Guidelines for the Establishment, Operation, and Closure of an Externally-Sponsored Consortium

Purpose

These guidelines describe a process and the procedures for the establishment, operation, administration and review of newly established Externally-Sponsored Consortia (ESCs). The guidelines are also useful for the establishment of an NSF funded Industry/University Industrial Research Consortium (I/UCRC) although the process and rules established by NSF will take precedence over these internal guidelines.

Background

Externally-Sponsored Consortia (ESCs) are an important part of our research mission and create opportunities for faculty and students to interact with industry research partners on significant problems facing the world. They serve as a platform for launching and conducting frequent, open communication between participating researchers and the corporate community. Companies gain direct access to the capabilities of university faculty members and their students in exchange for annual membership fees which primarily fund basic research. Corporate members typically attend annual meetings, receive copies of reports and publications, and have opportunities to recruit students. ESCs typically focus on an area of precompetitive research around a general industry or technology problem of interest to the industry. While Intellectual property (IP) protection is not a prescribed outcome of the pre-competitive research conducted in ESCs its management and allocation of rights to the IP is of critical importance to the industry partners.

Establishing an ESC

Based on CRR 50.010 Establishing Centers and Guidance MEMORANDUM-03 Establishing a Center, the following information must be submitted to Vice Chancellor of Research (VCR) in order to initiate a new ESC.

Proposal (Maximum of 10 pages) should be submitted to the VCR requesting the establishment of the consortium that provides the following information:

1. Expected Start date of the ESC
2. The proposed name of the ESC
3. Type of ESC (e.g., industry only, government, university)
4. The need for the ESC

---

1. This document is based on the report Submitted May 23, 2017 by the following task force members: Dr. Kwame Awauah-Offei, Dr. Jun Fan, Dr. Frank Liou, Mr. Keith Strassner, Dr. David Van Aken, Dr. Y. Rosa Zheng
3. https://www.umsystem.edu/ums/rules/collected_rules/administration/ch50/50.010_establishing_centers
5. Vision and Mission for the ESC

6. By-laws and a strategic plan that describes the ESC Objectives, Quantitative Goals, and Success Criteria

7. Description of the ESC’s alignment with and impact on the metrics in S&T’s Strategic Plan

8. ESC’s Projected five year budget and justification showing expected income and expenses, which should include any seed funding requested from Departments, Units, or Research Centers

9. Affiliated Academic departments and space, facilities, and equipment resources

10. Administrative structure: faculty, support personnel, etc. including roles and responsibilities

11. List of the prospective members with letter of intent (not included in page count) from no fewer than 4 full members

The proposal should be approved and signed by the Proposed ESC Director, research faculty, Department Chair(s) of an affiliated Department, any Center Director(s) providing seed funding and the Dean(s) of the College(s).

After review and approval by the Vice Chancellor of Research (VCR), the VCR will obtain the approval of the Chancellor.

Membership Agreement and By-Laws

The standard draft ESC membership agreement (Appendix 1) and by-laws (Appendix 2) are attached; these are meant as guidelines and alternate documents may be appropriate. The membership agreement and by-laws define the approach, shared rights, and obligations by which the entities intend to collaborate. The proposed ESC director may contact an Office of Sponsored Programs (OSP) Proposal Development and Submission Specialist for assistance with these documents. The agreement is negotiated by OSP and the Office of Technology Transfer and Economic Development in consultation and with final approval of the University Office of General Counsel. All members of the ESC should sign the same agreement. Individual members may also request side letters to clarify certain terms, but to not change any terms and conditions of the membership agreement. Such letters must be approved by the Office of General Counsel and signed by the VCR.

ESC members pay a predefined membership fee, usually annually. Multiple levels of membership (full, associate, etc.) may be considered to meet the needs of the industry served Members at different levels and may have varied levels of IP rights and voting on projects, for example. The payment amount varies from consortium to consortium and depends on the value of the services provided to members. Within a single consortium membership level, all members are required to pay the same fee amount. Multiple memberships by a single company may be permitted, as appropriate.

