

Engineering Research Center for Compact and Efficient Fluid Power Membership Agreement

This Agreement (the "Agreement") is made this 2nd day of August, 2006, between the Regents of the University of Minnesota (hereinafter "Lead University"), on behalf of the Engineering Research Center for Compact and Efficient Fluid Power (hereinafter "Center") located at the Lead University, and _____ (hereinafter, "Member").

WHEREAS, Lead University will operate the Center in cooperation with six other universities, namely, University of Illinois at Urbana-Champaign, Purdue University, Vanderbilt University, Georgia Institute of Technology, Milwaukee School of Engineering and North Carolina Agricultural and Technical University (hereinafter, each university individually is "University", and the seven universities collectively are "Universities").

WHEREAS, the parties to this Agreement, along with each of the Universities, intend to join together in a cooperative effort to support an Engineering Research Center for Compact and Efficient Fluid Power (the "Center") to maintain a mechanism whereby the Universities' environments can be used to perform research in the area of fluid power.

The parties hereby agree to the following terms and conditions:

- A. The Center will be administered by certain faculty, staff and students at the Lead University. The parties understand that for the first five (5) years, the Center will be supported jointly by industrial firms, federal laboratories, the Grant and the Universities. At the end of the initial five (5) year term, the National Science Foundation (the "NSF") will conduct a review and may extend its support for an additional five (5) years. If the review is not successful, the NSF support will be phased out over a period not to exceed two (2) years after the initial five (5) year term.
- B. Any individual, company, federal research and development organization, or any government-owned contractor operated laboratory may become a Member of the Center, consistent with applicable state and federal laws and statutes. Federal research and development organizations and government-owned contractor operated laboratories may become Members of the Center on terms and conditions other than those in this agreement upon approval by the Lead University and two-thirds of the Industrial Advisory Board (the "IAB"). The establishment and terms and conditions of the IAB are set forth more fully below.
- C. Each of the non-lead Universities shall enter into a sub-award or subcontract with the Lead University that obligates the non-lead Universities and their researchers to comply with the obligations of Universities and researchers set forth in this Agreement.

- D. Members will be required to remit a pledge at stratified levels according to Member annual U.S. Fluid Power Related Revenues. The annual fees are as follows:

Member's Annual U.S. Fluid Power Related Revenues:	Sustaining Required Pledge (one lump sum)	Sustaining Required Pledge (each year for 5 years)	Principal Required Pledge (one lump sum)	Principal Required Pledge (each year for 5 years)	Supporter Required Pledge (one lump sum)	Supporter Required Pledge (each year for 5 years)
Less than \$25 million	\$50,000	\$10,000	\$25,000	\$5,000	\$5,000	\$1,000
\$25 - \$100 million	\$150,000	\$30,000	\$75,000	\$15,000	\$30,000	\$6,000
\$100 - \$500 million	\$400,000	\$80,000	\$200,000	\$40,000	\$60,000	\$12,000
Over \$500 million	\$500,000	\$100,000	\$250,000	\$50,000	\$75,000	\$15,000

Each Member agrees to contribute the amount set forth in the above table in support of the Center and thereby will become either a Sustaining Member, Principal Member or a Supporter Member, based on the fees outlined in the table above. Payment of these membership fees shall be made to the Center as one lump sum, on a per year basis, which shall be due and payable by October 01 of each year. Checks should be made payable to University of Minnesota and mailed to ERC for Compact and Efficient Fluid Power at 1100 Mechanical Engineering, 111 Church St., Minneapolis, MN 55455. Members acknowledge that research of the type to be done by the Center takes time and research results may not be immediately obvious. The pledge of support is for a period of five years; however, a Member may withdraw from the Center on one year's prior written notice to the Lead University.

The Center shall provide each Member with periodic reports of the progress of research supported by the Center. The Center shall invite each Member to attend an annual meeting of the Center, at which the results of Center research will be presented and displayed. The Center shall produce a Newsletter which periodically informs each Member of noteworthy research and developments. In addition, Members will be invited to actively interact with researchers conducting projects of particular interest to them, and such Members will receive early, confidential information directly from the researchers about the progress of those projects.

