

UCF Guide to Navigating Potential Conflicts of Interest in Employee Startups

An employee startup is a business launched by professors or researchers to turn their academic ideas and discoveries into real-world products or services. Employee startups play a crucial role in bridging academia and industry, driving economic development and enriching the overall educational and research landscape of the university.

While employee startups bring numerous benefits to universities, they also pose potential challenges and conflicts that need to be carefully managed. The University of Central Florida is committed to avoiding either perceived or actual conflicts of interest with respect to employee startups.

Employees must disclose new outside activities or financial interests, including the formation of a startup, in advance of committing to the new activity or interest. The disclosure must be made through the online Potential Outside Activity, Employment, and Conflict of Interest and Commitment Disclosure Report (Form AA-21). The online disclosure form will be routed through the review process which includes the employee's supervisor, the Office of Research and University Compliance. The Office of Research will escalate disclosures containing actual or potential conflicts of interest related to sponsored research to the Research Conflict of Interest Committee for review. The Research Conflict of Interest Committee will determine if a monitoring plan or other action is necessary.

The following sections discuss some of the key challenges and conflicts related to employee startups, along with strategies to address and mitigate them.

Clearly Distinguishing an Employee's University Role from their Startup Role

In order to maintain transparency, uphold ethical standards, and mitigate potential conflicts of interest, it is essential to clearly distinguish and separate the role of the employee at UCF from their role at the startup.

Faculty and researchers often play a key role in providing the initial technical vision to guide the company's product development efforts. They actively contribute to various aspects of building the business, including:

- the formation of the business
- development of the business plan
- recruitment of management team
- hiring scientific staff
- establishing the company's facilities
- pursuit of strategic partnerships
- presentations to potential investors
- preparation of funding proposals
- guiding and advising on technology and product development

Below is an example of how the roles of an employee are typically distinguished between UCF and the startup. The roles at each entity must be different and distinct. Overlap of duties creates confusion about whether the employee is acting on behalf of UCF or the startup company.

Employee's University Role	Employee's Company Role
Teaching / Advising	Business Management / Strategy
Research – in a specific field/discipline	Fundraising / Seeking partners
Governance	Product Development – likely related to a specific technology.
Service	Scientific Advisory Board / Technical Advising on product or licensed IP
*Does not involve commercial development or sale of product (outside scope of UCF mission)	
*Does not involve commercial business management / strategy or fundraising	*Does not involve conducting research at the company. (Note: Company can subcontract research to UCF lab, if needed).

It is important to note that University employees cannot conduct research activities on behalf of both the startup and the University. This includes Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) projects.

The need for clear distinction extends to the entities themselves. An employee startup is a separate entity from UCF. Neither the startup nor the employee in their activities with the startup are authorized to use the name of the University in connection with its activities without the express written permission of University officials in advance of each instance of use.

The distinction between the University and the startup roles should be clearly delineated in the AA-21 form and Monitoring Plan, if applicable.

Avoiding Conflict of Commitment

Starting and running a company demands a significant amount of time and energy. Employees may find it challenging to balance their responsibilities as educators and researchers with the demands of entrepreneurship, potentially affecting their teaching and research commitments.

A UCF employee's primary professional responsibility is to the University of Central Florida. A Monitoring Plan will be established for employees with a perceived or actual conflict of interest. The following items must be addressed in the Monitoring Plan:

- Separate and clearly distinguish on-going University roles from work being conducted at the company.
- The employee should clearly communicate expectations regarding time commitments to the startup with their immediate supervisor. The anticipated time commitment should be noted on the Monitoring Plan.

- Develop a detailed plan outlining how the employee will allocate their time between the startup and their UCF duties. This plan should be realistic, specific, and included in the Monitoring Plan.
- Regular reviews of the time allocation plan should take place between the employee and their immediate supervisor. The annual update to the Monitoring Plan is an opportune time to reassess and adjust the schedule as needed.
- No startup related work may be conducted while the employee is performing university assigned duties.

Ensuring Proper Use of UCF Resources

UCF provides resources, such as laboratory space, equipment, and administrative support, to faculty and researchers for their university research. Conflicts may arise if these resources are diverted or perceived as being disproportionately used for the benefit of the startup rather than the broader academic community.

