

SUBMISSION FORM**University System/Employee Intellectual Property Joint
Participation****MUSP 407**

This form is to be submitted with any Board of Regents item whereby a campus seeks the approval of an agreement with or arrangement regarding an employee pursuant to 20-25-109 MCA and Regents Policy 407.

When the submission concerns matters of trade secrets or confidential business information, or any other matter entitled to privacy under state or federal law (e.g., the federal statute known as Bayh/Dole) the submitting campus may request consideration of the submission, in whole or in part, in executive session.

The submitting campus should also provide the Commissioner a copy of the contract(s) that form the basis for the cooperative arrangement for which approval is sought. Submission of the contract does not indicate a conclusion that all or part of the contract is a public document and the question of whether it is in whole or in part protected from public disclosure will be evaluated on a case by case basis.

1. Summarize the nature of the intellectual property that was developed by the employee seeking approval. Indicate the sources of funding for the research that resulted in this invention.

The technology enhances the sensitivity of proteomics by developing a family of fluorescent dyes. The use of these dyes allow for faster and more sensitive separation and identification of proteins.

Proteomics is the study of the proteins produced by cells. It is proteins that ultimately control the maintenance of health and the resistance or susceptibility to disease. The dyes will provide a more powerful tool for the proteomic screening of a vast number of proteins and pinpointing the proteins involved in health or disease conditions of interest. Advanced dyes will also detect protein modifications. The dyes may reveal underlying mechanisms of disease, control points for more effective pharmaceutical intervention and provide paths for development of more specific diagnostic technologies. In lay terms, these dyes may provide more efficient tools for diagnosing and treating diseases.

The source of funding for this technology was a National Science Foundation grant to Professor Edward Dratz and Professor Paul Grieco, both of the Department of Chemistry at Montana State University.

2. a. Name(s) of the university employee(s) involved.
Edward A. Dratz, Ph.D.
Paul A. Grieco, Ph.D.
- b. Name(s) of business entity(ies) involved.
Zdye, Inc.

3. The university and employee(s) are seeking approval for (check as many as appropriate):

- a. The employee and the university to be awarded equity interest in the business entity.
 b. The employee to serve as a member of the board of directors or other governing board of the business entity.
 c. The employee to accept employment from the business entity.

The MSU employee may seek reduction in MSU FTE if he accepts employment from company. At the point of granting of future funds, both Professors will determine whether to reduce their FTE at MSU and spend more time in the company, or hire company employees and maintain their status at MSU.

d. Other. Please explain.

4. a. Summarize the nature of the relationship between the university and the business entity (e.g., the entity is licensing the intellectual property from the university, the entity is co-owning the intellectual property with the university).

Zdye, Inc. will be licensing the current intellectual property from the University. Future intellectual property may be co-owned, depending on the inventorship and whether University facilities and equipment are utilized to support such inventions.

b. The proposed duration of the agreement or arrangement.

The life of the current patent - which will be 18 more years. Due diligence, such as milestone payments, and minimum annual royalty payments will be built into the licensing agreement to assure that the company has incentives to bring products to the market in a reasonable time frame. Should the company fail to meet the payments, the license agreement can be terminated.

c. The conditions under which the agreement may be terminated or dissolved.

Failure to comply with licensing provisions.

5. Explain specifically how the University System or the State of Montana will likely benefit from the agreement or arrangement.

Technology developed at the University will be utilized to better provide for new drug discovery. The University will receive income under the license agreement. The company is located in Montana and will provide employment for graduates and interns, increased tax income to the State and infrastructure in the biomedical arena.

6. Summarize the financial terms of the agreement or arrangement. Include:

MSU is seeking approval before entering into negotiations for a specific licensing agreement with the company. If the proposed relationships are approved, it is anticipated the negotiated license will include license fee, equity, reimbursement of patenting costs and a running royalty on product commercialized. The exact amounts will be negotiated after the extent of the relationship (i.e., equity, employment, etc.) is defined by the Board's approval. A copy of the university's Licensing Agreement template is attached for reference.

- a. The value, nature and source of the University's contribution.

The University has provided infrastructure including laboratory space and equipment to university researchers and funding avenues, such as the Research and Commercialization Board funding and Small Business Technology Transfer partnerships through federal agencies for the development of the technology. The University has paid initial patent prosecution costs for which reimbursement will be sought from licensee. The University will lease laboratory space on a short term basis to Zdye, Inc. to get the company started.

- b. The value and nature of the employee's contribution.

The two University employees have invented the technologies which may contribute to biomedical science and the commercialization of products but have made no personal monetary or property contributions to the company.

- c. The anticipated revenue to be generated by the project and the time line for generating such revenue.

Licensing fee and patent reimbursement will be generated as soon as the license is negotiated and executed. Royalties will be generated in the next several years. Products need further development and possibly FDA approval prior to commercialization. This may result in a timeline for commercialization of any product to the public of more than 7 years.

- d. The manner in which revenue and expenses will be shared by the parties.

MSU will not incur expenses on behalf of Zdye, Inc. Zdye, Inc. may receive grant funding, some of which will be subcontracted to University. Zdye, Inc. will pay lease payments for the space which it will utilize. Zdye, Inc. will provide milestone payments and running royalties to the University.

- e. The nature of each party's equity interest in the project. If none, so indicate.

MSU intends to negotiate for an equity position in Zdye, Inc. The MSU researchers are also seeking equity. Preliminary discussions have been held in that regard but the extent of equity for the parties will not be determined until after approval of the concept by the Board of Regents.