

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ACTION REQUEST

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

Action Requested: Approval of the 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 option Agreement (“Agreement”) falls under the State of Michigan Conflict of Interest Statute because Professor Jose Jalife and Dr. Todd Herron are employees of the University of Michigan (“University”) and partial owners of Cartox, 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:

Jose Jalife, MD, a Professor in the Department of Internal Medicine – Cardiology, and Todd J. Herron, PhD, an Associate Research Scientist in the Department of Internal Medicine – Cardiology, are partial owners of a for-profit company called Cartox, LLC (the “Company”). The Company was formed recently to commercialize a process of maturing human stem cells to human cardiomyocytes and to commercialize a service for evaluating potential cardiotoxicity of compounds under pharmaceutical development, and desires to option from the University of Michigan the University’s rights associated with the following technologies:

UM OTT File No. 6203, entitled: “Maturation of Human Stem Cell Derived Cardiovascular Cells and Tissue for Drug Toxicity Testing” (Inventors: Todd Herron, Jose Jalife)

UM OTT File No. 6569, entitled: “Human Stem Cell Derived 3D Cardiac Microtissue for Cardiotoxicity Testing” (Inventors: Todd Herron, Jose Jalife, Jianping Fu)

UM OTT File No. 7183 entitled: Electrical Pacing Frame for Multiwell Plates (Inventors: Todd Herron, Jose Jalife, Jiang Jiang)

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 Cartox, LLC

Agreement Terms Include:

Agreement terms include granting the Company an exclusive option to negotiate an exclusive license with the right to grant sublicenses. The Company will reimburse ongoing patent costs, perform technical diligence, and provide a business plan that describes the Company's intention and ability to develop and commercialize the licensed technology. Terms of the subsequent license agreement would include a royalty on sales and reimbursement of patent costs. The University may receive equity in the Company, along with the right to purchase more equity.

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 Drs. Jalife and Herron arise from their ownership interest in Cartox, LLC.

Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of a worldwide option agreement for patents related to UM OTT File Nos 7183, 6569, and 6203, for all the fields of use. Cartox, LLC will obtain 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 Agreements between the University and Cartox, LLC.

Respectfully submitted,



S. Jack Hu
Vice President for Research

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