Annual Reporting and Review Process

For each ESC, the Director will prepare a written report outlining progress towards the goals and objectives of the consortium. The information contained here should be similar to that communicated in the ESC’s annual reporting to the members. Information provided shall include at least the following:

Updated: May 22, 2019
Concise statement of the ESC performance against the goals and objectives of the strategic plan

1. List of members and their membership level (if appropriate)
2. List of all projects funded with consortium funds
3. List of any related projects funded by members but conducted outside the consortium
4. List of graduates students receiving funding from consortium funds
5. Publications, presentations, inventions disclosures developed with consortium funding
6. Any noteworthy accomplishments not covered above, such as students hired by member companies.

In addition to the requirements above, in the first three years of an ESC’s existence, the Director, Associate Dean(s) of Research and the VCR will meet annually to review the ESC’s progress in meeting the goals and objectives, including financial and membership objectives. Any modifications to the ESC’s plan will be discussed and agreed to by the Director, Dean(s) and VCR.

After three years the Center Director and the VCR may meet annually, or as appropriate, to discuss the progress of the ESC in meeting the goals and objectives outlined in the ESC’s plan.

To facilitate reviews, each ESC will maintain a University-approved website that provides access to by-laws and the strategic plan, as well as information such as membership, membership benefits, membership levels, current members, and projects.

Membership Renewal Process

Two (2) months before the anniversary date of the consortium start date, the Director sends to OSP a list of all members that should receive a renewal agreement and the names and contact information for any new members. OSP will prepare and send membership renewals in the form of an addendum to the original agreement, along with an invoice to pay the upcoming year’s annual payment (membership dues may be for more than one year). The newly recruited members will be sent a packet containing, at a minimum, the following items:

   - Cover letter signed by the PI
   - Standard consortium agreement and By-Laws
   - Invoice for the first year (with the option to pay for several years up-front)

OSP will conduct follow-up with the members for signed agreements and payment unless notified by the Director or member that the current year membership will not be renewed. The Director will receive a modification notice each time a payment is received and posted to the consortium account.

Financial Management of ESC funds

The annual period for paying membership dues must be clearly identified in the Membership agreement based on calendar (January 1 – December 31) or fiscal (July 1 – June 30) year, and must be the same for all members. Members joining at times other than those outlined in the standard Membership
Agreement and will be charged prorated dues for the incomplete first year. An annual F&A rate of at least 10% will apply to all memberships.

Membership dues must be deposited in a consortium membership dues account. This account is used as a “holding” account for membership dues. These membership dues are then utilized to fund individual Consortium projects, the Consortium’s administrative budget (if necessary) and future encumbrances (e.g., planned procurement of large-scale instrumentation for the benefit of membership projects, etc.). A clear breakdown of how membership dues will be allocated should be noted in the minutes of the Consortium annual Industrial Advisory Board (IAB) meeting.

OSP will reconcile the pooled membership dues account against member payments on a monthly basis. Expenditures should not be transacted against the consortium membership dues account itself. Instead, all expenditures must be transacted against individual project accounts. Any expenditures noted on the consortium membership dues account during the monthly OSP reconciliation must be moved to an individual project account. Any unspent project funds will be returned to the pooled membership dues account.

Closing an ESC

At any time, but most preferably six months before the anniversary date of an ESC, if the membership of an ESC falls below four members, the ESC will be considered for closing. The Director and the VCR, in consultation with the Industrial Advisory Board (IAB), will decide if it is in the best interest of the University to close the ESC. If it is decided that the ESC will close, the Director shall notify in writing all current members that the ESC will close. All efforts shall be made to complete any outstanding projects and complete expenditure of funds committed prior to the closing date. In consultation with the IAB and consistent with University Rules and Regulations any residual membership funds that may be left in the consortium membership dues account will be transferred as appropriate.
Appendix 1: Example Membership Agreement

MEMBERSHIP AGREEMENT for ABC Externally-Sponsored Consortium

This Membership Agreement (hereinafter "Agreement"), effective __________, 201x (hereinafter "Effective Date"), is entered into by and between COMPANY NAME, a TYPE company organized under the laws of the State of STATE, having a business office at ADDRESS (hereinafter "Company") and The Curators of the University of Missouri on behalf of Missouri University of Science and Technology, 202 Centennial Hall, 300 W. 12th Street, Rolla, MO 65409-1330 (hereinafter "University").

