

## EXCLUSIVE (EQUITY) AGREEMENT

This Agreement between THE BOARD OF TRUSTEES OF THE LELAND STANFORD JUNIOR UNIVERSITY ("Stanford"), an institution of higher education having powers under the laws of the State of California, and \_\_\_\_\_ ("\*\*\*\*\*"), a corporation having a principal place of business at \_\_\_\_\_, is effective on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ ("Effective Date").

### 1. BACKGROUND

Stanford has an assignment of an invention (insert marketing description here). It is entitled "\_\_\_\_\_", was invented in the laboratory of \_\_\_\_\_, and is described in Stanford Docket \_\_\_\_\_. The invention was made in the course of research supported by the \_\_\_\_\_.

Stanford wants to have the invention perfected and marketed as soon as possible so that resulting products may be available for public use and benefit.

*(Special background of particular license)*

### 2. DEFINITIONS

2.1 **"Change of Control"** means the following, as applied only to the entirety of that part of \*\*\*\*\*'s business that exercises all of the rights granted under this Agreement:

- (A) acquisition of ownership—directly or indirectly, beneficially or of record—by any person or group (within the meaning of the Exchange Act and the rules of the SEC or equivalent body under a different jurisdiction) of the capital stock of \*\*\*\*\* representing more than 35% of either the aggregate ordinary voting power or the aggregate equity value represented by the issued and outstanding capital stock of \*\*\*\*\*; and/or
- (B) the sale of all or substantially all \*\*\*\*\*'s assets and/or business in one transaction or in a series of related transactions.

2.2 **"Exclusive"** means that, subject to Articles 3 and 5, Stanford will not grant further licenses under the Licensed Patents in the Licensed Field of Use in the Licensed Territory.

2.3 **"Fully Diluted Basis"** means the total number of shares of \*\*\*\*\*'s issued and outstanding common stock, assuming:

- (A) the conversion of all issued and outstanding securities convertible into common stock;

- (B) the exercise of all issued and outstanding warrants or options, regardless of whether then exercisable; and
- (C) the issuance, grant, and exercise of all securities reserved for issuance pursuant to any \*\*\*\*\* stock or stock option plan then in effect.
- 2.4 **"Licensed Field of Use"** means \_\_\_\_\_.
- 2.5 **"Licensed Patent"** means Stanford's U.S. Patent Application, Serial Number \_\_\_\_\_, filed \_\_\_\_\_, any foreign patent application corresponding thereto, and any divisional, continuation, or reexamination application, extension, and each patent that issues or reissues from any of these patent applications. Any claim of an unexpired Licensed Patent is presumed to be valid unless 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. "Licensed Patent" excludes any continuation-in-part (CIP) patent application or patent.
- 2.6 **"Licensed Product"** means a product or part of a product in the Licensed Field of Use:
- (A) the making, using, importing or selling of which, absent this license, infringes, induces infringement, or contributes to infringement of a Licensed Patent; or
- (B) which is made with, uses or incorporates any Technology.
- 2.7 **"Licensed Territory"** means \_\_\_\_\_.
- 2.8 **"Net Sales"** means all gross revenue derived by \*\*\*\*\* or sublicensees, their distributors or designees, from the sale, transfer or other disposition of Licensed Product to an end user. Net Sales excludes the following items (but only as they pertain to the making, using, importing or selling of Licensed Products, are included in gross revenue, and are separately billed):
- (A) import, export, excise and sales taxes, and 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.
- 2.9 **"Nonroyalty Sublicensing Consideration"** means any consideration received by \*\*\*\*\* from a sublicensee hereunder but excluding any consideration for:
- (A) royalties on products sales (royalties on product sales by sublicensees will be treated as if \*\*\*\*\* made the sale of such product);

- (B) investments in \*\*\*\*\* stock;
  - (C) research and development expenses calculated on a fully burdened basis;
  - (D) debt; and
  - (E) reimbursement of out-of-pocket patent prosecution and maintenance expenses for Patent Matters.
- 2.10 **"Patent Matters"** means preparing, filing, and prosecuting broad and extensive patent claims (including any interference or reexamination actions) for Stanford's benefit in the Licensed Territory and for maintaining all Licensed Patents.
- 2.11 **"Stanford Indemnitees"** means Stanford, Stanford Health Care and Lucile Packard Children's Hospital at Stanford and their respective trustees, officers, employees, students, agents, faculty, representatives, and volunteers.
- 2.12 **"Sublicense"** means any agreement between \*\*\*\*\* and a third party that contains a grant to Stanford's Licensed Patents regardless of the name given to the agreement by the parties; however, an agreement to make, have made, use or sell Licensed Products on behalf of \*\*\*\*\* is not considered a Sublicense.
- 2.13 **"Technology"** means the Licensed Patents and that additional information or materials listed in Appendix D that will be provided by Stanford to \*\*\*\*\*. Technology may or may not be confidential in nature.
- 3. GRANT**
- 3.1 **Grant.** Subject to the terms and conditions of this Agreement, Stanford grants \*\*\*\*\* a license under the Licensed Patent in the Licensed Field of Use to make, have made, use, import, offer to sell and sell Licensed Product in the Licensed Territory.
- 3.2 **Exclusivity.** The license is Exclusive, including the right to sublicense under Article 4, in the Licensed Field of Use beginning on (insert date) and ending on the earlier of:
- (A) (\*\*insert date based on number of years from Effective Date); or
  - (B) the \_\_\_\_\_ anniversary of the date of first sale of any Licensed Product by \*\*\*\*\* or a sublicensee. \*\*\*\*\* agrees to promptly inform Stanford in writing of this first sale.
- 3.3 **Nonexclusivity.** After the Exclusive term, the license will be nonexclusive until the last Licensed Patent expires.
- 3.4 **Retained Rights.** Stanford retains the right, on behalf of itself, Stanford Health Care, Lucile Packard Children's Hospital at Stanford and all other non-profit research institutions, to practice the Licensed Patent and use Technology for any non-profit purpose, including sponsored research and collaborations. \*\*\*\*\* agrees that,

notwithstanding any other provision of this Agreement, it has no right to enforce the Licensed Patent against any such institution. Stanford and any such other institution have the right to publish any information included in the Technology or a Licensed Patent.

