

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Approved by the Regents

ACTION REQUEST

May 17, 2007

Subject: Patent Option Agreement between the University of Michigan and Arbor Photonics, LLC

Action Requested: Approval of Patent Option Agreement

Preamble:

A statutory conflict of interest situation was identified by the Office of Technology Transfer while reviewing a 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 option agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor Almantas Galvanauskas is both an employee of the University of Michigan ("University") and is a partial owner of Arbor Photonics, LLC. 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. Almantas Galvanauskas, an Associate Professor in Electrical Engineering and Computer Science, is a partial owner of a for-profit company called Arbor Photonics, LLC. Arbor Photonics was formed recently to commercialize high power laser systems and desires to license the following technology from the University:

UM File No. 2859, entitled: "Mode Scalable Optical Fibers for High Power Fiber Lasers" (Galvanauskas)

Parties to the Agreement:

The Regents of the University of Michigan and Arbor Photonics, LLC

Option Terms:

Option terms include giving Arbor Photonics, LLC an option to an exclusive license with the right to grant sublicenses. Arbor Photonics, LLC will reimburse patent costs during the term of the option agreement, and would pay a royalty on sales and reimburse patent costs if the option is exercised and a license is executed. 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. 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 interest of Dr. Almantas Galvanauskas arises from his ownership interest in Arbor Photonics, LLC.

Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of an option agreement for the right to negotiate world-wide exclusive license agreement for patents related to UM OTT File No. 2932 for the fields of use of laser systems and laser beam delivery.

Arbor Photonics, 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 Option Agreement between the University and Arbor Photonics, LLC

Respectfully Submitted,



Stephen R. Forrest  
Vice President for Research

May 2007