

## Office of the President

### TO MEMBERS OF THE ACADEMIC AND STUDENT AFFAIRS COMMITTEE:

#### DISCUSSION ITEM

*For Meeting of September 18, 2024*

### INNOVATION AND ENTREPRENEURSHIP UPDATE

#### EXECUTIVE SUMMARY

This item provides an update on progress toward implementing the 14 recommendations presented in the May 2021 report of the Regents Working Group on Innovation Transfer and Entrepreneurship, which outlined a holistic view of the UC innovation ecosystem and made recommendations to address the challenges present in UC innovation transfer policies, practices, and technology infrastructure. This item is a follow-up presentation to a status report shared with the Special Committee on Innovation Transfer and Entrepreneurship in August 2023 and includes updates on the Intellectual Property Management Solution (IPMS) replacement project and conflict of interest and conflict of commitment policies. It also includes an update on the President's Entrepreneurship Network Council's Proof of Concept (POC) fund.

#### BACKGROUND

Innovation and entrepreneurship (I&E) are integral components of the University of California's teaching, research, and public service mission, advancing UC-generated knowledge in service of the public good. The University is committed to sharing its groundbreaking research beyond its classrooms and laboratories by actively leveraging it to develop solutions and products that address real-world challenges. By nurturing a systemwide culture of innovation, UC enables students and faculty to develop new ideas and solutions that revolutionize industries and improve lives. Prioritizing innovation and entrepreneurship not only propels the University's academic and research enterprise but also plays a vital role in driving statewide, regional, and global progress to address the most urgent challenges.

#### Intellectual Property Management System Update

Since the August 2023 update to the Regents on replacing the Patent Tracking System (Recommendation #4 in the Regents report), significant work has been done. This document summarizes key activities in this process and describes progress that the Office of the President (UCOP) has made on the new Intellectual Property Management Solution (IPMS).

In Spring 2023, a carefully orchestrated three-part process was implemented toward a competitive bid for the new IPMS To replace the current Patent Tracking System (PTS). This

effort required input from and coordination with UC Legal, Procurement, Information Technology Services (ITS), Research & Innovation (R&I), Budget and Finance, and others UCOP as well as the ten campuses.

The first part of the process, which began in February 2023, was the preparation and implementation of a detailed, functional and technical Requirements Traceability Matrix (RTM) and a Request for Information (RFI) document. Seven vendors responded to the RFI. The second part of the process included a comprehensive compilation of all the input received, followed by the preparation of the Request for Proposals (RFP) in April 2023. A third-party legal vendor was engaged to guide the development of the cloud services agreement for the RFP. Only those vendors that responded to the RFI were invited to respond to the RFP. The third part of the competitive bid process was the contract and statement of work (SOW) negotiations.

On January 3, 2024, the Provost and Executive Vice President, Academic Affairs, presented information to the UC Chancellors regarding the implementation of a system that would provide for partial decentralization of services and an allocation method to recharge those costs to the campuses for services that remain at UCOP. Alternatively, the Provost also presented information regarding a completely decentralized campus model that would place the full responsibility for these functions on campus shoulders. A copy of the revised cost allocation model for the new IPMS was provided to the Chancellors. This information subsequently was provided to the Vice Chancellors for Research and their campus Technology Transfer Office (TTO) operational teams. The Chancellors were asked to notify UCOP of their decision to either be partially decentralized or fully decentralized by January 31, 2024.

Following extensive discussions with UC stakeholders, UCOP holistically reimaged the approach and pivoted to an alternative, minimum viable product (MVP) concept in February 2024.

- As the official system of record, the MVP IPMS will support the basic IP management functions required for University compliance according to Regents Policy 5105: Policy on Innovation Transfer and Entrepreneurship, the UC Patent Policy, and federal reporting.
- The MVP has core integrations that will support patent prosecution, licensing, accounting, and royalty distributions. The MVP involves migration of a limited set of patents and licenses—that is, those that are active, and it includes centralized, standardized reports and dashboards.
- The MVP is a streamlined, lower cost model that allows locations to integrate additional software to meet their location-specific wants and needs.
- The Council of Chancellors voted to move forward with the MVP in their March 2024 meeting, except for UCLA.

