

July 20, 1999 8:16 a.m. EDT

Source of Income or Fair Deal for MIT?  
University, Graduate Joust Over Patent

By **AMY DOCKSER MARCUS**  
Staff Reporter of THE WALL STREET JOURNAL  
July 20, 1999 8:16 a.m.

CAMBRIDGE, Mass. -- Vanu Bose grew up at the Massachusetts Institute of Technology. His father, Amar, founded sound-system maker Bose Corp. at MIT and is an MIT professor. Vanu went to MIT summer day camps, spent Sundays in the university gym watching his dad play badminton, and later earned bachelor's, master's and doctoral degrees at the university.

But Vanu Bose, 34 years old, isn't feeling very grateful toward his alma mater these days. For more than a year, he has been embroiled in negotiations with MIT's Technology Licensing Office over rights to a pending patent based on technology he devised for his Ph.D. Since that work was done at the university, it will own the patent, with Vanu listed as inventor.

Now he wants MIT to give his start-up company, Vanu Inc., exclusive rights to the patent. MIT wants a cut of the company in exchange. They haven't been able to come to terms.

At first, MIT demanded \$1.25 million over the next eight years in licensing fees, along with royalties of 10% on licensed services, 10% on software the firm developed, 4% on computer hardware and 6% on "firmware," which is software embedded in hardware. And MIT asked to be made a 6% owner of the company.

"I have to confess to being astounded" at the proposal from MIT's Technology Licensing Office, or TLO, wrote back John Guttag, an MIT professor who negotiated on behalf of Vanu Inc. "It certainly gave more the appearance of trying to put funds in the TLO's coffers than of trying to help us commercialize the technology."

Lita L. Nelsen, director of the TLO, shrugs off the criticism. Technology developed at MIT belongs to MIT, she says, and her office is out to make sure MIT gets a fair deal. "We have a large fan club," Ms. Nelsen says. "The grippers are the exceptions."

### Simpler Times

Things weren't so contentious 35 years ago, when Amar Bose started Bose Corp. with technology he

### DOW JONES REPRINTS

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit: [www.djreprints.com](http://www.djreprints.com).

- [See a sample reprint in PDF format.](#)
- [Order a reprint of this article now.](#)

developed at the university. MIT let him have the rights to the patent for nothing. Mr. Bose, now 68, eventually got rich off the closely held company, with a net worth now estimated at \$550 million. He says his Bose Foundation has since donated more than \$6 million to MIT.

But times have changed. MIT doesn't just want generous alumni, the lifeblood of most private universities. If it has had a hand in their commercial success, it also wants a slice of their companies.

Government funds to the university have dropped off, and even with a \$1.2 billion budget, MIT, like most research universities, feels squeezed. The technology office in recent years has become an important income source. Its gross revenue was \$18.6 million in fiscal 1998, ended in June. And that doesn't include the value of stock MIT has obtained in companies started by its professors and students, a figure the university won't disclose.

This kind of success comes at a price. In the exchanges between Vanu Inc. and the licensing office, the two sides keep arguing not only over the deal but also over who has the best interest of the school in mind. Is it MIT's higher responsibility to make sure that useful technology is disseminated, or to earn money for the school? Should MIT be fighting for spinoff business profits or giving its faculty and students good deals in hopes of donations when they get rich? (MIT has built a \$4.3 billion endowment with the help of such largess.)

### **Amicable at First**

These are tensions that more universities are facing these days. In the past, academic inventors and their schools were typically working together to sell the technology to interested companies outside. Now they sometimes find themselves on opposite sides of the negotiating table, as more professors and students try to start companies themselves.

Both sides agree that the negotiations started off amicably enough. Vanu Bose came to the TLO offices in Cambridge with his Ph.D. adviser, Mr. Gutttag, for a brief meeting to explain the company plan in March 1998. "I said, 'I've been around MIT all my life. I just want a deal where if I do well, MIT does well too,'" Mr. Bose recalls telling Ms. Nelsen. She responded that the TLO shared the sentiment and that she'd send along a contract.

When it arrived, amity dissipated. "This proposal is not viable for my startup," Mr. Bose wrote in a letter rejecting MIT's terms, which he said would hurt chances of a business success. "My greater concern, however, is that the TLO's licensing policy places an unreasonable burden on any start-up."

From there, suspicions grew. The TLO offered the company a seven-year exclusive license, saying that renegotiating later on was in Mr. Bose's best interest, since the company's needs would change. He balked. As he saw it, if the company did do well, "MIT would have me over a barrel in the new negotiations." As bargaining dragged on, Mr. Gutttag threatened to put the technology in the public domain or investigate the legality of patenting some of the ideas outside of MIT.

MIT Students Work for Professors' Firms and Jobs Often Cross Over Into Classroom (June 24)

Bose Packs Concert Acoustics Into Home-Speaker Systems (Dec. 31, 1996)

The TLO sent a scaled-down proposal in May 1998, nearly halving its request for licensing fees over eight years. It now sought 4% equity instead of 6%. The other requests were reduced, too: 3% royalties on hardware, 7% on software, 4% on firmware and 10% on licensed services.

