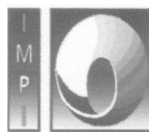


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MEXICANINSTITUTEOF
INDUSTRIALPROPERTY



WORLDINTELLECTUAL
PROPERTYORGANIZATION



INSTITUTEOFTECHNOLOGYAND
SUPERIORSTUDIESOFMONTERREY

**INTERNATIONALWORKSH OPON
MANAGEMENTANDCOMME RCIALIZATIONOFINVENT IONS
ANDTECHNOLOGY**

organizedby
theWorldIntellectualPropertyOrganization(WIPO)
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LICENSINGAGREEMENTS FORTECHNOLOGYCREA TEDTHROUGH
UNIVERSITY RESEARCH PROGRAMS

*DocumentpreparedbyMr. WayneH. Watkins,AssociateVicePresidentforResearch,and
IntellectualPropertyFellow,UniversityofAkron,Ak ron,Ohio,UnitedStatesofAmerica*

I. INTRODUCTION¹

1. Technology license agreements and related university -industry agreements are being concluded with increasing frequency and for increasing economic stakes. The growth is driven by a multitude of factors including:

- university funding needs and opportunities
- industrial competitiveness ;
- faculty expectations ;
- community economic development;
- rapid technological advancement ; and
- growth of science -based and technology -intensive industries.

2. The major purposes of this presentation are to inform seminar participants about the nature, scope and importance of university -industry technology development and licensing relationships and to provide sample agreement references and suggestions for the resolution of frequently disputed provisions. It reflects two key messages: (1) university to business (U2B) relationships are in the stakeholders 'best interests; and (2) universities and industry have the tools with which to substantially resolve the times conflicting interests associated with license and related agreements.

II. HISTORICAL CONTEXT

3. Industry and university cooperation has been shaped by historical and recent events. The United States Morrill Act of 1862 created "land-grant colleges" directed toward the application of new technological advances in agriculture and engineering to enhance the economic growth and competitiveness of the agricultural industry. Years later, World War II and the Cold War U.S. rivalry with the Soviet Union spawned new and more diverse partnerships between industry and academia , prompting the investment of billions of dollars in scientific research as a national priority and giving rise to the research university.

4. A new and highly successful era of collaboration among research universities, Government and industry began in 1980 with passage of the Bayh -Dole Act (P.L. 96 -517), which accelerated the transfer of research results from universities to the commercial sector . This statute clarified the roles and responsibilities among these three partners with respect to ownership and commercialization of Federally -funded university -developed inventions, and created powerful incentives for technology transfer .² Key elements in the Bayh -Dole success story include:

- establishing a uniform Federal invention policy ;
- permitting universities to retain title to inventions developed through Federally-funded research ;

¹ Presentation based in part on publications of the Council on Governmental Relations -see www.cogr.edu

² Public Law 96 -517, Patent and Trademark Amendment of 1980. This Law amended Title 35 USC, adding Chapter 18, Section 200 -212.

- encouraging universities to collaborate with industry in promoting the commercialization of inventions ;
- establishing preference for local manufacturing;
- retaining Government march -in rights to ensure diligence in commercialization by patent licensees .³

5. The results of the Bayh -Dole Act have been remarkable. Commercialization of university-developed technologies under the Act spawned the biotechnology industry and led to significant commercial advances in other technology -intensive industries.

6. Other forces have also prompted the creation and expansion of alliances between universities and industry. These include:

- technological progress and the growth of science -based and technology -intensive industries;
- increased competitiveness of foreign firms in U.S. markets, combined with a loss of international market share by U.S. companies, has forced American companies to seek ways to improve their competitive position through alliances with universities;
- as a result of a lowering of the growth rate of public and private support for industrial R&D activities.⁴

7. The Technology Transfer Act of 1988 authorized Federal laboratories to enter into cooperative research and development agreements (CRADAs) with third parties, including private firms and universities, to provide additional incentives for the development and commercialization of technology .⁵ A wide array of cooperative programs have been created by the state to promote economic development through technology development and deployment.⁶

III. BENEFITS OF UNIVERSITY -INDUSTRY COLLABORATION

8. Cooperative university -industry research and development efforts have risen to unprecedented levels. Almost every state and Federal agency funds cooperative technology programs.⁷ Direct industry sponsorship of research at universities is also an unprecedented

³ The Council on Governmental Relations (COGR) has produced a compendium entitled "The Bayh-Dole Act: A Guide to the Law and Implementing Regulations," November 1993 obtainable upon request from COGR.

⁴ National Science Board. Science and Engineering Indicators -1993. NSB93 -1 (Washington, DC: U.S. Government Printing Office, 1993), pp. 116 -117.

⁵ Coburn, Christopher and Dan Berglund. Partnerships: A Compendium of State and Federal Cooperative Technology Programs. Columbus: Battelle Memorial Institute, 1995, p. 487.

