

ACTION REQUEST

Subject: License Agreement between the University of Michigan and QuadMetrics, 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 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 license agreement ("Agreement") falls under the State of Michigan Conflict of Interest Statute because Professor Mingyan Liu and Mr. Manish Karir are both employees of the University of Michigan ("University") and partial owners of QuadMetrics, 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:

Dr. Liu, a Professor in the Department of Electrical Engineering and Computer Science in the College of Engineering, and Mr. Karir, Network Research Program Manager for ITCS-Merit Network, are the partial owners of a for-profit company called QuadMetrics, Inc. (the "Company"). The Company was formed recently to commercialize three technologies associated with network security assessment and desires to license from the University of Michigan the University's rights associated with the following technologies:

UM OTT File No. 6088, entitled: "Method for Predicting the Maliciousness of Networks" (Inventors: Michael Bailey, Mingyan Liu, Zakir Durumeric, Manish Karir and Jing Zhang)

UM OTT File No. 6116, entitled: "Method for Quantifying the Maliciousness of Networks" (Inventors: Michael Bailey, Mingyan Liu, Zakir Durumeric, Manish Karir and Jing Zhang)

UM OTT File No. 6267, entitled: "Network Security Monitoring System for Determining Cost of Insurance" (Inventors: Manish Karir)

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 QuadMetrics, Inc.

Agreement Terms Include:

Agreement terms include granting the Company an exclusive license with the right to grant sublicenses. The Company will pay a royalty on sales and reimburse 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 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 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 Dr. Liu and Mr. Karir arise from their ownership interest in QuadMetrics, Inc.

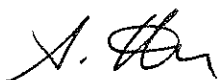
Net Effect:

The Office of Technology Transfer has negotiated and finalized the terms of a worldwide exclusive license agreement for patents related to OTT Files 6088, 6116 and 6267. QuadMetrics, Inc. will obtain use and commercialization rights to the above listed University technology.

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 QuadMetrics, Inc.

Respectfully submitted,



S. Jack Hu
Interim Vice President for Research

September 2014