#### *Understanding the Original and MVP IPMS Models*

UCOP's original proposal included a new intellectual property management solution that would:

- Integrate with all existing campus platforms,
- Clean and migrate all intellectual property data from PTS to the University's new IPMS, and
- Provide customized reports and dashboards for all locations.

This proposed solution and its sustainment costs were deemed too expensive by most locations, which led the UCOP team to return to the drawing board and develop an alternative to the original proposal for campuses to consider. This alternative is the MVP model.

The MVP model reflects a scaled back approach with significant reductions in cost without compromising quality. The MVP model is a single, cloud-based vendor implementation connected to a financial system. Unlike its predecessor concept, the MVP model has core, central integrations; involves migration of a limited set of patents and licenses (to be defined, with locations' involvement to be determined); and includes centralized, standardized reports and dashboards.

To achieve this MVP concept, many of the previously included implementation functions have been shifted to the responsibility of the locations. Locations will be responsible for:

- Staffing and costs associated with data cleaning and migration that is not performed by UCOP,
- All change management and training above and beyond the basic offerings provided by the vendor, and
- Integrations (and ongoing security) with any location-specific platforms with the new IPMS solution.

After the new IPMS system goes live in 2027, UCOP will provide centralized services for accounting as well as IT support for security, with a focus on central integrations, licensing, and the PTS data archive.

Locations can determine other services to provide for their inventors, potentially including customized reporting and maintenance of location-specific interfaces. Locations can also add on centralized patent prosecution services, at a cost.

*Current Status (as of August 2024)*

#### Procurement

- Since March 2024, the UCOP negotiation team, which included the Vice President for Research and Innovation (R&I), the R&I Budget and Administrative Director, and the Executive Director for Financial Applications in the Information Technology Services (ITS) Office, worked with UCOP Systemwide Procurement and UC Legal to execute the Purchasing Agreement. This Agreement was executed on June, 27, 2024.
- Based upon the new MVP model, UCOP and the vendor revised and finalized the statement of work (SOW).

#### Documentation

- UCOP drafted and distributed an implementation memorandum of understanding (MOU), applicable to all locations on June 10, 2024, which addressed the following:
  - What is and is not included in the MVP IPMS implementation
  - Roles and responsibilities of all parties involved with the implementation and how they will coordinate together throughout the project
  - The governance structure to guide the technical and financial aspects of the project
  - The total estimated cost of the MVP implementation to address repayment plan options by each location and any (unexpected) cost increases
  - The process for individual locations to request local implementation modifications (e.g., non-MVP integrations) and location-specific costs.
  - In June 2024, seven of the ten locations have reviewed and signed the MOU.
  - As of the date of this presentation, nine of the locations have reviewed and signed the MOU. UCLA has not submitted its decision.
  - UCOP and Wellspring held their official kick-off meeting from July 23rd through the 25th followed by demonstrations and project planning meetings.

#### Financing

- Internally, UCOP (R&I, ITS, and the CFO office) discussed the funding strategy to include obtaining financing or collecting upfront payment from locations to eliminate interest charges. UCOP has received an up-front payment from UC ANR.
- Project funding was secured as a short-term loan from Commercial Paper to ensure project execution is not disrupted.
- This effort has been set up as a capital project in the Oracle Financials System.
- In July 2024, a new project implementation budget and cost allocation was established that reduced project costs by revising the financial strategy and applying value engineering, ensuring no negative impact on the nine locations that signed the MOU. The budget proposes a new cost allocation with a three-year, interest-free repayment plan.

#### Next Steps

- Host the first Recharge Committee meeting.
- Identify Data Conversion Advisory Committee members from each location.
- Complete Program Charter and source sign off.
- Begin program planning and conduct requirements analysis.
- Complete project plan and identify critical path(s).
- Sign MOU addendum that includes new cost allocations.

