

**NC State University
Office of Technology Commercialization and New Ventures
Guidelines for Employee Involvement in Startup Companies**

1. Purpose

North Carolina State University's Office of Technology Commercialization and New Ventures ("OTCNV") endeavors to commercialize NC State inventions and copyrighted works in order to transfer knowledge to society, support further research and innovation, share economic benefits with the inventors, and promote economic development. In addition, as a land grant institution and the recipient of federal and state research funding, NC State has an obligation to ensure that public property, including intellectual property, is commercialized for the public good and not for the unjust enrichment of any one party at public expense.

While the primary responsibilities of Faculty and Non-Faculty EPA Employees ("Employee(s)") are teaching, scholarly research, and professional service to the institution, NC State Employees are encouraged to engage in professionally and financially rewarding external activities. Engaging in external activities necessitates that potential conflicts of interest and commitment be avoided, resolved or managed in a manner that ensures objectivity and meets the institution's responsibilities to external funding agencies and to the State of North Carolina.

Licensing an innovation to an established company is the most traditional route to successful commercialization. In order to attract and identify the most suitable commercialization partner, OTCNV will typically first market inventions to existing companies and/or entrepreneurs. However, licensing to an existing company or serial entrepreneur is not always feasible, and under appropriate circumstances, Employee inventors may choose to form a startup company to commercialize intellectual property developed at NC State ("Startup Company"). These Startup Companies drive economic growth by offering a pathway toward commercialization that often remains rooted in the local economy. Working to ensure that NC State maintains its vibrant innovation and entrepreneurial environment is a key goal of OTCNV.

The intent of these Guidelines is to enable the NC State community and the public at large to realize the benefits of Employee entrepreneurial activities involving research, while protecting the integrity of NC State's research and educational mission.

2. Relevant Policies

The policies governing conflicts of interest and external activities of EPA Employees are:

- Board of Governors' Policy on Conflicts of Interest and Conflicts of Commitment, UNC Policy Manual 300.2.2;

- Board of Governors’ Regulation on External Professional Activity for Pay by Faculty and Non-Faculty EPA Employees, UNC Policy Manual 300.2.2.1; and
- NC State Regulation on Conflicts of Interest and Conflicts of Commitment, REG 01.25.01 (“p policies”).

To ensure compliance with these policies, OTCNV requires any Employee holding an equity interest or having any other financial interest¹ in a Startup Company to read these policies, and adhere to these guidelines. It is the Employee’s responsibility to file an updated Notice of Intent (NOI) disclosure with the Office of Sponsored Programs and Regulatory Compliance Services (“SPARCS”), and to have the NOI approved through the employees’ reporting structure. NC State will not execute a license or option to a technology without an approved NOI on file. When required², a COI disclosure and potentially a COI management plan should be developed in accordance with these policies.

After the license or option has been executed, it is the employee’s responsibility to update their COI as appropriate in order to reflect changes in their financial interest, regardless of the status of any licensing arrangements between OTCNV and the Startup Company.

3. Approval Process

Consistent with Board of Governors’ and NC State policies, an Employee wishing to hold an ownership interest in a startup company must first obtain the approval of his or her Department/Unit Head and Dean/Executive Officer regarding the proposed ownership interest and any sponsored research or technology commercialization proposed between the Startup Company and the University.

The pathway for obtaining this approval is through filing a NOI disclosure³. When the COI policies require a Management Plan, the Employee and unit/department head will draft the Management Plan to be approved by the Dean/Executive Officer and filed with the COI Compliance Office in SPARCS. The Employee may hold the proposed ownership interest only if the Dean/Executive Officer (or the Vice Chancellor for Research, Innovation and Economic Development in the event of an appeal pursuant to the COI policies) approves the Management Plan.

The Startup Company may enter into an agreement for technology commercialization with the University only once the NOI is approved.

¹ Such as a consulting agreement or paid board or officer position.

² Based on the NOI, the determination that a COI disclosure is needed might originate from OTT, SPARCS or through the employee’s Department/Unit Head or Dean/Executive Officer. A COI management plan might also be required. To learn more about when this requirement would be appropriate please visit the “Guidance for Conflict of Interest Management Plans” web page - <http://research.ncsu.edu/sparcs/systems-portal/coi/coi-plan-help/>) for examples of relationships that require a COI disclosure and a COI management plan.

³ For assistance on how to complete the NOI and COI disclosures you can visit: <http://research.ncsu.edu/sparcs/systems-portal/coi/>

Employees permitted to engage in outside entrepreneurial activities continue to be responsible for the performance of all their University teaching, research, and service obligations. If an Employee is unable to meet these obligations, he or she must either reduce outside activities or request from the University a reduction of appointment or seek other approved leave.

4. The Role of the Office of Technology Commercialization and New Ventures

If a Startup Company in which an Employee holds an ownership interest desires to commercialize intellectual property owned by NC State, the Director of OTCNV will ensure that the necessary NOI (and COI as required) approval(s) have been obtained prior to the final execution of any license agreement between such startup company and the University. OTCNV will not execute a license agreement with a Startup Company in which faculty has a financial interest until OTCNV has verified that the NOI has been completed and approved.

