

Item 2.

So You Want To Be A Director

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First, Know Your Duties and Obligations

Before you agree to be a company's director, you should understand your duties and obligations. By fulfilling them in good faith, you can avoid conflict of interest and possible personal liability for company difficulties related to actions you take as a board member. Before you accept a board position, be sure you understand what will be expected of you.

Directors owe a fiduciary duty to their company. This fiduciary duty includes a duty of loyalty to the company and a duty to act with care in carrying out responsibilities.

Duty of Loyalty

What is the duty of loyalty to the company? It means that you must set aside your personal interests and make company decisions on the basis of what's best for the company, not what's best for you. The company is trusting you to do this. In practice, this means you must ***recognize when your and the company's interests are in conflict***, advise the other directors of the conflict and abstain from voting on the matter. For example, you cannot vote on whether your company enters a contract with you or between the company and another entity in which you have a material interest or position of responsibility. Also, you must ***not take advantage of an opportunity that belongs to the company*** by exploiting it for yourself. Finally, you must ***never compete with the company***. For example, you must not take business or customers away from the company or take its trade secrets or other secret information.

Duty of Care

The duty of care means that you have to make your decisions only after you have done what a reasonable and prudent person in the same or similar circumstances would do. What does a ***reasonable and prudent director*** do?

- ***Attends meetings***
- ***Actively participates*** by reviewing relevant reports and other materials, asking questions and investigating if unsatisfied with others' answers
- ***Consults professional advisors*** when necessary
- ***Understands any relevant laws, regulations and company rules***

If you perform these duties and make your decisions based on your good faith judgment about what is best for the company, the courts will not hold you liable if it turns out that your judgment was in error.

In summary, keep your company's interests before your own, make your decisions in good faith, that is, fully informed and with due consideration for the impact of the decision on the company, and you likely will avoid personal liability for the results of the actions you take as a director.

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Last updated: July 27, 2001
