

GOOD PRACTICE CASES OF CENTRAL EUROPE MODELS FOR RTT

PVA-MV, SAXEED, and ValDeal



DIRECTORY

1. Introduction	3
2. PVA-MV	3
2.1. Background and partners	3
2.2. Services provided	4
2.3. Results	4
3. SAXEED	6
3.1. Background and partners	6
3.2. Services provided	6
3.3. Results	7
4. ValDeal	8
4.1. Background and partners	8
4.2. Used models and services provided	9
4.3. Results	10
5. Conclusion	11

1. INTRODUCTION

Based on the reports of all CERIM project partners that document the existing policy instruments, policy documents and strategies supporting RTT as well as relevant RTT-models in their respective region, good practice cases of Central Europe models for RTT have been chosen as part of work package 3.

The chosen models are the Patent & Valorisation Agency – Mecklenburg-Vorpommern AG (PVA-MV, Germany), SAXEED (Germany), and ValDeal (Hungary). They will be described in the following acting as a basis for organisational learning for the CERIM project partners.

2. PVA-MV

<p>Patent- und Verwertungsagentur Mecklenburg-Vorpommern AG Gerhart-Hauptmann-Strasse 23 D-18055 Rostock</p> <p>Tel.: +49 381 497474 0 Fax: +49 381 497474 9</p>	<p>Year of foundation: 2001 Number of employees: 6 Character: Technology transfer agency</p> <p>Internet: www.pva-mv.de/en E-mail: info@pva-mv.de</p>
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2.1. Background and partners

The Patent & Valorisation Agency – Mecklenburg-Vorpommern AG (*Patent- und Verwertungsagentur Mecklenburg-Vorpommern AG*, PVA-MV) was founded upon the legislative initiative by the German Federal Ministry of Education and Research (BMBF) to amend the so-called professor's privilege (*Hochschullehrerprivileg*) in 2002 to enable publicly funded universities and universities of applied sciences to claim the rights to the inventions generated through the research of their employees. The perceived flaw in the system was that if the professors held the rights to the inventions, only a fraction of the research results generated through public research organisations made its way to the markets and contributed to economic welfare. By enabling the employer (the universities) to claim the inventions, the legislator wanted to increase the contribution and impact of publicly funded research to the surrounding society and the German economy. In consequence, the universities were to act similar as companies, deciding upon the profitability of each invention and making necessary investments in Intellectual Property Rights and its commercialisation.

In order to support the universities in their new challenge, the BMBF launched a valorisation campaign (*Verwertungsoffensive*) in 2001. The fundamental criterion to be eligible for BMBF's funding was that the universities in the same federal state were required to join forces and form an innovation-fostering network and create professional, preferably external, management units, so called patent valorisation agencies (PVAs).

Based on this criterion the regional Ministry for Education, Research and Culture in Mecklenburg-Vorpommern initiated the establishment of a valorisation agency under external management. The funding was awarded through a public procurement process. A proposal was filed by the Ernst-Moritz-Arndt University of Greifswald as lead partner to establish the PVA-MV as a joint resource of the two universities (University of Rostock and Ernst-Moritz-Arndt University of Greifswald), three universities of applied sciences (Hochschule Wismar, Fachhochschule Stralsund and Fachhochschule Neubrandenburg) and four research institutes in the region. This was the first time that all public financed technology providers

and the collaborating realisation actors in Mecklenburg-Vorpommern were successfully brought together in a joint project. The project was awarded funding and in December 2001 the PVA-MV was founded and mandated to start its activities as a technology transfer agency with the nine technology partners.

In 2008 the mandate of the PVA-MV was renewed for three years based on a European-wide public tender process of the *Verwertungsverbund*.

Organisational setup

The structure of PVA-MV has been chosen to give all local technology providers the possibility to actively join and integrate. In addition to the board of directors, an allocation committee has been established in order to guarantee fast and transparent decisions concerning the allocation of the PVA-MV-funding to a service provider network. This network involves local companies and other related organisations in the field of technology transfer i.e. technology and licensing offices, patent agents, international research exploitation partners, as well as existing networks for start-ups. The services provided by the network ensure an optimal and professional support for local scientists and can be requested by the PVA-MV as cases arise. Partners to the PVA-MV are; the local universities and universities of applied science, public research organisations, professors, investors and the management.

