NATIONAL COUNCIL OF UNIVERSITY RESEARCH ADMINISTRATORS

Introduction to

PATENT LICENSING AGREEMENTS

Workshop Materials - NCURA Intellectual Property Series - 1984

Title	Unit
Patents and Patent Rights	1
Patent Rights under Government Contracts	2
University Patent Policies and Practices	3
Patent Clauses in Industrial Research Agreements	4
> Patent License Agreements	5 <
The Law of Copyrights	6
Rights in Data under Government Contracts (Reserved)	7
University Copyright Policies	8
Copyright Clauses in Industrial Research Agreements	9
Software Licensing Agreements	10

Introduction to

PATENT LICENSING AGREEMENTS

This paper is one unit in a series prepared by the sponsored program and patent offices at M.I.T. for use in their own professional development program and in the workshop on intellectual property at the 1984 NCURA annual meeting. The NCURA Committee on Professional Development is making it available to NCURA members who need a basic understanding of intellectual property in connection with the negotiation and administration of sponsored research agreements.

Copies of this and other units in the series may be obtained from NCURA Headquarters.

Other Guidance

This series is intended to provide university research administrators with only an introduction to the basic concepts of intellectual property. Those who require a more complete understanding of the subject will wish to study other materials cited herein or developed from time to time by such organizations as the Society of University Patent Administrators, the Licensing Executives Society, the COGR Committee on Patents, Copyrights and Rights in Data, and the National Association of College and University Attorneys.

User Feedback

This material is intended to be self-improving. Users are, therefore, invited to forward comments, suggestions and new materials for the next revision to:

Chairman, Committee on Professional Development
National Council of University Research Administrators
One Dupont Circle, N.W., Suite 618
Washington, D.C. 20036

Copyright © 1984 Massachusetts Institute of Technology and
National Council of University Research Administrators

Introduction to

PATENT LICENSING AGREEMENTS

Contents

1.	INTRODUCTION	3
2.	LICENSING AGREEMENTS	4
3.	LICENSING AGREEMENT (EXCLUSIVE TO SPONSOR)	5
	Commentary	5
	Sample License Agreement	10

INTRODUCTION

Some of the patent licensing done by universities relates to inventions in which the university acquired ownership under the terms of employee patent agreements or by assignment from individuals who elect to have the university develop and market inventions on their behalf. University research administrators, however, are primarily concerned with patent licensing which relates to university owned inventions which resulted from research programs sponsored by the Federal government or by industrial organizations. The purpose of this paper is to provide an introduction to the principal features of such licensing agreements. The sample licensing agreement included in this paper is a royalty-bearing, limited term, exclusive license, which is preceded by a brief commentary on each of its provisions.

Those interested in pursuing patent licensing further should seek guidance from professional groups such as the Society of University Patent Administrators, the Licensing Executives Society and from publications such as the following:

1. Les Nouvelles - The Journal of the Licensing Executives Society, a worldwide federation of business-oriented professional societies of individuals involved in the transfer of technology and industrial or intellectual property rights. (Les Nouvelles, 1225 Elbur Avenue, Cleveland, Ohio 44107).

2. The Law and Business of Licensing - Licensing in the 1980's, - A looseleaf reference series with new material added on an annual basis in the form of supplementary pages and new binders. Published by Clark Boardman Company, Ltd., 435 Hudson Street, New York, N. Y. 10014, this series, the first volume of which was issued on October 15, 1981, is the follow-on to the four-volume series, The Law and Business of Licensing, which was closed out in 1980. Both series feature reprints of selected articles from Les Nouvelles.

3. The Licensing Law Handbook, Clark Boardman Company, Ltd., - An annual series, starting with 1979, designed to assist practitioners and licensing professionals to cope with new developments in the law and business of licensing. The 1982 volume, fourth in the series, covers the pricing of technology, joint ventures, R&D limited partnerships, and international operations.

LICENSING AGREEMENTS

As noted in Unit 1 of this series, "Patents and Patent Rights", the owner, or joint owner, of a patent may grant a license to others. A license is the permission granted by the patent owner to another to make, use or sell the invention. No particular form of contract is required. A license is a contract and may include whatever provisions the parties agree to. It may be established by contract or implied from the conduct or legal position of the parties. This paper deals with licenses which are established under the terms of research contracts.

In some cases the invention which is the subject of the license may have resulted from research funded in whole or in part by the Federal government. In that case the license may be subject to Federal rights, These were discussed in Unit 2 of this series, "Patent Rights under Government Contracts" under the section on "Commingling," and are set forth in the standard patent clause at FAR 52.227-11, which is appended to that unit.

Patent licensing has also been discussed in Unit 3, "University Patent Policies and Practices" in connection with the development and marketing of inventions.

Finally, the clauses and commentary in Unit 4, "Patent Clauses in Industrial Research Agreements" cover the license rights and other options most frequently granted to industrial research sponsors by universities which retain title to resulting inventions.

Non-exclusive licenses. As noted in the last cited paper, the right most frequently granted to a research sponsor is an irrevocable, non-exclusive license for the life of the patent. It may be the only right granted, or it may be granted in conjunction with a limited term, exclusive license, or with an option to acquire such a license. It may be royalty-free or royalty-bearing.

Exclusive licenses. In recent years, however, universities which retain title to inventions resulting from sponsored research appear to be more willing than previously to provide industrial sponsors with exclusive patent licenses, and to view them as an appropriate vehicle for the effective transfer of technology. In most cases, the rights granted are for a limited term.