- E. The IAB is an advisory board. The organization, governance and operation of the IAB within the Center will be specified in detail by Center bylaws that will be adopted at the first IAB meeting. The bylaws, when adopted, shall control the functions of the IAB, shall reflect the terms of this Agreement, and shall be consistent with the NSF grant and applicable federal regulations and policies.
- F. The IAB will be comprised of one representative from each Sustaining Member and Principal Member. The IAB will effect all changes in the Center bylaws. The IAB will make recommendations to the Universities and Center researchers concerning (a) the research projects to be carried out by the Center, (b) the

apportionment of resources to such research projects, and (c) other matters specified in the Center bylaws. The organization and function of the IAB will be specified in the Center bylaws. The overall administrative functions and operations of the Center shall be the responsibility of the Lead University. The Lead University's Center Director retains final authority and will not be bound by IAB recommendations specific to selection of research projects and apportionment of resources.

- G. The students, faculty and staff conducting research through the Center (the "Researchers") shall have the right to publish the results of any research performed through the Center, subject to the limitations set forth in this Paragraph. In order to protect potentially patentable Intellectual Property, the Center shall notify all Members in writing of the potential publication of any paper or presentation containing information on the research performed through the Center ("Publication Materials") and shall provide all Members with an opportunity to review, on a confidential basis (e.g., on a secure website), any Publication Materials. The Center shall effect such notification and make all Publication Materials available for review not less than forty-five (45) days prior to the expected date of publication. Members shall have the right to delay publication for a period not to exceed ninety (90) days from the date the publication or presentation is made available to each Member, provided that Member submits to the publishing University and Researcher a written request to delay publication in order to consider obtaining patent protection within thirty (30) days from the date the proposed publication or presentation is made available to the Member.
- H. Each University hereby grants all Members a perpetual, irrevocable, non-exclusive, royalty-free license to use any non-patented discovery or invention developed under the Center.
- I. Pursuant to 35 U.S.C. § 200 *et seq.* (the "Bayh-Dole Act"), the University or Universities whose researchers are inventors under U.S. Patent law (the "Inventing University") shall have the right to retain title to all patents developed from this work, subject to the rights of the U.S. Government as set forth in the Bayh-Dole Act and regulations. The provisions of Part 730, "Intellectual Property", of the NSF Grants Policy Manual shall also govern rights and responsibilities regarding intellectual property created with NSF funding. If any Member exercises its rights under Paragraph K of this Agreement, the Inventing University or Inventing Universities shall exercise its right to retain title.
- J. University employees shall promptly disclose to their University (which shall promptly notify the Center) any invention made with support of the Center. The Center shall promptly provide all Members with confidential notice of the invention and of their right to exercise the options provided under this Paragraph K. Within 90 days of receipt of notice, any Member may direct that a patent application or application for other intellectual property protection be filed. If a Member so directs, other Members shall then be provided an additional 60-day

option period to elect whether to share equally, among those who elect to exercise the option, all costs incurred in connection with such preparation, filing, prosecution, and maintenance of U.S. and foreign application(s) directed to said invention.

Those Members that elect to share such costs shall cooperate with Inventing University to assure that such application(s) will cover, to the best of Members' knowledge, all items of interest and importance. The Inventing University shall keep the Members that are sharing in payment of costs advised as to all developments with respect to such application(s) and shall promptly supply to those Members copies of all papers received and filed in connection with the prosecution thereof in sufficient time for those Members to comment thereon.

- K. If a Member elects not to exercise its option described above in Paragraph J, or decides to discontinue the financial support of the prosecution or maintenance of the protection, the Member shall have no rights in the invention. If no Members elect to exercise their option, or if all Members discontinue their support, then the Inventing University shall be free to file or continue prosecuting or maintaining any such application(s), and to maintain any protection issuing thereon in the U.S. and in any foreign country at that University's sole expense.