2.2. Services provided

The PVA-MV is exclusively responsible for the screening, patenting (IPR) and commercialization of research results stemming from the regional universities and research institutes in the federal region Mecklenburg-Vorpommern, consulting 3,500 researchers and the nine technology partners.

Additionally, the PVA-MV is responsible for making the research staff of the technology partners more open to commercialization activities as well as increasing the number of inventions with market potential and assisting them in considering the correlation of research projects to current market demand and industrial trends. The PVA-MV actively screens research projects for the most promising inventions from a market stand point. It manages and structures the IP process and designs and implements the most suitable commercialization strategy for the individual case.

Finally, the PVA-MV's goal is also to carry the commercialization cases to the market, for instance through licensing the technology to the industry or through establishing and managing new companies. It is the aim of the PVA-MV, together with its partners, to implement an economic sustainable commercialisation process in order to generate returns out of research. The commercialisation strategy comprises a broad spectrum of alternative options, ranging from cooperation with the industry in terms of research and development to patenting and licensing, and the creation of start-ups and spin-offs. Also the funding of commercialisation activities is part of PVA-MV's efforts, which can be provided either through own financial resources, through an established science trust, or from a third-party.

To summarise, the activities of the PVA-MV include amongst others:

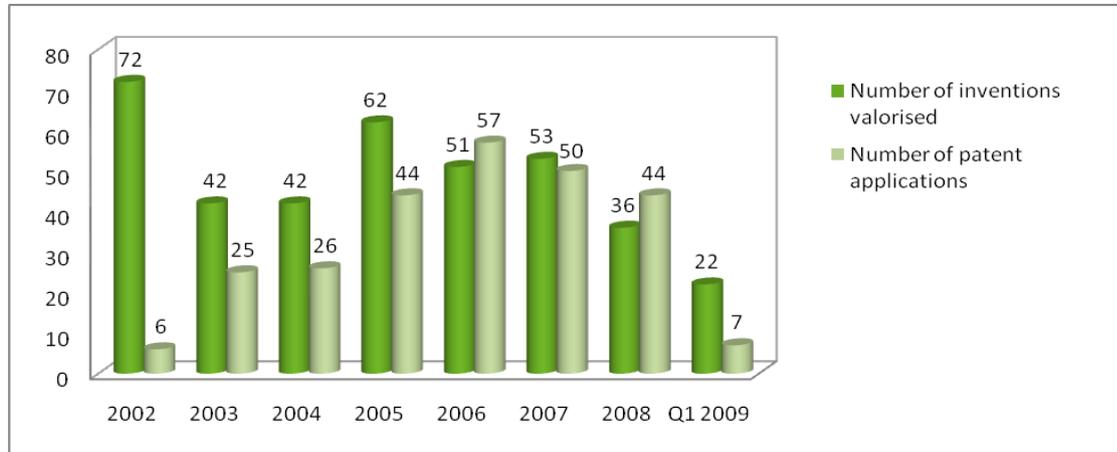
- Awareness raising in order to better inform research staff of commercialisation opportunities,
- Evaluation and market screening of research projects,
- IPR management,
- Design and implementation of commercialisation strategies,
- Design of business plans and support (consultancy and management) of spin-offs, and
- Negotiations with investors (public and venture capital).

To provide these services, the PVA-MV employs engineers, jurists, and lawyers having the expertise that is needed.

2.3. Results

Since its start of operations in 2002, PVA-MV has valorised 380 inventions and filed 259 patent applications in total. The cumulative returns from commercialisation amount to more than 800,000 Euro for this period. The respective data for each year are presented in the table below.

Figure 1: Development of inventions valorised and patent applications filed by PVA-MV



After 2004, the number of both inventions valorised and patent applications rose to a higher level. However, there has been a significant decrease of inventions valorised in 2008. This can be attributed to the funding gap for universities and publicly financed research institutions in the beginning of 2008 due to the end of the second phase of the *Verwertungsoffensive* in December 2007. Thus, universities and publicly financed research institutions were uncertain about future funding and not able to finance PVA-MV's services during that time. Inventions were therefore retained until funding was granted by the programme "SIGNO Hochschulen" in September 2008. SIGNO's target group are universities, universities of applied sciences and non-academic, publicly financed research institutes, which aim at optimising and developing the commercialisation of their research results with the help of external services of patent and valorisation agencies. As a result of the initiative, the valorisation of inventions at PVA-MV gained momentum again.