Better, but still too high, Mr. Bose and his partners said.

Vanu Inc. is living off research contracts while it tries to create a prototype for a "software radio" that would allow users to run all their wireless gadgets, from cellular telephones to baby monitors and garage-door openers, on one device. "We want to stay private," says Andrew Beard, a vice president. "If we immediately have to pinch pennies to pay MIT, then the first thing to go is our ability to fund research."

Responding to the second proposal, Mr. Gutttag argued that the TLO's primary mission is to benefit the public by commercializing MIT-developed technology. "Your proposal seems to place the highest priority on the one benefit that does not follow from your mission statement, making money for the MIT," he wrote.

Ms. Nelsen quickly replied: "We are, of course, well aware of our mission statement. You should also be aware that the TLO has an obligation to MIT to make a fair deal whereby MIT benefits in return for the resources it has provided to enable our inventions to occur."

### **Paternal Perspective**

Amar Bose has watched his son's battle with MIT with increasing dismay. The senior Mr. Bose says he owes MIT a great debt. He earned a doctorate in electrical engineering at MIT in 1956 and never left. When his company was just getting off the ground, MIT said it could use the MIT labs rent-free until permanent offices were found. MIT was an early investor in Bose Corp. and remains one. "What MIT did for me is unbelievable," he says. "What's happening now is painful."

Prof. Bose says he wants to change the TLO policies in order to help all MIT students, not just his son. "The students are no match for the technology licensing staffs of the institutions," he says, suggesting that MIT ought to advise students not to enter TLO offices without a lawyer by their side.

Calling the TLO's mission statement "window dressing," he says that "the bottom line is they want to make money." Yet "any university that tries to earn money from its students' inventions will inevitably have a conflict between their interests and those of the student," he contends.

In his son's case, Mr. Bose has worked to give the student-inventor every advantage. A Bose Corp. patent attorney advised Vanu Bose on signing documents, reviewed the proposed patent application and has continued to offer informal counsel throughout the negotiations. When they stalled, father told son to try to find a way around the MIT patent. Then in January, the senior Mr. Bose went to talk to the MIT provost about the case and TLO policies.

It didn't take long for Ms. Nelsen to hear about that. The attempt to intercede was "upsetting" and disappointing to her, says the TLO director, whose husband is a former student of Prof. Bose and an ex-employee of Bose Corp. "People throw their weight around when they can, but the institution is supportive of us," she says. Someone from the provost's office inquired as to the kind of deal Vanu Bose had been offered, but she says she simply replied that it was "the generous low end," compared with similar start-ups,

and that was the end of the discussion.

Provost Robert A. Brown won't comment except to say that sentiment shouldn't have a role. "This is a fairness issue," he says. "Internal MIT people can't take a different negotiation path than outsiders."

## Scaling Back

Ms. Nelsen concedes terms of the first proposal were too tough, something she attributes to the inexperience of the initial licensing officer. "We don't think we need to do penance for a mistake," she says.

Ms. Nelsen says the negotiations have taken a long time not because her office wants to make Vanu sweat but because it is overwhelmed with more-pressing deals with companies that must settle terms with MIT to get venture capital. "No one asked us to hurry it up, including Vanu," she says. As to the charge the TLO takes advantage of students, Ms. Nelsen bristles. "We bend over backward to help students," she says.

Her office's latest offer is \$70,000 in licensing fees from Vanu Inc. over eight years -- only about 5% of its original demand. MIT now seeks 3% equity in Vanu, plus 1% royalties on hardware, 5% on software, 2% on firmware and 3% on licensed services. It's a fair deal that won't hurt a new company, she says, adding: "We shouldn't give the technology away just because someone yells a lot."

Her technology office has its fans. It has helped student entrepreneurs find business advisers and funding sources. But even its supporters say that it thinks like a company, with an eye to improving its bottom line.

Mr. Guttag says maximizing the MIT technology office's revenue isn't the same as maximizing MIT's. "One might say that much more important than the revenue from the licensing is earning the long-term goodwill of our students," he observes. "They might make more in charitable contributions to MIT than we'd get from a licensing deal."

On a recent afternoon, Vanu Bose walks around the MIT campus, retracing the geography of his childhood. There is the MIT pool, and the gym where he waited in the bleachers on Sundays to get some time alone with his father. He stops in front of a sign announcing the spot as the future site of the Ray and Maria Stata Center, thanks to a \$25 million gift from the founder of [Analog Devices](#) Inc. and his wife. "Now there's a very happy alum," he muses.

After four months of silence, another meeting with the TLO is scheduled to take place this week to discuss the last offer. Mr. Bose looks at the Stata Center sign again. "MIT is like my second home. I love this place," he says. "But right now I don't plan to donate a cent."



Copyright 2005 Dow Jones & Company, Inc. All Rights Reserved



This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit [www.djreprints.com](http://www.djreprints.com).