

University-Based Spin Out Companies

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Elements of a Technology- Based Economy

- Strong intellectual infrastructure
- Efficient mechanisms to transfer technology between people and institutions
- Excellent physical infrastructure
- Highly skilled technical workforce
- Good sources of capital
- Entrepreneurial culture
- Quality of life

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Strategies to Nurture Entrepreneurial Companies

- Improve access to capital
- Provide technical assistance
- Streamline securities regulation
- Improve regulatory and licensing environments
- Implement regulatory reform

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Strategies to Nurture Entrepreneurial Companies

- Build intellectual capital at universities
- Create industry clusters
- Improve state tax environments
- Improve entrepreneurship education
- Encourage partnerships through funding programs

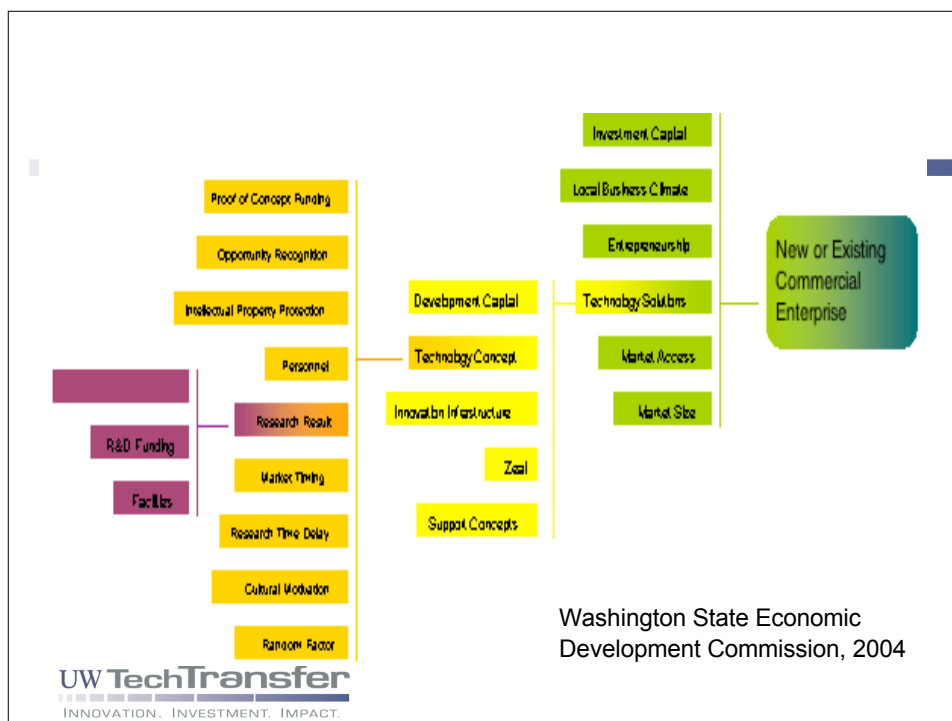
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Life Sciences Economic Development

Laboratories of Innovation: State Biosciences Initiatives 2004, Battelle Technology Partnership Practice and SSTI

- Economic development opportunity
 - ❑ Biosciences expected to grow rapidly – 13% greater growth
 - ❑ Diversity of markets – wide breadth of opportunity – manufacturing, services, research
 - ❑ High paying, high quality jobs
 - ❑ Improved health, cleaner environment, healthier foods
- **40 states targeting biosciences**

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State Initiatives to Increase Early-Stage Funding

- Direct investment by state agency
- State investment in privately managed, geographically restricted funds
- Investment in portfolio of private seed and venture capital partnerships
- Tax credit incentives
 - for private direct investment
 - for private indirect fund investments

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State Initiatives to Increase Early-Stage Funding

- Mobilize/organize Angel Networks
- Matchmaking services
- Culture bending initiatives
- Attracting established research organizations

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Life Sciences Discovery Fund

- www.lsdfa.org
- Goals
 - promote health
 - make the life sciences industry more competitive
 - strengthen Washington's economy
- Two funding competitions for 2007
 - **LSDF 07-02**: *Innovative Programs to Advance Health Research*
 - **LSDF 07-01**: *Beneficial Applications of Technology for Health Care Quality and Cost Effectiveness*

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Risks in Early-Stage Innovations

