

WAYNE STATE UNIVERSITY

SPONSORED AGREEMENT FOR RESEARCH AND TECHNOLOGY DEVELOPMENT WITH INDUSTRY

This agreement ("Agreement") is entered into effective as of _____ (the "Effective Date") by and between Wayne State University (the "University"), a public educational institution and a Michigan constitutional body corporate, and _____ (the "Sponsor"), a _____.

WHEREAS, the research project contemplated by this Agreement is of mutual interest and benefit to University and to Sponsor and will further the instructional and research objectives of the University and the interests of the Sponsor. The research is to be funded by Sponsor and carried out by the University.

License Options

To provide maximum flexibility for partnering entities in the context of business and commercialization strategies, the University has developed three licensing options for such agreements as defined in Appendix 3 and summarized below. The Sponsor may exercise the option of choice by providing written notice to the University.

A. Option for License on Commercially Reasonable Terms.

Sponsor has the option to negotiate a license to the University's interest in each new Subject Invention and any Copyrightable Materials on commercially reasonable terms.

B. Option for Exclusive License with Pre-Set Royalty Terms.

Sponsor will pay University an Upfront Fee of ten percent (10%) of the total Contract Price or fifteen thousand dollars (\$15,000), whichever is greater. The University grants to Sponsor an option to an exclusive, worldwide license, with the right to sublicense, subject to one percent (1%) royalty on the net sales of products or processes as defined in Appendix 3.

C. Option for Non-Exclusive, Royalty Free License

Sponsor will pay University an Upfront Fee of ten percent (10%) of the total Contract Price or ten thousand dollars (\$10,000), whichever is greater.

The University grants to Sponsor a non-exclusive, royalty-free, non-sublicensable worldwide license under and to the University's rights in the Subject Invention and Copyrightable Materials.

The Sponsor will have the option to negotiate an exclusive license under and to the University's patent rights relevant to the practice and/or sublicensing of the Subject Invention and any Copyrightable Materials on commercially reasonable terms.

NOW, THEREFORE, the parties agree as follows.

Article 1 – Term

The Term of this Agreement will commence on the Effective Date and unless earlier terminated as provided in Article 9 will expire on _____ (“Expiration Date”). The parties may extend the term of this Agreement for additional periods with or without additional funding through duly executed amendments.

Article 2- Research Work

- 2.1 University will use reasonable efforts to perform the project as set forth in Appendix 1 (the “Project”) in accordance with the terms and conditions of this Agreement. Sponsor and University may at any time amend the Project by mutual written agreement. Any budgetary information included in the attachments to this Agreement is for informational purposes only. The University retains the right to re-budget funds within the funding amount described in Article 4 as needed to further project objectives.
- 2.2 The Project will be under the direction of _____ (“Principal Investigator”). In the event that the Principal Investigator becomes unable or unwilling to continue Project, and a mutually acceptable substitute is not available, University or Sponsor may terminate the Project in accordance with Article 9. This Agreement does not limit the freedom of individuals participating in this Project to engage in any other research.
- 2.3 The terms of this Agreement supersede the preprinted terms and conditions appearing on or with any purchase order which may be issued by Sponsor. Any purchase order issued by Sponsor shall set forth the following on the face thereof:

“THE PROJECT DESCRIBED IN THE RESEARCH PROJECT SPECIFICATION ATTACHED AS EXHIBIT A IS SUBJECT TO THE TERMS AND CONDITIONS OF RESEARCH AGREEMENT BETWEEN SPONSOR AND UNIVERSITY. THE TERMS AND CONDITIONS PRINTED ON OR ATTACHED TO THE PURCHASE ORDER DO NOT APPLY.”

Article 3 - Reports and Conferences

- 3.1 Written progress reports will be provided by University to Sponsor as detailed in Appendix A as applicable.
- 3.2 During the term of this Agreement, if appropriate, representatives of University will meet with representatives of Sponsor at times and places mutually agreed upon to discuss the progress and results, as well as ongoing plans or changes in the Project.

