

EXCLUSIVE (EQUITY) AGREEMENT

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

1 BACKGROUND

Stanford has an assignment of an invention (insert marketing description here). It is entitled "_____", was invented in the laboratory of _____, and is described in Stanford Docket _____. The invention was made in the course of research supported by the _____. Stanford wants to have the invention perfected and marketed as soon as possible so that resulting products may be available for public use and benefit.

(Special background of particular license)

2 DEFINITIONS

- 2.1 "Exclusive" means that, subject to Articles 3 and 5, Stanford will not grant further licenses under the Licensed Patents in the Licensed Field of Use in the Licensed Territory.
- 2.2 "Fully Diluted Basis" means the total number of shares of Licensee'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 Licensee stock or stock option plan then in effect.
- 2.3 "Licensed Field of Use" means _____.
- 2.4 "Licensed Patent" means Stanford's U.S. Patent Application, Serial Number _____, filed _____, any foreign patent application corresponding thereto, and any divisional, continuation, or reexamination

application, 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.

2.5 "Licensed Product" means a product or part of a product in the Licensed Field of Use:

- (A) the making, using, importing or selling of which, absent this license, infringes, induces infringement, or contributes to infringement of a Licensed Patent; or
- (B) which is made with, uses or incorporates any Technology.

2.6 "Licensed Territory" means

2.7 "Net Sales" means all gross revenue derived through Licensee or sublicensees from Licensed Product. Net Sales excludes the following items (but only as they pertain to the making, using, importing or selling of Licensed Products, are included in gross revenue, and are separately billed):

- (A) import, export, excise and sales taxes, and custom duties;
- (B) costs of insurance, packing, and transportation from the place of manufacture to the customer's premises or point of installation;
- (C) costs of installation at the place of use; and
- (D) credit for returns, allowances, or trades.

2.8 "Stanford Indemnitees" means Stanford and Stanford Hospitals and Clinics, and their respective trustees, officers, employees, students, and agents.

2.9 "Technology" means the Licensed Patents and that additional information or materials listed in Appendix D that will be provided by Stanford to Licensee. Technology may or may not be confidential in nature.

3 GRANT

3.1 **Grant.** Subject to the terms and conditions of this Agreement, Stanford grants Licensee a license under the Licensed Patent in the Licensed Field of Use to make, have made, use, import, offer to sell and sell Licensed Product in the Licensed Territory.

3.2 **Exclusivity.** The license is Exclusive, including the right to sublicense under Article 4, in the Licensed Field of Use beginning on (insert date) and ending on the earlier of:

- (A) (*****insert date based on number of years from Effective Date); or

- (B) the _____ anniversary of the date of first sale of any Licensed Product by Licensee or a sublicensee. Licensee agrees to promptly inform Stanford in writing of this first sale.
- 3.3 **Nonexclusivity.** After the Exclusive term, the license will be nonexclusive until the last Licensed Patent expires.
- 3.4 **Retained Rights.** Stanford retains the right, on behalf of itself and all other non-profit academic research institutions, to practice the Licensed Patent and use Technology for any non-profit purpose, including sponsored research and collaborations. Licensee 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 has the right to publish any information included in the Technology or a Licensed Patent.
- 3.5 **Specific Exclusion.** Stanford does not:
- (A) grant to Licensee any other licenses, implied or otherwise, to any patents or other rights of Stanford other than those rights granted under Licensed Patent, regardless of whether the patents or other rights are dominant or subordinate to any Licensed Patent, or are required to exploit any Licensed Patent or Technology;
- (B) commit to Licensee to bring suit against third parties for infringement, except as described in Article 14; and
- (C) agree to furnish to Licensee any technology or technological information other than the Technology or to provide Licensee with any assistance.

