

## EXCLUSIVE LICENSE AGREEMENT

This License Agreement is entered into this \_\_\_ day of \_\_\_\_\_, 20\_\_\_ (the “Effective Date”) between [THE UNVIERSITY] having an address at \_\_\_\_\_ (“The University”) and \_\_\_\_\_, a corporation organized and existing under the laws of the State of \_\_\_\_\_ having its principle office/place of business at \_\_\_\_\_ (“Licensee”).

**Comment [1]:** The startup company

### WITNESSETH

WHEREAS, The University owns and controls a valuable invention known as “\_\_\_\_\_” (the “Invention”), file number \_\_\_\_\_; and

**Comment [2]:** The preamble, a bunch of whereas’s.

**Comment [3]:** Defines what is being licensed; file number may contain a number of patents

WHEREAS, the Invention was developed by \_\_\_\_\_ (“Inventor(s)”) while employees of The University; and

WHEREAS, The University is interested in licensing its information and technology concerning the Invention in a manner that will benefit the public, and the grant of a license best facilitates the distribution of useful products and the utilization of new processes; and

WHEREAS, Licensee is a company with expertise in developing commercial products and has the necessary resources to invest in marketing and development of products based on the Invention; and

WHEREAS, Licensee desires to obtain a license to use the Invention as herein provided and commits to using its best efforts and resources in a thorough, vigorous and diligent program of commercializing products and processes based upon or embodying said Invention under the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and mutual promises and covenants contained in this License Agreement and for good and valuable consideration, it is agreed by and between The University and Licensee as follows:

### ARTICLE 1: DEFINITIONS

**Comment [4]:** A list of definitions that will be used in the license agreement.

1.1 “**Affiliate**” means (a) any person or entity which owns or controls at least fifty percent (50%) of the equity or voting stock of Licensee, or (b) any person or entity fifty percent (50%) of whose equity or voting stock is owned or controlled by Licensee, or (c) any person or entity of which at least fifty percent (50%) of the equity or voting stock is owned or controlled by the same person or entity owning or controlling at least fifty percent (50%) of the equity or voting stock of Licensee.

1.2 “**Equity Securities**” shall mean any capital shares of Licensee (including without limitation common and preferred shares), and any securities of Licensee that are convertible into any capital shares of Licensee.

1.3 **“Licensed Field”** means, and is limited to, the practice of the Invention for \_\_\_\_\_.

**Comment [5]:** This defines what markets the product can be sold into. For example, a therapeutic may be limited to a disease indication. For a startup, ideally one would want “all fields”

1.4 **“Licensed Product Data”** means data owned or controlled by Licensee, including without limitation \_\_\_\_\_ data, generated by or on behalf of Licensee relating to a given Licensed Product and which is generated following the Effective Date.

1.5 **“Licensed Products”** means any method or process, composition, product, or component part thereof covered in whole or in part by an issued, unexpired, or pending claim contained in the Patent Rights whose manufacture, use or sale includes any use of The University Technology or Patent Rights.

**Comment [6]:** If you make and sell a product that incorporates or embodies the licensed technology, it is considered a licensed product

1.6 **“Licensed Territory”** means \_\_\_\_\_.

**Comment [7]:** This restricts the geographical region where the product can be sold. Ideally this should be “worldwide”

1.7 **“Net Sales”** means the total invoiced sales price less any charges for (a) sales taxes or other taxes separately stated on the invoice, (b) shipping and insurance charges, (c) deductions for actual allowances for returned or defective goods and (d) trade discounts, but not cash discounts. Licensed Products will be considered sold when billed out, when delivered or when paid for before delivery, whichever first occurs.

1.8 **“Patent Rights”** means any United States, foreign or international patents and/or patent applications covering the Invention owned or controlled by The University prior to or during the term of this License Agreement and which The University has the right to provide to Licensee, as well as any continuations, divisionals, provisionals, continued prosecution applications, or reissues thereof, and any foreign counterpart of any of the foregoing. Patent Rights include without limitation those patents and patent applications listed on Appendix A, as amended from time to time.

1.9 **“Trigger Financing”** means the date on which Licensee receives a cumulative total of \_\_\_ million dollars (\$\_\_\_,000,000) in cash in exchange for the issuance of Equity Securities.

1.10 **“The University Technology”** means any unpublished research and development information, know-how, and technical data in the possession of Inventor(s) prior to the Effective Date which relates to and is necessary for the practice of the Invention and which The University has the right to provide to Licensee.

