

# Track One: Advanced Patent and Technology License Drafting<sup>1</sup>

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## I. Overview

In discussing patent and technology agreements, it is useful to start at the chronological beginning of the intellectual property development process with the documents most closely associated with the creation of the intellectual property, then move onto documents related to its commercialization. After discussing the documents used in the development and commercialization of the intellectual property, a closer look at some provisions commonly found in intellectual property is helpful. Finally, some sample agreements are provided as reference materials that may prove useful to the reader as a starting point when the reader drafts his or her own patent and technology agreements.

## II. IP Development

Some of the most common ways that a client may become the owner intellectual property are outlined below.

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1. Disclaimer—These materials are public information and have been prepared solely for educational and entertainment purposes to contribute to the understanding of American intellectual property law. These materials reflect only the personal views of the author and are not individualized legal advice. It is understood that each case is fact-specific, and that the appropriate solution in any case will vary. Therefore, these materials may or may not be relevant to any particular situation. Thus, the author and Brinks Hofer Gilson & Lione cannot be bound either philosophically or as representatives of their various present and future clients to the comments expressed in these materials. The presentation of these materials does not establish any form of attorney-client relationship with the author or Brinks Hofer Gilson & Lione. While every attempt was made to ensure that these materials are accurate, errors or omissions may be contained therein, for which any liability is disclaimed.

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### **A. Client Solely Develops**

In many industries the lion's share of a company's intellectual property is still generated in-house by its own employees that are specifically hired to invent, such as engineers and scientists. The old adage "not invented here" is still alive and well in corporate America for reasons of cost and efficiency. Usually, an Employee Assignment Agreement is executed at the time an employee is hired to obtain a promise from the employee that he or she will assign inventions to the employer.

### **B. Client Acquires Title**

A client may acquire title to intellectual property through an assignment agreement. Due diligence in the form of searching the USPTO records to determine who is listed as the owner of record of the patents and whether or not maintenance fees have been paid should be performed prior to executing any assignment agreement. After the assignment agreement has been executed, follow-up is required by the client or the client's outside counsel to attend to such matters as ensuring that recordable assignments are recorded at the USPTO, prosecution files are transferred to the acquiring client's prosecution attorney, the attorney of record at the USPTO is changed over to the client's prosecution attorney, and that foreign associates are notified of the new prosecution attorney.

### **C. Client Licenses In**

A client may also acquire intellectual property rights by licensing-in technology through exclusive or non-exclusive licenses from granted by other parties such as universities, hospitals, technology development firms, and sole or joint inventors such as doctors and other subject matter experts. Consideration for the grant of a license may include upfront, lump-sum payments and/or running royalties. Milestone payments that trigger upon the licensee achieving a significant event in the commercialization of a product covered by the license and minimum royalties or maintenance fees that provide the licensor a certain level of compensation for some period are also common. All these type of payments are, however, negotiable and whether or not the licensee will agree to pay them depends on the leverage of the parties and the facts at hand.

University agreements drafted under the direction of attorneys in university technology transfer offices address many of the issues generally presented in licensing technology to industry and may provide some good reference information in setting up a license for your client. Some universities, such as the University of Texas, make their agreements available to the public on-line at their technology transfer office web-site. These agreements are, of course drafted from the point of view of the licensor, and needed to be carefully reviewed, considered and modified by the licensee. For example, if one represents a client licensing in technology from a university on an exclusive basis, one must be mindful about whether the client requires rights in the data, in any improvements, and the ability to monitor the release of data to the public by the university.

### **D. Client Jointly Develops**

When a client undertakes to develop intellectual property jointly with another party, a special environment is created. It is useful to image that on the effective date of the joint development agreement, a stake is put into the ground. Prior to this point in time the intellectual property and technology that the parties bring to the table may be considered as "background" intellectual property. Going forward from the effective date the intellectual

property created during the joint development program may be referred to as “foreground” intellectual property. During the foreground period, each party may create intellectual property inside (“program” intellectual property) and outside (“non-program” intellectual property) of the joint development program.

The foreground program intellectual property may be divided into three categories: i) inventions conceived solely by your client; ii) inventions conceived solely by the other party, and iii) inventions jointly conceived by the parties. From a defensive point of view, your client will have a right to use (under the United States statutory scheme and assuming no dominating patents exist) the client’s own sole inventions the joint inventions, but it is important to consider what rights your client may need in the sole inventions of the other party. From the offensive point of view, your client may want the right to exclude others in certain fields, regardless of whether or not the client’s employees are actually named inventors on the patent application.

### **III. IP Commercialization**

The method that a client chooses to commercialize its intellectual property impacts the control that a client maintains over the intellectual property rights. The following list ranks, in descending order, common methods of commercializing intellectual property based on the amount of control over the intellectual property that is maintained by the client.

1. **Client Commercializes IP Itself**
2. **Client Forms Joint Venture**
3. **Client Grants Non-Exclusive Licenses**
4. **Client Grants Exclusive Licenses**
5. **Client Sells All the Rights**

### **IV. Example Agreement Provisions**

The following provisions, examples collected from various source agreements, may be useful to the reader as a starting point when drafting the reader’s own agreements.

#### **A. Background (Recitals)**

1. Licensors is engaged in the business of designing and developing a wide variety of systems, processes, and products, and
2. Licensee is engaged in the business of the manufacture, marketing and sales of \_\_\_\_\_, and
3. Licensors is amenable to granting an exclusive license to Licensee for the Technology, and
4. Licensee desires a license for the Technology for the purpose of commercialization, and

5. Licensee and Licensor previously entered into license agreements dated September 30, 2003 and March 15, 2006, which they desire to supersede and replace with this Agreement.
6. In consideration of the premises and mutual covenants hereinafter set forth, the Licensor and Licensee agree as follows:

## **B. Definitions**

1. As used in this Agreement, the following terms have the meaning set forth below. All other terms used in this Agreement, but not defined herein, shall have the meanings ascribed to them in the Operating Agreement.
2. Whenever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in the masculine, the feminine or the neuter gender shall include the masculine, the feminine or the neuter.
3. “*Licensed Territory*” means the United States of America, its territories, and its possessions.
4. “*Improvement(s)*” means any patented modification of a device, method, or product described in a Patent provided such a modification, if unlicensed, would infringe one or more claims of issued Patents.
5. “*Field*” means, and is limited to, the practice of the Patents and Improvements to \_\_\_\_\_.
6. “*Licensed Products*” means any and all products in the Field covered by or are produced using a process or method covered by a claim of a Patent or Improvement.
7. “*Net Sales*” means the gross revenue actually received by Client from the commercial sale of the Licensed Products during the calendar year immediately preceding the date on which such royalty is due minus the costs of: (i) sales, value added and/or use taxes, (ii) duties and similar governmental assessments paid, (iii) transportation, packing, shipping, and insurances, (iv) discounts allowed and taken, (v) amounts allowed or credited due to rejections and/or returns, (vi) the value of other products or items in a kit or other components in an assembly or the value attributable to any drug or bioactive agent that is incorporated in or added to the Licensed Products; and (vii) costs of royalties due to a third party regarding the Licensed Product. Regardless of the number of valid claims defined in the Licensed IP and practiced by the Licensed Products, Client will owe only one royalty with respect to the sale of each unit of Licensed Product. Along with each royalty payment, Client will deliver to Licensor a report describing the calculation of such royalty.

## **C. Grants**

1. Company A hereby grants to Company B an exclusive, world-wide license, with the right to grant sublicenses to its Affiliates (without the right to grant further sublicenses), under all of Company A’s Proprietary Rights relating to the Prod-

ucts, to make, have made, use, offer to sell, sell and import Products in the Field of Use and to practice any associated methods as may be reasonably necessary therewith. For the avoidance of doubt, for the period of time during which Company B retains an exclusive license under this Agreement, Company A reserves no right for itself to make, have made, use, offer to sell, sell and import Products within the Field of Use or to practice any associated methods with respect to Products within the Field of Use, except as may be authorized by Company B.

2. Client hereby grants to Licensee, and Licensee hereby accepts from Client, upon the terms and conditions hereinafter specified, a non-transferable and non-assignable (except as provided in Section \_\_\_\_ of this Agreement), royalty-bearing, exclusive license under the Patent Rights and Proprietary Information to manufacture, have manufactured, use, offer for sale, sell, and import Licensed Products (and to pass on to purchasers of Licensee's Licensed Products the right to use and sell the same) in the Territory. This license also includes the right to grant non-exclusive sublicenses under the rights granted herein. Exclusivity of the license grant to Licensee under this Section X.N1 is subject to the minimum Running Royalty Payment provisions of Section X.N2.

#### **D. Consideration (Royalties)**

1. In consideration of the rights, privileges and license granted by University hereunder, Licensee shall pay royalties and other monetary consideration as follows:
  - (a) Initial license fee, nonrefundable and noncreditable against royalties, of \_\_\_\_\_ (\$\_\_\_\_\_) due within fifteen (15) days of the date of University's invoice therefor;
  - (b) Annual maintenance fees, non-refundable and non-creditable against royalties, as follows: \_\_\_\_\_;
  - (c) Royalties in an amount equal to \_\_\_\_\_ percent ( \_\_%) of Net Sales of the Licensed Technology per calendar quarter;
  - (d) Minimum royalty in the amount of \$\_\_\_\_\_per calendar year if such minimum royalty is greater than the aggregate annual royalty computed in accordance with Section 4.1(c) above; and
  - (e) A share of Non-Royalty Sublicense Income of percent ( % ).
2. All payments pursuant to this Agreement may be made by check or by wire transfer (along with applicable wire transfer fees) in United States dollars without deduction or exchange, collection or other charges and directed to the address or , in the case of wire transfer, to the bank, set forth in Article X1. Annual maintenance payments pursuant to Section 1(b) hereof shall be paid on the anniversary of the Effective Date of the calendar year in which they are due. Royalty payments pursuant to Section 1(c) hereof shall be due within thirty (30) days after each March 31, June 30, September 30 and December 31. Minimum annual royalties pursuant to Section 4.1(d) shall be paid by December 15 of the calendar year in which they are due. Non-Royalty Sublicense Income payments pursuant to Section 1 (e) hereof shall be paid within thirty (30) days after receipt of payment by Licensee from sublicense.

