MEMORANDUM

To: USC Faculty

From: Randolph W. Hall, Ph.D.
      Vice President, Research

Re: USC Stevens Process Review Update

The USC Stevens Center aims to maximize the translation of USC research into products for public benefit. Stevens accomplishes this mission through licensing to existing companies, supporting the translation of research through faculty led start-ups and fostering of corporate partnerships. In all of these ways, Stevens aims to create relationships with businesses that are mutually beneficial, and increase the impact of USC’s research.

Several years ago, USC completed a comprehensive assessment of USC Stevens’ processes, including external review from the technology transfer leaders at Stanford, Caltech and University of Virginia. This assessment, along with ongoing benchmarking through interactions within the Association of University Technology Managers (“AUTM”) meetings, the Licensing Executives Society meetings, University Industry Demonstration Partnership meetings, dialogs with colleagues at other organizations, have guided changes implemented at Stevens over the last two years. These changes have included establishing a corporate partnership group, instituting new software systems, and building more rigorous business processes. We have also recruited a new leadership team, all of whom have significant experience in both academic research institutions and in private industry.

I am happy to report that USC is exceptional in metrics of intellectual property creation, as measured by AUTM’s most recent report, particularly the number of patents issued (#4 among all US private universities). We are also in the top 10 among private universities in patent applications and invention disclosures, a metric that has increased by 41% in just two years from 2012 to 2014. However, we need to continue our recent growth in the “deal flow,” as reflected in executed licenses, start-ups and sponsored research agreements that enable the transfer of technology created at USC for public benefit and eventual licensing income. Increasing deal flow is especially important in light of USC’s large investment in technology transfer, because we have established one of the largest staffs of licensing professionals as well as one of the largest patent budgets among private universities in America.
**Start-up Programs**

Faculty created start-ups are an important mechanism for both transferring technology and stimulating new areas of research. For that reason, I asked USC Stevens to assess the structures used at peer institutions to execute licenses with start-ups, and to further seek input on implementing new structures at USC from its faculty advisory committee.

At present, USC will accept an equity interest in start-up companies (faculty led or not) in lieu of an upfront license fee, a practice that is consistent with other universities. I have asked that the new program supplement support for faculty led start-ups according to these principles:

- Faculty led start-ups established from USC intellectual property would receive opportunities for USC investment that are not available to other licensees. The investment program would provide flexibility to structure deals that meet the particular needs of an individual start-up, and would be optional. For instance, some start-ups may opt for a traditional license agreement, whereas others may pursue USC investment.
- USC would take risks through investing a portion of its patent budget in faculty led start-ups that demonstrate promise to succeed as a business. In exchange, USC would receive a minority equity stake in the start-up, providing potential for future income to expand technology transfer in lieu of patent cost reimbursement income USC would normally receive from our licensees.
- USC investments must be based on a careful assessment of the business plan for the start-up, including analysis from outside advisors who understand the industry. This assessment would achieve three aims: (1) to provide guidance to the faculty as to how to succeed as a business, (2) to determine whether the start-up's opportunity for future success constitutes a reasonable investment of university resources, and (3) to assess whether a start-up is the right pathway to maximize the impact of university created research.
- The USC investment would be complemented by guiding faculty to seek investments from other sources, such as Small Business Innovation Research program, angel investors, and venture capital.

I wish to emphasize that the processes that will be instituted aim to achieve USC Stevens mission of translating USC research products for public benefit. This means that the process must incentivize technology transfer through the mechanisms that are most likely to achieve success, and utilize the available budget for maximum impact. In the meantime, until the process is finalized, Stevens will negotiate license agreements with flexibility, reflecting the principle that promising faculty led start-ups should be supported toward success, and informed by careful external assessment.

**Conclusions**

I encourage all faculty, staff and student inventors at USC to utilize the resources offered by USC Stevens. Do not hesitate to contact the licensing professional who represents
your areas of research (as shown at http://stevens.usc.edu/contact-us/) to schedule a meeting to discuss your ideas. Also, I encourage you to submit disclosures of your inventions, even if not fully mature, through Stevens’ Sophia software: http://stevens.usc.edu/researchers/what-is-sophia/. The disclosure process is simple, and lets you begin discussions on the patentability and commercial viability of your invention. Last, USC has several other resources that support technology transfer, including training, advisement and investment. Do consult these additional resources on the USC Research website: http://research.usc.edu/innovation/.