⁶ Feller, Irwin. "The University as an Instrument of State and Regional Economic Development: The Rhetoric and Reality of the U.S. Experience." Presentation at the Conference "University Goals, Institutional Mechanisms and Industrial Transferability of Research," Center for Economic Policy Research (Stanford, California) March 18 -20, 1994.

⁷ Coburn, Partnerships, p. 2.

levels.⁸ This surely confirms that benefits accrue to both university and industry collaborators. Alliances are based on the perception that collaboration will result in more value to the participants than separate investments of resources. The benefits take many different forms, a few of which are described below.

- Basic Research - Basic research is seen as a major role of universities, while applied research and development is more common in industrial laboratories. Research alliances with universities provide a growing proportion of industry's basic research as corporate R&D budgets are reduced by short-term competitive pressures.
- Graduate Education - Industry-funded university research and internships enhance graduate education by providing faculty and students with a better understanding of industrial problems.
- Increased Awareness - Collaboration with industry enhances academia's understanding of the challenges facing industry by exposing the university faculty to industrial concerns and industrial approaches to research. Conversely, collaboration with universities helps industrial scientists to keep abreast of the latest developments in broad areas of basic science that are of strategic interest to the company.
- Cost-effectiveness - Collaboration, whether singly or with several in consortia, provides a cost-effective means of doing research where funds invested are leveraged by the contributions of other participants. All parties are able to stretch limited resources.
- Government Funding - By design, alliances between university and industry partners are required for Federal funding to be obtained in certain competitive situations. These programs are generally aimed at expediting development of the nation's critical technologies.
- Business Opportunities - The Bayh-Dole Act has spawned a university technology-transfer industry in which universities protect the intellectual property resulting from research and license it for commercial applications. In biotechnology and other science-based industries, universities are recognized as a primary source of new business opportunities.⁹

⁸ National Science Foundation, Academic Science and Engineering; R&D Expenditures, Fiscal Year 1992 (Washington, DC: National Science Foundation, 1994), p. 23.

⁹ Association of University Technology Managers, Inc. (AUTM), The AUTM Licensing Survey: Executive Summary and Selected Data, Fiscal Years 1993, 1992, and 1991 (Norwalk, CT: AUTM, 1994), p. 2. See also, Henderson, Rebecca, Adam Jaffe and Manual Trajtenberg, "Numbers Up, Quality Down? Trends in University Patenting, 1965-1992." Presentation at the Conference "University Goals, Institutional Mechanisms and Industrial Transferability of Research," Center for Economic Policy Research (Stanford, California) March 18-20, 1994.

IV. CHALLENGES OF UNIVERSITY -INDUSTRY COLLABORATION

9. Two very different cultures interact in the collaboration between universities and industry. Universities have societal missions of education, research and service based on the free exchange of ideas and providing the public with access to an impartial source of information. This academic freedom allows the university researcher to pursue research agendas with open-ended goals, interact with colleagues and freely publish the results. In contrast, the focus of industry is on meeting customer needs in a way that maximizes profit to stockholders. So industry research and development agendas tend to be driven by profit objectives and limited publication to protect competitive positions.

10. It is inevitable that joining these different cultures creates challenges for industry and university collaborators, especially in several key areas:

- Intellectual Property - Under the Bayh-Dole Act, the intellectual property rights deriving from Government-sponsored research have accrued to the university conducting it. Universities also retain the rights in research results to ensure that a faculty or laboratory is not blocked from continued research in that area. In research relationships with industry, universities have to guard carefully their ability to disseminate knowledge to students and the public. Nevertheless, corporate sponsors need to be assured that the results of the research they fund at universities will be available to them for commercial exploitation.

Compromises on intellectual property have been reached to satisfy the requirements of both parties and release the millions of dollars annually invested by industry in university research. In general, universities retain the rights in intellectual property resulting from industry-sponsored research, with some of them being licensed to the industry sponsor. The scope of the license may range from a non-exclusive, royalty-free right to use results for internal purposes to an exclusive, royalty-bearing license for commercial applications. No one "solution" fits all circumstances, so terms are negotiated on a case-by-case basis.

11. The Industrial Research Institute and the Government -University-Industry Roundtable have produced a publication entitled Intellectual Property Rights in Industry-Sponsored University Research: A Guide to Alternatives for Research Agreements, which addresses these issues in depth and provides sample terms as a basis for the negotiation of intellectual property rights.¹⁰

- Confidentiality and Publication - Universities prefer open research efforts with unrestricted publication of research results. In contrast, industry sponsors often desire limited publication of research results to protect the company's proprietary position. Again, compromises have been worked out that enable universities to uphold their mission to disseminate knowledge while satisfying the corporate sponsor's needs for protection against competition. A commonly negotiated compromise regarding publication gives the industry sponsor the opportunity to review and comment on a proposed article in advance of publication. This

¹⁰ Industrial Research Institute and Government -University-Industry Roundtable, Intellectual Property Rights in Industry-Sponsored University Research: A Guide to Alternatives for Research Agreements (Washington: National Academy Press, 1993).

permits the sponsor to identify proprietary information that the article will disclose and/or to delay publication for a specified period, e.g. 60 days, for the filing of patent applications before publication to avoid loss of U.S. or foreign patent rights.

