



GANDHI INSTITUTE OF TECHNOLOGY AND MANAGEMENT (GITAM)

(Deemed to be University)

Visakhapatnam | Hyderabad | Bengaluru

RESEARCH & DEVELOPMENT CELL

Faculty Enterprise Scheme

submitted by

Research & Development Cell (RDC)

GITAM Deemed to be University, Visakhapatnam

Version Control

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Guidelines for Faculty Enterprise Scheme

(Permitting the Faculty members to have an equity stake in scientific enterprises while in professional employment with the University.)

1. PREAMBLE

Scientific Enterprises (ventures that leverage scientific research, know-how, inventions, innovations, and scientific expertise) are key indicators of innovation system of a country. With a view to translating the scientific research into commercializable knowledge, many developed nations world-wide encourage and enable their faculty members from universities, academic and other research institutions to set up commercial entities while in professional employment with the organizations. Such a measure not only ensures the continued involvement of the researcher in translating the inventions or innovations to commercializable knowledge but also unleashes the entrepreneurial skills of faculty and thereby contributing to economic development of the nation. Interestingly, such enterprises are often established in the campuses of academic institutes and universities due to their special needs and resource requirements such as strong domain expertise, contemporary skills as well as access to specialized manpower, facilities, and know-how. In 2009, Union Government had permitted the faculty members to involve with such Science and Engineering driven Scientific Enterprises (vide a notification no. 3/3/2009-TU/Knowledge to Equity dated May 25, 2009, by Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology, Govt. of India).

The proposal below prescribes the guidelines for implementing the Faculty Enterprise Scheme at GITAM Deemed to be University (GU).

2. DEFINITIONS

For the purposes of this document, the word(s) / terms that are used in this document have the meaning as defined below:

- i. **Company:** A company is a legal entity incorporated under the Companies Act and it will have perpetual succession and common seal, allowed by legislation that engages in business (that makes, buys, or sells goods or provides services in exchange for money). Companies can be formed by individuals or group of people as an independent organisation empowered with legal rights which are usually only reserved for individuals, such as to sue and be sued, own property, hire employees or loan and borrow money.
- ii. **Conflict of Interest:** Conflict of Interest arises when a faculty member/scientific officer or his family member's interest in a Start-up/Spin Off interferes or has the perception (to an independent observer with reasonable justification) to interfere with his or her professional obligations to university. Therefore, a Conflict of Interest may prejudice a faculty member's ability to perform his or her duties and responsibilities objectively. The Conflict of Interest can be financial or non-financial. Conflict of Interest also covers "Conflict of Roles" and "Conflict of Commitment".

- iii. **Equity:** The capital of a company is divided into equity shares. An equity share forms a unit ownership of a company and gives its holders the powers to share the earnings / profits in the company as well as to vote at shareholder's meetings of the company. Such a shareholder has also to bear the losses incurred by the company.
- iv. **Entity:** Entity means a legal person or company constituted primarily to commercialize knowledgebase. Entity in this document means either the Scientific Enterprise or Start Up or Spin Off.
- v. **Faculty/scientific officers:** Faculty / scientific officers means such categories of staff as notified by the University under it from time-to-time and shall include all levels.
- vi. **Family:** Family for the purpose of this document means the employee's wife or husband, his/or her dependent children and dependents for example father, mother, widow sister(s) etc.
- vii. **Income:** Payment received including but not limited to a salary, wage, stipend, honorarium, dividend, interest, rent, proceeds from any sale, loan forgiveness or payment of indebtedness or any other contribution received, any community property interest etc. Income also includes outstanding loan and pro rata share of any business entity or trust.
- viii. **Investment:** Investment can be defined as the act of putting money, effort, time, etc., into something to make a profit or get an advantage, of the money, effort and time invested. A financial investment is a monetary asset, physical or tangible purchased, for example, stocks, bonds, bullion, etc., with the idea that the asset will provide income in the future or will be sold at a higher price for a profit. An important feature of financial investments is that they carry high market liquidity.
- ix. **Knowledge base:** Knowledge base means (and includes) all inventions/innovations (whether patentable or not), invention/innovation disclosures, trade secrets, know-how, proprietary information, technical data documentation, data collections, databases, concepts, processes, software, design drawings, materials, support services and the like, whether or not the foregoing are in tangible or intangible form.
- x. **Scientific Enterprise:** Scientific Enterprise means an entity that leverages scientific research, knowhow, inventions, innovations, and expertise and translates them into commercialisable technologies/products.
- xi. **Scientific Establishment:** Scientific establishment means the GITAM Deemed to be University.
- xii. **Spin-off:** A Spin-off is an independent start-up firm formed by the scientific establishment (in the present case University) either independently or along with its employees or outsiders. Spin-offs typically operate at arm's length from the establishments and have independent sources of financing, products, services, customers, and other assets. The spin-offs may license technology/intellectual property from the parent organization. Such spin-offs are important sources of technological diffusion in high-tech areas.
- xiii. **Start-Up:** A start-up is an entrepreneurial venture that is in the early stage of the life cycle of an enterprise where the entrepreneur moves from the idea stage to product