3.5 **Specific Exclusion.** Stanford does not:

- (A) grant to \*\*\*\*\* any other licenses, implied or otherwise, to any patents or other rights of Stanford other than those rights granted under Licensed Patent, regardless of whether the patents or other rights are dominant or subordinate to any Licensed Patent, or are required to exploit any Licensed Patent or Technology;
- (B) commit to \*\*\*\*\* to bring suit against third parties for infringement, except as described in Article 14; and
- (C) agree to furnish to \*\*\*\*\* any technology or technological information other than the Technology or to provide \*\*\*\*\* with any assistance.

4. **SUBLICENSING**

4.1 **Permitted Sublicensing.** \*\*\*\*\* may grant Sublicenses in the Licensed Field of Use only during the Exclusive term and only if \*\*\*\*\* is developing or selling Licensed Products. Sublicenses with any exclusivity must include diligence requirements commensurate with the diligence requirements of Appendix A. Stanford agrees that \*\*\*\*\* may apportion without discrimination between \*\*\*\*\* and Stanford patents a commercially reasonable percentage of sublicensing payments made to Stanford pursuant to Section 4.6, provided however that \*\*\*\*\* provides Stanford with the proposed apportionment and justification prior to \*\*\*\*\*'s payment pursuant to Section 8.1. Stanford and \*\*\*\*\* agree to meet to discuss such proposed apportionment if in Stanford's opinion the apportionment does not reasonably reflect the value of the Licensed Patents.

4.2 **Required Sublicensing.** If \*\*\*\*\* is unable or unwilling to serve or develop a potential market or market territory for which there is a company willing to be a sublicensee, \*\*\*\*\* will, at Stanford's request, negotiate in good faith a Sublicense with any such company. Stanford would like licensees to address unmet needs, such as those of neglected patient populations or geographic areas, giving particular attention to improved therapeutics, diagnostics and agricultural technologies for the developing world.

4.3 **Sublicense Requirements.** Any Sublicense:

- (A) is subject to this Agreement;
- (B) will reflect that any sublicensee will not further sublicense;
- (C) will prohibit sublicensee from paying royalties to an escrow or other similar account;
- (D) will expressly include the provisions of Articles 8, 9, and 10 for the benefit of Stanford; and

- (E) will include the provisions of Section 4.4 and require the transfer of all the sublicensee's obligations to \*\*\*\*\*, including the payment of royalties specified in the Sublicense, to Stanford or its designee, if this Agreement is terminated. If the sublicensee is a spin-out from \*\*\*\*\*, \*\*\*\*\* must guarantee the sublicensee's performance with respect to the payment of Stanford's share of Sublicense royalties.

4.4 **Litigation by Sublicensee.** Any Sublicense must include the following clauses:

- (A) In the event sublicensee brings an action seeking to invalidate any Licensed Patent:
- (1) sublicensee will double the payment paid to \*\*\*\*\* during the pendency of such action. Moreover, should the outcome of such action determine that any claim of a patent challenged by the sublicensee is both valid and infringed by a Licensed Product, sublicensee will pay triple times the payment paid under the original Sublicense;
  - (2) sublicensee will have no right to recoup any royalties paid before or during the period challenge;
  - (3) any dispute regarding the validity of any Licensed Patent shall be litigated in the courts located in Santa Clara County, and the parties agree not to challenge personal jurisdiction in that forum; and
  - (4) sublicensee shall not pay royalties into any escrow or other similar account.
- (B) Sublicensee will provide written notice to Stanford at least three months prior to bringing an action seeking to invalidate a Licensed Patent. Sublicensee will include with such written notice an identification of all prior art it believes invalidates any claim of the Licensed Patent.

4.5 **Copy of Sublicenses and Sublicensee Royalty Reports.** \*\*\*\*\* will submit to Stanford a copy of each Sublicense, any subsequent amendments and all copies of sublicensees' royalty reports. Beginning with the first Sublicense, the Chief Financial Officer or equivalent will certify annually regarding the name and number of sublicensees.

4.6 **Sharing of Sublicensing Income.** \*\*\*\*\* will pay to Stanford a portion of all Nonroyalty Sublicensing Consideration for the Sublicense of Licensed Patents and Technology, as provided below:

(A)

4.7 **Royalty-Free Sublicenses.** If \*\*\*\*\* pays all royalties due Stanford from a sublicensee's Net Sales, \*\*\*\*\* may grant that sublicensee a royalty-free or non-cash:

(A) Sublicense or

(B) cross-license.

## 5. GOVERNMENT RIGHTS

This Agreement is subject to Title 35 Sections 200-204 of the United States Code. Among other things, these provisions provide the United States Government with nonexclusive rights in the Licensed Patent. They also impose the obligation that Licensed Product sold or produced in the United States be “manufactured substantially in the United States.” \*\*\*\*\* will ensure all obligations of these provisions are met.

## 6. DILIGENCE

- 6.1 **Milestones.** Because the invention is not yet commercially viable as of the Effective Date, \*\*\*\*\* will diligently develop, manufacture, and sell Licensed Product and will diligently develop markets for Licensed Product. In addition, \*\*\*\*\* will meet the milestones shown in Appendix A, and notify Stanford in writing as each milestone is met.
- 6.2 **Progress Report.** By March 1 of each year, \*\*\*\*\* will submit a written annual report to Stanford covering the preceding calendar year. The report will include information sufficient to enable Stanford to satisfy reporting requirements of the U.S. Government and for Stanford to ascertain progress by \*\*\*\*\* toward meeting this Agreement’s diligence requirements. Each report will describe, where relevant: \*\*\*\*\*’s progress toward commercialization of Licensed Product, including work completed, key scientific discoveries, summary of work-in-progress, current schedule of anticipated events or milestones, market plans for introduction of Licensed Product, and significant corporate transactions involving Licensed Product. \*\*\*\*\* will specifically describe how each Licensed Product is related to each Licensed Patent.
- 6.3 **Clinical Trial Notice.** \*\*\*\*\* will notify the Stanford University Office of Technology Licensing prior to commencing any clinical trials at Stanford.

