Number: inStem/OM/2018-19 Dated: 20.11.2018

OFFICE MEMORANDUM

Subject: "Rules and Regulations for Encouraging Development and Commercialization of Inventions and Innovations" of the "Institute for Stem Cell Science and Regenerative Medicine (inStem)

1. **Background for preparation of the document**

(i) Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology have, conveyed the approval of Govt. of India (GOI) to the proposal of DSIR on the subject 'Encouraging Development and Commercialization of Inventions and Innovations: A New Impetus'. The proposal as approved by Government of India (available online at http://www.dsir.gov.in), interalia, is applicable to Department of Biotechnology (DBT) and the autonomous institutions under DBT. Accordingly, DBT, vide OM no. BT/NBDB/13/01/2018 dated October 26, 2018 has notified the Revised Rules and Regulations for 'Encouraging Development and Commercialization of Inventions and Innovations' which requires the autonomous institutions, under DBT to evolve rules and regulations based on the approved scheme as notified. The autonomous institutions of DBT are covered by the definition 'Scientific Establishment' for the purpose of the notified scheme. The Scheme as approved by GOI permits:

(i) Researchers to have an equity stake in a Scientific Enterprise or create a spinoff while still in professional employment with their 'Scientific Establishment'.

(ii) 'Scientific Establishments' to invest knowledge base as equity in a Scientific Enterprise;

(iii) 'Scientific Establishments' to set up incubation centers; and

(iv) Facilitating the mobility of researchers between Industry and Scientific Establishment

The Institute for Stem Cell Science and Regenerative Medicine (inStem), based on the Rules and Regulations notified by DBT has framed the following Rules and Regulations as applicable to inStem in regard to the above matters.

2. **Definitions**

2.1. "Scientific Establishment" or "Institute" or "inStem" means the 'Institute for Stem Cell Science and Regenerative Medicine' registered as a Society under the Karnataka Societies Registration Act, 1960 as 'Institute for Stem Cell Biology and Regenerative Medicine'.

2.2. "Scientist" means scientists and engineers in scientific cadre as well as academic staff such as Distinguished Professors, Senior Professors, Investigators, Associate Investigators, Assistant Investigators, Senior Fellows and those with other designations in the scientific and academic groups, in professional employment with inStem.

2.3 "Knowledge Base" means all inventions/innovations (whether patentable or not), invention and innovation disclosures, trade secrets, know-how, proprietary information, technical data documentation, data collections, databases, concepts, processes, developed software, original design drawings, original

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materials, research resources, support services and the like, whether or not the foregoing are in tangible or intangible form, developed at or existing in inStem.

2.4 "Entity" means a company or any Special Purpose Vehicle created to commercialize, spinoff or develop further the Knowledge Base towards commercialization.

2.5 "Scientific Enterprise" means a special class of new "Entity" that leverage scientific research, inventions and innovations and transform them into commercializable technologies / products.

2.6 "Approving Authority" and "Competent Authority" mean the Director of inStem, unless otherwise defined separately, who Shall have the authority to approve and accord permissions or reject an application made under these Rules.

2.7 "Rules" and "Rules and Regulations", as the context requires, mean the "Rules and Regulation for Encouraging Development and Commercialization of Inventions and Innovations" of the "Institute for Stem Cell Science and Regenerative Medicine"

Note: (i) Definitions in singular form shall also denote the plural form thereof and *vice versa*.

(ii) Terms that appear in lower case shall have the same meaning as defined in upper case in these definitions.

(iii) Any word depicting masculine gender will also mean its feminine counterpart.

3 Operating Rules and Regulations permitting Scientists to have an equity stake in a Scientific Enterprise/ spinoff while in professional employment at inStem.

3.1 Preamble

The Institute encourages Scientists to translate their Knowledge Base into products and processes in order to effectively impact society as well as create commercial value. The Institute considers this an important activity to provide returns on investment of public funding received by the Institute. The following operating Rules and Regulations are framed with these objectives in view.

3.2 Eligibility

The Scheme is applicable for all permanently employed Scientists of the inStem.

3.3 Procedure

(i) The Institute shall notify the Steering Committee for handling requests from Scientists of the Institute seeking permission to have an equity stake or create a spin off in a Scientific Enterprise.

(ii) Any eligible Scientist of the Institute desiring permission shall apply to the steering committee under sub clause (i) herein above, in prescribed form (Form-1) seeking permission to have an equity stake in a Scientific Enterprise or create a spin off.

(iii) In the event of more than one eligible Scientist of the Institute collectively investing in the Scientific Enterprise taking equity, each one of these Scientists will have to apply separately to seek permission to have a stake in the Scientific Enterprise.

(iv) In the event of more than one Scientist belong to different Scientific Establishments collectively investing in the Entity, each one of the Scientists will have to seek permission to have a stake in the Entity from their respective Scientific Establishments.

(v) The authority notified under sub-clause (i) herein above shall examine each application in accordance with the procedures established by it and make an appropriate recommendation to the steering committee: The notified authority may make recommendations considering, whether proper process was followed and the invention disclosure has been filed.

(vi) If the invention disclosure has been filed and either a patent has been obtained or, after initial review, the steering committee recommends that there is novel intellectual property that can be monetized, then due processes will be deemed to have been followed.

(vii) while seeking permission from inStem to establish an Entity/Scientific Enterprise, inStem scientists will provide

a) details of knowledge base and/or intellectual property generated solely at inStem or in collaboration with other parties,

b) a tentative business plan of the Entity/Scientific Enterprise,

c) details of the promoters of the Entity and,

d) details of the Board of Directors.

(viii) where the Institute has exclusive ownership of the Knowledge Base, due process will be deemed to have been followed. If not, if the Institute and all the other owners of the Knowledge Base shall agree, in writing, to provide exclusive right for the specific purpose (exclusive in all domains/exclusive to a particular vertical/exclusive to a particular geographical area) to the Entity and when evidence to that effect is available, due process will be deemed to have been followed.

(ix) the Steering Committee will decide if there is any conflict of interest between other institutional responsibilities of the Scientist(s) and the Scientific Enterprise. If there are conflicts of interest these will be resolved based on the submission of the "inStem Conflict of Interest Disclosure" form reviewed by Director, inStem. The Competent Authority may recommend resolution of the conflict of interest before providing approval for the Scientist(s) to either create a spinoff or take equity in a Scientific Enterprise that possesses license for the Knowledge Base. The approval communicated to the Scientists(s) in such cases must specifically indicate the extant instructions of the Institute to avoid anticipated conflict of interest in the form of dos and don'ts;

(x) The recommendation of steering committee under sub clause (i) herein above to the Director in respect of the applicant Scientist(s) shall be independent of any possible negotiation by the Institute for benefit-sharing for the Knowledge Base generated in the institute, and it shall have no bearing on the application of the Scientist(s).

(xi) If the Scientist has requested taking equity stake in a Scientific Enterprise that does not require license for the Knowledge Base from the Institute only sub section (viii) hereinabove need to be followed. This will not be considered a spinoff, but would be considered as a request for equity in exchange for

"know-how or other forms of Knowledge Base other than a patent". In these cases, the designated authority (steering committee) may recommend to the Competent Authority that either royalty or other forms of compensation may be provided (if warranted) to the Institute for sharing the "non-patentable" Knowledge Base.