or process or service development. Typically, start-up aims to meet a marketplace need by developing or offering an innovative product, process, or service. A start-up is a legal entity that engages in business and commercialization of new products, processes, or services.

The proposal:

3. ELIGIBILITY

The scheme shall be applicable to all permanent faculty members/scientific officers, who had completed 3 years of service in the University.

4. PROCEDURE

- i. The University shall designate and notify an officer/authority or a committee for examining requests from faculty members/ scientific officers seeking permission under the provision for Faculty Enterprise Scheme.
- ii. Any faculty members/scientific officers desiring permission shall apply to the notified authority in the prescribed form (Appendix I) seeking permission to have a stake in an Entity;
- iii. In the event of more than one faculty members/scientific officers collectively investing in the Entity, each one of the faculty will have to seek the permission to have a stake in the Entity;
- iv. In the event of more than one faculty members/scientific officers belonging to different institutes/universities/organizations collectively investing in the Entity, each one of them will have to seek the permission to have a stake in the Entity from their respective organizations;
- v. The notified authority shall examine each application in accordance with the procedures established by it and make an appropriate recommendation to the competent authority.

5. COMPETENT AUTHORITY FOR APPROVALS

- i. The competent authority for the faculty members shall be the Vice-Chancellor, GITAM Deemed to be University;
- ii. Notwithstanding anything contrary contained in any other rule, order or notification but subject to the provisions of this scheme, the competent authority shall permit faculty members/scientific officers to have an equity stake in scientific enterprise;
- iii. The approval shall specifically state the exemption of that particular faculty members/scientific officers from relevant CCS conduct rules to enable the faculty member/ scientific office permitted by the competent authority to avail of the provision. In case the institutions follow its own conduct rules, the approval specifically shall state that the exemption from relevant rules is granted for enabling the scientist to avail the provision.

- iv. The approval must also specifically mention Guidelines to avoid a possible conflict of interest (as indicated in section 5 of Annexure I) in the form of do's and don'ts.

6. RESPONSIBILITIES

6.1. Faculty member/Scientific officer

- i. Shall primarily be responsible for the organization he/she is serving and shall be bound by any instruction, general or specific, that the University may issue from time-to-time;
- ii. Shall bring potential conflict of interest issues to the knowledge of the University (as per Annexure I, section 5) and be guided by the instructions that the competent authority issue from time-to-time;
- iii. University may issue Guidelines from time-to-time for avoidance of conflict of interest, if necessary;
- iv. Shall not directly or indirectly associate himself/herself with any process, notwithstanding the permission granted
 - a. To license knowledge base to the Entity;
 - b. For the purchase or hiring of goods and services from the Entity; and
 - c. To the evaluation of goods or services that compete with the goods or services of the Entity;
- v. May provide professional advice to the Entity, upon request from the Entity, on such terms and conditions as the University may prescribe;
- vi. If desires to be associated with the Entity as non-executive Director, he/she would need to seek the approval specifically from the University (vide section 4 & 6 of the proforma);
- vii. If desires to be associated with the Entity full time and guide the activities in the initial phase, he / she has to take lien from the University. Such lien can be taken for a maximum period of 3 years and in accordance with the extant rules of the University;
- viii. Shall, in the event of Entity's merger with another unit or acquiring another unit or coming out with an Initial Public Offering (IPO) or disinvesting his/her share in the entity, inform the University in advance.