3. Taxes imposed by any foreign or United States governmental agency on any payments to be made to the University by Licensee hereunder shall be paid by Licensee without deduction from any payment due to the University hereunder.
4. Payments pursuant to this Agreement, including those specified in Section 6.2, which are overdue shall bear interest calculated from the due date until payment is received at the rate of eight percent (8%) per annum, or the prime rate (as quoted by The Wall Street Journal) plus two percent (2%), whichever is higher. Payment of such interest by Licensee shall not negate or waive the right of University to seek any other remedy, legal or equitable, to which it may be entitled because of the delinquency of any payment, including, but not limited to, termination of this Agreement as set forth in Article X2.
5. Licensee shall sell products and/or processes resulting from Licensed Technology to University and its Affiliates upon request at such price(s) and on such terms and conditions as such products and/or processes are made available to Licensee's most favored customer.

#### **E. Ownership of IP and Data**

1. Subject to the rights and license granted to Client by this Agreement, (i) any Intellectual Property that is made or conceived during the Term, solely by one or more employees or agents of Company or acquired solely by or for Company during the Term of this Agreement shall be the sole property of Company, (ii) any Intellectual Property that is made or conceived during the Term, solely by one or more employees or agents of Client or acquired solely by or for Client during the Term of this Agreement shall be the sole property of Client, and (iii) any Intellectual Property that is jointly made or conceived during the Term by one or more employees or agents of Company and one or more employees or agents of Client or acquired jointly by or for Company and Client during the Term of this Agreement shall be jointly owned by Company and Client. Each Party hereto undertakes to sign, execute and deliver all documents and papers that may be required, and perform such other acts as may be reasonably required in the circumstances, in order to ensure the division of the intellectual property rights between the Parties in accordance with the terms of this Section 1.
2. Member acknowledges that all data, analysis, graphs, reports, physical property, documents or other subject matter prepared, procured or produced by Member in the performance of this Agreement are the sole property of Client and may be used by Client without accounting to Member. Member agrees to and hereby does assign to Client all of Member's right, title and interest in and to all intellectual property made or conceived by Member based on Client's Proprietary Information ("Improvements"). Member agrees to execute such powers and instruments as Client may reasonably require or deem advisable to enable Client to seek, perfect and enforce the rights granted to Client by Member under this Agreement. Member agrees not to sue Client, any of its affiliates, or any of their customers or vendors based on any patent, application for patent, or other intellectual property right obtained by Member on Improvements.

3. Unless otherwise agreed in writing between the Parties and subject to the terms of this Agreement, each Party will continue to own and control Technology created or acquired by or for that Party prior to the Effective Date of this Agreement, including, but not limited to, the right to decide whether to seek or maintain Intellectual Property protection for such Technology, whether to retain, license, sell, or otherwise dispose of or exploit such Technology, and whether to enforce or defend any Intellectual Property rights in such Technology.
4. Foreground Intellectual Property that is conceived solely by or for one Party (“Solely Invented Foreground Intellectual Property”) will remain the exclusive property of such Party, and except as expressly stated otherwise in this Agreement, such Party will have the exclusive right to protect, enforce, and exploit such Solely Invented Foreground Intellectual Property.
5. Foreground Technology that is conceived jointly by the Parties (“Jointly Invented Foreground Intellectual Property”) will remain the joint property of the Parties. The Parties will work together to document such Jointly Invented Foreground Intellectual Property in accordance with the terms set forth in Sections X.1 and X.2 below. Except as expressly stated otherwise in this Agreement, each Party will have the right to protect, enforce, and exploit such Jointly Invented Foreground Intellectual Property, with no duty to account to the other for its use.
6. In the event that the Background Technology of either Party is required to commercialize a product that embodies any of the Program Technology, each Party agrees to grant to the other Party a world-wide, non-exclusive license, on reasonable terms and conditions, under its Background Technology.
7. Each Party grants to the other Party an unrestricted, irrevocable, world-wide, royalty free, non-exclusive license under its Solely Developed Program Technology.
8. Jointly Developed Program Technology shall be jointly owned by the Parties, with each Party enjoying the rights of a sole owner with no duty to account to the other regarding any economic benefit realized or the need to seek approval from the other Party for its use.

## **F. Confidentiality**

1. *Confidential Information.* The term “Confidential Information” shall mean any information disclosed by one party to the other that is written, graphic, machine readable or other tangible form and is marked “Confidential”, “Proprietary” or in some other manner to indicate its confidential nature. “Confidential Information” may also include oral information disclosed by one party to another pursuant to this Agreement, provided that it is designated as confidential at the time of disclosure and reduced to a written summary, which is marked in a manner to indicate its confidential nature, that is delivered by the disclosing party to the receiving party within thirty (30) calendar days after its oral disclosure.

2. *Exceptions.* Notwithstanding the foregoing, Confidential Information does not include information that
  - (i) was publicly known at the time it was disclosed or becomes publicly known through no fault or action of the receiving party or any breach of any confidentiality obligation,
  - (ii) was known to the receiving party, without restriction, at the time of disclosure, provided the receiving party can demonstrate such prior knowledge with adequate evidence,
  - (iii) was independently developed by the receiving party without any use of the Confidential Information and by employees or other agents of the receiving party who have not been exposed to the Confidential Information, provided that the receiving party can demonstrate such independent development with adequate evidence, or
  - (iv) becomes known to the receiving party, without restriction, from a source other than the disclosing party without breach of this Agreement by the receiving party and without, to the best of the receiving party's knowledge, breach of another agreement or otherwise in violation of the disclosing party's rights.
3. *Obligations.* Each party agrees that it will (i) use the other party's Confidential Information only in connection with fulfilling its rights and obligations under this Agreement, and (ii) implement reasonable procedures to prohibit the disclosure, unauthorized duplication, misuse or removal of the other party's Confidential Information and will not disclose such Confidential Information to any third party, except as may be necessary and required in connection with the rights and obligations of such party hereto under this Agreement. Without limiting the foregoing, The parties each agree to hold the other party's Confidential Information in strict confidence and to use at least the same procedures and degree of care that it uses to prevent disclosure of its own confidential information of like importance but in no instance less than reasonable care. Each party agrees to obtain executed confidentiality agreements with its employees and contractors having access to Confidential Information of the other party and to diligently take steps to enforce such agreements or be responsible for the actions of such employees and contractors in this respect. Both parties agree that the employment agreements used in the normal course of each party's respective business shall satisfy the requirements of this section.
4. *Exclusions.* Notwithstanding the above, neither party will be liable to the other with regard to any Confidential Information that is:
  - (i) disclosed with prior written approval of the disclosing party, or
  - (ii) disclosed pursuant to the order or requirement of a court, administrative agency, or other governmental body; provided that the receiving party provides sufficient advance notice of the required disclosure to allow the disclosing party a reasonable opportunity to seek a protective order or otherwise prevent or limit such disclosure.

## **G. Publication**

Client recognizes that University may elect to publish and disseminate research results that University develops under the Project. University will submit all such publications, whether intended in writing or by oral presentation, to Client at least thirty (30) days prior to disclosure or submission to any third party. Client will determine within thirty (30) days whether any of its Confidential Information, as defined in Article 15 of this Agreement, is included in the proposed publication. Client may require that its Confidential Information be removed before publication and, in the event that the proposed publication or presentation contains patentable subject matter which needs protection, require that the publication be delayed up to ninety (90) days to permit Client to file a patent application.

## **H. Representations and Warranties**

1. Client warrants that it has the right to license the rights granted under this Agreement to the Licensed Patents and Technology, that to its actual knowledge as of the effective date of this agreement: A) it has obtained any and all necessary permissions from third parties to license the Licensed Patents and Technology, and b) use of the Licensed Patents and Technology by Company in accordance with the terms of this Agreement shall not infringe the patents of any third party.

## **I. Term and Termination**

1. The term of this Agreement commences on the Effective Date, and continues in full force and effect until midnight, on the last day of the sixtieth (60) full calendar month following the Effective Date ("**Term**").
2. If either Party is in material breach of the terms of this Agreement, then the other Party may terminate this Agreement, at its option and without prejudice to any of its other legal and equitable rights and remedies, by giving the breaching Party thirty (30) days notice in writing, particularly specifying the breach. Such notice of termination shall not be effective if the breaching Party cures the specified breach within such thirty (30) day period.
3. Licensor may terminate the Project and/or this Agreement with immediate effect by giving notice in writing to Licensee if Licensee brings a challenge to the validity of any of Licensor's Patent Rights. In the event that Licensee or any of its Affiliates brings a challenge to the validity of any of Licensor's Patent Rights and Licensor does not terminate the Project and/or this Agreement, then Licensee and its Affiliates agree to continue to pay all royalties due under this Agreement during the period of such challenge. Royalties paid by the Licensor and its Affiliates during any such validity challenge shall be non-refundable by Licensee, regardless of the outcome of the validity challenge.
4. Except as provided under Section X below (Inventory Sell Down), upon the effective date of termination of this Agreement, LICENSEE's obligation to pay PATENT EXPENSES, Annual Maintenance Fees, Minimum Annual Royalties and Running Royalties will cease; provided nothing herein will be construed to release either party of any obligation maturing prior to the effective date of the termination.