- Conflict of Interest - Alliances with industry have the potential for creating conflicts of interest, both for individual university researchers and for the university itself. Conflicts arise when the researchers or their institutions have opportunities for financial gain through private utilization of research results or through private relationships with companies responsible for exploiting the research results. These opportunities may erode the objectivity of researchers or university administrators. The Government has issued rules to ensure that their grantees have appropriate policies and procedures at their disposal for identifying and managing conflicts.¹¹
- The Public Interest - Apart from the education of students, the most significant roles of universities are the creation and the dissemination of new knowledge. Those roles are of fundamental and crucial to the public interest that universities and industry have worked out mutually satisfactory terms and models of interaction that protect and facilitate these roles. Most universities that have significant research collaborations with industry enjoy substantial levels of Federal funding for their research programs. Thus it is common for the result of Federally-funded research to flow into these university-industry relationships. This creates a situation in which both the university and industrial researchers need to protect the public interest stemming from the Federal funding.

V. MODELS OF UNIVERSITY-INDUSTRY RELATIONSHIPS

12. Universities and industry have very different missions and cultures, leading to a variety of challenges to manage in their relationships. A diverse array of relationships between the two parties exists, each "model" having a different goal and offering different benefits to the participants as determined on a case-specific basis. Six major models are described below.

- Sponsored Research - Direct sponsorship of university research by industry is the most frequent form of research relationship. Typically, the corporate sponsor provides funding for a specified piece of work during a limited period of time. Deliverables - such as reports, test data, software or materials - may also be specified for the sponsored project. While most universities have standard agreements to initiate these projects, certain terms, such as those of intellectual property rights are usually negotiable. The sponsor expects a license to use and exploit the intellectual property resulting from the funded research. The nature and scope of the license is generally defined in the research agreement.
- Collaborative Research - Federal sponsorship of university-industry collaborative research is at an unprecedented level. Certain Federally-funded partnership programs require university-industry collaboration as a condition of obtaining the

¹¹ Federal Register: 60FR35810, HHS rule and 60FR35820, NSF rule (July 11, 1995).

Federal funding. University -industry research centers, which may or may not have Federal funding, are likewise founded on the premise of collaborative research¹². Collaborative research enables participants to leverage limited resources in the achievement of mutually beneficial research objectives. Terms of collaborative research agreements may be stipulated by Federal program guidelines, or may be negotiated between the parties to specify research performance, joint technology developments, ownership of intellectual property, future commercial development of intellectual property and so on.

- Consortia - In a university -based research consortium, participating companies join forces and contribute resources, often in the form of an annual fee, to support research in a technical area of common interest to the group. Consortia enable the members to leverage financial investments and provide cost -effective access to generic, pre -competitive research projects.
- Technology Licensing - The Bayh -Dole Act gave rise to a dramatic increase in technology licensing by universities . University technology licensing , as a source of impetus for industrial growth , has been especially significant in science -based industries such as biotechnology. A university license agreement differs from a sponsored research agreement in that consideration is offered by the licensee to secure commercialization rights in intellectual property owned by the university. The consideration may include license fees and/or reimbursement of patent costs, as well as royalties on product sales. The licensee typically grants the company the right to make, use and sell commercial products under the university 's intellectual property rights ; the scope of the license (exclusive vs. non -exclusive, term, field of use, etc.) is defined in the agreement. Finally, license agreements usually include "due diligence " or performance milestones for the licensee ; if the milestones are not met, the university may terminate the license agreement and recover the rights in the technology.
- Start-up Companies - The embryonic state of many university technologies, coupled with the challenge of redirecting established companies to focus on new high-risk opportunities, has led to a proliferation of "start-up" or "spin-off" companies around major research universities. The new companies are established to commercialize a university technology, the rights to which are obtained through a license agreement. In consideration for the license, the university may take a small equity position in the start -up company in lieu of or in addition to other consideration (fees, royalties, etc.). Most university spin -off companies include the university inventor(s) in the enterprise in some fashion, and the company may rely on the academic research group for the technology base essential to company formation and growth.

¹² Cohen, Wesley, Richard Florida and William J. Wilhelm. "University -Industry Research Centers in the United States: Final Report to the Ford Foundation." Pittsburgh: Carnegie Mellon University, 1993, cited in National Science Board, Science and Engineering Indicators - 1993, p. 121.

- Exchange of Research Materials - The exchange of research materials between university scientists and industrial laboratories has become a common practice. Material transfer agreements are utilized to facilitate these exchanges. These agreements generally stipulate that the materials are provided for research purposes only, and not for commercialization.

