



**Technology Transfer Unit (TTU)
Office of Grants and Contracts
American University of Beirut**

Guide for the Faculty Start-Ups

Introduction

This guide is intended for faculty members who are interested in launching a start-up company based on intellectual property owned by AUB or know-how acquired during their time at the university.

Some of the reasons for the creation and advancement of a start-up include:

- A desire to bring an existing technology to the market,
- A genuine interest in participating in business development,
- Entrepreneurial curiosity.

Start-ups are private, independent legal entities separate from the University. Faculty-associated start-up companies (“Start-ups”) represent both opportunities and challenges for AUB. Entrepreneurial activity must be balanced by careful review of the proposed relationships, which may or may not be allowed, and which may require active management to assure openness in research, academic freedom for trainees and clear understanding of intellectual property and the manner by which conflicts of interest (COI) are to be managed.

AUB is committed to avoiding either perceived or actual conflict of interest issues with respect to faculty start-ups. Both AUB and faculty have responsibilities to optimize technology transfer and mitigate COI when licensing AUB intellectual property (IP) to a faculty start-up is considered.

Faculty-Associated Start-up is defined as a company where the original IP originates with the faculty member, where the faculty is a founder and has a significant equity position in the company, and often has an influential role in determining the direction of the company. It is important to carry out start-up activities in a way that does not confuse start-up activities or employees with AUB and vice versa. While the creation of a start-up is laborious and requires considerable administrative and business attention that can distract the faculty member from research, forming a start-up can be exciting and empowering to people drawn to the intersection of commerce and science.

University/TTU Responsibilities

The Technology Transfer Unit under Office of Grants and Contracts at AUB and the Intellectual Property Advisory Committee (see IP policy) is responsible for making licensing decisions to achieve the best possible benefit to the public, without undue influence from internal or external parties.

To determine the most effective way to transfer the technology:

- TTU and after consultation and approval from the IP advisory committee assists in marketing AUB innovations / technologies to ensure fair and open access to potential licensees
- Faculty start-ups should not receive or be perceived as receiving preferential treatment
- AUB faculty/employees are not allowed to represent the potential licensee and must not negotiate directly with TTU
- The faculty's Dean must review any action that present a potential conflict of interest
- If TTU determines that a faculty-affiliated company is the appropriate licensee, TTU documents its marketing and rationale for its licensing decision
- The faculty must disclose to the Deans any interest (consulting fees and/or options) in the start-up
- The faculty must agree to separate University responsibilities from company responsibilities according to the criteria listed under Faculty Responsibilities
- If the conflict is deemed manageable by the Deans based on this agreement with the involved faculty, TTU may proceed with the licensing
- TTU licensing agreements may be exclusive or non-exclusive depending on what is most suitable for achieving technology transfer.

The University will not:

- Provide funding or find funding for the company
- Provide business expertise (e.g. writing business plans or helping to raise seed money)
- Negotiate with the faculty member. The faculty member must identify a representative to handle the licensing negotiations for the start-up company. This may be another person working for the start-up, who does not have a conflict of interest with the University, or it may be someone such as a CEO or an attorney hired specifically to represent the start-up company in the negotiations.
- Act as an agent in any way for the company
- Treat the faculty start-up company differently from other licensees. If the Faculty start-up fails to meet diligence provisions or make payments, the company risks losing the license, as would any other licensee.

Faculty Responsibilities

Faculty members must separate University duties for research and education from personal financial interests in the company.

Faculty must

- Separate and clearly distinguish on-going University research from work being conducted at the company
- Limit consulting for the company to a maximum of 13 days a quarter, per university policy
- Serve only in advisory or consultative roles at the company
- Not take managerial roles or titles suggesting management responsibility
- Take a leave of absence, as allowed per university policies, if engaging in a management role

Faculty must not

- Negotiate with the University on behalf of the company
- Receive gifts or sponsored research from the company
- Involve research staff, students or other university staff in activities at the company
- Allow for any company personnel to be affiliated with the university

- Involve company personnel in university research
- Involve current students in company activities
- Approve for a student to take a leave of absence to participate in the company, and must refer the student to the Faculty Dean for review of the request and independent advice
- Involve junior faculty in company activities for whom you have supervisory responsibility
- Use university facilities for company purposes
- Undertake human subjects research at the University as PI/protocol director
- Supervise faculty who are PI/protocol directors for human subjects research related to the company.

Many times, the faculty member wishes to continue to do research at AUB in the area of interest to their Start-up. AUB is particularly concerned that university resources will be used to benefit the company, particularly new companies that do not have their own facilities or many employees (i.e., the “virtual” company). AUB should not be the research or development arm of a Start-up. Therefore, new follow-on or improvement inventions developed after the original dominating technology has been licensed to the Start-up will still be marketed to all potentially interested parties and 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., subject to conflict-of-interest review and approval.

