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**LICENSING AGREEMENT
BETWEEN
A UNIVERSITY as Licensor
AND
A CORPORATION as Licensee**

**for an exclusive license to manufacture and sell products
derived from a screening method for the evaluation of drugs**

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(not part of the License Agreement)

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AGREEMENT

Effective as of January 1, 1989, UNIVERSITY, a body having corporate powers under the laws of the State of _____ ("UNIVERSITY"), and COMPANY, a _____ corporation, having a principal place of business at _____ ("CO"), agree as follows:

1. BACKGROUND

1.1 UNIVERSITY has an assignment to a Screening Method to Evaluate Drugs ("Invention[s]"), and any Licensed Patent(s), as hereinafter defined, which may issue to such Invention(s).

1.2 UNIVERSITY wishes to have the Invention(s) perfected and marketed at the earliest possible time in order that products resulting therefrom may be available for public use and benefit.

1.3 CO wishes to acquire a license under said Invention(s) and Licensed Patent(s), for the purpose of undertaking development, manufacture, use, and sale of Licensed Product(s).

1.4 The Invention(s) was made in the course of research supported by the National Institutes of Health ("Agency") and is subject to patent regulations of said Agency.

2. DEFINITIONS

2.1 "Licensed Patent(s)" means any Letters Patent issued upon UNIVERSITY's U.S. Patent Application, Serial No. _____, filed _____, including the information contained in such applications, with respect to the Invention(s), any foreign patents corresponding thereto, and/or any divisions, continuations, continuations-in-part, or reissues thereof.

2.2 "Technology" means existing Biological Material and proprietary information provided to CO by inventors and pertaining to the Invention(s).

2.3 "Licensed Product(s)" means any product or part thereof, the manufacture, use, or sale of which:

(a) Is covered by a valid claim of an issued, unexpired Licensed Patent(s) directed to the Invention(s). A claim of an issued, unexpired Licensed Patent(s) shall be presumed to be valid unless and until it has been held to be invalid by a final judgment of a court of competent jurisdiction from which no appeal can be or is taken;

(b) Is covered by any claim being prosecuted in a pending application directed to the Invention(s);

- (c) Is derived from or incorporates any of the Technology; or
 - (d) Is identified or discovered through the use of Technology as a screening agent.
- 2.4 "Net Sales" means the gross revenue of the Licensed Product(s) in the form in which it is sold or used, less the following items but only insofar as they actually pertain to the disposition of such Licensed Product(s) by CO or sub-licensees and are included in such gross revenue, and (except Item [d]) are separately billed:
- (a) Import, export, excise, and sales taxes, plus custom duties
 - (b) Costs of insurance, packing, and transportation from the place of manufacture to the customer's premises or point of installation;
 - (c) Costs of installation at the place of use; and
 - (d) Credit for returns, allowances, or trades.
- 2.5 "Exclusive" means UNIVERSITY shall not grant further licenses, subject to Article 4.

3. GRANT

3.1 UNIVERSITY hereby grants and CO hereby accepts a license to make, have made, use, and sell Licensed Product(s).

3.2 Said license, which includes the right to sub-license, shall be Exclusive for a term commencing as of January 1, 1989, and ending ten (10) years from the date of first commercial sale of a Licensed Product(s) by CO or its sub-licensee(s); CO agrees to promptly inform UNIVERSITY in writing of the date of first commercial sale. The term may be extended by mutual consent if CO can show to UNIVERSITY's satisfaction that such an extension is necessary to provide CO a reasonable return on its investment.

Thereafter, said license shall be non-exclusive until expiration of the last to expire of Licensed Patent(s).

4. GOVERNMENT RIGHTS

This Agreement is subject to all of the terms and conditions of Public Law 96-517 as amended, and CO agrees to take all action necessary on its part as Licensee to enable UNIVERSITY to satisfy its obligation thereunder, relating to Invention(s).

5. ROYALTIES

5.1 CO agrees to pay to UNIVERSITY a non-creditable, non-refundable license issue royalty of Five Thousand Dollars (\$5,000) upon signing of the Agreement.

5.2 CO also shall pay a minimum annual advance on earned royalties of:

(a) One Thousand Dollars (\$1,000) beginning January 1, 1990, and each January 1 thereafter until January 1, 1993; then

(b) Five Thousand Dollars (\$5,000) beginning January 1, 1993, and each January 1 thereafter.

Said advance royalty payments are non-refundable, but they are creditable against earned royalties to the extent provided in Paragraph 5.4.

