

Participation of University Entrepreneurs in Technology Commercialization Companies

Preamble

The “Loyola University of Chicago Intellectual Property and Technology Transfer Policy” covers the protection of university-owned inventions that arise out of research, and the licensing of such technology to outside companies. Occasionally, however, a company that wants to license and commercialize university-owned inventions may be owned, in whole or in part, by the university inventors, or these inventors may have some other personal financial interest in that company. Indeed, the company may even have been started up specifically for the purpose of licensing a university-owned invention. In some cases the only viable licensee (and hence the only potential for downstream royalty income) with respect to new the university-owned invention is this kind of start-up company. The guidelines set forth in this document are intended to enable the university to realize the benefits of these entrepreneurial activities while protecting the integrity of the university’s research and educational mission.

I. Purpose

This document is intended to provide guidelines for University Entrepreneurs (defined below) who participate in the licensing, development, and commercialization of university-owned inventions.

II. General Guidelines

(A) This is a guidance document only. In the event that there is a conflict between this document and any university policy, the university policy prevails.

(B) Employees should disclose to and seek approval from their department chair and/or dean prior to taking an equity interest in a commercial entity with a license to University Intellectual Property (defined below). If approved, the activity will generally require a conflict management plan that addresses limits on the amount of time and level of involvement in the company activities and/or leave of absence; oversight of research related to the company’s interests; and oversight of student involvement in research and/or in company activities.

(C) Equity interest in the licensee company is generally prohibited during conduct of research sponsored by the licensee company. Sponsored research with another investigator at the university, any use of university resources, or other transactions between the university and the licensee company should be on customary terms and ordinarily requires the approval of the President or the President’s designee.

(D) The university’s technology transfer representatives serve as the point of contact for the license transaction with the university. A third party should represent the licensee company in license negotiations with the university. The licensee company should provide a Business Overview Document (defined below).

III. Definitions

(A) “Business Overview Document” is a written paper, submitted by a University Entrepreneur (defined below), who is planning to establish a Technology Commercialization Company (defined below), in which the University Entrepreneur provides a summary and overview of the company’s products and/or services, the markets for these products and/or services, and the research and product development strategies. The Business Overview Document should include the management and organizational structure of the Technology Commercialization Company, the specific University Intellectual Property (defined below) involved, the nature and extent of the University Entrepreneur’s participation and management responsibilities, if any, and the expected financial arrangements with the Technology Commercialization Company.

(B) “Conflict-of-interest Administrator” is a university official who, among other duties, is responsible for assisting University Entrepreneurs in identifying, managing and eliminating conflicts of interest, and in particular for facilitating the development of Conflict-of-interest Management Agreements (defined below) for University Entrepreneurs participating in Technology Commercialization Companies. Where required, or deemed appropriate, this individual will seek counsel and/or formal recommendations from appropriate university staff and/or faculty, or other advisers not affiliated with the university, on matters associated with these Technology Commercialization Companies. For lakeside campuses the Conflict-of-interest Administrator is appointed by the Associate Provost for Research; for the Health Sciences campus the Conflict-of-interest Administrator is appointed by the Vice President for Health Sciences Research.

(C) “Conflict-of-interest Management Agreements” are written agreements between

(i) the university and each University Entrepreneur that defines how the University Entrepreneur interacts with the Technology Commercialization Company in a manner that upholds university policies and allows him/her to meet their university responsibilities, obligations and commitments; and

(ii) the university and the Technology Commercialization Company that defines the terms under which the Technology Commercialization Company will interact with the university and the University Entrepreneur(s) to uphold the highest ethical standards and compliance with all applicable laws, regulations, and university policies.

(D) “Member of His/Her Family” are immediate family, including the individual’s spouse or domestic partner, and dependent children.

(E) “Technology Commercialization Company” is a private or public commercial business that is owned in whole or in part by one or more University Entrepreneur(s) and that has as a purpose the development and commercialization of University Intellectual Property.

(F) “University Entrepreneur” is any university employee who:

- (i) Creates University Intellectual Property (defined below); and
- (ii) Desires to hold an ownership interest in a Technology Commercialization Company that intends to commercialize University Intellectual Property created by him or her.

(G) “University Intellectual Property” shall mean any intellectual property that is owned by or assigned to the university pursuant to the “Loyola University of Chicago Intellectual Property and Technology Transfer Policy” (<http://www.luc.edu/ors/patentpolicy.shtml>) or the university “Copyright Policy” (<http://www.luc.edu/ors/copyrightpolicy.shtml>). Works of scholarship that are traditionally owned by the faculty member, such as the “Individual Works” defined in the Copyright Policy, are not included in this definition.

IV. Applicability

These guidelines shall apply to any University Entrepreneur. These guidelines do not apply to university employees who have ownership interests in other kinds of outside companies (i.e., companies that do not have as a purpose the development and commercialization of University Intellectual Property).