If only one Member bears the costs of protection, the Inventing University shall grant that Member the first option to a royalty bearing exclusive license to the invention. If only one Member is interested in a license for a particular field of use, the Inventing University shall grant that Member an option to a royalty bearing exclusive license for that field of use. In either case, if the Member is a Sustaining Member, then the Sustaining Member shall have an option to obtain a royalty-free, non-exclusive license, without a right to sublicense, rather than a royalty bearing exclusive license; further, when a Sustaining Member elects to obtain an exclusive license, the royalty shall be at a reduced rate to be negotiated at a discount from a commercially reasonable royalty. If the Member is either a Supporter Member or a Principal Member, the exclusive license shall bear a full reasonable royalty to be negotiated on commercially reasonable terms. Any exclusive licensee under this Paragraph will have a right to sublicense on terms and conditions to be mutually agreed upon. The option shall extend for a time period of (180) days from the date of filing the first patent application, which period may be extended by mutual agreement.

If more than one Member bears the costs of prosecution, the Inventing University shall grant to each of those Members options to a license to the invention on terms and conditions to be mutually agreed upon. The license shall be exclusive as to the rest of the world, but non-exclusive as among those Members which bear the cost of prosecution, provided that, where only one Member seeks a license for a particular field of use, the preceding paragraph, and not this paragraph, shall apply. The Inventing University shall grant all Sustaining Members that have borne the cost of prosecution of the patent a royalty-free license. The Inventing University shall grant all Principal Members that have borne the cost of

prosecution a royalty-bearing license, but the royalty amount will be a reduced rate. The Inventing University shall grant all Supporter Members that have borne the cost of prosecution a royalty-bearing license, the royalty to be negotiated on commercially reasonable terms, but in any event the royalty amount will be higher than the amount paid by Principal Members. Except in cases of fully exclusive licenses as provided in the preceding paragraph (either for all uses or for particular fields of use), there shall be no right to sublicense; provided, however, that with the consent of the Inventing University and of all Members that have entered into licenses, either the University or a Member may sublicense the invention on such terms as the parties may agree.

- L. Background Patent Rights means patent rights that result from research conducted at any of the Universities before the creation of the Center, but that are used, in whole or in part, in the research to be conducted through the Center. To the extent necessary to practice an invention conceived or first reduced to practice with funding from the Center, and to the extent that a University has legal authority to do so, a University that owns Background Patent Rights shall offer Members that have exercised the option to obtain a license to the invention, a non-exclusive, royalty-bearing license to use such Background Patent Rights, the terms of which will be negotiated in good faith on commercially reasonable terms.
- M. Each University shall ensure that it has obtained all necessary rights to the Intellectual Property from its Researchers to grant the rights provided under this Agreement.
- N. Any royalties and fees received by any of the Universities under this Agreement, over and above expenses incurred, will be distributed as or in accordance with the policies of the University or Universities that have taken title to the invention. A portion of net income from inventions will be devoted to research in the Center's fields of research.
- O. Each party recognizes that the Center will be funded by NSF for, at the most, ten (10) years, subject to NSF continued approval and support. It is hoped that, during that 10 year period, the Center may become self-supporting. Any disposition of funds and Intellectual Property upon the conclusion of the funding, or upon the possible termination of operations of the Center shall be the responsibility of the Lead University and of any Universities that have taken title to Center inventions, and shall be in full compliance with the laws, regulations and rules governing NSF supported research programs.

P. CONTACTS for this Agreement are as follows:

LEAD UNIVERSITY ADDRESSES	LEAD UNIVERSITY (Name, phone, email)	MEMBER (Name, phone, email)
Technical: Mechanical Engineering 111 Church Street SE Minneapolis, MN 55455	Prof. Kim Stelson 612-625-6528 kstelson@umn.edu	
Contractual/Administrative: 200 Oak Street SE, Suite 450 Minneapolis, MN 55455	Sponsored Projects Admin- Tyra Darville-Layne 612-626-7634 darvi001@umn.edu	
Financial: Mechanical Engineering 111 Church St. SE Minneapolis, MN 55455	Stephanie Bettermann 612-624-4993 sbetter@umn.edu	

Q. This Agreement is the complete and exclusive statement of the understanding between the Parties regarding the subject matter hereof, and it supersedes all prior written or contemporaneous communications.

R. This Agreement shall be governed and construed in accordance with the laws of the State of Minnesota.

**REGENTS OF THE
UNIVERSITY OF MINNESOTA**

**on behalf of
The Engineering Resource Center**

MEMBER

Name

Name

Title

Title

Date: _____

Date: _____