**Comment [8]:** Undisclosed information or proprietary information. Corporations might call this trade secrets but universities don’t typically protect trade secrets.

## ARTICLE 2: GRANT OF LICENSE

2.1 The University hereby grants to Licensee and its Affiliates to the extent of the Licensed Territory an exclusive right and license to use The University Technology in the Licensed Field, with the right to sublicense as set forth in Article 6, provided that each such sublicense is granted concurrently with the grant of a license to Patent Rights, if any, subject to all the terms and conditions of this License Agreement. Licensee may only grant a sublicense to The University Technology concurrent with a sublicense of Patent Rights to the same sublicensee.

**Comment [9]:** This section refers to university technology, as defined in 1.10

**Comment [10]:** In the world of licenses, there are exclusive and non-exclusive licenses. Exclusive means the university has not and cannot license the technology more than one party. Non-exclusive allows means multiple parties can have a license to the technology.

For a startup, and exclusive is mandatory.

2.2 The University hereby grants to Licensee and its Affiliates to the extent of the Licensed Territory an exclusive license under the Patent Rights to make, have made, use, offer for sale and sell Licensed Products in the Licensed Field, with the right to sublicense as set forth in Article 6, subject to all the terms and conditions of this License Agreement.

**Comment [11]:** This section refers to patent rights, as defined in 1.8

2.3 The University reserves the right to practice under the Patent Rights, to use The University Technology and to make, use and provide Licensed Products for research, public service, clinical, teaching and educational purposes, without payment of royalties. Furthermore, The University shall be free to publish The University Technology as it sees fit.

**Comment [12]:** This allows the university to continue to use the technology for research and educational purposes. This can cause heartburn for some startups but there's not much wiggle room here.

2.4 Notwithstanding the foregoing, any and all licenses and other rights granted hereunder are limited by and subject to the rights and requirements of the United States Government which arise out of its sponsorship of the research which led to the conception or reduction to practice of the Invention covered by Patent Rights. The United States Government is entitled, as a right, under the provisions of 35 U.S.C. §§ 200-212 and applicable regulations of Title 37 of the Code of Federal Regulations, to a non-exclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for or on the behalf of the United States Government any of the Patent Rights throughout the world.

**Comment [13]:** According to Bayh-Dole, the government retains certain "march in" rights to the technology. This can seem like a non-starter but the reality is the government has rarely, if ever, exercised those rights.

2.5 Licensee shall obtain no implied license rights to The University Technology or the Patent Rights. Any rights not expressly granted to Licensee shall be retained by The University.

**Comment [14]:** Legal term for what the university gets in return for the license. This typically involves an upfront fee, equity, a royalty, and milestone payments.

### ARTICLE 3: CONSIDERATION

**Comment [15]:** An up-front payment that is often required to help pay for patent costs accrued up to the date of this license (licensee pays all ongoing patent costs, see below).

3.1 Within ten (10) days of the Effective Date, Licensee shall pay to The University a non-refundable license issue fee in the amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_).

For startups, accrued patent costs may be either paid on a monthly schedule or waived in lieu of additional equity or a higher royalty rate.

3.2 Equity.

3.2.1 As further consideration for the rights granted to Licensee under this License Agreement, Licensee will issue to The University [or it's foundation] that number of shares of common stock of Licensee equal to \_\_\_ percent (\_\_\_%) of the total number of issued and outstanding Equity Securities of Licensee on the Effective Date. If at any time after the Effective Date, and before the Trigger Financing, Licensee issues any Equity Securities, then in such event, Licensee shall issue additional shares of common stock to The University such that immediately after such issuance, the total number of shares issued to The University under this Section 3.2.1 constitutes \_\_\_ percent (\_\_\_%) of the total number of Equity Securities on a fully diluted basis. The issuance of common stock to The University shall be made in accordance with that certain Shareholder Agreement by and between The University and Licensee dated \_\_\_\_\_, 200\_\_.

**Comment [16]:** Very typical for the university to take equity in the company. And very typical for this to be contentious since the value of the equity is hard to determine. No easy answers but the range can be 5 to 15% but in rare cases where the university is taking an active role, the figure can be up to 50%

3.2.2 Licensee shall provide to The University (i) upon the Effective Date a capitalization table indicating the total number of issued and outstanding shares of Licensee's common stock on the Effective Date and the total number of Licensee's Equity Securities on the Effective Date and (ii) upon the Trigger Financing a capitalization table indicating the total number of issued and outstanding shares of Licensee's common stock immediately following the

**Comment [17]:** This is the anti-dilution clause. The university does not want to be diluted by having the company issue shares where little or no investment is made (e.g. hiring a CEO or creating an option pool or friends and family investment). If the trigger financing number is large (e.g. \$5-10M), this can be a problem for some investors. \$1M trigger seems reasonable.

