

Guidelines for the Management of Conflict of Interest and Commitment according to the University of Illinois *Policy on Conflicts of Commitment and Interest*

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Introduction

It is the policy of the University to maintain and encourage full freedom within the law of inquiry, discourse, teaching, research, and publication and to protect any member of the academic staff against influences, from within or outside the University, which would restrict the member's exercise of these freedoms in the member's area of scholarly interest. At the same time that their scholarship and expression of ideas are protected by the principles of academic freedom, University personnel are expected to assure quality and integrity in their research and publications primarily by self-regulation, adherence to individual ethical codes and professional standards, and by reference to the traditions and collegiality that characterize research institutions.

Our policy acknowledges that real and apparent conflicts of interest sometimes occur in the pursuit of the University's mission of education, research, public service and economic development. A conflict of interest is a factor of a given situation, and neither implies nor assumes improper behavior. However, because improper behavior is possible, careful attention must be paid when a situation results in a conflict of interest. It is not in the long-range best interests of the University to terminate or cease all relationships which may involve real or apparent conflicts of interest if there is an effective method of managing such conflicts. The existence of a conflict of interest, real or potential, will not necessarily prohibit a particular transaction or activity, since conflicts range from those that are minor and inconsequential, through those that can be managed, to those that have serious consequences and must be eliminated.

Active participation by academic staff members in external activities that enhance their professional skills or constitute public service can be beneficial to the University as well as to the individual. Conflicts of commitment and interest can arise or appear to arise in the course of such external activities. The University of Illinois *Policy on Conflicts of Commitment and Interest* provides a framework against which the propriety and advisability of non-University activities can be measured and monitored, in the interest of assuring the quality and integrity of research.

Approved in 1999, the policy identifies procedures for consultation and advice on conflicts of commitment or interest matters, for resolution of situations in which a conflict may exist, and for approval of exceptions when warranted. In order to balance the integrity and interests of the University of Illinois with the integrity and interests of individual academic staff members, the Policy attempts not only to identify and eliminate or manage actual conflicts of commitment or interest but, whenever possible, to prevent even the appearance of conflicts.

As the University has assumed a fourth mission of encouraging economic development and technology transfer, the level and complexity of faculty and staff external activities have increased. This has created a substantial management challenge for faculty, staff, and administrators who work to manage and eliminate conflicts of interest.

These guidelines have been developed by the Conflict Review Committee at the University of Illinois at Urbana-Champaign as a tool for administrators and university academic staff to use in conflict identification and management under the *Policy on Conflicts of Commitment and Interest*. They cite frequently applicable portions of the *Policy*, and incorporate the *Interim Guidelines for Licensing to University Employee Start-Up Companies* as well as recommendations of the Urbana Conflict Review Committee. They are not intended to supersede any existing regulations or law governing the University. They are intended to apply to all paid academic staff members, whether part-time or full-time, of the University of Illinois at Urbana-Champaign.

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Individual Responsibilities

“Each academic staff member must obtain prior written approval to engage in non-University income-generating activities, and must also disclose such activities annually, whenever a substantial change in such activities occurs, or when required by granting agencies.

The unit executive officer works with the academic staff member to identify and evaluate potential conflicts and to manage or eliminate them.”

According to the University of Illinois Policy on Conflicts of Commitment and Interest, the unit executive officer (UEO) holds the responsibility for management of conflicts of commitment and interest for staff in the unit. **Faculty and staff should contact the unit executive officer in advance for approval of outside activities.** Unit executive officers should contact the next level of administration.

If the UEO becomes aware of unapproved outside activity by a member of the academic staff, s/he should meet with the staff member to review the activity, and develop a plan for the elimination or management of any conflicts of interest involved.

All faculty and academic staff with more than a 0% appointment in a university unit are required to complete the *Report of Non-University Activities (RNUA)* and submit for approval on an annual basis. If any conflicts of commitment or interest are identified during the review and approval process, the UEO should work with the faculty or staff member to eliminate or manage the conflicts.

Conflicts of interest may come to light in the submission and review of research agreements. It is the responsibility of all members of the University to ensure that these are managed or eliminated before agreements are executed. This process may involve staff from Purchasing, Legal Counsel, the Office of the Vice Chancellor for Research (OVCR), and the University Office of Grants & Contracts, as well as the academic staff involved in the proposed project and the business staff in their units.

