

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

Approved by the  
Regents  
December 18, 2014

ACTION REQUEST

Subject: Option Agreement between the University of Michigan and  
STEL Technologies, Inc.

Action Requested: Approval of 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 UMOR 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 in this plan.

This proposed option agreement (“Agreement”) falls under the State of Michigan Conflict of Interest Statute because Professors Ellen Arruda, Lisa Larkin, Edward Wojtys, and Dr. Michael Smetana are all employees of the University of Michigan (“University”) and partial owners of STEL Technologies, Inc. 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:

Ellen Arruda, Ph.D., a Professor in Mechanical Engineering, Lisa Larkin, Ph.D., an Associate Professor in Molecular and Integrative Physiology, Edward Wojtys, M.D., a Professor of Orthopedic Surgery, and Michael Smetana, Ph.D., a research fellow in the Center for Entrepreneurship in the College of Engineering, are the partial owners of a for-profit company called STEL Technologies, Inc. (the “Company”). The Company was formed recently to commercialize engineered bone-ligament-constructs and desires to option from the University of Michigan the University’s rights associated with the following technologies:

UM OTT File No. 3561, entitled: “A System and Method for the In-Vitro, Guided, Self-Organization of Myotendinous Junctions” (Inventors: Lisa Larkin, Ellen Arruda, Sarah Calve, Tatiana Kostriminova)

UM OTT File No. 3565, entitled: “A System and Method for the In-Vitro, Self-Organization of Bone, Ligament and Bone-Ligament Engineered Constructs” (Inventors: Ellen Arruda, Lisa Larkin, Fatima Syed-Picard, Michael Smetana, Jinjin Ma)

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 STEL Technologies, Inc.

Agreement Terms Include:

Agreement terms include granting the Company an option to obtain an exclusive license with the right to grant sublicenses. The Company will reimburse patent costs.

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. Arruda, Larkin, Wojtys, and Smietana arise from their ownership interest in STEL Technologies, Inc.


Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of an option to obtain a worldwide exclusive license agreement for patents related to UM OTT File Nos. 3561 & 3565 for all fields of use. STEL Technologies, Inc. will obtain use and evaluation rights to the above listed University technologies.

Recommendations:

This matter has been reviewed and approved by the UMOR 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 Agreement between the University and STEL Technologies, Inc.

Respectfully submitted,



S. Jack Hu  
Interim Vice President for Research

December 2014