4 SUBLICENSING

- 4.1 **Permitted Sublicensing.** Licensee may grant sublicenses in the Licensed Field of Use only during the Exclusive term and only if Licensee is developing or selling Licensed Products. In addition, sublicenses with any exclusivity must include diligence requirements commensurate with the diligence requirements of Appendix A.
- 4.2 **Required Sublicensing.** If Licensee 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, Licensee will, at Stanford's request, negotiate in good faith a sublicense with any such sublicensee. Stanford would like licensees to address unmet needs, such as those of neglected patient populations or geographic areas, giving particular attention to improved therapeutics, diagnostics and agricultural technologies for the developing world.
- 4.3 **Sublicense Requirements.** Any sublicense:
- (A) is subject to this Agreement;
- (B) will reflect that any sublicensee will not further sublicense;
- (C) will prohibit sublicensee from paying royalties to an escrow or other similar account;

- (D) will expressly include the provisions of Articles 8, 9, and 10 for the benefit of Stanford;
- (E) will include the provisions of Article 4.4 and require the transfer of all obligations, including the payment of royalties specified in the sublicense, to Stanford or its designee, if this Agreement is terminated.

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 the Licensee 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;
 - (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. Licensee will submit to Stanford a copy of each sublicense.

4.6 Sharing of Sublicensing Income. Licensee will retain half of license issue royalties, and half of earned royalty income received by Licensee from a sublicensee in excess of that which is payable to Stanford under Article 7. Licensee will pay the remainder of sublicensee income to Stanford as additional royalty.

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

- (A) sublicense or
- (B) cross-license.

5 GOVERNMENT RIGHTS

This Agreement is subject to Title 35 Sections 200-204 of the United States Code. Among other things, these provisions provide the United States Government with

nonexclusive rights in the Licensed Patent. They also impose the obligation that Licensed Product sold or produced in the United States be "manufactured substantially in the United States." Licensee 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, Licensee will diligently develop, manufacture, and sell Licensed Product and will diligently develop markets for Licensed Product. In addition, Licensee 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, Licensee will submit a written annual report to Stanford covering the preceding calendar year. The report will include information sufficient to enable Stanford to satisfy reporting requirements of the U.S. Government and for Stanford to ascertain progress by Licensee toward meeting this Agreement's diligence requirements. Each report will describe, where relevant: Licensee'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.
- 6.3 **Clinical Trial Notice.** Licensee will notify Stanford prior to commencing any clinical trials at Stanford.

7 ROYALTIES

- 7.1 **Issue Royalty.** Licensee will pay to Stanford a noncreditable, nonrefundable license issue royalty of \$_____ upon signing this Agreement.
- 7.2 **Equity Interest.** As further consideration, Licensee will grant to Stanford _____ shares of (common or preferred) stock in Licensee. When issued, those shares will represent ___ % of the (common or preferred) stock in Licensee on a Fully Diluted Basis. Licensee agrees to provide Stanford with the capitalization table upon which the above calculation is made. Licensee 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.** Licensee will issue Stanford, without further consideration, any additional shares of stock of the class issued pursuant to Section 7.2 necessary to ensure that the number of shares issued Stanford pursuant to Section 7.2 and this Section 7.3 does not represent less than ___ % of the shares issued and outstanding on a Fully-Diluted Basis at any time through the completion

of issuance of all shares to be issued in connection with the first round of bona fide equity investment in Licensee from a single or group of investors which is both (i) at least \$X,000,000 in size and (ii) at a price per share which, when applied to stock actually outstanding immediately after such round, implies a post-financing equity valuation of Licensee of at least \$Y,000,000. This right will expire upon the issuance of all shares to be issued in connection with such round, but will apply to all shares to be issued in or in connection with such round.