Article 4 - Costs, Billings, and Other Support

[Choose one of the following options:]

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Option A: [Cost-Reimbursement]

- 4.1A This Agreement will be conducted on a cost-reimbursement basis, with a total estimated cost of _____ dollars (\$ _____) (“Contract Price”). University will use reasonable efforts to complete the Project within the estimated cost attached hereto as Appendix B. Sponsor is not required to pay more than the Contract Price, and the University is not required to perform work above the estimated cost until and unless the parties have executed an amendment to this Agreement allocating additional funds. If the Principal Investigator incurred Project related costs prior to the Effective Date, those costs will be billable to the Sponsor once this Agreement has been signed. The costs in this Section are separate from any fees payable under Appendix 3.
- 4.2A Sponsor agrees to make payments following receipt of an invoice from the University. The initial invoice will be sent within thirty (30) days following execution of this Agreement. Any fees payable under Appendix 3 will be invoiced separately in accordance with Appendix 3.

Option B: [Fixed Price]

- 4.1B University will use reasonable efforts to complete the Project for a fixed sum of _____ dollars (\$ _____) (“Contract Price”). The Contract Price does not include any fees payable under Appendix 3.
- 4.2B Sponsor agrees to make quarterly equal payments of _____ dollars (\$ _____) following receipt of an invoice from the University. The initial invoice will be sent within thirty (30) days following execution of this Agreement. .

Any fees payable under Appendix 3 will be invoiced separately in accordance with Appendix 3.

- 4.3 University will acquire title upon acquisition of any equipment purchased or fabricated with funds provided by Sponsor under this Agreement. Sponsor will provide the following equipment to University under the following conditions:

[Either (a) indicate “none” or (b) insert a list of equipment to be provided, indicate loan or gift, and attach a signed copy of equipment loan(s) or deed(s) of gift:]

- 4.4 Payments made under this Agreement will be in United States dollars and will be made payable to “Wayne State University”. All payments will be accompanied by the University invoice number, the Contract number, and name of Principal Investigator. Payments will be sent to:

Article 5 - Nondisclosure

- 5.1 For purposes of this Agreement, "Confidential Information" means written or tangible information disclosed by either party to the other, which at the time of disclosure is clearly and conspicuously labeled “Confidential” or “Proprietary”. Confidential Information will also include oral and visual disclosures which are identified as confidential at the time of such disclosures and which are confirmed and summarized within fifteen (15) days of the disclosure

by the disclosing party in a writing that describes the Confidential Information disclosed. The parties agree to maintain confidentiality of the Confidential Information during the term of this Agreement, including any renewal periods, and for a period of three (3) years from the effective termination or Expiration Date of this Agreement. Neither party will use the other party's Confidential Information for any purpose other than those purposes specified in this Agreement. The parties may disclose Confidential Information to employees requiring access for the purposes of this Agreement provided, that prior to making any such disclosures each such employee will be apprised of the duty and obligation to maintain Confidential Information in confidence and not to use the Confidential Information for any purpose other than in accordance with this Agreement. Neither party will be held financially liable for any inadvertent disclosure, but each will agree to use its reasonable efforts not to disclose any Confidential Information.

- 5.2 The receiving party may use and disclose the disclosing party's Confidential Information that:
- 5.2.1 At the time of its receipt, is generally available to the public, or thereafter becomes available to the public, through no breach of this Agreement by the receiving party;
 - 5.2.2 Was independently known to the receiving party prior to receipt from the disclosing party
 - 5.2.3 Was made available to the receiving party as an apparently lawful right by a third party;
 - 5.2.4 Is required by law or regulation or court order to be disclosed. In the event that Confidential Information is required to be disclosed pursuant to this subsection, the party required to make the disclosure will notify the other to allow that party to assert whatever exclusions or exemptions may be available to it under law and will only disclose those portions of the Confidential Information that are required to be disclosed.
- 5.3 The receiving party shall, at the disclosing party's written request or upon expiration or upon termination of this Agreement, promptly return or destroy all Confidential Information furnished under this Agreement, including all copies thereof. The receiving Party shall have the right to retain one (1) copy of such written information in its files for record purposes.
- 5.4 In furnishing any information hereunder, the disclosing party makes no warranty, guarantee, or representation, either expressed or implied, as to its adequacy, accuracy, sufficiency, or freedom from defects or that the use or reproduction of any information shall be free from any patent, trade secret, trademark, or copyright infringement. The disclosing party shall not be liable for damages of whatever kind or for any costs, expenses, risks, or liabilities as a result of the other party's receipt or use of, or reliance on, any such information furnished hereunder.
- 5.5 Sponsor will notify the University in writing if any Confidential Information to be provided to the University is subject to export controls under U.S. law and the applicable export control designation under the Munitions Control List or Commerce Control List and countries for which an export license is required. The University will have the right to decline receipt of export controlled information or conduct of activities requiring access to such information. If the Project cannot reasonably be conducted without access to export controlled information, the Agreement may be terminated by either party in accordance with Article 9. Sponsor will not release export controlled information to the University until Sponsor has been notified in writing by the University that University has agreed to receive such information.