(xii) If the steering committee member notified under sub clause (i) herein above, is the Scientist seeking to create a spinoff or take equity, the Director of the Institute may notify a different person for dealing with the specific case and to make appropriate recommendations in terms of these Rules and Regulations.

(xiii) If the Director is himself/herself the Scientist seeking to create a spinoff or take equity, the Chairperson of Governing Council of the Institute to be the Approving Authority for dealing with such specific case, in accordance with the provisions of these Rules and Regulations.

(xiv) The percentage of equity to be taken by a Scientist in a Scientific Enterprise will not be the prerogative of the Institute, but will be governed by the rules of the concerned Scientific Enterprise and the Registrar of Companies.

4. Competent authority for approvals

The Approving Authority shall be Director, inStem except for provisions of para 5 and also in cases where he/she, himself/herself is a party. In such cases the Chairperson of Governing Council of the Institute will be the Approving Authority

5. Exemptions from operation of CCS (Conduct) Rules 1964 and other relevant Rules

Government has exempted Scientists of the Scientific Establishment from the provision of CCS (Conduct) Rules 1964 such as rule 15 (relating to private trade and employment), rule 16 (relating to investments, lending and borrowing), rule 18 (relating to movable, immovable property) and relevant provisions of the Fundamental Rules and other related rules for the limited purpose of implementing these Rules and Regulations. However, only those scientists will be exempted from CCS (Conduct) Rules 1964, who are permitted to have equity stake in a Scientific Enterprise by the Competent Authority as prescribed in following para 5.1. Remaining scientists of inStem will continue to be governed by the CCS (Conduct) Rules 1964. Also, if the inStem is following its own conduct rules, then also exemption can be permitted by only the Competent Authority to allow the scientists to avail these provisions.

5.1 Competent authority for granting exemptions from operation of CCS (Conduct) Rules 1964 and other relevant Rules

Chairperson of Governing Council of the Institute will be the Competent Authority for granting exemptions from operation of CCS (Conduct) Rules 1964 and/or any other relevant Rules. All such cases will be brought to his/her consideration with recommendations of Governing Council of inStem.

6. Responsibilities

6.1 inStem Scientist responsibilities

i) inStem scientists may provide professional advice to an Entity/Scientific Enterprise, upon request from Entity/Scientific Enterprise, on such terms and conditions as Director, inStem may prescribe.

ii) if an inStem scientist desires to be associated with the Entity/Scientific Enterprise as non-executive Director, s/he has to seek approval from Director, inStem ; in this situation

a) the total time commitment of inStem scientist for external professional activities must not exceed 20% of her/his time spent on inStem duties. Exceptions to this must be discussed and agreed by the Director, inStem.

b) the total 20% of time commitment for external professional activities include, association with the Entity/Scientific Enterprise that was created from knowledge base generated at inStem, and either in advisory or consultancy role in any other existing Entity which was not created from knowledge base generated at inStem

iii) if an inStem scientist wishes to associate with the Entity/Scientific Enterprise that was created from knowledge base of inStem full time and guide the activities in the initial phase, s/he has to take lien from inStem. Such lien can be taken for a maximum period of 3 years; in such situations

a) if inStem scientist had completed 5 years of service at inStem, lien period may be counted towards the sabbatical period that may be availed by the scientist, but without financial burden on inStem.

b) if an inStem scientist had not completed 5 years of service at inStem, her/his tenure review process shall not be extended due to lien period

c) the lien period shall be treated not only as a period of duty but also be counted for future benefits and assessments. Nonetheless the rigour of evaluation for professional advancement shall not be diluted

iv) inStem scientist shall, in the event of Entity/Scientific Enterprise's merger with another unit or acquiring another unit or coming out with an Initial Public Offering (IPO) or disinvesting her/his share in the Entity, inform inStem

6.2 Entity / Scientific Enterprise /Spin-off responsibilities

A Scientific Enterprise

i) should not be construed as an agent or representative or part of inStem. Scientific Enterprise is solely responsible for the activities undertaken by the Entity/Scientific Enterprise and for any liabilities that may arise from the activities of the Entity;

ii) can utilize the resources of inStem (the term 'resources' shall be broadly construed widely and include, without limitation, laboratories, equipment, personnel and space of inStem) with prior approval in writing and on such terms and conditions as inStem may prescribe;

iii) shall, subject to the existing rights or licenses, have the option to license knowledge base from inStem by paying royalty (upfront or staggered with milestones or a combination of both);

iv) shall continue to be liable to inStem for payment of royalty even if the scientist concerned disinvests her/his stake in the Entity/Scientific Enterprise;

v) can source the knowledge base from anywhere in India or Abroad; for the scientist to take equity stake the knowledge base need not be from inStem

6.3 inStem responsibilities

i) inStem notwithstanding anything contrary contained in any other rule, order or notification but subject to the provisions of this scheme, shall permit a scientist to have any equity stake in Scientific Enterprise;

ii) inStem shall license knowledge base to the Entity/Scientific Enterprise on terms that are no worse than the terms on which inStem would have licensed the knowledge base to another person on arms-length basis;

iii) inStem in its discretion may take equity stake in the Entity/Scientific Establishment in lieu of royalty;

iv) inStem if decides to disinvest the equity, it will be first offered to the promoters of the Entity/Scientific Enterprise;

v) if inStem acquires equity, inStem can offer its equity to be placed under the IPO, in the event the Entity/Scientific Enterprise decides to go public with an IPO offer

7. Enabling inStem to invest knowledge base as equity in a company / entity

7.1 Preamble

One of the ways to ease the burden of initial investment of a Scientific Enterprise is to offer of Knowledge Base of inStem in exchange for equity in the Scientific Enterprise. Recognizing the intangible benefits, the Government has permitted Scientific Enterprises such as inStem to invest their Knowledge Base and / or the cost of support services as equity in a company/Entity.

7.2 Eligibility

The Scheme to invest Knowledge Base as equity is applicable for inStem.

7.3 Procedure

(i) The steering committee will evaluate the need and the value of the Knowledge Base/support services, the need for taking equity and determine the valuation of the equity by negotiating with the Scientific Enterprise that wants to part with its equity in exchange for of the Knowledge Base/support service;

(ii) Any Scientific Enterprise desiring to utilize the Knowledge Base and / or support services of inStem shall apply to the steering committee for the purpose, in the prescribed form (Form-2) seeking permission for equity participation in lieu of the cost of Knowledge Base and / or support services. On receipt of such application, inStem may have option to seek equity in cases of ;

(a) scientist(s) of inStem continuing to contribute non-IP protected know-how knowledge to the Scientific Enterprise while still in inStem's employment, if the Scientific Enterprise is less than three years old;

(b) if Company / Entity seeks services provided by inStem, if the company is a startup company and has no revenue streams;

(c) If the Company / Entity seeks to license an IP and in exchange of milestone based payments chooses to provide equity in the Company/Entity.