VI. LICENSE AGREEMENT ISSUES

13. Annex B is a sample license agreement for instructional purposes only. All provisions should be closely examined, but the following merit a special mention:

- **Definitions**
 - Licensed Field - Limits the license to specific uses. Need to be exceptionally clear in the definition. Often becomes problematic when uses are marginal as related to the definition. Frequently difficult to anticipate future uses.
 - Licensed Territory - Usually limits the ability to make, use and sell the product or technology in a particular geographic area. Becomes problematic owing to the increasing global economy, with companies functioning in markets that are not necessarily well defined by geographic boundaries.
 - Net Sales - it is recommended that the royalty be based on a definition of net sales, that is, total related revenues less shipping, taxes and perhaps the cost of selling. Usually should not be based on an net income or a number that is reduced by operating expenses or even the cost of goods sold.
 - Patent Rights and Licensed Technology - Needs clear definition; need to take account of technological progress.
- **License Grant** - Usually exclusive, limited to certain fields of use and certain territories, with reservation of the licensor's right to pursue academic uses of the technology.
- **Payments** - usually include:
 - license issue fee;
 - license maintenance fee to encourage active exploitation;
 - minimum royalties also to ensure active exploitation.
- **Reports** - licensor must have access to information to ensure compliance with the license and to demonstrate adequate exploitation efforts.
- **Equity** - licensee consideration may also include equity in the company. Need to consult with tax advisers regarding tax issues. Need to address voting rights and the right to veto shares. Should also consider university officer and director liability if the shareholder selects a university licensor representative as a board member.

- Due Diligence –Need to ensure active effort to exploit the technology. Minimum royalties, minimum expenditures, business plan development requirement may be used to demonstrate reasonable exploitation. Need to ensure that licensee is not trying to “tie up” the technology to exploit a competing technology.
- Use of Licensor Name –Universities need to protect their names and reputation, and therefore should control any use of the name by the licensee.
- Confidentiality –each party needs to protect its confidential information. Usually subject to standard confidentiality exceptions of prior knowledge, independently developed knowledge, disclosure required by law and information obtained from an independent source.

VII. CONCLUSION

14. Academia and industry represent two very different environments, with contrasting values and cultures, but both collaborate in research and commercialization for the benefit of themselves and their stakeholders. Various structures or “models” are utilized to achieve collaboration in research, generally chosen on the basis of case-specific considerations. University-industry research collaboration has contributed and will continue to contribute significantly to economic competitiveness, and also to the intellectual vitality of universities. License terms that reasonably protect the interests of the contrasting cultures are available, but need to be drafted so as to balance the competing and diverse cultures represented by the universities and industrial licensees. There are many indications that university-industry license agreements will be even more numerous, diverse and productive in the future.

[Annexes follow]

ANNEXI

SAMPLE TITLES OF UNIVERSITY-INDUSTRY AGREEMENTS
AND RELATED DOCUMENTS

(see <http://www.utsystem.edu/ogc/IntellectualProperty/dbmock.htm>)

(alphabetical order)

- Agreement to Negotiate
- Beta Test Site Agreement
- Biologicals Supply and License Agreement
- Cease and Desist Letter (Copyright Infringement)
- Clinical Study Agreement (Non-Governmental)
- Confidential Disclosure and Limited Use Agreement
 - University Disclosing
 - Mutual Confidentiality
- Confidentiality Agreement
 - University Disclosing
 - University Receiving
 - Mutual
- Consortium Agreement
- Consulting Agreement
- Contract for Services
- Contract Research Organization Agreement
- Contribution to Publication
- Copyright Assignment
- Copyright License Agreement
- Federal Agency Services Subcontract
- Educational Materials Development Agreement
- Educational Research Agreement
- Electronic Publication Agreement (for Electronic Journals)
- Industrial Research Assistant Agreement
- Internet-Parental Consent Form
- Laboratory Study Agreement
- Material Transfer Agreement (Uniform Biological MTA)
- Materials Transfer Agreement (University Materials)
- Non-Disclosure Agreement
 - University Disclosing
 - University Receiving
 - Mutual
- Non-Governmental Clinical Study Agreement
- Option Agreement
- Patent License Agreement
- Publishing: University Press Agreements
 - Standard Author Publishing Contract and Variations
 - Translator's Agreement
 - Distribution Agreement
 - Proprietor's Agreement
 - Translation Agreement

- Co-publication Agreement
 - Reprint Agreement
 - Illustrator's Agreement
- Permissions agreements
 - University Press Material with Charge
 - Use University Press Material without Charge
 - Use in Dissertation
- Journals
 - Agreement for Press-Owned Journals
 - Agreement for Society -Owned Journals
 - Distribution Agreements
 - Consent to Publish Forms
 - First Serial Rights Agreements
 - Permissions Agreements
- Marketing
 - Sales Agreement with Individual Salespersons
 - Sales Agreement with Sales Organizations
 - Sales Agreement for Representation of University Publishers
- Release Agreement
- Salary Reimbursement Agreement
- Software Development Agreement
- Software Distribution Agreement
- Software License Agreement –End -User
- Software License Agreement -Source Code
- Sponsored Clinical Study Agreement
- Sponsored Laboratory Study Agreement or Testing Agreement
- Sponsored Research Agreement -No IP
- Sponsored Research Agreement -Univ. Owns IP
- Sponsored Research Agreement -Joint IP Short Form
- Sponsored Research Agreement -Joint IP Long Form
- Sponsored Research Agreement -Long Form
- Sponsored Research Agreement -Short Form
- Sponsored Research Agreement
- Teaming Agreement
- Technology License Agreement
- Testing Agreement
- Transmittal Forms
- Uniform Biological Material Transfer Agreement
- Video Distribution Agreement
- Visiting Scientist Agreement

[Annex II follows]

ANNEXII

SAMPLEPATENTLICENSEAGREEMENT

THIS Agreement is between the University of _____ and _____,
a _____ corporation having a principal place of business located at
_____ (“Licensee”).

