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From Patent to Market: Setting Up an Entrepreneurial University

Presented at Regional Forum on The Role of patents and
The patent cooperation treaty (PCT) in research in developing countries



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Background



- **InnovUS was set up in 1999 as TTO of SU**
 - o “Office for Intellectual Property”
 - o Name change in 2004
 - o IP Commercialisation Policy 2004
 - o More proactive and commercial focus in 2006
 - o Researched mainly UK and US models and formulated proposal for institutional changes to support commercial focus
- **New proposed legislation (IPR Bill)**
 - o NIPMO and compliance
 - o Technology Transfer Offices at research institutions receiving state funding



Core Responsibilities of InnovUS

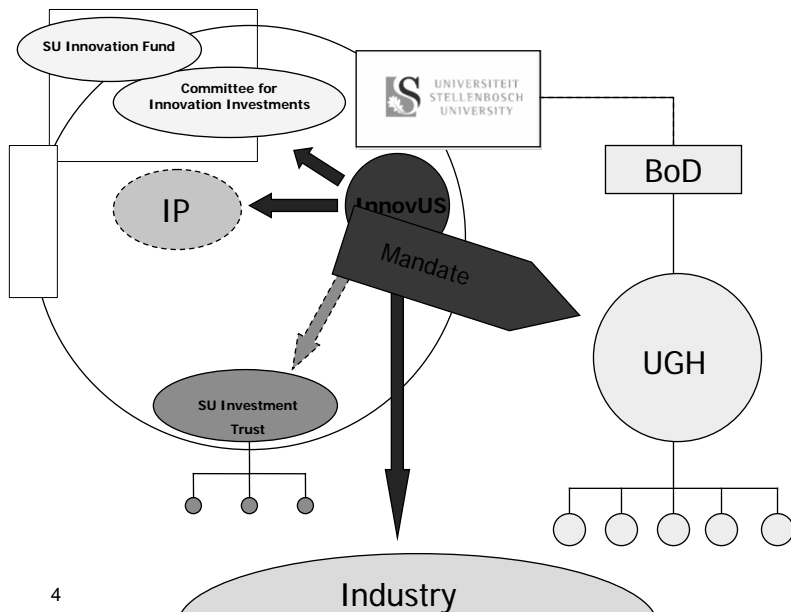


- Application of SU technology to the benefit of society,
- Service to faculty and increase awareness of technology transfer among faculty, researchers and students,
- Maximising 3rd stream income for SU through commercialising IP,
- Value creation within and growth of SU portfolio of spin off companies,
- Raise profile of SU as performing university – attract top researchers

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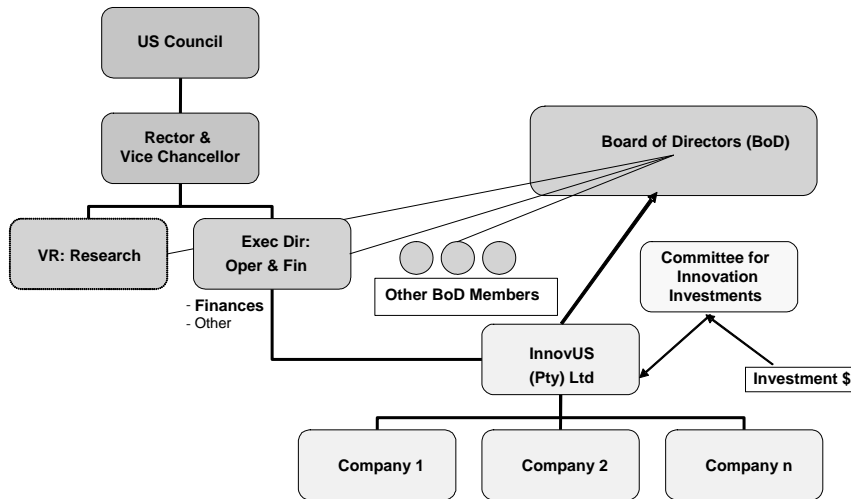
New Structure



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New Organisational Structure



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Motivation for Change



- Integration and simplification of current (ineffective) commercialisation structures withing SU into one entity
 - o Reduce "conflict of interest" problem around university's primary mission and commercialisation
 - o Significantly reduced risks, including risks wrt corporate governance
 - o Clearly defined roles and responsibilities
- Role in achieving SU vision,
- Creation of an empowered environment for commercialisation, not only with the aim to generate an income, but to play a role in implementing science in a knowledge-based economy,
- Faster decision making and implementation of decisions,
- Increased credibility from an industry perspective,
- A more corporate approach within a commercial entity with measurable output and performance,
- No tax implications
- Improve probability of raising external funding