In addition, when a Startup Company in which an Employee holds an ownership interest makes a proposal to OTCNV requesting to option or license intellectual property, the Startup Company will be required to provide OTCNV with a business plan or business model canvas [\[link\]](#) that includes the following information:

1. Key Partners
2. Key Activities
3. Key Resources
4. Value Proposition
5. Channels
6. Customer Segments
7. Customer Relationships
8. Cost Structure
9. Revenue Streams
10. Milestones for product development and commercialization

If the Startup Company requests assistance with the preparation of a business model canvas, OTT's Venture Development group may provide such assistance, but the responsibility for the preparation of the business model canvas and its execution is that of the Startup Company (See APPENDIX A). OTCNV will evaluate the Startup Company's business model canvas along with the proposals of other potential licensees, if any, for use of the same technology. If OTCNV determines that the Startup Company presents a reasonable prospect for developing and marketing the technology, and if the NOI (and COI if required) approvals have been granted, the Assistant Vice Chancellor of OTCNV may then approve the license of the intellectual property to the startup company.

OTCNV has the exclusive authority to license University intellectual property for the purpose of commercialization. When an Employee wishes to recommend licensing to any commercial entity, including one in which the Employee owns an interest as a commercial partner, the Employee should notify OTCNV and refrain from making any commitments that imply authority to grant rights to the technology.

5. Startup Company Management

NC State encourages startup companies and recognizes that Employee innovators can play an early critical function in explaining the technology, developing the team, and generating momentum around the startup. This may be necessary to bridge the technological gap and attract full-time professional management talent. NC State encourages Employee innovators to develop a plan to move towards an advisory board position⁴.

Employees should generally not accept a management position with the Startup Company, as doing so would create an apparent conflict of commitment with regard to the time required to fulfill such duties. From time to time, the circumstances may require that the Employee initially play a management role (i.e., Chief Executive Officer, Chief Scientific Officer, or similar position) in a newly formed Startup Company, and with appropriate supervisor approval, the Employee may assume that position. However, the Employee's management responsibilities should decrease as the Startup Company develops and should cease within twelve (12) months from the date of formation of the Startup Company, unless otherwise approved by the Employee's Department Head and Dean/Executive Officer.

6. University Students and Startups

Employees must not allow their outside interests to improperly influence their research, teaching, or supervisory responsibilities. For example, student research assignments should be based on a student's academic development rather than his or her supervisor's business pursuits.

Students may use University facilities, equipment, and other resources to perform research benefiting a Startup Company in which the Employee holds an ownership interest only pursuant to a sponsored project agreement executed by SPARCS. The students must be co-supervised by a faculty member other than the Employee with an ownership interest in the Startup funding the research. Further, the students must be informed in writing by their supervisor that (a) their research is conducted on behalf of the University and not the Startup Company, (b) they report to and take direction from their faculty supervisor and not the Startup Company, (c) they may be asked to delay publications (including the publication of theses or dissertations) for up to ninety (90) days in order that applications for intellectual property protection may be filed, and (d) they may have confidential access to a research administrator to discuss any conflict issues should they so request.

A Startup Company may employ students only during those hours/days that the University does not also employ them. However, a student may not be employed by a Startup Company if the Employee holding an ownership interest in the Startup Company: (a) teaches a course in which the student is enrolled; (b) is a member of the student's thesis or dissertation committee; or (c) is the student's advisor or the director of the student's thesis or dissertation research.

⁴ A faculty member or Employee can still maintain an equity position in the company.

7. Ownership of Intellectual Property

Pursuant to the NC State *Patent and Tangible Research Policy* [\[link\]](#), inventions or discoveries made by Employees of the University while performing sponsored research are owned by NC State. Accordingly, inventions or discoveries made by an Employee as a result of research sponsored by a Startup Company are owned by NC State and must be disclosed to OTCNV. If the Startup Company is the sponsor of the research, the Company will generally be granted the first option to commercialize the invention, subject to the terms of the sponsored research agreement and the rights of federal funding sources or other private sponsors.

It is the Employee's responsibility to inform the Startup Company of the requirements of the NC State *Patent and Tangible Research Policy* as well as the *Conflicts of Interest and Commitment Policy*. Although ownership of intellectual property arising from University research and/or faculty consulting must be consistent with the University *Patent and Tangible Research Policy*, it is nonetheless advisable for the COI Management Plan to set forth clearly how ownership of any Employee inventions will be determined and the COI Management Plan should be signed by an authorized representative, other than the Employee, of the subject Startup Company.



APPENDIX A

RELEASE OF LIABILITY FORM

I understand that NC State Office of Technology Commercialization and New Ventures, New Ventures team may provide assistance to NC State Startups – companies that have officially licensed NC State owned intellectual property (“NC State Startups” or “Startups”) - in identifying mentors, advisers, grant writers, and other service providers that offer their services to Startups. New Ventures may also assist to identify funding opportunities including grants, business competitions, and incubation programs that could benefit the startup. While it is typically not the role of New Ventures to write the proposals and/or business plan for the startup, New Ventures may offer reviews of these documents.

I acknowledge that all outside referrals including but not limited to mentors, advisers, service providers, business plan competitions, incubators, and investors are independent of NC State University, and any decision to implement advice is solely at the discretion of the Startup management team. I agree that, as a condition of receiving assistance from the New Ventures team and/or any referrals, neither NC State nor any employee, officer or agent of NC State will be liable for advice given or business decisions made by me or my Startup.

Faculty Member/NC State Employee

Name:

Title:

Date:

Acknowledged by:

Company

Name:

Title:

Date: