

ACTION REQUEST

Subject: Second Amendment to Patent Option Agreement between the University of Michigan and Incept Biosystems

Action Requested: Approval of Amendment

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 and agreed to by the parties involved.

This proposed amendment ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor Shuichi Takayama and Professor Gary Smith are both employees of the University of Michigan ("University") and are partial owners of Incept Biosystems. 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. Shuichi Takayama, Associate Professor of Biomedical Engineering and Macromolecular Science and Engineering, and Dr. Gary Smith, an Associate Professor in the Medical School, are partial owners of a for-profit company called Incept Biosystems. Incept Biosystems was formed to commercialize microfluidics technology for in-vitro fertilization and entered into an option agreement June 30, 2005. Incept now desires to add additional technologies to its pending option agreement:

UM File No. 2935 entitled "Integrated Microfluidic Control" (Wei Gu, Hao Chen, Jens-Christen Meiners, Takayama)

UM File No. 3446 entitled "Microfluidic Embryo Culture System with Deformation Based Microfluidic Actuation" (Takayama, Smith, Lourdes Cabrera, Yun Seok Heo)

Parties to the Agreement:

The Regents of the University of Michigan and Incept Biosystems

Amendment Terms Include:

Amendment terms include giving Incept Biosystems an option to an exclusive license with the right to grant sublicenses. Incept Biosystems will reimburse patent costs incurred by the University. 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 contract 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 Drs. Takayama and Smith arise from their ownership interest in Incept Biosystems. They have waived any personal participation in the sharing of revenue received by the University.

Net Effect:

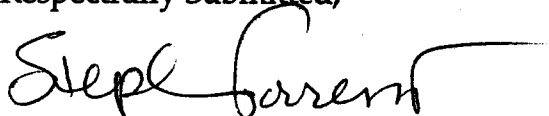
The Office of Technology Transfer has negotiated and finalized the terms of a second amendment to an exclusive option for patents related to UM OTT File Nos. 2935 and 3446 for all fields of use.

Incept Biosystems 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 Second Amendment to the Patent Option Agreement between the University and Incept Biosystems.

Respectfully Submitted,



Stephen R. Forrest
Vice President for Research

October 2006