Article 6 - Publicity

Except with respect to internal business communications and academic reporting, communications with governmental agencies, or as required by law, University and Sponsor shall not use each other's name or trademarks in publicity or advertising without first receiving written consent.

Article 7 – Publications

- 7.1 Sponsor recognizes that under University policy the results of the Project must be publishable and agrees that researchers engaged in the Project will be permitted to present methods and results of the Project at symposia, national or regional professional meetings and to publish in journals, theses or dissertations, or otherwise of their own choosing University will have the final authority to determine the scope and content of any publication. University will provide copies of any proposed publication at least thirty (30) days in advance of the publication or seven (7) days in advance of the presentation to Sponsor to review and comment. In the event that Sponsor notifies the University in writing that the proposed publication or presentation contains Confidential Information disclosed to University by Sponsor, the University will remove that Confidential Information from the draft prior to publication or presentation. In the event Sponsor requests in writing a delay in publication to allow patent application to be filed covering a Subject Invention, the University will refrain from making the publication or presentation for a maximum of sixty (60) days from the receipt of the objection, and Sponsor will indicate with specificity to what manner and degree University may disclose said information during the sixty (60) day period.
- 7.2 Publication by either party to this Agreement will give proper credit to the other party for the cooperative character of the investigation as scientifically appropriate.

Article 8 – Intellectual Property and License of Inventions

- 8.1 Use of Copyrightable Materials.
- 8.1.1 Copyright to copyrightable materials, including computer software, made solely by one or more employees of University in performance of the Project (“Copyrightable Materials”) will vest in University. University hereby grants to Sponsor a royalty-free non-exclusive, non-sublicensable license for its Internal Use of the Copyrightable Materials. “Internal Use” means the right to use the Copyrightable Materials for research and development purposes, to evaluate the Copyrightable Materials, and to use them in manufacturing and design processes. Internal Use does not include the right to incorporate the Copyrightable Materials into a product or service offered for sale or purchase and does not include the right to sublicense any of these rights. If Sponsor selects Option A or Option C under Section 8.5 below, then University hereby grants to Sponsor royalty free, non-exclusive, non-sublicensable license to Copyrightable Materials for commercial use.
- 8.1.2 Except for (a) the above limitation on Copyrightable Materials in 8.1.1, (b) University’s right to publish or present research results, (c) patented and patent-pending University Subject Inventions, and (d) Confidential Information provided by the University to

Sponsor, Sponsor will have the free, irrevocable, non-exclusive unlimited right to use all research results developed by University in the performance of the Project for any purpose worldwide without additional payment or accounting to the University.

8.2 Subject Inventions.

8.2.1 "Subject Invention" means any patentable invention (excluding design patents) that is first conceived or reduced to practice in performance of the Project. The inventorship of a Subject Invention will be determined in accordance with Title 35 of the United States Code. "Subject Invention" includes patentable software but does not include Copyrightable Materials, including source code or non-patentable software.

8.2.2 "University Subject Inventions" are those Subject Inventions invented solely by employees of University. "Joint Subject Inventions" are those Subject Inventions invented by employees of University jointly with employees of Sponsor.

