

ACTION REQUEST

Subject: Termination of Research Agreement between the University of Michigan, ACSI, LLC, CFI Group USA, LLC and the American Society for Quality, Inc. and Reimbursement of University of Michigan Expenses by ACSI, LLC

Action Requested: Approval of Termination of Research Agreement and Expense Reimbursement

Preamble:

The Division of Research Development and Administration, the Ross School of Business, and the Office of Technology Transfer identified a statutory conflict of interest situation while reviewing the proposed agreements. This then triggered a review by the OVPR Conflict of Interest Review Committee. A plan for management of the possible risks associated with the conflict of interest was then developed and approved by this Committee and agreed to by the parties involved.

The proposed Termination of Research Agreement and Agreement for Reimbursement of University of Michigan Expenses ("Agreements") fall under the State of Michigan Conflict of Interest Statute because Professor Claes Fornell is both an employee of the University of Michigan ("University") and a partial owner of ACSI, LLC and CFI Group USA, LLC. The law permits such agreements provided they are disclosed to the executive officers and approved in advance by a 2/3 vote of the Regents of the University of Michigan.

Background:

Dr. Claes Fornell, a Professor in the Ross School of Business, is the partial owner of the for-profit companies called ACSI, LLC and CFI Group USA, LLC. Dr. Fornell has formed ACSI, LLC to further commercialize and develop the American Customer Satisfaction Index ("Index") developed by Dr. Fornell under a sponsored research agreement from CFI and the American Society for Quality, Inc. ("ASQ") and operated out of the National Quality Research Center ("NQRC") at the Ross School of Business.

To allow ACSI, LLC to operate and pursue commercializing the Index, the University has exclusively licensed to ACSI, LLC the University's rights in the ACSI trademark. The Office of Technology Transfer selected ACSI, LLC as a University partner and negotiated the terms of the trademark license in accordance with University policy and its accepted licensing principles. The Regents approved that trademark license at their June 19, 2008 meeting.

To complete the transition of the operation of the Index from the University to ACSI, LLC, the parties to the Research Agreement and ACSI, LLC have negotiated terms freeing the parties of any obligations under the Research Agreement and allowing ACSI, LLC to operate the Index separate from the University. ACSI, LLC will reimburse the University for any unreimbursed expenses it incurred related to operating the NQRC. The Division of Research Development and Administration, Ross School of Business, and Office of Technology Transfer negotiated the terms of the Agreements according to University policy and its accepted principles.

Parties to the Agreement:

The Regents of the University of Michigan; ACSI, LLC; CFI Group USA, LLC; and American Society for Quality, Inc.

Agreement Terms Include:

Agreement terms include terminating the existing Research Agreement between CFI, ASQ, and the University. The parties to the Research Agreement will be released from any obligations related to operating the Index. ACSI, LLC will pay the University amounts sufficient to cover any unreimbursed expenses it incurred in operating the NQRC. The University will grant ACSI, LLC the right to maintain a copy of research data collected and developed by the University's National Quality Research Center in maintaining the ACSI, LLC.

Impact of the Agreement:

By terminating the Research Agreement, ACSI, LLC will be able to develop and commercialize the Index under the ACSI trademark. The Ross School of Business will free up resources previously spent in operating the Index and housing the NQRC at the University. This agreement will also resolve questions between the parties to the Research Agreement regarding the parties' rights and obligations concerning the operation of the Index.

Recommendations:

This matter has been reviewed and approved by the OVPR Conflict of Interest Review Committee. In light of this disclosure and our finding that the Agreements were negotiated in conformance with standard University practices, I recommend that the Board of Regents approve the Agreements between the University, ACSI, LLC, and the CFI Group USA, LLC

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Stephen R. Forrest", with a long horizontal flourish extending to the right.

Stephen R. Forrest  
Vice President for Research

September 2009