WHEREAS Missouri University of Science and Technology is establishing an ABC Industrial Consortium (hereinafter "Consortium") with a start date of Date; and

WHEREAS Consortium is part of and subject to rules and regulations of University, which is one of four campuses of the University of Missouri System, a public educational institution in the State of Missouri; and

WHEREAS Consortium will require funding to conduct research projects (hereinafter “Consortium Projects”) which the companies who become Members herein contemplated will provide; and

WHEREAS the Company desires to become a Member; and

WHEREAS Company, as a Member, will receive access to technologies and educational material developed at the Consortium in exchange for financial support through membership;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties agree as follows:

1) **Consortium Purpose.** Consortium shall conduct research, perform technology evaluation, provide the academic and industrial community with enhanced education capability and facilitate information exchange and technology transfer. Operation of the Consortium shall be consistent with the By-laws of the Consortium, which are incorporated by reference. Members will fund Consortium Projects under this Agreement from annual membership fees as set forth in paragraph 5.

2) **Director.** Missouri University of Science and Technology shall appoint a Consortium Director. The Director may be removed by a majority vote of the Industrial Advisory Board (see below), or the VCR, or the Chancellor, or the System President. If a Director is removed a new Director may be appointed or the Consortium may be terminated following the process indicated in the document “Guidelines for the Establishment, Operation and Closure of an Externally-Sponsored Consortium.”

3) **Industrial Advisory Board.** There will be an Industrial Advisory Board composed of one representative from each member. The Advisory Board will meet twice annually and the Director will report its research results and make recommendations for future work. This board will make recommendations on (a) the research projects to be carried out by the consortium, and (b) the apportionment of resources to these research projects.

4) **Additional Agreements and Sites.** Missouri University of Science and Technology may enter into agreements with other universities to participate as additional research sites.

Updated: May 22, 2019
5) Membership Levels and Annual Costs. Membership may be accomplished by joining the Consortium either as:

☐ A Full Member agreeing to pay an annual fee of $XXX,XXX.

☐ An Associate Member agreeing to pay an annual fee of $YYY,YYY.

6) Payment. The type of research conducted by the Consortium takes time and research results may not be obvious immediately; therefore, the Member shall join the Consortium with the intention of remaining a fee-paying member for at least three years. Payment of the membership fee shall be made to University prior to the Effective Date for the first year of sponsorship and anniversary date for subsequent years either as: ☐ a single payment, or ☐ four equal quarterly payments.

Membership fee shall be made payable to Missouri University of Science and Technology and mailed to the Office of Sponsored Programs, Attn: Vice Chancellor of Research, 202 Centennial Hall, Missouri University of Science and Technology, 300 W. 12th Street, Rolla, MO 65409 USA.

7) Associate Member Benefits. Associate Members shall be granted the following benefits in consideration of its membership fee.

- Access to publications of Consortium Projects at an early stage for timely review of new developments prior to their wide dissemination.
- Invitation to the Industrial Advisory Board (IAB) meetings.
- Invitation to workshops/short courses hosted by Consortium.
- The right to use for only internal research and evaluation purposes all reports, data, and information contained therein resulting from Consortium Projects for research and evaluation purposes.

8) Full Member Benefits. Full Members shall be granted all the benefits accorded to Associate Members in and the following benefits.

- Voting Membership on the Industrial Advisory Board (IAB) with 100 voting points.
- Through its representation on the IAB, an opportunity to provide advice on research topics of industrial relevance, and participate in the selection of Consortium Projects. Voting members will have 100 points to use in the selection process.
- A non-exclusive royalty free license for Project IP for internal research and development use only.

---

6 There may be more than two levels but the number of levels should be managed to the minimum number required for effective operation of the Consortium and to create some tangible benefits between multiple membership levels.
• A non-exclusive, non-transferable, royalty-free commercial license as set forth in paragraphs 10, 11 and 12 to Project IP developed during the period of membership, provided Member is a member in good standing for the previous 12 months including the date of disclosure of such invention or software to University.