**Comment [18]:** University keeping the startup honest by wanting to see a cap table showing who owns how much.

Trigger Financing and the total number of Licensee's Equity Securities; each such capitalization table calculated on a fully diluted basis.

3.2.3 In the case where shares or securities issued to The University as consideration for this License Agreement are restricted from resale in compliance with SEC Rule 144 or otherwise as required by law, Licensee agrees to remove or cancel the notice of restriction associated with such shares or securities within thirty (30) days of the request of The University provided that any legally required terms of restriction on resale have expired and The University shall have provided such information as is reasonably requested by Licensee or Licensee's counsel to ensure reliance on Rule 144.

3.3 Beginning on the Effective Date and continuing for the life of this License Agreement, Licensee will pay The University a running royalty of \_\_\_\_\_ percent (\_\_\_\_%) of all Net Sales of Licensed Products. Licensee shall pay to The University said royalties on Licensed Products concurrently with the making of quarterly written reports as provided in Section 4.1 below.

**Comment [19]:** University receives a percent of the revenue from product sold the incorporate the licensed technology. This figure can vary from 1 to 5% in most cases.

3.4 If in any calendar year during the term of this License Agreement, the total amounts payable under Section 3.3 above are less than the minimum amount indicated in the schedule below corresponding to such calendar year, Licensee shall pay to The University the difference between the amounts payable for such calendar year and said minimum amount within thirty (30) days after the end of such calendar year.

**Comment [20]:** The university receives a minimum payment for royalty that usually increases each year.

#### SCHEDULE

Calendar Year	Minimum Amounts
20__	\$ _____
20__	\$ _____
20__	\$ _____
20__ and all subsequent years	\$ _____

3.5 Should this License Agreement become terminated or expire during a calendar year, the minimum amount due under Section 3.4 for such portion of a year shall be determined by multiplying the minimum amount set forth in said paragraph for the year in which this License Agreement becomes effective, terminates or expires, by a fraction, the numerator of which shall be the number of days during such calendar year for which this License Agreement is in effect and the denominator of which shall be three hundred and sixty-five (365).

3.6 All fees, royalties, and other payments due to The University under this License Agreement shall be made in United States Dollars.

3.7 In the event royalty payments or fees are not received by The University when due, Licensee shall pay to The University interest and charges at the maximum rate of interest allowed by law on the total royalties or fees due.

3.8 In the event of default in payment of any payment owing to The University under the terms of this License Agreement, and if it becomes necessary for The University to undertake

legal action to collect said payment, Licensee shall pay all legal fees and costs incurred by The University in connection therewith.

#### **ARTICLE 4: REPORTS AND RECORDS**

4.1 Licensee agrees to make quarterly written reports to The University within thirty (30) days after the first days of each January, April, July, and October during the life of this License Agreement and as of such dates, stating in each such report the number, description, and aggregate selling prices of Licensed Products sold or otherwise disposed of during the preceding three calendar months and upon which royalty is payable as provided in Section 3.3 above. The first such report shall include all such Licensed Products so sold or otherwise disposed of prior to the date of such report. Until Licensee has achieved a first commercial sale of a Licensed Product, a report shall be submitted by Licensee at the end of each January and July after the Effective Date and will include a full written report describing Licensee's technical and other efforts made towards such first commercial sale for all Licensed Products under development. Such reports shall include, without limitation, a complete copy of all Licensed Product Data generated since the preceding report. Reports, including all Licensed Product Data contained therein, shall be the joint property of The University and Licensee, and are subject to the confidentiality obligations of Section 12.1.

4.2 Licensee will keep complete, true and accurate books of account and records for the purpose of showing the derivation of all amounts payable to The University under this License Agreement. Such books and records will be kept at Licensee's principal place of business for at least three (3) years following the end of the calendar quarter to which they pertain, and will be open at all reasonable times for inspection by a representative of The University for the purpose of verifying Licensee's royalty statements or Licensee's compliance in other respects with this License Agreement. The representative will be obliged to treat as confidential all relevant matters.

