

For Researchers: Best Practices for Start-ups

This guidance was developed using policies from research institutions with long histories of successful technology transfer programs supporting researcher-led companies.

Background

A researcher-associated new business venture (hereafter referred to as a “start-up”) is defined as a company where the original intellectual property originates with the researcher, where the researcher is a founder and has a significant equity position in the company, or where the researcher has an influential role in determining the direction of the company. Start-ups are both opportunities and challenges for Chapman University.

Chapman is an institution of public trust, with education and research as its mission and a requirement to maintain openness in research. Therefore, an entrepreneurial activity must be balanced by carefully reviewing the proposed relationships, which may or may not be allowed. These relationships may require active management to assure openness in research, academic freedom for trainees, and a clear understanding of how conflicts of interest are managed.

Chapman is committed to avoiding either perceived or actual conflict of interest issues concerning start-ups. Both Chapman and its researchers have responsibilities to optimize technology transfer and mitigate conflicts of interest when licensing Chapman IP to a start-up is considered.

University Responsibilities

The University makes licensing decisions based on its professional judgment about technology transfer to achieve the best possible benefit to the public without undue influence from internal or external parties.

The University undertakes several steps and considerations in transferring technology while managing conflict of interest effectively. First, the University markets all Chapman technology to ensure fair and open access to potential licensees – start-ups should not receive or be perceived to receive preferential treatment. Second, Chapman researchers cannot represent the potential licensee and must not negotiate directly with the University. Third, OTL licensing agreements may be exclusive or non-exclusive depending on what is most suitable for a given technology. Finally, the researcher’s Dean and the VP for Research must review any actions that present a potential conflict of interest, specifically:

- The researcher must disclose any interest (consulting fees or equity) in the start-up to the researcher’s Dean and the VP for Research.
- The researcher must agree to separate all University responsibilities from all company responsibilities according to the criteria listed under Researcher Responsibilities.
- Chapman may proceed with licensing only if the conflict is deemed manageable by the VP for Research.

Researcher Responsibilities

Researchers are responsible for separating all University duties (in research, teaching, and service) from personal financial interests in the company.

Researchers must:

- Separate and clearly distinguish ongoing University research from work being conducted at the company.
- Limit consulting for the company to a maximum of one day per workweek while on appointment at Chapman, per University policy ([link](#)).
- Serve only in advisory or consultative roles at the company
- Seek prior approval from the dean to accept a managerial role or title (e.g., CTO) that includes management responsibility, such approval shall not be given automatically. The terms of the approval will be documented in a management plan.
- Take a leave of absence if engaging in a management role.

Researchers must not:

- Negotiate with the University on behalf of the company.
- Receive gifts or sponsored research from the company.
- Involve University research staff or other University staff in activities at the company; company personnel cannot be affiliated with the University.
- Involve company personnel in Chapman research.
- Involve current students in company activities. If a student asks to take a leave of absence to participate in the company, the student should be referred to the Dean and VP for Research to review the request and decide if it is allowable.
- Involve junior researchers that they supervise in company activities. Even if the researcher does not have a supervisory role, they should avoid situations in which junior researchers might feel expected to be involved in the company.
- Use University facilities for company purposes.
- Undertake human subject research related to the company at the University as PI or Co-PI.
- Supervise researchers who are PI/Co-PI for human subject research related to the company.

‘Pipelining’

The researcher often wishes to continue to do research at Chapman in the area of interest to their start-up. Chapman is particularly concerned about the use of University resources that benefit the company, especially new companies that do not have their own facilities or many employees (i.e., the “virtual” company). Chapman should not be the research or development arm of a start-up. If a new follow-on or improvement invention is developed after the original dominating technology has been licensed to the start-up, Chapman will still market that technology to all potentially interested parties. Exclusive licenses will not always be granted to the start-up, even if there is no other interest. In cases where the original technology dominates the subsequent

developments, sometimes a nonexclusive license will suffice. If, in the interest of effective technology transfer, it is reasonable to grant an exclusive license to the follow-on technology, the exclusivity may be mitigated by a shorter term of exclusivity, limited field of use, increased diligence, etc. Any new license is subject to conflict of interest review and approval.

Option and License Agreements to Start-ups:

Researcher inventors are expected to wind down ongoing research in the particular area that the start-up will commercialize. The VP of Research and the Research Integrity Officer will also review this wind-down with inventors, and that review will become part of the record.

An option agreement is often used to reserve rights in technology so that the company can begin exploring funding opportunities to acquire the rights in question. A start-up company sometimes prefers to take an option to a license rather than an outright license itself. Chapman may grant options for any period up to one year in duration, most often in 6-month increments. Inventors are required to stop initiating new work on the technology at Chapman (that is, using University resources) when the technology is either licensed to a company or has been optioned to a company. Subject to conflict of interest review, the final separation between a company and Chapman may take up to 12 months, the period to be determined on a case-by-case basis. Since it may take several months to wind down ongoing research, inventors must plan accordingly and begin the wind-down of the Chapman activities before either the licensing or optioning takes place.

It's important for inventors to understand that this guidance covering options and licenses is intended to enable inventors to succeed in translating their technologies into use without jeopardizing the mission or funding status of Chapman University.