

Appropriate Involvement in Start-ups by Members of the University Community

Applicable to the Ithaca-Based Campuses¹

Cornell University encourages and supports the efforts of its faculty and other research personnel to participate in the development and dissemination of Cornell intellectual property (IP) by entering into relationships with existing business entities and forming start-up companies. At the same time, the University must also identify and appropriately manage potential conflicts of interest and commitment arising from these relationships to ensure the integrity of the research process, the unbiased and effective development of University IP, and the protection of its students' ability to pursue their studies and research activities with appropriate independence and objectivity. This document collects Cornell guidelines for determining appropriate types and levels of involvement in start-ups by members of the University community, and acceptable relationships among those persons from the perspective of research integrity. Where Cornell IP is licensed to a start-up by the Center for Technology Licensing, readers should also refer to the document "Guidelines for Addressing Potential Conflicts of Interest and Commitment in Faculty/Staff Startups".² In the event a conflict of interest is identified, management of the conflict will be handled by the Ithaca Campus Financial Conflict of Interest Committee (FCOIC).

1. General Requirements for Faculty & Staff Entrepreneurs

A. Faculty and staff must:

- Separate and clearly distinguish the focus of ongoing University research and educational responsibilities from involvement in any effort being conducted for the company.
- Limit the time they spend on behalf of the company to the maximum allowed by University and college policy (up to the equivalent of one day per week for faculty).
- Take an unpaid leave of absence if serving in a company management role³, or if the effort with the company will exceed that allowable for faculty, or consume time from a staff member's normal working hours or otherwise preclude the staff from meeting their job responsibilities.

B. Faculty and staff may not:

- Negotiate with the University on behalf of the company.
- Involve company personnel in Cornell research.
- Involve Cornell students under their direct academic supervision, or staff under their management supervision, in company activities. Any other students or staff may be engaged only if approved by the FCOI committee and under the conditions described in a conflict management plan.
- Assume managerial or executive roles (e.g., CEO, CTO, CSO) in a start-up unless specifically allowed under the circumstances described in a Conflict Management Plan (CMP), serve as PI/protocol director for human participant or other research that is related to the company's business activities or objectives, or supervise faculty, staff, or students who are in similar roles, unless specifically approved by the FCOIC in a conflict management plan, and, when applicable, by all other cognizant University boards, including the IRB and IACUC.

¹ This document is applicable to the Ithaca based Campuses which include the Ithaca campus, the Ag Experimental Station in Geneva and the NYC Tech campus. For specific guidance please contact your Office of Research Integrity and Assurance: www.oria.cornell.edu/COI/ (Ithaca).

² <http://www.ctl.cornell.edu/inventors/forms/Guidelines-for-Managing-Faculty-Startups.pdf>

³ <http://theuniversityfaculty.cornell.edu/handbook/LEAVEOFABSENCE.pdf>, at 52

2. Requirements when Students or Postdoctoral Researchers are Involved in a Start-up in Which Faculty Hold a Financial Interest or Managerial Role

2.1 General considerations

Graduate students or postdoctoral researchers (postdocs) are often co-inventors with a Cornell faculty member of IP that has arisen out of their joint research program at Cornell. In some cases, the inventors may wish to be involved in the development and commercialization of the Cornell IP by starting a company together with the intent of licensing the IP. However, the education and guidance given to students or postdocs by faculty must be governed primarily by the academic interests of the student/postdoc. If a faculty member were to have a financial interest in a current student or postdoc's company, or vice versa, it would inherently create a situation in which the faculty member's actions or decisions in relation to that student or postdoc may be determined, or appear to a reasonable third party to be determined, by considerations of personal financial gain as opposed to the best academic interests of the student or postdoc. Examples of actions that could be based on considerations other than the academic interest of the student or postdoc include:

- Permitting a student or advising her/him to spend an inordinate amount of time on company activities, rather than focusing on his/her academic program as required by Cornell policy and the Cornell Graduate School Code of Legislation limiting the amount of time a full time graduate student can spend on outside activities.⁴
- Directing a student or postdoc's Cornell research toward a topic that might increase the potential success of the company.
- Generally treating a student or postdoc who is a co-investor in, or has another financial involvement in, a company with the faculty member, more favorably than other students or postdocs.

An inherently unequal power relationship between faculty and student exists even if the faculty member is not in a position to evaluate the student or influence the student's academic program. Thus even if the faculty member is not involved in the student's academic program, he/she could still influence (or be perceived to influence) the student to alter his or her academic program in favor of the start-up. Similar circumstances may arise for academic staff, Director of Graduate Studies, other teaching staff or others who have instruction or advising roles for the student. In light of these concerns, the following rules and procedures govern such circumstances:

2.2 If the faculty or staff is directly involved in a student's academic program

A. Faculty may not:

- Have a current or prospective financial interest in a startup company with an undergraduate or graduate student when the faculty/staff has a direct involvement in a student's academic program, including as an honors/PhD thesis advisor, or a teacher in the student's major. Such involvement constitutes a significant conflict of interest that cannot be mitigated or managed and is therefore not permitted.
- Assign students or Cornell staff over whom they have any academic oversight or supervisory responsibility to sponsored projects funded by the company without the explicit approval of the FCOIC and a Conflict Management Plan (CMP) to oversee the activities of the students/staff involved.

B. If a student requests a leave of absence or *in absentia* status to participate in a faculty member's company, faculty must refer the student to their department head, the Director of Graduate Studies for the student's graduate field, or to the Dean of the faculty member's unit for independent advice. Internships and coop assignments for students at the company may be appropriate under a conflict management plan.

C. Faculty and graduate students must comply with all aspects of the Graduate School Code of Legislation and policies.⁵

⁴ [https://www.gradschool.cornell.edu/sites/gradschool.cornell.edu/files/field_file/Code%20FINAL%20Version_CODE_Oct%202014%20BAK%20\(2\).pdf](https://www.gradschool.cornell.edu/sites/gradschool.cornell.edu/files/field_file/Code%20FINAL%20Version_CODE_Oct%202014%20BAK%20(2).pdf)

⁵ Cornell Graduate School website <http://www.gradschool.cornell.edu/policies>

2.3 If the faculty or staff is NOT directly involved in the student's academic program

While this relationship is not expressly prohibited, it can only be allowed, and will require monitoring, under a Conflict Management Plan executed by the FCOI Committee.

2.4 Special considerations for postdocs

The university recognizes that the relationship between a postdoc and a faculty member may be more equal than that between a faculty member and his/her student. Therefore, although work by a Cornell postdoc and a faculty member in a start-up presents conflicts of interest similar to those arising when a faculty member is in business with a student, the university has allowed this relationship under the following restrictions/conditions designed to assure that the interests of Cornell are protected and that our obligations to the sponsor are fulfilled:

- **A Conflict Management Plan must be entered into** by both the postdoc and the faculty member.
- **Minimum 10% reduction in the postdoc's Cornell appointment.** To account for some of the time that the postdoc will need to spend on business development for the start-up including travel, meetings, proposal writing etc., it is unreasonable to promise to sponsors that the postdoc will be devoting 100% of his/her effort towards the fulfillment of his/her Cornell duties. A minimum 10% reduction in the postdoc's Cornell appointment is therefore required.
- **Maximum of one-year appointment in the faculty member's research group.** The postdoc's appointment under the faculty member's direct supervision can continue for no more than a year after the license is assigned to the start-up. After this time, if the faculty member and the postdoc continue to be business partners, the postdoc's appointment in the faculty member's research group must terminate. The postdoc may, however, seek appointment under the supervision of another Cornell faculty member. Should either choose to divest themselves from any financial interest in the company, this stipulation does not apply.
- **Disclosure.** The faculty member must disclose his/her financial interest and her/his relationship with the postdoc to the members of her/his research group.

3. Use of Resources by a Faculty or Staff Start Up Company

3.1 Use of University resources

- **Early career faculty should not be involved⁶ in a senior faculty member's company activities.** It is not acceptable to involve early career faculty for whom a faculty member has supervisory responsibility, or has the authority to vote on tenure or otherwise provide assessment of performance, in company activities. Even if there is no supervisory role, faculty members must avoid situations in which early career faculty might feel obligated to be involved.
- **University facilities, services, tax exempt status, or purchasing discounts may not be used for company purposes.** The only exceptions are the routine use of the faculty/staff member's office and office software, use of University library resources, and those facilities that are available to all commercial or industrial users on the same basis and with the same fee structure. Any exceptions must be approved in writing by the Senior Vice Provost for Research (Ithaca) and also of the Dean of the college in which the resources are located.
- **Company employees or agents may not be granted Visiting, Courtesy, Adjunct appointments at Cornell.** Any petition for an exception must be made in writing by the hosting faculty member to the Senior Vice Provost for Research and must include the following: (1) a description of the research activities that the appointee will be engaged in, the types of resources that they will need access to, and any direct or indirect compensation being provided to them; (2) a compelling argument as

⁶ "Involve" for purposes of these guidelines is defined as any activity associated with the company, including, but not limited to providing funds or resources to, planning, performing duties, assessing or testing ideas/materials/other business-related items, providing representation or support of/for the company, discussing any aspect of company business, and performing any research directly or indirectly for the company, regardless of time, compensation, or location. "Involve" for the purpose of these guidelines does not include, for example, Cornell research activities not sponsored by the company but under the direction of the faculty member that are in the same general areas as those of interest to the company, nor public discussions of the results of such research in the presence of company staff.

to the special circumstances that warrant the appointment; (3) letters of support from the cognizant Dean, Department Chair and the College Business Officer; and (4) a signed Cornell Visitor Agreement.

- **Cornell's name may only be used in accordance with University policy.** Cornell University Policy 4.10, Use of Cornell's Name, Logos, Trademarks, and Insignias, Page 8: *"Faculty and staff members may use Cornell's name as a factual reference to identify themselves in a manner that does not imply university endorsement. For example, using "John Smith, Professor of Psychology, Cornell University" on a book jacket or journal article or on a business card. However, the use of Cornell letterhead, address, or other identification to suggest or imply university support for a personal viewpoint should be avoided."*
- **A faculty member's research staff member or administrative support person may not be involved in company activities.** Occasionally, when the staff person is experienced in the research techniques, the faculty member may consider the staff member's participation in company activities critical to its success. However, involving University research staff or other University staff over whom the faculty/staff member has oversight or supervisory responsibility in professional activities at or for the company is not allowed.

3.2 Use of start-up resources in Cornell research

Occasionally, a company in which a faculty/staff member has an interest may wish to sponsor research at Cornell with the faculty/staff member as a PI, Co-PI or Key personnel, or provide unrestricted gift monies to be used at the direction or discretion of that faculty/staff member. Such an arrangement is allowable only with the approval of the FCOIC and a conflict management plan to oversee the use of the funds, and only with a prior written agreement with the University regarding the ownership and disposition of any intellectual property that may arise from the use of such funding. A Level 2 or Level 3 Conflict Management Plan may be required.

Faculty should contact the CTL for additional guidance on navigating and managing activities related to their start-up, and their Department Chairs and Deans for guidance on conflict of commitment concerns.

Sample management plans and other resources are available at <http://www.oria.cornell.edu/COI/mgmtplaninfo/>.

For questions about the contents of this document, please contact the Cornell COI office at coi@cornell.edu or 607 255 2214.