

Board Meeting  
March 9, 2006

## ROLL CALL

### RETAIN LAW FIRM TO ENFORCE UNIVERSITY'S INTELLECTUAL PROPERTY RIGHTS

**Action:** Approve Contract to Retain Law Firm on Contingency Fee Basis for Enforcement of University Technology License

**Funding:** OTM Litigation Funds (out-of-pocket expenses only)

As part of its continuing efforts to increase license compliance, the Chicago campus Office of Technology Management retained the accounting firm of McGladrey & Pullen in 2005 to audit licensee Organon Teknika Corporation concerning a license that originated in 1990. The firm found that during one three-year period Organon Teknika had underpaid the University by more than \$2.5 million on sales of a UIC-developed vaccine.

This item is brought by the Vice President of Technology and Economic Development and the University Counsel to seek the Board's approval to retain outside counsel, specifically the firm of Stadheim & Gear, on a contingent fee basis to pursue recovery of all unpaid royalties from Organon Teknika. The Board previously approved, in July 2005, a contingent fee agreement with Stadheim & Gear to pursue infringers of a patent portfolio donated to the University by Proctor and Gamble. On that matter, the

firm has already begun license negotiations with infringing companies, and significant revenues are anticipated.

This item provides that Stadheim & Grear would receive one-third of any recovery related to the underpayment of royalties by Organon Teknika under the 1990 license. In light of the audit results, by entering a contingent fee agreement on this matter there is a substantial likelihood that the University will be contractually obligated to pay Stadheim & Grear a lump sum legal fee in excess of \$100,000 in one fiscal year, triggering the requirement of Board approval (per the Board's September 2005 action). The Board may recall that the "substantial likelihood" standard was used to address contingent fee contracts in a November 2004 Board item that awarded contracts to third-party vendors for consulting services in support of technology commercialization. The same approach was used in the July 2005 item referenced above and is recommended here. If a similar occasion arises in the future, prior approval will be sought using the "substantial likelihood" standard.

Stadheim & Grear has secured significant recoveries for major research universities, including the Iowa State University Research Foundation and the Wisconsin Alumni Research Foundation. Its clients include the Dana Farber Cancer Institute, George Washington University, and the University of Chicago. In addition to licensing and litigating in the U.S., the firm has managed world-wide enforcement programs and directed patent prosecution in the U.S., Europe, and Japan. In all, the firm has collected hundreds of millions of dollars in royalties and damages for its clients.

The board action recommended in this item complies in all material respects with applicable State and federal laws, University of Illinois *Statutes*,

*The General Rules Concerning University Organization and Procedure*, and Board of Trustees policies and directives.

The Vice President for Technology and Economic Development and the University Counsel with the concurrence of the appropriate administrative officers, recommend approval to enter into a contract for the services described above. This contract is exempt from the Illinois Procurement Code since it is necessary to prepare for anticipated litigation.

The President of the University concurs.