8.2.3 No rights to background intellectual property of either party are granted to the other party under this Agreement.

8.3 Patent Applications and Costs

8.3.1 Each party will promptly disclose to the other party in writing any Subject Invention that it becomes aware of.

8.3.2 Sponsor, in consultation with University, will have the right to control the preparation, filing, and prosecution of each patent application covering a Subject Invention. Sponsor will have three (3) months from receipt of an invention disclosure from University to notify University whether it desires to file a patent application on the disclosed Subject Invention ("Subject Invention Review Period"). If Sponsor files, then Sponsor will diligently pursue filing of the patent application in the name of University with respect to University Subject Inventions and in the name of both University and Sponsor in the case of Joint Subject Inventions. Sponsor will have decision authority in preparation, filing, and prosecution of each patent application that is specific to a Subject Invention and will keep University's Office for Technology Commercialization informed as to all material matters relevant to the patent prosecution process and decision matters, and the Sponsor will give due consideration to any recommendations made by the University concerning the patent prosecution matters. Sponsor will provide a copy of the draft application and responses to office actions to the University and a reasonable opportunity to review and provide comments on the application and office actions. Further, Sponsor will provide, or direct outside patent counsel to provide, University with all serial numbers and filing dates, together with copies of all applications and patents that issue therefrom, including copies of all office actions, responses and all other substantive communications to and from the U.S. Patent and Trademark Office and the patent offices in any other jurisdictions. Sponsor will be responsible for the full expense of Subject Invention patent application and prosecution.

8.3.3 If Sponsor decides (a) not to prepare, file, or prosecute patent applications specific to a Subject Invention within the Subject Invention Review Period, (b) not to file a patent

application in a particular jurisdiction, (c) to discontinue prosecution of a pending application or a particular set of claims of a patent application, or (d) not to pay any required fee to maintain a pending patent application or an issued patent, Sponsor will promptly (but in no event less than 30 days before an action is required) notify University of its decision. In such case, University will have the right to file, prosecute, and maintain patent or patent application, or to file an application directed to the discontinued claim set, at its sole discretion and expense and without further obligation to Sponsor.

8.4 Nothing in this Article 8 will be interpreted in a manner contrary to the publication provisions of Article 7.

8.5 **Sponsor's Licensing Options.** Sponsor may select only one (1) of three (3) license options: (A) an option to a license to be negotiated on a commercially reasonable basis after disclosure of a Subject Invention; (B) an option to an exclusive license with pre-set terms or (C) a non-exclusive, royalty free license with an option to an exclusive license to be negotiated on a commercially reasonable basis after disclosure of a Subject Invention. Options A, B and C are more fully described in Appendix 3, License Options, attached hereto and incorporated herein. For the purposes of this Agreement, the Sponsor hereby elects:

- Option to a License to be Negotiated on a Commercially Reasonable Basis (Appendix 3, Option A)
- Option to Exclusive License with Pre-Set Terms (Appendix 3, Option B)
- Non-Exclusive, Royalty-Free License with an Option for an Exclusive License to be Negotiated on a Commercially Reasonable Basis (Appendix 3, Option C)

8.6 **Reservation of Rights.** Regardless of which option Sponsor selects, the University retains an irrevocable, world-wide, royalty-free, non-exclusive right to use the Subject Inventions for teaching, research, and educational purposes. The University will have the right to sublicense its rights under this subsection to one or more non-profit academic or research institutions for teaching, research, and educational purposes.

8.7 **Federal Government Rights.** To the extent there is federal funding supporting or relating to the Project, the parties' respective rights under this Article 8 shall be subject to the rights of the federal government and all applicable statutes and regulations concerning such funding.

Article 9 - Termination

9.1 Either party may terminate this Agreement upon thirty (30) days prior written notice to the other. Upon submission/receipt of a notice of termination, University will take measures to stop Project spending as soon as possible. A final accounting of expenses will be submitted within ninety (90) days of the termination date documenting all expenses incurred and all non-cancellable expenses which Sponsor is responsible for and showing the amount of funding overpaid or owed. If Sponsor has an unpaid balance remaining, Sponsor will make the final payment within thirty (30) days after receipt of the final invoice. If Sponsor has overpaid more than one hundred dollars (\$100.00), the balance will be paid to Sponsor within sixty (60) days of submission of the final accounting.

9.2 In the event of early termination of this Agreement by Sponsor pursuant to Article 9.1, Sponsor

will pay all costs incurred by University as of the date of termination, together with all non-cancellable obligations, which will include all non-cancelable contracts, graduate assistantships, fellowships and postdoctoral associate appointments, entered into prior to the notice of termination. After termination, any obligation of Sponsor for fellowships, graduate assistantships or postdoctoral associates will end no later than the end of University's academic year following termination. The upfront fee in Appendix 3, Sections A.1 and C.1 is non-creditable and non-refundable.