3. SAXEED

<p>SAXEED Erfenschlager Strasse 73 D-09125 Chemnitz</p> <p>Tel.: +49 371 5311 9900 Fax: +49 371 5311 9909</p>	<p>Year of foundation: 2002 Number of employees: 14 Character: Cooperation of four universities formally organised as part of Chemnitz University of Technology</p> <p>Internet: www.saxeed.net E-mail: info@saxeed.net</p>
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3.1. Background and partners

“SAXEED Centre for Entrepreneurship” was founded in late 2002 as a joint project of the four universities in south-western Saxony: the Chemnitz University of Technology, the TU Bergakademie Freiberg as well as the two universities of applied sciences in Mittweida and Zwickau. Funded by a bank and the German Federal Ministry of Education and Research (BMBF) SAXEED’s main task was at that time the consulting and coaching of entrepreneurs or persons interested in entrepreneurship in order to foster academic venture creation. The first two partners were the universities of applied sciences in Mittweida and Zwickau.

In 2005, funding from the European Social Fond and the federal state Saxony assured SAXEED to continue its activities and led to the partnership with the TU Bergakademie Freiberg as well as a reorganisation (change of the connected research institute).

Nowadays, activities at the four Saxon universities are the core of the founder network SAXEED with partners including banks, the Chamber of Industry and Commerce of southwest Saxony, and regional economy sponsors and technology centres. SAXEED thus brings together the most important institutions coaching entrepreneurs. Judicially, SAXEED acts as a university since the organisation and its employees are part of the respective university.

3.2. Services provided

SAXEED nurtures an entrepreneurial climate in academia in southwest Saxony and supports the creation of new ventures by scientists, alumni and students. SAXEED’s qualified and experienced consultants work on-site at all four universities and support students and university personnel, which have the intention of initiating a venture, by offering entrepreneurship education and tangible advice. Thereby, SAXEED aims at promoting the generation of innovative business ideas and their realisation in a marketable way. As venture creation is only of minor importance in university classes, potential entrepreneurs need to be identified, attracted and motivated as a first step of a possible foundation process. Active marketing, constant public relations and information events have proven to be successful instruments in order to achieve this goal. Therefore, the services provided focus on the motivation of future and present entrepreneurs, on strengthening their expertise and on adequate consulting services in professional as well as personal matters.

To convey the variety of skills needed to successfully found an enterprise, SAXEED additionally offers a multitude of courses, where participants learn the founding fundamentals as well as the basics of business management. Key aspects of the activities are course modules about entrepreneurship, marketing, sales, financing, law and soft skills.

SAXEED's basic tech transfer model is focused on the creation of spin-off companies. In order to ensure the sustainable success of the created enterprise, SAXEED supports entrepreneurs in the further development of their business idea, the design of a business plan and the gathering of adequate funding for the pre-seed and seed phase. Since all of the represented universities have strong ties in natural science, engineering and IT, SAXEED focuses strongly on the creation of technology-based firms. This is also economical justifiable, as technology based start-ups represent a third of all new ventures assisted by SAXEED and account for about half of the created jobs.

Amongst other things, SAXEED offers the following services to entrepreneurs:

- Assessment of technology and business concepts,
- Further development of business concepts,
- Market analysis and target market decisions,
- Support in strategic decisions,
- Development of marketing and sales concepts,
- Coaching of business plan designs, and
- Consulting regarding financing and funding.

