MICHIGAN STATE UNIVERSITY
INNOVATION CENTER

MSU Patent Policy Handbook Clarification

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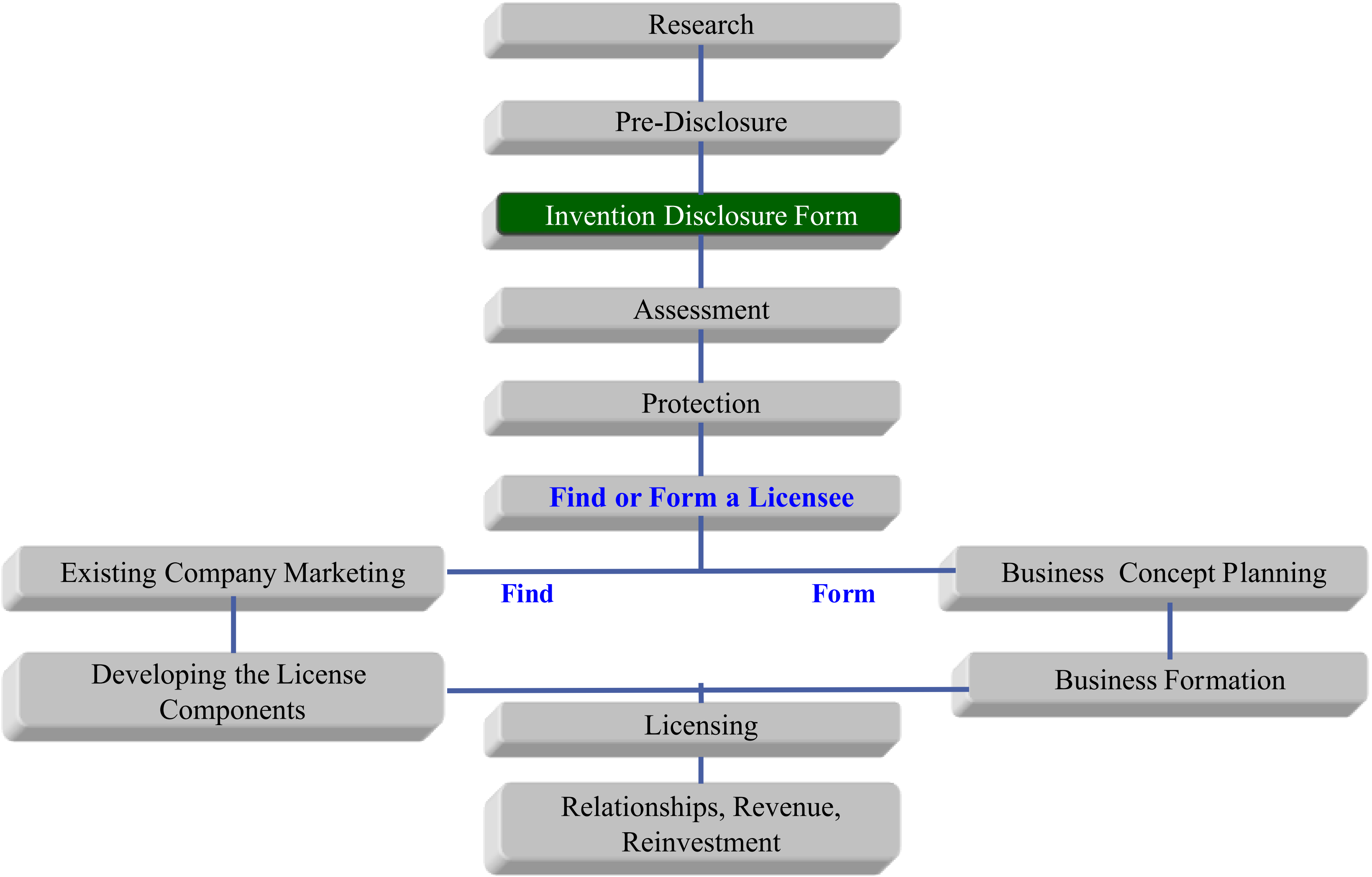
About MSU Technologies

- Responsible for MSU’s commercially-viable intellectual assets (aka “intellectual property”) resulting from research enterprise
  - Patents
  - Copyrights, includes software
  - Biological materials, compositions, devices
  - Confidential information and data
- Negotiate Material Transfer Agreements (MTAs), Confidentiality Agreements (CDAs/NDAs), and Data Use Agreements (DUAs); Option and License Agreements; Inter-Institutional Agreements (IIAs); Allocation of Rights Agreements (SBIRs and STTRs)

Technology Transfer Process



Patent Policy Royalty Distribution

V. **Distribution of Revenue and Equity from Technology Transfer**

(a) When they occur, the economic benefits arising from the commercialization of University Inventions will be shared among the inventor(s), the inventor's major administrative unit (MAU), and the University.

(b) The University will recover all direct cumulative expenses incurred for the patenting, protection (including litigation related to the patent), marketing, and licensing of each University Invention from its licensing proceeds before distributing the remaining net proceeds.

Net Licensing Proceeds	Inventor(s)	MAU	University
First $100,000	50%	25%	25%
Next $900,000	30%	30%	40%
Over $1,000,000	30%	10%	60%

(d) Consideration received by the University in connection with the commercialization of a University Invention may include shares of stock or other securities. The University or the Michigan State University Foundation, as the University's assignee, shall control the administration and disposition of any equity so received in its sole discretion, provided that any net proceeds deriving from the equity received will be distributed as license proceeds in the manner described above.

Copyright Policy Royalty Distribution

Section VIII — Payments to University Authors

1. a) If the University markets a University-owned work for external use, any net income actually received by the University (after the documented cost of production, sales, advertising, distribution and any unrecovered overhead, but not to include the costs of original development unless so stipulated in the contract or grant) shall be distributed so that the University Author (or all University Authors collectively if there is more than one) receives the first $5,000 of such net income, 50% of the next $20,000, 30% of the next $50,000, and 25% of all additional net income. The University shall retain and use the remainder of the net income to encourage further development of copyrightable works.

Net Licensing Proceeds	Author(s)	Copyright Development Fund
First $5000	100%	0%
Next $20,000	50%	50%
Next $50,000	30%	70%
Over $75,000	25%	75%

License Agreements with Equity

- Early-stage companies – usually MSU startups
- Equity received in lieu of a license issue fee
- Cash remains within the company to support technology development
- Proceeds from equity – distributed under relevant policy
- Agreement provides for MSU to participate in follow-on funding

Follow-on investment opportunity

- Cash investment opportunity
- Supports MSU startup companies
- Anticipate MSU Investment Office to provide funding
- Benefits from follow-on cash investment to be returned to Investment Office
- Consistent with other Big Ten schools

Clarification Language

9. How is equity from a license distributed?

Equity from licenses for University inventions is received and held by the MSU Research Foundation. This equity will generally be liquidated for cash at the earliest possible opportunity. No attempt is made to time the sale of the equity for maximum value. The net proceeds from the liquidation of the equity received will be distributed as net licensing proceeds per the Patent Policy. Sometimes the University (or its designate, such as the MSU Research Foundation) may make additional cash investments in a company that holds a license from the University. This equity that is a product of a cash investment is not considered equity from the license, even if such follow-on rights to invest are granted in the license, and any net proceeds from such an investment will not be distributed as royalties per the Patent Policy.

Thank you.

Questions?

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