4.3 Inspections made under Section 4.2 shall be at the expense of The University, unless a variation or error in any amount payable to The University under this License Agreement exceeding one thousand dollars (\$1,000), or the equivalent, is discovered in the course of any such inspection, whereupon all costs relating thereto shall be paid by Licensee.

4.4 Licensee will promptly pay to The University the full amount of any underpayment, together with interest thereon at the maximum rate of interest allowed by law.

#### **ARTICLE 5: DUE DILIGENCE**

5.1 Licensee shall use its best efforts and due diligence to proceed earnestly and assiduously with the research, development and commercialization, including manufacture and sale, of Licensed Products during the period of this License Agreement.

5.2 In particular, Licensee will meet all obligations under the performance milestones set forth in Appendix B, which is attached hereto, and shall pay to The University the following payments for each Licensed Product within thirty (30) days after reaching each payment milestone.

**Comment [21]:** The university is keeping the startup honest by requiring reports and a possible inspection.

**Comment [22]:** A different kind of due diligence compared to a venture financing. Here, the company must make reasonable efforts ("earnestly and assiduously") to commercialize the technology. The company must meet certain milestones by certain dates. Achieving each milestone triggers payment to the university.

## ARTICLE 6: SUBLICENSING

6.1 Licensee may sublicense any or all of the rights licensed hereunder, excluding the right to sublicense further unless prior written consent has been received by Licensee from The University, provided that Licensee notifies The University in writing and provides The University with a copy of each sublicense agreement and each amendment thereto within thirty (30) days after their execution.

6.2 In respect to sublicenses granted by Licensee under this Article 6, Licensee shall pay to The University an amount in royalties equal to the amount Licensee would have been required to pay The University had such sublicense sales been made directly by Licensee. In addition, if Licensee receives any payment other than royalties, including any fees, minimum royalties, milestone or other payments in consideration for any rights granted under a sublicense agreement, and then Licensee shall pay The University \_\_\_\_\_ percent ( %) of such payment.

6.3 Licensee shall not receive from sublicensees anything of value other than cash payments in consideration for any sublicense agreement under this License Agreement, without the express prior written permission of The University.

6.4 Licensee shall require that all sublicense agreements (1) be consistent with the terms, conditions and limitations of this License Agreement, (2) contain the sublicensee's acknowledgment of the disclaimer of warranty and limitation on The University's liability, as provided by Article 10 below, and (3) contain no provisions less favorable to The University than in this License Agreement. If any sublicense agreement does not comport with above requirements, then that sublicense agreement shall be invalid and unenforceable.

6.5 Upon execution of each sublicense agreement, Licensee agrees to be fully responsible for the performance of it sublicensees hereunder.

6.6 Licensee shall cause every sublicense agreement to provide Licensee the right to assign its rights under the sublicense to The University in the event that this License Agreement terminates. Any such assignment is subject to the limitations of Section 12.2 herein and, to be effective, The University must accept such assignment in writing.

6.7 After the second anniversary of the Effective Date either party shall inform the other within ten (10) days of all requests for a sublicense to develop a Licensed Product in a Licensed Field covered by the Patent Rights ("Proposed Product") made by a third party ("Prospective Sublicensee"). If Licensee is not then developing, producing, or using a Licensed Product in the same Licensed Field as the Proposed Product, and the development or sublicensing of such a Licensed Product is not within Licensee's business plans or activities, Licensee shall elect one of the following options within sixty (60) days of receipt of notice from The University that it desires Licensee to negotiate with the Prospective Sublicensee for the purpose of granting a sublicense under the Patent Rights to develop and commercialize the Proposed Product:

(a) provide The University with written notice in the form of a reasonable business development plan that it has initiated, or intends to initiate within eighteen (18) months of the

**Comment [23]:** An essential element since many startups may need to partner with another (larger) company to get the product to market. This partnering often involves a sublicense, a license from the licensee (startup) to the partner.

**Comment [24]:** Financial terms for the sublicense vary greatly between universities. This term is very simple. The university wants the royalties it would have gotten from the original licensee.

**Comment [25]:** This is another way for the university to keep the commercialization options open by encouraging sub-licensing if the startup is not making progress toward commercialization.

date said written notice is provided to The University, a development plan for the Proposed Product; or

(b) begin good faith negotiations with the Prospective Sublicensee; or

(c) grant back to The University its rights under this License Agreement to the Licensed Field in which such Proposed Product will infringe the Patent Rights.

