



RUTGERS POLICY

Section: 60.5.9

Section Title: HR/Faculty

Policy Name: Faculty or Staff Involvement with Commercial Enterprise – Contracts with the University

Formerly Book: 3.3.11

Approval Authority: Board of Governors

Responsible Executive: Executive Vice President for Academic Affairs and Senior Vice President for Administration and Chief Financial Officer

Responsible Office: Office of Academic Affairs and Office of Administration and Finance

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Revisions: 8/3/06 (Updated titles) This policy is in the process of review; the existing policy is below. For assistance, please contact the Office of Administration and Finance at oevpada@oldqueens.rutgers.edu or 732/932-5661.

FACULTY OR STAFF INVOLVEMENT WITH COMMERCIAL ENTERPRISE - CONTRACTS WITH THE UNIVERSITY

A. Introduction.

There are times when a faculty or staff member's involvement with commercial enterprise may exceed the usual relationships developed as part of normal duties, in professional affiliations or in a consulting role, and thus may not be covered by other provisions of University ethics regulations or policies, or by the University's patent and copyright policies. The propensity for such involvement has increased as the potential to develop commercial enterprises to market University research-based technology has increased. The University recognizes that such involvement can be and has been of significant benefit to the University, the faculty or staff member, the commercial entity, the general public, and the economy of the State of New Jersey and encourages worthwhile technology transfer.

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Involvement with commercial enterprise also offers the potential for conflicts of interest and time, for inhibition of free exchange of information, and for interference with the faculty or staff member's primary allegiance to the University and its mission. This potential is most likely to exist when a proposed agreement closely relates to the faculty or staff member's area of academic work.

An essential part of the University's commitment to encouraging worthwhile technology transfer is protection of the University's integrity and its primary goals of education and open inquiry. Toward this end, this Section of the University's Code of Ethics prescribes a disclosure and approval process for faculty or staff involvement with commercial enterprise wherein the faculty or staff member or a member of the faculty or staff member's family holds a financial interest of greater than 1% in any organization, firm, corporation or partnership which wishes to enter into a contract or agreement with the University. The policy recognizes the need for flexibility and the difficulty of anticipating all situations which may arise by leaving discretion to the University to interpret the policy and weigh the potential risks of conflict of interest against the potential benefits to the University.

B. Review Procedure.

1. Applicability. In order for the University to have an opportunity to evaluate carefully the benefits and burdens of a faculty or staff member's equity interest in a commercial enterprise which seeks to enter into an agreement with the University, all faculty members must request prior approval in writing from their Department Chair (or Director or unit head) when such an agreement is contemplated. Staff must request prior approval from their unit head. (The applicable procedure is more fully set forth in paragraph B.4.) Contracts or agreements for which approval must be sought include:
 - a. Ownership of substantial equity (greater than 1%) in a commercial enterprise that carries on business activities with the University; and
 - b. Ownership of substantial equity (greater than 1%) in a commercial enterprise by a member of a faculty or staff member's immediate family, that wishes to carry on business activities with the University.
2. Disclosure and Information Requirement. Faculty or staff requests for approval of such contracts or agreements shall disclose fully to the Department Chair (or Director or unit head) the following aspects of the affiliation:
 - a. Nature of the relationship;
 - b. Short and long-term commitment of time and effort;
 - c. Financial aspects, including the extent of compensation, equity, and indirect and/or potential economic value;