- 9.3 In the event of early termination of this agreement by University pursuant to Article 9.1 or by either party pursuant to Article 2.2, Sponsor will pay only the costs incurred up to the date of termination.
- 9.4 In the event that either party commits a material breach of this Agreement, and fails to remedy the breach within ninety (90) days after receipt of written notice from the other party, the party giving notice may, in addition to any other remedies available at law or in equity, terminate this Agreement by sending notice of termination in writing to the other party. The termination will be effective as of the date of the receipt of the notice.
- 9.5 Termination of this Agreement by either party for any reason will not affect the rights and obligations of the parties accrued prior to the effective date of termination. No termination of this Agreement, however effectuated, will affect the Sponsor's rights and duties hereof, or release the parties hereto from their rights and obligations under any Article which by its nature is intended to survive beyond the termination or Expiration Date of this Agreement.

Article 10 - Independent Contractor

It is expressly understood that University and Sponsor are independent contractors and not the agent, partner, or employee of the other. Neither party has the authority to enter into any contract or agreement to bind the other and will not represent to anyone that it has such authority, nor will their respective employees be entitled to any benefits applicable to employee of the other party.

Article 11 - Insurance and Indemnification

- 11.1 Each party represents that it has and will continue to maintain insurance sufficient to cover its obligations under this Agreement. A certificate of insurance detailed will be furnished to the other party upon request.
- 11.2 Except as provided in Section 11.3, each party will be responsible for its own acts and the results thereof and not for the acts of the other party.
- 11.3 Sponsor agrees to and does hereby indemnify, hold harmless, and save from liability University, its officers and employees, from and against any and all claims, demands and actions arising out of or relating to the performance of the Project or Sponsor's use of research results, Copyrightable Materials, and Subject Inventions provided to Sponsor under this Agreement. The obligations of this Section shall survive any expiration or termination of this Agreement.

Article 12 – Disclaimer of Warranties

University makes no warranties, express or implied, as to any matter whatsoever, including without limitation, the condition, originality or accuracy of the research or any research results, Copyrightable Materials, or Subject Inventions; or the ownership, merchantability, or fitness for a particular purpose of the research or any research results, Copyrightable Materials, or Subject Inventions.

Article 13 – LIMITATION OF LIABILITY FOR BREACH OF CONTRACT

IN NO EVENT WILL EITHER PARTY’S LIABILITY FOR BREACH OF CONTRACT INCLUDE DAMAGES FOR WORK STOPPAGE, LOST DATA, OR INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFIT), OF ANY KIND. THE UNIVERSITY’S LIABILITY TO SPONSOR FOR BREACH OF THIS AGREEMENT WILL NOT EXCEED THE MONETARY CONSIDERATION PAID TO THE UNIVERSITY UNDER THIS AGREEMENT.

Article 14 - Assignment

The parties may not assign any rights or obligations of this Agreement without the prior written consent of the other party. Any assignment attempted to be made in violation of this Agreement will be void.

Article 15 - Agreement Modification

This Agreement will be amended only in writing duly executed by all the parties to this Agreement. No waiver by any party of any default or nonperformance will be deemed a waiver of any subsequent default or nonperformance.

Article 16 - Notices

Notices, requests, invoices, or communications, hereunder will be deemed made upon submission to an overnight courier service or priority United States Mail, or three days after mailing by United States, first-class mail, certified or registered, postage prepaid, and addressed to the party to receive such notice, invoice, or communication at the address given below, or such other address as may hereafter be designated by notice in writing:

If to Sponsor:
(Insert Contact Information and Address)
Telephone:
Fax:
E-Mail:

If to University:
(Insert Name)

with a copy to Principal Investigator
(Insert Contact Information)

Telephone:
Fax:

E-Mail:

If to University's Office for Technology Commercialization under Section 8.3:

Office for Technology Commercialization

Article 17 - Force Majeure

No party to this Agreement will be responsible for any delays or failure to perform any obligation under this Agreement due to acts of God, strikes or other disturbances, including, without limitation, war, insurrection, embargoes, governmental restrictions, acts of governments or governmental authorities, and any other cause beyond the control of such party.