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SIGNATURES

RECITALS

- A. University owns certain Patent Rights and Technology Rights related to Licensed Subject Matter, which were developed at The University of _____ (“University”).
- B. University desires to have the Licensed Subject Matter developed and used for the benefit of Licensee, Inventor, University, and the public as outlined in University’s Intellectual Property Policy.
- C. Licensee wishes to obtain a license from University to practice Licensed Subject Matter.

NOW, THEREFORE, in consideration of the mutual covenants and premises herein contained, the parties agree as follows:

1. EFFECTIVE DATE

This Agreement is effective _____ (“Effective Date”).

2. DEFINITIONS

As used in this Agreement, the following terms have the meanings stated:

2.1 “**Affiliate**” means any business entity more than 50% owned by Licensee, any business entity which owns more than 50% of Licensee, or any business entity that is more than 50% owned by a business entity that owns more than 50% of Licensee.

2.2 “**Licensed Field**” means _____.

2.3 “**Licensed Product**” means any product sold by Licensee comprising Licensed Subject Matter pursuant to this Agreement.

2.4 “**Licensed Subject Matter**” means inventions and discoveries covered by Patent Rights or Technology Rights within Licensed Field.

2.5 “**Licensed Territory**” means the _____.

2.6 “**Net Sales**” means the gross revenues received by Licensee from the Sale of Licensed Products less sales and/or set taxes actually paid, import and/or export duties actually paid, outbound transportation prepaid or allowed, and amounts allowed or credited due to returns (not to exceed the original billing or invoice amount).

2.7 “**Patent Rights**” means University’s rights in information or discoveries covered by patents [and/or patent applications], whether domestic or foreign, and all divisions, continuations, continuations -in-part, reissues, reexaminations or extensions thereof, and any letters patent that issue thereon, which name _____ as either sole or joint inventor (“Inventor”) and which relate to the manufacture, use or sale of _____ [delete “and/or patent applications” if none at this time]

2.8 “**Sale or Sold**” means the transfer or disposal of a Licensed Product for value to a party other than Licensee.

2.9 “**Technology Rights**” means University’s rights in technical information, know-how, processes, procedures, compositions, devices, methods, formulas, protocols, techniques, software, designs, drawings or data created by _____ (Inventor) at University before the Effective Date relating to _____ which are not covered by Patent Rights but which are necessary for practicing the invention covered by Patent Rights.

3. WARRANTY: SUPERIOR RIGHTS

3.1 Except for the rights, if any, of the Government of the United States set forth below, University represents and warrants its belief that (i) it is the owner of the entire right, title, and interest in and to Licensed Subject Matter, (ii) it has the sole right to grant licenses thereunder and (iii) it has not knowingly granted licenses thereunder to any other entity that would restrict rights granted to Licensee except as stated herein.

3.2 Licensee understands that the Licensed Subject Matter may have been developed under a funding agreement with the Government of the United States of America and, if so, that the Government may have certain rights in relation thereto. This Agreement is expressly made

subject to the Government's rights under any agreement and any applicable law or regulation. If there is a conflict between an agreement, applicable law or regulation and this Agreement, the terms of the Government agreement, applicable law or regulations shall prevail.

3.3 Licensee understands and acknowledges that University, by this Agreement, makes no representation as to the operability or fitness for any use, safety, efficacy, ability to obtain regulatory approval, patentability, and/or breadth of the Licensed Subject Matter. University, by this Agreement, also makes no representation as to whether there are any patents now held, or which will be held, by others or by University in the Licensed Field, nor does University make any representation that the inventions contained in Patent Rights do not infringe any other patents that are now or will be held by others or by University.

3.4 Licensee, by execution hereof, acknowledges, covenants and agrees that it has not been induced in any way by University, System, University or its employees to enter into this Agreement, and further warrants and represents that (i) it has exercised sufficient due diligence with respect to all items and issues pertaining to this Article 3 and all other matters pertaining to this Agreement; and (ii) Licensee has adequate knowledge and expertise, or has utilized knowledgeable and expert consultants, to exercise adequately the due diligence, and agree to accept all risks inherent therein.

4. LICENSE

4.1 University hereby grants to Licensee a royalty-bearing, exclusive license under Licensed Subject Matter to manufacture, have manufactured, and/or sell Licensed Products within the Licensed Territory for use within Licensed Field. This grant is subject to the payment by Licensee to University of all consideration as provided herein, and is further subject to rights retained by University to:

- a. Publish the general scientific findings from research related to Licensed Subject Matter subject to the terms of Section 13, Confidential Information;
- b. Use Licensed Subject Matter for research, teaching and other educationally-related purposes.