9) **Intellectual Property (hereinafter “IP”) Ownership.** University shall retain ownership of all patents, copyrights, processes, inventions and other proprietary intellectual property of any nature developed as a result of the research or investigation conducted under a Consortium Project (hereinafter “Project IP”).

10) **License.** University shall inform in writing to all Full Members, to the attention of the Participant listed in paragraph 20, within thirty (30) days of receipt of an invention disclosure directed toward Project IP. Member shall have ninety (90) days from the date of notification in which to evaluate Project IP and shall indicate in writing to the University Office of Technology Transfer and Economic Development (“OTTED”), Attn: Director, 900 Innovation Drive, Suite 145, Rolla MO 65401 USA its intention to accept a non-exclusive royalty-free license, the complete terms and conditions of which shall be negotiated in good faith by all parties for such Project IP. The terms shall include at a minimum:

• Member to pay a pro rata share of patent filing, prosecution, and maintenance costs associated with protecting the invention in those countries in which patent protection is sought;

• The right to make, have made for their own internal use, use, sell, distribute the products, compositions, apparatus, processes, and know-how, and practice the methods, without the right to sublicense;

• Member shall have the right to modify and use copyrighted software arising from Consortium Projects; and

• The term of the license shall be the life of the IP Protection that is obtained. University shall be solely responsible for the preparation, filing, prosecution and maintenance of any and all Project IP.

If a Member initially does not indicate in writing an interest in the license and subsequently wishes to obtain a license, it may seek to negotiate a license with OTTED; however, OTTED will have no obligation to enter into such negotiation. Where Project IP results under a research program partially funded or sponsored by the federal government, any rights granted hereunder, including without limitation any options and licenses, are subject to the terms and conditions of Public Law 96-517 and 98-620 as amended.

11) **IP Disposition.** Any other disposition of University IP shall be determined by the Collected Rules and Regulations of the University of Missouri System.

12) **Proprietary Information.** If and when a Member wishes to share proprietary materials or information with University or Consortium, Member will notify University and Consortium, in writing to OTTED and the Consortium Director, before any confidential disclosures are made so that an agreement may be executed with University regarding how the material will be used. Nothing in this Agreement shall be construed to imply a license for other Members to use such proprietary
information of another Member for any purpose except in the conduct of Consortium Projects without an express license to do so.

13) Publications. University reserves the right for its employees and students to publish and use in University research and instruction all data and results of Consortium Projects. University agrees to provide draft publications and presentations to Members who shall have the opportunity to review any public disclosure containing results of Consortium Projects conducted hereunder and to allow for removal of Member’s proprietary material or information therefrom and to request delay of publication to allow for patent considerations. Member must inform the Consortium in writing of its desire to have a public disclosure delayed within thirty (30) days of receipt of draft. By mutual agreement, public disclosure may be delayed not more than an additional ninety (90) days to secure patent protection for the inventions disclosed therein. The terms of this paragraph shall survive expiration or termination of this Agreement.

14) Termination. Member may terminate this Agreement at any time by giving University ninety (90) days written notice prior to the membership anniversary date. Member shall not be entitled to refund of unexpended funds if it elects not to continue its membership. In the event that Member shall commit any breach of or default in any of the terms and conditions of this Agreement, and also shall fail to remedy such default or breach within thirty (30) days after receipt of written notice thereof from University, University may at its option and in addition to any other remedies which it may have at law or in equity, terminate this Agreement by sending notice of termination in writing to Member to such effect, and such termination shall be effective as of the date of the receipt of such notice.

15) Publicity. Member agrees not to use the name of University, its seal or emblem, in any publicity or other release without the prior written consent of the authorized official of University. Likewise, University agrees not to use the name or any trademark of Member without the prior written consent of Member, except that this Agreement constitutes such express permission for University to identify Consortium Members as appropriate and necessary in funding applications, and University reports, presentations and website.

16) Best Efforts. University agrees that all work performed on any Consortium Project shall be performed on a best effort basis by employees, students, faculty, and staff having an appropriate experience and skill level and in compliance with the applicable statement of work, and all applicable federal, state, and local laws.

