April 19, 2010

Gary Forsee, PhD
President
University of Missouri-Columbia
321 University Hall
Columbia, MO 65211

Dear Dr. Forsee:

I am pleased to announce a new Kauffman Foundation initiative to provide funding and public recognition to American research universities that are taking creative steps to accelerate the commercialization of technologies developed by their faculty or students.

As you are aware, Secretary of Commerce Gary Locke recently convened a meeting in Washington D.C. specifically on this topic. We understand that participants at that meeting identified several ways that universities—on their own initiative, or working together with third parties such as foundations like ours with a longstanding interest in and support of entrepreneurship—can bring ideas to market more quickly. These ideals would serve the interests of American consumers, enhance economic growth, and of course benefit the universities themselves.

You may also know that the Kauffman Foundation has supported, as one means of accomplishing this objective, the extension of greater freedom to university faculty members to pursue commercialization opportunities on their own (while leaving intact any contractual rights the university may have in the revenues or profits from commercialization). I have enclosed a copy of an article that appeared in the January, 2010 issue of the Harvard Business Review outlining these ideas.

To that end, we intend to award graduate student “commercialization fellowships” in the amount of $100,000 to each of up to three universities that provide the most creative approaches for implementing this idea. Winning universities will determine the number of fellowships and corresponding dollar amounts per student they will award. Additionally, through our new “Kauffman Labs for Enterprise Creation” program, we will provide experienced entrepreneurs as mentors to each of the winning students.

The universities awarded this one-time grant will be named “Kauffman Commercialization Leaders.” We will publicize the winners in the media and on our website, and of course, likewise permit the winning universities to publicize their awards in ways they see fit.
We invite you to submit a proposal of no more than three pages to Robert Litan, Vice President for Research and Policy, either in hard copy (4801 Rockhill Road, Kansas City, Missouri 64110) or by email (rlitan@kauffman.org). Proposals are due no later than June 15, 2010. After review of the proposals, we will promptly notify the winners and coordinate appropriate media announcements with the universities’ media offices.

The Kauffman Foundation believes—as did our founder, Ewing Marion Kauffman—that entrepreneurs create jobs, wealth, and innovation, and are the very backbone of our American economy. Our universities are at the cutting edge of the innovative process. Whether or not you decide to submit a proposal, we hope that your university will pursue the idea that motivates this initiative—more commercialization freedom for university faculty.

We look forward to receiving your proposal.

Best regards,

Carl J. Schramm
President and CEO
A Faster Path from Lab to Market

by Robert E. Litan and Lesa Mitchell

Removing the technology licensing obstacle.

The Problem. University-based innovators routinely produce breakthrough technologies that, if commercialized by industry, have the power to sustain economic growth. Because their research is largely funded by the U.S. government (much of whose $150-billion-plus R&D budget is channelled through universities), it is all the more imperative that these innovations find their way to the marketplace and generate benefits for society. But our system today is suboptimal: Many university-developed innovations could reach the marketplace much faster than they do now. The problem, ironically, centers on the very entities designed to facilitate commercialization. Nearly 30 years ago Congress provided a huge incentive for universities to pursue more commercialization of federally funded innovations. Through the Bayh-Dole Act, it granted them the rights to the intellectual property. That carrot got immediate results: Virtually every U.S. research university created a technology licensing office (TLO) to organize its commercialization activities and increase revenues from them. These centralized offices require that faculty members disclose their inventions to the TLO and pursue licensing opportunities through it.

Yet like the student who could earn A's but consistently takes home B's, TLOs are underperforming. For example, although funding from the National Institutes of Health has mounted over the years (and is now some $30 billion), the output in terms of new FDA-approved drugs has been falling. As the Department of Energy prepares to spend tens of billions of dollars on R&D to replace dirty fossil fuels with alternative sources of energy, it is critical that the disappointing pattern in drug commercialization not be repeated in clean tech.

Perhaps it was not a bad idea at first for universities to centralize their commercialization capabilities and give TLOs control of the process; they gained immediate organizational benefits and economies of scale. But this monopolistic model has since evolved into a major impediment. Incentive faculty members are hostage to their TLO, regardless of their efficiency or contacts. Moreover, because many TLOs are short-staffed, professors must queue up to get proper attention for their inventions.

The Breakthrough Idea. So why not free up the market in technology licensing? Let's allow any inventor-professor to choose his or her licensing agent—university-affiliated or not—just as anyone in business can now choose his or her own lawyer. This would be as simple as having the Commerce Department amend the rules of Bayh-Dole. (Maybe the Small Business Administration would have to revise its rules as well.) Specifically, federal research dollars should come with a condition attached: University recipients must allow faculty members to choose their licensing agents.

The Promise. A free and competitive market in technology licensing would disturb neither the legal status of the invention nor the way royalties or license fees are divided between faculty member and university (a subject governed by the standard employment contract). But like other free markets, it would dramatically speed up the commercialization of new technologies, and ultimate consumers—in the U.S. and around the world—would thereby benefit from them much more rapidly. A free market would also most likely lead university TLOs to specialize or turn to outside agents with the appropriate expertise. A university might drop its TLO altogether but continue to earn licensing revenues—less the fees charged by outside TLOs or agents.

Let's stop penalizing professors who come up with new ideas and the universities they work for. Most important, let's not keep the world waiting for new products and services—some of them lifesaving—while valuable ideas languish on university shelves.

Robert E. Litan is the vice president for research and policy, and Lesa Mitchell is the vice president for advancing innovation, at the Kauffman Foundation in Kansas City, Missouri.