6.8 If Licensee elects to negotiate with the Prospective Sublicensee for a sublicense to develop and commercialize the Proposed Product as provided for in Section 6.6 (b), Licensee shall make a good faith effort to complete negotiations with the Prospective Sublicensee within one hundred and eighty (180) days from the date on which it began negotiations. This one hundred and eighty (180) day period may be extended by The University upon documentation provided to The University by Licensee that such extension is reasonable in view of the circumstances. For the purposes of this Section, Licensee will have made a good faith effort to complete negotiations if it has offered a sublicense to the Prospective Sublicensee the terms of which include (i) reasonable financial terms taking into account the field in which the sublicense is being offered and Licensee's obligations to The University pursuant to this License Agreement; (ii) minimum performance requirements which would not be unreasonably burdensome upon the Prospective Sublicensee; and (iii) non-financial terms which are consistent with Licensee's obligations to The University pursuant to this License Agreement. In the event that Licensee shall fail to make a good faith effort as required by this Section, Licensee shall immediately grant back to The University its rights under this License Agreement to such Proposed Product and such failure by Licensee shall not constitute a breach for which this License Agreement may be terminated as provided for in Article 7.

#### **ARTICLE 7: TERM AND TERMINATION**

7.1 Any license granted pursuant to Section 2.2 is exclusive for a term beginning on the Effective Date and, unless terminated sooner as herein provided, ending at the expiration of the last to expire patent included in the Patent Rights, or if no patents mature from said Patent Rights, such license shall terminate fifteen (15) years from the Effective Date.

**Comment [26]:** Patent expiration usually terminates the license.

7.2 Any non-exclusive license granted pursuant to Section 2.1 shall expire or terminate upon the expiration or termination of the exclusive license granted pursuant to Section 2.2 as provided above in Section 7.1.

7.3 The University may, by written notice to Licensee, terminate this License Agreement during any April subsequent to the year \_\_\_\_\_, if Licensee or its sublicensee(s), if any, have not practiced the Invention during each calendar year which precedes each such April to the extent of generating earned royalties under Sections 3.3 and 6.2 of this License Agreement in the amount of \_\_\_\_\_.

7.4 It is expressly agreed that, notwithstanding the provisions of any other paragraph of this License Agreement, if Licensee should materially breach this License Agreement and fail to cure any such breach within thirty (30) days of receipt of written notice from The University describing such breach, then this License Agreement shall automatically terminate. A material

breach is a violation of or failure to keep or perform any covenant, condition, or undertaking of this License Agreement, including, but not limited to, the failure to deliver to The University any royalty or other payment at the time or times that the same should be due to The University under this License Agreement, failure to provide reports as specified in Section 4.1, failure to meet or achieve performance milestones as set forth in Appendix B, failure of any executed sublicense to comport with Section 6.3 and failure to possess and maintain insurance as set forth in Section 11.3.

7.5 If Licensee becomes bankrupt or insolvent, files a petition for or is the subject of a petition for bankruptcy, or is placed in the hands of a receiver, assignee, or trustee for the benefit of creditors, whether by the voluntary act of Licensee or otherwise, then this License Agreement shall automatically terminate, inasmuch as permitted under applicable and prevailing law.

7.6 Licensee may terminate this License Agreement at any time upon giving written notice of not less than sixty (60) days to The University.

7.7 Upon cancellation of this License Agreement or upon termination in whole or in part, Licensee shall provide The University with a written inventory of all The University Technology and Licensed Products in the process of manufacture, in use or in stock. Except with respect to termination pursuant to Section 7.3, Licensee shall have the privilege of disposing of the inventory of such Licensed Products within a period of one hundred and eighty (180) days of such termination upon conditions most favorable to The University that Licensee can reasonably obtain. Licensee will also have the right to complete performance of all contracts for the sale of Licensed Products by Licensee requiring use of The University Technology, Patent Rights (except in the case of termination pursuant to Section 7.3) or Licensed Products within and beyond said period of one hundred and eighty (180) days provided that the remaining term of any such contract does not exceed one year. All Licensed Products which are not disposed of as provided above shall be delivered to The University or otherwise disposed of, in The University's sole discretion, and at Licensee's sole expense.

7.8 Any termination or cancellation under any provision of this License Agreement shall not relieve Licensee of its obligation to pay any royalty or other fees (including attorney's fees pursuant to Section 8.1 below) due or owing at the time of such termination or cancellation.

## ARTICLE 8: PATENT PROSECUTION AND MAINTENANCE

8.1 Licensee shall bear the cost of all patent expenses incurred following the Effective Date and associated with the preparation, filing, prosecuting, issuance and maintenance of U.S. Patent applications and U.S. Patents included within the Patent Rights. Such filings and prosecution shall be by counsel of The University's choosing and shall be in the name of The University. The University shall keep Licensee advised as to the prosecution of such applications by forwarding to Licensee copies of all official correspondence, (including, but not limited to, applications, Office Actions, responses, etc.) relating thereto. Licensee shall have the right to comment and advise The University as to the conduct of such prosecution and maintenance, provided, however, that The University shall have the right to make the final decisions for all matters associated with such prosecution and maintenance.

**Comment [27]:** It is typical for the licensee to bear patent costs.

**Comment [28]:** This can be contentious. Some startups want their own patent counsel prosecuting the patent since they feel the university may not have top shelf counsel (perception or reality?)

**Comment [29]:** This can be where the startup's counsel can have some leverage and control.

8.2 As regards prosecution and maintenance of foreign patent applications corresponding to the U.S. Patent applications described in Section 8.1 above, Licensee shall designate in writing that country or those countries, if any, in which Licensee desires such corresponding patent application(s) to be filed. Licensee shall pay all costs and legal fees associated with the preparation, filing, prosecuting, issuance and maintenance of such designated foreign patent applications and foreign patents. All such applications shall be in The University's name.

**Comment [30]:** This can get very expensive, well over \$100k.

8.3 By written notification to The University at least thirty (30) days in advance of any filing or response deadline, or fee due date, Licensee may elect not to have a patent application filed in any particular country or not to pay expenses associated with prosecuting or maintaining any patent application or patent, provided that Licensee pays for all costs incurred up to The University's receipt of such notification. Failure to provide such notification can be considered by The University to be Licensee's notice that it expressly wishes to support any particular patent(s) or patent application(s). Upon such notice, The University may file, prosecute, and/or maintain such patent applications or patents at its own expense and for its own benefit, and any rights or license granted hereunder held by Licensee, Affiliate or Sublicensee(s) relating to the Patent Rights which comprise the subject of such patent applications or patent and/or apply to the particular country, shall terminate.

## ARTICLE 9: INFRINGEMENT

9.1 If the production, sale or use of Licensed Products under this License Agreement by Licensee results in any claim for patent infringement against Licensee, Licensee shall promptly notify The University thereof in writing, setting forth the facts of such claim in reasonable detail. As between the parties to this License Agreement, Licensee shall have the first and primary right and responsibility at its own expense to defend and control the defense of any such claim against Licensee, by counsel of its own choice. It is understood that any settlement, consent judgment or other voluntary disposition of such actions must be approved by The University, such approval not being unreasonably withheld. Subject to the policies of the [governing body of the university, e.g. Board of Governors], The University agrees to cooperate with Licensee in any reasonable manner deemed by Licensee to be necessary in defending any such action. Licensee shall reimburse The University for any out of pocket expenses incurred in providing such assistance.

9.2 In the event that any Patent Rights licensed to Licensee are infringed by a third party, Licensee shall have the primary right, but not the obligation, to institute, prosecute and control any action or proceeding with respect to such infringement, by counsel of its choice, including any declaratory judgment action arising from such infringement. It is understood that any settlement, consent judgment or other voluntary disposition of such actions must be approved by The University, such approval not to be unreasonably withheld. If Licensee recovers monetary damages in the form of lost profits from a third party infringer, then Licensee shall pay to The University the owed royalties on the recovered profits. If Licensee recovers monetary damages in the form of a reasonable royalty, then Licensee shall remit to The University \_\_\_\_\_ percent (\_\_\_%) of the reasonable royalty awarded.

**Comment [31]:** This is reasonable but not always found in other agreements. Sometimes universities retain the right to prosecute which it might not exercise because of the costs, to the frustration of the startup.

9.3 If Licensee elects not to enforce any patent within the Patent Rights, then Licensee shall notify The University in writing within sixty (60) days of receiving notice that an infringement exists. The University may, at its own expense and control, take steps to defend or enforce any patent within the Patent Rights and recover, for its own account, any damages, awards or settlements resulting therefrom.

9.4 Notwithstanding the foregoing, and in The University's sole discretion, The University shall be entitled to participate through counsel of its own choosing in any legal action involving the Invention and Patent Rights. Nothing in the foregoing sections shall be construed in any way which would limit the authority of the Attorney General of \_\_\_\_\_.

