

# UCI Guide and FAQs: SBIR and STTR Programs

## Introduction and Background Information

A number of federal agencies, including the Department of Health and Human Services, the National Science Foundation, and the Department of Defense, receive congressionally mandated set-aside funding to support research and development activities under the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) programs. Among the goals of SBIR and STTR programs is stimulation of technological innovation and private sector commercialization of technology developed through federally-supported research and development. Only small businesses are eligible to apply for these grants.

UCI faculty and other members of the campus research community may be interested in participating in SBIR or STTR-funded research. These activities can facilitate the transfer of technology to improve the well-being and productivity of society and provide valuable experience and knowledge. In addition, startup companies formed by UCI researchers to help commercialize and bring breakthrough innovations to market often seek SBIR and STTR funding to support further research and development of technologies invented at UCI. Staff in the UCI Applied Innovation, Invention Transfer Group (ITG) are available to advise and assist UCI researchers with engaging in these types of activities.

While the above activities are encouraged, they may also give rise to conflict of interest and conflict of commitment issues. The Conflict of Interest (COI) staff in the Sponsored Projects Administration (SPA) unit within the Office of Research work collaboratively with UCI Applied Innovation Industry Sponsored Research staff (ISR) in the difficult and important challenge of balancing support for entrepreneurial activities with compliance requirements. The following Frequently Asked Questions are intended to guide members of the UCI research community in addressing and, if possible, resolving, the potential conflict issues that may arise when they want to participate in SBIR or STTR grant-funded research.

UCI employees who are interested in working with a small company that wants to apply for SBIR or STTR funding are encouraged to contact the staff in the ISR, as well as the COI Administrator in SPA to discuss how best to engage with small companies under the SBIR and STTR programs, as well as how to plan for managing real and/or perceived conflicts of interest to help ensure the integrity of research activities performed under these programs.

Other helpful resources:

- [Guidelines for UCI Employee Participation in the SBIR & STTR Grant Programs](#)
- [COI Case Studies](#)
- [SBIR/STTR](#) (link to Small Business Administration – federal government website)

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## Can UCI submit an application directly to the Agency for an SBIR and STTR contract or grant?

No. Although many SBIR and STTR applications include subcontracts to universities, under federal regulations, only small businesses may apply for SBIR and STTR funding. STTR guidelines require the small business applicant to formally collaborate with a University or non-profit research institute. SBIR guidelines indicate that this is optional. Such collaborations generally take the form of subcontracts issued by the small business to UCI. These awards are negotiated and signed by staff in the ISR.

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## How can UCI faculty, staff, postdoctoral scholars, and students participate in SBIR and STTR awards?

Typically, this is done by conducting research at UCI under a subcontract from a small business that has received an SBIR or STTR award. ISR staff can provide information which will assist UCI

PIs and Departmental Staff in completing and submitting proposal paperwork needed to initiate the subaward process.

Plans for proposed research to be conducted at UCI under an SBIR or STTR subcontract from a small business must be reviewed by the appropriate department chair and academic dean within the Quali Coeus (KC) system. This review is intended to ensure that the proposed work (a) has scientific merit, (b) constitutes a good use of UCI research facilities, (c) will not compromise the PI's academic responsibilities, (d) is for a unique and specific scope of work distinct from research funded by other outside entities, (e) is for work that does not overlap with the investigator's other research responsibilities, and (f) reflects full cost recovery (direct and indirect), including the PI's time, in the project budget. On this review is complete, the proposal materials are routed to ISR via KC.

In some cases, a UCI researcher may wish to engage as a consultant to a small business that has received an SBIR or STTR award. This is permissible, provided that such activities are consistent with [UC Academic Personnel Policy](#), including but not limited to [APM-005](#), [APM-015](#), [APM-020](#) and [APM-025](#). From a conflict of interest and conflict of commitment perspective, it is best for an individual to act either as a consultant to the company on grant-related activities, or as a researcher on a subcontract to UCI, but not both.

