

SOP: IP 03 Version No: 1 Effective Date: 10/22/04	EQUITY ACQUISITION IN INTELLECTUAL PROPERTY LICENSING AGREEMENTS	Supersedes Document Dated: N/A
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1. SUMMARY

This Policy establishes specific conditions under which Maine Medical Center/Maine Medical Center Research Institute may acquire equity as part of a licensing agreement.

2. POLICY

This policy enables Maine Medical Center to receive a benefit from equity, while potential inventor and institutional conflict of interest issues are addressed respectively through the Medical and Research Professional Staff Policy on Conflicts of Interest and Commitment. Equity includes shares of stock, and also other forms of equity (such as warrants, options, interest in limited partnerships or limited liability companies) which lend themselves to distribution in the manner contemplated.

Maine Medical Center may accept equity as one form of compensation for license rights, subject to a conflict of interest review if appropriate.

Of the total amount of equity which is to be issued for a particular license, fifteen percent (15%) of such equity (the “Administrative Share”) will be issued to Maine Medical Center Research Institute to cover its general administrative expenses.

The remaining equity to be issued for the license, after deducting the Administrative share, will be considered as “Net Equity”.

One-third (1/3) of the Net Equity will be issued to the Inventor(s) as the Inventor(s)’s Shares. Following issuance of Net Equity, it shall be the sole responsibility of the Inventor(s) to manage the Inventor(s)’s Shares and to comply with any tax, legal or contractual obligations associated with the distribution, ownership or disposition of the Inventor(s)’ Shares.

The remaining two-thirds (2/3) of Net equity will be issued to Maine Medical Center as the Research Institute Share. The IPA Research and Fellowship Fund, administered by the Associate Vice President of Research, will receive the Research Institute Share, less any non-reimbursed administrative direct expenses.

All equity received by the Maine Medical Center will be managed by Financial Services.

3. DISCUSSION

It may be in the best interests of technology transfer to include equity as partial consideration of a license agreement. Young, privately held companies often do not have the requisite case reserves to compete with an established company for rights to Maine Medical Center Research Institute technology. An offering of equity is a means of enabling small companies to license Maine Medical Center Research Institute technology. However, the acceptance of equity presents two potential problems: risk and the generation of conflicts of interest.

Risk is an issue because, at the time equity is given, it generally has no value. Whether or not it will acquire value will depend on the overall success of the company, which is a function of many factors that may not related to the technology being licensed. Therefore, Research Administration will usually require some cash as part of the upfront license agreement.

Equity has considerable potential for creating conflicts of interest for inventors and Maine Medical Center/Maine Medical Center Research Institute because equity holders are part owners of the company. As owners, they stand to gain considerably if the company does well, and therefore there may be incentives to take actions and make decisions that favor the interests of the company over the academic and research missions of Maine Medical Center/Maine Medical Center Research Institute.

The “Conflict of Commitment and Interest for Research Professional Staff: policy recognizes these potential conflicts and requires disclosure and intervention as necessary to manage them. However, divisions are involved in key personnel and facilities decisions, conflict of interest can also be a concern at the organizational and institutional levels. Therefore, financial return derived from the Maine Medical Center/Maine Medical Center Research Institute’s portion of acquired equity (2/3 of Net Equity) will flow into a fund to support research and graduate education, and that fund will be controlled by the AVP, Research.

4. RELATED RESEARCH POLICY(S)

- GRI 03 Conflict of Commitment and Interest Research Professional Staff
- IP 02 Investments in Start-Up or Small Companies Medical and Research Professional Staff
- IP 01 Inventions, Patents and Licensing

5. AUTHORITY

The AVP for Research is responsible for the interpretation and overall coordination of this Policy.