



## **IISER MOHALI Entrepreneurship Guideline and Incubation Policy**

### **1(a). Preamble: The need to support business incubation activities**

In tune with the global trends in higher technological education, and the 'National Innovation and Startup Policy 2019 for Students and Faculty' brought out by the MHRD in September 2019, IISER Mohali encourages entrepreneurship among the Faculty, Staff, Research Scholars, and Students. IISERM will directly and actively support the incubation of "IISERM Incubated Companies" by its Faculty / Staff / Research / Students. Some of these companies may be founded based in part or in full on technologies/IP developed by the institute, or jointly with it in collaborative mode. IISERM may also provide incubation support to external Start-ups with which Faculty / Staff / Research / Scholars / Students are associated as consultants or mentors. Such external Start-ups may sometimes license technology/IP developed by IISERM a priori. The commercialization of advanced technologies developed at the Institute as a result of incubation will greatly benefit the institute as well as society at large and will contribute to the economic resurgence of our country.

### **1(b). Definitions**

IISERM Members(s) {Henceforth called MEMBER}: Any permanent faculty/staff on duty or on short/long leave, research scholars and students having live registration.

IISERM incubated Company {Henceforth called COMPANY}: A registered Company promoted and / or invested in by IISERM Member(s) singly or jointly with others, or those incubated at the IISERM Technology Business incubator located in IISERM premises or elsewhere, or an external start-up.

External Start-up {ESU}: A registered Company promoted and invested in by non-IISERM Members(s) and not located in the IISERM Incubator premises.

Incubator: A physical and/or virtual unit that extends various forms of support for Start-ups and engages in specified relationships with them on behalf of IISERMTBI.

## **2. Types of Start-ups with IISERM involvement**

IISERM TBI may be actively involved in pre-incubation and incubation of a Start-up company promoted by one or more MEMBER, or by others.

- MEMBERS may promote an IISERM Incubated Company {COMPANY}.
- MEMBERS can be involved with an External Startup {ESU}.

## **3. IISERM TBI's active support to COMPANY**

The IISERM TBI will carry out on behalf of the institute all dealings with Start-ups directly and/or through its incubators. It will also determine whether a Start-up is to be designated as an "IISERM Incubated Company {COMPANY}". The TBI will actively support the COMPANY with a combination of inputs, which could include:

- Permission to use branding in form of "Incubated by IISERM",
- Advice pertaining to legal and commercial IPR transactions,
- Office and operational space,
- Permission to use laboratories, workshop facilities and equipment,
- Logistics support,
- Business management advice,
- Networking support,
- Mentoring,
- Seed-fund when possible,
- Monitoring,

As per the prevailing IISERM norms pertaining to all the above.

IISERM's active support will be provided nominally for a duration of three years from the date of formal approval. There may be a pre-incubation period of at most one year. However, on a case-by case basis, the IISERM TBI may decide to support a COMPANY for a maximum period of five years from the date of formal approval, if such support is warranted.

The IISERM TBI will govern multiple Incubators associated with different constituents of IISERM. While each Incubator will have and enjoy the flexibility and independence it requires for success in the specific areas of its focus, the IISER TBI will ensure a uniform policy of governance.

#### **4. MEMBER's / IISERM's involvement in External Start-up {ESU}**

A MEMBER will be permitted to involve with an ESU, either on a full-or part-time basis as promoter/adviser/consultant/and other approved role. The MEMBER will be permitted to use specified physical and/or intellectual resources (e.g., workshop equipment, laboratory instruments, computing resources, and assistance of MEMBER) of IISERM as per its prevailing IC&SR norms. Any such use of IISERM resources will be governed by an agreement, which will include the contents and implications of the prevailing IISERM IPR policy.

If a MEMBER makes financial investments in an ESU without:

- Making and other contribution in the form of technical/managerial consulting advice, or
- Any involvement of IISERM in the form of any commercial transactions of IP, or
- Any use of IISERM facilities,

Such investment will be treated as private matter of the MEMBER. The IISERM TBI will have no role to play in such instances. The MEMBER should however declare this IISERM in order to avoid any conflict of interest situation. If the ESU awards a consultancy project to the MEMBER, the prevailing IISERM rules and regulations for consultancy project will apply.