Conflict of Interest

Entrepreneurial activities by Faculty members when carried out within the framework and guidelines of the University policies can be a benefit to AUB and may have a positive economic impact in the country and will enhance the quality of education for students. Carefulness in this endeavor must be ensured separating between the personal financial aspects of the entrepreneurial activities and the faculty member’s university research activities. Faculty must also pay careful attention to their commitment to their university duties and responsibilities.

University assumes faculty and staff act with highest levels of responsibility, integrity, and commitment, and is supportive of licensing, industry partnerships, and start-up companies. However, engagement with private companies has the potential for inappropriately diverting the university from its core mission and such engagements need to be disclosed, reviewed and managed carefully.

While the university encourages start-up companies involving faculty it does so in a way that does not compromise its core mission and in a way that fits within certain boundaries dictated by policies and regulations. This should put some restrictions on both University-Company interactions and Company-Faculty interactions.

A conflict of interest may exist between “pure” scientific motivation and financial practicality. Such conflicts are not inherently bad, provided that faculty members’ financial interests do not compromise their scientific interests. Conflicts involving personal financial interests are less common but require greater caution. In addition to the legal issues concerning financial conflicts, public perception may put at risk the valuable reputation of the investigator, the research itself, and/or the institution.

Because situations created by conflicts require careful monitoring, faculty members are required to disclose any significant financial interests that might conflict with their university roles and responsibilities. Disclosure of a COI is made on a form (link to this form shall be put here).

Not only can a conflict of interest in the financial terms, a conflict of commitment also exists. This occurs when faculty entrepreneurs commit time and effort to their company at the expense of their responsibilities to the university. Faculty members face a number of pressures including teaching, research, patient care, publishing, advising, and other professional or personal commitments that demand their time and dedication. Faculty members owe their primary professional allegiance to the university, meaning that their primary commitments of time and intellectual energies should be focused on their university's educational, research and academic responsibilities.

It is important for faculty members, to avoid activities and arrangements that might appear to conflict with their commitments within the university. They should recognize that university resources cannot be used for consulting activities. When an individual's outside professional activities, including time spent with start-up companies, exceed permitted limits or when a faculty member's primary professional loyalty is to another entity and not to university, a conflict of commitment exists.

The university has a long-standing consulting policy that limits outside consulting by faculty members to one eight-hour day per week, and the work is to be done on their own time.

Faculty members should be sure to check with their department chair. If they wish to commit an amount of time that their chair feels will encroach on their abilities to discharge their obligations to the university, the faculty member may need to request a partial or full leave of absence. There also may be a leave period beyond which the chair is not willing to keep a faculty line unfilled, and the faculty member eventually may need to choose between staying with the company and returning to their faculty position.

Steps to Start-ups

There are five major steps to a startup:

1. Disclose the innovation to TTU
2. Present the Start-up plan to TTU
3. Develop a strategy (business plan)
4. Form the company
5. Find funding
6. Get a license for the developed technology
7. Research and development for commercialization

The Process:

If a faculty member brings an invention while working at the university, TTU will be responsible for the intellectual property registration and protection as per AUB's "Intellectual Property Policy". The process formally begins with the inventor/faculty member disclosing his/her invention to the TTU. Following disclosure then discussion, it will be decided whether the venture is of value to the inventor and the university. If the faculty decides to form a startup, he/she should notify his/her department head and faculty dean, as mentioned above, as the issue implies conflict of interest management process with the university.

Preparing for the startup

The inventor should establish a defined role for him/her, prepare a business development plan, recruit an experienced business driver and/or management team, determine needs and formalize facilities (space and/or equipment) arrangements, and work on obtaining both initial funding and solid prospects for accessing additional capital as needed to commercialize the invention and execute the business plan. In forming the company, faculty member will act as a founder. Founders do not need to be involved in the day-to-day operations of the company. Although the founders' roles are typically more active in the beginning, most companies will utilize consultants and/or hire executives and other employees to manage many aspects of the business. To that effect, the inventor will found the company and assemble a suitable team of advisors, officers, and employees. This allows faculty members to contribute their time and expertise to the company as their interest and other obligations allow.

Founding members are responsible of registering the company as a legal entity. The university strongly recommends that the founders seek professional legal counsel from the outset. The selection of law firm, corporate structure, and other details of company formation are decisions for the founding team to make. All costs for registration, legal counsel and other needed requirements to form the company are to be borne by the company.

Faculty members can be board members of their startup. It is often desirable for an outside scientific advisory board to be recruited and established. Scientific advisory boards are comprised of scientists and other technical experts who provide objective advice on technology development strategies and lend credibility to the company.

Operational issues

A full-time faculty member may not serve as an operating officer/CEO/manager of a startup while not on leave. If a faculty member believes it is essential for the success of the venture to serve as an operating officer, he/she should request a leave from the university for a specified period of time, consistent with policies on leave for faculty. Such a leave would be without compensation by the university.

The university might be able to offer space in the Centre for Research and Innovation Center (CRI) or the AUB iPark for approved companies. Both are equipped with office space and allows the use of facilities at the university for further research and development needed. Arrangements to use university space might require payment and should be formalized through a Research and Development Agreement between the AUB's Office of Grants & Contracts and the company.