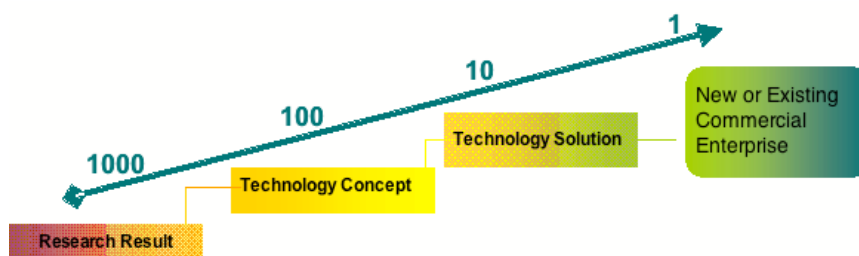
- Innovation is embryonic
- Long development timeline
- Uncertainty of development and market
- Significant financial risk

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Risks in Early-Stage Innovations

- Technology Risks
 - ❑ Doesn't work outside the lab
 - ❑ Can't make robust enough
 - ❑ Doesn't scale
 - ❑ Cost to manufacture
 - ❑ Efficacy – regulatory hurdles
- Market Risks
 - ❑ Competition
 - ❑ Acceptance – not developed to meet a need
 - ❑ Reimbursement

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The mission of UW TechTransfer is to extend the impact of University of Washington research through the creation of partnerships that encourage investment in innovation.



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- Invention Licensing – Fiona Wills
- Digital Ventures – Fred Holt
- Metrics for FY07
 - 335 invention disclosures
 - >150 patent applications
 - 197 licenses and options
 - 11 company starts
 - ~800 material transfer agreements



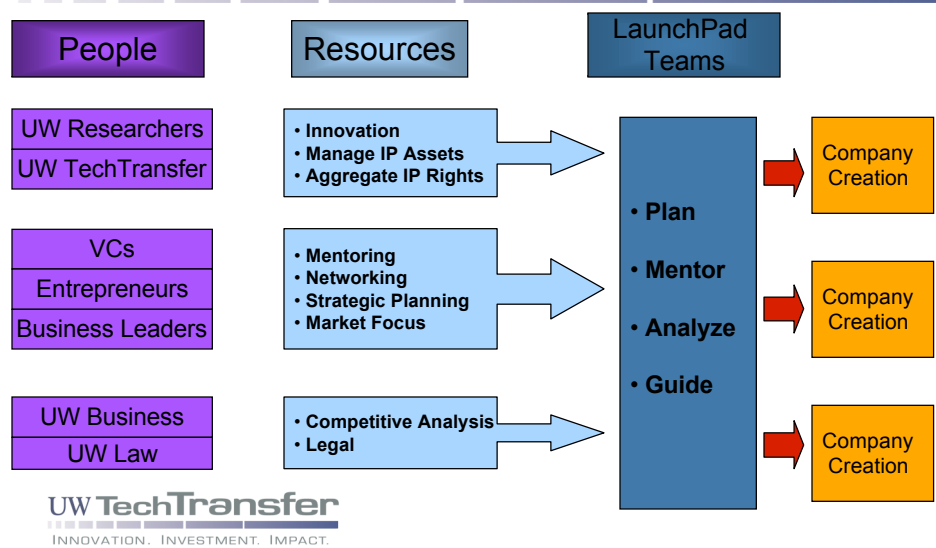
Technology Gap Innovation Fund

- Designed to enhance the commercial value of UW discoveries
- Partnership with WRF
- Royalty Research Fund
- External review panel
 - Increase ability to license discovery or to start a company
 - Commercial potential
 - Milestones
 - Budget



LaunchPad

Partnering to catalyze business formation



Items to Check

- Ownership of IP
- Authority to negotiate
- Funding sources
- Consulting relationships
- Visiting scientists
- Use of materials – MTAs
- Conflict of interest
- Outside work
- Use of students – clarify roles

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Pathways to an Agreement

- Option to license
 - Raise money
 - Identify manager
- License agreement
 - Financial terms
 - Diligence
- Combination – license pre-negotiated

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License Terms

- Retained right to practice the invention
- Background IP
- Pipelining inventions
- Diligence to develop
- Rights in the developing world
- Public Records
- Indemnification
- Choice of law
- Reps and warrants

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Expectations

- Business plan
- Will not do an “equity only” deal
- Equity must represent fair value for the technology
- Diligence terms in any license
- If a UW employee is involved
 - Will not negotiate directly with employee
 - Involvement must be approved

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Possible Roles for Faculty Involvement

- Leave of absence
- Reduced appointment
- Scientific Advisory Board
- Consulting role with company

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