

Academic and Business Relationships With Third Parties

Authority This Guide Memo was approved by the President.

Summary From time to time, the University enters into agreements with various independent entities that may result in an ongoing business or academic relationship with the University. For example, entities with current relationships include Howard Hughes Medical Institute, Stanford Bookstore, Inc., and Stanford Federal Credit Union.

Although these types of entities remain independent from the University, nonetheless, the nature of the relationships makes it desirable to outline how the relationships might be structured. This Guide Memo also provides guidance to University officers, faculty and staff concerning issues that might arise and that need to be addressed prior to entering into such third party agreements.

Section headings for this memo are:

1. GENERAL GUIDELINES
2. APPROVALS AND CONSULTATIONS
3. SITUATIONS NOT COVERED BY THIS GUIDE MEMO
4. RELATED POLICIES

1. GENERAL GUIDELINES

- a. **Potential Issues** – The agreement between the University and the other entity should make adequate provision for issues that may be called into play by the nature of the proposed relationship. Such issues might include the following:
- Potential property tax or unrelated business income tax imposed on the University
 - Failure to appropriately file for a property tax exemption associated with leases of on-campus or off-campus space
 - Government contract and similar allocation issues
 - Vicarious liability to the University and indemnities
 - Issues relating to public image or government scrutiny
 - Effects on legal compliance of University benefit plans
 - All aspects of land use and landowner issues regarding environmental matters
 - The potential for liens or claims against Stanford property or assets
 - Fraud and abuse issues in the medical area
 - Employment law issues
 - Private inurement or private use where University assets, income or facilities may be used in a way that benefits or results in profits to private individuals or entities
 - Utilities issues
 - Conflicts of interest
 - The potential triggering of other statutes or governmental regulations

- b. Definition of Relationship** – The agreement should provide a clear definition of the nature of the relationship and of any responsibilities or obligations undertaken by the parties. The agreement should also address appropriate limitations on those responsibilities or obligations in both time and scope; the defense and indemnification of the University in the event of suit or other adverse action; the need for the University to be named as an additional insured on policies of insurance; the right of the University to review financial records of the entity, where appropriate in light of the relationship; and a date for termination or reevaluation of the agreement and relationship.
- c. Form of Agreement** – A detailed contract will not always be necessary; often a well-drafted business letter agreement may suffice. Whatever form the agreement takes, the other parties need to understand that the University does not seek to intrude inappropriately into the internal affairs of the other parties and in no way is taking on responsibility for their actions -- except as to specified actions (if any) for specific reasons that are relevant to the relationship and are clearly delineated in the agreement.
- Stanford Management Company (Property Management Services) must receive a copy of any lease agreement made with third parties, for consideration of property tax or property tax exemption issues.

2. APPROVALS AND CONSULTATIONS

- a. Delegated Authority** – The appropriate office or offices for reviewing and/or approving an agreement will depend upon the areas in which the proposed relationship arises. In this regard, please refer to the relevant resolutions and memoranda concerning delegations of authority by the University President, Vice Presidents and other senior officers. For more information concerning such delegations, contact the Office of the Secretary of the Board of Trustees.
- b. Cognizant Offices** – The following are examples of elements that may be present or contemplated and the corresponding office that needs to be consulted and whose approval generally will be required in connection with that element:

| ELEMENT | OFFICE |
|---|--|
| Use of buildings or other facilities on Stanford academic land | Vice Provost for University Land & Buildings, and Stanford Management Company |
| Use of buildings or other facilities on Stanford non-academic land | Stanford Management Company |
| Application for appropriate property tax exemption in connection with any on-campus or off-campus lease | Stanford Management Company |
| Use of Stanford's accounting or payroll systems | Controller's Office |
| Use of Stanford's benefits programs | Benefits Department |
| Reliance on Stanford's insurance or self-insurance | Office of Risk Management |
| Use of Stanford's networks or computing resources | Executive Director of IT Services |
| Use of Stanford's procurement services | Procurement Department |
| Use of Stanford University Medical Center services or facilities | The Dean of the School of Medicine, the Chief Executive Officer of Stanford Hospital and Clinics or the Chief Executive Officer of Lucile Salter Packard Children's Hospital (for activities involving their respective organizations) |

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| Use of the Stanford name, marks or tax identification number | The Provost (for activities involving teaching or research), the Dean of the School of Medicine (for matters involving any medical activities at the School of Medicine), the Chief Executive Officer of Stanford Hospital and Clinics (for matters involving any medical activities at Stanford Hospital and Clinics), the Chief Executive Officer of Lucile Salter Packard Children's Hospital (for matters involving any medical activities at Lucile Salter Packard Children's Hospital), the Director of Business Development (for matters involving use of Stanford tradenames or products or services offered for sale to the general public) and the Vice President for Business Affairs and Chief Financial Officer (in all other situations) |
| Personnel Appointments (of the entity's personnel to Stanford's faculty or staff, or of Stanford personnel to the staff or governing body of the entity) | The Provost (for activities involving teaching or research), the Dean of the School of Medicine (for matters involving medical activities), and the Vice President for Business Affairs and Chief Financial Officer (in all other situations) |
| Toxic or Hazardous Materials | Office of Environmental Health and Safety |
| Campus Sales (by outside vendors) | The Director of Business Development |
| Income to Stanford | Controller's Office |
| Licensing of Technology | Office of Technology Licensing |

- c. **Guidance on Legal or Liability Issues** – As a general proposition, if the arrangement presents novel legal issues, or if the Stanford entities involved in the relationship would like general legal guidance, the Office of the General Counsel should also be consulted. Similarly, the Risk Management Department should be consulted on proposed relationships that raise risk or liability concerns, or whenever Stanford personnel expect their activities (whether on-site or off-site) to be covered by the University's policies of insurance and self-insurance.

3. SITUATIONS NOT COVERED BY THIS GUIDE MEMO

The following situations or types of agreements are not covered by this Guide Memo:

- Conferences and summer camps
- Arrangements with individuals to become visiting scholars
- Consulting agreements with individuals
- Externally-sponsored projects and gift-supported programs
- Financial and real estate investments handled by the Stanford Management Company
- The procurement of goods or services for University use in the ordinary course of business
- Normal business and licensing transactions entered into by the Office of Technology Licensing

4. RELATED POLICIES

Additional guidance on issues raised in this Guide Memo may be found in the following sources:

Guide Memo 15.2: Staff Policy on Conflict of Commitment and Interest,
http://adminguide.stanford.edu/15_2.pdf

Research Policy Handbook Document 4.1: Faculty Policy on Conflict of Commitment and Interest,
<http://www.stanford.edu/dept/DoR/rph/4-1.html>

Guide Memo 15.3: Unrelated Business Activities, http://adminguide.stanford.edu/15_3.pdf

Guide Memo 82.1: Public Events, http://adminguide.stanford.edu/82_1.pdf

Guide Memo 82.2: Conferences, http://adminguide.stanford.edu/82_2.pdf