

# FAO

AND GUIDE

## SBIR and STTR Programs

**UCLA** Research Policy  
& Compliance

**UCLA** Technology  
Development Group

**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 and contracts.

UCLA 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 to provide valuable experience and knowledge. In addition, startup companies formed by campus inventors 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 UCLA. While these activities are encouraged, they may also give rise to conflict of interest and conflict of commitment issues. Federal eligibility requirements permit only small businesses to submit SBIR and STTR proposals. Universities can only participate in these awards as academic partners.

The following Frequently Asked Questions are intended to guide the UCLA research community in addressing and, if possible, avoiding potential conflict issues that may arise from participating in research supported by SBIR and/or STTR awards.

UCLA employees who are interested in working with small companies that want to apply for SBIR or STTR funding are encouraged to contact RPC to discuss possible conflict of interest and/or conflict of commitment issues.

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### **1. Can UCLA submit an application for an SBIR and STTR contract or grant?**

Under federal regulations, only small businesses may apply for SBIR and STTR funding. Universities are not eligible to submit SBIR and STTR proposals but may receive subawards (subcontracts or subgrants) under applications submitted by small companies.

Under SBIR guidelines, collaboration with a University or non-profit research institute is optional. Under STTR guidelines, the small business applicant is required to formally collaborate with a University or non-profit research institute.

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### **2. How can UCLA faculty, staff, postdoctoral scholars, and students participate in SBIR and STTR awards?**

Typically, this is done by conducting research at UCLA under a subaward from a small business that has received an SBIR or STTR award.

The scope of work for proposed UCLA subawards must be clearly separate and distinct from the sponsoring company's portion of the project, must not interfere with the PI's other responsibilities and research, and constitute a good use of UCLA research facilities. Per UCLA policy, the budget must fully cover all UCLA project costs (direct and indirect), including the Principal Investigator's (PI's) time/effort.

The Technology Development Group (TDG) staff can assist UCLA investigators with completing and submitting paperwork needed to initiate the subaward process.

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### **3. Can a UCLA faculty member sit on a scientific advisory board (SAB) or board of directors (BOD) of the company that applied for and received an SBIR or STTR award?**

Yes. Faculty may engage in these types of activities, subject to the time limits and reporting requirements of the University of California policies on conflict of commitment, and the outcome of review by the campus Conflict of Interest Review Committee (CIRC) (applicable to those cases in which the investigator has a financial interest in the company that has applied for and received the SBIR or STTR award).

For more information see: [Academic Personnel Manual 025](#) (APM 025), “UC Policy on Conflict of Commitment and Outside Activities of Faculty” or the [Academic Personnel Manual 671](#) (APM 671), “UC Policy on Conflict of Commitment and Outside Activities of Health Sciences Compensation Plan Participants.”

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**4. Can a company established by a UCLA employee apply for an SBIR or STTR award while the founder or an equity holder continues to work at the University?**

Yes. Any small company that fulfills the SBIR and STTR eligibility criteria may apply for an SBIR or STTR award. However, faculty *may not* hold full-time appointments at UCLA and concurrently serve as the PI of an SBIR or STTR award for the applicant company. The PI for the small business applicant and the PI for the UCLA subaward must be separate individuals. In general, the PI for the small business applicant *should not* be a UCLA employee. See additional discussion below.

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**5. Can UCLA accept a subaward in situations where the research will be conducted in the lab of a UCLA employee who has a management role, an equity stake, acts as a consultant or receives income from the company applying for the SBIR or STTR award?**

Probably. It is not uncommon for faculty to serve as PIs of subawards to UCLA under SBIR or STTR awards to companies they founded and/or in which they hold equity or have other financial interests. However, when the PI of the UCLA subaward or other Investigators on the project receive income, hold equity, and/or have other financial interests in the small company that applied for the SBIR or STTR, a review by the campus CIRC must be completed before UCLA can accept the subaward. If the CIRC determines that the situation creates a financial conflict of interest, the Committee will recommend ways of managing, reducing, or eliminating the conflict so that the research support can be accepted. The CIRC Chair and RPC staff are available to confer about specific situations prior to formal committee review.

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**6. Can a full-time UCLA employee serve as the PI for the small business applicant on an SBIR or STTR proposal?**

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. This means that the PI for the small business applicant must work for the small business applicant at least 51% time.

While STTR program guidelines do not restrict University employees from serving as the applicant company's PI, UC conflict of commitment policies require that faculty receive prior approval before they may seek research support and/or conduct research outside the University:

- Faculty must request prior approval to engage in research outside the University under academic personnel policies on Conflicts of Commitment and outside professional activities. See: [Academic Personnel Manual 025](#) (APM 025), "UC Policy on Conflict of Commitment and Outside Activities of Faculty" or the [Academic Personnel Manual 671](#) (APM 671), "UC Policy on Conflict of Commitment and Outside Activities of Health Sciences Compensation Plan Participants. In order to comply with University requirements for a special exception, faculty members may request a temporary leave (part-time or full-time) from the University to conduct research as the small business's PI.
- In addition, under [Policy 909](#), "Requirement to Submit Proposals and to Receive Awards for Grants and Contracts through the University," and the UC policy upon which it is based, UCLA employees are expected to submit all proposals for external funding through UCLA *unless* an exception is granted. Exceptions are granted on a case-by-case basis and only in rare circumstances. Requests for Policy 909 exceptions must be directed to the Vice Chancellor for Research and Creative Activities and approved in advance of any applications being submitted to funding agencies.