This document is focused on the management of conflicts of commitment and interest, and based on the premise that such management is generally possible and desirable. Occasionally, in the course of outside activities, conflicts will be identified that cannot be managed. In these cases, it is the responsibility of the UEO, with the support of the Dean and the Vice Chancellor for Research, to deny approval of these activities in order to protect the University and the integrity of its research enterprise.

Guidelines for Disclosure

Annual disclosure process

The *Report of Non-University Activities* is to be completed each year **by all academic employees** with an appointment of more than 0%.

All academic staff are asked to disclose

- consulting or other financial relationships with a sponsor of one's research;
- managerial role or financial relationship with a company in one's field of research or a company that does business with the University;
- external activities or business that involve(s) University students or employees;
- relationships, commitments, or activities on the part of the academic staff member or his/her family that might present or appear to present a conflict of commitment or interest with regard to one's University appointment. These relationships may be of a financial, fiduciary, or uncompensated nature.

The *Report of Non-University Activities* is reviewed and approved by the UEO. If there is significant potential for conflict of commitment or interest, then the form is submitted to the Dean for further review.

Examples of activities requiring further review include

- more than 30 days of outside consulting during the annual academic (nine-month) appointment
- involvement in a faculty or staff start-up company
- use of University resources in the course of a non-university, income-generating activity, such as consulting or involvement in a start-up company
- involvement of students or other staff in a non-university, income-generating activity
- consulting activity with companies or other entities funding research at the university.

Disclosure of new activities or changes in plans for outside activities

Academic staff should request review of plans for new outside activities or significant increases in outside activities for approval by the unit executive officer.

This may be accomplished by submission of a revised RNUA or by letter or email.

The UEO should respond in writing, indicating whether or not the outside activities are approved.

Disclosure relating to research funding

“Research agreements with external entities, especially entities with which academic staff members have a financial, managerial, or executive relationship, are of special concern. The terms and enactment of such agreements must maintain basic academic values and promote the development and open dissemination of knowledge. In order to maintain the University's credibility and public trust, neither interference in the choice by academic staff members of the scientific or scholarly subjects they

pursue, nor diversion of their energies or University resources from its primary missions should occur. All research agreements between the University and external sponsor are subject to prior approval through established University review procedures.”

Participants in research proposals should disclose to the funding agency any relationships which create or may appear to create a conflict of interest, for example

Family or business relationships among the participants in a research project.

Family or business relationships between project participants and any entity receiving a subaward of project funds.

Research agreements under which faculty or staff fund their own research should follow the standard University review process. In addition, this self-funding should be disclosed in publications and presentations involving the research.

Consulting relationships with a commercial sponsor of the research should be disclosed when the research is published.

Follow-up by Unit on Issues Identified in Reports of Non-University Activities and Other Disclosures

The Unit Head and/or Unit Business Manager should work with the employee to resolve any conflict issues identified in the annual RNUA process and other disclosures, for example:

Time commitments exceeding 30 days per academic year should be reviewed in the context of job performance and productivity. The schedule of outside activities requiring a large time commitment should be reviewed.

Conflict management plans should be developed as needed for employee involvement in new start-up companies.

Relationships between outside consulting activity and sponsored research or gifts should be elucidated and managed or modified as necessary.

Familial and business relationships relating to University responsibilities should be managed.

Conflict Management

Start-Up Companies

On September 23, 1999, the University of Illinois at Urbana-Champaign adopted the *Interim Guidelines for Licensing to University Employee Start-Up Companies* (attached). These Guidelines were provided to assist colleges, departmental executive officers and University employees (a) with the disclosure and review process for intellectual property and start-up activities and (b) with the steps to follow for identifying and managing conflicts of commitment or interest. As the steward of University-owned intellectual property, the campus takes an objective "arms length" position in evaluating proposals to license University owned technologies to start-up companies in which University employees may be principals or major shareholders. The interim guidelines outline the steps in this process.

Following Disclosure, a key component of the licensing process is the development of a conflict management plan for the employee start-up company.

The Conflict Management Plan is a collaborative effort between the University and the employees to manage potential conflicts of commitment and interest involved in the start-up company activity. Issues to be managed include conflict of commitment, use of University intellectual property, use of University resources, involvement of University students and other staff in the company, and the need to ensure that research and other University resources are not diverted to the company.