## 7. ROYALTIES

- 7.1 **Issue Royalty.** \*\*\*\*\* will pay to Stanford a noncreditable, nonrefundable license issue royalty of \$\_\_\_\_\_ upon signing this Agreement.
- 7.2 **Equity Interest.** As further consideration, \*\*\*\*\* will grant to Stanford \_\_\_\_\_ shares of (common or preferred) stock in \*\*\*\*\*. When issued, those shares will represent \_\_\_ % of the (common or preferred) stock in \*\*\*\*\* on a Fully Diluted Basis. \*\*\*\*\* agrees the shares are valued at \_\_\_\_\_ (ALTERNATIVE: ask company to provide letter stating value of shares as of the Effective Date, and include letter as Appendix E) and to provide Stanford with the capitalization table upon which the above calculation is made. \*\*\*\*\* will issue 28.34% of all shares granted to Stanford pursuant to this Section 7.2 and Section 7.3 directly to and in the name of the inventors listed below allocated as stated below:

Inventor 1

Inventor 2

7.3 **Anti-Dilution Protection.** \*\*\*\*\* will issue Stanford, without further consideration, any additional shares of stock of the class issued pursuant to Section 7.2 necessary to ensure that the number of shares issued Stanford pursuant to Section 7.2 and this Section 7.3 does not represent less than \_\_\_ % of the shares issued and outstanding on a Fully-Diluted Basis at any time through the completion of issuance of all shares to be issued in connection with the First Round of bona fide equity investment in \*\*\*\*\* from a single or group of investors which is both (i) at least \$X,000,000 in size and (ii) at a price per share which, when applied to stock actually outstanding immediately after such round, implies a post-financing equity valuation of \*\*\*\*\* of at least \$Y,000,000. A “First Round” is a bona fide round of equity, warrant, option or convertible equity investment which includes all the tranches prior to the completion of the financing. This right will expire upon the issuance of all shares to be issued in connection with such First Round, but will apply to all shares to be issued in or in connection with such First Round.

7.4 **Purchase Right.**

(A) Stanford shall have the right, but not the obligation, to purchase for cash up to its Share of the securities issued in any Qualifying Offering on the terms, and subject to the conditions, set forth in this Section 7.4 and Section 7.5 (the “Purchase Right”). For purposes of this Section 7.4 and Section 7.5:

- (1) “Adjustment Event” means the final closing of the first Threshold Qualifying Offering occurring after the date of this Agreement.
- (2) “Board of Directors” means (i) if \*\*\*\*\* is organized as a corporation, its board of directors, and (ii) if \*\*\*\*\* is organized as a limited liability company, \*\*\*\*\* manager(s) or member(s) or both that have the power to direct the principal management and activities of \*\*\*\*\* , whether through ownership of voting securities, by agreement, or otherwise.
- (3) “Qualifying Offering” means a private offering of \*\*\*\*\*’s equity securities (or securities convertible into or exercisable for \*\*\*\*\*’s equity securities) for cash (or in satisfaction of debt issued for cash) having its final closing on or after the date of this Agreement and which includes investment by one or more venture capital, professional angel, corporate or other similar institutional investors other than Stanford. For the avoidance of doubt, if \*\*\*\*\* is a limited liability company, then “equity securities” means limited liability company interests in \*\*\*\*\*.
- (4) “Share” means:
  - (i) 10% with respect to any Qualifying Offering having a closing on or before the date of an Adjustment Event; or
  - (ii) with respect to any Qualifying Offering having a closing after an Adjustment Event, but before a Termination Event, the percentage necessary for Stanford to maintain its pro rata ownership interest in \*\*\*\*\* on a Fully-Diluted Basis.

- 
- (5) “Threshold Qualifying Offering” means any Qualifying Offering which either (i) is at least \$2,500,000 in size or (ii) involves the sale to outside investors of at least 25% of the equity securities outstanding after such round on a Fully-Diluted Basis.
- (6) The parties shall construe the term “Fully-Diluted Basis” mutatis mutandis in the case where \*\*\*\*\* is organized as a limited liability company.
- (B) The Purchase Right shall terminate upon the earliest to occur of the following (each a “Termination Event”):
- (1) Stanford’s execution of an investor rights agreement or similar agreement (each a “Rights Agreement”) in connection with a Threshold Qualifying Offering so long the Rights Agreement satisfies the terms of this Section 7.4 and Section 7.5 below;
  - (2) Stanford purchases less than its entire Share of a Qualifying Offering;
  - (3) Stanford fails to give an election notice within the Notice Period for a Qualifying Offering which has its final closing within 90 days of the date such notice is received by Stanford and which is closed on terms that are the same or less favorable to the investors as the terms stated in \*\*\*\*\*’s notice to Stanford;
  - (4) The closing of a firm commitment underwritten public offering of \*\*\*\*\*’s common stock; or
  - (5) The closing of the sale of all or substantially all of \*\*\*\*\*’s assets to a company publicly traded on one of the major recognized exchanges.
- (C) The Purchase Right shall not apply to the issuance of securities: (i) to employees, individuals who are members of \*\*\*\*\*’s Board of Directors as of the time of issuance, and service providers to \*\*\*\*\* pursuant to a plan approved by \*\*\*\*\*’s Board of Directors; or (ii) as additional consideration in lending or leasing transactions; or (iii) to an entity pursuant to an arrangement that \*\*\*\*\*’s Board of Directors determines in good faith is a strategic partnership or similar arrangement of \*\*\*\*\* (i.e., an arrangement in which the entity’s purchase of securities is not primarily for the purpose of financing \*\*\*\*\*); or (iv) to owners of another entity in connection with the acquisition of that entity by \*\*\*\*\*.
- (D) For the avoidance of doubt: (i) any securities Stanford may acquire or have the right to acquire under Section 7.2 or 7.3 shall not reduce the number of securities Stanford may purchase under this Section 7.4 or under any applicable Rights Agreement; and (ii) Stanford shall not be obligated to purchase under this Section 7.4 any Company securities it has the right to acquire under Section 7.2 or 7.3 above.



- (E) If the Company has entered into more than one Exclusive (Equity) Agreement or other agreement to license intellectual property from Stanford, and Stanford has fully exercised its right to purchase its Share in connection with a Qualifying Offering under any such agreement, Stanford will waive its right to purchase its Share in connection with a Qualifying Offering under all other applicable agreements. In the event that Stanford has not fully exercised its right to purchase its Share in connection with a Qualifying Offering under any agreement, then Stanford may only exercise its right to purchase under a single agreement, and will waive its right to purchase under all others.

