

## Office of the President

### TO MEMBERS OF THE SPECIAL COMMITTEE ON INNOVATION TRANSFER AND ENTREPRENEURSHIP:

#### DISCUSSION ITEM

*For Meeting of September 20, 2022*

### UPDATE ON THE PROJECT PLAN AND SCHEDULE FOR REPLACING PTS

#### EXECUTIVE SUMMARY

There has been longstanding and broad consensus that the University of California Patent Tracking System (PTS) is antiquated and must be replaced. Several iterative planning steps were made over the past year to align expectations and gain clarity about the future vision for PTS among the UC Office of the President (UCOP) and its ten campuses. A consensus path forward for transitioning to a modern intellectual property management system has been identified that meets financial accounting obligations, campus business needs, systemwide reporting requirements, and government compliance. A four-phase plan has been outlined to collaboratively design, implement, and transition to a new intellectual property (IP) management system. This item summarizes progress toward completion of the pre-implementation phase.

#### BACKGROUND

#### PROGRESS SINCE LAST UPDATE

Phase	Key Deliverables	Decision Point	Completed Date
Pre-Implementation Phase			
		Appointed Project Team	June 15, 2022
	Establish weekly PTS Project Team Meetings		June 30, 2022 - ongoing
	PTS Workflow Deep Dive		July 8, 2022
	Financial/Inventor Shares Deep Dive		July 14, 2022
	Patent Prosecution Deep Dive		July 18, 2022
	RFP Launch		July 18, 2022

		Phased approach to replacing PTS adopted and presented to Regents	July 27, 2022
	Financial/Accounting Deep Dive		August 16, 2022
	Commercialization Deep Dive		August 18, 2022
	Pre-Implementation Phase Governance Documents		August 11, 2022
		Project Team adopted Pre-Implementation Phase Governance Documents: Charge and Bylaws	August 18, 2022
	Patent Prosecution 2 <sup>nd</sup> Deep Dive		August 24, 2022
		Selected Presumptive RFP Supplier	August 30, 2022
	Financial/Invoice Processing & Rebilling Deep Dive		September 1, 2022
	Equity Management Deep Dive		September 14, 2022

The “deep dive” analyses held between July 8 and September 14 revealed an inconsistent understanding of its core purpose and functionalities. Deep dives have covered the following topics: financial and accounting processes, patent prosecution, commercialization, equity management, compliance and audit, and outside counsel. Although named the “Patent Tracking System,” PTS was initially designed to manage the financials associated with UC patents. Over time, modifications to PTS were made to support basic intellectual property management functionality. Four decades of incremental changes to the basic system design have resulted in a complex, inefficient system lacking modern IP management features.

In modern practices, intellectual property management and intellectual property-related financial management are commonly performed by two distinct, dedicated systems. PTS does not fit this model. The integrated architecture of PTS was developed when the Bayh-Dole Act was passed in 1980, which enabled universities to retain title to inventions and take the lead in patenting and licensing groundbreaking discoveries, and the UC campuses were not equipped to manage technology transfer. Thus, many of these functions were managed by UCOP, where they still reside today. The landscape has shifted, and many functions are now ideally performed at the campus level, where they can be decided and acted upon quickly based on local business needs. Finally, because of the age, fragility, and the proprietary nature of PTS, UC has been unable to keep it current with modern features and tools. However, PTS is sufficiently stable to operate during the transition period as a new IP management system is implemented at UCOP. Moving

to a new system will take time, and the current PTS system will need to be maintained for up to five years during the transition.

PTS will be replaced by an intellectual property management system in which the campuses are anticipated to adopt many of the roles historically provided by UCOP. An Innovation and Entrepreneurship (I&E) Transformation Project Team, comprised of the campus points-of-contact appointed by each Chancellor and UCOP representatives appointed by Vice President Maldonado, has been formed to drive PTS replacement. To guide the Pre-Implementation Phase, the Project Team has developed and adopted governance documents that describe the guiding principles and objectives for the Pre-Implementation Phase, as well as how consensus recommendations will be developed. All Pre-Implementation Phase decisions remain with the project's Executive Sponsor, in consultation with the Regents and Chancellors.

The Project Team was charged with: (1) examining the current business practices for managing UC-owned IP across UC, (2) reviewing prior studies and recommendations for transforming I&E, (3) documenting desired future-state I&E operations, and (4) making recommendations for implementing modern I&E management systems and practices throughout the UC system. Careful planning and coordination during the I&E Transformation Project Pre-implementation Phase is critical to the success of UC's I&E transformation. Accordingly, the Project Team is also charged with ensuring that campus, UCOP, and, where appropriate, external I&E stakeholder input is gathered.

The Project Team has adopted the following guiding principles:

- Each campus and the UC system will have a rich innovation ecosystem that promotes local and regional economic development and broader societal benefits.
- The existing Patent Tracking System will be replaced.
- Replacement system selection will be based on business needs and requirements, not existing PTS functionality.
- UC campuses will adopt roles historically handled centrally as campus-specific business needs and resources dictate.
- Transition of functions and systems must be deliberate and supported by systemwide and campus leadership.

Any staffing, budgetary, or other delays will impact the timing for implementation and transition to a new IP management system. Assuming adequate resources are provided, four phases for replacing PTS will proceed:

- **Pre-Implementation Phase** (current) – establish governance, develop business requirements, develop campus and UCOP transition plans, and quantify staffing and cost requirements.
- **Implementation Phase** (*target 2023-2026*) – select vendor, implement new system, adjust business processes, and train staff on new systems and business processes.
- **Transition Phase** – fully transition central services as campuses build capacity and PTS is phased out.

- **Steady State Operations** – continued maintenance and coordination.

The Pre-Implementation Phase, which serves as the foundation for the entire multi-year process, is in progress. Below are the upcoming Pre-Implementation Phase milestones, key deliverables, and decision points anticipated prior to the next update.

<b>Phase</b>	<b>Milestones</b>	<b>Key Deliverables</b>	<b>Decision Point</b>	<b>Target Date</b>
Pre-Implementation Phase				July 1, 2022 – July 31, 2023
		On board Pre-Implementation Consultant		September 12, 2022
	Finalize campus and UCOP business needs and future operating state			November 1, 2022
		Assess and summarize previous reports		September 30, 2022
		Governance Review		September 30, 2022
		Gap Analysis		October 31, 2022
		Financial Assessment		October 31, 2022
		Develop Change Management Plans		October 31, 2022
		Foundational Phase Summary Findings		November 1, 2022
			Pre-Implementation Phase funding	November 1, 2022
			UCOP Functions to Transition per Campus	November 1, 2022
	Finalize the requirements for the IP management system to support campus and UCOP business needs.			December 1, 2022
	Finalize the request for proposals (RFP)			December 31, 2022

	for the implementation phase.			
	Post RFP for Implementation Phase			February 1. 2023