



## Policy on Accepting Equity when Licensing University Technology

Oregon State University recognizes the importance of encouraging the practical application of the results of University research for the benefit of the general public. One important way in which the University supports this transfer of technology is through an active technology licensing program.

Technologies disclosed by University faculty, research scientists, and other staff (hereafter, inventors) are offered to potential licensees, often during the early stages of developmental research. These technologies typically require a considerable amount of additional research to prove the value of the technology or to support good patent protection, if appropriate. Therefore, the University seeks licensees able to demonstrate that they currently are adequately financed or that adequate financing will be available, and that they are willing to focus such resources on the developmental research necessary to advance the technology to a marketable condition. Further, such licensees must be able to meet regulatory requirements for introduction of the technology into the marketplace and to satisfy adequately the market demand for the technology.

The University generally will seek from the licensee the costs of obtaining patent or other intellectual property protection and other customary financial considerations. The resulting licensing income provides an incentive to University inventors to participate in the complex technology transfer process, funds further University research, and supports the operation of the University technology transfer program.

The combination of developmental costs and risk, and uncertainty as to the potential value of the technology, occasionally make it difficult for the University to identify a licensee possessing both the requisite capabilities and willingness to assume such financial risks. Small or startup companies may find it particularly difficult to commit significant cash outlays for both developmental and licensing costs.

Accordingly, the University may accept equity in a company as partial consideration for technology licensing-related transactions in appropriate circumstances pursuant to the following provisions of this Policy:

1. When the company selected to develop, market, and deliver the technology to the marketplace prefers to offer equity in partial lieu of cash, the University may choose to accept equity in that company.
2. University acceptance of equity in consideration of licensing a University technology will be based upon the principles of openness, objectivity and fairness in decision-making, and preeminence of the education, research, and public service missions of the University over financial or individual personal gain. Such licensing activity will be conducted in accordance with the Oregon State Board of Higher Education Internal Management Directives, the Conflict of Interest Policy, and related University policies, guidelines and directives.
3. The University will neither seek nor accept representation as voting board members on the board of directors of a licensee in which it holds equity, regardless of the level of its equity interest.

4. The University will handle all subsequent relationships with a licensee in which the University has accepted equity in a business-like manner pursuant to relevant University policies and guidelines.
5. The terms of a technology licensing-related transaction, other than those related to the acceptance of equity in the company by the University, will be consistent with University transactions for comparable technologies.
6. University inventors may perform clinical trials or other comparable licensed-product testing for companies in which the University holds equity as part of the technology licensing-related transaction only upon the specific approval of the Conflict of Interest Committee to assess any real or perceived organizational conflict of interest in the performance of such trials or testing activities.
7. The University generally will not accept more than a twenty percent (20%) share ownership in a licensee.
8. When the University accepts equity in a company as partial consideration for a technology licensing-related transaction, the University, taking into account any legal restrictions, will take all equity, including the inventor(s)' share, in the name of The State of Oregon acting by and through the State Board of Higher Education on behalf of Oregon State University. The University has an agreement with the Oregon State University Foundation, which provides for the Foundation to hold equity for the University.
9. Neither the University nor the Foundation are investors and therefore will convert equity to cash upon the first opportunity allowable in each negotiated license agreement and related documents.
10. Upon the Foundation's conversion of equity to cash, the University will distribute cash proceeds in accordance with the schedules and formulas established in Oregon State Board of Higher Education Internal Management Directives or other relevant University policies.