
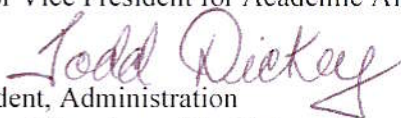




MEMORANDUM

To: Academic Deans, Faculty, and Staff

From: C. L. Max Nikias   
Provost and Senior Vice President for Academic Affairs

Todd R. Dickey   
Senior Vice President, Administration  
General Counsel and Secretary of the University

Date: March 1, 2006

Subject: Innovation, Entrepreneurship, and Commercialization

Under President Sample's leadership, USC stands today among the nation's elite research universities. Our campuses bustle with intellectual zeal. Our talented faculty and students produce pioneering research. And our laboratories, libraries, and classrooms hum with ideas.

In this atmosphere, our researchers produce a tremendous amount of intangible assets—scientific and technological inventions and other intellectual property—on an ongoing and steady basis. The challenge for USC—and all major research universities—is to send these assets out in the world and to do it quickly. They should not remain idle on the university's hard drives, lay buried in our office's drawers, or sit on the shelves of our laboratories; they should enrich academic discussion, stimulate our economy, and benefit our society.

This approach is consistent with our new strategic plan, which emphasizes the importance of meeting societal needs—of connecting the research we do with the problems our nation and world face. It urges us to apply our research to create new solutions to our society's most pressing concerns. This approach also reflects our core values, especially our commitment to informed risk-taking and entrepreneurship.

The need to quickly and seamlessly offer our innovations to the outside world is both immediate and great. USC's research expenditures total \$430 million a year, and the science and technology we generate can directly benefit our society in incalculable ways. It can fuel our economy, create new businesses and new jobs, and improve the quality of lives. Becoming a leader in this area will also bolster USC's reputation as a research university and help us attract and retain top faculty and students. And importantly, it makes sound fiscal sense: the potential revenue from start-ups and licenses of intellectual property is considerable.

For these reasons, we must create environment in which the broad availability of our innovative ideas is not an afterthought, but an integral part of our academic research fabric. And we must do it in a way that is consistent with the *highest* academic, business, and ethical standards.

There are essentially three ways for us to make the innovations of our faculty and students available to the outside world:

- public dissemination of our research;
- licensing of science and technology innovations to existing companies; and
- spin-off of new business ventures.

USC's researchers are already accomplished in the first area. They have an exemplary record of participation in professional meetings and publication in peer-reviewed journals and influential books. However, we can do more in the other two areas. After all, even when a report or publication of research findings creates a stir among the scientific community, its offerings may never bear fruit. Thus, it is crucial to invest our resources in developing and protecting our intellectual property and bringing it to market. Likewise, professional business expertise—an area in which most of today's university investigators have little or no experience—is essential if a start-up is to succeed.

Therefore, USC's path is clear. Our faculty and students already produce research of the highest caliber. Now we must create the environment and give them the tools to be successful in bringing their findings and discoveries to the outside world.

### **The Creation of USC SITEC**

To accomplish this, the university is establishing the **USC Mark and Mary Stevens Institute for Technology Entrepreneurship and Commercialization—or USC SITEC**. A generous naming gift from USC alumnus Mark A. Stevens, partner at the legendary Sequoia Capital venture capital firm, and his wife, Mary, created this institute. USC SITEC will be the university's central resource for start-up creation, intellectual property licensing, faculty intellectual property development, and venture capital and corporate outreach.

The institute will have a prominent physical presence on both the University Park Campus and the Health Sciences Campus, with plans to eventually open an office in the new BioMedTech Park adjacent to the Health Sciences Campus.

USC SITEC's professional staff will offer our faculty, student, and staff inventors a full range of services related to the operations aspects of scientific and technological innovation. These services will include:

- Evaluation of intellectual property (IP), including the identification of new USC inventions and assessment of their marketability in terms of existing market models and needs;
- Guidance for USC inventors with respect to market analysis and the most effective means of promoting commercialization of their inventions;
- Formulation of business plans;
- Marketing of innovations, including the forging of links with potential corporate partners, venture capital and investment groups, and angel investors to inform them of new inventions and negotiate collaborative agreements; and
- Intellectual property protection, including assistance with obtaining the appropriate patents, copyrights, and licenses.

