



# IP 2018

## 8<sup>th</sup> International Conference on “Managing Intellectual Property Rights in Universities”



VANDERBILT  
UNIVERSITY

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*Success Stories: University Owned and/or Partnered Technology  
Investment Funds*

## Vanderbilt University Technology Company (VUTC)

- VUTC was formed in 2000
- Wholly-owned subsidiary of Vanderbilt University
- Funded from Vanderbilt University Endowment – initially, US\$10,000,000
  - Co-invested with venture capital firms
- Mission: To assess and invest in new businesses commercializing Vanderbilt technologies only
  - Implied role was to invest in all or most new Vanderbilt startup companies

## VUTC Experience

- Ultimate plan was that Vanderbilt and VUTC would be the first clients of a new enterprise – Sēges Capital
  - *[Sēges (Latin) – to harvest or reap]*
- Sēges formed as an early-stage venture capital fund and management company focused on university originated businesses
  - Sēges' objective was to work with many universities, not just Vanderbilt
- Unfortunately, Sēges was never launched

## VUTC Experience

- Good to have a fund to support university entrepreneurship and businesses
- But, not as good if it can only invest in technologies of one university
  - Universe of potential investments is too small
  - Returns are limited
- Ultimately, we enjoyed some success – but made mistakes as well

## VUTC Experience

- If the objective of the fund is to make money, universities need to be selective – just like any investor
- If the objective is to promote interest among faculty members in entrepreneurship and commercialization, perhaps the university should be less selective
  - But, the return may be impacted

## What did we learn?

- Don't be the lead investor
- Have an external review board – business people, investors and entrepreneurs who will give you critical advice about the startup opportunity
- If there are some university startups you do not invest in, it may make it harder for those companies to raise money
  - Other investors may conclude that university knows everything about science and sees a potential problem
- Work with government agencies who support commercialization of university research

## What do we do today?

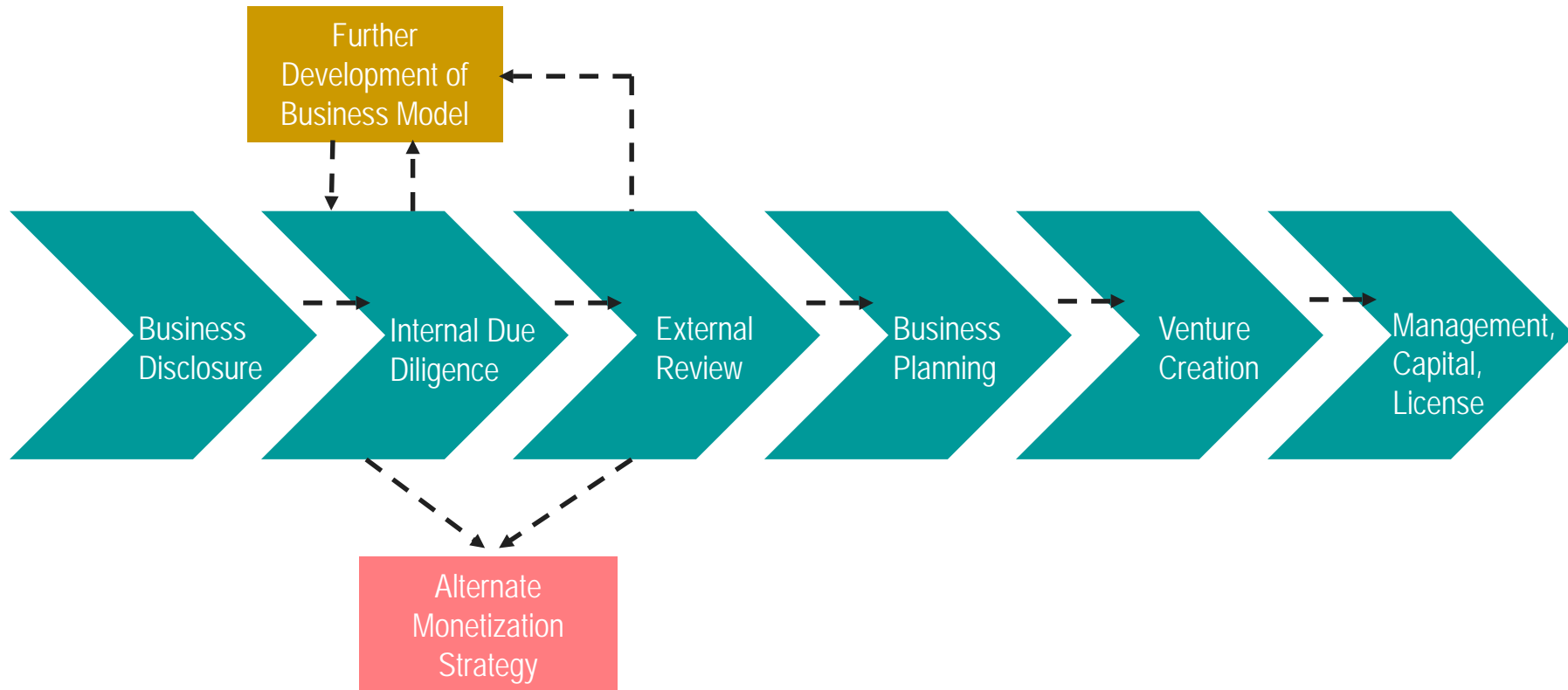
- Still not the lead investor
- Investments are more targeted and carefully evaluated by university leadership
  - Opportunities also vetted through our Entrepreneurship Advisory Council – business people, investors and entrepreneurs who give us honest advice
- Result? We make better investments today

## Should Universities Invest in Startups?

- Despite the potential difficulties, YES.
  - Focuses faculty interest in entrepreneurship and commercialization
  - Leads to conventional licensing transactions
  - Results in research support
  - Generates income when successful startups are sold
  - Permits the University to engage in local and regional economic development
  - Transfers products that benefit the public into the marketplace



## Vanderbilt New Venture Process



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### Business Disclosure

- Conduct faculty member / entrepreneur interview
- Perform initial concept review
- Evaluate current stage of development, product feasibility, IP strength (patentability), end use, market and growth potential
- Assess “go to market” timelines

### Internal Due Diligence

- Perform 360 degree due diligence on technology, team and market
- Analyze industry dynamics, market trends and competitive landscape
- Create technology and business development plan
- Recommend a “Go – No Go” strategy
- Explore alternate paths to monetization if analysis suggests it is a “No Go”

### External Review

- Engage external advisers to evaluate new venture viability
- Work with industry and business experts in the evaluation of new venture opportunity
- Get feedback on “investability” of new venture
- Solicit and recommend a “Go – No Go” strategy

## Vanderbilt New Venture Process

### Business Planning

- Provide business and management advisory services
- Analyze the external and internal environments - SWOT
- Define the business and mission; set business objectives
- Establish a project plan
- Formulate strategies and develop tactical plans to implement strategies
- Build in procedures for monitoring and control

### Venture Creation

- Develop business plan
- Develop financial and valuation models
- Engage entrepreneur and management team
- Determine business structure and form of organization
- Analyze funding needs and use of funds

### Management, Capital, License

- Recruit management team, board of directors, mentors and advisory boards
- Set-up business entity
- Complete IP licensing (Vanderbilt to NewCo)
- Evaluate investment options
- Engage potential investors (e.g., angels, VC's, strategic investors)

# Thank You

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