

# **The Administrative Policies**

## **TAP NO. 46: Faculty, Staff and Student Participation in Commercial Entities**

### **Introduction**

The following document details the policy and provides guidelines to facilitate and manage the process of company formation by Duquesne University faculty, staff and students to ensure that the participation in start-up companies formed using Duquesne University technology complies with existing administrative policies and the Faculty Handbook with respect to employment obligations and conflict of interest.

The University is committed to complement excellence in education and research with service for the greater good of our community, nation, and world. Participation in economic development programs and encouragement of entrepreneurship provide one path to this service. This participation must exist within the limits of a non-profit institution for higher education and must conform to the Mission and Identity of Duquesne University. The policy requires full information disclosure of participation in or ownership by employees or students in entrepreneurial or start-up companies and directs the Entrepreneurial Oversight Committee (EOC), a sub-committee of the Conflict Review Committee (CRC), as established in TAP No.45, to assure compliance with University policies. The EOC consists of the members of the Conflicts Review Committee, the Associate Academic Vice President for Research, and the Director of the Center for Biotechnology.

The Policy is an extension of the following Administrative Policies which are fully applicable:

- TAP No.33 “Conflict of Interest Policy”;
- TAP No.40 “Intellectual Property Policy”;
- TAP No.44 “Faculty Research Proposals to Government, Corporate, Foundations, and Private Sources”, also stated in Appendix P of the Faculty Handbook;
- Tap No.45 “Conflicts of Interest in Grants and Sponsored Research Projects”, also stated in Appendix Q of the Faculty Handbook

### **A. Policy**

The Entrepreneurial Oversight Committee (EOC), as established according to TAP No.45, will review all disclosures of entrepreneurial activity prior to approval by the President or his designate. All activities under this Policy must also comply with applicable statutes, regulations, and other governmental regulations.

Faculty, staff, and students are encouraged to engage in entrepreneurial activity based upon their technologies and expertise. They will be permitted to hold equity in companies that license their technologies or that are started based upon their research provided that:

1. The relationship has been reviewed and approved by the EOC in accordance with employment and conflict of interest policy.
2. The aggregate percentage of stock, stock options, and warrants held by University faculty, staff, and students in the start-up company does not exceed 20%. Exceptions for early startup companies which do not have products in trials or being sold may be made upon recommendation of the EOC.

3. The stock is not traded or otherwise sold until the occurrence of a triggering event to be specified in the disclosure documents. Triggering events may include:

the results of the clinical studies are published;

two years have elapsed from the first commercial sales of a product developed through license of University technology;

the company is sold;

or the stock is publicly traded.

4. Duquesne University faculty, staff, and students cannot hold director, management or operating positions within any company formed as a result of licensed Duquesne University technology or which has a contractual or research relationship with the University as detailed in TAP No 45 "Conflicts of Interest in Grants and Sponsored Research Projects" and/or TAP No 33 "Conflict of Interest Policy" without prior approval from the President or his designate and upon recommendation of the EOC. Faculty, staff, and students may hold advisory positions such as members of Scientific Advisory Boards without prior approval.
5. Consistent with TAP No.33 "Conflict of Interest Policy", financial disclosures must be provided by faculty, staff, and students annually, and as relationships change, to the Department Chair, the Dean, the EOC and the Secretary of the University. Particular attention needs to be paid to accurate reporting of conflicts of interest and commitments with respect to research or development agreements between University faculty, staff, or students and startup companies in which they have ownership.

## **B. Institutional Ownership of Equity**

1. The University will be permitted to take equity in companies in lieu of cash for payments resulting from a license of University technology. Licensees should be required to pay for out-of-pocket patenting and related expenses. Equity must not be held in sufficient amounts to confer management power, which generally will limit ownership to less than 20% of voting stock. For licensee companies in which equity is held, the University will request Board of Directors observer status.
2. Review and recommendations for acquiring stock as part of licensing agreements should be provided by the Entrepreneurial Oversight Committee and the Office of Research to the University President or his designate.
3. All University investment of funds in start-up companies should be implemented through an independent entity that is friendly to the University but that is not controlled by the University and is managed by outside participants.

## **C. Company-Sponsored Research at the University**

Sponsored research related to the business of the start-up company will be permitted in the University laboratories of the scientists who developed the technology provided that the following are maintained:

1. Research proposals are reviewed by the EOC prior to approval.
2. Periodic reports are provided to the EOC on the research progress and results particularly as related to new intellectual property resulting from the research
3. Faculty, staff, and students with equity and other potential financial benefits from success of the start-up company (for example, equity, royalties, consulting fees or profit sharing) cannot be the principal

investigator on such sponsored research.

4. Consistent with University policy, faculty, staff, and students should not be permitted to execute a research contract or grant from the start-up company to the University. Any such research contract or grant shall be negotiated and executed on behalf of the University by the Office of Research.
5. Prior approval should be obtained from Department Chair, Dean, and the Office of Research on employment of graduate and undergraduate students. Confidential research for the start-up company should not delay or inhibit the publication of research findings beyond that normally expected for University Intellectual Property (TAP No. 40: Research and Patent Policy).

#### **D. Faculty Consulting for Companies in Which They Have an Interest**

Consulting will be permitted, in accordance with the Administrative Policies and the Faculty Handbook so long as a disclosure of the relationship has been made and no conflict of interest exists.

#### **E. Other Affiliation Issues with commercial entities**

1. Use of University name: Prior written approval from the General Counsel of the University is required for the use of University Name, Logos, Trademarks, and Service Marks.
2. Written permission is required for any use of University facilities or services.
3. Consistent with TAP 45: "Conflict of Interest in Grants and Sponsored Research Projects", corporate funding of the research, equity ownership, or other potential financial benefits to the researcher from the success of the company should be disclosed in all related publications and in patient informed consent forms.

#### **F. Product Liability**

1. In order to control the risk of product liability, there shall be a disclaimer of warranties to the licensee company, along with comprehensive insurance requirements. Automatic indemnification of the University by the licensee is required. These items will not be waived by the University in the case of a company in which faculty, staff, and students have an interest.

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