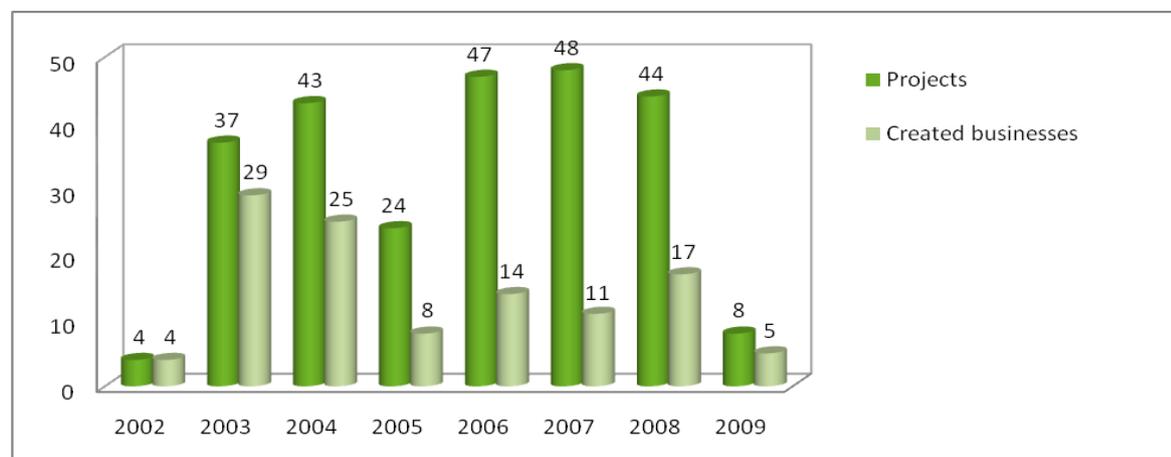
SAXEED thus provides individual coaching in the pre-seed and seed phase as well as after the business creation. To work more effectively, SAXEED cooperates very closely with most of the regional tech transfer actors (e.g. Business and Innovation Centre Zwickau, Founder- and Innovation Centre Freiburg, Technology Centre Chemnitz), mainly on a case by case basis in order not to waste resources.

3.3. Results

Especially continued advertising campaigns and systematic public relations account for SAXEED's results. Business idea competitions for instance resulted in annually 30 to 40 ideas and projects being submitted to SAXEED. A study of the business creation climate at Saxon universities has further shown that professors, research assistants, and students have a rather positive opinion about spin-offs from universities. This may amongst others result from the promotion initiatives of SAXEED and its entrepreneurship-related courses offered at universities in Saxony (especially at the Technical University Chemnitz), which - during the last six years - were attended by more than 2,000 students and staff.

Within the last six years 113 start-up companies grew out of 255 business ideas creating more than 350 new jobs, i.e. 44% of all projects started at SAXEED ended up in the creation of an enterprise (see also figure 2). As far as SAXEED is aware, 100 of these 113 start-ups are still active. Especially those business creations with a technical background have a high rate of surviving (33 of 37 are still active).

Figure 2: Projects at SAXEED based on business ideas and their realisation (until 03/2009)



Another result of SAXEED's efforts is the *Gründerberaternetz Chemnitz* aiming at making the offerings of the most important institutions for entrepreneurs transparent.

SAXEED is also working on using the existing development potential by planning its future network strategy. Besides the exploitation of more academic personal with a technical-science background, SAXEED is actively going to extend the technology scouting aiming at supporting early knowledge about the economic potential of scientific research results. In order to further improve the integration of the valorisation of research results the setup of a technology transfer company owned by the university is another current initiative of SAXEED. This company shall help selling technologies and services more efficiently and profitably as well as providing incentives for scientists also to think in commercial standards. Although the primary tech transfer model is the creation of spin-off companies, this is an example for the fact that SAXEED slowly branched out into other areas of tech transfer during the last two years.

4. VALDEAL

ValDeal Innovation Zrt. Gyár str. 2. H-2040 Budaörs Tel.: +36 23 887 582 Fax: +36 23 887 497	Year of foundation: 2006 Number of employees: 8 Character: Private company Internet: www.valdeal.com E-mail: info@valdeal.com
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4.1. Background and partners

ValDeal Innovation Zrt. is a Hungarian company founded in 2006 with the mission to encourage the establishment of new knowledge and technology intensive companies, thus to turn innovative solutions into real business value for the benefit of inventors and investors, for the small and medium enterprise sector and the whole economy in general. The founders of ValDeal are both companies (Budaörsi ISC Kft. and Danubia IP Kft.) and private individuals with considerable experience of technology transfer from universities and the provision of innovation services to micro-, small- and medium-sized enterprises.

