

ACTION REQUEST

Subject: Patent Option Agreement between the University of Michigan and Replicore, LLC

Action Requested: Approval of Patent Option Agreement

Preamble:

A statutory conflict of interest situation was identified by the Office of Technology Transfer while reviewing the technology transfer agreement that then triggered a review by the Medical School Conflict of Interest Board. A plan for management of the possible risks associated with the conflict of interest was then developed and approved by this Board and agreed to by the parties involved in this plan.

This proposed Patent Option Agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Dr. Chia-Ying Lin and Dr. Paul Park are both employees of the University of Michigan ("University") and partial owners of Replicore, LLC. The law permits such an Agreement provided it is disclosed to the Board of Regents ("Regents") of the University of Michigan and approved in advance by a 2/3 vote.

Background:

Dr. Chia-Ying Lin, Assistant Professor, Neurosurgery and Orthopedic Surgery, Medical School and Assistant Professor, Biomedical Engineering, College of Engineering, and Dr. Paul Park, Associate Professor of Neurosurgery and Orthopedic Surgery, Medical School, are partial owners of a for-profit company called Replicore, LLC (the "Company"). The Company was formed recently to commercialize pharmaceutically active ingredients to repair damaged cartilage and desires to obtain an exclusive option from the University of Michigan to the University's rights associated with the following technology:

UM OTT File No. 3803, entitled: "Method and Device for Repair of Degenerative Cartilage" (Chia-Ying Lin and Huina Zhang)

The Office of Technology Transfer selected the Company as a University partner and negotiated the terms of the proposed Agreement in accordance with University policy and its accepted licensing principles.

Parties to the Agreement:

The Regents of the University of Michigan and Replicore, LLC.

Agreement Terms Include:

Agreement terms include granting the Company an option to obtain an exclusive license with the right to grant sublicenses. The Company shall pay an option fee and patent expenses during the option period.

The University will retain ownership of the optioned technology and may continue to further develop it and use it internally. No use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the Agreement. Standard disclaimers of warranties and indemnification apply, and the Agreement may be amended by consent of the parties, such as adding related technology. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.

Pecuniary Interest:

The pecuniary interests of Dr. Chia-Ying Lin and Dr. Paul Park arise from their ownership interest in Replicore, LLC.

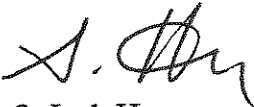
Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of a worldwide exclusive option agreement for patents related to UM OTT File No. 3803 for the treatment of damaged cartilage in humans. Replicore LLC will obtain use and evaluation rights to the above listed University technology.

Recommendations:

This matter has been reviewed and approved by the Medical School Conflict of Interest Board. In light of this disclosure and our finding that the Agreement was negotiated in conformance with standard University practices, I recommend that the Board of Regents approve the Patent Option Agreement between the University and Replicore, LLC.

Respectfully submitted,



S. Jack Hu  
Interim Vice President for Research

February 2014