If, however, the MEMBER, and/or IISERM TBI or any of its designated entities, are provided shares in the company as compensation in part or full for technical/managerial consulting or for any support extended by MEMBER, IISERM, or the IISERM TBI or its Incubators, the MEMBER and/or IISERM TBI may be considered to be involved in the incubation of the ESU. In such a case, the ESU may seek to be designated as a COMPANY by the IISERM TBI. The IISERM TBI will then take an appropriate decision based on the significance of the role played by the MEMBER / IISERM TBI in the ESU.

Only a Start-up formally designated as an “IISERM Incubated COMPANY” by IISERM TBI may publicize itself as such. All other Start-ups must desist from using the name or logo of IISERM in their publicity material in spite of any other form of engagement they may have with IISERM.

## **5. Rules governing Intellectual Property (IP)**

A MEMBER, while on duty or on leave, may be involved in the creation of IP either solely or in association with a COMPANY or ESU.

If such IP is created with the involvement of the MEMBER, then any contract between IISERM and the Start-up specifying the sharing rights for the IP will hold good.

In the absence of such a contractual obligation, the prevailing IISERM IPR Policy, rules and regulations shall serve as the reference in such a context.

In case the MEMBER develops any IP while on leave at the COMPANY which leverages prior IP developed earlier at IISERM, MEMBER must ensure the prior IP is properly licensed by the COMPANY as described below in Section 7.

## **6. Engagement Process**

The MEMBER must begin his / her engagement with a COMPANY by submitting a proposal through HEAD of his / her Department / Section to Dean R&D, who will determine the eligibility of the MEMBER to engage with a COMPANY or ESU. After ascertaining eligibility, the Dean R&D will forward the proposal to the IISERM TBI.

After the TBI accepts the proposal, the MEMBER will be authorized to perform the actions necessary for pre-incubation or incubation, including registration of the Start-up, fund raising, team development, product/services development, consulting, market research and developments, etc.

Prior to embarking on these activities, an agreement must be signed between the concerned COMPANY / ESU and the IISERM TBI to establish the mode and nature of involvement of the MEMBER in the COMPANY / ESU. Such an agreement is necessary with a COMPANY / ESU when:

- Its shares are given to the MEMBER or the IISERM TBI as compensation in part or in full for the MEMBER's contribution, and/or
- IISERM's technology/IP is licensed to the COMPANY / ESU, which wishes to pay the same in part or full in the form of shares.

As part of the agreement, the COMPANY / ESU shall allot to IISERM TBI a certain percentage of its shares, up to a maximum of 9.5%. The exact percentage of shares to be allotted and their dilution status will be negotiated based upon the estimated value of support / assistance provided by IISERM, IISERM TBI and the MEMBER to the COMPANY / ESU.

In addition, the COMPANY / ESU must also enter into an agreement with IISERM through the Office of the Dean R&D if,

- The COMPANY / ESU intends to pay cash in part or in full to IISERM for licensing IPR owned by IISERM
- The MEMBER provides consultancy to the COMPANY / ESU or undertakes research based consultancy as per IC&SR norms while on duty.

## **7. Modes of MEMBER's engagement with Start-up (COMPANY or ESU)**

IISERM TBI will negotiate with the COMPANY or ESU the amount of shares that the incubated company will allot to IISERM TBI at par value in lieu of IISERM's Incubation and other services provided. This share will be first negotiated with the company before IISERM TBI acquires shares through faculty / staff/ student involvement (as discussed below). IISERM's total holding in a company at any time

should not exceed 9.5% of the total allotted shares of the Start-up from all kinds of services provided, IP provided and the faculty-share (as discussed below).