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### **If a company is founded by a UCI faculty member, may the company apply for an SBIR or STTR award?**

The circumstances and details associated with each situation will help determine whether a company founded/owned by a UCI faculty member can apply for an SBIR or STTR Award.

However, there are some key points to keep in mind:

- Faculty may not hold a full-time appointment at UC and concurrently serve as the Principal Investigator (PI) of an SBIR or STTR grant for a company.
- The PI for the company and the PI for the UCI subcontract must be separate individuals.
- In general the PI for the small business applicant should not be a UCI employee.
- The company should have adequate resources and facilities to perform its portion of the research, without the use of UCI facilities and resources, including human resources.

Please see the FAQs below for additional discussion.

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### **Can a UCI faculty member hold a management or officer position in the company that applies for SBIR or STTR funding?**

Possibly. Acceptance of managerial or salaried positions requires prior approval from the UCI Chancellor or Chancellor's Designee. These requests need to be endorsed by the faculty member's chair and dean before being forwarded to the campus Academic Personnel Office for review. For more, please see [APM-025](#) for general campus and [APM-671](#) for those on the Health Sciences Compensation Plan. Additionally, this arrangement will require disclosure to and review by the UCI Conflict of Interest Oversight Committee (COIOC) and approval by the Vice Chancellor for Research or designee.

If the UCI faculty member wishes to be involved in the SBIR/STTR project, the UCI faculty member should contact the COI Administrator to discuss the proposed SBIR/STTR project and the potential COI concerns in anticipation of the COIOC review.

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### **Can the PI of a UCI subcontract under an SBIR or STTR sit on the scientific advisory board (SAB) or board of directors (BOD) of the company that applied for and received the grant?**

Yes. Faculty may engage in these types of activities, subject to the time limits and reporting requirements of [APM-025](#) or [APM-671](#).

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### **Can a full-time UCI employee serve as the PI for the small business applicant on an SBIR or STTR**

## proposal?

For the SBIR program, in general, no. Under federal SBIR guidelines the small business applicant must be the PI's primary employer by the time an award is made and must remain the PI's primary employer for the duration of the project period.

For the STTR program, its guidelines permit University employees to serve as the applicant company's PI, and [UCI Research Policy Section 483-3 "Guidelines for the Requirement to Submit Proposals and Receive Awards through the University"](#) does not apply to programs where UCI is not eligible to receive funds. However, careful consideration and review of the circumstances and details should be undertaken by the UCI faculty member in conjunction with the ITG staff and the COI Administrator. In addition, certain departmental, school and campus approvals may be necessary to address policy requirements and concerns including, but not limited to conflict of interest, conflict of commitment, outside professional activities (including outside compensation), student involvement in the research, use of university resources and liability.

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## Can a UCI postdoctoral scholar serve as the PI for the small business SBIR or STTR applicant?

Possibly, in limited and rare circumstances. Please refer to the [COI Case Studies- Financial Interest Case 6](#) for an example. Please note that individuals on H1-B visas could not serve as the PI for the small business because changes in work conditions are not permitted.

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## Can students work for a company in which their UCI supervisor or professor has a financial interest while they are enrolled at UCI?

Possibly. The potential benefits of being involved in a faculty member's outside activities should be weighed against other considerations such as the student's ability to concurrently work and effectively engage in their academic activities. While there are no express policies that prohibit a student from working outside the University, student employment should not eclipse educational activities or hinder progress toward a degree. Additionally, under [APM-025](#) and [APM-671](#), faculty must obtain prior approval from their department chair before involving students in companies in which they have financial interests. In this context, involvement means any substantive activity, whether compensated or not.

Students who are UCI employees should also refer to the question below regarding staff employees who wish to take on outside responsibilities for an SBIR or STTR applicant.

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## Can UCI staff or non-faculty academic appointees take on outside responsibilities for a small business SBIR or STTR applicant?

According to [UC Personnel Policies for Staff Members](#), non-faculty employees (such as staff and appointees in the research series) are not permitted to engage in activities which create a conflict of interest between their University responsibilities and other interests or obligations, nor should outside employment interfere with the performance of their University duties.