University equipment, facilities, services, and personnel are available for the use and benefit of the University. Therefore, if an employee would like to use any UCF facilities, equipment, services, or personnel in their capacity with the startup, the employee must submit the request in advance through the online Potential Outside Activity, Employment, and Conflict of Interest and Commitment Disclosure Report (Form AA-21) and obtain prior approval. UCF Policy 4-215, Use of Research Space by Third-Parties and UCF Employees for non-UCF Purposes, details the required approvals and procedures for periodic use or access to UCF research space.

In addition, with the exception of Phase I SBIR/STTR projects, the startup must have evidence of functioning space in which research and/or development activities can and will take place under any sponsored research agreement between the University and the startup. UCF should not be the research or development arm of a startup.

Avoiding Intellectual Property Conflicts

Conflicts related to intellectual property (IP) can arise in the context of employee startups, particularly when the venture involves the commercialization of research conducted within the university setting. The following steps address this conflict:

- The employee must promptly fulfill all requirements of UCF's Intellectual Property Regulations 2.029 and 2.033 (<https://regulations.ucf.edu/chapter2.asp>), and the Collective Bargaining Agreement (<https://collectivebargaining.ucf.edu/completecba.asp>), as applicable, in effect at the time IP is developed, including all reporting requirements. The employee is required to disclose all intellectual property owned by the University and all intellectual property resulting from the outside activity with the startup.
- The startup or representatives of the startup may not use University IP commercially, in any research project outside the University, in technology evaluation, in company fundraising, or in any marketing materials (including websites) unless rights to University intellectual property were granted by UCF to the startup via a written agreement.

- Neither the employee nor the startup may interfere or compete with the University's efforts to license to third parties University owned IP, which has not already been licensed to the Entity. The employee may not interfere with the University's licensing efforts by insisting that the University preferentially license intellectual property to their startup.
- The employee cannot take any action, which would in any way limit the University's rights to intellectual property developed by the employee or any other University employee or student. This includes:
 - Making public disclosure of an Invention prior to University obtaining applicable intellectual property protection
 - Refusing or failing to execute any and all necessary documents to affirm, publicly formalize and record the transfer of all rights to the University.

Ensuring Objectivity of Research

If an employee has a financial stake in the success of their startup and their UCF research is related to the startup technology, there may be a temptation to shape their UCF research findings in a way that favors their startup. This bias can compromise the objectivity and impartiality of their research, leading to results influenced by the researcher's personal financial interests rather than solely driven by academic or scientific considerations. Researchers may be tempted to highlight findings that could benefit their startup, downplay unfavorable results, or selectively present data to create a more positive narrative for their startup.

Likewise, researchers involved in startups may be inclined to choose UCF research topics that align with the interests and needs of their startup. While it is natural for researchers to pursue topics of personal interest, this bias can lead to a prioritization of research projects that have a direct financial impact on the employee's startup, potentially neglecting other important areas of study.

The primary method of addressing this potential conflict is disclosure. UCF's standard Monitoring Plan for employee startups includes the following disclosure requirements:

- Appropriate disclosure of the employee's interest in, or relationship to the startup, will be made in all reporting of work or research which is funded by the startup AND in all work or research which may (favorably or unfavorably) affect the financial value of the startup or the financial interests the employee derives from the startup.
- Author affiliation on publications and presentations should indicate both the university and startup if the University research involves direct sponsorship or collaboration with the startup.
- The employee will disclose their interest in the startup to the personnel and students working in their lab/program.

Avoiding Conflicts Involving UCF Students and Subordinate Employees at the Startup

Several potential conflicts of interest arise when an employee's startup company employs or involves students or other subordinate employees in the startup, as noted below.

- The faculty member or researcher may unintentionally give more attention, resources, or opportunities to students or subordinate employees who are also involved in their startup. This can create a perception of favoritism and unequal treatment among their peers.
- There may be a risk of biased grading if students involved in the startup are enrolled in courses taught by the faculty member or researcher. This could undermine the academic integrity of the educational environment.
- There is a risk that students or subordinate employees, particularly those in vulnerable positions, may feel obligated to work for the employee's startup without adequate compensation or recognition.
- If the faculty member is also the student's advisor, there may be a power imbalance. The student may feel pressured to participate in the startup or may be hesitant to voice concerns.

For these reasons, UCF prohibits employees with startup companies from employing any students or University employees, even on a part-time or voluntary basis, who are directly or indirectly supervised by the employee.

Avoiding Mentor/Mentee Relationship Conflicts

Mentoring trainees, post docs and junior faculty is a critical aspect of academia that contributes significantly to the professional and personal development of individuals within the academic community. Mentoring involves providing guidance, support, and resources to help mentees navigate their academic and professional journey.