5. Subject to Section X, LICENSEE agrees to cease and desist any use and all SALE of the LICENSED SUBJECT MATTER and LICENSED PRODUCTS upon termination of this AGREEMENT and owes no obligation to pay PATENT EXPENSES, Running Royalties, Annual Maintenance Fees or Minimum Annual Royalties that would have accrued after the effective date of such termination had this AGREEMENT not been terminated.
6. Licensee may, after the effective date of such termination, sell all Licensed Products and parts thereof that it may have on hand at the date of termination, provided that Licensee pays the earned royalty thereon and any other amounts due pursuant to Article X of this Agreement.

## **J. Indemnification**

1. Sponsor agrees to defend, indemnify and hold University, its officers, employees and agents, harmless from and against any and all liability, loss, expense, attorneys' fees, or claims for injury or damages arising out of the performance of this Agreement but only in proportion to and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by or result from the negligent or intentional acts or omissions of Sponsor, its officers, agents, or employees. University agrees to defend, indemnify and hold Sponsor, its officers, employees and agents, harmless from and against any and all liability, loss, expense, attorneys fees, or claims for injury or damages arising out of the performance of this Agreement but only in proportion to and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by or result from the negligent or intentional acts or omissions of University, its officers, agents, or employees
2. **NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE LICENSE AGREEMENT, EACH PARTY ("INDEMNIFYING PARTY") AGREES TO INDEMNIFY AND HOLD HARMLESS THE OTHER PARTY ("INDEMNIFIED PARTY") AGAINST ALL LIABILITY, LOSSES, COSTS AND EXPENSES (INCLUDING REASONABLE ATTORNEY'S FEES) ARISING FROM (i) THE INDEMNIFIED PARTY'S BREACH OF ANY TERMS OR PROVISIONS CONTAINED IN THE LICENSE AGREEMENT AND/OR IN CONNECTION WITH THE PERFORMANCE OF SUCH AGREEMENT, (ii) VIOLATION BY THE INDEMNIFYING PARTY OR ITS AFFILIATES OF ANY APPLICABLE LAW, REGULATION, OR ORDER, (iii) ANY GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE INDEMNIFYING PARTY OR ITS AFFILIATES, OR (iv) ANY CLAIM RELATED TO ANY INJURY (INCLUDING DEATH) SUSTAINED BY ANY PERSON OR TO ANY PROPERTY RELATING TO OR RESULTING FROM THE INDEMNIFYING PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.**

## **K. Assignment**

1. Neither Party may assign this Agreement without the prior written consent of the other party, which consent will not be unreasonably withheld. Notwithstanding the forgoing, either party may, without the prior consent of the other party, assign this Agreement to its parent or affiliate or to a successor, or to an acquiring entity in connection with a merger or sale of substantially all of the assets of the business or product line to which the Agreement relates.
2. Consultant agrees that the Consulting Services under this Agreement are personal in nature and that Consultant may not assign or delegate the obligations under this Agreement without Client's prior written consent.

## **L. Relationship of the Parties**

The parties hereto are independent contractors. Neither party has any express or implied right or authority to assume or create any obligations on behalf of the other or to bind the other to any contract, agreement or undertaking with any third party. Nothing in this Agreement shall be construed to create a partnership, joint venture, employment or agency relationship between Company and Licensee.

## **V. Samples**

The following agreements, examples collected from various sources, may be useful to the reader as a starting point when drafting the reader's own agreements.

### **A. Employee Assignment Agreement**

#### **INTELLECTUAL PROPERTY RIGHTS AGREEMENT**

I enter this agreement in consideration of the compensation paid for the services I perform for Company or Company subsidiary, either as an employee or otherwise under contract. (Company and its subsidiaries are collectively referred to as "Company".)

I assign to Company all rights to all patents, utility models, industrial designs, trademarks, service marks, semiconductor chip mask works and copyrights on all writings, designs, inventions and works that I conceive, make, invent or suggest during the term of such services and that are connected with my work or otherwise related to the business of Company. (The business of Company includes the business that exists or is anticipated at the time the rights come into existence.)

I will promptly disclose such writings, designs, inventions and works to Company.

At Company's request, whether during or after the term of such services, I will sign patent applications and other lawful papers that Company considers helpful to secure and enforce such rights. Company will bear all expense related to such activities.

This agreement does not apply to an invention that I developed entirely on my own time without using Company's equipment, supplies, facilities, or trade secret information except for those inventions that either relate at the time of conception or reduction to practice of the invention directly to Company's business or to actual or demonstrably anticipated research or development of Company, or result from any work performed by me for

Company. This agreement does not affect Company's ownership of rights in works made for hire.

I will protect Company business and technical information and other proprietary information created or obtained in the course of my services.

I will not disclose to Company, or use in performing services for Company any of my prior inventions that Company is not entitled to use, or any proprietary information belonging to others (including my prior employers) unless I have their written approval.

I will return to Company, at the time my services for Company cease or upon any earlier request, all documents and other materials containing any Company business to technical information or other proprietary information created or obtained in the course of my services. I will not engage in any outside activity that would involve the use or disclosure of any Company business or technical information or other proprietary information created or obtained in the course of my services unless I have prior written approval from a Company officer. This obligation is not changed by termination of my services for Company.

This agreement replaces any prior agreement regarding this subject matter and is binding on my executors, administrators, heirs, legal representatives and assigns. This agreement may be modified only by another written agreement, or by a written endorsement on this agreement, signed by Company and me.

## **B. Consulting Agreement (In Part)**

### **1. INVENTIONS AND DATA RIGHTS**

- a. CONSULTANT agrees that all software, notes, notebooks, designs, drawings, models, writings, reports, sketches, formulas, specifications, memoranda and other data prepared and/or produced by CONSULTANT in the performance of this Agreement are works made for hire and are assigned to and shall become the sole property of COMPANY, including all rights therein of whatever kind or nature, and CONSULTANT agrees not to disclose same to any other person, firm or corporation. Upon termination of its work on the project, or upon the termination or expiration of this Agreement, CONSULTANT agrees to promptly deliver to COMPANY all documents and other records which relate to the business activities of COMPANY, and all other materials which belong to COMPANY.
- b. Should a court of competent jurisdiction hold that such notes, notebooks, designs, drawings, models, writings, reports, sketches, formulas, specifications, memoranda and other data or any portion thereof is not a "work made for hire," CONSULTANT further agrees to and hereby assigns to COMPANY, Inc. as its exclusive property, its entire right, title and interest therein, including, without limitation, all past and future actions and causes of action, claims and demands, related to the foregoing either at law or in equity, and all damages, profits, penalties and other recoveries related thereto for past and future infringement thereof. CONSULTANT further agrees not to exercise any right under copyright, or other right of COMPANY in the work or materials, without the prior written approval of COMPANY.

- c. CONSULTANT agrees and does hereby assign to COMPANY, Inc. as its exclusive property, its entire right, title and interest in those inventions, innovations or ideas developed or conceived by it solely or jointly with others, during the term of its work for or at COMPANY, which inventions, innovations or ideas relate to the products, processes, developments, research activities, or other business activities of COMPANY, or result from or are suggested by, work which it may perform at or for COMPANY, including, without limitation, all past and future actions and causes of action, claims and demands, related to the foregoing either at law or in equity, and all damages, profits, penalties and other recoveries related thereto for past and future infringement thereof. All rights, title and interest in such inventions, innovations or ideas shall be vested in COMPANY immediately upon such development or conception. CONSULTANT further agrees that, when requested, CONSULTANT will without charge to COMPANY, but at COMPANY's expense, sign all papers, take all rightful oaths, and do all acts which may be necessary, desirable or convenient for securing and maintaining the patents, copyrights and legal protection for inventions or innovations in any and all countries and for vesting title in COMPANY, its successors, assigns, and legal representatives or nominees.

## 2. *PROTECTION OF COMPANY'S BUSINESS*

CONSULTANT agrees that it will not in any manner use its knowledge of COMPANY's business for the benefit of any other person or company or divulge to others information or data concerning COMPANY's business affairs, including the names of customers, names of employees, number or character of contracts, marketing strategies and prices, terms or particulars of COMPANY's business. CONSULTANT will, in all things and in good faith, protect the good will of COMPANY's business and keep confidential its knowledge of such business affairs acquired prior to and during the term of this Agreement.

### **C. Assignment Agreement (Lump Sum)**

This agreement ("Agreement"), made this \_\_\_\_ day of January, 2007 ("Effective Date"), is entered into by and between \_\_\_\_\_ and its affiliates ("Client"); and \_\_\_\_\_, individuals residing at \_\_\_\_\_ ("Assignor"). The Assignor is named as the sole inventor on the patent and patent application described in Attachment A ("Patent Rights" as further defined below), which the Assignor desire to sell and assign to Client in exchange for the consideration set forth below. The parties hereby agree as follows

1. Client agrees to pay to the Assignor a one-time, lump-sum payment of \_\_\_\_\_ (\$ \_\_\_\_\_) in full and complete satisfaction of the Assignor's sale and assignment of the Patent Rights to Client hereunder.
2. For value received, the Assignor for themselves and their executors and heirs, agree to and do hereby irrevocably sell and assign to Client and its successors and assigns, all right, title and interest in and to the patent and patent application described in Attachment A to this Agreement, any and all divisionals, continuations, continuations-in-part, reexaminations, reissues, and extensions thereof, and all corresponding United States and foreign patents and patent applications claim-

ing priority to and from any of the foregoing, and including the right, but not the obligation, to sue for past infringement (collectively the “Patent Rights”), and any and all know-how of the Assignor related thereto, including but not limited to, all of the Assignor’s intellectual property rights therein.

