

EXCLUSIVE LICENSE AGREEMENT WITH EQUITY

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 the particular license. Add a few details about the licensee and their business. If a trademark is involved, many other requirements must be stated.)

2. DEFINITIONS

Whenever used in this Agreement with an initial capital letter, the following terms, whether used in the singular or the plural, shall have the meanings specified below.

- 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 Sections 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 rights in 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, method or service in the Licensed Field of Use, the making, having made, using, importing or selling of which, absent this license, infringes, induces infringement, or contributes to infringement of a Licensed Patent.

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, but only to the extent that these are not subsequently reimbursed;
- (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.

For purposes of calculating Net Sales, transfers to a sublicensee of Licensed Product under this Agreement for (i) end use (but not resale) by the sublicensee shall be treated as sales by ***** at list price of ***** or (ii) resale by a sublicensee shall be treated as sales at the list price of the sublicensee upon sale or lease by such sublicensee.

- 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, but only if the investments are at market value;
 - (C) research and development expenses calculated on a fully burdened basis, incurred for development of the Licensed Product after the effective date of the Sublicense; and
 - (D) debt
- 2.10 **“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.
- 2.11 **“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.

3. GRANT

- 3.1 **Grant.** Subject to the terms and conditions of this Agreement, Stanford grants ***** a license to Stanford’s rights in 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 to the Licensed Patents is Exclusive, including the right to sublicense under Section 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.**
- (A) After the Exclusive term, the license to the Licensed Patents 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 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 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;
- (B) commit to ***** to bring suit against third parties for infringement, except as described in Section 14; and
- (C) agree to furnish to ***** any technology or technological information or to provide ***** with any assistance.

4. **SUBLICENSING**

4.1 **Permitted Sublicensing.** ***** may grant Sublicenses in the Licensed Field of Use and Licensed Territory 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, but only by mutual agreement, apportion without discrimination between ***** patents and Stanford patents a commercially reasonable percentage of sublicensing payments made to Stanford pursuant to Section 4.6. Negotiation of any Sublicense must be an arms-length transaction.

4.2 **Required Sublicensing.** 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.

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 and which has adequate resources and (a) such potential sublicensee has provided Stanford and ***** with a bona fide, detailed proposal to develop a Licensed Product for such potential market, and (b) such proposed development is not within or detrimental to *****'s current or planned Licensed Products, as reasonably demonstrated by ***** in a material communication to third parties such as an investor presentation or a public disclosure, ***** will, at Stanford's request, negotiate in good faith a Sublicense within 6 months with any such company.

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 Sections 8, 9, 10 and 11 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 copies of each Sublicense within 30 days of signing, any subsequent amendments and all copies of sublicensees' royalty reports. The copies must be unredacted. 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 Nonroyalty Sublicensing Consideration.** ***** will pay to Stanford a portion of all Nonroyalty Sublicensing Consideration for the Sublicense of Licensed Patents, as provided below:

- (A)

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 use the template of Appendix D and 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 **Information Rights.** ***** will deliver to Stanford such financial and other information that ***** makes available to the other investors, provided that such information shall include, at a minimum:
- (A) copies of annual financial statements for *****;
 - (B) any business plans or periodic internal reports of the financial condition of *****; and
 - (C) an annual capitalization table showing each stockholder's equity holdings in *****.
- 6.4 **Clinical Trial Notice.** ***** will notify the Stanford University Office of Technology Licensing prior to commencing any clinical trials at Stanford. If ***** does not notify Stanford University Office of Technology Licensing at least 15 days prior to enrolling the first patient in a clinical trial at Stanford, ***** agrees that it will pay \$50,000 to Stanford within 30 days of being invoiced.