#### 7.5 **Rights Agreements; Information Rights; Notice; Elections.**

- (A) \*\*\*\*\* shall ensure that each Rights Agreement executed by Stanford in connection with a Qualifying Offering will grant to Stanford the same rights as all other investors who are parties to that Rights Agreement. In particular, \*\*\*\*\* shall ensure that each such Rights Agreement will grant to Stanford the same right to purchase additional securities in future offerings, the same information rights, and the same registration rights as are granted to other parties thereto, including all such rights granted to any investor designated as a “Major Investor” or other similar designation, even if Stanford is not so designated.
- (B) Notwithstanding any terms to the contrary contained in any applicable Rights Agreement:
- (1) Stanford shall not have any representation on the Board of Directors or rights to attend meetings of the Board of Directors;
  - (1) In connection with all Qualifying Offerings, \*\*\*\*\* shall give Stanford notice of the terms of the offering, including: (i) the names of the investors, the allocation of equity securities among them and the total amounts to be invested by each of them in such offering; (ii) pre- and post-(projected) financing capitalization table; (iii) investor presentation (if available); (iv) an introduction to the lead investor in such offering for the purpose of discussing the lead investor’s due diligence process; and (v) such other documents and information as Stanford may reasonably request for the purpose of making an investment decision or verifying the amount of equity securities it is entitled to purchase in such offering; and
  - (2) Stanford may elect to exercise its Purchase Right, in whole or in part, by notice given to \*\*\*\*\* within 15 Stanford business days (i.e., days other than Saturdays, Sundays, and holidays or other days on which Stanford is officially closed) after receipt of \*\*\*\*\*’s notice (“Notice Period”).
- (C) If Stanford has no information rights under a Rights Agreement and to the extent that such information has been prepared by \*\*\*\*\* for other purposes, so long as Stanford holds Company securities, \*\*\*\*\* shall furnish to Stanford, upon request and as promptly as reasonably practicable, \*\*\*\*\*’s annual consolidated financial

statements and annual operating plan, including an annual report of the holders of \*\*\*\*\*'s securities, and such other information as Stanford may reasonably request from time to time for the purpose of valuing its interest in \*\*\*\*\*.

- (D) Notwithstanding any notice provision in this Agreement to the contrary, any notice given under this Agreement that refers or relates to any of Section 7.4 above or this Section 7.5 shall be copied concurrently to pvfnotices@stanford.edu; provided, however, that delivery of the copy will not by itself constitute notice for any purpose under this Agreement.

7.4 **License Maintenance Fee.** Beginning \_\_\_\_\_ and each \_\_\_\_\_ thereafter, \*\*\*\*\* will pay Stanford a yearly license maintenance fee of \$\_\_\_\_\_. Yearly maintenance payments are nonrefundable, but they are creditable each year as described in Section 7.8.

7.5 **Milestone Payments.** \*\*\*\*\* will pay Stanford the following milestone payments:

7.6 **Earned Royalty.** \*\*\*\*\* will pay Stanford earned royalties (X%) on Net Sales as follows:

7.7 **Earned Royalty if \*\*\*\*\* Challenges the Patent.** Notwithstanding the above, should \*\*\*\*\* bring an action seeking to invalidate any Licensed Patent, \*\*\*\*\* will pay royalties to Stanford at the rate of 2 x X percent (2xX%) of the Net Sales of all Licensed Products sold during the pendency of such action. Moreover, should the outcome of such action determine that any claim of a patent challenged by \*\*\*\*\* is both valid and infringed by a Licensed Product, \*\*\*\*\* will pay royalties at the rate of 3 x X percent (3xX%) of the Net Sales of all Licensed Products sold.

7.8 **Creditable Payments.** The license maintenance fee for a year may be offset against earned royalty payments due on Net Sales occurring in that year.

For example:

- (A) if \*\*\*\*\* pays Stanford a \$10 maintenance payment for year Y, and according to Section 7.6 \$15 in earned royalties are due Stanford for Net Sales in year Y, \*\*\*\*\* will only need to pay Stanford an additional \$5 for that year's earned royalties.
- (B) if \*\*\*\*\* pays Stanford a \$10 maintenance payment for year Y, and according to Section 7.6 \$3 in earned royalties are due Stanford for Net Sales in year Y, \*\*\*\*\* will not need to pay Stanford any earned royalty payment for that year. \*\*\*\*\* will not be able to offset the remaining \$7 against a future year's earned royalties.

- 7.9 **Obligation to Pay Royalties.** A royalty is due Stanford under this Agreement for any activity conducted under the licenses granted. For convenience's sake, the amount of that royalty is calculated using Net Sales. Nonetheless, if certain Licensed Products are made, used, imported, or offered for sale before the date this Agreement terminates, and those Licensed Products are sold after the termination date, \*\*\*\*\* will pay Stanford an earned royalty for its exercise of rights based on the Net Sales of those Licensed Products.
- 7.10 **No Escrow.** \*\*\*\*\* shall not pay royalties into any escrow or other similar account.
- 7.11 **Currency.** \*\*\*\*\* will calculate the royalty on sales in currencies other than U.S. Dollars using the appropriate foreign exchange rate for the currency quoted by the Wall Street Journal on the close of business on the last banking day of each calendar quarter. \*\*\*\*\* will make royalty payments to Stanford in U.S. Dollars.
- 7.12 **Non-U.S. Taxes.** \*\*\*\*\* will pay all non-U.S. taxes related to royalty payments. These payments are not deductible from any payments due to Stanford.
- 7.13 **Interest.** Any payments not made when due will bear interest at the lower of (a) the Prime Rate published in the Wall Street Journal plus 200 basis points or (b) the maximum rate permitted by law.