3. From and after the Effective Date, the Assignor will execute in timely manner any and all documents, powers and instruments as Client may reasonably request to: (i) record the sale and assignment of the Patent Rights made to Client hereunder, (ii) permit Client to seek, maintain or prosecute any patent within the Patent Rights and to prosecute infringements thereof, (iii) permit Client to obtain necessary or desirable regulatory approvals for products that embody any of the Patent Rights, and (iv) otherwise permit Client to deal with the Patent Rights as the sole and complete owner thereof.
4. Client will have the exclusive right and discretion to enforce any and all of the Patent Rights against any infringements and to defend any product that embodies the Patent Rights against any third-party action or claim alleging infringement of a the third party’s proprietary rights, and to retain all monies obtained as a result of such enforcement and defense. The Assignor will provide reasonable assistance to Client in such enforcement and defense, at Client’s cost.
5. From and after the Effective Date, the Assignor will not disclose to any third party the Patent Rights, in whole or in part, or any business, financial or other confidential or proprietary information of Client, including but not limited to, the amount paid by Client to the Assignor under Section 1 of this Agreement.
6. The Assignor represent and warrant to Client that the Assignor: (i) is the sole and exclusive owner of the Patent Rights, free and clear of all liens, licenses and other encumbrances and rights of third parties, (ii) has full power and authority to transfer assignment of the Patent Rights to Client as set forth herein, free of any restriction or rights of third parties, (iii) has not received any notice from any person or entity claiming to have any right, title or interest in the Patent Rights, and iv) does not own or control any other patent rights that relate to an \_\_\_\_\_ or method of the type described in the Patent Rights. The Assignor further grant Client the right to use Assignor’s name in the description, title and promotion of products that embody technology described in the Patent Rights.
7. This Agreement is to be construed in accordance with the laws of the State of \_\_\_\_\_, without regard to its conflict of law rules.

#### **D. Exclusive License Agreement**

THIS AGREEMENT, effective \_\_\_\_\_, is entered into by \_\_\_\_\_, a corporation of \_\_\_\_\_, having its principal place of business at (herein called LICENSEE), and \_\_\_\_\_, a corporation of \_\_\_\_\_, having its principal place of business at (herein called LICENSOR).

##### **1. Background of Agreement**

- 1.1 LICENSOR represents that it has certain patents pertaining to in respect to which it is prepared to grant an exclusive license to LICENSEE.

- 1.2 LICENSEE wishes to acquire an exclusive license under selected patents of LICENSOR for purposes of \_\_\_\_\_.

## 2. Definitions

As used herein, the following terms shall have the meanings set forth below:

- 2.1 PATENT or PATENTS means the following listed patents and or patent applications, patents to be issued pursuant thereto, and all divisions, continuations, reissues, substitutes, and extensions thereof:

### Applications

U.S.	Application No.	Date Filed
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### Letters Patent

U.S.	Patent No.	Expiration Date
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- 2.2 LICENSED TERRITORY means that the United States of America, its territories, and its possessions.
- 2.3 IMPROVEMENT or IMPROVEMENTS means any patented modification of a device, method, or product described in a PATENT provided such a modification, if unlicensed, would infringe one or more claims of issued PATENTS.
- 2.4 LICENSED FIELD means, and is limited to, the practice of the PATENTS and IMPROVEMENTS to \_\_\_\_\_.
- 2.5 LICENSED PRODUCTS means any and all products which fall within the LICENSED FIELD and which are covered by or are produced using a process or method covered by a claim of a PATENT or IMPROVEMENT.
- 2.6 EFFECTIVE DATE shall be \_\_\_\_\_, 199\_\_.
- 2.7 NET SALES PRICE for the purpose of computing royalties, means LICENSEE'S invoice price, f.o.b. factory, after deduction of regular trade and quantity discounts, but before deduction of any other items, including but not limited to freight allowances, cash discounts, and agents' commissions. Where products are not sold, but are otherwise disposed of, the NET SALES PRICE of such products for the purposes of computing royalties shall be the selling price at which products of similar kind and quality, sold in similar quantities, are currently being offered for sale by LICENSEE. Where such products are not currently being offered for sale by LICENSEE, the NET SALES PRICE of products otherwise disposed of, for the purpose of computing royalties, shall be the average selling price at which products of similar kind and quality, sold in similar quantities, are then currently being offered for sale by other manufacturers. Where such products are not currently sold or offered for sale by LICENSEE or others, then the NET SALES PRICE, for the purposes of computing royalties, shall be LICENSEE'S cost of manufacture, determined by LICENSEE'S customary accounting procedures, plus \_\_\_\_\_ percent

(\_\_%). In order to assure to the LICENSOR the full royalty payments contemplated in this agreement, LICENSEE agrees that in the even any LICENSED PRODUCTS shall be sold for purposes of resale either (1) to a corporation, firm, or association which, or individual who, owns a controlling interest in LICENSEE by stock ownership or otherwise, or (2) to a corporation, firm, or association in which the LICENSEE or its stockholders own a controlling interest by stock ownership or otherwise, the royalties to be paid in respect to such LICENSED PRODUCTS shall be computed upon the net selling price at which the purchaser for resale sells such PRODUCTS rather than upon the net selling price of the LICENSEE.

### 3. License Grant

3.1 LICENSOR hereby grants to LICENSEE, to the extent of the LICENSED FIELD and LICENSED TERRITORY, a license under PATENTS and IMPROVEMENTS to make, use and sell LICENSED PRODUCTS. No license under PATENTS and IMPROVEMENTS is granted, and no license should be implied, with respect to activities of LICENSEE outside the LICENSED FIELD and LICENSED TERRITORY.

3.2 The license granted pursuant to paragraph 3.1 hereof shall be exclusive, with the right to grant sublicenses, until \_\_\_\_\_, and nonexclusive with no right to grant sublicenses thereafter for the term of this Agreement.

### 4. License Fees and Royalty

4.1 LICENSEE shall, as a license fee, pay to LICENSOR, within 10 days after the EFFECTIVE DATE \_\_\_\_\_ dollars (\$\_\_\_\_) which shall be nonrefundable and not creditable against the royalty called for under Section 4.2.

4.2 LICENSEE shall pay to LICENSOR a royalty of \_\_\_\_\_ percent (\_\_%) of the NET SALES PRICE of all LICENSED PRODUCTS sold or otherwise disposed of under the license granted under paragraph 3.1 of this License Agreement.

### 5. Minimum Royalties

5.1 LICENSEE shall pay to LICENSOR royalties as stated in paragraph 4.2, but in no event shall royalties for a calendar year for practice of the PATENTS and IMPROVEMENTS in the LICENSED FIELD and LICENSED TERRITORY be less than the following minimum royalties during each of the calendar years indicated:

Minimum Royalty,

Calendar Year	U.S. \$ per Calendar Year*
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200\_

200\_

200\_ and each calendar year thereafter during the term of this Agreement

\* Net to LICENSOR after taxes, if any, withheld at the source.

- 5.2 LICENSOR may, by written notice to LICENSEE, terminate this Agreement during any February subsequent to the year 19\_, if LICENSEE has not practiced the PATENTS during the calendar year that precedes each such February to the extent of generating earned royalties as provided by paragraph 4.2 of this Agreement in the amount of (\$\_\_\_\_\_).

## **6. Sublicensing**

- 6.1 Sublicensing in the LICENSED FIELD and LICENSED TERRITORY shall be the responsibility of LICENSEE so long as this license remains exclusive and it is the intent of the parties that sublicenses shall be available to qualified third parties on fair and reasonable terms. Sublicenses shall be nonexclusive licenses that are transferable only from LICENSEE to LICENSOR. LICENSEE shall supply LICENSOR with a copy of each sublicense agreement within thirty (30) days of the execution of the sublicense agreement.
- 6.2 The royalty for sublicensees shall be no less than that set forth for LICENSEE in paragraph 4.2, above.
- 6.3 LICENSEE shall pay to LICENSOR \_\_\_\_\_ percent (\_\_\_%) of any and all income received by LICENSEE from sublicensing. Payment of LICENSOR'S share of sublicensing income shall be made to LICENSOR semiannually as provided in Section 7.1.
- 6.4 If this Agreement becomes nonexclusive or if it is terminated for any reason, LICENSEE shall immediately assign all of its right, title, and interest to all sublicenses to LICENSOR including the right to receive all income from sublicensees. LICENSEE shall prior to execution of each sublicense make the sublicensee aware of this contingency.
- 6.5 Income received by LICENSEE from sublicensees shall not apply to the minimum royalty provisions of paragraph 5.1 or the earned royalty provisions of paragraph 5.2.

## **7. Payments**

- 7.1 Not later than the last day of each January and July, LICENSEE shall furnish to LICENSOR a written statement in such detail as LICENSOR may reasonably require of all amounts due pursuant to paragraphs 4.2 and 6.3 for the semiannual periods ended the last days of the preceding December and June, respectively, and shall pay to LICENSOR all amounts due to LICENSOR. In the event that the amounts due at the end of any calendar year do not equal the minimum royalties specified in paragraph 5.1 for said calendar year, LICENSEE shall pay to LICENSOR on the last day of the following January, the amount required to satisfy the minimum royalty obligation for the preceding calendar year. Such amounts are due at the dates the statements are due. If no amount is accrued during any semiannual period, a written statement to that effect shall be furnished.
- 7.2 Payments provided for in this Agreement, when overdue, shall bear interest at a rate per annum equal to one percent (1%) in excess of the "PRIME

RATE” published by “The Wall Street Journal” at the time such payment is due, and for the time period until payment is received by LICENSOR.

- 7.3 If this Agreement is for any reason terminated before all of the payments herein provided for have been made (including minimum royalties for the year in which the agreement is terminated), LICENSEE shall immediately submit a terminal report and pay LICENSOR any remaining unpaid balance even though the due date as above provided has not been reached.

