Northern Illinois University Guide for Industry

General Principles

NIU, like other public research universities, is subject to a number of state and federal regulations that are unique to higher education. For instance, Illinois constitutional, statutory, and administrative laws and regulations apply to many of the terms addressed below, particularly in the areas of intellectual property and indemnity/liability. We have developed a summary of NIU’s general principles in order to facilitate agreements with industry partners. Questions regarding these and other terms should be directed to the Contract and Industry Relations (CIR) Coordinator in NIU’s Office of Sponsored Projects.

Contracting Party
The Board of Trustees of Northern Illinois University is the legal entity. Although project discussions may initially take place directly between NIU faculty/staff and sponsors, no project may be formally undertaken until the internal review and approval of budget and scope of work information is complete, and a mutually agreed upon contract is negotiated and signed. Authority to negotiate and execute agreements on behalf of NIU is delegated to the Office of Sponsored Projects; commitments made on NIU’s behalf by unauthorized individuals will not be honored.

Indemnification by University
In Illinois the state universities, as instrumentalities of the state, do not have the power to indemnify others except as specifically provided by law. The Illinois Court of Claims provides a mechanism for filing contract and tort claims against the state, and the State Employee Indemnification Act provides for indemnification of employees acting within the scope of their employment. The Board of Trustees of Northern Illinois University is also empowered to purchase insurance coverage to cover potential claims against the University.

Governing Law
Claims against the University must be brought in the Illinois Court of Claims so we cannot agree to be bound by another state’s laws. However, it is acceptable to make the contract silent on choice of law.

Copyrights, Work Product, Data
University researchers and their students need the right to independently publish and use data and other work product for educational purposes. This right can be provided under license, can be limited by a Sponsor’s right of review, and can be waived with permission of the faculty researcher when publication is not likely or appropriate.

Inventions, Options, Licenses
University intellectual property rights are governed by the Bayh-Dole Act and University policy. The University can rarely assign or exclusively license intellectual property in advance of its creation. If IP has had any federal funding, the U.S. has non-exclusive rights by law. The IRS has ruled such advance licensing may violate a University’s non-profit status. Because of these complications, the University
prefers to grant exclusive options for licenses on terms customary in your industry.

Royalties

Under IRS regulations (Rev. Proc 97-14 Section 5), our non-profit status may be jeopardized if we agree to fix royalty rates in advance. As such, it is the University’s preference to grant exclusive options to license on terms reasonable in the industry, including a good faith negotiation of fair royalties. Industry exclusive option rights for licenses and license terms negotiations would commence after invention disclosure.

Research In Rev. Proc. 97-14, the IRS allowed exception from private use for corporate-sponsored research if any license or other use of the resulting technology by the sponsor is permitted only on the same terms as the recipient would permit that use by any unrelated, non-sponsoring party.

- The sponsor must pay a competitive price for its use.
- The price paid for that use is determined at the time the license or other resulting technology is available for use
- Sponsor can get exclusive rights to the IP, but the price paid by the sponsor must be no less than the price that would be paid by any non-sponsoring party for the same rights.

Arbitration

The University cannot agree to binding arbitration except as to patent and copyright matters and international agreements, but can agree to mediation and other non-binding dispute resolution processes.

Warranties

A warranty creates a potential uninsured future liability for the University. State law prohibits the University from obligating funds which are not appropriated or otherwise available to it.