- 7.4 **10% Purchase Right.** In any private offering of Licensee's equity securities for cash (or in satisfaction of debt issued for cash), Stanford may purchase for cash up to 10% of the securities issued in such offering. This right will expire following the first round of bona fide equity investment in Licensee from a single or group of investors which either (i) is at least \$2,500,000 in size or (ii) involves the sale to outside investors of at least 25% of the shares outstanding after such round on a Fully-Diluted Basis, but will apply to all shares to be issued in such round. This right is in addition to Stanford's rights under Section 7.3.
- 7.5 **Future Offerings.** In any private offering of Licensee's equity securities in exchange for cash (or in satisfaction of debt issued for cash), Stanford may purchase for cash that number of the securities issued in such offering as is necessary for Stanford to maintain its pro rata ownership interest in the Licensee on a Fully-Diluted Basis. This right is in addition to Stanford's rights under Section 7.4. If both Section 7.4 and this Section 7.5 apply to an offering, the provision granting Stanford the greater purchase rights will govern.
- 7.6 **Purchase Terms and Procedure, Exceptions; Public Offering.** In any offering subject to Section 7.4 or 7.5, (i) Stanford's purchase right shall be on the same terms as the other investors in the financing in question, except that Stanford shall not have any board representation or board meeting attendance rights, (ii) Licensee will give Stanford notice of the terms of the offering, including the names of the investors and the amounts to be invested by each, and Stanford may elect to exercise its right of purchase, in whole or in part, by notice given to Licensee within 20 days after receipt of Licensee's notice and (iii) if Stanford elects not to purchase, or fails to give an election notice within such period, Stanford's purchase right will not apply to the offering if (and only if and to the extent) it is consummated within 90 days on the same or less favorable (to the investor) terms as stated in Licensee's notice to Stanford. Stanford's rights under Sections 7.4 and 7.5 will not apply to the issuance of stock to employees and other service providers pursuant to a plan approved by Licensee's board of directors, or to shares issued as additional consideration in lending or leasing transactions. The rights granted in Sections 7.3, 7.4 and 7.5 will terminate (in addition to any earlier termination pursuant to their terms) immediately before a firm commitment underwritten public offering resulting in gross proceeds to Licensee of at least \$XX,000,000.
- 7.7 **Repurchase Obligation.** If Stanford is to conduct any clinical trial on behalf of Licensee or any agent of Licensee, Licensee will repurchase all Stanford's equity interest in Licensee. Licensee cannot begin any such trial until Stanford no longer holds any equity interest in Licensee. The repurchase price for any such equity interest will be the fair market value for that equity at the time Licensee and

Stanford enter into a definitive agreement under which any such clinical research will be performed. Fair market value of publicly traded equity instruments will be determined by taking the average of the closing price for such equity over the five days preceding such date. Fair market value of non-public equity instruments will be at least as high as the greater of:

- (A) the last value placed on any such equity in Licensee through an arms-length transaction regarding the issuance or sale of any equity in Licensee; or
- (B) the last value placed on any such equity by Licensee's Board of Directors in connection with any transaction other than this repurchase of shares from Stanford.

7.8 **License Maintenance Fee.** Beginning _____ and each _____ thereafter, Licensee will pay Stanford a yearly license maintenance fee of \$_____. Yearly maintenance payments are nonrefundable, but they are creditable each year as described in Section 7.12.

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

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

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

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

For example:

- (A) if Licensee pays Stanford a \$10 maintenance payment for year Y, and according to Section 7.10 \$15 in earned royalties are due Stanford for Net Sales in year Y, Licensee will only need to pay Stanford an additional \$5 for that year's earned royalties.
- (B) if Licensee pays Stanford a \$10 maintenance payment for year Y, and according to Section 7.10 \$3 in earned royalties are due Stanford for Net Sales in year Y, Licensee will not need to pay Stanford any earned royalty payment for that year. Licensee will not be able to offset the remaining \$7 against a future year's earned royalties.

