

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents

June 19, 2008

ACTION REQUEST

Subject: License Agreement between the University of Michigan and Vortex Hydro Energy, LLC

Action Requested: Approval of License Agreement

Preamble:

A statutory conflict of interest situation was identified by the Office of Technology Transfer while reviewing the technology transfer agreement which 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 by this Committee and agreed to by the parties involved.

This proposed license agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor Michael Bernitsas is both an employee of the University of Michigan ("University") and a partial owner of Vortex Hydro Energy, LLC ("Company"). The law permits such an Agreement provided it is disclosed to the executive officers and approved in advance by a 2/3 vote of the Regents of the University of Michigan.

Background:

Dr. Bernitsas, a professor in Naval Architecture and Marine Engineering, is the partial owner of a for-profit company called Vortex Hydro Energy, LLC. The Company was formed to commercialize the harvesting of energy from vortex-induced vibrations and desires to license from the University of Michigan the University's rights associated with the following technologies:

UM OTT File No: 2973, entitled "Fluid Motion Energy Converter" (Michael Bernitsas and Kamaldev Raghavan)

UM OTT File #3737, entitled "Enhancement of Vortex Induced Forces and Motion through Surface Roughness Control" (Michael Bernitsas and Kamaldev Raghavan)

UM OTT File #3906, entitled "Appendages for Enhancement of Vortex Induced Forces and Motion for Hydrokinetic Energy Conversion" (Michael Bernitsas)

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 Vortex Hydro Energy, LLC

License Terms:

License terms include granting the Company an exclusive license with the right to grant sublicenses. The Company will pay a royalty on sales and reimburse patent costs. The University will retain ownership of the licensed 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. 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. Michael Bernitsas arise from his ownership interest in Vortex Hydro Energy, LLC.

Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of a worldwide exclusive license agreement for patents related to UM OTT File Nos. 2973, 3737 and 3906 for all fields of use.

Vortex Hydro Energy, LLC will obtain use and commercialization rights to the above listed University technology.

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 Agreement was negotiated in conformance with standard University practices, I recommend that the Board of Regents approve the License Agreement between the University and Vortex Hydro Energy, LLC.

Respectfully Submitted,



Stephen R. Forrest  
Vice President for Research

June 2008