The mentor-mentee relationship involves power dynamics and influence that can be magnified when combined with a financial conflict of interest. If the mentor is influenced by the best interest of their startup company, their guidance and actions may not align with the best interests of their mentee. For example:

- The mentee may feel pressured to contribute to their mentor's startup venture.
- The mentee may feel pressured to participate in research projects that financially benefit their mentor or that align with the interests of their mentor's startup company. The mentee may abandon their own research and career interests.
- The commercial interests of the startup may make it difficult for the trainee to publish research results, use results in a thesis or dissertation or continue aspects of the research outside of the startup.

Mentees are permitted to work on UCF research projects that are funded by the startup, or which may be related to the startup. However, the following steps should be taken to address the potential conflicts:

- The employee will ensure that mentees are allowed to present, defend, or publish theses and dissertation that are based on research funded by or related to the startup.
- The College Dean/Research Unit Director (or his/her designee) is responsible for delivering a disclosure statement to all personnel and students working in the employee's laboratory/program. A disclosure statement template is provided in the standard Monitoring Plan.
- The disclosure statement will identify an ombudsperson who may be contacted by the mentee if they have any concerns regarding the potential conflict of interest.
- The Research Conflict of Interest Committee may recommend the appointment of a co-chair to the thesis/dissertation committee of students advised by the employee who are also working on UCF research funded by the employee's startup.
- Modifying reporting lines or research programs, if needed.

Ensuring Compliance with Human Subjects Research Regulations

When research involves human subjects, it is especially vital that all potential financial conflicts of interest are disclosed and managed. Federal regulations require that risks to participants be minimized, selection of participants be equitable, informed consent be obtained and the possibility of coercion or undue influence over the participant be minimized. To meet these requirements and to uphold the integrity of the research, employees with startup companies must disclose the potential conflict to the Institutional Review Board (IRB).

Therefore, if the employee is conducting research involving human subjects and the outcome of that research may favorably or unfavorably affect any financial interests the employee derives from the startup, the employee shall disclose their interest in, or relationship to, the startup to the Institutional Review Board (IRB) and follow any requirements or limitations placed on employee or the research by the IRB. In addition, employee will disclose their interest in, or relationship to, the startup in the IRB-approved informed consent to be provided to each human subject involved in the research.

Avoiding Sharing Confidential Information with the Startup

There's a potential conflict of interest if the faculty member or researcher is using their UCF position and access to privileged information for personal gain through the startup. If this information provides a competitive advantage to the startup, it may be perceived as unfair to other competitors.

To avoid this potential conflict, the employee must not disclose or provide any University information or work products, including research results, not available to the general public to the startup except under the terms of an appropriate written agreement between UCF and the startup.

Avoiding Competition with the University

In many cases, the startup company is performing in the same scientific field as the employee. The startup may be pursuing their own research and development funding and there is the possibility that the startup company and University may compete for the same funding. However, the employee's primary professional responsibility is to the University of Central Florida.

As such, the employee cannot conduct or propose to conduct research through the startup that may otherwise have been conducted through the employee's university assignment. As previously noted, the employee must clearly distinguish their UCF role from their startup role. This means that the employee should not be conducting research at the startup that would normally be performed in their UCF assignment. Employee shall disclose all potential applications for research contracts and/or grants to the College Dean/Research Director or his/her designee. The startup may apply for such grants and contracts only after the Dean/Director or his/her delegate has determined there is no University interest in pursuing them.

Avoiding Procurement Conflicts

Potential procurement conflicts with an employee startup arise when the University engages in purchasing goods or services that may involve the startup. The potential conflicts include non-competitive bidding, inflated costs, and inadequate separation of duties. The following steps must be taken to address these concerns:

- UCF's policies and procedures for procurement must be followed. This includes the requirement for competitive bidding or sole source justification, based on the dollar value. Adherence to these policies and procedures must be recorded through adequate documentation.
- The employee should not be procuring materials, supplies, equipment, or services from their startup unless it is specifically approved in their Monitoring Plan.
- The conflicted employee should not be directly responsible for making procurement decisions related to the startup. Another non-conflicted employee should be designated to initiate the procurement, conduct a cost analysis, negotiate terms, review, and approve invoices. Assigning these responsibilities to an individual who is supervised by, reports to or is otherwise subordinate to the conflicted individual does not ensure independence. Subordinates may still feel pressure to produce results favorable to their supervisor's interests.