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

8 ROYALTY REPORTS, PAYMENTS, AND ACCOUNTING

- 8.1 **Quarterly Earned Royalty Payment and Report.** Beginning with the first sale of a Licensed Product, Licensee will submit to Stanford a written report (even if there are no sales) and an earned royalty payment within 30 days after the end of each calendar quarter. This report will be in the form of Appendix B and will state the number, description, and aggregate Net Sales of Licensed Product during the completed calendar quarter. With each report Licensee will include any earned royalty payment due Stanford for the completed calendar quarter (as calculated under Section 7.10).
- 8.2 **No Refund.** In the event that a validity or non-infringement challenge of a Licensed Patent brought by Licensee is successful, Licensee will have no right to recoup any royalties paid before or during the period challenge.
- 8.3 **Termination Report.** Licensee will pay to Stanford all applicable royalties and submit to Stanford a written report within 90 days after the license terminates. Licensee will continue to submit earned royalty payments and reports to Stanford after the license terminates, until all Licensed Products made or imported under the license have been sold.
- 8.4 **Accounting.** Licensee 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.** Licensee will allow Stanford or its designee to examine Licensee's records to verify payments made by Licensee 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, Licensee will pay the audit costs.
- 8.7 **Self-audit.** Licensee 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 Licensee 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 the Licensee. Licensee will submit the auditor's report promptly to Stanford upon completion. Licensee will pay for the entire cost of the audit.

9 EXCLUSIONS AND NEGATION OF WARRANTIES

- 9.1 **Negation of Warranties.** Stanford provides Licensee 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.** Licensee also acknowledges that Stanford does not represent or warrant:
- (A) the validity or scope of any Licensed Patent, or
 - (B) that the exploitation of Licensed Patent or Technology will be successful.

10 INDEMNITY

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

11 EXPORT

Licensee warrants that Licensee will not export or reexport the following, directly or indirectly, to any country, individual or entity except when such export or reexport is authorized in full compliance with the laws and regulations of the United States of America, as applicable:

- (A) the licensed technology or software, or any portion thereof, or
- (B) any foreign produced direct product (including equipment, processes or services) of the licensed technology or software; or
- (C) any foreign produced direct product of a plant or major component of a plant if the direct product of the licensed technology is the plant itself or a major component of the plant.

Applicable laws and regulations may include, but are not limited to, the Export Administration Regulations, the International Traffic in Arms Regulations and the various economic sanctions regulations administered by the U.S Department of the Treasury.

12 MARKING

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

13 STANFORD NAMES AND MARKS

Licensee will not identify Stanford in any promotional statement, or otherwise use the name of any Stanford faculty member, employee, or student, or any trademark, service mark, trade name, or symbol of Stanford or Stanford Hospitals and Clinics, including the Stanford name, unless Licensee has received Stanford's prior written consent. Permission may be withheld at Stanford's sole discretion.