ValDeal further aims to be the first to bridge the gap between science and business in Hungary by providing complex business incubation and acceleration services, and additionally to become a prominent player in the Hungarian innovation market. The company's experts have put together a comprehensive portfolio of services to provide assistance in every field from managing intellectual property through business and market development to brokering venture capital. In order to achieve ValDeal's goals, several hundred million HUF of private capital will be invested over a period of two years through funding of private investors and the Hungarian government as well as grants from the European Union.

ValDeal is member of the ISC Group, which aims at promoting the development of knowledge-based projects and the growth of SMEs by linking the services of the member companies. Therefore, ValDeal is part of a system that integrates all elements of the innovation chain in a profit-oriented way. Services provided by ValDeal are in an effective way complemented by the activities of the CHIC Central Hungarian Innovation Centre NpC. primarily assisting knowledge transfer and the Budaörs Property Developer and Service Company (ISC Ltd.) offering wide-spreading enterprise development services.

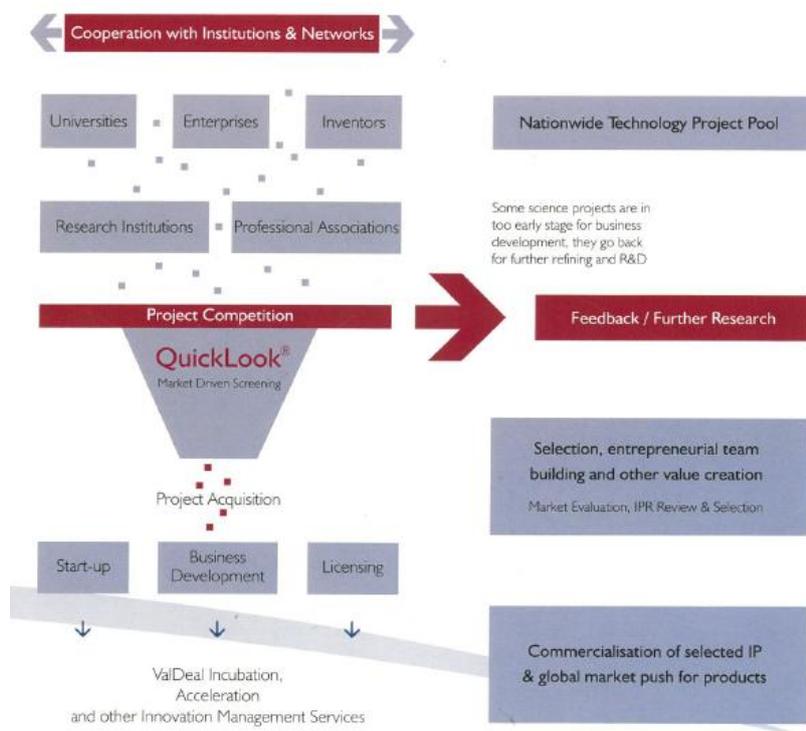
In addition, ValDeal works closely with the German inno Group having outstanding experience in commercialisation of academically-generated intellectual property.

4.2. Used models and services provided

ValDeal uses an integrated innovation-management model, which was adapted and implemented in cooperation with the IC² Institute at the University of Texas at Austin and is unprecedented in Hungary. This model incorporates all aspects of a project's life cycle, from project evaluation through systematic project management to find the most promising projects to move them to the next level. Additionally, it contributes to the goal of building close cooperation between the Hungarian scientific researchers, innovative technologies and the business world.

For innovative projects, which ValDeal continuously receives from applicants, a very thorough filtering process with several milestones and involving a team of international experts is used to select promising projects to move through the innovation chain towards commercialisation (see figure 3 below). By offering such strictly filtered and monitored projects judged by international jury, ValDeal also contributes to decreasing the risk a future investor takes.

Figure 3: ValDeal's process to filter innovative projects



To those projects accepted ValDeal offers a programme for business incubation and acceleration. Complex, financial and advisory service packages are offered tailored to each individual project ensuring that these high-risk projects survive the critical first years. In addition, start-up companies can launch their operation in offices in the Central Hungarian Innovation Centre providing them with the necessary infrastructure. The founders of ValDeal initiated - based on their international experience - the set-up of a business angel network providing co-financing opportunities to foreign investors. For operating enterprises ValDeal offers expertise that helps expanding the business by looking for new markets or new target segments while finding strategic investors for the sake of long term sustainability and future business success.

In Hungary, ValDeal was the first to develop a range of innovation management services comprising every element of the innovation chain from the analysis of the viability of the concept or prototype through sales of the first market-ready products, and on to the thorough planning of a firm's future expansion. ValDeal

uses the following parameters to classify projects in the appropriate stages of the innovation cycle (pre-incubation, incubation, business acceleration) and customise its services to the individual project:

Figure 4: ValDeal's incubation process

Stages	PRE-INCUBATION	INCUBATION	BUSINESS ACCELERATION
Parameters			
Service need	Research monitoring; networking	Business inducement and development	Commercialisation
Typical source of funding	Research grant; pre-seed fund	Development grant; seed fund; angel investment	Venture capital; corporate finance
Admission criteria	Experimental evidence (proof of concept)	Completed research file or bench model	Product / featured service
Eligibility for ValDeal services	Exclusive business engagement	Purchasing monthly package	---
Residence time	6-12 months	24-36 months	Optional
Payment for services	Deferred payment; instant payment	Monthly payment; deferred payment; converted equity	Instant payment; royalty

Assigned to the three chronological stages of the incubation process, ValDeal's services for inventors are divided into three major service groups:

- (1) Evaluation services (legal and IP clearance, complying market potential/technology assessment, human resource audit),
- (2) Projection services (financial planning, organisational planning, business planning), and
- (3) Operation services (coaching, monitoring, interim management, education, training, fundraising, investment management, sales and marketing, connect and development agency).

ValDeal's services include every innovation management service already available in the Hungarian market and are based on a systematic plan spanning 2, 3 or 4 years. They help inventors to develop prototypes in the concept phase right through to the sale of fully developed products through different distribution channels.

In ISC Group, the project and business development runs together with infrastructural services and their continuous adoption to changing needs. The start-up companies are invited to settle down in the building of the Central Hungarian Innovation Centre and in its technology incubator wing, while enterprises being in a later stage of business growth can find their home in the Budaörs Industrial and Technology Park, where ISC Group is located.

4.3. Results

During the first two years of operation, ValDeal shows already good results. Three of ValDeal's projects were featured on the Rice Alliance Venture Forum in Houston (Texas) in 2007 as promising developments in life sciences and three life science projects have internationally renowned scientific/management partner for further research. Overall 5 projects received 1.4 million Euro capital investment and 8 projects gained research grants of over 1 million Euro. One life science project is among the best 75 on World's Best Technology Showcase (Dallas, Texas) of 2008. Another project has a licensing agreement for the US market and one licence agreement is in the final stage of negotiations.

In 2007, ValDeal issued a call for business ideas from project owners, inventors, and researchers living and working in Hungary. In cooperation with the IC² Institute of the University of Texas at Austin they used the above presented internationally tested evaluation system to prepare in-depth market analyses and

proposals based on nearly 300 submissions received. The most important criterion in the assessment of submissions was the commercial viability of the ideas. Following the filtering process, ValDeal selected 28 promising projects to move through the innovation chain towards commercialisation. Some of them received an offer for complex service packages from ValDeal to support their entry to the global market. These projects have the opportunity to spend two years in ValDeal's business incubation centre in Budaörs, which will enable them to use the services of a customised suite on preferential terms. In addition, the company continuously evaluates innovative technologies submitted between tendering periods and offers help to businesses that show promise.

The second period of project competition started in November 2007 and more than 200 applicants submitted their innovative solutions until the deadline in February 2008. After the thorough process of project screening and evaluation again 28 projects were selected by ValDeal based on the evaluation of the international jury.

5. CONCLUSION

These three cases presented as good practice Central Europe models for RTT show how organisations of different types can successfully support technology transfer. All of them have very close relations with universities and are (part of) a network bundling the expertise of different institutions for providing their services to inventors. Their services are financed by European and national initiatives and in the case of ValDeal additionally by private investors. New projects are generated both through the permanent contact with universities or through promotion activities such as idea competitions.

Besides these common characteristics, the three institutions differ from each other, e.g. in their organisational set-up. SAXEED is acting as part of universities, whereas PVA-MV and ValDeal are private companies. As the report contains cases with different backgrounds, it provides a basis for the different CERIM project partners to further develop their current operations, also motivated by the results of PVA-MV, SAXEED, and ValDeal.