6.2. Entity

- i. Should not be construed as an agent or representative or part or organ of the University. The Entity is solely responsible for all the activities undertaken by the Entity or for any liabilities that may arise from the activities of the Entity;
- ii. Can utilize the resources of the University (the term 'resources' shall be construed widely and include, laboratories, equipment, personnel and space of the University) with prior approval in writing and on such terms and conditions as the University may prescribe;
- iii. Shall, subject to the existing rights or licenses, have the option to license knowledgebase from the University by paying royalty (upfront or staggered with

milestones or a combination of both), in accordance with the extant policies, rules and regulations of the University;

- iv. Shall continue to be liable to the University for payment of royalty even if the faculty member/scientific officer concerned disinvests his/her stake in the Entity;
- v. Can source the knowledgebase from anywhere for the faculty member/scientific officer to take equity stake; the knowledgebase need not be from the same University.

6.3. Scientific Establishment (University)

- i. Notwithstanding anything contrary contained in any other rule, order or notification but subject to the provisions of this scheme, shall permit a faculty member / scientific officer to have an equity stake in the entity;
- ii. Shall license knowledgebase to the Entity on terms that are no worse than the terms on which the University would have licensed the knowledgebase to another person on arm's length basis;
- iii. In its discretion may take equity stake in the Entity in lieu of royalty;
- iv. If decides to disinvest the equity, it will be first offered to the promoters of the Entity;
- v. Shall reserve the right to take an independent decision, as it deems appropriate, in the event of the Entity merging with another Entity or acquiring another Entity;
- vi. Can offer its equity to be placed under the IPO, in the event the Entity decides to go public with an IPO offer.

7. MODIFICATION TO THE RULES

Modifications to these guidelines can be affected by the University with the approval of its competent authority.



Director
Research & Development Cell
GITAM Deemed to be University
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APPENDIX I

Application for seeking approval of the University for investing in the equity stake of a Scientific Enterprise / Spin Off

1. Details of the Faculty Member/Scientific officer:

- i. Name:
- ii. Designation:
- iii. Department/division/school in which he or she currently working
- iv. Address for communication including Telephone, mobile, fax and email (office)

- v. Residential address including Telephone, mobile, fax and email

2. Details of the Entity:

- i. Registered name of the Entity:
- ii. Registration number and other details:
- iii. Registered Address of the Entity with telephone, mobile, fax and email

- iv. If the entity operating from another location other than the registered office please give details of the location and complete address including telephone, fax, mobile and email:

- v. Profile of the Entity including broad outline of the activities:

- vi. Business Plan of the Entity (enclose a copy):

- vii. Give brief details of Knowledge base and where it is acquired (enclose a proof of acquisition):

- viii. Give details of the promoters including address with telephone, mobile, fax and email, brief background and their personal equity stake in the Entity:

- ix. Give details of the Board of Directors including address with telephone, mobile, fax and email, brief background and their personal equity stake, if any, in the Entity:

- x. Give details of the present functioning of the Entity including the name and contact details of the chief operating officer / Managing Director etc. In the event the Entity is yet to be established, give proposed functioning of the Entity and the role of the faculty member / scientific officer who is seeking to take an equity stake in the Entity:

3. Details of Equity stake proposed to be acquired by the Scientist:

- i. Face Value of each Equity:
- ii. Number of Equity shares to be acquired:
- iii. Total value of the stake in Rs.:
- iv. How is it proposed to be financed:
- v. In case the acquisition is in a phased manner, please indicate the phases and approximate number of shares in each phase
- vi. Do the Faculty member /Scientific officer and their family members (wife or husband and dependent children and other dependents only) hold or propose to hold equity shares in the same Entity, please give details:

4. Other permissible provisions:

- i. Does the Faculty member / Scientific officer intend to take lien? Yes/No
- ii. If yes, state the period and date from which the faculty member / scientific officer intends to take the lien:
- iii. Does the Faculty member / scientific officer wish to be associated with the Entity as non-executive director on the BoD?
- iv. If yes, specify the role of the faculty member/ Scientific officer as Director on BoD
- v. Does the Faculty member/ scientific officer propose to offer consultancy to the Entity? Yes/No
- vi. If yes, give the approximate consultancy man days per year:
 - a. (In the event of the University permitting the Faculty member/ scientific officer to offer consultancy to Entity, a separate agreement will have to be entered between the concerned for the consultancy assignment as per the University norms)

5. Conflict of Interest Disclosure:

The conflict of interest arises due to the dual responsibility of a faculty member / scientific officer, who invests in an Entity, has to take on one hand as faculty / scientific officer of the University and on the other as an investor in the Entity. Every faculty member/Scientific officer who seeks approval to invest in a Scientific Enterprise shall have to identify such issues which are likely to become conflict of interest and project these up front for the Management of the University to assess and suggest possible remedial measures to be followed by the Scientist.