## 8. ROYALTY REPORTS, PAYMENTS, AND ACCOUNTING

- 8.1 **Quarterly Earned Royalty Payment and Report.** Beginning with the first sale of a Licensed Product by \*\*\*\*\* or a sublicensee, \*\*\*\*\* will submit to Stanford a written report (even if there are no sales) and an earned royalty payment within 30 days after the end of each calendar quarter. This report will be in the form of Appendix B and will state the number, description, and aggregate Net Sales of Licensed Product during the completed calendar quarter. The report will include an overview of the process and documents relied upon to permit Stanford to understand how the earned royalties are calculated. With each report \*\*\*\*\* will include any earned royalty payment due Stanford for the completed calendar quarter (as calculated under Section 7.6).
- 8.2 **No Refund.** In the event that a validity or non-infringement challenge of a Licensed Patent brought by \*\*\*\*\* is successful, \*\*\*\*\* will have no right to recoup any royalties paid before or during the period challenge.
- 8.3 **Termination Report.** \*\*\*\*\* will pay to Stanford all applicable royalties and submit to Stanford a written report within 90 days after the license terminates. \*\*\*\*\* will continue to submit earned royalty payments and reports to Stanford after the license terminates, until all Licensed Products made or imported under the license have been sold.
- 8.4 **Accounting.** \*\*\*\*\* will maintain records showing manufacture, importation, sale, and use of a Licensed Product for 7 years from the date of sale of that Licensed Product. Records will include general-ledger records showing cash receipts and expenses, and records that include: production records, customers, invoices, serial numbers, and related

information in sufficient detail to enable Stanford to determine the royalties payable under this Agreement.

- 8.5 **Audit by Stanford.** \*\*\*\*\* will allow Stanford or its designee to examine \*\*\*\*\*'s records to verify payments made by \*\*\*\*\* under this Agreement.
- 8.6 **Paying for Audit.** Stanford will pay for any audit done under Section 8.5. But if the audit reveals an underreporting of earned royalties due Stanford of 5% or more for the period being audited, \*\*\*\*\* will pay the audit costs.
- 8.7 **Self-audit.** \*\*\*\*\* will conduct an independent audit of sales and royalties at least every 2 years if annual sales of Licensed Product are over \$5,000,000. The audit will address, at a minimum, the amount of gross sales by or on behalf of \*\*\*\*\* during the audit period, the amount of funds owed to Stanford under this Agreement, and whether the amount owed has been paid to Stanford and is reflected in the records of \*\*\*\*\*. \*\*\*\*\* will submit the auditor's report promptly to Stanford upon completion. \*\*\*\*\* will pay for the entire cost of the audit.

## 9. EXCLUSIONS AND NEGATION OF WARRANTIES

- 9.1 **Negation of Warranties.** Stanford provides \*\*\*\*\* the rights granted in this Agreement AS IS and WITH ALL FAULTS. Stanford makes no representations and extends no warranties of any kind, either express or implied. Among other things, Stanford disclaims any express or implied warranty:
- (A) of merchantability, of fitness for a particular purpose;
  - (B) of non-infringement; or
  - (C) arising out of any course of dealing.
- 9.2 **No Representation of Licensed Patent.** \*\*\*\*\* also acknowledges that Stanford does not represent or warrant:
- (A) the validity or scope of any Licensed Patent; or
  - (B) that the exploitation of Licensed Patent or Technology will be successful.

## 10. INDEMNITY

- 10.1 **Indemnification.** \*\*\*\*\* will indemnify, hold harmless, and defend all Stanford Indemnitees against any claim of any kind arising out of or related to the exercise of any rights granted \*\*\*\*\* under this Agreement or the breach of this Agreement by \*\*\*\*\*.
- 10.2 **No Indirect Liability.** Stanford is not liable for any special, consequential, lost profit, expectation, punitive or other indirect damages in connection with any claim arising out of

or related to this Agreement, whether grounded in tort (including negligence), strict liability, contract, or otherwise.

10.3 **Workers' Compensation.** \*\*\*\*\* will comply with all statutory workers' compensation and employers' liability requirements for activities performed under this Agreement.

10.4 **Insurance.** During the term of this Agreement, \*\*\*\*\* will maintain Comprehensive General Liability Insurance, including Product Liability Insurance, with a reputable and financially secure insurance carrier to cover the activities of \*\*\*\*\* and its sublicensees. The insurance will provide minimum limits of liability of \$5,000,000 and will include all Stanford Indemnitees as additional insureds. Insurance must cover claims incurred, discovered, manifested, or made during or after the expiration of this Agreement and must be placed with carriers with ratings of at least A- as rated by A.M. Best. Within 15 days of the Effective Date of this Agreement, \*\*\*\*\* will furnish a Certificate of Insurance evidencing primary coverage and additional insured requirements. \*\*\*\*\* will provide to Stanford 30 days prior written notice of cancellation or material change to this insurance coverage. \*\*\*\*\* will advise Stanford in writing that it maintains excess liability coverage (following form) over primary insurance for at least the minimum limits set forth above. All insurance of \*\*\*\*\* will be primary coverage; insurance of Stanford Indemnitees will be excess and noncontributory.

## 11. EXPORT

\*\*\*\*\* and its affiliates and sublicensees shall comply with all United States laws and regulations controlling the export of licensed commodities and technical data. (For the purpose of this paragraph, "licensed commodities" means any article, material or supply but does not include information; and "technical data" means tangible or intangible technical information that is subject to U.S. export regulations, including blueprints, plans, diagrams, models, formulae, tables, engineering designs and specifications, manuals and instructions.) These laws and regulations may include, but are not limited to, the Export Administration Regulations (15 CFR 730-774), the International Traffic in Arms Regulations (22 CFR 120-130) and the various economic sanctions regulations administered by the U.S. Department of the Treasury (31 CFR 500-600).

Among other things, these laws and regulations prohibit or require a license for the export or retransfer of certain commodities and technical data to specified countries, entities and persons. \*\*\*\*\* hereby gives written assurance that it will comply with, and will cause its affiliates and sublicensees to comply with all United States export control laws and regulations, that it bears sole responsibility for any violation of such laws and regulations by itself or its affiliates or sublicensees, and that it will indemnify, defend and hold Stanford harmless for the consequences of any such violation.

## 12. MARKING

Before any Licensed Patent issues, \*\*\*\*\* will mark Licensed Product with the words “Patent Pending.” Otherwise, \*\*\*\*\* will mark Licensed Product with the number of any issued Licensed Patent.