4.2 Licensee may extend the license granted hereinto any Affiliate if the Affiliate consents to be bound by this Agreement to the same extent as Licensee.

4.3 Licensee may grant sublicenses consistent with this Agreement if Licensee is responsible for the operations of its sublicensees relevant to this Agreement as if the operations were carried out by Licensee, including the payment of royalties whether or not paid to Licensee by a sublicensee. Licensee shall deliver to University a true and correct copy of each sublicense granted by Licensee, and any modification or termination thereof, within 30 days after execution, modification, or termination. When this Agreement is terminated, all existing sublicenses granted by Licensee shall be assigned to University.

5. PAYMENTS AND REPORTS

5.1 In consideration of rights granted by University to Licensee under this Agreement, Licensee shall pay University the following:

- a. A non-refundable licensed documentation fee in the amount of \$_____, due and payable when this Agreement is executed by Licensee;
- b. An annual license reissue fee in the amount of \$_____, due and payable on each anniversary of the Effective Date beginning on the first anniversary;
- c. A running royalty equal to ___% of Net Sales for Licensed Products sold by Licensee and protected by a valid claim included within Patent Rights ****OR**** a running royalty equal to ___% of Net Sales for Licensed Products Sold by Licensee and covered by Technology Rights; and
- d. A minimum yearly royalty of \$_____ beginning one year after approval of the first Sale or offer for Sale of a Licensed Product by the Food and Drug Administration or a comparable foreign regulatory authority.

5.2 In consideration of rights granted by University to Licensee under this Agreement, Licensee further agrees to pay University the following after the execution of a sublicense hereunder:

- a. Within 30 days after the execution of the sublicense, a sublicense fee of ___% of any advance cash payment made to Licensee in consideration of the sublicense, excluding funds paid to Licensee for research and development purposes, or \$_____, whichever is greater;
- b. Within 30 days after the execution of the sublicense, a sublicense fee constituting a cash payment equal to 10% of any non-cash consideration received by Licensee from a sublicensee, such consideration to include, without limitation, equity in other companies or equity investments in Licensee. The value of an equity investment shall be calculated as the average market value of the class of stock involved for five consecutive days preceding the execution of the sublicense agreement. In cases where the sublicense agreement calls for payment to Licensee of a premium over the market value, University shall also share 10% of the premium paid to Licensee; and
- c. One-half of the gross revenue royalty payments received on Net Sales of Licensed Products received by Licensee from any sublicensee.

5.3 During the Term of this Agreement and for one year thereafter, Licensee agrees to keep complete and accurate records of its and its sublicensees' Sales and Net Sales of Licensed Products under the license granted in this Agreement in sufficient detail to enable the royalties payable hereunder to be determined. Licensee agrees to permit University or its representatives, at University's expense, to periodically examine its books, ledgers and records during regular business hours for the purpose of and to the extent necessary for verification of any report required under this Agreement. If the amounts due to University are determined to have been underpaid, Licensee shall pay the cost of the examination and accrued interest at the highest allowable rate.

5.4 Within 30 days after March 31, June 30, September 30, and December 31, beginning immediately after the Effective Date, Licensee shall deliver to University a true and accurate written report, even if no payments are due University, giving the particulars of the business conducted by Licensee and its sublicensee(s), if any exist, during the preceding three calendar months under this Agreement as are relevant for the calculation of payments hereunder. That report will include at least:

- a. the quantities of Licensed Subject Matter that it has produced;
- b. the total Sales;
- c. the calculation of royalties thereon; and
- d. the total royalties computed and due to University.

Simultaneously with the delivery of each report, Licensee shall pay to University the amount, if any, due for the period covered by each report.

5.5 On or before each anniversary of the Effective Date, irrespective of having a first Sale or offer for Sale, Licensee shall deliver to University a written progress report on Licensee's (and any sublicensee's) efforts and accomplishments during the preceding year in diligently commercializing Licensed Subject Matter in the Licensed Territory and Licensee's (and, if applicable, sublicensee's) commercialization plans for the forthcoming year.

5.6 All amounts payable hereby by Licensee shall be paid in United States funds without deductions for taxes, assessments, fees, or charges of any kind. Checks shall be payable to [Component name and address].

5.7 Licensee shall reimburse University for all its out-of-pocket expenses so far incurred in filing, prosecuting, enforcing and maintaining exclusively licensed Patent Rights and shall pay all future expenses for as long as, in the countries in which, its license remains exclusive.

6. COMMON STOCK: EQUITY OWNERSHIP

[NOTE: We advise you to contact an outside counsel with expertise in corporate and securities law before completing this article.]

6.1 In consideration of the rights granted to Licensee by University in this Agreement, Licensee shall, on execution of this Agreement, issue to University _____ fully paid, non-assessable shares of its common stock (equaling ___% of all shares of its common stock), at \$ _____ par value.