The University has consistently interpreted this policy to mean that an employee should not devote any of his/her UCI working time or use any University resources — including his/her office or office equipment — to conduct non-University business. A number of factors, including the employee's UCI responsibilities and proposed company responsibilities, the nature of the company, and the company's relationship to the University need to be considered.

Staff employees (including students who also hold staff titles), and non-faculty academic employees who (a) are considering involvement in outside responsibilities for a small business SBIR or STTR applicant or (b) are already involved in a small business that wants to apply for an SBIR or STTR grant should contact the COI Administrator for guidance. Seeking guidance can help to ensure that these outside activities conform to UC policy.

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## **Does a small business that is applying for an SBIR/STTR award need a license from UCI if it will use UCI/UC intellectual property in the research?**

The small business should contact UCI's Invention Transfer Group (ITG) before submitting its grant proposal to discuss the availability of the intellectual property and whether an option or license is needed. Doing so may prevent potential claims of intellectual property infringement resulting from the company's use of University-owned intellectual property under the SBIR-STTR award.

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## **Can UCI accept a subcontract if the research will take place in the lab of a University employee who has a management role, an equity stake, or who is otherwise compensated by the company receiving the SBIR or STTR award?**

Possibly. However, these situations are subject to review by the COIOC before the University can accept the research support. If the COIOC determines that the situation creates a conflict of interest, it will work with the company and the UCI employee in an effort to find ways of managing the conflicts. The COI Administrator is available to confer about specific situations prior to formal committee review. In addition, the details and circumstances for each situation must be carefully analyzed to ensure that the research can be carried out in compliance with the SBIR and/or STTR program guidelines, as well as UC and UCI policies and procedures.

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## **Can the small business's portion of the research be conducted at UCI?**

Unless this program eligibility requirement is expressly waived in writing by the federal government, the company must conduct some of the research in facilities that it owns or controls. The company must conduct at least 67% of the work under an SBIR Phase I grant, at least 50% under an SBIR Phase II grant, and at least 40% under an STTR grant (Phase I or II).

By the time of award, the company must either have its own facilities or control research facilities that will be used to conduct its portion of the proposed research. The small business's portion of the research under an SBIR or STTR grant may not be conducted in a UCI laboratory unless the space is in an officially designated UCI incubator such as The Cove @ UCI, TechPortal, TechPortal Orange, Beckman Laser Institute Photonic Incubator. Leasing of space in an official incubator provides the company with research facilities that it controls.

Faculty may only use their UCI laboratory to conduct the portion of the work that is subcontracted to UCI. As indicated above, review by the COIOC is required before the University can accept such research support when the PI (or Co-PI) has financial interests in the small company that has received the SBIR or STTR Phase I grant. If the COIOC determines that the situation creates a conflict of interest, it will make recommendations for managing or eliminating the conflict so that the research support can be accepted.

UCI recharge facilities (sales and service activities) with UCI Budget Office established and approved rates for external users can provide goods and services to small businesses conducting research under SBIR and STTR grants per the facility's standard operating procedures. However, the circumstances and details of each situation should be carefully analyzed, especially in those situations where a UCI employee who has a financial interest in the small business that wants to access a recharge facility that they are responsible for managing, supervising or directing.

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## **Can UCI faculty or staff represent the company in negotiations with UCI?**

To avoid possible violation of the California Political Reform Act, no one with a UCI appointment (including faculty, staff, students who also hold staff or academic appointments, and non-faculty academic appointees) may influence or participate in making business decisions between that outside entity and The Regents.

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This guidance has been developed to minimize potential conflict of interest and conflict of commitment issues that may arise from participating in SBIR and STTR awards. The COI Administrator is available to confer with faculty and other members of the UCI research community about their plans and their interest in participating in SBIR and STTR grants. Please do not hesitate to contact the Conflict of Interest staff with questions.

For contact information, see: <http://www.research.uci.edu/compliance/conflict-of-interest/index.html>.