- i. Please state the possible / anticipated conflicts of interest:

While the approval in force, if any other conflict of interests is envisaged these may also be brought to the notice of the appropriate authority of the University.

(Please see the indicative list of possible conflict of interest given in the enclosure.)

6. Approvals are being sought for

to take Equity stake in the Entity - number of equity shares _____ (% of the equity authorized share capital)

to take loan for a period of _____ years beginning (dd/mm/yyyy)

to associate with the Entity as non-executive Director

to provide professional consultancy to the Entity

7. Undertaking

I resolve to undertake that:

my primary responsibility is towards the University, and I shall abide by the instructions of the University from time to time;

I am personally responsible for the Activities of the Entity and the liabilities arising out of it;

I shall not involve the University name, without its express permission, in the matters pertaining to the Entity;

notwithstanding any permission granted to me, I shall not directly or indirectly associate myself:

- i. with any process to license knowledge base to the Scientific Enterprise
- ii. with any process for the purchase or hiring of any goods and services from the Scientific Enterprise; and
- iii. with the evaluation of any goods or services that compete with the goods or services of the Scientific Enterprise.

Signature _____

Name of the Faculty / Scientific Officer _____

Witnesses (signature with complete address):

1. _____

Address: _____

2. _____

Address: _____

ENCLOSURE

Potential “Conflict of Interest” (Col) Issues that may arise under Faculty Entrepreneurship Scheme (FES)

1. Preamble

While permitting the faculty member and scientific officer to have an equity stake in scientific enterprises / spin offs while in professional employment with the University (hereinafter referred to as Scientific Establishment), conflict of interest may arise at any stage and these need to be adequately addressed. It is to be recognised that FES is most likely to be operative in the domain of Faculty member and Scientific Officer’s knowledge base and therefore entrepreneurial activity must be balanced by careful review of the proposed relationships. It is necessary to avoid either perceived or actual conflict of interest issues with respect to FES scheme implementation. Both University and Faculty member/Scientific officer have to be responsibly optimise and mitigate Conflict of Interest.

2. People covered under Col Guidelines

In the present context, the following people are covered under Col:

- Faculty member /Scientific officer & their family (if any) holding equity in scientific enterprise, start-up or spin-off;
- Regular employees engaged in decision making; and
- Emeritus faculty and others as notified by the university from time to time.

3. Nature/Type of Col that may arise when creating Start-Up/Spin-Offs

The potential Conflict of interest may arise due to any of the following actions:

- i. Diverting lab or project funds and / or staff or research students to the entity;
- ii. Spending significant time in the entity during the official working hours;
- iii. Unauthorized use of laboratory resources / space for the activities of the entity;
- iv. Use of laboratory facilities outside the terms of the agreement between the university and the entity;
- v. Pursuing activities related to the entity in the laboratory which is likely to benefit the entity commercially;
- vi. Participating or lobbying for IP/technology licensing or for any other matter (allocation of space, use of facilities etc.) with university on behalf of start-up/spin-off/scientific enterprise or vice-a-versa;
- vii. Negotiate with the entity on behalf of the university;
- viii. Use of university official e-mail addresses, seal, logos, letterhead, telephone and other communication facilities to correspond on behalf of the entity;
- ix. Participating in the process for Purchase of any goods or service from the entity;
- x. Transmission to the entity any unauthorized information, records, results, materials, or work product, etc., which have been acquired through research at university or through studies conducted on behalf of private and public bodies by university for the private gain of the staff member;

- x. Consultancy to the entity that imposes obligations that conflict with university's IP Policy or with university's obligations to other research sponsors; and
- xii. Taking administrative action or any decision within the university which is beneficial to a business in which he/she has a financial interest.

The above actions that may lead to Conflict of Interest must be avoided.

4. Guidelines for Managing, Resolving & Mitigating Col

The approval given by the University to the faculty member or scientific officer must specifically mention instructions to avoid anticipated conflict of interest as specified in these guidelines.

