

## NONEXCLUSIVE 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 \_\_\_\_\_ ("Company"), 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 the Company'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 the Company 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 the Company; and/or
- (B) the sale of all or substantially all the Company's assets and/or business in one transaction or in a series of related transactions.

2.2 "Licensed Field of Use" means \_\_\_\_\_.

2.3 "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.

2.4 "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.

2.5 "Licensed Territory" means \_\_\_\_\_.

2.6 "Net Sales" means all gross revenue derived by Company from Licensed Product. 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.

2.7 "Stanford Indemnitees" means Stanford Stanford Health Care, Lucile Packard Children's Hospital at Stanford, and their respective trustees, officers, employees, students, agents, faculty, representatives, and volunteers.

2.8 "Technology" means the Licensed Patents and that additional information or materials listed in Appendix B that will be provided by Stanford to Company. 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 Company 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 **Nonexclusivity.** The license is nonexclusive in the Licensed Field of Use beginning on (insert date) and ending when the last Licensed Patent expires.

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

- (A) grant to Company 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 Company to bring suit against third parties for infringement; and
- (C) agree to furnish to Company any technology or technological information other than the Technology or to provide Company with any assistance.

#### 4. **SUBLICENSING**

Company may not grant sublicenses.

#### 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. Company 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, Company will diligently develop, manufacture, and sell Licensed Product and will diligently develop markets for Licensed Product. In addition, Company will meet the following milestones and notify Stanford in writing as each milestone is met:

(1)

6.2 **Progress Report.** By March 1 of each year, Company 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 Company toward meeting this Agreement's diligence requirements. Each report will describe, where relevant: Company'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. Company will specifically describe how each Licensed Product is related to each Licensed Patent.

6.3 **Clinical Trial Notice.** Company will notify Stanford prior to commencing any clinical trials at Stanford.

#### 7. **ROYALTIES**

7.1 **Issue Royalty.** Company will pay to Stanford a noncreditable, nonrefundable license issue royalty of \$\_\_\_\_\_ upon signing this Agreement.

7.2 **License Maintenance Fee.** Beginning \_\_\_\_\_ and each \_\_\_\_\_ thereafter, Company will pay Stanford a yearly license maintenance fee of \$\_\_\_\_\_. Yearly maintenance payments are nonrefundable, but they are creditable each year as described in Section 7.5.

7.3 **Earned Royalty.** Company will pay Stanford earned royalties (Y%) on Net Sales as follows:

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7.4 **Earned Royalty if Company Challenges the Patent.** Notwithstanding the above, should Company bring an action seeking to invalidate any Licensed Patent, Company will pay royalties to Stanford at the rate of 2 x Y percent (2xY%) 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 Company is both valid and infringed by a Licensed Product, Company will pay royalties at the rate of 3 x Y percent (3xY%) of the Net Sales of all Licensed Products sold.

7.5 **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 Company pays Stanford a \$10 maintenance payment for year Y, and according to Section 7.3 \$15 in earned royalties are due Stanford for Net Sales in year Y, Company will only need to pay Stanford an additional \$5 for that year's earned royalties.

(B) if Company pays Stanford a \$10 maintenance payment for year Y, and according to Section 7.3 \$3 in earned royalties are due Stanford for Net Sales in year Y, Company will not need to pay Stanford any earned royalty payment for that year. Company will not be able to offset the remaining \$7 against a future year's earned royalties.

7.6 **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, Company will pay Stanford an earned royalty for its exercise of rights based on the Net Sales of those Licensed Products.

7.7 **No Escrow.** Company shall not pay royalties into any escrow or other similar account.

7.8 **Currency.** Company 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. Company will make royalty payments to Stanford in U.S. Dollars.

- 7.9 **Non-U.S. Taxes.** Company will pay all non-U.S. taxes related to royalty payments. These payments are not deductible from any payments due to Stanford.
- 7.10 **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 Company, Company 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 A 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 Company will include any earned royalty payment due Stanford for the completed calendar quarter (as calculated under Section 7.3).
- 8.2 **No Refund.** In the event that a validity or non-infringement challenge of a Licensed Patent brought by Company is successful, Company will have no right to recoup any royalties paid before or during the period challenge.
- 8.3 **Termination Report.** Company will pay to Stanford all applicable royalties and submit to Stanford a written report within 90 days after the license terminates. Company 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.** Company 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.** Company will allow Stanford or its designee to examine Company's records to verify payments made by Company 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, Company will pay the audit costs.
- 8.7 **Self-audit.** Company 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 Company 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 Company.

Company will submit the auditor's report promptly to Stanford upon completion.  
Company will pay for the entire cost of the audit.

## 9. EXCLUSIONS AND NEGATION OF WARRANTIES

9.1 **Negation of Warranties.** Stanford provides Company 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.** Company 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.** Company 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 Company under this Agreement or the breach of this Agreement by Company.

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.** Company 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, Company will maintain Comprehensive General Liability Insurance, including Product Liability Insurance, with a reputable and financially secure insurance carrier to cover the activities of Company. 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, Company will furnish a Certificate of Insurance

evidencing primary coverage and additional insured requirements. Company will provide to Stanford 30 days prior written notice of cancellation or material change to this insurance coverage. Company 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 Company will be primary coverage; insurance of Stanford and Stanford Hospitals and Clinics will be excess and noncontributory.

## **11. EXPORT**

Company and its affiliates 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 US 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 US 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. Company hereby gives written assurance that it will comply with, and will cause its affiliates 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, and that it will indemnify, defend and hold Stanford harmless for the consequences of any such violation.

## **12. MARKING**

Before any Licensed Patent issues, Company will mark Licensed Product with the words "Patent Pending." Otherwise, Company will mark Licensed Product with the number of any issued Licensed Patent.

## **13. STANFORD NAMES AND MARKS**

Company 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. PROTECTION OF PATENTS**

**14.1 Suspected Infringement.** Company will promptly inform Stanford of any suspected infringement of a Licensed Patent by a third party.

## 15. TERMINATION

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

### 15.2 Termination by Stanford.

(A) Stanford may also terminate this Agreement if Company:

- (1) is delinquent on any report or payment;
- (2) is not diligently developing and commercializing Licensed Product;
- (3) misses a milestone described in Section 6.1;
- (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 Company remedies the problem in that 30-day period.

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

- (A) Company's obligation to pay royalties accrued or accruable;
- (B) any claim of Company 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, Company will pay Stanford a \$\_\_\_\_\_ (“Change of Control Fee”).

16.2 **Conditions of Assignment under Change of Control.** Company may assign this Agreement as part of a Change of Control upon prior and complete performance of the following conditions:

- (A) Company 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, Company will be released of liability under this Agreement and the term "Company" 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.
- 16.5 **Nonassignability of Agreement.** Except in conformity with Section 16.2 and Section 16.4, this Agreement is not assignable by the Company under any other circumstances and any attempt to assign this Agreement by Company 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 Company 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.** Company 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. Company 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 Company are mailed or emailed to:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Email: \_\_\_\_\_

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

Name: \_\_\_\_\_

Email: \_\_\_\_\_

All progress report invoices to Company (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

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. Company submits to the jurisdiction of such courts, and waives any claim that such a court lacks jurisdiction over Company 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 COMPANY  
HERE]**

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

### Appendix A – Sample Reporting Form

Stanford Docket No. S -

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

License Agreement Effective Date:

Name(s) of Licensed Products being reported:

Report Covering Period	
Yearly Maintenance Fee	\$
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 B - Technology