(iii) The steering committee shall examine each application in accordance with the procedures established by it and make an appropriate recommendation to the Director. While submitting its recommendation, the steering committee shall also reflect on the knowledge base from Security and Sensitivity angle and may not recommend the case for approval in case any possibility of compromise of security/sensitivity.

(iv) On receipt of the recommendation of the steering committee the Director shall exercise his/her judgment to either approve or reject the application. In case of approval, a legal agreement shall be entered into between inStem and the company/Entity for equity incorporating all the relevant clauses of the approval;

7.4. Competent authority for approvals

(i) The Competent authority for approvals for the Institute shall be Director, inStem;

(ii) The approval shall specifically state the quantum of the equity for the knowledge base and / or support services. It would also specify the type of support services it shall provide and for how long;

(iii) The Competent authority may reject an application if the Knowledge Base impinges on the security of the nation or has any aspect of a sensitive nature detrimental to the Institute, society, or the nation.

7.5. Responsibilities

7.5.1. inStem responsibilities

i) Steering Committee shall finalize the terms & conditions for knowledge base and / or support services to be invested as equity in the Company / Entity taking into consideration the overall investment and efforts required in translating such knowledge base into commercializable product / process by the company / Entity;

ii) inStem shall only invest knowledge base and / or support services as equity and under no circumstances can invest cash as equity in the Company / Entity;

iii) if inStem owns equity, inStem shall have a right to nominate its representative as independent Director on the Board of Directors of the Company / Entity;

iv) inStem shall not take the management of such Company / Entity in hand. Management of such Companies / Entities shall vest in the promoters or next majority stakeholder;

v) inStem shall not involve directly or indirectly any scientist, who has taken an equity stake in the Company / Entity in any process that pertain:

a) to license knowledge base to the Company / Entity

b) to the purchase or hiring of goods and services from the Company / Entity

vi) upon request from the Company / Entity, inStem may provide technical personnel / professionals under the mobility scheme (section 9.3), on such terms and conditions as the inStem may prescribe;

vii) inStem shall divest their equity, at an appropriate opportunity on their discretion, as per the financial norms; In such an event the Company / Entity shall be given the first right to buy back the equity, without compromising on financial returns. However, inStem shall reserve the right to decide about its equity stake as it deems appropriate, in the event of the Company's / Entity's merger with another unit or acquiring another unit or coming out with an Initial Public Offering (IPO);

viii) inStem shall plough back its share of dividend received from the income of such Companies / Entities as well as the amount received due to divestiture of equity stake in furthering its research objectives

7.5.2. The Company / Entity / Scientific Enterprise responsibilities

i) the Company / Entity shall not view inStem as a promoter of the Company / Entity and it shall be viewed only as an investor;

ii) the Company / Entity shall not use the name of inStem without inStem's expressed written permission;

iii) the Company / Entity shall permit inStem to nominate a person on the board of directors if inStem owns equity in the Company / Entity

8. Setting up of Technology Incubation Centers (TIC) by inStem

8.1 Preamble

Nurturing early stage innovation and developing them into technologies is a measure of the Strength of the National Innovation System (NIS). Translating early stage innovation into technologies associated with considerable risks, requires large risk capital, in addition to sound technical expertise and sustained effort by the entrepreneur. The concept of Technology Incubation Centre (TIC) has served well in moving innovations to market place thus limiting the initial capital investments by the entrepreneur. Recognizing the fact, Government has approved setting up TICs by various institutes / scientific establishments. These multipurpose TICs, aim to provide high quality infrastructure and ecosystem to entrepreneurs so as to help nurture start-up Companies / Entities through appropriate hand holding mechanisms.

8.2 Objectives

(i) to accelerate the commercialization of new inventions and innovations;

(ii) to nucleate, nurture and mentor new Entities / Scientific Enterprises, mainly in the area of biotechnology;

(iii) to assist new Entities / Scientific Enterprises to forge appropriate linkages with other companies, academia and government;

(iv) to encourage technological innovation and entrepreneurship in the country.

8.3 Scope

TICs established by inStem shall facilitate setting up Entity / Scientific Enterprise that

(a) translate inventions and innovations into products / processes; and

(b) provide R&D services on contract basis to national and international clients.

8.4 Eligibility

InStem is eligible to set up Technology incubations Centres under this scheme.

8.5 Procedure

If inStem is wishing to set up a TIC shall prepare a comprehensive report and seek the approval of its Governing Council. The comprehensive report among others shall include objectives, scope, R&D capacity and major facilities of inStem, IP portfolio, SWOT analysis, proposed operations of TIC, Management of TIC and financial analysis.

8.6 Operation of TIC and Management of TIC

The operation of TIC and Management of TIC shall be as prescribed in section 3.3.6 of the Office Memorandum BT/NBDB/13/01/2018 of DBT or any other order issued by DBT from time to time.

9. Facilitating mobility of researchers between industry and inStem and *vice versa*

9.1 Preamble

Building newer skills, competencies and capabilities in scientists is a continuous endeavour of all Scientific Establishments. One of the effective ways of building such skills is 'mobility' of researchers from one organization to another. Temporary movement of scientists / Engineers from one Scientific Establishment to another and to Industry and vice versa is termed as 'mobility' of researchers. Mobility helps in seamless transfer of knowledge, skills and competencies across the spectrum. For example, scientists working in inStem might acquire entrepreneurial skills with the exposure to industrial working environment; similarly, shortage of competent manpower may be eased in newer institutes temporarily. These provisions will cover personnel engaged in research, teaching, R&D activities including further development of innovation and inventions, as well as associated functions such as technology dissemination & diffusion, business development, knowledge management, technology &IP management, quality assurance etc.

9.2 Eligibility

The scheme for facilitating mobility of researchers between inStem and Industry and vice versa shall be applicable to all permanently employed Scientists in the scientific cadre of inStem who have at least 2 years of residual service after completion of the mobility period. Director, inStem will not be eligible for this scheme.

9.3 Procedure:

(i) inStem shall notify steering committee for handling requests from scientists / engineers seeking

permission under the provision;

(ii) Any eligible Scientist who desires permission under the provision shall apply to the notified authority in the prescribed form (Form-3);

(iii) Steering committee shall examine each application in accordance with the procedures established by it and make an appropriate recommendation to the Approving Authority;

(iv) The approval shall specifically state the period for which the Scientist is being permitted to avail the mobility provision;

(v) Mobility shall be permitted only within the country;

9.4 Competent authority for approvals

(i) The Approving Authority shall be Director, inStem;

(ii) Not withstanding anything contrary contained in any other rule, order or notification, but subject to the provisions of this scheme, the approving authority shall permit a scientist to utilize the mobility provision;

9.5 Operative provisions

i) The mobility of scientists / engineers may be permitted between and inStem, industry and approved Scientific and Industrial Research Organizations (SIROs) recognized by Department of Scientific and Industrial Research;

ii) In utilizing the provision, two scenarios are envisaged viz.