## 8. Representations and Disclaimer of Warranties

- 8.1 NOTHING IN THIS AGREEMENT SHALL BE DEEMED TO BE A REPRESENTATION OR WARRANTY BY LICENSOR OF THE VALIDITY OF ANY OF THE PATENTS OR IMPROVEMENTS. LICENSOR SHALL HAVE NO LIABILITY WHATSOEVER TO LICENSEE OR ANY OTHER PERSON FOR OR ON ACCOUNT OF ANY INJURY, LOSS, OR DAMAGE, OF ANY KIND OR NATURE, SUSTAINED BY, OR ANY DAMAGE ASSESSED OR ASSERTED AGAINST, OR ANY OTHER LIABILITY INCURRED BY OR IMPOSED UPON LICENSEE OR ANY OTHER PERSON, ARISING OUT OF OR IN CONNECTION WITH OR RESULTING FROM (a) THE PRODUCTION, USE, OR SALE OF ANY APPARATUS OR PRODUCT, OR THE PRACTICE OF THE PATENTS OR IMPROVEMENTS; OR (b) ANY ADVERTISING OR OTHER PROMOTIONAL ACTIVITIES WITH RESPECT TO ANY OF THE FOREGOING, AND LICENSEE SHALL HOLD LICENSOR, AND ITS OFFICERS, AGENTS, OR EMPLOYEES, HARMLESS IN THE EVENT LICENSOR, OR ITS OFFICERS, AGENTS, OR EMPLOYEES, IS HELD LIABLE.
- 8.2 LICENSOR shall have the sole right to file, prosecute, and maintain all of the PATENTS that are the property of LICENSOR and shall have the right to determine whether or not, and where, to file a patent application, to abandon the prosecution of any patent or patent application, or to discontinue the maintenance of any patent or patent applications.

## 9. Termination

- 9.1 This Agreement shall terminate upon the expiration of the last to expire of the PATENTS and IMPROVEMENTS included herein, or upon the abandonment of the last to be abandoned of any patent applications included herein, whichever is later, unless the Agreement is sooner terminated.
- 9.2 LICENSEE may terminate this Agreement at any time upon sixty (60) days' written notice in advance to LICENSOR.
- 9.3 If either party shall be in default of any obligation hereunder, or shall be adjudged bankrupt, or become insolvent, or make an assignment for the benefit of creditors, or be placed in the hands of a receiver or a trustee in bankruptcy, the other party may terminate this Agreement by giving sixty (60) days' notice by Registered Mail to the other party, specifying the basis for termination. If within sixty (60) days after the receipt of such

notice, the party receiving notice shall remedy the condition forming the basis for termination, such notice shall cease to be operative, and this Agreement shall continue in full force.

- 9.4 The word “termination” and cognate words, such as “term” and “terminate,” used in this Article 9 and elsewhere in this agreement are to be read, except where the contrary is specifically indicated, as omitting from their effect the following rights and obligations, all of which survive any termination to the degree necessary to permit their complete fulfillment or discharge:
  - 9.4.1 LICENSEE’S obligation to supply a terminal report as specified in paragraph 7.3 of this agreement.
  - 9.4.2 LICENSOR’S right to receive or recover and LICENSEE’S obligation to pay royalties (including minimum royalties) accrued or accruable for payment at the time of any termination.
  - 9.4.3 LICENSEE’S obligation to maintain records under paragraph 11.1 of this agreement.
  - 9.4.4 Licenses, releases, and agreements of nonassertion running in favor of customers or transferees of LICENSEE in respect to products sold or transferred by LICENSEE prior to any termination and on which royalties shall have been paid as provided in paragraph 4.2 of this agreement.
  - 9.4.5 Any cause of action or claim of LICENSOR accrued or to accrue, because of any breach or default by LICENSEE.
  - 9.4.6 The representation and disclaimer of warranties of Section 8.1

## **10. Litigation**

- 10.1 Each party shall notify the other party in writing of any suspected infringement(s) of the PATENTS and IMPROVEMENTS in the LICENSED TERRITORY and shall inform the other party of any evidence of such infringement(s).
- 10.2 LICENSEE shall have the first right to institute suit for infringement(s) in the LICENSED FIELD and the LICENSED TERRITORY so long as this Agreement remains exclusive, LICENSOR agrees to join as a party plaintiff in any such lawsuit initiated by LICENSEE, if requested by LICENSEE, with all costs, attorney fees, and expenses to be paid by LICENSEE. However, if LICENSEE does not institute suit for infringement(s) within ninety (90) days of receipt of written notice from LICENSOR of LICENSOR’S desire to bring suit for infringement in its own name and on its own behalf, then LICENSOR may, at its own expense, bring suit or take any other appropriate action.
- 10.3 If this Agreement is nonexclusive at the time of infringement(s), the sole right to institute suit for infringement and to recover damages shall rest with LICENSOR.

- 10.4 LICENSEE shall be entitled to any recovery of damages resulting from a lawsuit brought by it pursuant to paragraph 10.2. LICENSOR shall be entitled to recovery of damages resulting from any lawsuit brought by LICENSOR to enforce any PATENT or IMPROVEMENT, pursuant to paragraph 10.2.
- 10.5 Neither party may settle with an infringer without the prior approval of the other party if such settlement would affect the rights of the other party under the PATENTS and IMPROVEMENTS.

**11. Records**

- 11.1 LICENSEE shall keep accurate records of all operations affecting payments hereunder, and shall permit LICENSOR or its duly authorized agent to inspect all such records and to make copies of or extracts from such records during regular business hours throughout the term of this Agreement and for a reasonable period of not less than three (3) years thereafter.

**12. Nonassignability**

- 12.1 The parties agree this agreement imposes personal obligations on LICENSEE. LICENSEE shall not assign any rights under this Agreement not specifically transferable by its terms without the written consent of LICENSOR. LICENSOR may assign its rights hereunder.

**13. Severability**

- 13.1 The parties agree that if any part, term, or provision of this Agreement shall be found illegal or in conflict with any valid controlling law, the validity of the remaining provisions shall not be affected thereby.
- 13.2 In the event the legality of any provision of this Agreement is brought into question because of a decision by a court of competent jurisdiction, LICENSOR, by written notice to LICENSEE, may revise the provision in question or may delete it entirely so as to comply with the decision of said court.

**14. Nonuse of Licensor's Name**

- 14.1 In publicizing anything made, used, or sold under this Agreement, LICENSEE shall not use the name of LICENSOR or otherwise refer to any organization related to LICENSOR, except with the written approval of LICENSOR.

**15. Waiver, Integration, Alteration**

- 15.1 The waiver of a breach hereunder may be affected only by a writing signed by the waiving party and shall not constitute a waiver of any other breach.
- 15.2 This Agreement represents the entire understanding between the parties, and supersedes all other agreements, express or implied, between the parties concerning PATENTS and IMPROVEMENTS.

15.3 A provision of this Agreement may be altered only by a writing signed by both parties, except as provided in paragraphs 13.1 and 13.2, above.

**16. Marking**

16.1 LICENSEE shall place in a conspicuous location on LICENSED PRODUCTS, patent notice in accordance with 35 U.S.C. '282. LICENSEE agrees to mark any products made using a process covered by any PATENT or IMPROVEMENT with the number of each such patent and, with respect to such PATENTS and IMPROVEMENTS, to respond to any request for disclosure under 35 U.S.C. '287(b)(4)(B) by only notifying LICENSOR of the request for disclosure.

**17. Applicable Law**

17.1 This Agreement shall be construed in accordance with the substantive laws of the State of \_\_\_\_\_ of the United States of America.

**18. Notices Under the Agreement**

18.1 For the purpose of all written communications and notices between the parties, their address shall be:

LICENSOR:

and

LICENSEE:

or any other addresses of which either party shall notify the other party in writing.

**IN WITNESS WHEREOF** the parties have caused this Agreement to be executed by their duly authorized officers on the respective dates and at the respective places hereinafter set forth.

**E. Joint Development Checklist**

1. Please provide the corporate name, address and state of incorporation for each of the parties cooperating in the joint development program.
2. Describe the business of the development partner and the technology to be developed under the joint development program.
3. Define the objective of the joint development program.
4. What will be the period or term of the cooperation or joint development program?
5. Is a supplier/purchaser commitment desired by one of the parties? (e.g., perhaps a preferred supplier to OEM agreement)
6. Will the relationship between the parties be exclusive or non-exclusive in some way?
7. Will each of the parties be permitted to work with the other party's competitors on similar technology?

8. Who will own (or license) the intellectual property developed during the joint development program?
9. Will there be any field or territory restrictions?
10. Will any patent or technology licenses need to be granted on existing technology? Will a royalty on existing patents be paid? If so, what will be the royalty structure?
11. Has a confidentiality agreement already been executed between the parties with respect to the technology? Should confidentiality obligations be made part of this agreement?
12. Is a management committee needed to set plans for the joint development program?
13. How will costs of the joint development program be shared or funded?
14. Where will the development work take place (location)?
15. What technologies do each of the parties provide? Is it equal?
16. What is the background technology of each party?
17. Has a detailed Statement of Work been prepared defining tasks, responsible parties and deliverables?
18. Will any trademarks be licensed?
19. Are there any regulatory issues to consider such as compliance with regulatory authority guidelines?
20. Are any warranty and/or indemnification obligations or disclaimers needed?
21. *What termination provisions are envisioned? Are there any special requirements (especially survival or technology transfer requirements) upon termination of the Agreement?*
22. Will the cooperating parties be permitted to grant licenses to third parties under the development program IP? If so, how will any royalties be allocated between the parties?
23. Provide contact names and addresses of each of the parties for the notice provision.
24. Provide the name and title of the signatory for each of the parties.

