BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION
INFORMATION OR DISCUSSION

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**TOPIC:** Licensing Strategies for Private Industry Sponsored Research

**COMMITTEE:** Committee on Economic Development and Technology Commercialization

**DATE OF COMMITTEE MEETING:** January 26, 2012

**SUMMARY:** The Committee will explore possible licensing strategies for private industry sponsored research. The Penn State model will be discussed as a strategy to foster sponsored research and the commercialization of intellectual property.

**ALTERNATIVE(S):** This item is for discussion purposes.

**FISCAL IMPACT:** This item is for discussion purposes.

**CHANCELLOR'S RECOMMENDATION:** This item is for discussion purposes.

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COMMITTEE RECOMMENDATION: DATE:

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BOARD ACTION: DATE:

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SUBMITTED BY: Joseph F. Vivona (301) 445-2783

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KEYSTONEEDGE

EDITOR'S EDGE: Penn State Can Transcend Scandal With Groundbreaking IP Policy Shift

**Joe Petrucci | Thursday, December 15, 2011**

(excerpts from the December 15, 2011 article)

(Penn State's Vice President of Research) Foley revealed to Keystone Edge in a phone interview earlier this week that beginning this fall, Penn State University will no longer mandate ownership of intellectual property associated with industry-funded research. The real value is not in IP ownership, Foley contends, but rather in the contact students and faculty have with real problems in the world.

"We're moving to the position where if a corporation sponsors research with us, they own it. We prefer it," says Foley. "We're looking to get the interactions, the relationships and the ability to work on more pressing problems."

In a May 31 memo to Foley titled Core Council Recommendations Regarding Research (OVPR) from then Executive Vice President/Provost and current University President Rodney Erickson, it is clear that IP was becoming a drain on the Office of Vice President of Research, which has a budget of around $46.5 million (excluding a separate budget for the Graduate School).

From the memo, which was posted on an Office of the Executive Vice President and Provost webpage and recommended redirection of resources within OVPR:

*- "The focus of the office is to help turn faculty ideas into patents and licenses with royalties flowing back to Penn State, while at the same time trying to help faculty monetize their ideas. But the realities never seem to live up to the potential."*

*- "Entrepreneurial faculty who want to start companies to commercialize Penn State intellectual property (IP) complain of being deterred by too much oversight and busy-work."*

*- Penn State is among the worst of its peers when it comes to royalties received from patents and licenses, ranking no better than 80th, right behind Eastern Virginia Medical School.*

*- The Core Council recommends to "explore an entirely new approach that will make Penn State a friendlier environment for industry-sponsored research, knowing that the companies themselves usually bring a considerable amount of their own IP to the projects."*

*- The Core Council considers negotiating higher facilities and administrative rates for industry research partner contracts*.

"In a sense, Penn State is favoring its academic (mission) over commercial (interests)," says Michael Carrier, a lawyer and professor who teaches IP law at Rutgers School of Law-Camden.”

Foley says he and Erickson have been on the same page. In July, Foley's office announced the merger of Penn State's existing Industrial Research Office and Intellectual Property Office to form the new Office of Technology Management. That was the first step, according to the university, in "realizing an aggressive new vision at Penn State for technology development and translation to the market."

A large portion of the new OTM's efforts involve fostering corporate partnership and marketing of Penn State's IP, including "more vigorous licensing." Sans the conditions of Penn State's financial stake in IP ownership, corporations will no doubt be more likely to make a gift like the one worth $9 million in software and content announced in June from leading enterprise architecture service provider Armstrong Process Group to the College of Information Sciences and Technology's Center for Enterprise Architecture – a gift that will enhance the planned Master of Professional Studies in Enterprise Architecture and is part of For the Future: The Campaign for Penn State Students, which aims to secure $2 billion in private support by 2014.

## Lab Manager Magazine

### New Approach to Industry-Funded Research Announced

**December 12, 2011**

MINNEAPOLIS / ST. PAUL (12/09/2011) —The University of Minnesota today announced a new, unique approach to the way it handles intellectual property arising from research projects funded by business and industry partners. The new approach eliminates the need for protracted negotiations over rights to intellectual property that may result from industry-funded research.

Dubbed "Minnesota Innovation Partnerships," or MN-IP, the new approach is part of the university's ongoing efforts to work more effectively with the business community. With MN-IP, a company sponsoring research at the university will be able to pre-pay a fee and receive an exclusive worldwide license with royalties taking effect only in cases of significant commercial success (details at end of release). MN-IP offers the added advantage of removing the uncertainty and financial concerns that often surround industry-funded research projects.

At the university and other higher education institutions, industry-funded research often involves complicated research contracts and protracted negotiations over terms related to any intellectual property that might result from the research. Both sides frequently find the experience frustrating, time-consuming and counter-productive to effective partnerships.

"We are very excited to announce this innovative strategy," said university President Eric Kaler. "Using feedback from business partners who often criticized the university's traditional approach, Vice President for Research Tim Mulcahy and his team have come up with a new approach that is a true game-changer. We expect that MN-IP will make the University of Minnesota a research destination of choice for major corporate partners looking to sponsor research at a world-class research university."

MN-IP is the result of an initiative launched in 2010 under Mulcahy's leadership. Staff from the Office for Technology Commercialization evaluated the university's approach, reviewed peer institution best practices, and consulted with researchers and members of the business community before formulating this innovative strategy. The resulting

MN-IP proposal was vetted with internal and external partners and received an enthusiastic response.

“We believe that MN-IP will result in a wide range of positive effects on our relationships with industry research sponsors,” Mulcahy said.

“We’re transitioning from an approach that focused almost exclusively on the remote probability of royalties to one that values the many tangible and intangible benefits that accrue to the university, our corporate partners and the state from truly effective partnerships.”

“Our technology commercialization staff will be encouraged to work with faculty to attract sponsors and establish beneficial partnerships,” Mulcahy added. “Companies will have a stronger incentive to commercialize technology resulting from university research. And consumers will benefit as these innovations are developed and ultimately make their way to the marketplace.”

MN-IP agreements are available immediately to industry research sponsors. Further information is available at the Office for Technology Commercialization website at: www.research.umn.edu/techcomm.

**Basic Information About UMN-IP**

- Involves pre-paid exclusive option fee amounting to 10 percent of sponsored research contract or $15,000, whichever is greater.
- Includes option to exclusive license with pre-set terms: no annual minimums or other fees; no time limits or milestones; sponsor is free to sublicense/cross-license technology; if annual sales involving licensed IP exceed $20 million, licensee pays one percent royalty fee; no cap on royalties unless invention improves on sponsor’s pre-existing product or processes.
- Sponsor pays patent costs and has the benefit of driving prosecution while collaborating with the University on patent claims.