5.3 In addition, CO shall pay UNIVERSITY earned royalties on Net Sales as follows:

- (a) For therapeutic products identified by use of the screening method
 - (i) Therapeutic products initially identified by the use of the screening method:
 - Four-tenths of one percent (0.4%) if the patent issues;
 - Two-tenths of one percent (0.2%) for five (5) years from the date of first commercial sale if the patent does not issue; and
 - (ii) Therapeutic products with previously suspected activity confirmed by the screening method:
 - Two-tenths of one percent (0.2%) if the patent issues;
 - One-tenth of one percent (0.1%) for five (5) years from the date of first commercial sale if the patent does not issue.
- (b) For therapeutic products derived from Technology:
 - (i) Three percent (3%) on the first Fifty Million Dollars (\$50,000,000) in annual Net Sales;
 - (ii) Two percent (2%) on annual Net Sales of Fifty Million Dollars (\$50,000,000) to One Hundred Million Dollars (\$100,000,000);
 - (iii) Seventy-five hundredths of one percent (.75%) on annual Net Sales above One Hundred Million Dollars (\$100,000,000);
- (c) For diagnostic products derived from Technology, one percent (1%) of Net Sales; and
- (d) For any other Licensed Product(s), the earned royalty will be negotiated in good faith prior to any Net Sales.

5.4 Creditable payments under this Agreement shall be credited to CO against up to fifty percent (50%) of each earned royalty payment which CO would be required to pay pursuant to paragraph 5.3 until the entire credit is exhausted.

5.5 If this Agreement is not terminated in accordance with other provisions hereof, CO's obligation to pay royalties hereunder shall continue until the latter of:

- (a) Five years from the date of commercial sale for each category of Licensed Product(s), if no Licensed Patent(s) issues; or

(b) For so long as CO, by its activities would, but for the license granted herein, infringe a valid claim of an unexpired Licensed Patent(s) of UNIVERSITY covering said activity.

5.6 The royalty on sales in currencies other than U.S. Dollars shall be calculated using the appropriate foreign exchange rate for such currency quoted by the Bank foreign exchange desk, on the close of business on the last banking day of each calendar quarter. Royalty and payments to UNIVERSITY shall be in U.S. Dollars and shall be net of all non-U.S. taxes.

5.7 Within thirty (30) days after receipt of a statement from UNIVERSITY, CO shall reimburse UNIVERSITY for all costs incurred by UNIVERSITY in connection with the filing and prosecution of all patent applications and maintenance of patents corresponding to the Invention(s), and these costs shall be paid by CO.

6. REPORTS, PAYMENTS AND ACCOUNTING

6.1 *Quarterly Royalty Payment and Report.* CO shall make written reports and royalty payments to UNIVERSITY within ninety (90) days after the end of each calendar quarter. This report shall state the number, description, and aggregate Net Sales of Licensed Product(s) during such completed calendar quarter, and resulting calculation pursuant to paragraph 5.3 of earned royalty payment due to UNIVERSITY for such completed calendar quarter. Concurrent with the making of each such report, CO shall include payment due to UNIVERSITY of royalties for the calendar quarter covered by such report.

6.2 *Accounting.* CO agrees to keep records for a period of three (3) years showing the manufacturing, sales use, and other disposition of products sold or otherwise disposed of under the license herein granted in sufficient detail to enable the royalties payable hereunder by CO to be determined, and further agrees to permit its books and records to be examined by UNIVERSITY from time to time to the extent necessary to verify reports provided for in paragraph 6.1. Such examination is to be made by UNIVERSITY, at the expense of UNIVERSITY, except in the event that the results of the audit reveal a discrepancy in CO's favor of ten percent (10%) or more, then the audit fees shall be paid by CO.

6.3 *Progress Report.* On or before September 1 of each year until CO markets a Licensed Product(s), CO shall make a written annual report to UNIVERSITY covering the preceding year ending June 30, regarding the progress of CO toward commercial use of Licensed Product(s). Such report shall include, as a minimum, information sufficient to enable UNIVERSITY to satisfy reporting requirements of the U.S. Government and for UNIVERSITY to ascertain progress by CO toward meeting the diligence requirements of paragraph 12.1.

7. NEGATION OF WARRANTIES

7.1 Nothing in this Agreement is or shall be construed as:

(a) A warranty or representation by UNIVERSITY as to the validity or scope of any Licensed Patent(s);

(b) A warranty or representation that anything made, used, sold, or otherwise disposed of under any license granted in this Agreement is or will be free from infringement of patents, copyrights, and other rights of third parties;

(c) An obligation to bring or prosecute actions or suits against third parties for infringement, except to the extent and in the circumstances described in Article 11; or

(d) Granting by implication, estoppel or otherwise any licenses under patents of UNIVERSITY or other persons other than Licensed Patent(s), regardless of whether such patents are dominant or subordinate to any Licensed Patent(s).