## **F. Term Sheet – Nonbinding Term Sheet for License, Development and Commercialization Agreement**

<b>General</b>	Company B has developed a medical device known as the X-Device suitable for use in Y applications. Company A has expertise in developing and commercializing X-type devices. Under the terms of a definitive agreement (“Agreement”), Company A would fund certain development work to be performed by jointly by Company A and Company B. Under the Agreement, Company A would receive an assignment of all of Company B’s IP rights in the X-Device worldwide created under the Agreement. Company A would pay royalties to Company B on Company A’s sales of X-Devices. Company A would grant back to Company B an exclusive license for applications in the Z field.
<b>License Back Field</b>	Use of the X-Device device in Z applications.
<b>License Back Territory</b>	Worldwide.
<b>Product to Be Developed Under the Program</b>	The production ready version of the product currently designated as the X-Device device, and any improvements thereto, sold for use outside the Z Field.
<b>Development Committee</b>	The parties would form a development committee consisting of 2 representatives from each party. Such committee would make day to day decisions regarding the strategy for Product development. Decisions would be made by unanimous consent.
<b>Development Plan</b>	The parties would agree upon a development plan (“Development Plan”) that would govern their respective responsibilities for developing Products, and attach such plan to the Agreement. The Development Committee would modify the Development Plan annually.
<b>Development Obligations</b>	Each party would use commercially reasonable efforts to perform its obligations under the Development Plan.
<b>Commercialization</b>	Company A would use commercially reasonable efforts to commercialize Products each country in the Territory in which it obtains regulatory approval. Company A would be responsible, at its cost, for promoting, detailing and distributing Products.

- Upfront Fee** Company A would pay Company B \$\_\_\_ upon execution of the Agreement.
- Milestone Payments** One-time only milestone payments would be paid by Company A to Company B for the first model only of Product are as follows:
- I. \$\_\_\_\_\_ in three installments, each due within 30 days following the achievement of the relevant milestone:
    - 1) \$\_\_\_\_\_ upon the date that the Development Committee determines that the results of testing (as provided in the Development Plan) of Products support the commencement of pre-production tooling efforts;
    - 2) \$\_\_\_\_\_ upon completion of verification and validation testing of Products to support commencement of a feasibility trial of Product; and
    - 3) \$\_\_\_\_\_ upon the delivery by Company B to Company A of 100 Products for use in the first feasibility trial of Products.
  - II. \$\_\_\_\_\_ within 30 days after successful completion (to be defined by mutual agreement of the parties) of the first feasibility trial for Products.
- Additional Payments** Company A would pay to Company B (on a quarterly basis) a royalty based on net sales of Product by Company A, its affiliates or sublicensees, as follows:
- | Royalty Due<br>(% of net sales of Product) | Number of Units Sold in<br>Calendar Year |
|--|--|
| 1.5%                                       | 0 to 2,000,000 units                     |
| 1.0  | >2,000,000 to 5,000,000 units            |
| 0.5%                                       | >5,000,000 units                         |
- Or Company A would pay to Company B a minimum annual royalty equal to \$\_\_\_\_\_ per year.
- Supply** Company B would initially supply Product for use in trials, not to exceed 200 units. The parties would agree upon the timing and mechanism for transitioning manufacturing and supply responsibilities to Company A, which shall thereafter supply or have supplied all Product for use in further development and commercialization under the Agreement.

<b>Regulatory Filings and Communications</b>	Company A would be solely responsible for the preparation and filing of all documents required in connection with seeking and obtaining regulatory approval of Products, at its sole expense. The parties would include in the Agreement appropriate provisions for sharing information regarding reportable events to enable each party to comply with regulatory requirements.
<b>Ownership and Licensing of Intellectual Property</b>	Company B would assign all of its patent rights in the X-Device and all intellectual property made or created by or for Company B under the Program to Company A. Company A would grant back to Company B an exclusive, royalty-free license under all such intellectual property to make, use, sell, offer to sell and import products for use in the Field and in the Territory.
<b>Exclusivity</b>	During the term of the Agreement and for ___ years thereafter, Company B would not, directly or indirectly, develop or commercialize any X-type device suitable for use outside of the Field.
<b>Patents Prosecution</b>	Party A will be responsible and have sole discretion for filing and prosecuting patent applications on Program IP, and maintaining patents issued thereon, at such Party A's sole expense. Party B will cooperate with Party A in good faith in seeking patent protection for any Inventions created under the Program.
<b>Termination</b>	Each party would have the right to terminate the Agreement for material breach by the other party if such breach remains uncured for 30 days after the non-breaching party provides a notice to the breaching party of such breach. Company A would pay Company B an early termination fee of \$_____ if Company A terminates the Agreement for convenience.
<b>Assignment</b>	The Agreement would be assignable in connection with a merger or sale of substantially all of the assets of a party to which the Agreement relates. No other assignment would be allowed without prior written consent of the other party, which would not be unreasonably withheld.
<b>Governing Law</b>	The Agreement would be governed by the laws of the State of Delaware.

## G. Joint Development Agreement

This agreement (“**Agreement**”), made this \_\_\_\_ day of \_\_\_\_, 200\_ (“**Effective Date**”), is entered into by and between Client Corporation, a corporation formed under the laws of \_\_\_\_\_ having a place of business at \_\_\_\_\_ and its Affiliated Companies (“**Client**”), and Company, Inc., a corporation formed under the laws of \_\_\_\_\_ having a place of business at \_\_\_\_\_ and its Affiliated Companies (“**Company**”), (each individually a “**Party**”, and collectively the “**Parties**”).

### RECITALS:

- A. Client is in the business of providing management and technology consulting services in areas that include, but are not limited to, enterprise integration, human resources, strategic planning and supply chain management.
- B. Company is engaged in the business of developing, manufacturing and selling \_\_\_\_\_.
- C. Client and Company each desire to undertake one or more joint development programs (“**Program(s)**”, as defined below) under this Agreement and believe that such Program(s) may lead to future business opportunities. The Parties wish to have this Agreement in place to provide a basis for such opportunities.

In consideration of the covenants set forth in this Agreement, the Parties agree as follows:

### 1.0 Definitions

In addition to terms defined elsewhere in this Agreement, the following terms are defined as indicated:

- 1.1 “**Affiliated Companies**” means with respect to a Party, any legal entity controlling, controlled by or under the common control of the Party, directly or indirectly. For purposes of this definition, “control” shall mean owning fifty per cent (50%) or more of the share capital or the right to direct the management of the entity.
- 1.2 “**Background Technology**” means patents, patent applications, know-how, trade secrets, Confidential Information, and other intellectual property rights related to Technology created, developed, acquired or conceived by a Party: i) prior to the Effective Date; and ii) during the Term of this Agreement solely by employees or agents of the Party not working in the Program and not based on the Proprietary Information of the other Party.
- 1.3 “**Confidential Information**” means with respect to a Party any information pertaining to the Technology maintained and protectable by the Party as confidential information or as a trade secret.
- 1.4 “**Program(s)**” means mutually agreed upon development programs or joint projects under this Agreement covered by separate Statements of Work.
- 1.5 “**Program Intellectual Property**” has the meaning set forth in Section 5.1.

- 1.6 “**Statement of Work**” or “**SOW**” means a document setting forth the deliverables for a Program and associated performance benchmarks, milestones, timelines, cost allocations, and responsibilities of the Parties. Statements of Work include Attachment A to this Agreement, and if signed and dated by the Parties, any document of the foregoing description that the Parties may elect from time to time to add to this Agreement.
- 1.7 “**Technology**” means any idea, invention, work of authorship, database, trade secret, know-how, sample, method, process, formula, algorithm, internet address, composition, material, treatment, chemical, test result, marketing, engineering or business information, specification, report, application for patent, patent, and any other information or intellectual property protectable by United States or foreign intellectual property laws including the laws of patents, copyright, trade secrets and confidential information.
- 1.8 “**Term**” has the meaning set forth in Section 10.1.

## **2.0 Cooperation and Development**

- 2.1 The Parties agree to cooperate in accordance with any Program for the Term of this Agreement. Each Party shall use reasonable efforts to perform its obligations in the Program(s) using the latest state of the art technology available to that Party.
- 2.2 The Parties may elect from time to time to amend this Agreement to add a Program defined by a separate Statement of Work.
- 2.3 Each Party shall, as soon as practicable after the start of the Program, disclose that portion of its Background Technology to the other Party that is reasonably needed for the success of the Program. Any Confidential Information related to the Technology that has been exchanged between the Parties prior to signing of this Agreement shall hereafter be made subject to the provisions of this Agreement.
- 2.4 Each Party shall, on a continuous basis during the Term of this Agreement, disclose to and keep the other Party fully informed of any Technology created, developed, acquired or conceived under any Program.
- 3.0 **Program Management.** Each Party, in its sole discretion, but in consultation with the other Party, shall nominate one of its employees or agents to have management responsibility for carrying out the Party’s development work under a Program.
- 4.0 **Ownership of Program Intellectual Property**
- 4.1 In the event that the Background Technology of Company is required for Client to commercialize a product that embodies any of the Program Intellectual Property, Company agrees to grant to Client a world-wide, non-exclusive license, on reasonable terms and conditions, under Company’s Background Technology.

- 4.2 Company agrees to and hereby does assign to Client all of Company's right, title and interest in and to all Technology made or conceived by Company and its employees and agents, either solely or jointly with employees and agents of Client, in performing the Program or based on the Client's Proprietary Information ("**Program Intellectual Property**"). Company agrees to execute and require each of its employees and agents to execute intellectual property assignment agreements that will enable Company to convey the rights it grants to Client under this Section 4.2 and to execute any other agreements or documents requested by Client to enable Client to seek, perfect and enforce the rights granted by Company to Client under this paragraph. Company agrees upon Client's request to deliver any and all such signed agreements and documents to Client. Company agrees not to sue Client, any of its affiliates, or any of their customers or vendors based on any patent, application for patent, or other industrial or intellectual property right obtained by Company on Program Intellectual Property or any improvement thereof.
- 4.3 In consideration of Company's assignment under Section 4.2 of this Agreement, Client agrees to purchase at least thirty percent (30%) of Client's annual requirements of any product that would infringe valid and enforceable claim of any patent within the Program Intellectual Property if held by another ("**Covered Products**"). If Company is unable or unwilling to provide or deliver any Covered Product on commercially competitive terms (including, but not limited to, meeting Client's standards for technology, quality, service, on-time delivery and price) or if Client reasonably believes that Company will not be able to meet its supply obligations or is otherwise in breach any material supply term and such failure is not cured within ninety (90) days of Client's written notice to Company specifying the breach in reasonable detail, then Client may manufacture or purchase from a third party up to one hundred percent (100%) of Client's requirements for the Covered Product.