(a) mobility into inStem from industry and
(b) mobility out of inStem to industry. Both the scenarios are permissible;

iii) An inStem scientist seeking mobility out of inStem within five years of appointment at inStem, may move to Company/Scientific Enterprise, which was formed based on the knowledge base generated at inStem.

iv) The provision of mobility can be permitted for research, teaching, R&D activities including further development of innovation and inventions as well as associated functions such as technology dissemination & diffusion, business development, knowledge management, technology & IP management, quality assurance, etc.;

v) The objective of the mobility must be clearly defined;

vi) Not more than 20% of the eligible staff of a inStem may be permitted to avail the provision at any given time. The host institute may engage temporary staff, if necessary, during the period for sustaining the activities;

vii) Eligible staff member may utilize not more than 15% of her/his total service period during their career on mobility. This could be in small tranches subject to a minimum period of two months or at a stretch not exceeding two years;

viii) The permitted inStem scientist shall be considered to be on sabbatical with provisions and benefits, if any, as appropriate; Accepting organization shall provide dislocation allowance of a minimum of 20% of their basic salary in addition to TA/DA.

ix) The industry scientist who is availing mobility into inStem shall receive her/his salary from the parent organization. S/he will be eligible for suitable honorarium for the period of their work in inStem not exceeding 6 months. InStem may provide accommodation and charge for the same as per institute rules.

x) The parent organization shall extend medical facilities to his / her family members retained at the parent organization, as applicable to other staff members in the same grade;

xi) The mobility period shall be treated not only as period on duty but also be counted for all future benefits and assessments. Nonetheless the rigour of evaluation for professional advancement shall not be diluted;

xii) The accepting organization which is inStem / industry / SIRO must provide all logistic support to the person it accepts under the provision of mobility and to that extent a commitment from the accepting organization may be obtained;

xiii) The scientist / engineer availing the mobility and the scientists / engineers of the accepting institution shall be encouraged to write joint project proposals for collaborative research and jointly guide the research students;

xiv) InStem may provide a specific working space or facility to enable scientists / engineers availing the mobility from industry, and define clear objectives of generation of intellectual property;

xv) InStem and parent organization of scientists / engineers availing the mobility from industry should sign a Memorandum of Understanding stating clarity about ownership and sharing of jointly eveloped intellectual property;

10. Sharing of revenue

Revenue sharing model in all the above cases between different parties will be as per the policy of Instem duly approved by its Governing Council.

11. Modification to these Rules

Modifications to these Rules can be effected by inStem with the concurrence of DBT and the approval of the Governing Council of inStem.

12. Overriding authority of DBT OM dated 26.10.2018

In the event of any contradiction between these Rules and Regulations and the provision of OM BT/NBDB/13/01/2018 of DBT dated 26.10.2018, the provisions of DBT's OM will prevail. In all respects, the provisions of above OM of DBT will apply *mutatis mutandis* to inStem.

13. Disputes

All disputes between a Scientist and inStem relatable to the permission granted under these Rules shall be settled by arbitration. Such disputes may be referred to Secretary, DBT as single arbitrator. The decision of the Arbitrator shall be final and binding on the parties. The arbitration proceedings shall take place in accordance with the Indian Arbitration and Conciliation Act 1996 as in effect at the time of the dispute. The place of arbitration shall be the office of the Secretary, DBT or any other place as chosen by the Secretary, DBT. The expenditure arising out of arbitration proceedings shall be equally shared by both parties. The language of arbitration shall be English.

The above Rules have the approval of the Governing Council of inStem. Any change or modification will require approval of the Governing Council and if it deviates from the provisions of the above - mentioned OM dated 26th October 2018 of DBT, approval of the Department of Biotechnology will be necessary.

14.Relaxation

In case of any of the above conditions requires any relaxation due to any reason, whatsoever, the power of relaxation vests only with the Chairperson, Governing Council, inStem.

Director, inStem

Dated: 20.11.2018

To,

1. The Secretary, Department of Biotechnology, Govt of India, New Delhi
2. Director, Institute for Stem Cell Science and Regenerative Medicine (inStem), Bangalore
3. Dean, Institute for Stem Cell Science and Regenerative Medicine (inStem), Bangalore

Encl: Rules and Regulations

Annexure-I (OM no. BT/NBDB/13/01/2018 dated October 26, 2018)

Form-1, Form-2, Form-3

No.BT/NBDB/13/01/2014
Government of India
Ministry of Science & Technology
Department of Biotechnology

Block 2, CGO complex,
Lodhi Road, New Delhi,
Dated 26th October, 2018

OFFICE MEMORANDUM

Subject: Revised Rules and Regulations for Encouraging Development and commercialization of Inventions and Innovations

The Department of Biotechnology, Ministry of Science and Technology, Government of India hereby notifies the Revised Rules and Regulations, "Encouraging development and commercialization of inventions and innovations" in Department of Biotechnology and its Autonomous institutes in continuation to the OM issued vide No. No.BT/NBDB/13/01/2014 dated 25th November, 2014.

2. This issues with the approval of competent authority.

(Banumathi.G)
Deputy Secretary

To

1. All Group Heads and Scientists, Department of Biotechnology, Ministry of Science & Technology, Govt. of India

2. Directors of Autonomous Institutes under Administrative control of Department of Biotechnology, Ministry of Science & Technology, Govt. of India

Copy for information to

PSO to SBT

Encl: Rules and Regulations.

No. BT/NBDB/13/01/2018
Government of India
Ministry of Science & Technology
Department of Biotechnology

Block No. 2, CGO Complex,
Lodhi Road, New Delhi,
Dated: 29th October, 2018

OFFICE MEMORANDUM

Subject: **Revised Rules and Regulations for Encouraging Development and commercialization of Inventions and Innovations- Notification - reg.**

The undersigned is directed to refer to this Department's O.M. No. BT/NBDB/13/01/2014 dated 26.10.2018 on the above mentioned subject and to state that the file No. of the **O.M. No. BT/NBDB/13/01/2014** dated 26.10.2018 may be read as **No. BT/NBDB/13/01/2018.**

(Banumathi G.)
Deputy Secretary

To

1. All Group Heads and Scientists, Department of Biotechnology, Ministry of Science & Technology, Govt. of India
2. Directors of Autonomous Institutes under Administrative control of Department of Biotechnology, Ministry of Science & Technology, Govt. of India

Copy for information to

PSO to SBT

No. BT/NBDB/13/01/2018
Government of India
Ministry of Science & Technology
Department of Biotechnology

Revised Rules and Regulations for implementing the scheme "Encouraging Development and Commercialization of Inventions and Innovations"

A. The Government of India has approved a scheme on "**Encouraging Development and commercialization of inventions and innovations: A new impetus"** for implementation by scientific establishments, scientists in Ministries /Departments of Government of India as well as autonomous institutes under them. This is as notified by Department of Scientific and Industrial Research (DSIR) vide OM No. 3/3/2009-TU/V/knowledge-to-equity dated May 25, 2009. The key components of the approved scheme are:

   i. Permitting the researchers to have an equity stake in scientific enterprises / spin offs while in professional employment with their research and academic organizations (Universities, academic and research institutions, herein after referred to as Scientific Establishment);
   ii. Permitting the Scientific Establishment to invest knowledgebase as equity in the enterprises;
   iii. Encouraging the Scientific Establishment to set up incubation centers; and
   iv. Facilitating the mobility of researchers between industry and Scientific Establishment.