### **Conflict of Interest and Conflict of Commitment Policy Update**

The development of a comprehensive conflicts of interest and conflicts of commitment policy at the University has previously been discussed before the Board as well as the Health Services Committee. Conflicts of interest and commitment potentially arise in collaborations with industry. Revisions to these policies have also been discussed at length as a part of the Regents Special Committee on Innovation and are recommended for revision in the Regents Report on Innovation and Entrepreneurship.<sup>1</sup>

There are many ways in which interactions between UC and industry help to advance UC's mission. Such outside activities can promote innovation, sharing of knowledge, and translation of discoveries into clinical practice, inventions, and technological advances in numerous areas of economic importance. This engagement can result in industry support of UC research activities as well as University receipt of licensing fees for use of UC intellectual property, equity in companies founded by UC faculty, as well as educational grants and charitable gifts. These activities are necessary to fulfill the University's mission of research, education, and service.

While UC encourages these close collaborations with industry, such relationships can produce actual or potential (perceived) conflicts of interest and conflicts of commitment. These conflicts must be identified, reviewed, and/or managed to comply with relevant laws, ensure academic credibility of UC faculty, safeguard unbiased clinical decision-making, reduce potential bias in research and protect vulnerable populations such as patients, human subjects research participants, students, and trainees, as well as the reputation of the University.

UC has numerous policies<sup>2</sup> currently in place to address conflicts of interest and commitment at all levels of the organization. These policies address conflicts of interest by both faculty and staff in research and in standard university business operations (e.g. procurement), conflicts of commitment to the University mission, and requirements on the frequency and timing of disclosure. These policies help ensure alignment and compliance with current federal and State regulations as they apply to research projects by faculty and procurement decisions. This effort was launched to explore the development of a comprehensive policy that folds together many of the current separate policies to be more consistent with best practices and enhance UC's compliance and integrity.

Experts within UCOP have engaged in active and ongoing consultations regarding the potential operational impacts of changes to existing conflict of interest and commitment policies, as the potential changes under discussion may require significant financial, systems, and staffing resources. After these consultations, including with the President's office, it was decided that a more focused approach should be taken to ensure that comprehensive conflict of interest and commitment disclosures are made by certain decision makers. UC currently has a systemwide process for disclosures of financial or other interests that may impact UC decision making. In particular, the California Political Reform Act requires "designated officials" to file Form 700

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<sup>1</sup> <https://regents.universityofcalifornia.edu/regmeet/may21/g1attach.pdf>

<sup>2</sup> <https://policy.ucop.edu/doc/1200679/CompendiumCOIPoliciesGuidance>

disclosures regarding financial and other interests in outside entities. As a first step, UCOP stakeholders seek to expand the number of individuals within UC who must disclose as a part of this process. This expansion will focus on key decision-makers such as members of institutional committees, departmental leadership, prescribing providers in the clinical setting, and many others. UCOP stakeholders are working with both local and systemwide Human Resources, UC Legal (labor attorneys), the Office of Ethics, Compliance and Audit Services, and others to both identify these populations of employees and how best to both notify and include them in the Form 700 disclosure process. A goal is to include this new population at the next Form 700 disclosure time of March 2025. In addition to expanding disclosure requirements, discussions are underway on conflict review and management related to such disclosures.

The Regents' continued input is welcomed and invited as this work progresses.

### **President's Entrepreneurship Network Council Update**

Following the recommendations of the Regent's Working Group on Innovation Transfer and Entrepreneurship, the President's Entrepreneurship Network Council has focused on creating a UC systemwide Proof of Concept (POC) Fund.

The goal is to provide a toolkit, resources, and vital seed investment to help interested UC campuses build or expand location-specific POC programs to traverse the so-called "Valley of Death."

**The POC Fund will catapult promising early-stage concepts to license-ready technologies that can either be licensed to existing companies or support the formation of spin-out companies that are mature enough to attract outside funding for successful translation.**

Due to the early development stage of these technologies, there are inherently high risks that tend to dissuade traditional investors. Moreover, existing POC programs report that 70 to 80 percent of meritorious applicants to their current programs are being turned away due to lack of funding. It is for these reasons that this Presidential POC fund is so critical.