Following procedures and guidelines are to be followed for managing, resolving & mitigating Col:

- i. The concerned Faculty member / scientific officer shall make a full disclosure on his/her/family's equity holding in any entity and bring potential conflict of interest issues (as defined above) to the knowledge of the Scientific Establishment (including the information on Shareholders and Shareholding pattern of the entity as per the proforma given at **Appendix 1**). The general advice is to make a disclosure when in doubt. He/she will be guided by the recommendations of the Standing Committee or any other instructions that the Scientific Establishment (University) may issue from time to time. The concerned Faculty member / scientific officer must also update disclosure on his/her and family's equity holding in the entity once a year and whenever there is a change in the status of information;
- ii. Each laboratory / institute shall set up a Standing Committee for the review of each Col disclosure and suggest measures to avoid, manage or mitigate the Col. The Standing Committee will be guided by the present guidelines. The Standing committee must be headed by at least a senior professor / Dean of a school / Pro VC and must have four more members viz. two senior professors, one external expert nominated by VC and Scientist-in-charge, TIE-U. The chairperson and members of the Standing Committee must not have any equity holding in that entity. Standing Committee recommendations shall ensure that laboratory / institute interests are not compromised while at the same time, it does not hinder the objectives of the scheme and functioning of the entity;
- iii. The entity can utilize the resources of the Scientific Establishment (the term 'resources' shall be construed widely and include, without limitation, laboratories, equipment, personnel and space of the Scientific Establishment) only with prior approval in writing and on such terms and conditions that the Scientific Establishment may prescribe. Towards this, the laboratory / institution shall enter specific agreements with the Entity with clearly defined terms of payment;
- iv. The concerned Faculty member / scientific officer shall primarily be responsible for the Scientific Establishment he/she is serving and shall be bound by any instructions, general or specific, that the Scientific Establishment may issue from time to time;

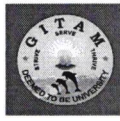
- v. The concerned Faculty member/ Scientific officer shall not directly or indirectly associate himself / herself with any process, notwithstanding the permission granted:
 - to license knowledge base to the Entity;
 - for the purchase or hiring of goods and services from the Entity; and
 - to the evaluation of goods or services that compete with the goods or services of the Entity;
- vi. Disclose the relationship of his/her proposed lab activity to the entity and how the employee will ensure separation of his/her organisational role from the employee's role or interests in the entity. Further, the Faculty member / scientific officer concerned should provide a list of projects being pursued and Intellectual Property (patents, trademarks, copyrights, etc.) filed by the Entity, to the University at the beginning of every calendar year;
- vii. Must not claim ownership of an invention on behalf of entity which resulted from their activities in the university;
- viii. No Faculty member / Scientific officer should be permitted to invest in more than two entities;
- ix. The university may prescribe upper limits of time involvement in the entity. However, such involvement could be few hours a day and cumulatively it should not exceed one working day per week. Beyond these limits, if the concerned Faculty member / scientific officer wishes to provide professional advice to the entity, he/she must seek the approval of the competent authority or may explore alternate options such as taking lien;
- x. The concerned Faculty member / scientific officer, if he/she desires to be associated with the entity as non-Executive Director, he/she would need to seek the approval specifically from the Competent Authority;
- xi. The concerned Faculty member / scientific officer, if he/she desires to be associated with the entity full time and guide the activities in the initial phase, he / she must take lien from the university. Such lien can be taken for a maximum period of 3 years and governed by the pertinent rule;
- xii. The concerned Faculty member / scientific officer shall, in the event of the entities merger with another unit or acquiring another unit or coming out with an Initial Public Offering (IPO) or disinvesting his share in the entity, inform the Scientific Establishment in advance. Similarly, the Scientific Enterprise should also inform about the potential dilutions planned/actualized and the entities/individuals involved in such an activity;
- xiii. Wherever, potential conflict exists, written consent must be obtained from the competent authority before any commitment is made.

5. Competent Authority

Vice-Chancellor of the University is the competent authority in all the matters pertaining to Col. In all the matters of COI, Vice-Chancellor's decision is final and binding.



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F. No. GDU/CAO/R/241/66th BoM/Budget/2022

28.11.2022

OFFICE ORDER

The Board of Management at its 66th meeting held on 11.11.2022, approved the Faculty Enterprise Scheme for implementation at GITAM. The Director, Research & Development is requested to take necessary action to implement the decisions of the Board accordingly.

Encl: Faculty Enterprise Scheme


Registrar

To:
Director, Research & Development

Copy to:
All ProVCs / Deans / HoIs / HoDs / Directors / Senior Director Research & Innovation /
Senior Director Faculty Development / Director Academic Operations

PS to President / PS to Vice-President / PS to Vice-Chancellor