or genetically defined cells, including normal and diseased human cells; monoclonal cell lines; hybridoma cell lines; microbial cells and products; viruses and viral products; recombinant nucleic acid molecules; DNA probes; nucleic acid and protein sequences; and transgenic mice or other animals. Categories of chemical moieties or engineered products include sample compounds, reagents, intermediates, models, sensors, devices, equipment, computer hardware or firmware, diagrams or computer media.

3.1 Review of Policies and Procedures. The **EXECUTIVE COMMITTEE** together with the Vice Provost for Research shall review the **CONSULTING POLICY**, from time to time to determine whether it is accomplishing its intended purposes and is in conformity with applicable laws and regulations, including intellectual property laws. The **EXECUTIVE COMMITTEE** shall make recommendations for amendments or other changes to the Provost and the Faculty Senate, who shall confer with the President.

3.2 Disputes under Policies and Procedures. Except as expressly set forth otherwise in this **CONSULTING POLICY**, disputes arising from the

interpretation or administration of the CONSULTING POLICY may be referred by any interested party to the Chair of the APPEALS BOARD and the Office of the Vice Provost for Research, who will promptly notify the IPA. The APPEALS BOARD shall first determine whether it has jurisdiction to hear any such dispute before proceeding. The APPEALS BOARD shall provide an equitable mechanism for the review and resolution of disputes brought before it and shall have the authority to make a judgment with respect to such disputes. The APPEALS BOARD shall use reasonable efforts to make a judgment with respect to any dispute within thirty (30) days after having any such dispute referred to it. Any judgment of the APPEALS BOARD may be appealed by any interested party to the Vice Provost for Research. The Vice Provost for Research shall consider the matter de novo and shall use reasonable efforts to review any such appeal and make a judgment with respect to any appeal, within thirty (30) days after having any such dispute referred to the Vice Provost for Research. Any judgment of the Vice Provost for Research may be appealed to the President, who will make a final decision for the University.