7.2 Except as expressly set forth in this Agreement, UNIVERSITY MAKES NO REPRESENTATIONS AND EXTENDS NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR THAT THE USE OF THE LICENSED PRODUCT(S) WILL NOT INFRINGE ANY PATENT, COPYRIGHT, TRADEMARK, OR OTHER RIGHTS.

8. INDEMNITY

8.1 CO agrees to indemnify, hold harmless, and defend UNIVERSITY and its trustees, officers, employees, students and agents against any and all claims for death, illness, personal injury, property damage and improper business practices arising out of the manufacture, use, sale or other disposition of Invention(s), Licensed Patent(s), Licensed Product(s) or Technology by CO or its sub-licensees, or their customers.

8.2 In addition to the foregoing, CO shall maintain, during the term of this Agreement, Comprehensive General Liability Insurance, including Products Liability Insurance, with reputable and financially secure insurance carrier(s) to cover the activities of CO and its sub-licensees, if any, contemplated by this Agreement.

CO agrees not to proceed with Phase III clinical trials or marketing to the public until the appropriate insurance limits have been mutually agreed upon in writing by CO and UNIVERSITY.

CO agrees to notify UNIVERSITY thirty (30) days prior to the onset of any clinical trial and to inform UNIVERSITY as to the number of patients participating in such clinical trial. Insurance shall be procured and maintained with a reputable and financially secure insurance carrier. Such insurance shall include UNIVERSITY, UNIVERSITY Hospital, their trustees, directors, officers, employees, students and agents as additional insureds with respect to this Agreement and shall provide that it shall not be cancelled or materially altered except upon at least thirty (30) days written notice to UNIVERSITY. CO shall timely provide UNIVERSITY with certificates of insurance evidencing such coverage. All such insurance of CO shall be primary coverage; insurance of UNIVERSITY or UNIVERSITY Hospital shall be excess and non-contributory.

8.3 CO shall at all times comply, through insurance or self-insurance, with all statutory workers' compensation and employers' liability requirements covering any and all employees with respect to activities performed under this Agreement.

9. MARKING

Prior to the issuance of patents on the Invention(s), CO agrees to mark Licensed Products (or their containers or labels) made, sold, or otherwise disposed of by it under the license granted in this Agreement with the words "Patent Pending," and following the issuance of one or more patents, with the numbers of the Licensed Patent(s).

10. PROMOTIONAL ADVERTISING

CO agrees not to identify UNIVERSITY in any promotional advertising or other promotional materials to be disseminated to the public or any portion thereof or to use the name of any UNIVERSITY faculty member, employee, or student or any trademark, service mark, trade name, or symbol of UNIVERSITY or the UNIVERSITY Hospital, or that is associated with either of them, without UNIVERSITY's prior written consent.

11. INFRINGEMENT BY OTHERS; PROTECTION OF PATENTS

11.1 CO shall promptly inform UNIVERSITY of any suspected infringement of any Licensed Patent(s) by a third party. During the exclusive period of this Agreement, UNIVERSITY and CO each shall have the right to institute an action for infringement of the Licensed Patent(s) against such third party in accordance with the following:

(a) If UNIVERSITY and CO agree to institute suit jointly, the suit shall be brought in both their names, the out-of-pocket costs thereof shall be borne equally, and any recovery or settlement shall be shared equally. CO and UNIVERSITY shall agree to the manner in which they shall exercise control over such action. UNIVERSITY may, if it so desires, also be represented by separate counsel of its own selection, the fees for which counsel shall be paid by UNIVERSITY;

(b) In the absence of agreement to institute a suit jointly, UNIVERSITY may institute suit and, at its option, join CO as a plaintiff. UNIVERSITY shall bear the entire cost of such litigation and shall be entitled to retain the entire amount of any recovery or settlement;

(c) In the absence of agreement to institute a suit jointly and if UNIVERSITY notifies CO that it has decided not to join in or institute a suit, as provided in (a) or (b) above, CO may institute suit and, at its option, join UNIVERSITY as a plaintiff. CO shall bear the entire cost of such litigation and shall be entitled to retain the entire amount of any recovery or settlement; and

(d) If UNIVERSITY decides to institute suit, then it shall notify CO in writing. CO's failure to notify UNIVERSITY in writing, within fifteen (15) days after the date of the notice, that it will join in enforcing the patent pursuant to the provisions hereof shall be and be deemed conclusively to be CO's assignment to UNIVERSITY of all rights, causes of action, and damages resulting from any such alleged infringement, and UNIVERSITY shall be enti-

tled to retain the entire amount of any recovery or settlement. Furthermore, at its option, UNIVERSITY may join CO as plaintiff.

