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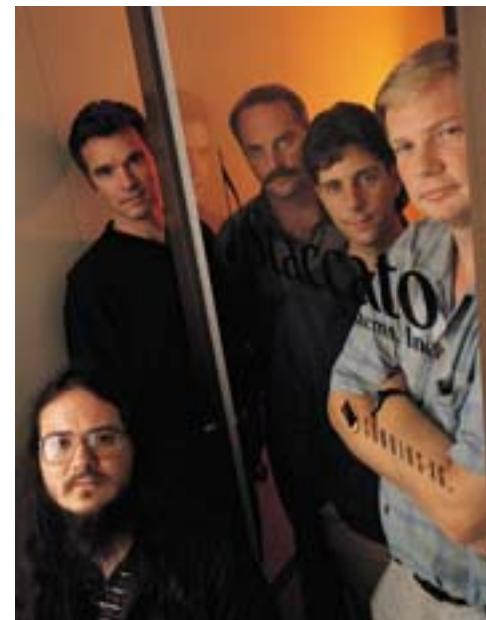
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Eggheads and Entrepreneurs - Its wizards keep the emphasis on how to market the bounty of knowledge," crows a *Business Week* title. "The Heart of Silicon Valley: Why Stanford - the nexus of capital, high technology, and brainpower - is the intellectual incubator of the digital age," echoes *Fortune*. Wouldn't you expect a natural synergy between such a school and industry?

Staccato's team: Tim Stilson, Clark Bohmont, Joe Koepnick, Pat Scandalis and Scott Van Duyne (left to right)



Well, yes - and no. Scratch a little deeper and you find that Stanford has long been shunned by corporations that complain it is generally too bureaucratic, rigid and greedy in negotiations. Stanford's matchmakers find that they often must fight an institutional resistance to relationships that they say *should* be natural.

"We're like your typical big company," says Ku. "There are certain rules and regulations that the university wants to follow. So when an unusual situation comes up, that's where all the bottleneck happens. It often happens with industry because they want something that's not in the mainstream. Then we're not sure who makes the decision, how to handle it, what are the ramifications."

While this appears benign, the results can cause damage, and not just in the area of product patents. Companies would love to work with Stanford talent in developing new medical products and technology based on joint research. Yet, in 1995 a faculty

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committee issued a scathing report on the barriers between the medical school and industry - a situation marked most by "a growing mutual distrust" and "perceived differences in motives and mission that may not be based in fact."

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The committee surveyed CEOs of California pharmaceutical companies who were virtually unanimous in their distaste for dealing with Stanford. "Stanford . . . is perceived as being one of the worst American universities to deal with, specifically on the topic of ownership/patent status of intellectual property that arises from a clinical research project," complained Alza Corp., a Palo Alto drug company. It "makes Alza very unwilling to pursue research with the institution."

Chris Scott understands that frustration. As director of corporate relations at the medical school, Scott serves as the school's "deal guy" with industry. Tall, thin and friendly, he looks as if he should be sitting in a lab - he was trained as a molecular biologist - rather than courting company executives. A black bicycle rests against the wall of his small, neat office in the basement of Beckman Center. But don't be fooled - he knows the commercial side, having worked for years in the biotechnology industry and later running a group of health food businesses. Colleagues praise him as an effective and influential force for change within the university.

When he first arrived in 1989, Scott found what he calls "a misconception of the enterprise spirit." While Stanford gave considerable room to faculty to pursue their entrepreneurial projects, as an institution it seemed to mistrust the corporate world. "We see working with industry as somehow bad," he says. "Now that it's become OK to talk with them, we're finding that the enemy isn't them."

The enemy, if there is one, is a declining federal budget for research. Through the decade, science spending by the government declined by 9 percent and undoubtedly will fall still further. And Stanford's percentage of basic research funded by industry for years has hovered far below the national average. Meanwhile, companies are no longer as willing simply to donate money. Shareholders and boards of directors are demanding bang for their buck. "They're coming back to us and saying: 'Let's talk new ways to structure these arrangements for us to get rights to the technology,'" says Scott. "There's a wonderful opportunity to collaborate."