Avoiding Contractual Conflicts

Employees are not permitted to participate in any research agreement or licensing/option agreement negotiations between the startup and the University except to provide information concerning Employee's activities at the University in connection with proposed agreements.

The startup must identify a non-University employee to handle negotiations.

Ensuring Adherence to the State of Florida Code of Ethics

The Code of Ethics for Public Officers and Employees located in Chapter 112, Part III (ss 112.311-326) of the Florida Statutes requires that no university employee shall in his or her official capacity directly or indirectly purchase, rent, or lease any realty, goods or services from any business Entity of which the employee, his or her spouse, or child or any combination of them has a material interest and/or serves as an officer, partner, director or proprietor. Nor shall the employee acting in a private capacity rent, lease, or sell any realty, goods, or services to the university. Additionally, a university employee shall not hold any employment or contractual relationship with a business Entity that is doing business with the university or that will create a continuing or frequently recurring conflict between his or her private interests and the performance of his or her employment duties. Exemptions to state statute 112.313 are available when the transaction or activity relates to sponsored research or technology transfer and only after approval is granted by the University President and the Chair of the University Board of Trustees.

There must be an approved Exemption & Monitoring Plan on file before the startup can enter into any sponsored research or licensing agreements with UCF. All Exemptions & Monitoring Plans must be reviewed/approved by the Research Conflict of Interest Committee. This process can take between 1-3 months.

Management of Conflicts

Most of the conflicts noted above with employee startups can be managed by a combination of disclosure, separation of duties and oversight/monitoring. Following is a summary of key management strategies:

Disclosure

1. The Employee must disclose the startup on their annual Potential Outside Activity, Employment, and Conflict of Interest and Commitment Disclosure form (AA-21).
2. A Disclosure Statement must be provided to the personnel and students working in the Employee's laboratory or program.
3. Disclosure to the scientific community and general public must be provided in any presentations or publications of research related to the startup.
4. Disclosure to the IRB and study subjects where human subjects research occurs that may favorably or unfavorably affect any financial interests the Employee derives from the startup.
5. The Employee must promptly fulfill all reporting requirements of intellectual property owned by the University.
6. The startup must provide for review by the Research Conflict of Interest Committee a copy of the STTR/SBIR proposal submitted to the federal agency. This will allow the committee to ascertain any potential conflicts regarding the Employee's role on the project and any proposed use of University resources.

Separation of Duties

1. Develop a detailed plan outlining how the Employee will allocate their time between the startup and UCF duties. The plan should be shared with their immediate supervisor and regularly reviewed and adjusted.
2. The startup company must have evidence of a separate functioning space in which research/development activities will be conducted.
3. Separate and clearly distinguish ongoing University roles from work being conducted at the company.
4. The Employee cannot conduct research activities on behalf of both the startup and the university. This includes SBIR/STTR projects.
5. Proposed research projects that will be conducted jointly by the startup and the university (i.e. STTR/SBIR projects) must include detailed statements of work and budgets that clearly delineate the activities and deliverables of each party. The activities and deliverables must be clearly distinct and different.
6. Neither the startup nor the Employee in their activities with the startup are authorized to use the name of the University in connection with its activities.
7. Employees with startups companies are prohibited from employing any students or University employees, even on a part-time or voluntary basis, who are directly or indirectly supervised by the employee.

8. The conflicted Employee should not be directly responsible for making procurement decisions related to the startup. Another nonconflicted employee should be designated to initiate the procurement, conduct a cost analysis, negotiate terms, review, and approve invoices.
9. Employees with startup companies are not permitted to participate in research agreement or licensing/option agreement negotiations between the startup and University. The startup must identify a non-University employee to handle negotiations.

Oversight / Monitoring

1. Employees must disclose new outside activities or financial interests, including the formation of a startup, in advance of committing to the new activity or interest. The disclosure must be made through the online Potential Outside Activity, Employment, and Conflict of Interest and Commitment Disclosure Report (Form AA-21). The online disclosure form will be routed through the approval process which includes the employee's supervisor, the Office of Research and University Compliance. The Office of Research will escalate disclosures containing actual or potential conflicts of interest related to sponsored research to the Research Conflict of Interest Committee for review. The Research Conflict of Interest Committee will determine if a monitoring plan or other action is necessary.
2. The Employee will submit an Annual Update each year on Form MP-1A. The Research Integrity & Compliance Office will review the annual update along with the employee's research portfolio to ensure the approved management plan is being followed.
3. The Research Conflict of Interest Committee may require appointment of a co-chair to the thesis/dissertation committee of any student advised by the Employee who is also working on UCF research funded by the Employee's startup.
4. The Research Conflict of Interest Committee may assign an independent monitor to ensure the research is being conducted ethically and that the Monitoring Plan is being followed.
5. The College Dean / Research Unit Director (or his/her designee) will review all potential applications for research contracts and/or grants by the startup and determine if the University has an interest in pursuing them first.