14 PROSECUTION AND PROTECTION OF PATENTS

- 14.1 **Patent Prosecution.** Following the Effective Date and subject to Stanford's approval, Licensee will be responsible for preparing, filing, and prosecuting broad patent claims (including any interference or reexamination actions) for Stanford's benefit in the Licensed Territory and for maintaining all Licensed Patents. Licensee will notify Stanford before taking any substantive actions in prosecuting the claims, and Stanford will have final approval on how to proceed with any such actions. To aid Licensee in this process, Stanford will provide information, execute and deliver documents and do other acts as Licensee shall reasonably request from time to time. Licensee will reimburse Stanford for Stanford's reasonable costs incurred in complying with such requests. Stanford and Licensee agree to the terms detailed in Appendix C and agree to have Appendix C fully executed by the appropriate parties upon execution of this Agreement.
- 14.2 **Patent Costs.** Within 30 days after receiving a statement from Stanford, Licensee will reimburse Stanford:
- (A) \$_____ to offset Licensed Patent's patenting expenses, including any interference or reexamination matters, incurred by Stanford before the Effective Date; and
 - (B) for all Licensed Patent's patenting expenses incurred by Stanford after the Effective Date.
- 14.3 **Infringement Procedure.** Licensee will promptly notify Stanford if it believes a third party infringes a Licensed Patent. During the Exclusive term of this Agreement and if the Licensee is developing Licensed Product, Licensee may have the right to institute a suit against this third party as provided in Sections 14.4 – 14.8.
- 14.4 **Stanford Suit.** Stanford has the first right to institute suit, and may name Licensee as a party for standing purposes. If Stanford decides to institute suit, it will notify Licensee in writing. If Licensee does not notify Stanford in writing that it desires to jointly prosecute the suit within 15 days after the date of the notice, Licensee will assign and hereby does assign to Stanford all rights, causes of action, and damages resulting from the alleged infringement. Stanford will bear the entire cost of the litigation and will retain the entire amount of any recovery or settlement.
- 14.5 **Joint Suit.** If Stanford and Licensee so agree, they may institute suit 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 **Licensee Suit.** If neither Section 14.4 nor 14.5 apply, Licensee may institute and prosecute a suit so long as it conforms with the requirements of this Section and Licensee is developing or selling Licensed Product. Licensee will diligently pursue the suit and Licensee will bear the entire cost of the litigation, including expenses and counsel fees incurred by Stanford. Licensee will keep Stanford reasonably apprised of all developments in the suit, and will seek Stanford's input and approval on any substantive submissions or positions taken in the litigation regarding the scope, validity and enforceability of the Licensed Patent. Licensee will not prosecute, settle or otherwise compromise any such suit in a manner that adversely affects Stanford's interests without Stanford's prior written consent. Stanford may be named as a party only if

- (A) Licensee's and Stanford's respective counsel recommend that such action is necessary in their reasonable opinion to achieve standing;
- (B) Stanford is not the first named party in the action; and
- (C) the pleadings and any public statements about the action state that Licensee is pursuing the action and that Licensee has the right to join Stanford as a party.

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

- (A) any payment for past sales will be deemed Net Sales, and Licensee will pay Stanford royalties at the rates specified in Section 7.10;
- (B) any payment for future sales will be deemed a payment under a sublicense, and royalties will be shared as specified in Article 4.
- (C) Licensee and Stanford will negotiate in good faith appropriate compensation to Stanford for any non-cash settlement or non-cash cross-license.

14.8 **Abandonment of Suit.** If either Stanford or Licensee 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 Licensee agree on the sharing of expenses and any recovery in the suit.

15 TERMINATION

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

15.2 **Termination by Stanford.**

- (A) Stanford may also terminate this Agreement if Licensee:
 - (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 Licensee remedies the problem in that 30-day period.

15.3 Surviving Provisions. Surviving any termination or expiration are:

- (A) Licensee's obligation to pay royalties accrued or accruable;
- (B) any claim of Licensee or Stanford, accrued or to accrue, because of any breach or default by the other party; and
- (C) the provisions of Articles 8, 9, and 10 and any other provision that by its nature is intended to survive.

16 ASSIGNMENT

16.1 Permitted Assignment by Licensee. Subject to Section 16.3, Licensee may assign this Agreement as part of a sale, regardless of whether such a sale occurs through an asset sale, stock sale, merger or other combination, or any other transfer of:

- (A) Licensee's entire business; or
- (B) that part of Licensee's business that exercises all rights granted under this Agreement.

16.2 Any Other Assignment by Licensee. Any other attempt to assign this Agreement by Licensee is null and void.

16.3 Conditions of Assignment. Prior to any assignment, the following conditions must be met:

- (A) Licensee must give Stanford 30 days prior written notice of the assignment, including the new assignee's contact information; and
- (B) the new assignee must agree in writing to Stanford to be bound by this Agreement; and
- (C) Stanford must have received a \$_____ assignment fee.

16.4 After the Assignment. Upon a permitted assignment of this Agreement pursuant to Article 16, Licensee will be released of liability under this Agreement and the term "Licensee" in this Agreement will mean the assignee.