6.2 University shall name directors to serve on the Board of Directors of Licensee in proportion to the number of shares held by University relative to the total number of issued shares, provided that University shall always have at least one seat on Licensee's Board.

6.3 In addition, Licensee hereby grants University a one-year option, exercisable at its sole discretion, to purchase up to an additional _____ shares of its common stock at a fixed purchase price of \$ _____ per share on the same general terms and conditions as are

applicable to the other purchasers of the stock. University may exercise its option to purchase all or part of the optioned shares, by giving Licensee 60 days written notice, specifying the number of shares that it wishes to purchase and the proposed date of purchase.

7. TERM AND TERMINATION

7.1 The term of this Agreement is from the Effective Date to the complete end of the term or terms for which Patent Rights have not expired or, if only Technology Rights are licensed and no Patent Rights are applicable, for a term of 15 years.

7.2 Anytime after two years from the Effective Date, University has the right to terminate the exclusivity of this license in any national political jurisdiction in the Licensed Territory if Licensee, within 90 days after receiving written notice from University of intended termination of exclusivity, fails to provide written evidence satisfactory to University that Licensee or its sublicensees have commercialized or are actively attempting to commercialize a licensed invention in such jurisdiction(s).

7.3 At any time after three years from the Effective Date University has the right to terminate this license in any national political jurisdiction in the Licensed Territory if Licensee, within 90 days after receiving written notice from University of intended termination, fails to provide written evidence satisfactory to University that Licensee or its sublicensees have commercialized or are actively attempting to commercialize a licensed invention in such jurisdiction(s).

7.4 The following definitions apply to Article 7: (i) "Commercialize" means having Sales of Licensed Products in such jurisdiction; and (ii) "Active attempt to commercialize" means having Sales of Licensed Products or an effective, ongoing and active research, development, manufacturing, marketing or sales program as appropriate, directed toward obtaining regulatory approval, production or Sales of Licensed Products in any jurisdiction, and plans acceptable to University, at its sole discretion, to commercialize licensed inventions in the jurisdiction(s) that University intends to terminate.

7.5 This Agreement shall terminate earlier:

- a. automatically if Licensee becomes bankrupt or insolvent and/or if the business of Licensee is placed in the hands of a receiver, assignee or trustee, whether by voluntary act of Licensee or otherwise; or
- b. on 30 days' written notice from University if Licensee breaches or defaults on its obligation to make payments (if any are due) or reports, in accordance with the terms of Article 5, unless, before the end of the 30 -day period, Licensee has remedied the default or breach and so notifies University, stating the manner of the remedy; or
- c. on 90 days' written notice if Licensee breaches or defaults on any other obligation under this Agreement unless, before the end of the said 30 -day period, Licensee has remedied the default or breach and so notifies University, stating the manner of the remedy; or

- d. at any time by mutual written agreement between Licensee and University, on 180 days' written notice to all parties and subject to any terms herein that survive termination; or
- e. under the provisions of Paragraphs 7.2 and 7.3 if invoked.

7.6 If this Agreement is terminated for any cause:

- a. nothing herein shall be construed as releasing either party from any obligation incurred prior to the effective date of the termination;
- b. after the effective date of the termination, Licensee may sell all Licensed Products and parts thereof that it has on hand on the date of termination, if it has earned royalties thereon according to the terms of Article 5; and
- c. Licensee shall be bound by the provisions of Articles 11 (Indemnification), 12 (Use of University and Component's Name) and 13 (Confidential Information) of this Agreement.

8. INFRINGEMENT BY THIRD PARTIES

8.1 Licensee, at its expense, shall enforce any patent exclusively licensed hereunder against infringement by third parties, and it is entitled to retain recovery from such enforcement. Licensee shall pay University royalty on any monetary recovery if the monetary recovery is for damages or a reasonable royalty in lieu thereof. If Licensee does not file suit against a substantial infringer of a patent within six months of knowledge thereof, then University may enforce any patent licensed hereunder on behalf of itself and Licensee, University retaining all recoveries from such enforcement and/or reducing the license granted hereunder to non-exclusive.

8.2 In any infringement suit or dispute, the parties agree to cooperate fully with each other. At the request and expense of the party bringing suit, the other party shall permit access to all relevant personnel, records, papers, information, samples, specimens, etc., during regular business hours.

9. ASSIGNMENT

Except in connection with the sale of substantially all of Licensee's assets to a third party, this Agreement may not be assigned by Licensee without the prior written consent of University, which shall not be unreasonably withheld.

10. PATENT MARKING

Licensee shall permanently and legibly mark all products and documentation manufactured or sold by it under this Agreement with such patent notices as may be permitted or required under Title 35, United States Code.

11. INDEMNIFICATION

Licensee agrees to hold harmless and indemnify University, its Regents, officers, employees and agents from and against any claims, demands or causes of action whatsoever, including without limitation those arising on account of any injury or death of persons or damage to property caused by, or arising out of, or resulting from, the exercise or practice of the license granted hereunder by Licensee, its Affiliates or their officers, employees, agents or representatives.