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Mandate from Institution



- Appoint a competent and empowered BoD
 - Structure and power
- Capitalise and associated Fund Management
- Responsible for
 - Technology transfer in general
 - IPR bill etc compliance
 - Short courses
- Subject to processes and procedures in place
- Manage IP, spin-off companies and commercialisation
 - Exclusive
- Staff
- Institutional support
 - Operational Budget

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Obstacles to faculty involvement in Innovation



- Lack of awareness of IP protection, commercialisation opportunities
- Process and documentation to disclose inventions seem very daunting to some
- Lack of recognition and award at Institutional level
- Work load and time available
- Early stage funding available
- Cultural obstacles at University level
 - Perception: Publications rated higher than patents
 - Academic vs Commercial approach

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Raising awareness amongst staff and students (1)



- Sustained efforts
- Website
- Personal visits and networking
 - Visit, visit, visit
 - Technology Transfer is a contact sport!
 - Each time we meet with a researcher we try to educate them further on IPR
- Events and Publications
 - Own and sponsored events
 - National Innovation Competition
- Publish success stories

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Raising awareness amongst staff and students (2)



- At senior and executive management level (incl. deans, vice-rectors, rector):
 - Strategic Management Indicators include innovation indicator (1 of 14)
 - Examples: diversity measures, number of postgraduate students, degree to which students complete their courses
 - University wide KPI : Measure per department

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Soliciting invention disclosures



- Mostly in person
 - “Friendly” and proactive approach
 - Go to the labs and talk to the researchers
 - Don’t expect inventors to come to your office
 - Ask them who else you should speak to
 - Follow up on these leads
 - Get involved in researcher meetings
- Maintain your “good customers” and get involved with their networks
- Keep proactively abreast of the research activities on campus

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Involvement of staff and students in the TT process



- Collaborative team effort
 - InnovUS, researcher, funding partner, mentor
- Researcher plays an integral role in the process and must feel “included”
- Involve senior postgraduate students and train to do prior art searches
 - Maximise capacity
 - Give valuable exposure
- Clearly communicated boundaries wrt roles in the process
 - Example: InnovUS will never write a business plan for the entrepreneur but will assist and provide mentors to help

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Management and Managing Expectations



- University Management support = NB!
- Manage expectations around income upwards!
 - Only 16% of US TTO's are really showing a profit after BD-act of 1980!
 - NOT ABOUT THE MONEY!
 - Business plan must be realistic

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Not only Licenses



- Focus on growing portfolio of spin-off companies
- Use effective models to ensure symbiotic relationship
 - Academic footprint
 - Possible incubation
 - Two years
 - CEO or Consultant?
 - Association with university
 - Attracting investments
 - Hold hand during early commercialisation phase
 - Grow up to become a strategic partner/channel for commercialising university technology
- Grow value within portfolio
- Exit

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Rewarding innovation activities



- Very progressive Policy in Respect of exploitation of Intellectual Property
 - provision for very generous share for inventor in royalty income or shareholding in spin-off (50% of net profit to Inventor)
- Use achievements to further goals wrt innovation
- SU Innovation Fund (“Thousands Fund”)
- Currently trying to raise dedicated VC fund (“Millions Fund”)
- Assist and incubate
- Acknowledge the researcher/inventor
 - Publications, website

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Measurable Performance Indicators (1)



- 2008: Facilitate an investment of > R8m in Company A (Pty) Ltd. Negotiate shareholders agreement and take 15% (post money) shareholding in the company (Investor’s valuation > R1.2m)
- 2009: Facilitate 2nd round funding of R12.5m (following on R6.1m) in Company B (Pty) Ltd. Negotiate deal and take (post money) equity of 12.5% in company
- Negotiations with 1 other spin-off company currently in process. 2nd round funding of R14m (1st round R6m). Will hold 30.5%.

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Measurable Performance Indicators (2)



Year	Disclosures	Licence Agreements	Royalty Income
2003	14	0	R315 456
2004	9	1	R512 678
2005	8	0	R578 514
2006	8	1	R313 071
2007	43	0	R653 981
2008	36	6*	R1 353 810 **

*5 Licences signed plus 1 MoU

**R566 757 in Escrow (per agreement with licensee) until milestones achieved

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Conclusion



- No right or wrong answers!
- Decision depends on many factors
 - o Institutional support
 - o History and experience, etc

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