Plans are crafted to manage a particular activity. For example, a management plan for a company activity involving students would outline measures to protect the students. A plan for an outside activity involving a large time commitment by the employee would describe how the employee would manage and track his/her activities to meet the obligations of University employment.

If an employee or employee-owned start-up company meets any of the criteria below, the employee and UEO must develop a Conflict Management Plan.

- a. Licenses University intellectual property.
- b. Employs University students or other University employees.
- c. Uses University resources, such as laboratory space or equipment, office space, or computing resources.
- d. Requires a significant commitment of time from the employee, e.g., greater than 30 working days per year.
- e. Involves the UEO, or other senior management within a unit.
- f. Appears to need a Management Plan for any other reason, for example, if the distinction between the employee's work for the University and his/her work for the company is not clear; even if it is not licensing University intellectual property.
- g. Funds sponsored research or gifts at the University at a level greater than one month of the employee's salary.

- h. Executes a facilities use or technical testing agreement with the University.
- i. Subcontracts to the University from awards such as SBIR, STTR, DARPA, on which the company is prime, or accepts subcontracts from awards on which the University is prime.

In some cases, where the company has a low level of activity and none of the above conditions apply, the conflicts of interest and commitment may be managed through disclosure in the RNUA and/or an MOU between the employee and the UEO.

Contents of Conflict Management Plans

The format of Conflict of Commitment and Interest Management Plans follows that suggested in the *Interim Guidelines*. In general, a plan will contain the following sections:

- a. Background
- b. Section I: Management of Employee Conflict of Commitment
- c. Section II: Managing Conflicts of Interest Concerning Involvement of Other University Personnel
- d. Section III: Relationship between the Company and the Employee's University Responsibilities
- e. Section IV: Management of Conflicts of Interest Concerning Use of University Resources or Intellectual Property
- f. Section V: Review Cycle and Reporting, including list of topics for annual report to the VCR from the MOC
- g. Section VI: Attachments
- h. Signatures: The document is signed by the employee(s), the EO, the Dean, the members of the Management Oversight Committee and the AVCR.

Conflict of Commitment and Interest Management Plans are developed in the unit, with the assistance of the College conflict of interest contact and/or the AVCR. When complete, they are reviewed by the Conflict Review Committee before approval by the AVCR.

Conflict of Commitment

“ Interaction between academic staff members and external entities for reasonable periods of time and for personal remuneration is desirable and encouraged when the relationship enhances the professional skills of staff members, or constitutes a public service activity and is a benefit to the University. The time allowable will vary among individuals, from discipline to discipline, from one type of proposed activity to another, and will be affected by specific departmental needs to meet teaching, research, service, and governance functions. As a practical guide and subject to prior approval, the University may approve the equivalent of up to one day per week for full-time faculty (40 days per academic year appointment and 52 days per calendar year appointment). Such released time is not an automatic entitlement and requires prior written approval by the unit executive officer.”

Assuming prior approval has been given for an external activity, academic staff members are expected to arrange the outside obligations, financial interests, and activities so they do not impede or conflict with their University duties and responsibilities.”

In general, academic professional staff are expected to observe normal working hours, conducting outside activities on evenings, weekends and vacation days.

With the approval of the UEO, academic professionals may work a flexible schedule to permit outside activities during normal working hours, provided that University obligations are met.

In the early stages of a start-up company the University employee(s) may participate, for limited periods of time, in business management discussions and decisions affecting the development of the company. Indeed, such involvement is often a necessity, especially at the outset. In accordance with the University's *Policy on Conflicts of Commitment and Interest*, it is expected that such involvement in business management discussions and decisions will be: (a) fully described and considered in the Management Plan, and (b) updated whenever there are significant changes in the situation.

While University faculty and staff may provide professional consulting to a start-up company (frequently with titles such as chief scientific advisor or chief technical advisor), they are not normally permitted while employed full time by the University to hold active line titles/responsibility in the company, or be actively involved in its day-to-day management and operation.

Colleges and departments may consider requests from faculty and academic staff to reduce their University appointments or take leaves of absence from the University to actively participate in the day-to-day management and operation of a start-up company.

Professional consulting to a start-up company is permitted (as specified by University policy and approved in advance by the unit head and the OVCR). Such activity includes using one's professional expertise to solve technical problems, assist in further development of the technology, and prepare for the commercialization of the technology. Consulting activity for an employee start-up company should be specified in the Management Plan and approved in advance.