7. ROYALTIES

7.1 **Issue Fee.** ***** will pay to Stanford a noncreditable, nonrefundable license issue fee 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. Prior to signing this Agreement, ***** will provide Stanford with its capitalization table and the results of an independent third-party 409A valuation conducted for the purposes of valuing *****'s common stock. ***** 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. The Anti-Dilution Protection under this Section 7.3 will continue until an amount of at least \$X,000,000, when aggregated with prior closings, has been raised by ***** in a bona fide round of financing through the sale of securities or by conversion of instruments convertible into equity ("Dilution Trigger"). If the Dilution Trigger is reached or exceeded during a specific round of funding, Anti-Dilution Protection will extend to the total amount of funding raised through the closing of that specific round of funding.

7.4 **Purchase Right.** [Sections 7.4 and 7.5 will be included if the company is non-public]

(A) *Definitions.* For purposes of this Section 7.4 and Section 7.5:

- (1) "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.
- (2) "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 is led by one or more venture capital, professional angel, or corporate or other similar institutional investors that either (i) have the industry expertise to perform appropriate due diligence on the company, its industry and technology and have performed such due diligence, or (ii) have retained an independent consultant with such expertise that has performed due diligence and reported its evaluation of ***** to the lead

investor. For the avoidance of doubt, if ***** is a limited liability company, then “equity securities” means limited liability company interests in *****.

- (3) “Share” means:
- a) 10% with respect to the first Qualifying Offering;
 - b) if the first Qualifying Offering is not a Threshold Qualifying Offering, 10% with respect to any subsequent Qualifying Offering up to and including the first Threshold Qualifying Offering, if any, provided that Stanford or an Osage Party has participated (in any amount) in every preceding Qualifying Offering; and
 - c) after the first Threshold Qualifying Offering, if any, the percentage necessary for Stanford and the Osage Parties to maintain their respective ownership interests in ***** on a Fully-Diluted Basis.

Notwithstanding the foregoing, Share will mean 0% following the occurrence of any Termination Event.

- (4) “Threshold Qualifying Offering” means any Qualifying Offering which either (i) is at least \$2,500,000 in aggregate proceeds received by ***** 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.
- (5) The parties shall construe the term “Fully-Diluted Basis” mutatis mutandis in the case where ***** is organized as a limited liability company.
- (B) *Grant of Right; Assignment.* 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”). Such right is assignable by Stanford to Osage University Partners or any of its affiliated investment funds (each, an “Osage Party” and collectively, the “Osage Parties”). Except to the extent that Stanford assigns its Purchase Right to one or more Osage Parties, no investment by an Osage Party in ***** shall reduce or otherwise affect Stanford’s right to participate in any Qualifying Offering under this Agreement. For the avoidance of doubt, if ***** has entered into another Exclusive (Equity) Agreement or other agreement to license intellectual property from Stanford that includes a right equivalent to the Purchase Right, Stanford and the Osage Parties may only exercise their right(s) to purchase all or part of a Share under one agreement.
- (C) *Termination of Right.* The Purchase Right shall terminate as to Stanford and the Osage Parties upon the earliest to occur of the following (each a “Termination Event”):
- (1) Immediately prior to the closing of a firm commitment underwritten public offering of *****’s common stock;

- (2) Immediately prior to the closing of the sale of all or substantially all of *****'s assets or voting stock to a company that has a class of securities publicly traded on one of the major recognized exchanges for cash, marketable securities of such company, or both; or
- (3) Immediately prior to the closing of a bona fide acquisition of all or substantially all of *****'s assets or voting stock for cash, marketable securities, or both by either:
 - a) a private operating company (as opposed to a shell company or other business entity organized primarily for the purpose of acquiring such assets or voting stock); or
 - b) an investment firm or other financial buyer in furtherance of a "roll-up" or similar strategy in *****'s current or prospective market(s);

provided that, in each case: (i) such acquisition is duly approved by (x) *****'s board of directors in accordance with applicable fiduciary duties and (y) *****'s stockholders in accordance with the law of *****'s jurisdiction of organization; and (ii) no person or entity that held ***** securities immediately prior to the closing of such acquisition shall have any right, arrangement or understanding to purchase any direct or indirect interest in the acquiring entity unless Stanford is advised in writing of the terms thereof and is given a written offer to receive such right, arrangement or understanding.