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## **7. Can a UCLA postdoctoral scholar serve as the PI for the small business SBIR or STTR applicant?**

Possibly, if they first receive prior permission from the UCLA Vice Chancellor for Research and Creative Activities under [UCLA Policy 909](#). Typically, such exceptions are considered when postdoctoral scholars are almost finished with their training and are on the job market. Approval is subject to the postdoctoral scholar's agreement

to give up their UCLA appointments to become an employee of the small business when the SBIR or STTR award is made.

Please note: Exceptions *cannot* be made for individuals on H1-B visas because changes in work conditions are not permitted.

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

Possibly. The potential benefits of involvement in a faculty member's outside activities should be weighed against other considerations such as the student's ability to concurrently work and go to school. While there are no express policies that prohibit students from working outside the University, student employment should not eclipse educational activities or hinder progress toward a degree.

Additionally, for such an arrangement to proceed, responsible faculty members must obtain prior approval from their department chairs before involving students in companies in which they have financial interests. In this context, involvement means any substantive activity, whether compensated or not. For more, see: <https://www.ucop.edu/academic-personnel-programs/files/apm/apm-025-671-issuance/apm-025-effective-07-01-2024.pdf> (section 025-8-d) and <http://www.ucop.edu/academic-personnel-programs/files/apm/apm-671.pdf> (section 671-8-f).

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

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## **9. Can UCLA staff or non-faculty academic appointees take on outside responsibilities for a small business that has applied to a SBIR or STTR award?**

Per UC policies and principles, including [Personnel Policies for Staff Members number 82:Conflict of Interest](#), non-faculty employees (such as staff and appointees in the research series) are not permitted to engage in activities that create a conflict of interest between their University responsibilities and other interests or obligations. Additionally, outside employment should not interfere with the performance of employees' University duties.

This policy has been interpreted to mean that an employee should not devote any of their UCLA working time or use any University resources— including their office or office equipment— to conduct company (i.e., non-University) business. A number of factors, including the employee’s UCLA 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 CIRC or Campus Counsel for guidance. Seeking guidance can help to ensure that these outside activities conform to UC policy.

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#### **10. Does a small business that is applying for an SBIR/STTR award need a license from UCLA for intellectual property that will be used in the research?**

The small business should contact TDG before submitting its proposal to explore the availability of the intellectual property they want to use, and to determine whether an option or license is needed. Doing this is important to prevent potential claims of intellectual property infringement resulting from the company’s use of University-owned intellectual property under the SBIR or STTR award.

Data generated under subawards are owned by the UC Regents. The data can be licensed or optioned to small business research sponsors in accordance with an agreement negotiated by TDG.

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#### **11. Can UCLA faculty or staff represent the company in subcontract negotiations with UCLA?**

It is important to remember that a company founded or co- founded by UCLA employees is a private asset. The company is an outside entity and not part of the University even if the company has optioned or licensed Regentally-owned intellectual property and even if the UC Regents hold equity in the company.

To avoid possible violation of the California Political Reform Act, no one with a UCLA appointment (including faculty, staff, students who also hold staff or academic appointments, and non-faculty academic

appointees) who has a financial interest in an outside entity may influence UCLA's business decision-making process for a proposed subcontract with the entity. See [UC Guidance on Conflict of Interest in IP Licensing](#) for further information.

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## **12. How much of the work under an SBIR or STTR can be conducted at UCLA?**

Federal eligibility requirements state that the applicant 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). As such, the amount of work that can be subcontracted to a university is limited by these regulations. 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.

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 UCLA laboratory unless the space is in an officially designated UCLA incubator such as the CNSI Technology Incubator (Magnify). Leasing space in an official incubator provides the company with research facilities that it controls.

Faculty may use their UCLA laboratory/office to conduct work that is subcontracted to UCLA. Faculty may not use UCLA resources including their laboratories/offices to house or perform company activities. As indicated above, review by the campus Conflict of Interest Review Committee (CIRC) is required before UCLA can accept research support under a subaward from a small business when the PI or other investigator(s) participating in the project have financial interests in the small business that has received the SBIR or STTR grant. If the CIRC determines that the situation creates a financial conflict of interest, the Committee will recommend ways of managing or eliminating the conflict so that the research support can be accepted. UCLA investigators may not simultaneously conduct research under a subaward to UCLA and participate in the sponsoring company's scope of work.

Questions about exceptions should be referred to the Vice Chancellor for Research and Creative Activities or the CIRC.

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This guidance was developed to minimize potential conflict of interest and conflict of commitment issues that may arise from participating in SBIR and STTR grants. The CIRC Chair and RPC staff are available to confer with faculty and other members of the UCLA research community about their plans and their interest in participating in SBIR and STTR grants. Please contact RPC staff with questions.

## **Research Policy and Compliance**

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