Involvement of students and other University personnel in an outside activity

“ The involvement of University students or employees in the outside professional activities of an academic staff member can be beneficial. However, such involvement must be disclosed, reviewed, and approved in writing by the unit executive officer in advance to assure that exploitation or unreasonable interference with University duties and responsibilities, including course and thesis work, does not occur. Students and staff involved in these outside professional activities shall be made fully aware of the circumstances, University policy regarding these activities, and the precautions instituted by the academic staff member and the unit executive officer in its regard. Additional situations of concern include those that might prejudice an academic staff member with respect to judging other staff in issues of rank, pay, and tenure by virtue of collaboration in outside activities. The unit executive officer may need to implement appropriate monitoring depending on the facts of specific cases.”

“ Likewise, the educational experience of the University's students and postdoctoral fellows should not be diminished or impeded in any way.”

From the Interim Guidelines: The involvement of students and/or postdocs in University employee start-ups is reviewed carefully. While such involvement can be beneficial to the students/postdocs, the University's first obligation to its students and postdocs is to support and encourage either degree progress or completion of other academic work at the University. The involvement of University students in employee start-up companies should be specified in the Management Plan and approved in advance. Students/postdocs are personally contacted by their department concerning their involvement in the start-up

company. An objective third party (often an associate department head or other senior faculty member) is designated as a contact point for the students/postdocs should they feel compromised in any way by their involvement in the start-up. These arrangements are confirmed in a letter from the department to the student(s)/postdoc(s).

This section recommends specific elements of conflict management for the involvement of other University personnel or students in a faculty or staff start-up company.

Students and postdoctoral research associates are an especially vulnerable population within the University's research community, in that they are at an early stage of their careers, not yet completely established as members of their discipline or profession, and highly dependent on the good will and good opinion of their professors, mentors and advisors. The research advisor's primary obligation is to support the educational experience, growth and development of the student or postdoc. Real or perceived exploitation of students or postdocs by their advisors is a danger associated with consulting and economic development activities by University faculty, and demands vigilance by all concerned.

In general, involvement of a faculty member's thesis students in a start-up company or other outside activity is discouraged because of the potential appearance of conflict of interest and exploitation of the student. However, in some cases these outside activities may provide unique opportunities for students to acquire experience that will enhance their university education. In these cases, careful management and supervision of the situation is essential.

Specific guidelines for management of involvement of students and other employees

Involvement of other University employees in a start-up company should be disclosed in each individual's RNUA, and reviewed by the corresponding UEO.

If other university staff members are involved in a faculty or staff outside activity, their performance evaluations and salary determination should be conducted by staff not involved in the outside activity.

An appropriate threshold should be placed on the number of hours a student or employee will work for the company.

Whenever university staff or students work both in a faculty member's University laboratory and in faculty member's outside activity, careful logs should be maintained of the work on both sides. This will serve as a record that responsibilities to funding agencies were met. This will also aid in defining intellectual property generated in the course of the work.

The Associate Vice Chancellor for Research writes a letter to students or staff involved in a faculty or staff outside activity, providing them with a contact outside the unit in case problems arise.

Additional oversight of a student's progress toward degree is provided within the unit. A plan for progress toward degree should be prepared and reviewed regularly by the student and faculty member, working with the Director of Graduate Studies.

A student working within a start-up company should be supervised by management staff, not his/her faculty advisor.

"Split appointments" of students with a partial RA in the University and a position in a faculty member's outside venture are rarely approved.

An internship or other appointment for a student within the company may be allowed for a well-defined period.

When the UEO or other unit management is involved in a company, additional oversight should be provided by the next level of administration, e.g., the Dean's office if a unit head is involved in a company.

Complex cases, when an employee is involved in more than one company, or when an employee and supervisor are involved in separate ventures that have relationships with each other, require additional scrutiny and management. For example, the same management oversight committee could be used to review multiple interrelated activities.

If students or other University employees are involved in a traditional consulting activity (not a faculty start-up company, not licensing University intellectual property) with a University faculty or staff member, the potential conflict of interest may be managed through disclosure and development of an MOU including the UEO and all parties, provided that the UEO approves of the outside activity.

Maintaining separation between the outside activity and the individual's work for the university

Define a set of principles as part of the conflict management plan to provide guidance as to which activities belong in the university and which belong in the company. This is especially important in the case of software companies, when development of related software is continuing within both the company and the University.