#### **ARTICLE 10: REPRESENTATIONS**

10.1 The University makes no warranties that any patent will issue on The University Technology or the Invention. The University does not warrant the validity of any patent included in the Patent Rights or that practice under such patents shall be free of infringement.

**Comment [32]:** Obviously a risk since most license agreements are made before the patent issues.

10.2 The University **DISCLAIMS ALL WARRANTIES WITH REGARD TO PRODUCT(S) AND SERVICE(S) LICENSED UNDER THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ALL WARRANTIES, EXPRESSED OR IMPLIED, OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE.** NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, The University **ADDITIONALLY DISCLAIMS ALL OBLIGATIONS AND LIABILITIES ON THE PART OF The University AND INVENTORS, FOR DAMAGES, INCLUDING, BUT NOT LIMITED TO, DIRECT, INDIRECT, SPECIAL, AND CONSEQUENTIAL DAMAGES, ATTORNEYS' AND EXPERTS' FEES, AND COURT COSTS (EVEN IF The University HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, FEES OR COSTS), ARISING OUT OF OR IN CONNECTION WITH THE MANUFACTURE, USE, OR SALE OF THE PRODUCT(S) AND SERVICE(S) LICENSED UNDER THIS AGREEMENT. LICENSEE, AFFILIATE(S) AND SUBLICENSEE(S) ASSUME ALL RESPONSIBILITY AND LIABILITY FOR LOSS OR DAMAGE CAUSED BY A PRODUCT AND/OR SERVICE MANUFACTURED, USED, OR SOLD BY LICENSEE, ITS SUBLICENSEE(S) AND AFFILIATE(S) WHICH IS A LICENSED PRODUCT(S) AS DEFINED IN THIS AGREEMENT.**

#### **ARTICLE 11: INDEMNIFICATION**

11.1 In exercising its rights under this License Agreement, Licensee shall fully comply with the requirements of any and all applicable laws, regulations, rules and orders of any governmental body having jurisdiction over the exercise of rights under this License Agreement. Licensee further agrees to indemnify and hold The University harmless from and against any costs, expenses, attorney's fees, citation, fine, penalty and liability of every kind and nature which might be imposed by reason of any asserted or established violation of any such laws, order, rules and/or regulations.

11.2 Licensee agrees to indemnify, hold harmless and defend The University, its officers, employees, and agents, against any and all claims, suits, losses, damage, costs, fees, and

expenses asserted by third parties, both government and private, resulting from or arising out of the exercise of this License Agreement.

11.3 Licensee is required to maintain in force at its sole cost and expense, with reputable insurance companies, general liability insurance and products liability insurance coverage in an amount reasonably sufficient to protect against liability under Sections 11.1 and 11.2 above. The The University shall have the right to ascertain from time to time that such coverage exists, such right to be exercised in a reasonable manner.

## **ARTICLE 12: MISCELLANEOUS**

### 12.1 Confidentiality.

12.1.1 Licensee shall keep confidential and not disclose any The University Technology or any patent applications furnished by The University pursuant to Sections 2.1 and 2.2 above to third parties during the term of this License Agreement or any time thereafter. Disclosure may be made to third parties of any such The University Technology or document related to or embodying Patent Rights at any time (a) with the prior written consent of The University or (b) after the same shall have become public through no fault of Licensee. Notwithstanding the foregoing, Licensee may share The University Technology, excluding any unpublished compound structures and unpublished patent applications contained within Patent Rights, with potential investors and corporate partners for the sole purpose of allowing such investors and corporate partners to conduct due diligence on Licensee under an appropriate confidentiality agreement.

12.1.2. In consideration of the disclosure of confidential information by Licensee in the form of reporting Licensed Product Data as described in Section 4.1 above, The University hereby agrees that it will:

- (a) keep Licensed Product Data secret and confidential, and not at any time without the prior written consent of Licensee disclose or reveal Licensed Compound Data to any other person; and
- (b) treat the Licensed Product Data with the same degree of care as it treats its own confidential information

12.1.3 The undertakings of confidentiality in Section 12.1.2 above shall not apply to any Licensed Product Data which The University can prove by written evidence:

- (i) is already in the possession of The University before its disclosure Agreement without any obligation of confidentiality being owed by The University to Licensee; or
- (ii) is in or comes into the public domain or ceases to be confidential, other than as a result of wrongful disclosure by The University; or
- (iii) becomes available to The University on a non-confidential basis from a source other than Licensee under no duty of confidentiality to Licensee; or
- (iv) is independently generated by The University employees who have not had access to the Licensed Product Data.