(A) Faculty / Staff involvement

- Capital Investment: Faculty / Staff may be involved in the Start-up by providing capital investment alone in return for the shares, with no other managerial, technical or mentorship involvement whatsoever. All share thus allotted can be retained by the concerned Faculty / Staff, and the transaction is treated as a purely private commercial transaction of no concern to the institute. The member must declare this to IISERM / IISERM TBI, so as to avoid conflict of interest situations.
- Sabbatical / EOL: Faculty / Staff MEMBER may avail of sabbatical / EOL as per the prevailing IISERM leave rules and may work full time for the COMPANY or ESU. If the compensation to the faculty / staff for this is through shares of the COMPANY / ESU in part or in full, in lieu of cash payment, the MEMBER must declare the same to the IISERM TBI. No compensation is due to IISERM as long as the involvement of the MEMBER, for which the compensation was paid, completely ceases after the leave period. MEMBER must not involve himself / herself in any capacity with the COMPANY / ESU except as shareholder on re-joining IISERM after sabbatical / EOL. In case, he / she is involved as a mentor, consultant or any other form other than a shareholder after sabbatical / EOL, rules applicable will be same as that of part-time.
- Special Additional EOL: In addition to the EOL normally allowed, a Faculty / Staff may be allowed additional EOL for a maximum period of 12 months for engaging with Start-ups. In such cases, the Start-up must compensate IISERM or IISERM TBI with an equivalent of 1.5 times the prevailing gross pro-rate salary of the Faculty / Staff for the duration of this period in form of cash and / or shares. Again the MEMBER must not involve himself / herself in any capacity with the COMPANY / ESU except as shareholder on re-joining IISERM after special EOL. In case, he / she is involved as a mentor or a consultant

or any other than a shareholder after sabbatical / EOL, rules applicable will be same as that of part-time.

- Part time: A Faculty / Staff MEMBER is allowed to participate in a Start-up on a part-time basis as per IISERM consultancy norms with regards to the extent of time spent on such participation. The compensation to that Faculty / Staff MEMBER may be in cash for which IISERM norms for consultancy projects will be applicable. Instead, a Faculty / Staff MEMBER is allowed to obtain shares of the Start-up company as compensation for engagement with the company. In such a case, the Faculty / Staff MEMBER must apply for approval for engagement with the Start-up, and the COMPANY / ESU must enter into an agreement with the IISERM TBI. In such cases, up to 20% (faculty / staff will offer 20% of what they are offered and IISERM TBI may choose to acquire less) of these shares as decided by the IISERM TBI obtained shall be transferred to IISERM TBI, and the remaining to the Faculty / Staff. The total number of shares of the Start-up that IISERM TBI obtains from all IISERM faculty and staff MEMBER (as 20% shares) and all research scholar / students will however be capped to 5% of the total allotted shares of the Start-up. In case the Faculty / Staff have purchased the shares at par value or at some higher values, the IISERM TBI will pay the corresponding amount for the shares transferred to it as per this clause.

#### (B) Research Scholars' / Students' involvement

- Full time: A Research Scholar / Student can seek permission from IISERM to take special leave for a semester, or an additional period for which formal permission is granted by IISERM, to work for a Start-up on a fulltime basis. This may be treated as withdrawal under permission from IISERM for specified period for which such special leave is formally granted.

The Research Scholar / Student, on returning, has to satisfy all norms (including maximum duration norms of his / her respective programme of study) in order to earn a degree. If the Research Scholar / Student is

compensated by the Start-up in form of cash and/or shares he / she must assign to the IISERM TBI up to 5% of the total cash / shares allotted to him / her (student will offer 5% of what they are offered and IISERM TBI may choose to acquire less) by the Start-up, as decided by the IISERM TBI. In case the scholar / student have purchased the shares at par value or at some higher value, IISERM TBI will pay the corresponding amount for the shares transferred to it as per this clause.

- Part time: A Research Scholar / Student can seek permission from IISERM to work for a Start-up on a part-time basis. The IISERM part-time engagement norms in projects during a semester / vacation period will apply. If the Research Scholar / Student is compensated by the Start-up in the form of cash and/or shares he / she must assign to the IISERM TBI up to 7.5% of what they are allotted (Research Scholar / Student will offer 7.5% of what they are offered and IISERM TBI may choose to acquire less) to him / her by the Start-up as decided by the IISERM TBI, which a total cap from students / scholars / faculty of 5% of total allotted shares of the start-ups. In this case, the courses that he / she registers for will be regulated by the respective Faculty Advisor(s) or GTC or DC as applicable. In case the Research Scholar / Student have purchased the shares at par value or at some higher values, IISER TBI will pay the corresponding amount for the shares transferred to it as per this clause.

#### (C) Role of MEMBER in Start-up

The MEMBER may play an executive role / non-executive role in a Start-up depending on whether they will be engaged full-time or part-time. The MEMBER may be involved full time only after obtaining permission from the institute for the appropriate type of leave. The part-time engagement will be as per existing IISER Mohali consultancy norms. The MEMBER can take up an executive role only if they are engaged full-time with the Start-up.