11.2 Should either UNIVERSITY or CO commence a suit under the provisions of paragraph 11.1 and thereafter elect to abandon the same, it shall give timely notice to the other party who may, if it so desires, continue prosecution of such suit, provided, however, that the sharing of expenses and any recovery in such suit shall be as agreed upon between UNIVERSITY and CO.

12. COMMERCIAL APPLICATION, SUB-LICENSES

12.1 As an inducement to UNIVERSITY to enter into this Agreement, CO agrees to use all reasonable efforts and diligence to proceed with the development, manufacture and sale or lease of Licensed Product(s) and to diligently develop markets for the Licensed Product(s).

12.2 If CO is unable or unwilling to serve or develop a potential market or market territory for which there is a willing sub-licensee, CO will, at UNIVERSITY's request, negotiate in good faith a sub-license hereunder.

12.3 Any sub-license granted by CO under this Agreement shall be subject and subordinate to terms and conditions of this Agreement, except:

- (a) Sub-license terms and conditions shall reflect that any sub-licensee shall not further sub-license; and
- (b) The earned royalty rate of paragraph 5.3 may be at higher rates than of this Agreement.

Any such sub-license shall also expressly include the provisions of Articles 6, 7, and 8 for the benefit of UNIVERSITY.

12.4 CO shall pay UNIVERSITY on sub-licensing income as follows:

- (a) Sub-licensing of screening method, fifty percent (50%);
- (b) For sub-licensing of therapeutic products identified by the use of the screening method, twenty percent (20%);
- (c) For sub-licensing of therapeutic products derived from Technology, twenty percent (20%);
- (d) For sub-licensing of diagnostic products derived from Technology, fifteen percent (15%); and
- (e) For all other sub-licensing income, fifty percent (50%).

13. TERMINATION

13.1 CO may terminate this Agreement by giving UNIVERSITY notice in writing at least thirty (30) days in advance of the effective date of termination selected by CO.

13.2 UNIVERSITY may terminate this Agreement if CO

- (a) Is in default in payment of royalty or providing of reports;
- (b) Is in breach of any provision hereof; or
- (c) Provides any materially false report;

and CO fails to remedy any such default, breach, or false report within thirty (30) days after written notice thereof by UNIVERSITY.

13.3 Surviving any termination are

- (a) CO's obligation to pay royalties accrued or accruable;
- (b) Any cause of action or claim of CO or UNIVERSITY, accrued or to accrue, because of any breach or default by the other party; and
- (c) The provisions of Articles 6, 7, and 8.

14. ASSIGNMENT

This Agreement may not be assigned.

15. ARBITRATION

15.1 Any controversy arising under or related to this Agreement, or any disputed claim by either party against the other under this Agreement, excluding any dispute relating to patent validity or infringement arising under this Agreement, shall be settled by arbitration in accordance with the Licensing Agreement Arbitration Rules of the American Arbitration Association. Upon request of either party, arbitration will be by:

- (a) A third party arbitrator mutually agreed upon in writing by CO and UNIVERSITY within thirty (30) days of such arbitration request; or
- (b) A member of the American Arbitration Association.

Judgment upon the award rendered by the Arbitrator may be entered in any court having jurisdiction therefor.

15.2 The parties shall be entitled to discovery in like manner as if the arbitration were a civil suit in the California Superior Court.

15.3 Any arbitration shall be held at CITY, STATE, unless the parties hereto mutually agree in writing to another place.

16. NOTICES

All notices under this Agreement shall be deemed to have been fully given when done in writing and deposited in the United States mail, registered or certified, and addressed as follows:

To UNIVERSITY

Attention: _____

To CO

Attention: _____

Either party may change its address upon written notice to the other party.

17. WAIVER

None of the terms, covenants, and conditions of this Agreement can be waived except by the written consent of the party waiving compliance.

18. APPLICABLE LAW

This Agreement shall be construed, interpreted, and applied in accordance with the laws of the State of IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate originals by their duly authorized officers or representatives.

UNIVERSITY

By _____
Title _____
Date _____

COMPANY

By _____
Title _____
Date _____