



## PROCEDURE FOR ACCEPTING FINANCIAL CONTRIBUTIONS FROM COLLABORATORS

**Background.** In the Project Funding Sheet of the 20<sup>th</sup> STCU Governing Board meeting, there is a Regular Project (STCU #3278) partially financed by the European Union and a European company, S3 Solutions GbmH. This “funding collaborator” sent the STCU a letter of collaboration that included a statement of interest to contribute financially to the project and to assist in its commercial development. Further, the STCU Secretariat notes that EU comments to Project Funding Sheets are increasingly directing proposers to seek European industrial collaborators.

In the case of STCU #3278, the STCU Secretariat has never dealt with a commercial entity that was not an approved STCU Partner. Further, the STCU Secretariat notes that the U.S. Party has requested that there be further discussion between the Parties and Secretariat regarding the procedures to be used when dealing with non-Partner financial contributions to STCU projects [Ref: Email from Jason Witow to Advisory Committee members, 22 June 2005]

**STCU Secretariat Concerns.** The Secretariat is concerned that it follows a prudent procedure, accepted by all the STCU Parties, with regards to its interactions with commercial, non-Partner financing collaborators. By way of clarification, the Secretariat has the following questions regarding STCU #3278:

- Is S3 Solutions aware of the roles and restrictions that apply to STCU Regular Project collaborators? In particular, given that S3 Solutions is a software company with commercial interests; does S3 Solutions understand and accept the Intellectual Property Right guidelines defined in the STCU Statute and Model Project Agreement?
- Is S3 Solutions acting as an authorized representative of the EU Party with regards to project-related reviews and decisions? Does S3 Solutions have an understanding with the EU Party regarding its involvement in STCU #3278 that goes beyond what is expected of a Regular Project collaborator?
- Has the EU Party and S3 Solutions agreed to an arrangement regarding S3 Solutions' participation as a financial contributor and collaborator on STCU #3278, and if so, does this arrangement require the STCU to develop an amendment or special condition for inclusion in the STCU #3278 Project Agreement?
- Do all of the STCU Parties support the STCU involvement with S3 Solutions even though S3 Solutions is not an approved STCU Partner and therefore has not made any statements regarding its acceptance of the terms and conditions of the STCU Agreement, Statute, and Collaborator Guidelines?

**ISTC Experience.** At the suggestion of the EU science advisor, STCU asked the ISTC about its experience in dealing with funding collaborators. According to ISTC [Ref: Email from ISTC PDED Sergey Zykov to STCU DED Esa Manninen, 9 Aug 2005]:

- Most (if not all) of the funding collaborators on ISTC Regular Projects are not commercial or industrial entities, but rather are government agencies, national laboratories, or academic institutions. This situation made it easier to deal with the funding collaborator, as typically these non-commercial collaborators were interested in assisting in the success of the research, primarily provided in-kind contributions such as project equipment, and had no interest in intellectual property ownership or other commercial interests.

- In all cases, the ISTC required the funding collaborator be fully informed and accept the principles and guidelines that apply to collaborators on a Regular Project. This was particularly directed to the collaborator's acceptance of the IPR guidelines for Regular Projects (whereby a collaborator has no automatic claim to IP ownership or licensing rights) and that no project funds would go to the collaborator.
- ISTC also required the funding collaborator to enter into a memorandum of agreement which defined the terms, conditions, and schedule of transfer of funds from the collaborator to the ISTC, as well as reflect the funding collaborator's contribution into the integrated project budget.
- The ISTC also requested that the Financing Party and funding collaborator acknowledge in writing or in Governing Board-approved Funding Sheet that the Financing Party supported the financial participation of the funding collaborator and defined the roles and responsibilities (if any) of that collaborator to the execution and monitoring of the project. For example, if the funding collaborator also was to be a technical monitor on behalf of the Financing Party, the ISTC needed the acknowledgment of the Financing Party of this agreed arrangement.

The ISTC noted that, in its limited experience, it was the initiative of the collaborator to offer financial contributions to a Regular Project, usually out of a pure scientific interest to help in the success of the research and to advance the state of science. The ISTC cautioned that if a collaborator (particularly a commercial entity) was encouraged by a Financing Party to make a financial contribution, there may exist certain commitments, implied promises, or presumptions on the part of the collaborator that would be unknown to the ISTC and thus would influence the relationship between the collaborator and the ISTC's management of the project.

**STCU Proposal.** While this is a new situation for the STCU, it is the Secretariat's view that accepting financial support for project work would be desirable if properly managed. The Secretariat's primary concerns are (1) that the funding collaborator understand and accept the principles and procedures for collaborators on STCU Regular Projects, (2) that the collaborator's role on the project be supported by the project's Financing Party(s), (3) that the collaborator's financial participation on the project be approved by the STCU Parties, and (4) that the terms and conditions for receipt of the collaborator's financial contribution be accepted by both the collaborator and the STCU Secretariat.

To satisfy these concerns, the STCU proposes the following procedures to the STCU Parties:

1. That the funding collaborator send a letter to the STCU stating its intention to provide financial contribution to a project (including the expected amount) and that the collaborator accepts the terms and conditions of the STCU Agreement, Statute, and Guidelines for Project Collaborators.
2. That the Financing Party express its support for including the funding collaborator financial contribution in the project budget, in addition to its own financial contribution to the project (including any specific categories or purposes within the project budget which the collaborator contribution is to be applied). This can be done as a Financing Party comment to the Project Funding Sheet or as a separate letter of authorization to the STCU.
3. That the other STCU Governing Parties be made aware of, and approve, the participation of the funding collaborator, including the collaborator's expressed acceptance of the STCU principles and collaborator guidelines, as well as the Financing Party(ies) acknowledgement and support of the participation of the funding collaborator on the project.
4. By the time of final signature of the STCU Project Agreement, the funding collaborator agree with the STCU and/or Financing Party(ies) regarding the arrangements, scheduling, and terms and conditions on the transfer of collaborator funds to the STCU for the purposes of financing the specific project.