- (D) *Excluded Issuances.* 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, agreement or arrangement approved by *****'s Board of Directors; (ii) as additional consideration in lending or leasing transactions; (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 *****.
- (E) *Coordination with Sections 7.2 and 7.3.* For the avoidance of doubt: (i) any securities Stanford may acquire or have the right to acquire under Section 7.2 or 7.3 above shall not reduce the number of securities Stanford and the Osage Parties may collectively purchase under this Section 7.4 or under any rights agreement or similar agreement regarding ***** entered into by Stanford (each, a "Rights Agreement"); and (ii) Stanford shall not be obligated to purchase under this Section 7.4 any ***** securities it has the right to acquire under Section 7.2 or 7.3 above.

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

- (A) ***** shall ensure that each Rights Agreement to which Stanford is a party will at all times grant it the same rights as all other investors that are parties to that Rights Agreement, including, without limitation: the same right to purchase additional

securities in future offerings; the same information rights; the same registration rights as are granted to other parties thereto; and all such rights granted to any investor designated as a “Major Investor” or other similar designation, even if Stanford is not so designated. Notwithstanding the foregoing, this Section 7.5(A) shall not be construed to limit any rights to which Stanford would otherwise be entitled under this Agreement.

- (B) Notwithstanding any terms to the contrary contained in any applicable Rights Agreement:
- (1) Neither Stanford nor the Osage Parties shall be entitled under any Rights Agreement to representation on the Board of Directors or to attend meetings of the Board of Directors;
 - (2) In connection with all Qualifying Offerings, ***** shall give Stanford notice (“Notice”) of the terms of the offering, including: (i) the names of the investors, the allocation of equity and equity-linked 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(s); (iv) an introduction to the lead investor in such offering for the purpose of discussing the lead investor’s due diligence process and evaluation of the investment opportunity; and (v) such other documents and information as Stanford may reasonably request for the purpose of making an investment decision or verifying the number of units of the equity or equity-linked security it is entitled to purchase in such offering; and
 - (3) Stanford will have a period of 15 Stanford business days (i.e., days other than Saturdays, Sundays, and holidays or other days on which Stanford is officially closed) after receiving Notice of a Qualifying Offering to elect to (i) exercise its Purchase Right in whole or in part, (ii) decline to exercise its Purchase Right, or (iii) take no action (in which case Stanford will be deemed to have declined to exercise its Purchase Right). ***** shall provide Stanford updated information promptly after information in the Notice becomes inaccurate, regardless of whether Stanford has previously elected or declined to exercise its Purchase Right. If the updated information constitutes a material change from the information included in the original Notice (as it may have been previously updated), a new Notice Period for the Qualifying Offering will commence and Stanford may within 15 Stanford business days from and including the date it received the updated information either (x) modify or revoke a previous election, (y) make a new election if it had previously declined to exercise its Purchase Right, or (z) take no action (in which case Stanford’s election in the immediately previous Notice Period will continue to apply).
- (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 ***** 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.

7.6 **License Maintenance Fee.** Beginning _____ and each _____ thereafter, ***** will pay Stanford a yearly license maintenance fee of \$ _____. Yearly maintenance payments are nonrefundable and non-creditable.

7.7 **Earned Royalty Minimum.** Beginning with the first commercial sale, and on each yearly anniversary thereafter, ***** will pay Stanford a yearly earned royalty minimum fee of \$ _____. Earned royalty minimum fees are creditable against royalties due in a given year.

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

7.9 **Earned Royalty.** In addition to the annual license maintenance fee, ***** will pay Stanford earned royalties (Y%) on Net Sales as follows:

7.10 **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 double the rates specified under Section 7.9 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 triple the rates specified under Section 7.9.

7.11 **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 or expires, and those Licensed Products are sold after the termination or expiration date, ***** and its sublicensees will pay Stanford an earned royalty for their exercise of rights based on the Net Sales of those Licensed Products. Upon expiration or termination of this agreement, ***** and its sublicensees will provide to Stanford an inventory listing of all Licensed Products on hand that were manufactured prior to the expiration or termination date, and such listing to be certified and signed by an officer of *****. ***** and its sublicensees will be responsible for paying royalties on sales of such Licensed Products in accordance with Section 7.9 of this Agreement.