17 ARBITRATION

17.1 Dispute Resolution by Arbitration. Any dispute between the parties regarding any payments made or due under this Agreement will be settled by arbitration in

accordance with the JAMS Arbitration Rules and Procedures. The parties are not obligated to settle any other dispute that may arise under this Agreement by arbitration.

- 17.2 **Request for Arbitration.** Either party may request such arbitration. Stanford and Licensee 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.** Licensee 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. Licensee will include with such written notice an identification of all prior art it believes invalidates any claim of the 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 Licensee are mailed to:

Name: _____
 Address: _____

 Email: _____

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

Name: _____
 Email: _____

All progress report invoices to Licensee (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
 1705 El Camino Real

Palo Alto, CA 94306-1106

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

1705 El Camino Real

Palo Alto, CA 94306-1106

info@otlmail.stanford.edu

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

19 MISCELLANEOUS

- 19.1 **Waiver.** No term of this Agreement can be waived except by the written consent of the party waiving compliance.
- 19.2 **Choice of Law.** This Agreement and any dispute arising under it is governed by the laws of the State of California, United States of America, applicable to agreements negotiated, executed, and performed within California.
- 19.3 **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. Licensee submits to the jurisdiction of such courts, and waives any claim that such a court lacks jurisdiction over Licensee or constitutes an inconvenient or improper forum.
- 19.4 **Headings.** No headings in this Agreement affect its interpretation.
- 19.5 **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 Licensee here]

Signature _____

Name _____

Title _____

Date _____

APPENDIX A

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. Licensee has already provided Stanford a preliminary business plan. By _____, Licensee will provide Stanford a detailed document covering Licensee'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 _____, Licensee 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 Licensee and unused capital will be on deposit in a financial institutional acceptable to both Stanford and Licensee.
3. By _____, Licensee will provide to Stanford a listing of the management team or a schedule for the recruitment of key management positions.
4. By _____, Licensee will make a prototype/ begin animal studies.
5. By _____, Licensee will file an NDA, Phase I, Phase II, etc.
6. By _____, Licensee will have a first sale of Licensed Product.
7. Licensee 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 _____, Licensee will reach annual Net Sales of at least \$X,000,000.
9. By _____, Licensee will obtain purchase orders from at least 2 customers.
10. By _____, Licensee will reach annual Net Sales of at least \$XX,000,000.
11. By _____, Licensee will reach annual Net Sales of at least \$XXX,000,000.

APPENDIX B

SAMPLE REPORTING FORM

Stanford Docket No. S -

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

License Agreement Effective Date:

Name(s) of Licensed Product(s):

Report Covering Period	
Yearly Maintenance Fee	\$
Number of Sublicenses Executed	
Gross Sales	\$
Net Sales	\$
Royalty Calculation	
Royalty Subtotal	\$
Credit	\$
Royalty Due	\$

Comments:

APPENDIX C**CLIENT AND BILLING AGREEMENT**

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

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

WHEREAS, STANFORD remains the client of the FIRM; and

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

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

1. FIRM can interact directly with COMPANY on all patent prosecution matters related to the Patents and will copy STANFORD on all correspondence. STANFORD will be notified by FIRM prior to any substantive actions and will have final approval on proceeding with such actions.
2. COMPANY is responsible for the payment of all charges and fees by FIRM related to the prosecution and maintenance of the Patents. FIRM will invoice COMPANY and must copy STANFORD on all invoices. COMPANY must pay FIRM directly for all charges and must copy STANFORD on each payment.
3. Notices and copies of all correspondence should be sent to the following:

To COMPANY:

Name, Title
Company Name
Address

To STANFORD:

Name
Office of Technology Licensing
Stanford University

1705 El Camino Real
Palo Alto, CA 94306-1106

To FIRM:

Attorney Name
Law Firm Address

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

ACCEPTED AND AGREED TO:

STANFORD

By: _____
Name: Katharine Ku
Title: Director
Date: _____

Company Name

By: _____
Name:
Title:
Date: _____

Law Firm Name

By: _____
Name:
Title:
Date: _____