## 5.0 Protection of Program Intellectual Property

- 5.1 From and after the Effective Date, Company will execute any and all documents, instruments and/or agreements as Client may reasonably request to: (i) record the assignment of the Program Intellectual Property to Client, (ii) permit Client to maintain or prosecute any patents relating to the Program Intellectual Property and, in its sole discretion, to prosecute infringements thereof, (iii) permit Client to obtain any and all necessary or desirable regulatory approvals relating to products that embody the Program Intellectual Property, and (iv) otherwise permit Client to deal with the Program Intellectual Property as the sole and complete owner thereof. Client may, in its discretion and at its own cost, seek patent protection for products and/or Program Intellectual Property in any country using the patent counsel of its selection, which will be managed by Client.

- 5.2 Client will have the exclusive right and discretion to enforce any patents obtained under this Agreement against any infringements and to defend the Covered Products against any third-party action or claim alleging that a Covered Product infringes the third party's proprietary rights. Company will provide reasonable assistance to Client in such enforcement and defense. Company will promptly notify Client of any suspected or actual infringement of the Program Intellectual Property that may come to Company's attention.

#### **6.0 Infringement of Third Party's Intellectual Property Rights**

- 6.1 During the Program, the Parties will endeavor to ascertain that no third party's intellectual property rights are conflicted or infringed.
- 6.2 If any of the Parties determines that there is a conflict or infringement of a third party's intellectual property rights, it shall promptly notify the other Party thereof. The Parties shall consult with each other as to how to overcome such conflict or infringement of a third party's intellectual property rights.

- 7.0 **Funding of Development Program.** Except as provided in a Statement of Work for a Program, each Party shall allocate the resources and personnel that it deems necessary to fulfill its obligations, and shall bear its own expenses, in connection with each Program.

#### **8.0 Confidentiality**

- 8.1 During the Term of this Agreement and for a period of ten (10) years thereafter, each of the Parties undertakes to keep confidential, use solely for Programs, and not to disclose to any third party, except as reasonably necessary to realize the purposes contemplated by this Agreement, the Confidential Information of the other Party. The foregoing obligations shall not extend to any information that: i) is or becomes publicly known without fault of the recipient, or ii) is or becomes lawfully available from another source, or iii) was known to the recipient before receipt from the disclosing party, or iv) is independently developed by the recipient party as evidenced by contemporaneous written documentation, or v) is required by law or regulation to be disclosed, provided that the recipient uses reasonable efforts to notify the disclosing party to provide an opportunity to restrict its disclosure and to obtain confidential treatment, or vi) is disclosed to auditors as part of a quality control or similar audit.
- 8.2 Either Party may disclose the existence of this Agreement to customers, but neither Party may disclose details of any Program to any third person without prior written consent of the other Party. Neither Party will make any press release, public announcement, or public product displays related to this Agreement without the prior review and prior written consent of the other Party, which consent will not be unreasonably withheld. Subject to the above provisions, nothing in this Agreement will be deemed to preclude either Party from working with third parties on similar development projects.

9.0 **Assignment.** This Agreement shall inure to the benefit of and be binding upon the Parties hereto and neither the rights, nor the duties of either Party may be assigned in whole or in part without the prior written consent of the other Party. Notwithstanding the forgoing, Client may, without the prior consent of the other party, assign this Agreement to its parent or affiliate or to a successor, or to an acquiring entity in connection with a merger or sale of substantially all of the assets of the business or product line to which the Agreement relates.

10.0 **Term and Termination**

10.1 This Agreement enters into effect on the Effective Date and shall remain in full force for a period of one (1) year, or as further extended pursuant a Program (“**Term**”), or earlier terminated under the provisions of this Section 10.0. Either Party may terminate this Agreement for convenience at any time upon sixty (60) days prior written notice to the other Party given pursuant to Section 12.

10.2 In the event of a noncompliance with any material term or condition (“**Breach**”) of this Agreement by either Party, the other Party in addition to any other remedies it may have, may terminate this Agreement by a written notice to the breaching Party specifying such Breach. This Agreement shall terminate automatically sixty (60) days after the effective date of the notice pursuant to Section 12, unless the breaching Party cures the breach within such sixty (60) day period.

10.3 Each Party’s rights and obligations that accrued before the effective date of termination or expiration of this Agreement shall survive thereafter. Sections 4.0, 5.0, 8.0, 9.0 and 13.0 will survive the expiration or early termination of this Agreement.

11.0 **Force Majeure.** Neither Party shall be held to have committed a breach of this Agreement in the event of its inability to carry out, observe and comply with any of the provisions or conditions hereof insofar and for so long as such inability arises out of or is caused by war, terrorism, Act of God, statutes or other requirements of duly constituted legislative bodies, strikes, lock-outs, or disturbances of a national character. The obligation affected shall be suspended for the duration of the circumstances provided that the Party affected has notified the other Party in writing.

12.0 Notice. All notices relating to this Agreement shall be given by fax, first class mail or courier addressed as follows:

If to Client Corporation  
Client Corporation  
Address  
Address  
Attn: \_\_\_\_\_  
General Counsel  
Phone:  
Fax:

If to Company:  
Company, Inc.  
Address  
Address  
Attn: \_\_\_\_\_  
General Counsel  
Phone:  
Fax:

or any other addresses of which either Party shall notify the other Party in writing. Any notice provided for in this Agreement shall be deemed effective on the date of actual receipt by a Party.

- 13.0 **Governing Law.** All questions relating to the validity, interpretation, rights and remedies of the Parties under this Agreement shall be decided solely in accordance with the laws of the State of New York, USA, without regard to its conflict of laws provisions. The Parties further consent to the jurisdiction and venue for resolving any controversy involving this Agreement in New York, New York, USA.
- 14.0 **Entire Agreement; Modification.** This Agreement constitutes the entire understanding and agreement relating to the subject matter of this Agreement. There are no representations, warranties, agreements or understandings between the Parties related to the subject matter of this Agreement that are not contained in this Agreement. This Agreement may not be modified or amended except by writing duly signed by the authorized representatives of both Parties.
- 15.0 **Patents, Trademarks, and Trade Names.** Except as otherwise expressly and specifically set forth in this Agreement, nothing in this Agreement is to be construed as granting to the either Party any rights in any intellectual property of the other Party, including, but not limited to, any patents, patent applications, trademarks or trade names of the other Party.
- 16.0 **Relationship of the Parties.** Nothing in this Agreement shall be construed as making either Party the joint venturer, agent, employer, or employee of the other Party. Neither Party shall have the authority to make any statements, representations, or commitments of any kind, or to take any action which shall be binding on the other, except as provided herein or authorized in writing by the Party to be bound.
- 17.0 **Warranties.** Each Party warrants that it has the right and the power to enter into this Agreement and that its performance will not violate any agreement between it and any third party.

Each of the Parties has caused this Agreement to be executed below by its duly authorized representative.

Attachment A  
STATEMENT OF WORK  
[See description of SOW in Section 1.6]

**Exhibit A**  
**PowerPoint Presentation**

# **PATENT AND TECHNOLOGY AGREEMENTS**

**MARGARET A. DOBROWITSKY**

*Michigan State Bar Intellectual Property Law Section,  
March 19, 2007 Spring Seminar*

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## **DISCLAIMER**

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## Overview Of Presentation

- IP Development
- IP Commercialization
- Agreement Provisions
- Sample Agreements
- Questions?

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## IP Development

- Client Solely Develops
- Client Acquires Title
- Client Licenses In
- Client Jointly Develops

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## **Client Solely Develops**

- In-House Development
  - Employee Assignment
- Subcontractor Development
  - Engineering Services Agreement
  - Consulting Agreement

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## **Client Acquires Title**

- Assignment Agreement
  - Lump-Sum or Royalty
- Due Diligence – Prior to Execution
  - Search Owner of Record
  - Have Maintenance Fees Been Paid?
- Follow-up – After Execution
  - Record Title
  - Prosecution File Transfer
  - Attorney of Record Change
  - Foreign Associate Notification

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## Client Licenses In

- Universities
  - Exclusive License (in Field)
  - Sponsored Research Agreement
- Hospitals
- Technology Development Firms
- Sole Inventors – e.g., Doctors

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## University Agreements

- Exclusive vs. Non-Exclusive License
- Publication
- Ownership of Data
- Improvements
- Government Rights
- Option

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## Client Jointly Develops

- Joint Development Environment
- Joint Development Checklist
- Term Sheet
- Joint Development Agreement

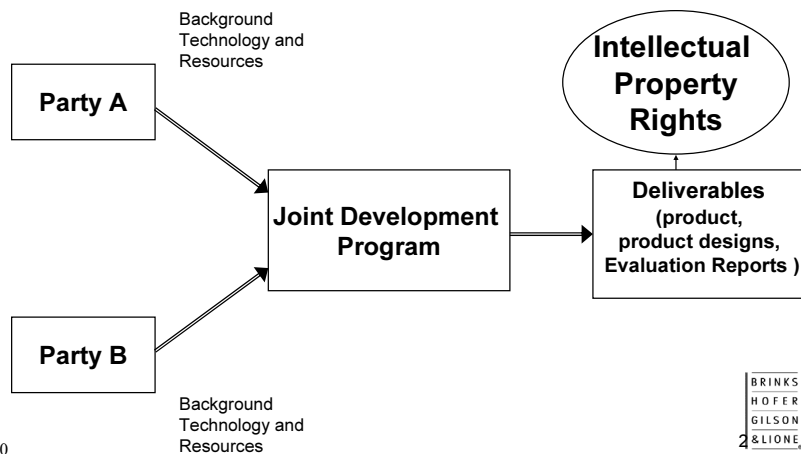
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## Client Jointly Develops

