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TECHNOLOGY TRANSFER OFFICE INCENTIVES AND PERFORMANCE (INTERACTIVE PAPER)

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Principal Topic

In 2004, universities and not-for-profits filed over 10,517 U.S. patents and generated licensing income of $1.385 billion dollars (AUTM, 2004). Researchers have examined the impact that the amount of revenue allocated to faculty inventors has on various performance metrics of the technology transfer process, although the results have been mixed (Friedman & Silberman, 2003; Lach & Schankerman, 2003, Markman, Gianiodis, Phan, & Balkin, 2004). However, the impact that allocations to the technology transfer office (TTO) have on the performance of TTOs as well as the technology transfer process have not been adequately examined. Receiving a larger share of revenue might lead to TTO directors being more motivated, and would give them more resources for patenting and marketing activities. However, if the university gives TTOs a large share of licensing revenue at the expense of inventors, than inventors may not be motivated to develop high-quality ideas. Therefore, we ask the questions: (1) How do payouts affect the performance of inventors as well as TTOs? (2) What factors determine the payout to faculty inventors?

Method

We collected data from TTOs regarding how licensing revenue is allocated among the various parties. Data were obtained from university websites and/or technology policy documents of universities. In addition, some TTOs were contacted directly to collect missing data or to clarify certain aspects of their technology policy. Furthermore, licensing revenue and related data were obtained from the AUTM technology transfer survey.

Results and Implications

The payout allocated to TTOs was not related to the ratio of licenses executed to invention disclosures. Likewise, the payout allocated to inventors was not significantly related to the number of disclosures or licenses executed. This implies that larger payouts to inventors or to TTOs do not improve their performance, at least for the range of values in the sample. However, a couple of factors were found to be related to the amount of payout allocated to inventors. The amount of revenue per license was negatively related to the inventor’s payout on licensing revenue above $50,000. Furthermore, schools with highly ranked engineering programs were found to have lower inventor payouts than those with programs that were not ranked.

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