V. Process

(A) University Entrepreneurs who wish to participate in a Technology Commercialization Company should first obtain approval from their deans and/or department chairs or other appropriate supervisors. A technology transfer representative from the lakeside campuses or Health Sciences campus Office of Research Services (ORS) office, as appropriate, will be responsible for negotiating the business terms of the transaction between the Technology Commercialization Company and the university, and the Conflict-of-interest Administrator will facilitate the execution of Conflict-of-interest Management Agreements.

(B) The University Entrepreneur’s dean, department chair or staff supervisor should be an active participant in discussions with the Conflict-of-interest Administrator regarding that University Entrepreneur’s participation in the Technology Commercialization Company and in the implementation of the Conflict-of-interest Management Agreements. A dean, department chair or staff supervisor, or anyone else in the reporting structure of a Technology Commercialization Company, who has, or whose Member of His/Her Family has, a financial interest in, or is a co-participant with a faculty or staff member in a Technology Commercialization Company, is not in a position to provide effective oversight of that activity. In these situations, another disinterested administrator should be appointed (at the lakeside campuses by the Associate Provost for Research; at the Health Sciences campus by the Vice President for Health Sciences Research) to perform the responsibilities of the dean, chair or staff supervisor.

(C) As a prerequisite to the granting of a license to University Intellectual Property, University Entrepreneurs who wish to procure an equity position in a Technology

Commercialization Company (subject to the restriction in Section II.B., above) should provide the dean or staff supervisor, as appropriate and a technology transfer representative from ORS (lakeside campuses or Health Sciences campus, as appropriate) with a Business Overview Document. The dean will provide the Business Overview Document to the appropriate department chair.

(D) University Entrepreneurs who wish to participate in a Technology Commercialization Company may discuss initial company formation with technology transfer representatives from ORS (lakeside campuses or Health Sciences campus, as appropriate); however, they should not participate in the ongoing negotiation of option or licensing terms between the Technology Commercialization Company and the university. A third party, such as company management and/or legal counsel, should perform this function on behalf of the Technology Commercialization Company.

(E) The university shall have the right, but not the obligation, to negotiate and obtain an equity interest (typically in the form of stock) in the Technology Commercialization Company in lieu of up-front license fees and/or royalty payments. Terms of such interest should be negotiated by a university technology transfer representative from ORS (lakeside campuses or Health Sciences campus, as appropriate).

(F) The distribution of any proceeds derived from equity in a Technology Commercialization Company and royalty income earned from license agreements with Technology Commercialization Companies shall be in accordance with the “Loyola University of Chicago Intellectual Property and Technology Transfer Policy.”

VI. Responsibilities of deans, department chairs and staff supervisors

(A) Pursuant to the Faculty Handbook (http://www.luc.edu/academicaffairs/pdfs/LUC_Fachbook_2009.pdf) Chapter 2.B., deans, department chairs, and academic supervisors implement policies and regulations in their respective units. Relevant policies include “Academic Appointments, Contracts, and Titles” (<http://www.luc.edu/academicaffairs/pdfs/FacTtlsApproved.pdf>), Conflicts of Interest in Externally Funded Projects (<http://www.luc.edu/ors/conflictsinterestpolicy.shtml>) for Lakeside campuses, and Conflicts of Interest in Research (<http://www.stitch.luc.edu/sites/default/files/conflict-interest.pdf>) for the Maywood campus.

(B) Staff supervisors implement applicable university policies, such as “Flexible Work Schedule Policy” (http://www.luc.edu/hr/policy_flexiblework.shtml) and “Conflict of Interest” (http://www.luc.edu/hr/policy_conflictinterest.shtml), and for reviewing and making a recommendation as to the propriety of private business activities reported by staff in disclosure forms required by those policies.

VII. Responsibility for university duties

(A) University Entrepreneurs should not allow their interest in a Technology Commercialization Company to influence their positional responsibilities or to interfere with their relationships with other faculty, staff, or students. In particular, assignments for students, including research assignments, should be based on the students' interest and academic development. University Entrepreneurs should respect and promote the cooperative nature of the academic environment by sharing information and participating in joint research efforts with their colleagues, as appropriate.

(B) Faculty who are University Entrepreneurs should consult Chapter 6.B. of the Faculty Handbook (http://www.luc.edu/academicaffairs/pdfs/LUC_Fachbook_2009.pdf) prior to engaging in certain private business activities, and continue to be responsible for all of their university teaching, research, and service obligations. Authorized private business activities should be undertaken in accordance with the university's consulting policies and Conflict-of-interest Management Agreements between the University Entrepreneur and the university, and between the Technology Commercialization Company and the university.

(C) University Entrepreneurs should not assume the role of principal investigator/project director in sponsored research awarded to the university by Technology Commercialization Companies in which they have an interest.