## 13. STANFORD NAMES AND MARKS

\*\*\*\*\* will not use (i) Stanford’s name or other trademarks, (ii) the name or trademarks of any organization related to Stanford, or (iii) the name of any Stanford faculty member, employee, student or volunteer without the prior written consent of Stanford. Permission may be withheld at Stanford’s sole discretion. This prohibition includes, but is not limited to, use in press releases, advertising, marketing materials, other promotional materials, presentations, case studies, reports, websites, application or software interfaces, and other electronic media.

## 14. PROSECUTION AND PROTECTION OF PATENTS

### 14.1 Patent Prosecution.

- (A) Following the Effective Date and subject to Stanford’s approval, \*\*\*\*\* will be responsible for Patent Matters. \*\*\*\*\* will use its best efforts with respect to the Patent Matters and in doing so will act in good faith irrespective of other patents, patent applications, or other rights that \*\*\*\*\* may possess. \*\*\*\*\* will notify Stanford before taking any substantive actions in prosecuting the claims, and Stanford will have final approval on how to proceed with any such actions. To aid \*\*\*\*\* in this process, Stanford will provide information, execute and deliver documents and do other acts as \*\*\*\*\* shall reasonably request from time to time. If Stanford at any time believes that \*\*\*\*\* has failed to satisfy the standards of this Section 14.1(A), it may, upon 30 days’ notice, terminate this Section 14.1(A).
- (B) \*\*\*\*\* will reimburse Stanford for Stanford’s reasonable costs incurred in complying with such requests. Stanford and \*\*\*\*\* agree that Stanford is the client of record for the attorney prosecuting the Licensed Patents and agree to have Appendix C fully executed by the appropriate parties upon execution of this Agreement. At Stanford’s request, \*\*\*\*\* will provide all information and assistance to Stanford to ensure that Licensed Patent is as extensive as possible. If Stanford has terminated Section 14.1(A), any agreement in the form of Appendix C will be deemed to be amended immediately without prior action by any party to revise Appendix C, Section 1 to require the Firm (as defined in Appendix C) to interact directly with Stanford only.

14.2 **Patent Costs.** Within 30 days after receiving a statement from Stanford, \*\*\*\*\* will reimburse Stanford:

- (A) \$ \_\_\_\_\_ to offset Licensed Patent’s patenting expenses, including any interference or reexamination matters, incurred by Stanford before the Effective Date; and

- (B) for all Licensed Patent's patenting expenses, including any interference or reexamination matters, incurred by Stanford after the Effective Date. In all instances, Stanford will pay the fees prescribed for large entities to the United States Patent and Trademark Office.
- 14.3 **Infringement Procedure.** \*\*\*\*\* will promptly notify Stanford if it believes a third party infringes a Licensed Patent or if a third party files a declaratory judgment action with respect to any Licensed Patent. During the Exclusive term of this Agreement and if \*\*\*\*\* is developing Licensed Product, \*\*\*\*\* may have the right to institute a suit against or defend any declaratory judgment action initiated by this third party as provided in Section 14.4 through and including Section 14.8.
- 14.4 **Stanford Suit.** Stanford has the first right to institute suit, and may name \*\*\*\*\* as a party for standing purposes. If Stanford decides to institute suit, it will notify \*\*\*\*\* in writing. If \*\*\*\*\* does not notify Stanford in writing that it desires to jointly prosecute the suit within 15 days after the date of the notice, \*\*\*\*\* will assign and hereby does assign to Stanford all rights, causes of action, and damages resulting from the alleged infringement. Stanford will bear the entire cost of the litigation and will retain the entire amount of any recovery or settlement.
- 14.5 **Joint Suit.** If Stanford and \*\*\*\*\* so agree, they may institute suit or defend the declaratory judgment action jointly. If so, they will:
- (A) prosecute the suit in both their names;
  - (B) bear the out-of-pocket costs equally;
  - (C) share any recovery or settlement equally; and
  - (D) agree how they will exercise control over the action.
- 14.6 **\*\*\*\*\* Suit.** If neither Section 14.4 nor 14.5 applies, \*\*\*\*\* may institute and prosecute a suit or defend any declaratory judgment action so long as it conforms with the requirements of this Section and \*\*\*\*\* is diligently developing or selling Licensed Product. \*\*\*\*\* will diligently pursue the suit and \*\*\*\*\* will bear the entire cost of the litigation, including expenses and counsel fees incurred by Stanford. \*\*\*\*\* will keep Stanford reasonably apprised of all developments in the suit, and will seek Stanford's input and approval on any substantive submissions or positions taken in the litigation regarding the scope, validity and enforceability of the Licensed Patent. \*\*\*\*\* will not prosecute, settle or otherwise compromise any such suit in a manner that adversely affects Stanford's interests without Stanford's prior written consent. Stanford may be named as a party only if
- (A) \*\*\*\*\*'s and Stanford's respective counsel recommend that such action is necessary in their reasonable opinion to achieve standing;
  - (B) Stanford is not the first named party in the action; and

(C) the pleadings and any public statements about the action state that \*\*\*\*\* is pursuing the action and that \*\*\*\*\* has the right to join Stanford as a party.

14.7 **Recovery.** If \*\*\*\*\* sues under Section 14.6, then any recovery in excess of any unrecovered litigation costs and fees will be shared with Stanford as follows:

(A) any payment for past sales will be deemed Net Sales, and \*\*\*\*\* will pay Stanford royalties at the rates specified in Section 7.6;

(B) any payment for future sales will be deemed a payment under a Sublicense, and royalties will be shared as specified in Article 4; and

(C) \*\*\*\*\* and Stanford will negotiate in good faith appropriate compensation to Stanford for any non-cash settlement or non-cash cross-license.

14.8 **Abandonment of Suit.** If either Stanford or \*\*\*\*\* commences a suit and then wants to abandon the suit, it will give timely notice to the other party. The other party may continue prosecution of the suit after Stanford and \*\*\*\*\* agree on the sharing of expenses and any recovery in the suit.

## 15. TERMINATION

15.1 **Termination by \*\*\*\*\*.** \*\*\*\*\* may terminate this Agreement by giving Stanford written notice at least 30 days in advance of the effective date of termination selected by \*\*\*\*\*.

### 15.2 Termination by Stanford.

(A) Stanford may also terminate this Agreement if \*\*\*\*\*:

(1) is delinquent on any report or payment;

(2) is not diligently developing and commercializing Licensed Product;

(3) misses a milestone described in Appendix A;

(4) is in breach of any provision; or

(5) provides any false report.

