

MODES OF ENGAGEMENT IN START-UPS / COMPANIES & CONFLICT OF INTEREST

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Faculty is encouraged to transfer research developed at the institute for the benefit of the society. Two important means of accomplishing the transfer of knowledge mission include faculty consulting and the commercialization of technologies derived from faculty research. It is appropriate that faculty be rewarded for their participation in these activities through consulting fees and sharing in royalties resulting from the commercialization of their work.

The involvement of faculty in startups, either as co-founder or member of the advisory board, brings to the fore a few issues which have to be addressed, to the best interests of the faculty member and institute. One such issue is the Conflict of Interest. This policy draft is an attempt to put forth some general guidelines, when faculty is a co-founder of a company or is an active advisory member of a company. The process and guidelines for faculty consultancy is covered in a separate policy draft.

Conflict of Interest:

A conflict of interest occurs when there is a divergence between an individual's private interests and his or her professional obligations to the Institute such that an independent observer might reasonably question whether the individual's professional actions or decisions are determined by considerations of personal gain, financial or otherwise. A conflict of interest depends on the situation, and not on the character or actions of the individual.

Conflicts of interest are common and practically unavoidable in a research institute such as IIITH. IIIT-H, as any educational entity, is an institution of public trust; faculty must respect that status and conduct their affairs in ways that will not compromise the integrity of the Institute.

At any educational institute, conflicts of interest can arise from a balance that is required when considering that the mission of the Institute, which is, primarily to promote education, teaching & research for public good and the financial benefits that come from fostering the transfer of knowledge gained through Institute's research to the private sector, in which a faculty member has personal stake.

While conflict of interest, perceived or real, are subject to much debate, faculty members have to exercise pro-activeness to avoid or minimize conflicts of interest, and must respond appropriately when conflicts of interest arise. To that end, the purpose of this policy is to answer some basic questions. If a situation raising questions of conflict of commitment or interest arises, faculty

is urged to discuss the situation with the head of their respective centers, Dean R&D, Dean Faculty, or Director.

Faculty involvement in companies or startups (co-founded too) can be in the form of any of these options.

Options

1. Consultant
2. Chief Scientist /founder but not an executive position
3. Equity holder through transfer of technology
4. On the board of Directors

These fundamental questions can be guidelines of the policy statement in the faculty book. A committee comprising of faculty members & other experts can assess each case as it is put forward.

FAQ's

Can I hold a management/executive position in the company?

Probably not, this extent of activity is very likely to seriously divert attention from core institute duties, or create other conflicts of loyalty. Individuals should consult the Faculty committee that deals with conflict of interest issues (check Annexure -1 too) before accepting any outside management/executive position.

Can I sit on the Board of Directors or Scientific Advisory Board of the company?

Yes. This is usually permissible without consultation with the conflict of interest committee. It is understood that as a member of a corporate board, the faculty member does not serve as a representative of the institute, but in individual capacity. Faculty are advised to inform Dean (faculty) regarding any such positions they hold.

Such a position is considered or counted as faculty consultancy, and the guideline for the number of hours that can be set-aside for this responsibility will be based on the guidelines listed in the Faculty Consultancy policy.

Income tax & regulations regarding any income earned on such positions is not the liability of the institute.

Can I consult for the company?

Yes. This is also usually permissible without seeking permission from the conflict of interest committee. Again, it is advisable to report to the committee and also in some cases submit the relevant documentation if the compensation exceeds a specified threshold.

Reference: Faculty consultancy guidelines document for details.

How may my students be involved in company work?

Involving students and/or post-docs, to benefit the company is considered a major conflict, and is generally not allowed.

Involving students and/or post-docs more directly in the company (as employees or consultants) also raises conflict of interest issues. Consultation with the dean and/or the chair of Faculty conflict of interest committee is generally required in order to ensure that the student's/post-doc's education is not compromised.

Am I able to receive equity?

Yes. Holding stock (or the promise of stock) in the start-up company is allowed. The company which has a faculty member as a equity or as major stock holder cannot sponsor research in the research center of the faculty member. This is not a binding clause, and an appropriate resolution can be tailored to each individual case.

How does equity get distributed?

There are two sources of equity that a PI/inventor may receive as a part of his/her involvement in a start-up venture:

1. The investigator may receive stock as partial compensation for his/her role on the executive board of the company and/or as a founder of that company. The distribution of such equity will be determined by the investigator's contract with the start-up itself.
2. The investigator may benefit from stock in a company that institute receives as part of its compensation for the license granted to the company.

The institute will manage such equity/shares from technology transfer according to the current policies of the IIIT-H Holding Company (Banyan Intellectual Initiatives).

Am I required to report my equity holdings to institute?

Yes. Faculty members and other institute personnel who hold stock in the start-up must report the details of their relationship with the company to their Faculty conflict of interest committee.

Can I nominate my spouse as co-founder of startup, in which research from my center or work at the institute is transferred?

The rule for technology transfer & conflict of interest still apply, as most conflict of interests, perceived or real, arises from technology or research transfers.

Annexure-1

Note on Conflict of Interest (perceived or real)

Some external economic interests do not create actual conflicts of interest because they do not affect institute's research, financial decisions or other activities. For example, there is no conflict of interest with respect to the institute's financial decision by an employee where the external economic interest consists of a very small investment, e.g., ownership of 50 shares of HCL stock in the context of an institute decision to buy ten HCL personal computers. There would also be no conflict of interest wherein the IIIT-H employee who has the interest is not in a position to affect the institutes decision, e.g., an employee who does not in fact arrange or make recommendations for equipment/software purchases has no conflict of interest with respect to such purchases even if he or she has a significant economic interest in an equipment vendor.

But, most importantly, the appearance of a conflict of interest is more harmful to the academic/research environment and for which we should have a fair procedure in place.

The Appearance of Conflict of Interest

There are certain cases in which the appearance of conflict of interest is present even when no conflict actually exists. Such apparent conflicts can do almost as much damage as actual ones, undermining the credibility of research and scholarship as well as institutes financial decisions and calling into question the integrity-of an individual or the institute or both. For this reason, it is important for an individual, in evaluating a potential conflict of interest, to consider how it might be perceived by others. Apparent conflicts of interest must be avoided, and the same rigorous evaluation must be applied to situations in which there is a potential for such misunderstanding as is applied to situations in which there is the potential for actual conflict.