Scott has launched a campaign to move the medical school and hospital into a potential gold mine of profits. Stanford takes in

about \$6.5 million a year from corporate sponsors financing clinical drug trials. Scott hopes to

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quadruple that figure by 2002. The school has little choice. As a field, the clinical-trial market is exploding by as much as 40 percent per year. "The last four or five years show that budgets for basic research funding are harder and harder to finance," he warns. "We have 230 clinical faculty being squeezed to death by reductions in federal funding for research and by managed health care. Because of that danger, we really need to look at other ways to generate income to keep things going."

The administration is listening. Last summer, it signed a landmark deal with international pharmaceutical giant Rhône-Poulenc Rorer (RPR). Over five years, RPR will provide \$5 million in grants to Stanford researchers in gene therapy and drug discovery. Researchers from a number of departments - outside the medical school as well - will submit project proposals to RPR, which then will quickly approve those it finds intriguing. Stanford, in turn, will hold the rights to any new technologies developed from the projects and RPR can then license them.

It is a win-win for both sides. Usually, a researcher goes with hat out to a company or solicits federal money (and waits nine months for an answer - probably negative if the idea is cutting-edge). With RPR, the more imaginative the idea, the better.

"People can write down their hot ideas and get them funded for a couple years at a pretty good amount," says Helen Blau, who, as chair of the department of molecular pharmacology and director of gene therapy technology, serves as Stanford's liaison with RPR. "Everyone benefits from this arrangement. It's playing to the strength of Stanford, which is innovative technology."

No one is more excited than Thierry Soursac, RPR's vice president and the executive who negotiated the deal. He sees it as ideal for a company that wants to tap into Stanford's enormous potential. His enthusiasm alone is remarkable, considering that RPR had a long-standing relationship with the University of California-Berkeley while cold-shouldering Stanford. "Stanford will ask its scientists to create research programs that will match needs expressed by RPR," says Soursac. "It's designed for the collaboration to work from day one because of the very extreme input of our needs in the research program." As news spreads of the Stanford contract, Soursac has been besieged by offers to

sign similar deals with "the most prestigious universities in the world." He expects the pact to trigger more RPR grant money for Stanford far beyond the first \$5 million.

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It is one of the hopeful answers to a question posed several years ago by President Gerhard Casper: Can the university rely on an industrial base to support research as government funding drops? James Gibbons, former dean of the engineering school, accepted the formal challenge of crafting a response when he became Casper's special counsel for industry relations. You can easily imagine Gibbons, an ebullient man, pumping his vast network of friends and contacts for ideas and projects. He spins off proposals for joint schemes as fast as they pop into his head: a center for engineering risk management that would help the insurance industry set rates for earthquake coverage; a center to study better hip replacements for elderly patients; a center to study pure math with still unknown commercial applications. All of these are in the works.

"My efforts are to create research partnerships and opportunities that are going to lead to new industries, improved industries and improved ways of doing things," he says. "I have to persuade industry that the kinds of things faculty naturally do is of interest to them. Here's the best test: If this works right, I should be out of a job in 18 months."

If so, it means that through his multiplying centers professors scattered throughout the university will be working together, with individual companies and with whole industries. And spinning off new centers of their own at a fast clip.

But even as the ice thaws, the relationship between Stanford and the corporate world is not always an easy sell. Part of the institutional resistance comes from professors leery that industry-sponsored research will compromise their academic freedom, or entice professors to abandon basic research in pursuit of industry dollars. "The university must be on its guard," warns Howard Schulman, chairman of the neurobiology department at the medical school. "Skewing comes if too much of the research becomes applied."

That danger, say staff in various departments, puts pressure on the university hierarchy to make sure the deals with industry ensure freedom for the faculty openly to discuss their findings and publish their results. Stanford officials say they accept that duty as part of the everyday challenge of keeping the school's long-range mission in sight.

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Like any marriage, this one undoubtedly will have its uneasy moments. For now, though, the matchmakers can toast a relationship likely to get deeper - and richer - with time. ST

David Schrieberg, former South America bureau chief for Newsweek, is a California-based journalist.

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