## **8. Conflict of interest**

IISER Mohali while encouraging entrepreneurship seeks to achieve this in a way that minimizes potential conflicts of interest. A conflict of interest policy document to bring awareness regarding 'Conflict of Interest' issues has been prepared for that faculty/staff/students.

When a MEMBER utilizes leave of absence (Sabbatical / EOL, or any applicable equivalent) for direct, active participation in a COMPANY / ESU, it is obligatory that the concerned Head(s) of Department be informed at least three months in advance. Shorter notice needs to be specifically approved by the Head of Department. This is to ensure that the academic programmes of IISERM are not affected.

It is essential that the MEMBER must avoid any conflict of interest between their roles in IISERM and in the COMPANY / ESU. This is particularly important if there are IISERM resources in their control which are also sought by the Start-up with which they are involved. A similar situation arises if they are developing IPR in a research activity / project in IISERM that is closely related to the IPR they may be developing when on leave and working in the Start-up. Another situation arises when the relative shareholding of the MEMBER and IISERM TBI is sought to be changed by infusion of fresh capital in the Start-up by the MEMBER. While such a move could be a bona-fide move on the part of the MEMBER to support the Start-up, it could potentially have a mala-fide motive of changing the relative shareholding pattern prior to some anticipated upward evaluation and infusion of investment by other parties. Yet another potential conflict of interest arises when shares are allotted by a Start-up to a close relative (spouse, children, parents) of a MEMBER who is involved with the Start-up.

The IISERM TBI will determine the potential areas/activities where there is conflict of interest in the case of each MEMBER who applies for approval for engaging with a Start-up, and arrive at an agreed upon methodology for ensuring transparency in decision making in respect of these activities / areas. The IISERM TBI may, if it chooses to, set up an oversight committee of Faculty / Staff for specific relationships to ensure that conflict of interest do not arise. The IISERM TBI may also require the MEMBER to declare their financial interests, and those of their close relatives, in the Start-up, at the time of engagement, as well as whenever a change in such interests

take place due to additional investment in the Start-up, or payment / share allotment by the Start-up. In any case, every MEMBER involved with a Start-up must file a declaration periodically with the IISERM TBI irrespective of whether there is a change in their financial interests in the Start-up or not. The required periodicity will be determined by the IISERM TBI.

The IISERM TBI reserves the right to obtain a third-party evaluation of the values of the Start-up's shares before an MEMBER or their close relative(s) makes additional investments in the Start-up. Such an evaluation will be carried out in a reasonable time-frame. If the IISERM TBI deems it fit, it may choose to make an investment in the Start-up of its own at the same price applicable to the MEMBER and obtain shares for the corresponding amount. The IISERM TBI reserves the right to make the acceptance by the Start-up of the additional investment by the MEMBER or their close relative(s) conditional on the acceptance of the corresponding additional investment by the IISERM TBI.

In case a member of the IISERM TBI Governing Council has shares in a COMPANY, the Governing Council will determine whether the said member should resign from the Council. In order to avoid potential conflict of interest, or only recuse himself / herself when matters pertaining to the Start-up with which he / she is involved are discussed.

## **9. Withdrawal of Support**

IISERM reserves the right to withdraw its support to any Start-up that it engages with, following a due process of notice. This may involve withdrawal of access to IISERM's facilities, and/or withdrawal of permission to MEMBER to engage further with the Start-up in any manner, though they and the IISERM TBI can continue to hold the shares they already possess in the Start-up. It will also involve withdrawal of the status of the Start-up as a COMPANY, from which point the Start-up will be required to desist from advertising itself as such thereafter. Should the need arise, the IISERM TBI may also seek modifications to the agreement signed with the Start-up through an amendment, in order to protect IISERM's fair name and its interests.

**10. Protection of IISERM's fair name**

When a Start-up is designated as a COMPANY, it is permitted to advertise itself as such whenever such advertisement is appropriate. However, such advertising carries with it the risk that in case the COMPANY indulges in improper behavior or dealings, IISERM's fair name will be tarnished by association with the COMPANY. In order to protect itself from such risks, IISERM, through the IISERM TBI, may seek a seat on the Board of the COMPANY, without liability, in order to ensure transparency in all its dealings. The IISERM TBI may even seek access to the un-audited and audited balance sheets of the COMPANY. In certain cases, the IISERM TBI may even seek visibility of payments above a specified value by the COMPANY, before such payments are made. All such requirements will be specified in the agreement that will be entered into by the IISERM TBI with the COMPANY.

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