(B) Termination under this Section 15.2 will take effect 30 days after written notice by Stanford unless \*\*\*\*\* remedies the problem in that 30-day period.

15.3 **Surviving Provisions.** Surviving any termination or expiration are:

(A) \*\*\*\*\*'s obligation to pay royalties accrued or accruable;

(B) any claim of \*\*\*\*\* or Stanford, accrued or to accrue, because of any breach or default by the other party; and



- (C) the provisions of Articles 8, 9, and 10 and any other provision that by its nature is intended to survive.

## 16. CHANGE OF CONTROL AND NON-ASSIGNABILITY

- 16.1 **Change of Control.** If there is a Change of Control, \*\*\*\*\* will pay Stanford a \$\_\_\_\_\_ (“Change of Control Fee”) upon assignment of this Agreement per Section 16.2.
- 16.2 **Conditions of Assignment under Change of Control.** \*\*\*\*\* may assign this Agreement as part of a Change of Control upon prior and complete performance of the following conditions:
- (A) \*\*\*\*\* must give Stanford 30 days prior written notice of the assignment, including the new assignee’s contact information; and
  - (B) the new assignee must agree in writing to Stanford to be bound by this Agreement; and
  - (C) Stanford must have received the full Change of Control Fee.
- 16.3 **After the Assignment.** Upon a permitted assignment of this Agreement pursuant to Article 16, \*\*\*\*\* will be released of liability under this Agreement and the term "\*\*\*\*\*" in this Agreement will mean the assignee.
- 16.4 **Bankruptcy.** In the event of a bankruptcy or insolvency, assignment is permitted only to a party that can provide adequate assurance of future performance, including diligent development and sales of Licensed Product.
- 16.5 **Nonassignability of Agreement.** Except in conformity with Sections 16.2 and 16.4, this Agreement is not assignable by \*\*\*\*\* under any other circumstances and any attempt to assign this Agreement by \*\*\*\*\* is null and void.

## 17. DISPUTE RESOLUTION

- 17.1 **Dispute Resolution by Arbitration.** Any dispute between the parties regarding any payments made or due under this Agreement will be settled by arbitration in accordance with the JAMS Arbitration Rules and Procedures. The parties are not obligated to settle any other dispute that may arise under this Agreement by arbitration.
- 17.2 **Request for Arbitration.** Either party may request such arbitration. Stanford and \*\*\*\*\* will mutually agree in writing on a third party arbitrator within 30 days of the arbitration request. The arbitrator’s decision will be final and nonappealable and may be entered in any court having jurisdiction.

- 17.3 **Discovery.** The parties will be entitled to discovery as if the arbitration were a civil suit in the California Superior Court. The arbitrator may limit the scope, time, and issues involved in discovery.
- 17.4 **Place of Arbitration.** The arbitration will be held in Stanford, California unless the parties mutually agree in writing to another place.
- 17.5 **Patent Validity.** Any dispute regarding the validity of any Licensed Patent shall be litigated in the courts located in Santa Clara County, California, and the parties agree not to challenge personal jurisdiction in that forum.

## 18. NOTICES

- 18.1 **Legal Action.** \*\*\*\*\* will provide written notice to Stanford at least three months prior to bringing an action seeking to invalidate any Licensed Patent or a declaration of non-infringement. \*\*\*\*\* will include with such written notice an identification of all prior art it believes invalidates any claim of the Licensed Patent.
- 18.2 **All Notices.** All notices under this Agreement are deemed fully given when written, addressed, and sent as follows:

All general notices to \*\*\*\*\* are mailed or emailed to:

\_\_\_\_\_ Name \_\_\_\_\_  
\_\_\_\_\_ Address \_\_\_\_\_  
\_\_\_\_\_ Email \_\_\_\_\_

All financial invoices to \*\*\*\*\* (i.e., accounting contact) are e-mailed to:

\_\_\_\_\_ Name \_\_\_\_\_  
\_\_\_\_\_ Email \_\_\_\_\_

All progress report invoices to \*\*\*\*\* (i.e., technical contact) are e-mailed to:

\_\_\_\_\_ Name \_\_\_\_\_  
\_\_\_\_\_ Email \_\_\_\_\_

All general notices to Stanford are e-mailed or mailed to:

Office of Technology Licensing  
3000 El Camino Real  
Building 5, Suite 300  
Palo Alto, CA 94306-2100  
info@otlmail.stanford.edu

All payments to Stanford are mailed to:

Stanford University  
Office of Technology Licensing  
Department #44439  
P.O. Box 44000  
San Francisco, CA 94144-4439

All progress reports to Stanford are e-mailed or mailed to:

Office of Technology Licensing  
3000 El Camino Real  
Building 5, Suite 300  
Palo Alto, CA 94306-2100  
info@otlmail.stanford.edu

Any notice related to Section **Error! Reference source not found.** or Section **Error! Reference source not found.** (Stanford Purchase Rights) shall be copied concurrently to [pvfnotices@stanford.edu](mailto:pvfnotices@stanford.edu).

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

## 19. MISCELLANEOUS

- 19.1 **Waiver.** No term of this Agreement can be waived except by the written consent of the party waiving compliance.
- 19.2 **Choice of Law.** This Agreement and any dispute arising under it is governed by the laws of the State of California, United States of America, applicable to agreements negotiated, executed, and performed within California.
- 19.3 **Entire Agreement.** The parties have read this Agreement and agree to be bound by its terms, and further agree that it constitutes the complete and entire agreement of the parties and supersedes all previous communications, oral or written, and all other communications between them relating to the license and to the subject hereof. This Agreement may not be amended except by writing executed by authorized representatives of both parties. No representations or statements of any kind made by either party, which are not expressly stated herein, will be binding on such party.
- 19.4 **Exclusive Forum.** The state and federal courts having jurisdiction over Stanford, California, United States of America, provide the exclusive forum for any court action between the parties relating to this Agreement. \*\*\*\*\* submits to the jurisdiction of such courts, and waives any claim that such a court lacks jurisdiction over \*\*\*\*\* or constitutes an inconvenient or improper forum.

19.5 **Headings.** No headings in this Agreement affect its interpretation.

