

January 27, 1997

Cashing in on 'U' research

Private sector would bring technology to market

John Manning Staff Reporter

Have you heard the one about the University of Minnesota licensing agreement for a new med-tech product that took a year and a half to draft -- six times longer than it should have? With lots of those kinds of horror stories around, the university officials have to come up with ways to improve how technology is transferred to the private sector.

The seriousness of the problem is reflected in a \$60 million technology transfer initiative, which Gov. Arne Carlson included in his Jan. 23 budget request to the Legislature.

The university continues to do a decent job of transferring technology compared to many institutions: A recent ranking of institutions receiving patents put the university in ninth place. But for many involved, that's not good enough, especially since other universities are ahead of Minnesota in terms of greasing the way for research ideas to slide into the private market.

That may be changing with the governor's new initiative, which is tied to the Academic Health Center. A group of university and industry representatives came up with the initiative as a way to improve access to faculty, response time, and what one participant called a generally "constipated" process.

"From an industry standpoint, the university has been a mystery," said George Jackson. Jackson, who took part in the brainstorming, is president of Wayzata-based Minnesota Medical Technologies, which helps grow start-ups so they can be sold to larger companies. "We know there is technology in there, but how do you get to it?"

Bureaucratic problems at the university make it difficult for researchers as well, Jackson said. The delays and confusion involved with trying to commercialize an idea can convince them that it is not worthwhile. "They're just as mystified about the process as the university," Jackson said.

Academic Health Center vice provost John Fetrow said the center and the university have been working on improving technology transfer. He said the growth of the local industry and changes to the center's organization open new opportunities for better coordination with the private sector.

The university has learned there is a point when it should let go and have a business pick up the idea. That didn't happen with the transplant drug ALG, which university researchers commercialized themselves, Fetrow said. Questions about the development and sale of the drug resulted in the criminal trial of university surgeon Dr. John Najarian, who had headed the ALG project. Najarian was acquitted of all charges last year, but now the university and the federal government are in a legal fight over the millions of dollars spent to develop the drug.

"When we build a better widget, we shouldn't build a factory," Fetrow said.

The problems between the university and industry are not unique to Minnesota: Academic institutions in general have a culture that doesn't easily mesh with private businesses. But there are forces pushing changes in that culture.

"The traditional role of the university has not been to make money from its technology," said Leonard Ruiz Jr., president of the Sota Tec Fund, a nonprofit that funds the commercialization of

university research. Changes in federal funding have universities looking more aggressively at other revenue, especially royalties from university-conceived technology.

"The university does receive in excess of \$300 million in research and development funding and normally has royalty income of \$1.5 million to \$2 million," Ruiz said. "With that research budget and other funding, could there be a larger return than the university sees in its royalty income? In a general sense, I think the answer is yes."

Gov. Carlson included \$2 million in his budget request to create a new Technology Development Corp., a nonprofit organization that would act as a go-between, developing promising new research until it is at the stage that the private sector is willing to pick up the ball. He also included a \$58 million block grant of money that would be invested in these promising new technologies.

"The other part is to increase the out-to-in linkages, so Minnesota biotech companies have an improved way to get in the university and get to our expertise," Fetrow said.

These are the kinds of steps that many other universities have already taken as part of local economic development efforts. Many states began encouraging stronger links between universities and industry in earnest in the 1980s, said Dan Berglund, executive director of Ohio's State Science and Technology Institute.

Many states and universities have developed university-sponsored incubators, research parks and funding for early-stage commercialization efforts, Berglund said.

Pennsylvania, for example, has taken some of these steps. Penn State has a biotech center that startup businesses can use to do initial testing, said Bill Cook, economic development policy analyst at the state's Department of Community and Economic Development. By using the center, budding businesses can save the cost of putting in \$1 million worth of equipment to test a product that might fail, he said.

Pennsylvania is also actively investing in new technology in general, most of which are coming out of the state's universities, Cook said. The state has invested more than \$300 million in start-ups since the early '80s.

"It is definitely something the University of Minnesota could have definitely done a couple years ago," Ruiz said. "But are they really behind? I don't think so."

© 1997, Minneapolis/St. Paul CityBusiness



MINNESOTA HISTORICAL SOCIETY

Copyright in this digital version belongs to the Minnesota Historical Society and its content may not be copied without the copyright holder's express written permission. Users may print, download, link to, or email content, however, for individual use.

To request permission for commercial or educational use, please contact the Minnesota Historical Society.



www.mnhs.org