

MINUTES OF THE SPECIAL MEETING
OF THE
MICHIGAN STATE UNIVERSITY
BOARD OF TRUSTEES

February 26, 2002

President McPherson called the special meeting of the Board of Trustees to order at 10:04 a.m. in the President's Conference Room.

Trustees present via telephone: Dolores M. Cook, Joel I. Ferguson, Dorothy V. Gonzales, Donald W. Nugent, David L. Porteous, and G. Scott Romney.

Trustees absent: Colleen M. McNamara and Randall L. Pittman.

University officers present: President McPherson, Provost Simon, Vice President Poston, Secretary Carter, Vice President and General Counsel Noto, and Vice President Denbow.

All actions taken were by unanimous vote of the Trustees present, unless otherwise noted.

1. On a motion by Ms. Cook, supported by Ms. Gonzales, **THE BOARD VOTED to approve** the proposed agenda.
2. Public Participation

There were no requests to address the Board of Trustees on issues germane to the agenda or other issues.

3. Kellogg Patents Gift Acceptance

It was recommended that the Board of Trustees gratefully accept from the Kellogg Company the donation of two sets of patents—dealing respectively with pour spout food packaging and the modification of psyllium for use in food products and improved laxatives, together with associated licenses, goods, and services.

A roll call vote was conducted by Secretary Carter. On a motion by Mr. Nugent, supported by Ms. Gonzales, **THE BOARD VOTED to approve** the recommendation.

Trustee Nugent asked if the collection of patents pertaining to the enzymatic modification of psyllium is truly a set of patents, or a license. Associate Vice President for Research Paul Hunt, responded that the Kellogg Company is donating several patents, while retaining the rights to one patent. The company will grant license and sub-license rights to MSU for the latter patent. In addition, Mike Poterala, Assistant General Counsel, said that it is the responsibility of the Kellogg Company to cover costs to sustain the Kellogg patent that is licensed to the University.

Trustee Cook asked if faculty in the Food Science department have yet considered the uses of the psyllium patent. Dr. Hunt responded that psyllium has two known uses. One use is for laxatives. The other is for use in food products to help reduce blood-serum cholesterol. The Kellogg Company will retain rights to use psyllium in cereal, but the University may license psyllium in other products such as pastas, snack bars, or other foods in which soluble fibers could be placed.

Trustee Porteous noted that the Kellogg Company and the Kellogg Foundation have been extraordinarily generous to the University. Dr. Hunt said that it is vital to credit the Kellogg Company's role as an employer of MSU graduates from the College of Agriculture and Natural Resources, specifically in Packaging, and Food Science and Human Nutrition. He added that there is major support for MSU faculty through contracts and opportunities to consult. Dr. Hunt said that the W.K. Kellogg Foundation has been involved in a range of University projects, including the Kellogg Center on campus, as well as the Kellogg Biological Station.

President McPherson noted that one of the Kellogg Company vice presidents involved with this gift is on the Life Sciences steering committee board, and is also an MSU graduate.

Trustee Nugent complimented the Kellogg Company for this generous donation. He emphasized that the patents were not donated to the University because they are no longer viable, but because they no longer fit with the future direction of the Kellogg Company.

Trustee Cook pointed out that this gift will be considered a significant contribution to the University's Capital Campaign. Once again, she said, the Kellogg Company has demonstrated its strong support of the University.

Trustee Romney asked how revenues from current University patents are distributed. Provost Simon responded that the inventor's share stays with the inventor, the University department retains a share, and other revenue goes to the MSU Foundation. For the Kellogg patents, the proposal is to follow the same template, with the inventor's share to be used for academic purposes as determined by the Office of the Provost, the department's share staying with the department, and the remaining revenue going to the MSU Foundation. For these patents, Provost Simon explained, departmental affinities are with Packaging and Food Science and Human Nutrition.

Trustee Porteous suggested that the Board Policy Committee discuss with the administration the earmarking of funds from patents where there is no University inventor or department. Provost Simon said that it can be assumed that these gifts were acquired by the departments of Packaging and Food Science and Human Nutrition as a part of the Capital Campaign. President McPherson indicated that it is a good idea to talk about this issue at a future Policy Committee meeting, with the understanding that the Kellogg Company expects that some revenues from these patents will go to the departments of Packaging and Food Science and Human Nutrition.

Trustee Porteous complimented the administration for reacting quickly to this generous gift, and for being able to put it together in the short time frames that the University and the Kellogg Company had.

Provost Simon congratulated Dr. Hunt and his staff for having done an excellent job in securing the gift. She noted that it was initiated in the spirit of the Capital Campaign by the College of Agriculture and Natural Resources, Dean Jeff Armstrong, and the departments of Packaging and Food Science and Human Nutrition.

Trustee Nugent asked if an economic value had been established for the patents. Dr. Hunt responded that the net present value over the life of the patents is \$49 million, with valuation set by the Kellogg Company. He added that there are approximately 23 years remaining on the patents. Provost Simon said that there is no revenue to the University until the patents are licensed for revenue-producing initiatives.

Provost Simon noted that the equipment donation will potentially permit the pour spout technology to adjust in a way that may also make it more readily licensed.

4. An Executive Session was not requested.
5. On a motion by Mr. Nugent, supported by Ms. Gonzales, the Board voted to adjourn at 10:18 a.m.

Respectfully submitted,

L. Susan Carter, J.D.
Secretary of the Board of Trustees