#### *Pilot Program*

With the approval of the UC Board of Regents and President Drake, UCOP has established a \$2 million pilot program to catalyze the creation of the UC POC Fund to accelerate the establishment of POC programs on each of the 10 campuses. Funding from this pilot requires a sliding scale of matching funds on a campus-by-campus basis.

The Council established guidelines and desired outcomes to help campuses establish new POC programs or expand existing programs in a manner that aligns with the intent of the UC POC Fund. These guidelines were distributed to the campuses as a blueprint.

The blueprint also defined the following foundational concepts: 1) The campuses will have autonomy to manage their programs as they determine best to achieve the desired outcomes within proscribed guidelines; and 2) Campus programs should support only those projects that

develop technologies to bridge the gap from fundamental basic and applied research to validated, commercial-ready opportunities. This program does not support fundamental/basic research.

A framework described in the blueprint provides for the following: 1) The Council establishes guidelines and oversight; 2) UCOP, through the Provost's Office, administers the program, distributes funds, and acts as the responsible fiduciary; and 3) the campuses establish and manage their programs as they best determine and report annual progress to UCOP.

The blueprint outlined permissible use of funds:

- Funds must support projects based on UC Invention Disclosures
- Use of funds must be compliant with UC policy and legal requirements
- Funds may not support full-time faculty salaries but can be used to hire graduate or post-doctoral students and consultants.
- Funds may be applied to activities that drive toward milestones to develop commercial-ready opportunities in pursuit of the desired outcomes.

#### *Application and Review Process*

In order to draw down funds from this pilot program, each campus submitted applications by August 9 to the Provost's Office/Council detailing the following:

- (1) Alignment of their POC programs with campus goals and priorities
- (2) Operational Plan for the campus POC Program including:
  - Process for marketing and soliciting projects from researchers
  - Project review and selection process
  - Roles of external advisory committee and mentors
  - Size and scope of each project
- (3) Key Personnel
- (4) Evaluation Metrics
- (5) Matching Funds, if applicable

The POC Committee of the Council reviewed the applications and submitted funding recommendations to the Provost's Office on August 20. The President approved those recommendations at the end of August. Campuses were notified following this approval and are now working to initiate a cohort of their POC programs, as detailed in their applications.

#### *Measuring Success*

As mentioned above, each application detailed metrics to evaluate the progress and success of their programs. Progress against metrics will be submitted to UCOP annually.

Suggested activity metrics, as outlined by the Council, include the following:

- Numbers of projects and students supported

- Mentors engaged and funding deployed

Suggested outcome metrics include the following:

- New start-ups created
- Intellectual property generated and licensed
- Follow-on funding for projects
- Industry engagement through collaboration agreements
- Student researchers engaged in the research
- Prototypes developed
- Jobs created either directly or indirectly.

### *Next Steps*

The campuses are now initiating their POC programs, which are expected to run from October 2024 through October 2025, at which point they will report on an agreed set of metrics, which can be found in the blueprint document.

## CONCLUSION

The last six months have seen progress toward implementing the 14 I&E recommendations, though continued effort and attention is required. When achieved, UC will showcase its position as a statewide, regional, and global I&E leader.

## KEY TO ACRONYMS

COC	Council of Chancellors
I&E	Innovation and Entrepreneurship
IPMS	Intellectual Property Management Solution
ITS	Information Technology Services
MVP	Minimum Viable Product
POC	Proof of Concept
R&I	Research and Innovation
RFI	Request for Information
RFP	Request for Proposals
RTM	Requirements Traceability Matrix
SOW	Statement of Work



TTO	Technology Transfer Office
UC	University of California
UCOP	University of California Office of the President
VCA	Vice Chancellor, Administration
VCPB	Vice Chancellor, Planning and Budget

**ATTACHMENTS:**

1. [President's Entrepreneurship Network Council Proof of Concept Funding Blueprint](#)