

Q: Can I own equity in a start-up that I help to create?

A: As a Penn Faculty member you may own equity in a start-up which licenses or options technology that you developed at Penn. Per Penn Patent Policy, Penn employees and their immediate family members (collectively) must own less than 50% of the equity in the company at the time it negotiates a license from Penn, and thereafter.

Q: Can I vote my shares in the start-up?

A: You may vote your shares.

Q: How do you define "Material Financial Interest"?

A: In this context, the determination of what constitutes a "material financial interest" includes ownership, in the aggregate, of more than (a) 1 percent of any class of the outstanding securities of a firm or corporation, (b) 10 percent interest in a partnership or association, or (c) 5 percent of the total direct and beneficial assets or income of the person. A separate definition of "significant financial interest" is applied for the purposes of disclosing to Penn and for evaluating potential conflicts of interest.

Q: Can I be on the board of the company (or LLC equivalent such as the Member Representative Committee)?

A: In certain circumstances, and with appropriate disclosure and departmental or school approval, you may be on the board of the company as an institutional Penn representative BUT only during the formation stage (i.e. prior to funding, prior to revenue, and prior to a license from Penn) and without being compensated for such service.

Q: Can I have management responsibility for an LLC where I am a member?

A: You may not have management responsibilities.

Q: Can I be an officer of the company holding a titled position or having direct reports?

A: You generally cannot be an officer or employee of a company or have any direct reports. This would include titled activities like CMO or CSO. However, you can be a founder, equity holder, consultant and/or member of the company's Scientific Advisory Board (subject to any applicable disclosure and approval requirements).

Q: Can the company I helped to co-found apply for SBIRs and STTRs?

A: Yes, the company you helped to co-found can apply for SBIRs and STTRs, if it meets the government's eligibility requirements. Applications must conform to government agency rules related to any SBIR or STTR grant program, including eligibility to be listed as a PI. Please refer to the specific agency managing the grant applications as rules may differ. Penn allows you to be PI on a subaward to the University, subject to appropriate review and approval.

Q: What does "Fiduciary Duty or Fiduciary Responsibility" mean?

A: Fiduciary Duty or Responsibility is the duty or responsibility of loyalty. As a Penn employee your loyalty must always be first to Penn. In general, officers and board members of companies have a duty of loyalty to the company. Penn employees must endeavor to avoid this conflicted position.

Q. Can I receive equity in a start-up I did not create as a form of compensation for helping, such as consulting?

A: If an individual is permitted to consult, the consulting agreement and form of consideration should be reviewed by the appropriate Penn institution, but payment in the form of equity is typically not permitted.

Q: Can I participate in clinical trials when I have stake in the entity (IP or Equity)? Can I be a PI? Can I participate in trial design?

A: Some of these activities may or may not be permissible depending on the specific circumstances of each instance, but all such proposed relationships and activities must be submitted for conflict of interest review and approval in advance.

Q: Are there any exceptions to the above or appeal process?

A: Rarely and determined on a case-by-case basis. The first step in determining whether a potential exception could be granted would be to speak with your Department Chairman.