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

- 7.13 **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.
- 7.14 **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.
- 7.15 **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 **Earned Royalty Payment and Report.** Beginning with the first sale of a Licensed Product by ***** or a sublicensee, or with the first receipt of any Nonroyalty Sublicensing Consideration by ***** , ***** will submit to Stanford a written report, an earned royalty payment and/or Nonroyalty Sublicensing Consideration payment due Stanford within 30 days after each calendar period, where the period is initially on a per-year basis, and changes to a per-quarter basis when annual royalty payments to Stanford exceed \$200,000. This report will use the template of Appendix B and will state the number, description, and aggregate Net Sales of Licensed Product during the completed calendar time period and details about any Sublicenses. The report will include an overview of the process and documents relied upon to permit Stanford to understand how the earned royalties and Nonroyalty Sublicensing Consideration are calculated. With each report, ***** will include any earned royalty payment and Nonroyalty Sublicensing Consideration payment due Stanford for the completed time period(as calculated under Section 7.9 and Section 4.6).
- 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 or expires. ***** will continue to submit earned royalty payments and reports to Stanford after the license terminates or expires, 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 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 Commercial 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 per occurrence 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 a combination of 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 sublicensees and affiliates will comply with all applicable United States laws and regulations controlling the export of licensed commodities and technical data relating to this Agreement. (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 may 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 sublicensees and affiliates to comply with all United States export control laws and regulations, that it understands it may be held responsible for any violation of such laws and regulations by itself, its affiliates or its 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. 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. Notwithstanding the foregoing, ***** may include Stanford's name in factual statements in legal proceedings, patent applications and other regulatory filings. In addition, ***** may make a short factual statement that identifies Stanford as the licensor of the rights granted under this Agreement to actual or potential investors or acquirers, as well as in the "About *****" or other similar section of the ***** website.

14. PROSECUTION AND PROTECTION OF PATENTS

14.1 Patent Prosecution.

- (A) Stanford will be responsible for preparing, filing, prosecuting and maintaining the Licensed Patents. As long as ***** is current on all payments due under this Agreement, Stanford agrees to (i) instruct Stanford's patent counsel to furnish to ***** copies of material documents relevant to such filing and prosecution prior to any deadlines, and (ii) allow ***** a reasonable opportunity to comment on material documents filed with any patent office with respect to the Licensed Patents.
- (B) In the event ***** decides that it no longer intends to pay for filing, prosecution, or maintenance of one or more Licensed Patents, ***** shall give Stanford written notice at least three (3) months in advance of any applicable deadline for that Licensed Patent. Stanford may in its discretion continue to prosecute and maintain such Licensed Patent(s) at its expense, in which case such Licensed Patent(s) will no longer be covered by the license granted under this Agreement and ***** will have no further obligation regarding patent expenses for such Licensed Patent(s).

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 but not limited to interference or reexamination matters, inventorship disputes and opposition proceedings incurred by Stanford before the Effective Date; and
- (B) for all Licensed Patent's patenting expenses, including but not limited to interference or reexamination matters, inventorship disputes and opposition proceedings incurred by Stanford after the Effective Date. Stanford will pay the fees prescribed for large/small entities to the United States Patent and Trademark Office. If ***** requests that Stanford pay fees prescribed for a small entity, then ***** will bear all responsibility for notifying Stanford if its status changes to large entity. ***** is herein notified that the determination of entity size for the United States Patent and

Commented [SE1]: Licensee needs to choose one

Trademark Office depends not only on the size of *****, but also may depend on the size of any companies to which ***** has granted licenses.

14.3 **Infringement Procedure.** Each party will promptly notify the other 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 diligently developing Licensed Product, ***** may have the right to institute a suit against or defend any declaratory judgment action initiated by this third party, but only within fields of use where this Agreement is Exclusive, as provided in Section 14.4 through and including Section 14.8.