17) Warranties. University make no representations or warranties, expressed or implied, as to any matter whatsoever, including, without limitation, results of the research or any invention(s) or product(s), whether tangible or intangible, conceived, discovered, or developed under this Agreement; or the ownership, merchantability, or fitness for a particular purpose of the research or any such invention or product. Neither Member nor University shall be liable to the other for any direct, consequential, or other damages suffered by any Member resulting from the use of the research or any such invention or product. Nothing in this Agreement shall be interpreted or construed as a disclaimer, waiver or limitation of a Party’s right of contribution (or similar recovery based on any theory of comparative fault) in the event of a claim by a third party.

University makes no representations or warranties regarding actual or potential infringement of patents or copyrights of third parties, and Member acknowledges that the avoidance of such infringement in the
design, use, manufacture, and sale of products and processes related to Consortium Projects shall remain the sole responsibility of Member.

18) Insurance. University warrants and represents that University has adequate liability insurance, such protection being applicable to officers, employees, and agents while acting within the scope of their employment by University, and University has no liability insurance policy as such that can extend protection to any other person.

Each party hereby assumes any and all risks of personal injury and property damage attributable to the negligent acts or omissions of that party and the officers, employees, and agents thereof.

19) Indemnity. Member shall indemnify, defend and hold harmless the University, its employees, officers and agents from any and all liability, loss, damage and expenses (including attorney fees) they may suffer as a result of claims, demands, costs, or judgments which may be made or instituted against them or any of them by reason of personal injury (including death) to any person or damage to property arising out of or connected with the performance of Consortium Projects. Any such liability, loss or damage resulting from negligence or willful malfeasance by University, its employees, officers and agents is excluded from this agreement to indemnify, defend and hold harmless.

20) Notices. Notices and communications hereunder shall be deemed made if given by registered or certified envelope, postage prepaid, and addressed to the party to receive such notice, invoice, or communication at the address given below, or such other address as may hereafter be designated by notice in writing.

<table>
<thead>
<tr>
<th>COMPANY NAME</th>
<th>UNIVERSITY (Administration)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Representative Name:</td>
<td>ABC Industrial Consortium</td>
</tr>
<tr>
<td>Title:</td>
<td>Attn: Director</td>
</tr>
<tr>
<td>Address:</td>
<td>Address:</td>
</tr>
<tr>
<td>Phone:</td>
<td>Phone:</td>
</tr>
<tr>
<td>E-mail:</td>
<td>E-mail:</td>
</tr>
</tbody>
</table>

21) Independent Contractor. No party is authorized or empowered to act as agent for another for any purpose and shall not on behalf of another enter into any contract, warranty, or representation as to any matter. No party shall be bound by the acts or conduct of another.
22) Assignment. This Agreement shall not be assigned by any party without the prior written consent of the parties hereto.

23) Export Control. University and Member are subject to applicable U.S. export laws and regulations. Member shall identify any export controlled information or materials as such prior to providing such information or materials to University.

24) Governing Law and Venue. This Agreement shall be construed, interpreted, and applied in accordance with the laws of the State of Missouri. Any action to enforce the provisions of the Agreement shall be brought in a court of competent jurisdiction and proper venue in the State of Missouri.

25) Entire Agreement. This Agreement states the entire contract between the parties with respect to the subject matter of this Agreement and supersedes any previous or contemporaneous written or oral representations, statements, negotiations or agreements. Each party acknowledges that it has not been induced to enter into this Agreement by any oral or written statements or representations not expressly provided in this Agreement. This Agreement may be modified only by written agreement executed by both parties.

IN WITNESS WHEREOF, the parties have accepted and executed this Agreement through their duly authorized representatives as of the date entered below.

COMPANY NAME

The Curators of the University of Missouri on behalf of Missouri University of Science and Technology

By: 

By: 

Name: 

Name: 

Title: 

Title: Vice Chancellor of Research

Date: 

Date:
Appendix 2: Example By-Laws

ABC Externally Sponsored Consortium By-Laws

Article 1. Background

ABC Consortium Mission and Vision:

<adapted from ESC proposal document>

The Consortium was formed to advance, develop and undertake research into the principles and technology of ____________ through research projects, development of numerical, analytical and experimental techniques, education, and technology exchange among academic, industry, and government entities.

Article 2. Membership

Section 1. Membership Requirements:

Companies can become Members of the Consortium by signing a membership agreement and paying the membership fee as specified in the membership agreement.