12. USE OF UNIVERSITY AND COMPONENT'S NAME

Licensee may not use the name of University without express written consent.

13. CONFIDENTIAL INFORMATION AND PUBLICATION

13.1 University and Licensee each agree that all information contained in documents marked "confidential" and forwarded to one by the other (i) shall be received in strict confidence, (ii) shall be used only for the purposes of this Agreement and (iii) shall not be disclosed by the recipient party, its agents or employees without the prior written consent of the other party, except to the extent that the recipient party can establish competent written proof that such information:

- a. was in the public domain at the time of disclosure;
- b. later became part of the public domain through no act or omission of the recipient party, its employees, agents, successors or assigns;
- c. was lawfully disclosed to the recipient party by a third party having the right to disclose it;
- d. was already known by the recipient party at the time of disclosure;
- e. was independently developed by the recipient;
- f. is required, by law or regulation, to be disclosed.

13.2 Each party's obligation of confidence hereunder shall be fulfilled by using at least the same degree of care with the other party's confidential information as it uses to protect its own confidential information. This obligation shall exist while this Agreement is in force and for a period of three years thereafter.

13.3 University shall submit its manuscript for any proposed publication of research related to Licensed Subject Matter to Licensee at least 30 days before publication, and Licensee shall have the right to review and comment on the publication in order to protect Licensee's confidential information. At Licensee's request, publications shall be delayed for up to

60 additional days to enable Licensee to secure adequate intellectual property protection of Licensee's property that would be affected by the publication.

14. PATENTS AND INVENTIONS

14.1 If, after consultation with Licensee, both parties agree that a patent application should be filed for Licensed Subject Matter, University shall prepare and file the appropriate patent applications, and Licensee shall pay the cost of searching, preparing, filing, prosecuting and maintaining same. If Licensee notifies University that it does not intend to pay the cost of an application, or if Licensee does not respond or make an effort to agree with University on the apportionment of rights in the subject invention, then University may file an application at its own expense and Licensee will have no rights in the invention. University shall provide Licensee a copy of any patent application for which Licensee has paid the cost of filing, as well as copies of any documents received or filed with the relevant patent office during the prosecution thereof.

15. ALTERNATIVE DISPUTE RESOLUTION

15.1 Any dispute or controversy arising out of or relating to this Agreement, its construction or its actual or alleged breach shall be decided by mediation. If the mediation does not result in a resolution of such dispute or controversy, it shall be finally decided by an appropriate method of alternative dispute resolution, including, without limitation, arbitration, conducted in the city of _____, in accordance with the Commercial Dispute Resolution Procedures [http://www.adr.org/rules/commercial_rules.html] of the American Arbitration Association. The arbitration panel shall include members knowledgeable in the evaluation of _____ technology. Judgment on the award rendered may be entered in the highest court or forum having jurisdiction, state or Federal. The provisions of this Article 15 shall not apply to decisions on the validity of patent claims or to any dispute or controversy regarding which any treaty or law prohibits such arbitration. The arbitration decisions shall be sanctioned by a court of law having jurisdiction to be binding on and enforceable by the parties.

16. GENERAL

16.1 This Agreement constitutes the entire and only agreement between the parties for Licensed Subject Matter and all other prior negotiations, representations, agreements and understandings are superseded by it. No agreements altering or supplementing the terms hereof may be made except by a written document signed by both parties.

16.2 Any notice required by this Agreement shall be given by prepaid, first class, certified mail, return receipt requested, addressed in the case of University to:

or in the case of Licensee to:

ATTENTION: _____
FACSIMILIE: _____
PHONE: _____

orsuchotheraddressesasmaybegivenfromtimetotimeunderthetermsofthisnotice provision.

16.3 LicenseeshallcomplywithallapplicableFederal,stateandlocallawsand regulations inconnectionwithitsactivitiesunderthisAgreement.

16.4 ThisAgreementwillbeconstruedandenforcedinaccordancewiththelawsofthe UnitedStatesofAmericaandoftheStateof_____.

16.5 FailureofUniversitytoenforcearight underthisAgreementshallnotoperateasa waiverofthatrightorasentitlementtoassertthatrightlaterinrelationtotheparticular situationinvolved.

16.6 Headingsareincludedhereinforconvenienceonlyandshallnotbeusedtoconstruethis Agreement.

16.7 IfanypartofthisAgreementisforanyreasonfoundtobeunenforceable,allotherparts shallneverthelessremainenforceable.

INWITNESSWHEREOF,thepartiesheretohavecausedtheirdulyauthorized representatives to executethisAgreement.

University	(LICENSEE) _____
By _____	By _____
Name: _____	Name: _____
Date: _____	Title: _____
	Date: _____

ApprovedastoForm:
By _____
OfficeofGeneralCounsel
Date: _____

ApprovedastoContent:
By _____
Name: _____
Date: _____

[EndofAnnexesandofdocument]