B. As per the above Department notification, scientists of Department of Biotechnology as well as autonomous institutes under its administration control are eligible to avail the provisions of the scheme. The above communication has also provided a procedure to operationalize the provisions of the proposal. Accordingly, the concerned Scientific Establishment will have to evolve rules and regulations based on the guidelines suggested in the OM and seek concurrence of their respective Administrative Ministry. Thereafter, the respective Scientific Establishment would need to obtain the approval of its Governing Council / Body for implementing the scheme in their respective Establishments.

C. The rules and regulations for implementing the scheme "Encouraging Development and Commercialization of Inventions and Innovations" were issued vide OM No. BT/NBDB/13/01/2014 dated 25th November, 2014. These rules have been further revised now with the approval of Secretary, Department of Biotechnology, Govt of India and will have overriding effect on all the provisions of the earlier OM dated 25th November, 2014.

1. Short title

These may be called '**Scientific Establishment special provisions pertaining to rules and regulations for Encouraging Development and Commercialization of inventions and innovations'**.

2. Definitions

i. "Government" means the Central Government of India;

ii. "Entity" means a legal person constituted under Indian Laws primarily to commercialize knowledgebase;

iii. "Scientific Enterprise" means a special class of new Entity that leverages scientific research, inventions and innovations and transforms them into commercializable technologies / products;

iv. "Scientific Establishment" means the Department of Biotechnology (DBT) and the autonomous laboratories / institutes under it;

v. "Scientists" means such categories of staff as notified by the Department of Biotechnology (DBT) and autonomous laboratories / institutes under it from time to time and shall include scientists and engineers in scientific cadre as well as academic staff;

vi. "Knowledge base" means 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.

3. Operating Rules and Regulations

3.1 Permitting the scientists to have an equity stake in scientific enterprises / spin offs while in professional employment with their research academic organizations

3.1.1 Preamble

Creation of Scientific Enterprises is the key indicator of the effectiveness of a national innovation system. This in turn requires translation of inventions and innovations into commercializable knowledge. Such enterprises are often established in the campuses of research 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. Many developed nations world over encourage and enable their researchers (from publicly funded research organizations such as universities, research institutions etc.) to involve with Scientific Enterprises while in professional employment with their organization. Such measures are expected to ensure continued involvement of the researcher in translating the inventions or innovations to commercializable knowledge. With a view to permitting and enabling the researchers to involve with such science and engineering driven Scientific Enterprises, the Government has approved the above provision as one of the measures.

3.1.2 Eligibility

The scheme shall be applicable to all scientists and engineers in scientific cadre who have completed 3 years of service in the scientific cadre of Department of Biotechnology and the autonomous institutes under it and this could be further relaxed in meritorious cases with innovations having high potential for commercialization as recommended by the competent authority of the institution.

3.1.3 Procedure

i. The Scientific Establishment shall notify an official or an office or a committee for handling requests from scientists / engineers seeking permission under the provision;

ii. Any scientist desiring permission shall apply to the notified authority in prescribed form (appendix I) seeking permission to have a stake in an Entity;

iii. In the event of more than one scientist collectively investing in the Entity, each one of the scientists will have to seek the permission to have a stake in the Entity;

iv. In the event of more than one scientist belonging to different Scientific Establishments collectively investing in the Entity, each one of the scientists will have to seek the permission to have a stake in the Entity from their respective Scientific Establishments;

v. The notified authority shall examine each application in accordance with the procedures established by it and make an appropriate recommendation to the approving authority.

3.1.4 Competent Authority for Approvals

i. The approving authority for the scientists of the department is the Secretary of the Department and for Scientists in the Autonomous Institutes / Laboratories is Head of the institution / Laboratory (Director);

ii. Not withstanding anything contrary contained in any other rule, order or notification but subject to the provisions of this scheme, the Approving authority shall permit a scientist to have an equity stake in scientific enterprise;

iii. For implementing the provision at 3.1. by Scientific Establishment that is following CCS (Conduct) Rule, the Government has approved exemption in CCS (Conduct) Rules such as 15 (relating to private trade and employment), 16 (relating to investments, lending and borrowing), 18 (relating to movable . immovable property) and FR-11 and other related rules. However, only those scientists will be exempted from CCS (Conduct) Rules, who are permitted to have equity stake in companies by the Competent Authority. Remaining scientists of the Scientific Establishment will continue to be governed by the CCS (Conduct) Rules. If the Scientific Establishment is following its own conduct rules, then it has to provide exemption to the relevant rules to enable scientists permitted by the Competent Authority to avail the provision.

iv. The approval must also specifically mention instructions to avoid anticipated conflict of interest (as indicated in section 5 of Annexure I) in the form of dos and don'ts;

v. For the scientists of an Institute the Chairperson of Governing Council/ Governing Body of that Institute will be the Competent Authority for granting exemptions from operation of CCS (Conduct) Rules 1964 and/or any other relevant Rules. All such cases will be brought to his/her consideration with recommendations of Governing Council/ Governing Body of that Institute.

vi. For the scientists working in the department Hon'ble Minister in charge of the department will be the Competent Authority for granting exemptions from operation of CCS (Conduct) Rules 1964 and/or any other relevant Rules.

3.1.5 Responsibilities

3.1.5.1 Scientist

i. shall primarily be responsible for the organization he is serving and shall be bound by any instructions, general or specific, that the Scientific Establishment may issue from time to time;

ii. shall bring potential conflict of interest issues to the knowledge of the Scientific Establishment (as per annexure I, section 5) and be guided by the instructions that the Scientific Establishment may issue from time to time. Each Scientific Establishment may issue guidelines for management of conflict of interest, relevant to such Scientific Establishment, if necessary;

iii. 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;

iv. may provide professional advice to the Entity, upon request from the Entity, on such terms and conditions as the Scientific Establishment may prescribe;

v. if desires to be associated with the Entity as non-executive Director, he/she would need to seek the approval specifically from the Scientific Establishment (vide section 4 & 6 of the proforma);

vi. 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 Scientific Establishment. Such lien can be taken for a maximum period of 3 years;

vii. 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 share in the entity, inform the Scientific Establishment in advance.

3.1.5.2 Entity

i. should not be construed as an agent or representative or part of the Scientific Establishment. The Entity is solely responsible for 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 Scientific Establishment (the term 'resources' shall be broadly construed widely and include, without limitation, laboratories, equipments, personnel and space or the Scientific Establishment) with prior approval in writing and on such terms and conditions as the Scientific Establishment may prescribe;

iii. shall, subject to the existing rights or licenses, have the option to license knowledgebase from the Scientific Establishment by paying royalty (upfront or staggered with milestones or a combination of both);

iv. shall continue to be liable to the Scientific Establishment for payment of royalty even if the scientist concerned disinvests his / her stake in the Entity;

v. can source the knowledgebase from anywhere in India or Abroad; for the scientist to take equity stake the knowledgebase need not be from the same Scientific Establishment;

3.1.5.3 Scientific Establishment

i. notwithstanding anything contrary contained in any other rule, order or notification but subject to the provisions of this scheme, shall permit a scientist to have any equity stake in Scientific Enterprise;

ii. shall license knowledgebase to the Entity on terms that are no worse than the terms on which the Scientific Establishment would have licensed the knowledgebase to another person on arms length basis;

iii. in its discretion may take equity stake in the Entity in lieu of royalty (as per provision 3.2);

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 deem 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.

