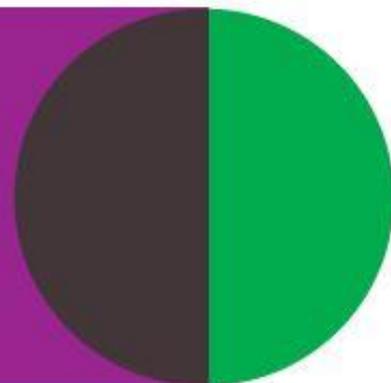


Knowledge Transfer Community Forum



KTI Report

Creating and negotiating successful spin-out companies

Over 130 people attended Ireland's inaugural Knowledge Transfer Community Forum on Friday, 24 October at the Grand Hotel in Malahide, County Dublin.

Welcoming delegates, Alison Campbell, director of Knowledge Transfer Ireland (KTI) said this would be the first in a series of events to unpack key issues in knowledge transfer and commercialisation of research. The inaugural event looked at how to create successful spin-out companies and negotiate the right investment.

"We'll look together as a community at what's working well as best practice. And we will work together as an ecosystem with the aim of making Ireland the best place in Europe for knowledge transfer," she said.

The audience included technology transfer professionals from Ireland's universities and institutes of technology as well as investors, entrepreneurs and academics who had founded spin-out companies on the back of research initiatives.

Facilitated Discussion: What Investors Want and Why

- Dan Crowley (ARCH Venture Partners)
- Dr. Ena Prosser (Fountain Healthcare Partners)
- Mike Ryan (Irrus Investments)

Facilitator: Dr. John Scanlan (Maynooth University)

Key takeaways

- A strong management team is key to creating successful spin-out companies.
- Investors are looking for disruptive technologies, protected with good IP and addressing a real market need.
- There needs to be a more structured approach to linking academic founders looking for investment with business people experienced in starting companies and who have the ability to commercialise the product or idea.

- There is merit in creating a standard model for a spin-out with a default template around things like exclusivity, assignment rights and warranties.
- Technology Transfer Offices (TTOs) should be recognised as an integral part of the value creation process.
- Investors want to see a strong IP position with broad patent protection and good due diligence.

Case Study One: Stokes Bio and University of Limerick

- Prof. Mark Davies (Stokes Bio)
- Niall Olden (Kernel Capital)
- Paul Dillon (University of Limerick)

Key takeaways

- Professor Mark Davies, the driving force behind Stokes Bio, suggested looking for opportunities “where science is breaking.”
- Patents are important. The company had never traded when it sold to Life Technologies for \$44 million, but the patents it developed earned \$25 million for a single licensing fee.
- Experience of the founders is not hugely valuable when backing early-stage companies; it’s intelligence that counts.
- Kernel Capital measures value-creating milestones in pre-revenue companies.
- Critical questions for investment include: Who is the team? Is there a platform?
- The Stokes Bio deal spawned the University of Limerick’s current company creation processes and systems and highlighted the value of due diligence on the IP.
- The revenue return to the university has been used to further its knowledge transfer agenda and invested in the set up the university’s new incubator.

Facilitated Discussion: What Higher Education Institutions (HEIs) Want and Why

- Brendan Cremen (UCD)
- Dr. Tim Roche (UCC)
- Tom Flanagan (DIT)

Facilitator: Richard Stokes (Invent DCU)

Key takeaways

- The primary focus for the university is its people and its reputation. Universities trade on these as they boost student numbers and income. HEIs want impact, for the country and the university.
- There is an important debate to be had, especially in an economic downturn, between quantity and quality. Simply increasing spin-out quantity may or may not be important.
- Technology is only a starting point; it is about building a team. The academic promoter/founder is critical, but bringing experienced business people to bear on the proposition is key.
- There is a need to recalibrate the incentive environment, particularly in the public sector, to make it compelling for an academic to step up and do something entrepreneurial.

- There are sector differences between ICT and life sciences. It may not be appropriate for traditional university policies to apply when academics want to spin out an ICT company which is based on software.
- Put performance milestones into a licence. If they are not met, withdraw the licence. The right investors will change the CEO of a company very quickly if things aren't working.
- It is wise to build a patent portfolio, but it's like a pearl in an oyster, it's built on a grain and matured.

Case Study Two: SureWash and Trinity College Dublin

- Dr. Gerard Lacey (SureWash)
- Mary Leane (SureWash)
- Dr. John Whelan (TCD)

Key takeaways

- TTO support at TCD enabled rapid patenting of the SureWash technology.
- Researchers need to be aware of the importance of early patent filing, because a lot of IP walks out the door or never gets exploited because it never gets defined.
- Academic collaborations, unless the IP is very clearly defined between the institutions, can become an impediment to commercialisation.
- Early engagement with the market allows a start-up to build a nascent market for products that nobody's even thought of yet.
- TTOs should talk to companies, find out their challenges and steer them towards the right people in the HEIs to start new research, apply for funding and build solutions.

Keynote

Tony Hickson, Managing Director, Technology Transfer at Imperial Innovations

Imperial Innovations is a publicly listed company, formed out of Imperial College London in which the university has a 20% shareholding. It is a technology commercialisation company, combining the activities of technology transfer, intellectual property licensing and protection, company incubation and investment.

Key takeaways

- Focus on the idea and the market, observing that not everything starts with IP. The downside is that the earlier propositions are identified, the more work is required to form them. For TTOs. Undertaking this real work of value creation can sometimes be perceived as a delay by enthusiastic academics and entrepreneurs.
- It takes time to see impact; Hickson gave an example of a billion dollar deal done 16 years after forming the company.
- There is much that TTOs can learn from VCs For example the importance of project triage, due diligence and on the need for the right management team to get the product to market.
- But TTOs have a job to do with the academic community, with a diverse audience in a complex environment, and need to retain their identity.

- Communication is essential. There are many necessary steps that a TTO needs to undertake before a deal can be concluded. Regular meetings with VCs to explain process and progress help explain perceived delays and keep things moving.
- Do TTOs value the university equity stake too highly? Not necessarily. Imperial Innovations works on 50% equity. It's important to remember that it is the university equity position that will be diluted to a tiny proportion by the end of the process as they have no means to follow on funding.
- Hickson left the audience with a challenge. TTOs are sometimes criticised for making things difficult and to some extent this is true. "We make it too complex, we need to keep it simpler and we need to bring focus".