19.6 **Electronic Copy.** The parties to this document agree that a copy of the original signature (including an electronic copy) may be used for any and all purposes for which the original signature may have been used. The parties further waive any right to challenge the admissibility or authenticity of this document in a court of law based solely on the absence of an original signature.

The parties execute this Agreement in duplicate originals by their duly authorized officers or representatives.

**THE BOARD OF TRUSTEES OF THE LELAND  
STANFORD JUNIOR UNIVERSITY**

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**[INSERT FULL LEGAL NAME OF \*\*\*\*\* HERE]**

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

### Appendix A - Milestones

Review company's business plan to develop milestones that fit the licensing situation. Below are ideas for potential milestones:

<i>Category</i>	<b>Physical Science Inventions</b>	<b>Life Science Inventions</b>
<b>***** viability</b>	Financing Management team Manufacturing & operations (build facility or outsource manufacturing) Relationships with suppliers, customers, strategic partners	
<b>Development</b>	Operational prototype Qualification or reliability Telecom: lab trial, field trial	Animal studies Government approval FDA: NDA, Phase I, Phase II, etc.
<b>Broad commercialization</b>	Licensed Product available for sale First sale Net Sales (alternative; ramping annual minimums) Multiple customers	

1. \*\*\*\*\* has already provided Stanford a preliminary business plan. By \_\_\_\_\_, \*\*\*\*\* will provide Stanford a detailed document covering \*\*\*\*\*'s plans as to projected product development, markets and sales forecasts, manufacturing and operations, and financial forecasts until at least \$X,000,000 ("Business Plan"). Stanford will treat this Business Plan as confidential information and to protect it as Stanford would its own confidential information.
2. By \_\_\_\_\_, \*\*\*\*\* will have \$X,000,000 of available non-contingent, operating capital to proceed with the exploration and development of Licensed Product. Capital will be from a third party who may or may not be an investor in \*\*\*\*\* and unused capital will be on deposit in a financial institutional acceptable to both Stanford and \*\*\*\*\*.
3. By \_\_\_\_\_, \*\*\*\*\* will provide to Stanford a listing of the management team or a schedule for the recruitment of key management positions.
4. By \_\_\_\_\_, \*\*\*\*\* will make a prototype/ begin animal studies.
5. By \_\_\_\_\_, \*\*\*\*\* will file an NDA, Phase I, Phase II, etc.
6. By \_\_\_\_\_, \*\*\*\*\* will have a first sale of Licensed Product.
7. \*\*\*\*\* or a sublicensee must sell at least 1 Licensed Product every 6 months after the date of first sale of a Licensed Product.
8. By \_\_\_\_\_, \*\*\*\*\* will reach annual Net Sales of at least \$X,000,000.
9. By \_\_\_\_\_, \*\*\*\*\* will obtain purchase orders from at least 2 customers.
10. By \_\_\_\_\_, \*\*\*\*\* will reach annual Net Sales of at least \$XX,000,000.
11. By \_\_\_\_\_, \*\*\*\*\* will reach annual Net Sales of at least \$XXX,000,000.

## Appendix B – Sample Reporting Form

Stanford Docket No. S            -

This report is provided pursuant to the license agreement between Stanford University and  
(\*\*\*\*\* Name)

License Agreement Effective Date:

Name(s) of Licensed Products being reported:

Report Covering Period	
Yearly Maintenance Fee	\$
Number of Sublicenses Executed	
Gross Revenue	
U.S. Gross Revenue	\$
Non-U.S. Gross Revenue	\$
Net Sales	
U.S. Net Sales	\$
Non-U.S. Net Sales	\$
Royalty Calculation	
Royalty Subtotal	\$
Credit	\$
Royalty Due	\$

Comments:

**Appendix C – Client and Billing Agreement**

The Board of Trustees of the Leland Stanford Junior University (“STANFORD”); and \_\_\_\_\_ a Corporation of the State of \_\_\_\_\_, with a principal place of business at \_\_\_\_\_, (“COMPANY”); have agreed to use the law firm of \_\_\_\_\_ (“FIRM”) to prepare, file and prosecute the pending patent applications listed in Exhibit A attached hereto and maintain the patents that issue thereon (“Patents”).

WHEREAS, FIRM desires to perform the legal services related to obtaining and maintaining the Patents; and

WHEREAS, STANFORD remains the client of the FIRM; and

WHEREAS, COMPANY is the licensee of STANFORD’s interest in the Patents;

NOW THEREFORE, in consideration of the premises and the faithful performance of the covenants herein contained, IT IS AGREED:

1. FIRM can interact directly with COMPANY on all patent prosecution matters related to the Patents and will copy STANFORD on all correspondence. STANFORD will be notified by FIRM prior to any substantive actions and will have final approval on proceeding with such actions. In addition, as prosecution proceeds, FIRM will notify STANFORD if there is any change in inventorship from the originally filed application.
2. COMPANY is responsible for the payment of all charges and fees by FIRM related to the prosecution and maintenance of the Patents. FIRM will invoice COMPANY and COMPANY must pay FIRM directly for all charges. If STANFORD requests, STANFORD will be copied on all invoices and payments. FIRM must inform STANFORD within 90 days if the licensee is delinquent on payment. Otherwise, STANFORD will not be responsible for those expenses.
3. Notices and copies of all correspondence should be sent to the following:

To COMPANY:

Name, Title  
\*\*\*\*\* Name  
Address

To STANFORD:

Name  
Office of Technology Licensing  
Stanford University  
3000 El Camino Real  
Building 5, Suite 300  
Palo Alto, CA 94306-2100

To FIRM:

Attorney Name  
Law Firm Address

4. The parties to this document agree that a copy of the original signature (including an electronic copy) may be used for any and all purposes for which the original signature may have been used. The parties further waive any right to challenge the admissibility or authenticity of this document in a court of law based solely on the absence of an original signature.

ACCEPTED AND AGREED TO:

STANFORD

By: \_\_\_\_\_

Name: Katharine Ku

Title: Director

Date: \_\_\_\_\_

\*\*\*\*\* Name

By: \_\_\_\_\_

Name:

Title:

Date: \_\_\_\_\_

Law Firm Name

By: \_\_\_\_\_

Name:

Title:



Date: \_\_\_\_\_

## Appendix D - Technology