12.1.4 Notwithstanding the foregoing, The University shall be entitled to disclose Licensed Product Data to the extent required by any law or order of a court of competent jurisdiction, or by the rules of any recognized stock exchange or other regulatory authority, provided always that prior to making such disclosure The University shall consult with Licensee as to the proposed form, nature, extent and purpose of the disclosure and shall ensure that any such disclosure is kept to a minimum, and always permitting Licensee (at Licensee's discretion) sufficient time to apply for and obtain a protective order against such disclosure.

12.2 Assignability. This License Agreement is binding upon and shall inure to the benefit of The University, its successors and assigns. However, this License Agreement shall be personal to Licensee, and it is not assignable by Licensee to any other person or entity without the written consent of The University, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, Licensee shall be free to assign this License Agreement in connection with any sale of substantially all of its assets without the consent of The University.

12.3 Waiver. It is agreed that no waiver by either party hereto of any breach or default of any of the covenants or agreements herein set forth shall be deemed a waiver as to any subsequent and/or similar breach or default.

12.4 Use of The University's Name. The use of the name The University or any other or abbreviation thereof, in any manner in connection with the exercise of this License Agreement is expressly prohibited without the prior written consent of The University.

12.5 Independent Contractor Status. Neither party hereto is an agent of the other for any purpose.

12.6 U.S. Manufacture. It is agreed, as required by 35 U.S.C. § 204, that any Licensed Products used or sold in the United States shall be substantially manufactured in the United States.

12.7 Notice. Any notice required or permitted to be given to the parties hereto shall be in writing and deemed to have been properly given if delivered in person or mailed by first-class mail to the other party at the appropriate address as set forth below. Other addresses may be designated in writing by the parties during the term of this License Agreement.

The University	Licensee
Director	_____
Office of Technology Transfer	_____
[address]	_____

12.8 Governing Law and Venue. This License Agreement shall be interpreted and construed in accordance with the laws of the State of \_\_\_\_\_. The State and Federal Courts of \_\_\_\_\_ shall have exclusive jurisdiction to hear any legal action arising out of this License Agreement.

12.9 Severability. In the event that a court of competent jurisdiction holds any provision of this License Agreement to be invalid, such holding shall have no effect on the remaining provisions of this License Agreement, and they shall continue in full force and effect.

12.10 Survival of Terms. The provisions of Sections 2.3, 7.7, 12.4, 12.7, 12.8, 12.14 and Articles 4, 8, 9, 10 and 11 shall survive the expiration or termination of this License Agreement.

12.11 Export Control. Anything contained in this Agreement to the contrary notwithstanding, the obligations of the Licensee shall be subject to all laws, present and future and including export control laws and regulations, of any government having jurisdiction over the Licensee, and to orders, regulations, directions, or requests of any such government. Licensee shall undertake to comply with and be solely responsible for complying with such laws applicable to Licensee and any sublicensees.

12.12 Patent Marking and Samples. Licensee shall, and agrees to require its sublicensees to, fully comply with the patent marking provisions of the intellectual property laws of the applicable countries in the Licensed Territory. At least once during each calendar year, Licensee shall submit to The University [*number*] samples of each of Licensed Product.

12.13 Taxes And Governmental Approvals. Licensee shall be solely responsible for the payment of any and all taxes, fees, duties and other payments incurred in relation to the manufacture, use and sale of the systems and methods of the Patents or Licensed Products. Licensee shall be solely responsible for applying for and obtaining any approvals, authorizations, or validations necessary to effectuate the terms of this Agreement under the laws of the appropriate national laws of each of the countries in the Licensed Territory.

12.14 Complete Agreement. It is understood and agreed between The University and Licensee that this license constitutes the entire agreement, both written and oral, between the parties, and that all prior agreements respecting the subject matter hereof, either written or oral, expressed or implied, shall be abrogated, canceled, and are null and void and of no effect.

IN WITNESS WHEREOF, both The University and Licensee have executed this License Agreement on the Effective Date, in duplicate originals, by the duly authorized respective officers. Inventors have likewise indicated their acceptance of the terms hereof by signing below.

[UNIVERSITY]

[LICENSEE]

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

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Title

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Date

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Printed Name

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Title

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Date