Employee Startup Checklist

Employee/Startup Must:

1. Employee must consult with their immediate supervisor as soon as they are ready to get serious about forming a new company. Discussions to clearly distinguish their roles and address potential conflicts of commitment should begin.
2. The Employee must disclose their equity interest in the startup on their AA-21 form (located in the Huron COI system) as soon as the company is legally formed.
3. It is recommended that the Employee reach out to the Technology Transfer Office and Research Integrity & Compliance Office as early as possible.
 - The Technology Transfer Office (svetlana.shtrom@ucf.edu) will be able to advise the employee on potential licensing requirements if UCF IP will be used in the startup.
 - The Research Integrity & Compliance Office (coi@ucf.edu) can advise on how to reduce potential conflicts when forming the company, provide assistance in drafting the Exemption & Monitoring Plan and schedule the case for review by the Research Conflict of Interest Committee.
4. Employee should begin drafting the Exemption & Monitoring Plan.
5. The startup must have evidence of functioning space in which the research and/or development activities can and will take place. This should be noted in the Monitoring Plan.
6. The startup must select a non-UCF employee to negotiate with UCF on the licensing agreement or other sponsored research agreements. This should be noted in the Monitoring Plan.
7. If applicable, the startup must provide a copy of the submitted STTR/SBIR proposal for review by the Research Conflict of Interest Committee. This will allow the committee to ascertain any potential conflicts regarding the employee's role on the project and any proposed use of University resources.
8. Proposed research projects that will be conducted jointly by the startup and the university (i.e. STTR/SBIR projects) must include detailed statements of work and budgets that clearly delineate the activities and deliverables of each party. The activities and deliverables must be clearly distinct and different.
9. The completed Exemption & Monitoring Plan will be scheduled for review by the Research Conflict of Interest Committee (RCOIC). The RCOIC may place additional monitoring requirements on the startup depending on the risk. The Exemption & Monitoring Plan will then be routed to the Provost, President, and Chair of the Board of Trustees for approval. This process may take between 1-3 months, depending on if any questions or clarifying information is requested by the RCOIC or other approvers.
10. There must be an approved Exemption & Monitoring Plan on file **before** the startup can enter into any sponsored research or licensing agreements with UCF.
11. The Employee must follow the terms of their Monitoring Plan and submit an Annual Update on form MP-1A in August of each year.
12. The Employee must follow UCF's policies and procedures for any approved procurement activities between the startup and UCF, including requirements for competitive bidding or sole source justification.

Employee/Startup Must Not:

1. The Employee must not negotiate with the University on behalf of the startup.
2. The Employee must not conduct startup related work while the employee is performing university assigned duties.
3. The Employee must not use University facilities for company purposes.
4. Neither the startup nor the Employee in their activities with the startup are authorized to use the name of the University in connection with its activities.
5. The Employee must not conduct research activities on behalf of both the startup and the university. This includes SBIR/STTR projects.
6. The startup or representatives of the startup must not use University IP commercially, in any research project outside the University, in technology evaluation, in company fundraising, or in any marketing materials (including websites) unless rights to University intellectual property are granted by UCF to the startup via written agreement.
7. Neither the Employee nor the startup may interfere or compete with the University's efforts to license to third parties University owned IP, which has not already been licensed to the startup.
8. The Employee must not interfere with the University's licensing efforts by insisting that the University preferentially license intellectual property to their startup.
9. The Employee must not take any action, which would in any way limit the University's rights to intellectual property developed by the Employee or any other University employee or student.
10. The Employee must not disclose or provide any University information or work products, including research results, not available to the general public to the startup.
11. Employees with startup companies are prohibited from employing any students or University employees, even on a part-time or voluntary basis, who are directly or indirectly supervised by the employee.
12. Conflicted employees must not be directly responsible for making procurement decisions related to the startup company. Another non-conflicted employee should be designated to initiate the procurement, conduct a cost analysis, negotiate terms, review, and approve invoices.

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