

Submitted by: Stephen Lanier, Vice President for Research

**UNIVERSITY CONTRACT TO LICENSE A TECHNOLOGY TO
FUNCTIONAL FLUIDICS, LLC, A COMPANY OWNED BY
SCHOOL OF MEDICINE FACULTY**

Recommendation

The Administration recommends the Board of Governors authorize the President or his designee to contract with Functional Fluidics, LLC to exclusively license for commercialization the intellectual property encompassing the technologies entitled "Process/Method for Risk Assessment, Diagnosis and Therapeutic Monitoring Conditions Predisposing Vascular Obstruction" (WSU 14-1203).

Background

Patrick Hines, MD, Ph.D., Assistant Professor, Department of Pediatrics, has developed novel processes and methods to measure whole blood adhesion and thrombus formation in a high throughput, in vitro diagnostic assay based on a microfluidics platform. The technology has been disclosed to University and is described in a disclosure entitled "Process/Method for Risk Assessment, Diagnosis and Therapeutic Monitoring Conditions Predisposing Vascular Obstruction" (WSU 14-1203). The technology was developed with university financial, facility and equipment resources and also by funding provided by the Children's Research Center of Michigan, Children's Hospital of Michigan Foundation and Heart of a Child Foundation.

Functional Fluidics was founded by Dr. Hines and incorporated in Delaware in 2013. It is the intent of Functional Fluidics to further develop the assay technology and to become the leading contract research organization providing contract and direct service to academia, biotechnology and the pharmaceutical industry for measurement of adhesion and thrombosis. Long term goals are the establishment a certified CLIA (Clinical Laboratory Improvement Amendments) service for clinical diagnostics.

Michigan Conflict of Interest law requires specific sunshine procedures in order for a University employee, or a company owned by a University employee, to contract directly or indirectly with the University:

(A) The employee must disclose any pecuniary interest in the contract to the Board and the disclosure must be made a matter of record in the Board's proceedings.

(B) The contract must be approved by a vote of not less than two-thirds of the full membership of the Board in open session.

(C) The Board's minutes must report:

(i) The name of each party involved in the contract.

(ii) The terms of the contract, including duration, financial consideration between the parties, facilities or services of the public entity included in the contract, and the nature and degree of assignment of employees of the public entity for fulfillment of the contract.

(iii) The nature of any pecuniary interest.

If the Board approves this Recommendation, the minutes will report as follows:

The Board of Governors authorized the President, or his designee, to contract with Functional Fluidics, LLC, of which Dr. Patrick Hines holds an equity position (and currently the sole owner) to grant Functional Fluidics, LLC an exclusive license to the University intellectual property known as “as “Process/Method for Risk Assessment, Diagnosis and Therapeutic Monitoring in Conditions Predisposing to Vascular Obstruction or Bleeding” (WSU 14-1203)

(i) The parties involved in the contract are Wayne State University and Functional Fluidics, LLC.

(ii) The contract will provide:

(a) Scope: Exclusive, worldwide license with the right to grant sublicenses;

(b) Field of Use: Production of products and the providing of services for anticoagulation assays and assessment of thrombosis;

(c) Duration for 10 years from the first sale;

(d) Financial consideration of:

(1) License issue fee of \$2,000;

(2) Royalty on net revenue of sales of products and services utilizing or covered by the licensed intellectual property:

5% royalty up to cumulative net revenue of \$3M; and
7.5% royalty above \$3M cumulative net revenue;

(3) Minimum annual royalties of \$25,000 for 2017-2019 and \$40,000 thereafter;

(4) Sublicensing royalty of 25% on all revenues or other consideration received, excluding royalties and research funding, as a result of Functional Fluidics, LLC sublicensing its rights to the licensed intellectual property; and

(5) University will receive an equity interest of 5% in Functional Fluidics as calculated immediately prior to the first qualified equity investment in the minimum amount of \$3M.

(e) No University facilities or services of the University are included in the contract. Functional Fluidics, LLC may enter into a separate lease agreement to allow company to utilize certain unique or specialized equipment of WSU in connection with the performance of services for which university may be entitled additional financial consideration.

(f) No University employees are assigned in connection with the licensing contract.

(iii) Dr. Hines pecuniary interest consists of the current sole ownership of Functional Fluidics, LLC and he will therefore have the potential to financially benefit from the commercial success of the company, including the commercialization of the University's intellectual property known as "Process/Method for Risk Assessment, Diagnosis and Therapeutic Monitoring Conditions Predisposing Vascular Obstruction."