3.1.6 Modification to the rules

Modifications to these rules can be effected by the Scientific Establishment with the concurrence of the Administrative Ministry and the approval of the Governing Council / Board of the Scientific Establishment.

3.2 Enabling the Scientific Establishment to invest knowledgebase as equity in a Company / Entity

3.2.1 Preamble

Entities, having innovative ideas, need support to realize their dreams. However requirement of heavy investment on many fronts discourages many aspiring techno-preneurs. One of the ways to ease the burden of initial investment is offer of Knowledgebase in exchange for equity. Although such a measure by a Scientific Establishment is small in the light of the overall investment, the mere feeling that the Scientific Establishment is behind them enhances the confidence of the Entity immensely. Recognizing the intangible benefits, the Government has permitted the Scientific Establishment to invest knowledgebase and / or the cost of support services as equity in the enterprise / Entity.

3.2.2 Eligibility

Scientific Establishments that develop knowledgebase are eligible.

3.2.3 Procedure

i. The Scientific Establishment shall notify an official or an office or a committee for handling requests from a Company / Entity seeking permission under the provision;

ii. Any Company / Entity who desiring to utilize the knowledgebase and / or support services of Scientific Establishment shall apply to the notified authority in the

prescribed form (appendix II) seeking permission for equity participation in lieu of the cost of knowledgebase and / or support services;

iii. The notified authority shall examine each application in accordance with the procedures established by it and make an appropriate recommendation to the approving authority. The specified authority shall also reflect on the knowledgebase from Security and Sensitivity angle;

iv. After approval by the competent authority, a legal agreement shall be entered between Scientific Establishment and the Company / Entity for transfer of knowledgebase and / or support services for equity incorporating all the relevant clauses of the approval;

3.2.4 Competent Authority for approvals

i. The approving authority is Head of the institution / Laboratory (Director);

ii. The approval shall specifically state the quantum of the equity for the knowledgebase and / or support services. It would also specify the type of support services it shall provide and for how long;

iii. The Approving authority may reject the permission if the knowledgebase impinges on the Security and Sensitivity of the nation;

3.2.5 Responsibility

3.2.5.1 Scientific Establishment

i. (the notified authority) shall finalize the terms & conditions for knowledgebase and / or support services to be invested as equity in the Company / Entity taking into consideration the over all investment and efforts required in translating such knowledgebase into commercialisable product / process by the company / Entity;

ii. shall only invest knowledgebase and / or support services as equity and under no circumstances can invest cash as equity in the Company / Entity;

iii. shall have a right to nominate its representative as independent Director on the Board of Directors of the Company / Entity;

iv. shall not take the management of such Company / Entity in hand. Management of such Companies / Entities shall vest in the promoters or next majority stakeholder;

v. shall not involve directly or indirectly any scientist, who has taken an equity stake in the Company / Entity in any process that pertain:

   a) to license knowledge base to the Company / Entity

   b) to the purchase or hiring of goods and services from the Company / Entity

   c) to evaluate goods or services offered by the Company / Entity;

vi. upon request from the Company / Entity, may provide technical personnel / professionals under the mobility scheme (vide 3.4), on such terms and conditions as the Scientific Establishment may prescribe;

vii. shall divest their equity, at an appropriate opportunity on their discretion, as per the financial norms; In such an event the Company / Entity shall be given the first right

to buy back the equity, without compromising on financial returns. However, the Scientific Establishment shall reserve the right to decide about its equity stake as it deems appropriate, in the event of the Company's / Entity's merger with another unit or acquiring another unit or coming out with an Initial Public Offering (IPO);

viii. may utilize the services of financial institution to manage the portfolio;

ix. shall distribute the dividend received from such Companies / Entities as well as the divestiture of equity with the innovators and staff as per the extant rules of the Scientific Establishment;

x. shall plough back its share of dividend received from the income of such Companies / Entities as well as the amount received due to divestiture of equity stake in furthering its research objectives;

3.2.5.2 The Company / Entity

i. shall not view the Scientific Establishment as a promoter of the Company / Entity and it shall be viewed only as an investor;

ii. shall not use the name of the Scientific Establishment without the latter's express permission;

iii. shall permit the Scientific Establishment to nominate a person on the Board of Directors;

3.2.6 Modification to the rules

Modifications to these rules can be effected by the Scientific Establishment with the concurrence of the Administrative Ministry and the approval of the Governing Council / Board of the Scientific Establishment.

3.3 Setting up of Technology Incubation Centers (TIC) by Scientific Establishment

3.3.1 Preamble

Nurturing early stage innovations and developing them into technologies is a measure of the strength of the National Innovation System (NIS). Translating early stage innovations into technologies associated with considerable risks, requires large risk capital, in addition to sound technical expertise and sustained effort by the entrepreneur. The concept of Technology Incubation Centre (TIC) has served well in moving innovations to market place and thus limiting the initial capital investments by the entrepreneur. Recognizing the fact, Government has approved setting up of TICs by various Scientific Establishments. These multipurpose TICs, aim to provide high quality infrastructure and ecosystem to entrepreneurs so as to help nurture start up Companies / Entities through appropriate hand holding mechanisms.

3.3.2 Objectives

- to accelerate the commercialization of new inventions and innovations;
- to nucleate, nurture and mentor new Scientific Enterprises, mainly in the area of Biotechnology;
- to assist new Scientific Enterprises to forge appropriate linkages with other companies, academia and government;
- to encourage techno-preneurship in the country.

3.3.3 Scope

TICs shall facilitate setting up of Scientific Enterprise that

- translate inventions and innovations into products / processes; and
- provide R&D services on contract basis to national and international clients.

3.3.4 Eligibility

Scientific Establishments under Department of Biotechnology are eligible.

3.3.5 Procedure

The Scientific Establishment wishing to set up a TIC shall prepare a comprehensive report and seek the approval of its Governing Council / Board. The comprehensive report among others shall include objectives, scope, R&D capacity and major facilities of the Scientific Establishment, IP portfolio, SWOT analysis, proposed operation of TIC, Management of TIC and financial analysis.