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- d. Expected benefit to the commercial enterprise;
 - e. Expected benefits to the faculty or staff member, the University, the public and the State of New Jersey;
 - f. The names of all other individuals who have an interest in the commercial enterprise.
3. Factors and Considerations. Consideration should be given to the following major issues when evaluating such requests from faculty or staff members:
- a. There should be prospective benefits to the faculty or staff member and the University;
 - b. The relationship should not interfere with the faculty or staff member's primary obligation to his or her University appointment, nor should it undermine the academic integrity of the University;
 - c. There must be no foreseeable inappropriate reorientation of academic programs or student direction. Special attention must be given to protecting the intellectual property of students and in protecting students from performing work under any such contract or agreement which is out of proportion to the benefits received by the student for their performance of the work;
 - d. There should be free access to the results of all research conducted at the University, subject only to reasonable restrictions related to protection of intellectual property;
 - e. Except under extraordinary circumstances, holding of a line management position or participation in day-to-day operations within a commercial enterprise with which the University does or will do business should not be approved;
 - f. Alternative arrangements, in which a conflict of interest does not exist, should be explored;
 - g. Such contracts or agreements shall not be negotiated by the subject faculty member on behalf of the commercial enterprise.
4. Approval Procedure. Faculty shall submit a request for approval, accompanied by the required disclosures and information, to their Department Chair (or Director or unit head). In the event that the Chair finds the disclosure inadequate to evaluate the request, the Chair shall request further information. The information disclosed by the faculty member and a record of recommendation of the Department Chair on the faculty member's request shall be submitted to the Dean, ordinarily within thirty working days of receipt of the request for approval.

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In considering requests for approval of these contracts or agreements, the Chair or Dean may consult representative faculty within the department to ensure that the request is consistent with departmental goals. The Dean shall forward his/her recommendation to the Vice President for Research for final decision. In Camden and Newark, the Dean shall also forward his/her recommendation to the Campus Provost who shall advise the Vice President for Research. The Vice President for Research may seek the advice of legal counsel, the Research Advisory Board, or an advisory committee which may be formed for such purposes, and/or the Executive Commission on Ethical Standards as warranted. The Vice President for Research shall ordinarily render a decision within six months of receipt of the request for approval of the proposed contract or agreement. In the event a proposed contract or agreement is disapproved, an appeal may be made to the Executive Vice President for Academic Affairs. Staff shall submit a request for approval to their unit head, who shall forward their recommendation through their superiors, ultimately to the Vice President for Research.

C. Usual Exemptions.

1. The following activities are generally exempt from the provisions of this Section unless they represent a potential conflict of interest, time, or allegiance with the faculty or staff member's University position. Such activities, however, remain subject to other applicable provisions of the New Jersey Conflicts of Interest Law, N.J.S.A. 52:13D-12 *et seq.*, and the University's ethics regulations and policies:
 - a. Minor stock holdings (no more than 1%);
 - b. Uncompensated service on boards of directors. The Department Chair (or Director or unit head) may also exempt compensated service on company boards if he or she finds that it does not conflict with the faculty or staff member's University position. In the event that the Department chair finds there to be a substantial conflict issue, the Chair shall submit the matter to the full review procedure set forth in Section B.4.; and
 - c. Ownership of or equity in a corporation used solely for the faculty member's consulting activities.
2. Faculty members on leave without pay or during unpaid summer months continue to represent Rutgers University in the eyes of the public. The provisions of the University's ethics regulations and policies are applicable during these periods. During these times, therefore, faculty members are still required to request approval for any contracts or agreements covered by this policy.

- D. Reports to University Board of Governors. All contracts and agreements approved under this procedure shall be periodically reported to the University's Board of Governors following such approval.

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E. Annual Review.

- a. Each faculty or staff member who has received approval for any arrangement under this Section of the Code of Ethics during the preceding calendar year shall submit a summary of activities undertaken to his/her department chairperson by January 15th of the year next following such approval, and annually thereafter, with a copy to the Dean and in New Brunswick/Piscataway to the Executive Vice President for Academic Affairs, and to the campus provost in Camden and Newark. Department Chairs should closely monitor on-going relationships to ensure the minimizing of detrimental conflicts.
- b. Following receipt of Department Chairs' reports, the Deans shall review the arrangements of faculty members in their schools approved under this Section and prepare a report for the Executive Vice President for Academic Affairs in New Brunswick/Piscataway and for the Camden and Newark provosts respectively for faculty on those campuses. The report shall be submitted to the University's Board of Governors.
- c. The annual summary of faculty and staff involvements with commercial enterprise under this Section shall be made available by the University's Board of Governors to the Executive Commission on Ethical Standards, and to the Legislature as required by the law.

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