Subject: License Agreement between the University of Michigan and OtoMedicine, Inc.

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 Medical School Conflict of Interest Board. A plan for management of the possible risks associated with the conflict of interest was then developed by the Board and agreed to by the parties involved.

This proposed license agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Dr. Josef Miller is an employee of the University of Michigan ("University") and partial owner and Chair of the Board of Directors of OtoMedicine. 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. Josef Miller, Professor of Otolaryngology, is a partial owner of a for-profit company called OtoMedicine, Inc. ("OtoMedicine"). OtoMedicine was formed recently to develop pharmaceuticals for the prevention and treatment of hearing disorders and received an option to obtain a license to certain University technology. They have now exercised their option and wish to obtain an exclusive license to the following technology from the University:

UM File No. 2213, entitled: "Prevention of Cisplatin Induced Deafness" (Hans Ehrsson, Andreas Ekborn, Joran Laurell and Josef Miller)
UM File No. 2215, entitled: "Auditory Nerve Protection and Re-Growth" (Yeoash Raphael, Richard Altschuler and Josef Miller)
UM File No. 3341.1, entitled: "Methods and Compositions for Treatment of Noise-Induced Hearing Loss" (Jochen Schacht, Diane Prieskorn, Josef Miller and Colleen Le Prell)
UM File No. 3341.2, entitled: "Methods and Compositions for Treatment of Noise-Induced Hearing Loss" (Josef Miller, Daisuke Yamashita and Colleen Le Prell)

Parties to the Agreement:

The Regents of the University of Michigan and OtoMedicine, Inc.
License Terms:

License terms include giving OtoMedicine an exclusive license with the right to grant sublicenses in all fields. OtoMedicine will pay patent costs, royalties on sales and certain milestone payments and minimum royalties. 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 contract may be amended by consent of the parties. Additional conflict of interest review will be done as appropriate.

Pecuniary Interest:

The pecuniary interests of Dr. Miller arise from his ownership interest in OtoMedicine.

Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of an exclusive license agreement for patents related to UM File Nos. 2213, 2215, 3341 and 3341.1 for all fields.

OtoMedicine will obtain license 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 License Agreement between the University and OtoMedicine.

Respectfully Submitted,

Stephen R. Forrest
Vice President for Research

March 2008