3.3.6 Operation of TIC

i. The TIC shall function as an independent Entity, either as a section 25 company or a society;

ii. The TIC can lease a built-up space from the Scientific Establishment, if the later can spare. For creating other necessary facilities, the TIC / Scientific Establishment may seek grants-in-aid support from other government departments;

iii. In case such spare built-up space is not available, the Scientific Establishment may make alternate plans to build such facility either from its own budgetary resources or from grants-in-aid from other government departments;

iv. The Scientific Establishment may also explore the possibility of setting up TIC in public-private-partnership mode on build, operate and transfer mode.

v. The TIC shall charge basic rent, maintenance & reimbursable charges from its tenants and the Scientific Establishment shall recover the costs of the services it provided to the TIC;

vi. The scientific Establishment shall constitute a TIC Function Review Committee to review the performance of the TIC periodically;

vii. Each TIC shall endeavour to tie-up with one or more venture capital funds to facilitate financing of the Scientific Enterprises incubated on its premises;

viii. The TIC shall endeavour to be a self-sustaining entity within a reasonable period from its commencement;

ix. TIC shall give preference to the Entities that utilize the knowledgebase of the Scientific Establishment;

3.3.6 Management of TIC

i. Head of the Scientific Establishment / an eminent Technologist nominated by the Governing Council / Board shall be the Chairman of the Board of Directors (BoD) of the TIC. He/she will have the overall authority for running the TIC. The BoD shall have powers among others, to select the applicants based on rigorous assessment

including suitability of the TIC facilities for the intended activities of the Scientific Enterprise;

ii. The BoD shall meet at least once in six months to discuss and take decisions for smooth running of TIC;

iii. The TIC shall identify a suitable person from the Scientific Establishment or hire services of a professional as Managing Director or CEO (at competitive market prices) to manage the TIC. He/she shall among others, be responsible for the day-to-day operations, collection of rents, maintenance of the premises and assist the Chairman and BoD for smooth management of the TIC;

iv. Any other secretarial assistance, security and maintenance staff that may be required for the TIC shall be outsourced on contract basis;

v. The TIC shall evolve a standard legal agreement (with necessary modifications from case to case) to be entered between the Scientific Enterprise and the TIC.

3.4 Facilitating mobility of researchers between industry and Scientific Establishment and *vice versa*

3.4.1 Preamble

Building newer skills, competencies and capabilities in scientists is a continuous endeavour of all Scientific Establishments. One of the effective ways of building such skills is 'mobility' of researchers from one organization to another. Temporary movement of scientists / Engineers from one Scientific Establishment to other and to industry and vice versa is termed as 'mobility' of researchers. Mobility helps in seamless transfer of knowledge, skills and competencies across the spectrum. For example, scientists working in Scientific Establishment might acquire entrepreneurial skills with the exposure to industrial working environment; similarly, shortage of competent manpower may be eased in newer institutes temporarily. Recognizing the benefits, the Government has approved the provision for mobility of researchers between industry and Scientific Establishments and vice versa. This provision will cover personnel engaged in research, teaching, R&D activities including further development of innovation and inventions, as well as associated functions such as technology dissemination & diffusion, business development, knowledge management, technology & IP management, quality assurance etc.

3.4.2. Eligibility

The scheme shall be applicable to all scientists and engineers in the scientific cadre of Department of Biotechnology and the Scientific Establishments under it, who have completed 3 years of service and have at least 2 years of residual service after completion of the mobility period.

3.4.3 Procedure

i. The Scientific Establishment shall notify an official or an office or a committee for handling requests from scientists / engineers seeking permission under the provision;

ii. Any scientist who desires permission under the provision shall apply to the notified authority in prescribed form (appendix III);

iii. The notified authority shall examine each application in accordance with the procedures established by it and make an appropriate recommendation to the approving authority;

3.4.4 Competent Authority for Approvals

i. The approving authority for the scientists / Engineers of the department is Secretary of the Department and for scientists / Engineers in the Scientific Establishment under it is Head of the Scientific Establishment (Director);

ii. Not withstanding anything contrary contained in any other rule, order or notification, but subject to the provisions of this scheme, the Approving authority shall permit a scientist to utilize the provision;

iii. The approval shall specifically state the period for which the scientist / engineer is being permitted to avail the mobility provision;

iv. Mobility shall be permitted only within the country;

3.4.5 Operative Provisions

i. The mobility of scientists / engineers may be permitted between and among Scientific Establishments, industry and approved Scientific and Industrial research Organizations (SIROs) recognized by Department of Scientific and Industrial Research;

ii. In utilizing the provision, two scenarios are envisaged viz. (i) mobility into the Scientific Establishment and (ii) mobility out of the Scientific Establishment. Both the scenarios are permissible;

iii. The provision of mobility can be permitted for research, teaching, R&D activities including further development of innovation and inventions as well as associated functions such as technology dissemination & diffusion, business development, knowledge management, technology & IP management, quality assurance, etc.;

iv. The objective of the mobility must be clearly defined;

v. Not more than 20% of the eligible staff of a Scientific Establishment may be permitted to avail the provision at any given time. The host institute may engage temporary staff, if necessary, during the period for sustaining the activities;

vi. Eligible staff member may utilize not more than 15% of his/her total service period during his career on mobility. This could be in small tranches subject to a minimum period of two months or at a stretch not exceeding two years;

vii. The permitted staff member shall receive his/her salary from the parent organization. The accepting organization shall provide dislocation allowance of a minimum of 20% of his basic salary in addition to TA/DA. In case of mobility to Industry / SIRO, no such limits for dislocation allowance are prescribed and the staff will be permitted to retain such allowances;

viii. In the case of mobility into Scientific Establishment from the industry / SIRO, the Scientific Establishment may pay competitive and consolidated remuneration. It will be decided by the Scientific Establishment on the basis of its location, experience of the incumbent and area of the proposed work. The Scientific Establishment may

provide accommodation and charge for the same as per rules. The incumbents shall also be permitted to retain any payment on account of salary etc., from their parent organization;

ix. The parent organization shall extend medical facilities to his / her family members retained at the parent organization, as applicable to other staff members in the same grade;

x. During the period of mobility, the permitted staff member will be allowed to retain the accommodation on the same terms and conditions as are applicable to other staff in the same grade;

xi. The mobility period shall be treated not only as period on duty but also be counted for all future benefits and assessments. Nonetheless the rigour of evaluation for professional advancement shall not be diluted;

xii. The accepting Scientific Establishment / industry / SIRO must provide all logistic support to the person it accepts under the provision of mobility and to that extent a commitment from the accepting organization may be obtained;

xiii. The scientist / engineer availing the mobility and the scientists / engineers of the accepting institution shall be encouraged to write joint project proposals for collaborative research and jointly guide the research students;

3.4.6 Modification to the rules

Modifications to these rules / operative provisions can be effected by the Scientific Establishment with the concurrence of the Administrative Ministry and the approval of the Governing Council / Board of the Scientific Establishment.

3.5 Revenue Sharing Mechanism

i. In cases related to Autonomous Institutes revenue sharing model will be such as approved by their Governing Body/ Governing Council.

ii. In cases related to Scientists working in the department the revenue sharing will be as approved by the Government on case to case basis.

3.6 Disputes

All disputes between the Scientist and the Scientific Establishment relatable to the permission granted under these provisions / rules shall be settled by arbitration. Such disputes may be referred to Secretary, DBT as single arbitrator. The decision of the Arbitrator shall be final and binding on the parties. The arbitration proceedings shall take place in accordance with the Indian Arbitration and Conciliation Act 1996 and / or any subsequent amendment thereof. The place of arbitration shall be the office of the Secretary, DBT or any other place as chosen by the Secretary, DBT. The expenditure arising out of arbitration proceedings shall be equally shared by both parties. The language of arbitration shall be English.

