

Board Meeting
May 17, 2007

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 Patent Rights

Funding: Institutional Funds Operating Budget

As part of an effort to ensure that University Intellectual Property is appropriately used under license by third parties, the Interim Vice President of Technology and Economic Development and the University Counsel seek the Board's approval to retain the law firm of Stadheim & Gear as outside counsel on a contingency fee basis. Stadheim & Gear will be retained to conduct an investigation of semiconductor companies to ascertain whether they are infringing the University's portfolio of technologies based on the annealing of semiconductor chips and wafers with deuterium, a patented process invented by Karl Hess and Joseph Lyding. Background work by Stadheim & Gear indicates there is a reasonable likelihood of infringement by certain companies. The contingency fee arrangement provides that Stadheim & Gear will receive one-third of any and all income received, whether as a result of licenses, settlements, judgments, or otherwise. In addition to the University's realization of any income from this project, Stadheim & Gear will be reimbursed by the University for any expenses up to an aggregate amount of \$50,000 annually.

The Board previously approved, in March 2006 and July 2005, contingency fee arrangements with Stadheim & Gear for the recovery of underpaid royalties for a Chicago campus license with Organon Teknika and the pursuit of infringers of a patent portfolio donated by Proctor and Gamble, respectively. Revenues received by the University with respect to the unpaid royalty issue currently exceed \$600,000.

As a result of this proposed action, there is a substantial likelihood that the University will be contractually obligated to pay Stadheim & Gear 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 similar situations in November 2004 and in March 2006, and is recommended here. If a similar occasion arises in the future, prior approval will be sought using the same standard.

Stadheim & Gear has secured significant recoveries for major research universities, including the Iowa State University Research Foundation and the Wisconsin Alumni Research Foundation. Its current clients include the Dana Farber Cancer Institute, George Washington University, University of Rochester, 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.

Funds for the out-of-pocket expenses are available from the Institutional Funds Operating Budget of the Office of Technology Management.

The Interim 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.