Article 18 - Entire Agreement

This Agreement (including all attached or referenced exhibits, schedules, appendices, addenda, or other documents) (collectively, the "Attachments") is intended by the parties as the final and binding expression of their agreement and as the complete and exclusive statement of its terms. This Agreement cancels, supersedes and revokes all prior negotiations, representations and agreements among the parties, whether oral or written, relating to the subject matter of this Agreement, including any non-disclosure or confidentiality agreements. To the extent the Attachments contain any terms and conditions that conflict with the terms and conditions of this Agreement, the terms and conditions of this Agreement shall control except as the parties specifically agree otherwise.

Article 19 – Severability

If any provision of this Agreement becomes or is declared illegal, invalid, or unenforceable, the provision will be divisible from this Agreement and deemed to be deleted from this Agreement. If the deletion substantially alters the basis of this Agreement, the parties will negotiate in good faith to amend the provisions of this Agreement to give effect to the original intent of the parties.

Article 20 - Governing Law

This Agreement shall be governed and construed according to the laws of the State of Michigan, excluding its conflict of laws provisions.

Article 21 - No Implied Waiver

The failure of either party at any time to require performance of any provision of this Agreement shall in no way affect the right to require such performance at any time thereafter, nor shall the waiver of either party of a breach of any provision constitute a waiver of any succeeding breach of the same or any other provision.

Article 22 - Closeout Requirements

- 22.1 Principal Investigator must submit a report to the Office of Technology Commercialization indicating whether or not Intellectual Property was developed within thirty (30) days of the Expiration Date. If the report indicates that Copyrightable Materials were created, an invention disclosure must be completed.
- 22.2 The final payment must be submitted by Sponsor to the University within thirty (30) days upon receipt of the final invoice and deliverables.

Article 23 - Counterparts

This Agreement may be signed in counterparts, each of which will be deemed one and the same original.
 The undersigned have executed this Agreement as on the dates below.

**WAYNE STATE
UNIVERSITY**

SPONSOR

BY: _____

BY: _____

Sponsored Projects Administration

TITLE: _____

TITLE: _____

DATE: _____

DATE: _____

I have read the above Agreement and agree to perform my obligations as an employee of the University and principal investigator(s) under this Agreement. I also understand and agree to the disposition of rights in inventions, discoveries, and other results as provided by this Agreement and to the provisions concerning confidentiality and publications. I will inform students and other participants working on this research of their rights and obligations under this Agreement.

Principal Investigator

Co-Principal Investigator *(If Applicable)*

BY: _____

BY: _____

TITLE: _____

TITLE: _____

DATE: _____

DATE: _____

Appendices:

Appendix 1– Description of the Research Project
Appendix 2 – Project Budget
Appendix 3 – License Options

Appendix 1 – Description of the Research Project

Appendix 2 – Project Budget

[Not applicable to Article 4, Option B]

Appendix 3 – License Options

A. Option for License on Commercially Reasonable Terms

- A1. Option. Sponsor has the option to negotiate a license to the University's interest in each new Subject Invention and any Copyrightable Materials, on commercially reasonable terms. . This option will expire six (6) months after disclosure of each new Subject Invention or new Copyrightable Materials to Sponsor. All negotiations conducted by the parties under this Section B will be conducted in good faith using reasonable efforts to reach a mutually beneficial arrangement as soon as practical. Determination of the reasonable royalty will take into consideration the cost, resources, and time to commercially develop and exploit the Subject Invention or Copyrightable Materials, the contributions of each party, the proprietary position provided, the profit potential, and customary royalties in the industry for similar intellectual property rights. The patent rights under this provision apply only to patent rights specific to a Subject Invention for which Sponsor is responsible for filing, prosecution and maintenance of patent protection, but for which Sponsor does not elect the terms provided in Sections A or C.

