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New Model for Tech Transfer

Every university longs to have the next mega-deal on patent rights or royalties for a product or service based on an idea hatched in academe. Stanford University earned \$336 million this year on the sale of Google stock it held because it allowed the company's founders to use technology on which the university holds patent rights. [Gatorade](#) was developed at the University of Florida and has enriched that institution with royalties that are legendary.

But there is a flip side to technology transfer too — the hundreds of millions of dollars that are paid in royalties each year tend to go to a relatively small number of institutions, while many universities spend months (and rack up huge legal bills) negotiating intellectual property deals that are never more than theoretical, since big profits never come in.

This week, some leading research universities and companies are endorsing a [new model](#) for tech transfer in the IT industry in which an “open source” approach will remove the need to negotiate over patent rights, but in which universities will seek financial support from companies in ways other than patent royalties.

“I see this as very significant, as changing the mindset of universities and bringing us back to what we should be doing,” said Pradeep K. Khosla, dean of engineering at Carnegie Mellon University, one of the institutions participating. “Once you own patents, you start behaving like a company, and that’s not what you should be doing.”

Khosla said universities have abandoned their central missions based on the false assumption that patent rights will make them rich. “If you look at the statistics, the odds are not in your favor as a university with patent rights. And it’s also not your mission to own patents, but it is your mission to educate students, to do great research, and to take risks.”

Others familiar with the negotiations that led to this new approach caution that it is unlikely to be used in all fields. Technology companies focus on speed to market, so this approach is attractive, but it’s probably a non-starter in pharmaceuticals, for instance, where exclusivity tends to be crucial for companies. And others note that the motivations for this new model aren’t entirely altruistic — some leading technology companies have started sponsoring more research at universities outside the United States, and American institutions feel that they need to do things to make themselves more attractive.

But the fact that top technology universities are involved is attracting attention. In addition to Carnegie Mellon, the others are the Georgia Institute of Technology, Rensselaer Polytechnic Institute, Stanford, and the Universities of California at Berkeley, Illinois at Urbana-Champaign, and Texas at Austin. The companies involved are also big

names: Cisco, Hewlett-Packard, IBM and Intel. The effort was coordinated by the Ewing Marion Kauffman Foundation, which has focused considerable attention on issues of entrepreneurship and research.

“Any experiment like this, that promotes new ways of cooperating and gets people talking, is a very good thing,” said W. Mark Crowell, president of the Association of University Technology Managers and associate vice chancellor for economic development and technology transfer at the University of North Carolina at Chapel Hill. “Things that lower barriers, and that speed the time to market, are very good things.”

The statement of principles issued by the Kauffman Foundation this week is vague, stating that “intellectual property arising from selected research collaborations will be made available free of charge for commercial and academic use.” And university officials said that they will have control — even within the IT field — to decide when to apply this concept. But they said that this approach would now be assumed to be the desired one, as opposed to prolonged negotiations over intellectual property.

Khosla of Carnegie Mellon said that this approach didn’t mean that universities wouldn’t be expecting anything from corporate partners. For example, he said that Carnegie Mellon is in the process of setting up a new consortium to promote “next generation IT research” and that the university will not seek patent royalties from the companies that participate, provided that the companies pledge at least \$500,000 in support a year, for three years. So the “open source” access that the companies will get isn’t entirely open — and it’s not free either. But what’s important, Khosla said, is that the university is focused on research, not patents.

G.P. (Bud) Peterson, provost of RPI, also stressed that the principles were not a matter “of giving carte blanche on intellectual property,” but would probably represent “the first 80 percent” of any deal with a company. To the extent that universities give up potential revenue from intellectual property deals they may have made previously, Peterson said there were a number of factors to consider.

“The biggest problem has been time,” he said. In the IT industry, “useful product life is relatively short” and taking nine months to a year to negotiate a deal on intellectual property doesn’t make any sense.

Peterson also said that it was important “not to underestimate the threat of foreign competition.” With technology oriented universities in many nations anxious to work with American companies — and willing to agree on terms very quickly — the old model was putting American universities at a disadvantage. “We are competing with universities overseas,” he said.

Crowell of the university technology transfer association, said that he saw this week’s announcement as a logical outgrowth of efforts pushed by the National Science Foundation in recent years to have consortiums of universities and companies work together and share patent rights. That model, while used on specific projects rather than

in the more open-ended set of principles released this week, has worked well, Crowell said.

People who are surprised that universities would agree to give up patent rights, Crowell said, falsely assume that the main thing universities are after in patent negotiations is more money. When negotiations over patent rights go slowly, he said, the reason may be money, but it may also be demands that the company is making for control of research or the breadth of research covered by an agreement. Skipping the patent-negotiation process means that universities don't need to agree to those sorts of provisions.

More broadly, he said, success in technology transfer — especially for public universities — is not measured solely by money from royalties or licensing agreements. If a public university can find ways for its research to lead to the creation of new businesses in a state, that may be as important to taxpayers and legislators as getting more money in a university's endowment.

In that context, he said, giving up the revenue from some intellectual property may make a lot of sense — if avoiding negotiations means that an invention can be turned into a business. “What we want to do is get our stuff out and used,” he said.

— [Scott Jaschik](#)

Comments

I agree the proposed approach has merit. The companies mentioned tend to have high volume low margin products that make traditional licenising with earned royalties difficult to accept (and so they strongly resist traditional licensing, and for good reason). I also have a strong concern over in some cases and overemphasis on “making money” and this has lead to some bad decisions by some universities. However I have send recent changes that this problem is declining, such as this new approach. However there are some downsides that need to be considered and reviewed under this new approach. (1) There are two areas were exclusive IP rights are critical. One is in pharma and biotech, as mentioned, but the other is for investors in forming new start-up companies. To the extnet this new approach discourages or prevents formation of new companies, our economy loses. (2) The involvement of inventors/creators is normally essential for successful technology transfer. The traditional licensing relationships created under traditional licensing provide incentives through royalty sharing with inventors, consulting opportunities, hiring of graduating students, etc by licensees. If this is also lost under this new approach, effective technology transfer of research results may suffer. I believe those engaging in this new approach should be sensitive to the possible downsides, and take actions to minimise such effects. Jon Sandelin

Jon Sandelin, Senior Associate Emeritus at Stanford University, at 7:11 pm EST on December 23, 2005