(D) Staff members should not engage in activities relating to a Technology Commercialization Company during regularly assigned working hours unless they take approved leave in order to engage in activities relating to a Technology Commercialization Company during regularly assigned working hours. When performed outside regularly assigned working hours, these activities should be undertaken in accordance with university policies and pursuant to a formal Conflict-of-interest Management Agreement between the staff member, the Technology Commercialization Company, and the university.

(E) Staff members should pursue research projects as authorized by their supervisors. Supervisors should authorize only those staff research projects that will advance the missions of the university and the employing unit without regard to the financial interests of individual employees.

VIII. Conflict of interest guidelines

(A) University Entrepreneurs should not use university facilities, equipment and other resources for research benefiting a Technology Commercialization Company, except when such use is pursuant to a sponsored research agreement, facilities use agreement, or other appropriate contractual arrangement entered into between the university and the Technology Commercialization Company.

(B) As a general rule, University Entrepreneurs should not hold management positions in Technology Commercialization Companies. While they may initially find it necessary to play a management role in a newly formed company, it is expected that their management responsibilities will decrease as the Technology

Commercialization Company develops. Professional management should be brought in at the earliest opportunity.

(C) University Entrepreneurs should not allow their management activities with companies to consume a disproportionate amount of their professional attention. Faculty who are unable to perform all of their university responsibilities because of activities in connection with a Technology Commercialization Company should reduce the amount of activity at the Technology Commercialization Company, request a reduction of their appointment or request a leave of absence.

(D) Staff members who are unable to perform all of their university duties because of activities in connection with Technology Commercialization Companies should reduce those activities, request a reduction of appointment or request a leave of absence.

(E) Students should be informed in writing of any restriction that their involvement in research related to the Technology Commercialization Company may impose upon them (e.g. confidentiality requirements that may negatively impact or delay public disclosure of their research results, the loss of inventor rights, etc.) prior to the start of Technology Commercialization Company-related research.

(F) A student may be employed by a Technology Commercialization Company however:

(i) the student should not be enrolled in a course taught by the University Entrepreneur,

(ii) the University Entrepreneur should not be a member of the student's thesis or dissertation committee, and

(iii) the University Entrepreneur should not be the student's advisor or the director of his or her thesis or dissertation research.

Prior to such employment, the student, the student's faculty advisor, the chair of the student's department, the dean of the graduate school (if the student is a graduate student), the provost, and a representative of the Technology Commercialization Company should understand the student's rights and obligations.

(G) Technology Commercialization Companies should not enter into any agreements with the university for the purchase, sale or rental of equipment, supplies or services other than those explicitly recommended by ORS (lakeside campuses or Health Sciences campus, as appropriate), the Conflict-of-interest Administrator, and approved by the president (or his designee).

(H) University regulatory review boards including, but not limited to, the human subjects institutional review board (IRB) and the institutional animal care and use committee (IACUC), utilized for research benefiting a Technology Commercialization Company should describe such use in a sponsored research agreement between the university and the Technology Commercialization Company

and such use should be for work performed in university facilities by university faculty, staff or students.

(I) As a general rule, a University Entrepreneur should not hold more than twenty-five (25%) percent of the outstanding equity in a Technology Commercialization Company (subject to Section II.B., above). While significant University Entrepreneur equity ownership may be inherent in a newly formed Technology Commercialization Company, it is expected that their ownership interests, as a percentage of the total outstanding shares or membership interests of the Technology Commercialization Company, will decrease as the Technology Commercialization Company develops and attracts additional equity.

(L) University agreements for sponsored research projects funded by Technology Commercialization Companies should contain the usual and customary terms utilized by the university when contracting with other companies for similar activities. The Vice President for Health Sciences Research or the Associate Provost for Research (or equivalent officials) should approve any exceptions to these conditions for faculty or staff on their respective campuses.

(M) University Entrepreneurs continue to be bound by all university policies, including the Loyola University of Chicago Intellectual Property and Technology Transfer Policy.

NOTE: This document references the following related LUC documents:

Academic Appointments, Contracts, and Titles

at <http://www.luc.edu/academicaffairs/pdfs/FacTtlsApproved.pdf>

Conflicts of Interest in Externally Funded Projects (Lakeside campuses researchers)

at <http://www.luc.edu/ors/conflictsinterestpolicy.shtml>

Conflicts of Interest in Research (Maywood campus researchers)

at <http://www.stitch.luc.edu/sites/default/files/conflict-interest.pdf>

Conflict of Interest (all university employees)

at http://www.luc.edu/hr/policy_conflictinterest.shtml

Copyright Policy

at <http://www.luc.edu/ors/copyrightpolicy.shtml>

Faculty Handbook

at http://www.luc.edu/academicaffairs/pdfs/LUC_Fachbook_2009.pdf

Flexible Work Schedule Policy

at http://www.luc.edu/hr/policy_flexiblework.shtml

The Loyola University of Chicago Intellectual Property and Technology Transfer Policy

at <http://www.luc.edu/ors/patentpolicy.shtml>