Section 2. Multiple Memberships:

Companies may hold multiple memberships.

Section 3. Termination of membership agreement:

A Member may terminate their membership agreement by providing written notice at least ninety days in advance of the termination date. Members electing to terminate will not receive partial or full reimbursement of their annual dues.

Article 3. The Industrial Advisory Board (IAB)

Section 1. Representation on the IAB:

Each Member is allowed to have one representative on the Industrial Advisory Board. The Industrial Advisory Board will meet annually to elect a chair by majority vote. The chair of the IAB will receive and provide notices on behalf of the IAB and act on behalf of the IAB as described in these by-laws.
Section 2. Quorum

A majority of IAB members will constitute a quorum necessary for the purpose of transacting business and voting. The IAB members constituting the quorum may be present in person or may be represented by proxy or may be represented through a teleconference link if available.

Section 3. Semi-annual meetings

The business transacted at the semi-annual meetings shall include reports on current and proposed consortium projects and any other items properly brought before the meeting for consideration of the IAB.

Section 4. Notice of meetings

Notice of regularly scheduled meetings shall be given at least thirty (30) days in advance of the meeting. The notice shall include the purpose(s), times, and location of the meeting. Meeting notices are deemed delivered at the time they are sent. The notices may be sent by email, fax, and/or ordinary mail.

Section 5. Presiding Officer

The Director or Chair of the IAB or their designees, shall preside over meetings of the consortium.

Section 6. Voting

Except as noted in Section 1 of this Article each membership entitles the member to one vote. Proxy voting is allowed. Members wishing to vote by proxy may provide specific written instructions to any of the site directors. Alternatively they may designate another member to vote for them as the designee sees fit. In the case of proxy voting, written voting instructions or the designation of an alternative member should be received by any of the site directors at least one day in advance of the meeting. Proxies will expire 7 days after the meeting for which they were issued. If teleconferencing is available companies can also vote by teleconference.

Section 7. Membership Roll

A list of members entitled to participate in each meeting will be prepared by the Consortium. The list will be available for inspection during normal business hours at least 7 days in advance of the meeting.

Article 4. Research Projects and Inventions

Section 1. IAB Recommendations on research projects

a. Each membership is entitled to __________ votes. A Member may assign __________ votes to any of the site’s projects as long as the total number of votes cast does not exceed __________.

Updated: May 22, 2019
b. Proxy and teleconference voting on research projects is permitted subject to the terms in Article 3, Section 6.

c. The director will determine the scope, nature and amount of support for each of the site’s projects after receiving the IAB recommendations based on the voting procedure above.

Section 2. Intellectual Property

a. The university retains a nonexclusive, worldwide, nontransferable, perpetual, irrevocable, royalty-free, fully paid-up license to use intellectual property that is made in the performance of research supported by funds from the Consortium for educational and research purposes.

b. (for Consortia that have federal funding (NSF for example)) Members understands that the Federal Government may have certain rights to any intellectual property developed under a funding agreement with the Government of the United States of America.

Article 5. Fiscal management

Section 1. Fiscal Year

The fiscal year of the Consortium will run from July 1 to June 30.

Section 2. Distribution of membership fees

Membership fees (excluding the indirect costs collected by the University) received by the Consortium will be spent on projects undertaken and approved by the IAB. Any unspent funds will be carried forward for use on future consortium projects.

Article 6. Notice

All notices under these by-laws shall be in writing and deemed effective upon receipt. Notices should be sent to the following addresses:

Missouri University of Science & Technology:
Costas Tsatsoulis, Vice Chancellor of Research
202 Centennial Hall, 300 W, 12th Street
Rolla, MO 65409-1330
Telephone: (573) 341-4134, Fax: (573) 341-4126, Email: research@mst.edu
Article 7. Amendment of By-Laws

The director can amend, alter, or repeal and replace the by-laws with an affirmative vote of at least 50%+1 of the IAB members provided:

a. The proposed alteration or amendment is consistent with the Collected Rules and Regulations and applicable policies of the University.

b. The proposed changes to the by-laws are described in a meeting notice sent to the IAB at least 30 days in advance of the meeting.