USC SITEC will capitalize on the diverse research strengths of our university, thereby benefiting the schools, the university, the California economy, and society as a whole. USC is located in the heart of scientific and technological innovation and entrepreneurship—and we must seize the opportunities that surround us.

## **Education and Training**

In addition to these efforts, we must prepare our students to effectively protect intellectual property and manage innovation as they embark on their careers. As academicians, they will need to administer the innovations conceived in their research laboratories. As professionals, they will need to protect and develop their companies' intellectual property resources.

Education and training programs, as well as seminar-type lectures for all USC faculty and students, will be designed in conjunction with experts from the Viterbi School of Engineering, Marshall School of Business, and Gould School of Law.

The centerpiece of these programs will be a series of classes focused on three overarching areas:

- Technical aspects of making innovations available to the outside world (addressing methods for assessing how mature a discovery is, from conception to laboratory prototype to product);
- Legal aspects of this process (including issues related to IP protection, business formation, and licensing and royalties); and
- Operational aspects of this process (spanning economics, marketing, management, financial markets, valuation, feasibility analysis, and hands-on business plan development).

USC SITEC will also promote ingenuity and excellence through the conferring of awards that single out USC's researchers. USC SITEC will sponsor an annual faculty award—the Mark and Mary Stevens Award for Technology Commercialization—that will recognize exemplary accomplishment in the area of innovation. A similar award will be established to acknowledge students for their inventions. The Stevens Awards will motivate students and faculty to focus their investigations on viable concepts.

As part of these changes, USC's Office of Technology Licensing will become part of USC SITEC. Rosanne Dutton, who has served as the director of the Office of Technology Licensing for 23 years, has elected to retire this year. We would like to express our sincere gratitude to her for leading USC's efforts in this area during a period of remarkable growth and changes. Bringing the Office of Technology Licensing under USC SITEC's umbrella is the logical next step for this unit and will help us compete with our peer institutions.

## **New Appointment of Executive Director**

To lead USC SITEC, the university has recruited **Krisztina Holly** to serve as its **executive director**, reporting directly to the provost. She will join us on March 1, bringing a depth of experience in academic research and innovation.

Holly will oversee a highly qualified professional staff with expertise spanning the business, marketing, financial, and legal implications of intellectual property management and product development. USC SITEC's plan is to build a staff of 25 people over the next couple of years.

Holly will search for new innovations in academic units across all USC campuses, working with the broad range of schools at USC, including the Viterbi School of Engineering, the Marshall School of Business, the Thornton School of Music, the School of Cinema-Television, the Keck School of Medicine, the College of Letters, Arts and Sciences, and the Schools of Dentistry and Pharmacy. Experts from other campus units, including the Alfred Mann Institute for Biomedical Engineering, will also work closely with USC SITEC. Meanwhile, Holly will reach out to the venture capital and angel investor communities, locally and across the country, and to entrepreneurs.

Holly previously served as executive director of MIT's Deshpande Center for Technological Innovation, a highly successful and visible program that has supported MIT faculty and students engaged in scientific and technological innovation through grants, symposia, mentoring, and other means.

She earned master's and bachelor's degrees in mechanical engineering from MIT. Her career as an innovator began during her undergraduate years, when she worked on a team that developed the world's first computer-generated, full-color reflection hologram. Soon afterwards, she designed a robotic weld-seam-tracking program for the NASA space shuttle's main engine and co-designed and built a head-eye robot used for vision research. In 1991, she and two teammates invented and patented "The Stylus," a pre-Web electronic shopping tool, and wrote a business plan for it that won MIT's campus-wide entrepreneurial competition.

After two and a half years in science documentary production, Holly joined start-up search engine Direct Hit Technologies as part of the small marketing team that, after four months, helped the site reach one million website hits per day. Ask Jeeves purchased Direct Hit in 2000 for \$500 million.

We are confident Krisztina Holly will provide resourceful leadership and creative ideas as USC strives to become a leader in innovation, science and technology commercialization and entrepreneurship. The university's faculty and students are among the nation's finest researchers and inventors. Now we must concentrate on bringing their ideas and discoveries to the world. In doing so, we can answer our strategic plan's call to meet societal needs and take significant steps in defining the research university of the 21<sup>st</sup> century, while fulfilling President Sample's lofty vision for our future.

cc: Steven B. Sample  
Dennis F. Dougherty  
Martha Harris  
Alan Kreditor  
Barry Glassner  
Elizabeth Garrett  
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Michael Jackson  
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