

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Work Session

October 6, 2005

A work session of the Board of Regents was held on Thursday, October 6, 2005, at 1:45 p.m. in the MacMillan Auditorium A/C of the Minnesota Landscape Arboretum.

Regents present: Patricia Simmons, presiding; Clyde Allen, Peter Bell, Frank Berman, Dallas Bohnsack, John Frobenius, Steven Hunter, David Larson, David Metzen, and Lakeesha Ransom.

Staff present: President Robert Bruininks; Senior Vice President and Provost Thomas Sullivan; Vice President Timothy Mulcahy; and Executive Director Ann Cieslak.

Regent Simmons observed that the topic of today's work session is important and timely as the University not only seeks to secure financing for strategic positioning but to chart a course that fosters long-term support of the University's mission through the commercialization of intellectual property. She introduced President Bruininks and Vice President Mulcahy, who led the discussion. Bruininks remarked that today's work session is the first of three on private sources of support. He emphasized that the University's long history of technology commercialization has benefited Minnesota, Minnesotans, and individuals worldwide, but that it also has the potential to enhance support for the University's core mission.

Mulcahy reviewed a number of questions to frame the discussion (materials on file in the Board office) and stressed the importance of thinking beyond revenues to quality-of-life benefits derived from intellectual property commercialization. Among the reasons for a commitment to commercialization are the following:

- Under provisions of the Bayh-Dole Act, the University is obligated to actively help researchers translate intellectual property into applications for the public good.
- The University has a fiduciary responsibility to maximize the public's return on investment by enhancing regional economic development and generating revenues to support its academic mission.
- The University gains an important tool for recruiting and retaining top faculty.

Mulcahy summarized national trends and described the University's ranking relative to other leading research universities in terms of royalty income streams, anticipated royalty income streams, and the capacity to translate intellectual property into commercially-viable applications. He stated that the University has an excellent track record in developing technologies, but an effective model is needed to translate them into appropriate applications.

Mulcahy detailed the components of the seek-nurture-launch model adopted by the Office of the Vice President for Research (OVPR), the administrative organization created to accomplish it, expected outcomes, and the safeguards in place to ensure that the University's academic mission is not compromised as it creates an environment to optimize performance. Although the University is well positioned for technology commercialization, he listed a number of challenges to be met, including:

- anticipated declines in current intellectual property income receipts;
- increasing competition from other leading research universities;
- a shrinking pool of sponsored research funding;
- the need for long-term commitments to potentially high-risk ventures with significant operating costs and unpredictable revenues; and
- the need to develop appropriate academic recognition for faculty who successfully commercialize intellectual property.

In response to questions regarding OVPR's seek-nurture-launch model, Mulcahy stated that it is based on a mutual alignment of interest and cooperation so that private companies fund research considered appropriate by faculty members. The University is proactive statewide in seeking such partnerships, which may be initiated by faculty members, OVPR, or private companies, and has excellent corporate support and a good track record with the private sector. The expectation remains, however, that all research will be done at the direction of faculty, regardless of the source of funding.

In response to questions about funding allocations, Mulcahy stated that intellectual property revenue streams are divided among OVPR, faculty researchers, the research lab, and the department.

In response to questions regarding faculty incentives, Mulcahy reported that the incentives to monetize intellectual capital include the one-third allocation of the income stream that goes to the inventor and a ceremony recognizing faculty and staff who patent or license technology. The one-third share is competitive nationally, but most faculty are less interested in a monetary reward than formal recognition of their contribution to the academic mission, especially through promotion.

Simmons summarized the issues raised in the discussion that need to be addressed as the University develops strategies to monetize intellectual property in support of the institution's academic mission:

- How can this source of funding be optimized within the overall framework of the University's mission?
- What metrics are appropriate for assessing outcomes?
- Are current policies sufficient to support commercialization of intellectual property and to ensure established goals facilitate research and scholarship while enhancing revenues?
- What policies and processes must be in place for effective management, growth, and allocation of investments?
- How appropriate are current conflict of interest policies to the intellectual property commercialization process?
- What expectations are appropriate regarding the ratio of commercialization successes to failures?
- What incentives will optimize relationships between faculty and private industry while protecting the University's interests?

The work session adjourned at 2:25 p.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary