



THE OHIO STATE UNIVERSITY

Commercialization and Conflicts

How values can drive simplification

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The Ohio State University

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The Goal

Effectively and efficiently address conflicts in commercialization by first addressing conflicting values.

The Plan

- **Listen:** Commercialization in Higher Education
- **Discuss:** Values-Based Problem Solving Tool
- **Solve:** Conflicting Values/Conflict of Interest Problems

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Takeaways

- What do you hope to learn?
- What we hope you learn.
- Please tell us what you actually learned.

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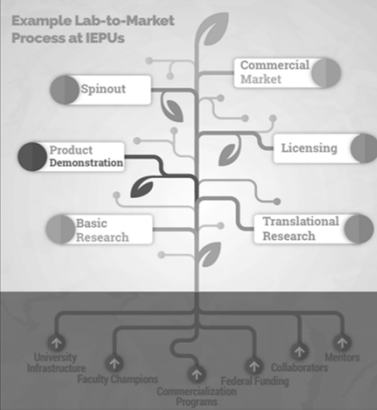
University of Michigan Economic Growth Institute Study Maximizing Innovation and Technology Commercialization of Federal Research Investments: Best Practices at Innovation and Economic Prosperity Universities



THE PROCESS

IEP Universities encompass diverse approaches to innovation and technology commercialization. The "typical" process of moving an idea from the lab into the marketplace is as varied as the innovations. However, there are phases that are common.

- Basic research is necessary and foundational
- Translational research, or applied research, translates these innovations into products compatible with the marketplace. Industry participation often begins during or shortly after this stage.
- The product demonstration stage consists of maturing the technology and understanding the market.
- Licensing includes moving the intellectual property (IP) from the university to a business.
- Spinouts are newly formed companies that are often utilized to launch the product into the commercial market. However, existing businesses are also common mechanisms for technology adoption as well.



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**LAB-TO-MARKET BEST PRACTICES AT
INNOVATION AND ECONOMIC PROSPERITY UNIVERSITIES**

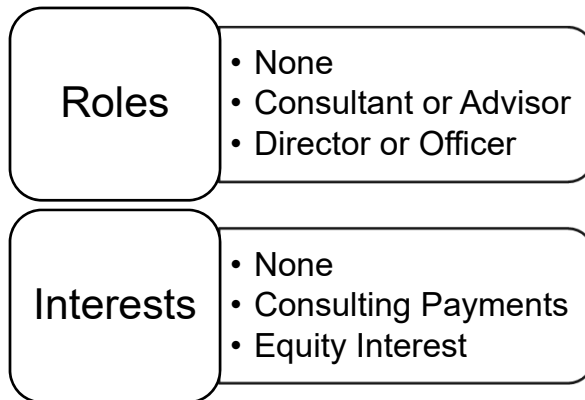
	CULTURE Value technology innovation and lab-to-market activities at all levels through cultural norms.	1
	CHAMPIONS Supporting lab-to-market innovation at all levels through champions and organizational programming	2
	INCENTIVES Incentives and resources are vital to support technology commercialization	3
	COLLABORATION Focusing on partnerships to foster, speed and enhance lab-to-market activities	4

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“... faculty members shared finding conflicting messages from leadership on wanting to support technology commercialization, but also wanting to protect the university IP and ability to maximize the revenue for the university. These are competing priorities when negotiating with industry, and the faculty can get caught in the middle.”

Faculty and Staff: Roles and Interests in Start-Ups



Common Conflicts in Commercialization: Start-ups

Research

- Unclear/dual roles in SBIR/STTR projects
- Graduate students serve as start-up employees
- Shared resources

Financial and Fiduciary

- Sale of goods or services to the university
- Start-up board service or officer role

Commitment

- Use of time to the detriment of other university responsibilities
- Competing with services offered by the university

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Commercialization in the News

Sept. 20, 2018

Sloan Kettering's Cozy Deal With Start-Up Ignites a New Uproar

A for-profit venture with exclusive rights to use the center's vast archive of tissue slides has generated concerns at the nonprofit cancer center.

By CHARLES ORNSTEIN and KATIE THOMAS



Sept. 29, 2018

Sloan Kettering Executive Turns Over Windfall Stake in Biotech Start-Up

With the cancer center's corporate ties under scrutiny, the hospital told employees that no one should profit personally from representing MSK on outside boards.

By KATIE THOMAS and CHARLES ORNSTEIN



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Commercialization in the News

April 4, 2019

Memorial Sloan Kettering Leaders Violated Conflict-of-Interest Rules, Report Finds

A policy review follows months of turmoil at the cancer center, which pledged an overhaul, including new rules on public disclosure and limits on outside profits.

By Charles Ornstein and Katie Thomas



- “Top officials at Memorial Sloan Kettering Cancer Center repeatedly violated policies on financial conflicts of interest, fostering a culture in which profits appeared to take precedence over research and patient care...”
- MSK issues “New and Enhanced Conflicts of Interest Principles”



Risks Associated with COIs

- Flawed Research Resulting in Harm
- Financial Harm to the University
- Externally: Loss of Public Trust in Research
- Internally: Loss of Trust in Leadership

Values Discussion



What values are represented by commercialization?

What values should guide commercialization processes/controls?

Should administrators be held to a higher standard?

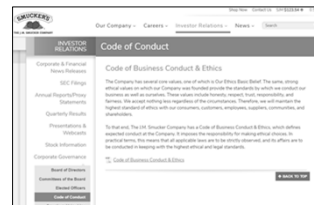
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J.M. Smucker Company Ethics Basic Belief

The Four Ethics Paradigms:

(In situations where all things are equal, it is best to choose the underlined.)

1. Truth vs. Loyalty
2. Individual vs. Community
3. Short-term vs. Long-Term
4. Justice vs. Mercy



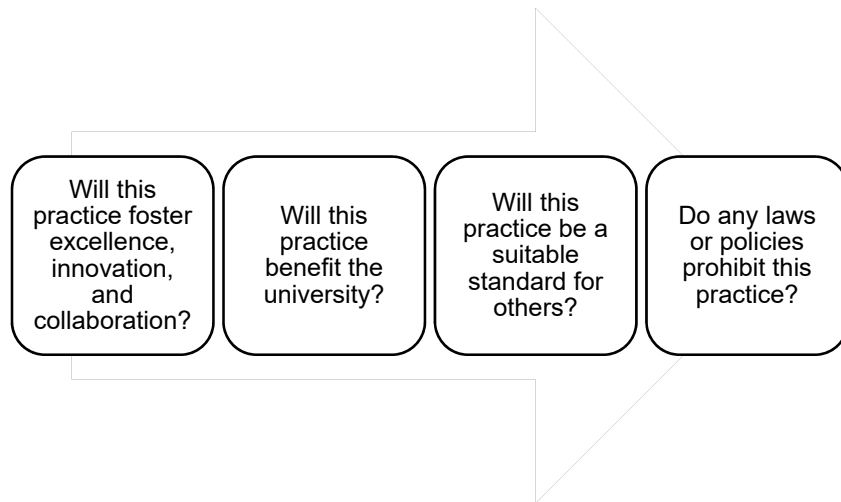
The Three Decision Rules:

- Ends Based: Which result will have the greatest benefit for the greatest number of people?
- Rule Based: Will what I am about to do be a suitable standard for everyone else to follow?
- Care Based: Will this be truly best for the other person? This is basically applying the Golden Rule of "doing unto others".

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Values-Based Decision Tool



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Question #1

Carla is a professor in Arts & Sciences at Ohio State. Through her research efforts at the university, Carla developed a new software program which was subsequently patented by the university.

Carla would like the university to grant a royalty bearing license for the software program to Start-up LLC. Start-up LLC plans to commercialize the software program. Carla owns 25% of the equity in Start-up LLC, and serves as the President of the company.

Should Carla be permitted to participate in the licensing agreement negotiations?

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Question #2

In a faculty meeting, Carla suggests that her company's software program is much better than a software program that the university currently licenses for administrative purposes. The university decides to use Carla's program. (The program is free! But Start-up LLC is the only company that can install and maintain it.) Carla also mentioned that she will be spending 40% of her time serving as the President of Start-up LLC.

Should the university enter into a contract with Start-up LLC for installation and maintenance fees?

Should Carla be permitted to spend 40% of her time with Start-up LLC?

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Question #3

From the beginning, the university's Board of Trustees and the Chief Financial Officer have been immensely supportive of Carla's work. In fact, three trustees now hold an equity interest in Start-up LLC and the CFO is now a member of the Start-up LLC's Board of Directors.

Should the trustees be permitted to hold an equity interest in Start-up LLC?

Should the CFO be permitted to serve on Start-up LLC's Board of Directors? Should the CFO be permitted to accept director compensation?

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Citations

- Elizabeth Austic, Sarah Crane, Parker Finn, Paula Sorrell, Steve Wilson. (2019). *Maximizing Innovation and Technology Commercialization of Federal Research Investments: Best Practices at Innovation and Economic Prosperity Universities*. May 5, 2019. <http://economicgrowth.umich.edu/lab-to-market/>.
- Katie Thomas and Charles Ornstein. *The New York Times*. <https://www.nytimes.com/topic/organization/memorial-sloankettering-cancer-center>.