Appendix I

Application for seeking approval of the Scientific Establishment for investing in the equity stake of a Scientific Enterprise / spin off

1. Details of the Scientist:

i. Name:

ii. Designation:

iii. Division 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 Knowledgebase 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 back ground 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 back ground 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 Scientist 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 finance:

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 scientist family members (wife or husband and children only) hold or propose to hold equity shares in the same Entity, please give details:

4. Other permissible provisions:

i. Does the scientist intend to take lien? Yes No

ii. If yes, state the period and date from which the scientist intend to take the lien:

iii. Does the scientist wish to be associated with the Entity as non-executive directoron the BoD?

iv. If yes, specify the role of the scientist as Director on BoD

v. Does the scientist propose to offer consultancy to the Entity? Yes No

vi. If yes, give the approximate consultancy man days per year:

(in the event of Scientific Establishment permitting the scientist to offer consultancy to Entity, a separate agreement will have to be entered between the Scientific Establishment and the Entity for the consultancy assignment as per the Scientific Establishment norms)

5. Conflict of Interest Disclosure:

The conflict of interest arises due to the dual responsibility a scientist, who invests in an Entity, has to take on one hand as scientist of the Scientific Establishment and on the other as an investor in the Entity. Every scientist 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 Scientific Establishment to assess and suggest possible remedial measures to be followed by the Scientist.

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

(While the of approval in force, if any other conflict of interests are envisaged these may also be brought to the notice of the appropriate authority of Scientific Establishment)

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 lean 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 scientific Establishment and I shall abide by the instructions of the Scientific Establishment 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 Scientific Establishment 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:

a) with any process to license knowledge base to the Scientific Enterprise

b) with any process for the purchase or hiring of any goods and services from the Scientific Enterprise; and

c) with the evaluation of any goods or services that compete with the goods or services of the Scientific Enterprise.

Signature _____

Name of the scientist _____

Witnesses(signature with complete address):

1. **_____**
2. **_____**

Appendix II

Application for seeking approval of the Scientific Establishment for investing in the knowledgebase and / or support services as equity in the Company / Entity

1. Details of the Company / Entity:

i. Registered / proposed name of the Company / Entity:

ii. Registration number and other details (in case to be registered give the likely time frame when it will be registered and where):

iii. Registered Address of the Company / Entity with telephone, mobile, fax and email (in case to be registered Company / Entity give details of proposed address)

iv. If the Company / Entity is 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. Face Value of Equity share (in Rs.):

vi. Authorized Equity capital of the Company / Entity (in Rs.):

vii. Subscribed value of the Equity capital (in Rs.):

viii. Give details of the promoters including address with telephone, mobile, fax and email, brief back ground and their individual equity stake in the Company / Entity:

ix. Give details of the Board of Directors including address with telephone, mobile, fax and email, brief back ground and their individual equity stake, if any, in the Company / Entity:

x. Give details of the present functioning of the Company / Entity including the name and contact details of the chief operating officer / Managing Director etc. In the event the Company / Entity is yet to be established, give proposed functioning of the Company / Entity:

xi. Profile of the Company / Entity including broad outline of the activities or proposed activities:

xii. In case of new start up, briefly outline the Business Plan of the Entity (also enclose a copy of Business plan):

xiii. Give brief details of product range, in case of existing company and list the Knowledgebase it had acquired:

2. R&D capacity of the Company / Entity:

i. Does the Company / Entity have a R&D unit yes No

If yes, provide following information

ii. Has it been recognized by DSIR (if yes give details)

iii. Give details of Staff strength

iv. Give names of the staff having Ph.D. degree

v. R&D expenditure in the last 3 years

vi. List major R&D facilities

vii. Describe current R&D activities

viii. IP generated due to the R&D activities in the last 3 years

ix. Does the Company / Entity have expertise in translating the knowledgebase into product / process? If yes give details of two such examples:

x. Give current portfolio of IP:

3. Knowledgebase proposed to be acquired by the Company / Entity as equity:

i. Name of the knowledgebase

ii. Brief details of knowledgebase

iii. Brief plan of action for translating the knowledgebase into product / process

(Questions to be answered by Scientific Establishment)

iv. Is the knowledgebase IP protected, if yes give details

v. Is a report on the knowledgebase available, give details?

vi. Who are the inventors of the knowledgebase, give names and percentage of their contribution?

vii. Please classify the knowledgebase as per the definition of knowledge base given in the section 2 of the main notification.

4. Support services proposed to be utilized in lieu of equity by the Company / Entity:

i. Please list the equipment / facilities proposed to be used by the Company / Entity and the likely time requirement per month and the period of requirement

ii. Please list any other services that the Company / Entity propose to use and give details

5. Undertaking:

In case the Scientific Establishment agrees to invest its knowledgebase and / or support services in the company, I _____, the authorized signatory of the company on behalf of the company solemnly resolve to undertake that:

i. the Company / Entity shall have the nominee of the Scientific Establishment as non executive director on the Board of Directors;

ii. the Company / Entity shall not use / involve the name of the Scientific Establishment without its express permission;

iii. the Company / Entity shall make all reasonable efforts in translating the knowledgebase into a commercial product / process;

iv. upon receiving communication from the Scientific Establishment of its willingness to invest knowledgebase as Equity, the Company / Entity shall pass a board resolution to that effect indicating the number of equity shares it would be allotting to the Scientific Establishment;

v. mere participation in the equity by the Scientific Establishment does not construe that the Company / Entity is part of the Scientific Establishment;

vi. the Company / Entity shall not directly or indirectly influence the Scientific Establishment in purchase or hiring of any goods and services from the company;

vii. the Company / Entity shall inform in advance the Scientific Establishment of any acquisition, merger or IPO.

Signature of the Authorized Representative of the company

Name and designation _____

Witnesses (signature with complete address):

1. **_____**
2. **_____**

Company Seal

Appendix III

Application for seeking permission of the Scientific Establishment for utilizing the Mobility scheme

1. Details of the Scientist / Engineer:

i. Name:

ii. Designation:

iii. Division in which he or she currently working

iv. Date of joining the Scientific Establishment

v. Date of Superannuation

vi. Address for communication including Telephone, mobile, fax and email (office)

vii. Residential address including Telephone, mobile, fax and email

viii. Proposed period of mobility: From ---------- To ----------

ix. Give details of study leave / lien, if any used by the applicant

x. Give details of the mobility used by the applicant

2. Details of the Scientific Establishment where the applicant proposed mobility:

i. Name of the Scientific Establishment / Industry / SIRO:

ii. Department / Division where the applicant proposes to work:

iii. Address of the Scientific Establishment / industry / SIRO with telephone, mobile, fax and email

iv. Brief profile of the Scientific Establishment and the division / department where the applicant proposes to work:

v. Objective of the proposed mobility

vi. Define the area of work and the benefits that are expected to accrue to the parent institution

vii. Attach a acceptance letter from the Accepting Scientific Establishment / industry / SIRO

viii. Details of remuneration being offered by the Accepting organization

ix. Any other relevant information

3. Associated information

i. Does the applicant wish to retain the official accommodation?

ii. Does the applicant intend to utilize the medical facility (from the parent institute) for his family members

Signature of the applicant

Witnesses (signature with details)

1._____

2._____