14.4 ******* Suit.** ***** has the first right to institute and prosecute a suit or defend any declaratory judgment action, but only within fields of use where this Agreement is Exclusive. ***** agrees to use reasonable efforts to settle with the third party without litigation. If reasonable efforts are unsuccessful and *****:

- (A) provides claim chart evidence of the infringement to Stanford, and
- (B) is diligently developing, offering for sale, or selling Licensed Product.

then ***** may institute and prosecute a suit or defend any declaratory judgment action so long as it conforms with the requirements of this Section. If ***** decides to institute suit, it will notify Stanford in writing and give Stanford the opportunity to institute suit jointly as provided in Section 14.5. ***** 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 make a good faith effort to incorporate Stanford's input on any substantive submissions or positions taken in the litigation regarding the scope, validity and enforceability of the Licensed Patent. ***** will not initiate, 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:

- (C) *****'s and Stanford's respective counsel recommend that such action is necessary in their reasonable opinion to achieve standing;
- (D) Stanford is not the first named party in the action; and
- (E) 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.

14.5 **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 **Stanford Suit.** If neither Section 14.4 nor 14.5 apply, Stanford has the right to institute and prosecute a suit or defend any declaratory judgment action, 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.

14.7 **Recovery.** Any recovery or settlement received in connection with any suit will first be shared by Stanford and ***** equally to cover the litigation costs each incurred, and next shall be paid to Stanford or ***** to cover any litigation costs it incurred in excess of the litigation costs of the other. In any suit initiated by ***** , any recovery in excess of litigation costs will be shared between ***** and Stanford as follows: (i) for any recovery other than amounts paid for willful infringement: (A) Stanford will receive fifteen percent (15%) of the recovery if Stanford was not a party in the litigation; (B) Stanford will receive twenty-five percent (25%) of the recovery if Stanford was a party in the litigation, or (C) Stanford will receive fifty percent (50%) of the recovery if Stanford incurred any litigation costs in connection with the litigation; and (ii) for any recovery for willful infringement, Stanford will receive fifty percent (50%) of the recovery; and all other amounts shall be retained by ***** . In any suit initiated by Stanford, any recovery in excess of litigation costs will belong to Stanford. Stanford and ***** agree to be bound by all determinations of patent infringement, validity, and enforceability (but no other issue) resolved by any adjudicated judgment in a suit brought in compliance with this Section 14.

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 make all payments, accrued or accruable, including but not limited to fees, royalties and patent costs;

(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 Sections 8, 9, 10, 11 and any other provision that by its nature is intended to survive.

16. CHANGE OF CONTROL, ASSIGNMENT AND NON-ASSIGNABILITY

16.1 **Change of Control.** If there is a Change of Control or if this Agreement is assigned to a third party, ***** will pay Stanford a \$_____ (“Change of Control/Assignment Fee”) per Section 16.2.

16.2 **Conditions of Assignment.** ***** may assign this Agreement upon prior and complete performance of the following conditions:

(A) ***** must give Stanford written notice of the assignment within 5 business days, 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/Assignment Fee.

16.3 **After the Assignment.** Upon a permitted assignment of this Agreement pursuant to Section 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 Section 16.2 and Section 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, provided that in the case of a good faith dispute as to the amount due, the cure period under Section 15.2 will be tolled until the amount due has been finally determined in such an arbitration. 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
415 Broadway Street
2nd Floor, MC 8854
Redwood City, CA 94063
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
415 Broadway Street
2nd Floor, MC 8854
Redwood City, CA 94063
info@otlmail.stanford.edu

Any notice related to Section 7.4 or Section 7.5 (Stanford Purchase Rights) shall be copied concurrently to 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. In the event of conflict between the terms and conditions of this Agreement and any purchase orders, the terms and conditions of this Agreement shall prevail. 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>	Physical Science Inventions	Life Science Inventions
<i>Company viability</i>	Financing Management team Manufacturing & operations (build facility or outsource manufacturing) Relationships with suppliers, customers, strategic partners	
<i>Development</i>	Operational prototype Qualification or reliability Telecom: lab trial, field trial	Animal studies Government approval FDA: NDA, Phase I, Phase II, etc.
<i>Broad commercialization</i>	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 - Earned Royalty Report

Licensee: _____

Stanford Docket number: _____

Period Covered: From: _____ Through: _____

Prepared By: _____ Date: _____

Approved By: _____ Date: _____

If the license covers several products, please prepare a separate report for each product. Then combine all products into a summary royalty report.