Maintain logs of work for the University and work for the Company

Avoid conducting outside activities on University premises – create a well-defined venue for a start-up company in EnterpriseWorks or another location

If a company has arranged contractually for use of University facilities, the space/area to be used and priorities for its use relative to University researchers should be well-defined.

Faculty consulting relationships with research sponsors should be carefully scrutinized. Technical consulting for a research sponsor may be permitted in some cases. In general, academic staff should not serve on the board of directors or major advisory committee of an external entity which sponsors the academic staff member's research or provides gift funds for the use of the academic staff member or his/her department.

Use of University resources

"In general, University facilities and resources should not be used for non-University activities. Such use is limited to those activities that enhance the academic staff member's University-related professional skills and requires prior written agreement from the unit executive officer.

From the Interim Guidelines: The use of University resources by a start-up company may be permitted on a limited and defined basis. Full cost reimbursement to the University is required in all cases. A University Technical Testing Agreement or other University approved agreement is required. The projected use of University resources should be specified in the Management Plan and approved in advance."

University resources may in some cases be used for non-University activities if the UEO approves this arrangement as beneficial to the individual and the University, and if the full cost of the resources is reimbursed to the University via a facilities use agreement or other arrangement.

It should be recognized that the arrangements for such use are themselves a cost to the University. Facilities use agreements should generally be reserved for arrangements to allow start-up companies or faculty acting as independent consultants to utilize specialized equipment or facilities that would otherwise be difficult for them to obtain, and not to arrange for facilities, equipment and services that are easily available commercially.

It is permissible for faculty and staff to use shops and instrument facilities that have developed rate structures for outside use, provided that the outside rate is applied.

Use of University Intellectual Property

Staff involved in outside activities should continue to disclose inventions in the course of their research to the University. These disclosures should be monitored by the UEO or by the management oversight committee, when one exists (*vide infra*).

University inventors with start-up companies should not be involved in negotiations of licenses for their inventions

In the event that samples of materials are needed in order to launch start-up activity or support the search for venture capital, the cost of preparation of these materials should be covered by the company.

Review process and Reporting

Once the content of a conflict management plan has been finalized, the plan is sent *via* email to the Conflict Review Committee for review. It may be approved via email, or the committee may request to meet with the principals of the company.

Following approval of the Conflict Review Committee, the plan is circulated for signatures. The faculty/staff principals sign to indicate their willingness to comply with the plan. The Management Oversight Committee members sign to indicate their willingness to serve and their concurrence with the plan. The Unit Executive Officer(s), Dean(s) and AVCR sign to indicate their approval.

The fully signed plan is then duplicated with all attachments and sent with a cover memo to all signatories, the department business manager(s), the University Office of Grants and Contracts, and the VCR.

The original is retained by the OVCR.

A copy of the plan is sent to the Associate Vice President for Economic Development and Corporate Relations for his information.

The Management Oversight Committee **provides reports to the UEO** following its semiannual meetings. Copies of these reports are sent to the Associate Vice Chancellor for Research.

An annual report is sent to the Associate Vice Chancellor for Research by each Management Oversight Committee. This report outlines how the conflicts identified in the management plan have been managed.

Suggest that each college consider conflict management as a task for the College Executive Committee, perhaps with a College MOC.

Conflict management plans should be reviewed and revised as necessary every two years or sooner if there is significant change in the level of involvement in the company, the status of intellectual property, the use of University resources or the involvement of students and/or University staff.

Conflict Approval for Licenses to Faculty/Staff Companies

The Office of Technology Management proceeds with a license when it has on file a current Conflict Management Plan for a faculty or staff company (created or revised less than two years earlier).

If OTM is not aware of any conflict management plan, the license is routed to the Associate Vice Chancellor for Research, who ensures that a conflict management plan is in place for the outside activity. The AVCR then prepares a letter to the Vice President for Academic Affairs (VPAA) and the Vice President for Economic Development and Corporate Relations recommending approval of the license based on her conflict review. This letter is transmitted through the Vice Chancellor for Research. There is a signature line at the end of the letter for the Vice President for Academic Affairs to approve the license, based on conflict of interest review.

An original of this letter is sent to each of the two Vice Presidents. According to University policy, only the VPAA is designated to approve the license from a conflict of interest standpoint, and returns the signed approval letter to OTM. The OVCR should keep a copy of the license, and a copy of the signed letter should be sent back to OVCR for the file.