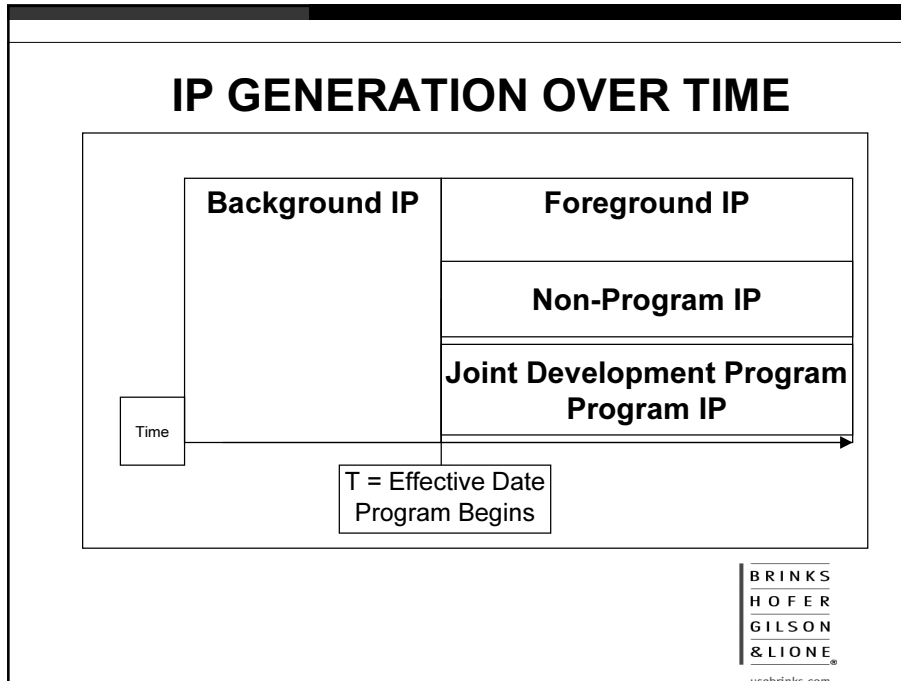
### Joint Development Environment

Program Input/Output



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## Statutory Default for Background IP and Program IP

- Application of US Laws - Assuming No Agreement to Modify IP Rights

Background IP		Program IP		
Party A	Party B	Sole Party A	Sole Party B	Joint Parties A&B
Party A owns	Party B owns	Party A owns	Party B owns	Joint Ownership*

\*Joint ownership – US patent laws gives each joint owner rights to license, sue for infringement, commercialize, etc. without accounting to or seeking approval from the other owner

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## (Foreground IP) Program Technology Generated in Three Different Ways

### Joint Development Program IP

Party A Solely Invented Program IP

Parties A&B Jointly Invented Program IP

Party B Solely Invented Program IP

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## Ownership of IP

- Make the Rules Clear in the Agreement
  - Does not have to depend on inventorship.
  - Is there a subject matter division that make sense?
  
- Inventorship Disputes are Common
  - Document all contributions

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## Alternative Treatments for Background IP and Program IP

Statutory Default Modified through Contract - Joint Development Agr.  
Alternative 1 – All Program Technology Jointly Owned by Parties

Background IP		Program IP		
Party A	Party B	Sole Party A	Sole Party B	Joint A&B
Party A owns – no license to Party B	Party B owns – no license to Party A	Joint Ownership	Joint Ownership	Joint Ownership

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## Alternative Treatments for Background IP and Program IP

Statutory Default Modified through Contract - Joint Development Agr  
Alternative 2 – Each party owns its own Solely Invented Program Technology and Grants a Non-Exclusive License under it to the Other Party

Background IP		Program IP		
Party A	Party B	Sole Party A	Sole Party B	Joint A&B
Party A owns – no license to Party B	Party B owns – no license to Party A	Party A owns grants Party B non-exclusive license	Party B owns grants Party A non-exclusive license	Joint Ownership

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## **Some Options for Treatment of Background IP and Program IP**

- 1. Ownership of Program Technology/IP may be allocated based on the business and/or product lines of the parties, i.e., Fields of Use or Distribution Channels**
- 2. A royalty may be generated for the other party when one party commercializes Program Technology**
- 3. The right to sublicense others may be given to one or more of the parties and sublicensing income may be collected and/or shared**

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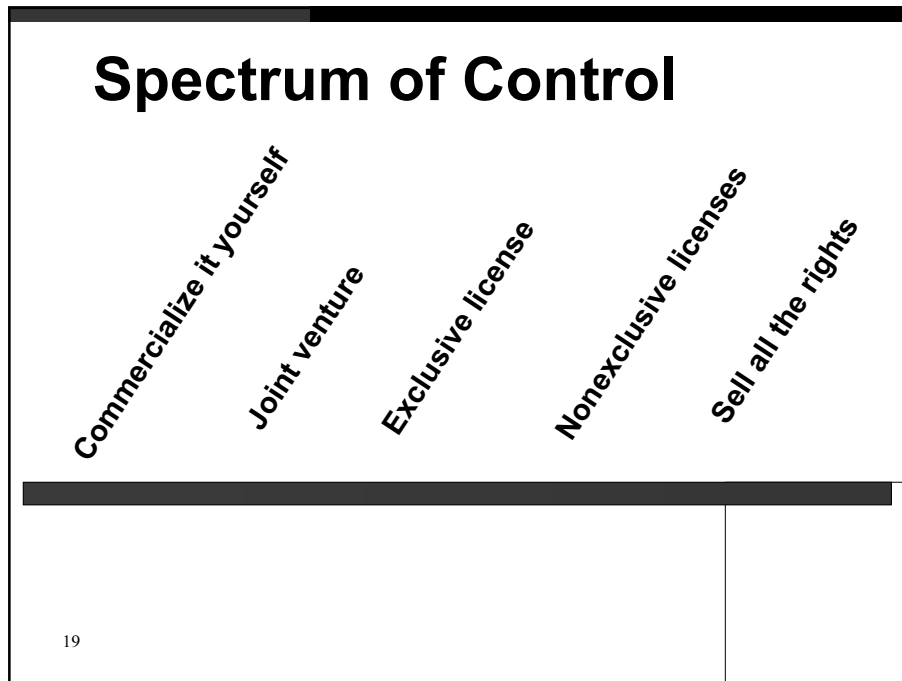
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## **Commercialization**

- Commercializes Itself
- Sells All the Rights
- Grants Exclusive License(s)
- Grants Nonexclusive Licenses
- Forms Joint Venture

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## Two Extremes

- Commercialize it yourself
  - Angels, VC's and Government Grants.
  - Need more than good science.
    - Business Plan
    - Exclusive Rights
- Sell All the rights
  - Assignment for Lump Sum
  - Assignment for Royalty Stream

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## **Remaining 3 Options Require More Complex Agreements**

- Joint Venture
- Grant Exclusive License(s)
  - Field of Use
- Grant Nonexclusive Licenses

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## **Term Sheets**

- Before Negotiation Starts
  - What does Client Want?
- After Negotiation Starts, but before Drafting Agreement
  - What does each Party Want?

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## Define Success Modes

- Who does What?
- Who gets What?
- Try for a Win-Win
- Look as Far Ahead as Possible
  - e.g., what would this agreement do to client's chances of being acquired, etc.?

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## Contemplate Failure Modes

- Failure of Science
- Loss of Interest by One Party
- Modification of Relationship
- Third Party Patent Issues
- Escape Provisions
  - Walk Away
  - Penalties

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## Align Risks and Rewards

- All up for negotiation
- Make sure they make sense
  - Use the incentives/penalties to motivate the behavior
- Make sure that, even if some of the circumstances change, the agreement still produces a benefit to client

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## Agreement Provisions

- **Background (Recitals)**
- **Definitions**
- **Grants**
- **Consideration**
- **Ownership of IP and Data**
- **Confidentiality**
- **Publication**
- **Representations and Warranties**
- **Term and Termination**
  - Most important provisions to review and understand
- **Prosecution**
- **Dispute Resolution**
- **Indemnification**
  - Consider the financial strength of the indemnitor
- **Assignment**

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## Background

- Do not be too broad or too narrow in stating the scope of the agreement

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## Definitions

- When in doubt, define it.
  - Licensed patents, licensed products, improvements, field of use, effective date, net sales, territory, etc.
- Check for consistency all the way to the last read-through

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# Grant

- Use precise language
  - Exclusive or nonexclusive license
  - To make (have made), use, offer to sell, sell, import licensed products
  - Under the licensed patents (and know-how)
  - In the specified territory and/or field
  - For the specified term
  - Contingent on payments
- With or without right to sublicense

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# Consideration

- Up front payment
- Milestone payments
- Minimum payments
- Earned Royalties
- Sublicensing fees
- Share of settlement & litigation awards

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## Term and Termination

- For Convenience w/Notice
  - Common for Licensee
- For Breach w/Cure Period
- Effect of Termination

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## Other Agreements

- Confidential Disclosure Agreements
  - Should precede the disclosure
  - Keep copies in a secure place
- Material Transfer Agreements
- Option Agreements
- Right of First Refusal Agreements
- Evaluation Agreements

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**Questions?**  
**Comments?**

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