B. Option for Exclusive License with Pre-Set Royalty Terms

- B.1 Upfront Fee. Sponsor will pay University an Upfront Fee of either ten percent (10%) of the total Contract Price in Article 4 or fifteen thousand dollars (\$15,000), whichever is greater. This fee will be paid in accordance with Section A.4 at the time of execution of the Agreement and at the time of each funded modification, regardless of whether any Subject Invention or Copyrightable Materials result. If Sponsor pays fifteen thousand dollars (\$15,000), no additional fees will be due under this Section A.1 until the cumulative obligated funding under the Agreement exceeds one hundred fifty thousand dollars (\$150,000).
- B.2 Option. In consideration of the payment of the Upfront Fee, University grants to Sponsor an option, exercisable within six (6) months after disclosure of each Subject Invention, to an exclusive, worldwide license, with the right to sublicense, subject to the royalties set forth in Section A.3. Sponsor may exercise the option by providing written notice to the University. The terms of the University's standard exclusive patent license for industry sponsored research ("EPLA") will be negotiated at the time the Sponsor notifies University of the exercise of it option for each new Subject Invention and Copyrightable Material. Such license will include the right to grant sublicenses to University Subject Inventions and Copyrightable Material and to University's ownership interest in Joint Subject Inventions and the patent rights therein for commercial practice. Sponsor and University are expected to execute the EPLA within 6 months after the option has been exercised.
- B.3 Limited Running Royalties for Exclusive License. The Sponsor agrees to pay the University a one percent (1%) royalty on the net sales of products or processes utilizing each new Subject Invention or Copyrightable Material in any full calendar year in which annual sales of such products or processes exceed twenty million dollars (\$20,000,000).
- B.4 Cap on Running Royalties. If Subject Invention or Copyrightable Material is either (a) a process that improves the efficiency or lowers the cost of manufacture of existing Sponsor products or

processes, or (b) a product that is an improvement of an existing Sponsor product, then the cumulative payments due University under Section B.3 will not exceed five million dollars (\$5,000,000) for each Sponsor product or process for which (a) or (b) applies.

- B.5. Payment of Fees. University will invoice Sponsor for the fee listed in Section A.1. Sponsor will pay University within thirty (30) days following receipt of such invoice. If Sponsor fails to pay the fee due to the University within sixty (60) days of receipt of an invoice, then the University will have the right to unilaterally change the intellectual property terms to grant the Sponsor an option under Section B, below. Invoices to Sponsor under this Section A5 will be sent to the following address:

Name and email address of primary billing contact for Fee:

C. Option for Non-Exclusive, Royalty Free License

- C.1 Upfront fee for Non-Exclusive License. Sponsor will pay University an Upfront Fee of either ten percent (10%) of the total Contract Price or ten thousand dollars (\$10,000), whichever is greater. This fee will be paid in accordance with Section C.3 at the time of execution of the Agreement and at the time of each funded modification, regardless of whether any Subject Invention or Copyrightable Material results. In the event the Sponsor pays ten thousand dollars (\$10,000), no additional fees will be due under this Section C.1 until the cumulative obligated funding under the Agreement exceeds one hundred thousand dollars (\$100,000). In consideration, University grants to Sponsor a non-exclusive, royalty-free, non-sublicensable worldwide license under and to the University's rights in the Subject Invention and Copyrightable Materials.
- C.2 Option for Exclusive License. If Sponsor elects this Option C, University further grants to Sponsor, for no additional consideration, the option to negotiate an exclusive license under and to the University's patent rights relevant to the practice and/or sublicensing of the Subject Invention and any Copyrightable Materials on commercially reasonable terms. This option will expire six (6) months after disclosure of the Subject Invention or Copyrightable Materials to Sponsor. All negotiations conducted by the parties under this Section C.2 will be conducted in good faith using reasonable efforts to reach a mutually beneficial arrangement as soon as practical. Determination of the reasonable royalty will take into consideration the cost, resources, and time to commercially develop and exploit the intellectual property, the contributions of each party, the proprietary position provided, the profit potential, and customary royalties in the industry for similar intellectual property rights. The patent rights under this provision apply only to patent rights specific to a Subject Invention for which Sponsor is responsible for filing, prosecution and maintenance of patent protection, but for which Sponsor does not elect the terms provided in Section A or B.

C.3 Payment of Fees. University will invoice Sponsor for the fee listed in Section C.1. Sponsor will pay University within thirty (30) days following receipt of such invoice. If Sponsor fails to pay the fee due to the University within sixty (60) days thereafter, then the University will have the right to unilaterally change the intellectual property terms to grant the Sponsor an option under Section B. Invoices to Sponsor under this Section C.3 will be sent to the following address:

Name and email address of primary billing contact for Fee:
