



## **UNICO submission to the Lambert Review.**

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## **INTRODUCTION**

There are many examples of very successful interactions between universities and business and we expect UNICO members themselves to inform you of these via their university submissions.

In its role as the professional association creating bridges between universities and the commercial world, we aim in this submission to highlight a number of areas where we see scope for improvement and to make recommendations for changes.

UNICO currently has members from 122 organisations; members are predominantly from the university technology transfer community and also include research funders, seed/venture capitalists, professional services firms and research intensive companies.

Through our bi-annual two-day meetings and our e-mail discussion group we discuss and debate all of the key issues involved in university knowledge/research/technology commercialisation and interactions with business.

UNICO instigated the 2001 UNICO/NUBS Survey on University Commercialisation Activities (available from this web site) which provides an authoritative report on the status of commercialisation of UK University output. The 2002 Survey is currently underway.

## **ISSUES**

### **A. PROVIDE RESOURCES AT THE INTERFACE**

**(Ref: Question 2 – ‘Barriers’)**

The most effective way to improve university-business interaction is by employing people at the interface who understand both universities and businesses. It is most appropriate for universities to employ people who can interact with business. It is unrealistic to expect any but the largest companies to develop their own dedicated university liaison function. However, companies should recognize that interaction with universities is potentially a way to develop their business; the government could promote this opportunity to businesses directly.

Interactions between a University and a company are complex and require skilled professional staff to facilitate the interaction because of the fundamentally different rationale and objectives of the two organizations. It is appropriate for government to direct the resources to the universities as they are largely publicly funded organizations.

The main barriers to university-business interactions are the different cultures and often conflicting value systems of universities and companies. Effective technology transfer requires professionals who understand the issues and can therefore minimize the conflicts and effect the transfer of technology.

### **B. STATE AID 25% RULE**

**(Ref: Question 2 – ‘Barriers’)**

University spin-out companies are prevented from winning SMART awards if the parent university owns 25% or more of their shares. This is currently preventing a number of deserving companies winning SMART awards. We encourage government to push this issue through the European Union and adopt favourable changes swiftly.

### **C. INTELLECTUAL PROPERTY RIGHTS**

**(Ref: Question 2 – ‘Intellectual Property’)**

Introducing a ‘grace period’ under which patent rights would not be lost by inventor publications in the six months before filing a priority UK application would increase the opportunities for protecting university research inventions and remove the perceived conflict between research publication and patenting.

### **D. INVESTMENT FUNDS**

**(Ref: Question 4 – ‘Financial’)**

The **University Challenge Seed Fund** has made a substantial impact on university technology transfer activities. The data from the third year of the operation of the scheme report that £10.8m of UCSF money has been invested in 125 projects, leading to 46 spin-outs and 11 licence deals. The UCSF investments have attracted a further £15.3m of investment from other sources.

As UCSF funds become fully invested it is incumbent upon government and the public sector to replenish them. By its nature, realising the commercial potential of university research outcomes is a long term process, and it is only through government initiative that we can expect the private sector to eventually take up the challenge.

The **Regional VCFs** are well placed to play a key role in supporting university spin-out companies. Early indications are that whilst willing to make these types of investment, the funds will be spread thin and compete with existing businesses which may offer a more attractive investor return in the short term.

We support the development of publicly funded **Proof of Concept** funds throughout the United Kingdom, following their successful impact in Scotland.

Whilst the future rounds of **HEIF** will enable the flow of funds into UCSF funds, it is likely to be spread very thin as it is also intended to support the continuation and development of all Reach-out activities and Science Enterprise Centres.

The UCSF concept should be continued with substantial additional **follow-on funding** so that technology commercialisation projects continue to receive 'development gap' funding. The scope of the Funds could also be extended to provide leverage for attracting follow-on funding for spin-out companies in a way which contributes to their growth without subsidising it.

#### **E. FSMA 2000 BUSINESS ANGEL CERTIFICATION**

**(Ref: Question 4 – 'Financial')**

The present arrangements under the 2000 FSMA for the certification of business angel investors is limiting the distribution of spin-out investment opportunities. The need to protect investors against inappropriate selling of inappropriate investments is of course important. However the requirement for business angels to provide annual certificates is currently a restriction on raising new finance for spin-out companies.

#### **F. "UNIVERSITY TAX CREDIT"**

**(Ref: Question 4 – 'R&D Tax credits')**

The R&D tax credits are generally regarded as being successful. The approach could be extended to provide additional incentives and tax credits for business to interact with a university by the establishment of a 'University Tax Credit'. This could be available to companies who contract with a university to develop their business through research and development collaborations and contracts, consulting and continual professional development.