Report Type: **Single Product Report:** _____

Multiproduct Summary Report. Page 1 of _____ Pages

Report of sales of Licensed Products (add lines as needed):

Country	Number of units sold	Gross sales amount	Net Sales (local currency)	Royalty Rate (%)	Conversion rate, if any	Total Earned Royalties (US \$)
USA						
Other (identify)						
Other (identify)						
Other (identify)						
Other (identify)						
Sublicensee #1						

Sublicensee #2						
TOTAL:						

Annual Maintenance Fee paid for this period:

Creditable Earned Royalty Minimum balance available:

Balance amount due to Stanford:

The following allowances * were deducted from total gross sales to arrive at the Net Sales amounts (add lines as needed):

- 1. _____ \$
- 2. _____ \$
- 3. _____ \$
- 4. _____ \$
- 5. _____ \$

The following royalty forecast is non-binding and for Stanford's internal planning purposes only:

Royalty Forecast Under This Agreement: Next Quarter: _____ Q2: _____ Q3: _____ Q4: _____

Please respond briefly and provide additional information, as needed:

Have you removed or added any products in this period? _____

If so, provide the commercial name and approval date of any FDA approved products.

Product _____ Removed/Added ____/____/____/

Product _____ Removed/Added ____/____/____/

Are any Licensed Products manufactured outside the United States? _____

Is so, by whom and in what country? _____

Did any non-royalty consideration (such as a milestone payment) become due under this Agreement in the indicated period? _____

Were any new sublicenses executed during the period? If so, attach a copy of the sublicense agreement. _____

Was any non-royalty sublicensing consideration received from any sublicensee during the period? _____

* On a separate page, please indicate the reasons for returns or other adjustments if significant. Also note any unusual occurrences that affected royalty amounts during this period.
To assist Stanford's forecasting, please comment on any significant expected trends in sales volume.

Appendix C – Progress Report

Sent by email to Stanford OTL at finance@otlmail.stanford.edu and info@otlmail.stanford.edu for the calendar year XXXX, pursuant to paragraph 6.2 of the Non/Exclusive License Agreement between Stanford University and Company, effective Month, Day, Year.

- A. List all Stanford dockets currently covered by the License Agreement. State whether any dockets have been added or dropped from the agreement in the past year.
- B. Summarize progress made with Licensed Product during the past year (2-4 paragraphs), including: work completed, key scientific discoveries, ongoing work-in-progress, plans for introducing Licensed Product to market, other relevant information.
- C. Status of Diligence Milestones that came due in the past year (per Section 6.1 / Appendix A of License Agreement). Use format below; bold text indicates required info. Add rows to table as needed.

Milestone	Status
By _____, 20XX Milestone # [] from License Agreement: Company will have \$X,000,000 of available non-contingent operating capital to proceed with exploration and development of Licensed Product.	Completed / Not Completed [brief description of status and relevant dates] Completed. Capital was received from Investor in 20XX. [OR] Not completed. Capital will be received from Investor in 20XX.
By _____, 20XX Milestone # [] from License Agreement: First Sale of Licensed Product.	Completed / Not Completed [brief description of status and relevant dates] Completed. First Sale occurred on _____, 20XX. (Include description, name, field and territory of Licensed Product.) [OR] Not Completed. First Sale has been delayed due to _____. It is now anticipated that First Sale will occur on _____, 20XX.

- D. Describe any significant corporate transactions during the past year.
- E. Describe future plans, including estimated total development time remaining before Licensed Product will be commercialized.

- F. Update company contacts for progress reports, patent prosecution and financial information, if needed.