

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.

More than sixteen MSU technologies have been licensed to S2 Corporation (“S2CORP”) since 2003. Dr. William Randall Babbitt is the lead inventor on the following inventions that are either currently licensed to S2CORP or have been licensed in the past:

- 1998: Optical coherent transient (OCT) continuously programmed continuous processor (CPCP) (Tech ID: SL-BWR-1998-OCT)
 - Funding: Navy/Office of Naval Research and Air Force Office of Scientific Research
- 2005: Ultra-high-bandwidth and high-resolution analog-to-digital converter using spatial spectral holography (Tech ID: BWR-2005-ADC)
 - Funding: DOD Defense Advanced Research Projects Agency
- 2010: Methods and apparatus for achieving a single sideband and suppressed carrier (ssb-sc) modulated optical signal that scales to >20 ghz bandwidth (Tech ID: BWR-2010-SSBSC)
 - Funding: Navy/Office of Naval Research, Space and Naval Systems Command

Dr. Babbitt is also a co-inventor on several other technologies licensed to S2CORP, and he has had an active Conflict of Interest Management Plan in relation to this arrangement since 2007.

2.

a. Name(s) of the university employee(s) involved.

- Dr. William Randall Babbitt
 - Co-inventor of intellectual property
 - Professor, Physics Department, MSU
 - Chairman of the Advisory Board, Spectrum Lab, MSU

Dr. Babbitt has a Conflict of Interest Management Plan that is overseen by the MSU Office of Research Compliance. The purpose of the plan is to accurately describe the potential conflicts in writing, create explicit agreements to protect against actual conflicts, and to facilitate oversight. A Plan Manager has been assigned to review the case annually and whenever major changes in circumstance occur. Dr. Babbitt's original plan was developed in 2007 with the most recent review and update in August, 2015. Because of his financial interests in S2CORP, Dr. Babbitt has agreed that he will not participate in any capacity on the MSU side on any sponsored research or contracted work between MSU and S2CORP.

b. Name(s) of business entity(ies) involved.

[S2 Corporation](#) in Bozeman, MT

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

- a. The employee 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
- d. Other. Please explain.

Dr. Babbitt received BOR 407 approval for equity in February, 2007 (ITEM #134-2009-R0307) and for employment in November, 2009 (ITEM #145-2004-R1109). He wishes to add board participation at this time.

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).

The intellectual property and its patents are owned by MSU, and the original Exclusive License Agreement was executed October 1, 2003. After several amendments to add new technologies, the parties chose to restate their Exclusive License on April 15, 2011 to clarify and incorporate all amendments. This includes sixteen MSU technologies and twenty-one

patents. This confidential document is available upon request. The scope of the license gives S2CORP an exclusive, worldwide right to the intellectual property and patents with the right to sublicense.

S2CORP also has a Facilities and Equipment Use Agreement in place for the use of minor and major equipment in MSU's Spectrum Lab.

b. The proposed duration of the agreement or arrangement.

The restated Exclusive License from 2011 is effective until the last patent for any of the sixteen licensed technologies has expired, unless terminated earlier.

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

MSU may terminate this AGREEMENT as follows:

1. If S2CORP does not make a payment due and fails to cure such nonpayment within forty-five days after the date of notice in writing of such nonpayment by MSU.
2. If S2CORP shall become insolvent, shall make an assignment for the benefit of creditors, or shall have a petition in bankruptcy filed for or against it. Such termination shall be effective immediately upon MSU giving written notice to S2CORP.
3. If an examination by MSU's accountant shows an underreporting or underpayment of S2CORP in excess of twenty percent for any twelve month period.
4. If S2CORP fails to satisfy the performance milestones.
5. Without the obligation to provide notice, if S2CORP files a claim, including in any way the assertion that any portion of the patent rights is invalid or unenforceable where the filing is by the S2CORP, a third party on behalf of the S2CORP, or a third party at the written urging of the S2CORP.

All License Agreements (and possible future licenses as provided for by Option Agreements) issued by the MSU Technology Transfer Office in which the inventor seeks business participation are contingent upon this BOR 407 approval. This is stated in the License Agreement.

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

- a. The IP owned by MSU under the negotiated license provides MSU with annual maintenance and sublicensing fee income and royalties that generate significant revenue upon already successful commercial development of the technologies
- b. Technical advances in the field with public and private contribution provides both academic and economic development

- c. Collaborative research opportunities for Montana State University and its students
- 6. Summarize the financial terms of the agreement or arrangement. Include:**

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

MSU Technology Transfer has pursued over 21 patents for the technologies. The University has paid patent filling costs, and S2CORP has agreed to reimburse MSU of all patenting costs past, present, and future. The University owns the patents and has the right to use the technology and patents for academic research or other not-for-profit scholarly purposes.

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

As an MSU inventor, Dr. Babbitt has assisted in the preparation and completion of the patent filings.

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

The License Agreement sets performance milestones for sales of the licensed technology, as well as annually due sales and marketing reports. Research is still being developed in order to reach commercialization. There is no way to determine anticipated revenue at this stage.

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

Royalty revenues will be shared by MSU and the inventors after payment of a development fee to MSU and collection of any unreimbursed patent costs. All expense information is detailed in the confidential agreement language.

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

Dr. Babbitt holds 7.12% equity in S2 Corporation.