In connection with exclusive licenses, many universities require (1) performance milestones and/or minimum annual payments as incentives for the licensee to develop the technology and to ensure that it becomes available for the benefit of the public, or (2) other forms of assurance that commercialization will be diligently pursued.

Because of its growing use and its importance in the technology transfer process, the sample agreement and commentary which follows deals with a typical exclusive, limited term, royalty-bearing license in use at one university.

LICENSING AGREEMENT

Commentary

The attached sample agreement, which is presently in use at MIT, illustrates the essential provisions of an exclusive patent license to a research sponsor. It includes, in certain clauses, language which must be used where government funding was involved, as discussed in Unit 2 of this series, "Patent Rights under Government Contracts".

Other universities may add clauses which are not included in the sample agreement, omit some of the clauses which are, or state them in a different manner. Nonetheless, the sample agreement suggests the subject matter which must be dealt with and the type of clauses which are used. It is set forth solely as an example, and is not recommended for use by other institutions unless appropriately modified and adapted by a qualified patent attorney.

The following comments refer to the corresponding provisions of the sample agreement.

PARTIES

The parties must be identified by name and place of business and by their "hereafter referred to as..." designation, such as licensor, university, licensee or a combination thereof.

RECITALS

The recitals (i.e., Whereases) help to identify and characterize the type of license and the general nature of the agreement at the outset. The royalty-free license to the U.S. government (in the first Whereas of the sample license) is used, of course, only where the invention was developed using government funds.

ARTICLES

I. Definitions

It is important in this section to define certain of the essential elements to be covered by the license. For example, it should be clear whether "licensee" includes any subsidiary and how subsidiary is defined. Similarly, the actual patent rights which are the subject of the license should be clearly defined. Other areas which should be defined from the outset include the licensed product and/or licenses process. Other

definitions can be added as deemed appropriate under particular circumstances.

II. Grant (License rights)

The agreement should clearly specify the type of license and the rights granted. It may also contain provisions relative to requirements for sublicensing.

A. Type of grant

This section specifies the type of license as, for example, whether it is worldwide, whether it is a license for research purposes only, or one which allows the licensee to fully commercialize the invention (i.e., "to make, have made, use, lease and sell") and whether the licensee's rights are restricted to a certain field of use.

B. Degree of exclusivity

This section sets forth the period for which the exclusive license is granted. Attention should be given to any restrictions imposed by governmental regulation under OMB Circular A-124 for government funded inventions. Note also that, at the termination of the exclusive period, the license automatically becomes non-exclusive to the end of the remaining life of the patent.

C. Sublicensing rights

The remaining sections usually define the licensee's rights to sublicense; the reporting requirements where a sublicense is granted; and the terms of any such sublicensing rights, although royalty terms are usually addressed in the royalty clause which follows.

III. Due diligence - Performance milestones

A critical provision in any exclusive license is the "due diligence" clause, which sets forth the performance milestones that must be achieved by the licensee if the license is to continue in effect. The clause is a form of "march-in" which allows the university the right to terminate the agreement if the licensee does not perform as agreed. In some license agreements, the due diligence provision allows the university to revoke the exclusivity for failure of performance but permits the licensee to retain a non-exclusive license. This is usually the case where the licensee is a research sponsor and would, at minimum, be entitled under the research contract to a non-exclusive license in any event.

IV. Royalties - Licensing fees

It is customary in an exclusive license to require a license issue fee upon execution of the license agreement. This fee serves to return immediately to the university the costs of patent filing and is also an indication that the exclusive licensee has a serious intent to commercialize the invention. The license issue fee may, or may not, be used by the licensee as a credit against future royalties, and where the licensee is the sponsor of the research, the license fee is often waived.

Perhaps the fairest measure of royalties and that used most often is the running royalty based on the net sales price of the licensed product. The rate is usually set higher during the period of exclusivity and lower during the period of non-exclusivity. It is important also to set an annual minimum royalty as a useful method to ensure performance by the licensee.

The procedure for making royalty payments is also included in this section.

V. Reports and records

It is important that a clear understanding be reached by the parties as to the type of records which must be maintained and the type of inspection permitted. An adequate reporting procedure from the licensee to the university is essential, as is the university's right to retain an accountant for inspection of licensee's royalty records. For purposes of economy a university might retain the right to use its own internal auditing divison for such inspection. The licensee, however, may insist that an independent certified accountant be retained, and this latter provision is more common, although obviously more costly. The royalty statement should specify sales to the U.S. government only in those license agreements where the government has a royalty-free license by virtue of funding the invention.

VI. Patent prosecution

This section sets forth the obligations of the parties to apply for and maintain the licensed patent rights. In the sample agreement this burden is assumed by the university; however, it may well be assumed by the licensee or by both parties as discussed in Part IV covering research contract patent clauses.

VII. Termination

A termination provision is essential in an exclusive license. The provision should state clearly the cause for termination, the notice period requirement, and the university's right to terminate based on a breach of the agreement.

VIII. Arbitration

Under the arbitration provision in the sample agreement, issues concerning the validity, construction or effect of any patent are excluded from the arbitration and such patent issues are left to be decided directly by the courts. A recent change in the law, however, permits the issue of patent validity, etc., to be the subject of arbitration by agreement of the parties and the clause can be written to provide for this. In the sample agreement, the arbitration is to be conducted within the rules of the American Arbitration Association. Where the license agreement is with a foreign licensee, rules of the International Arbitration Association usually apply, although this again is subject to agreement between the parties.

IX. Infringement

It is advisable to clearly define the obligations and rights of both parties in any action to protect the licensed patent from infringement or to prosecute infringers. In the sample provision the university agrees to protect the patent from infringement and to prosecute infringers in its sole judgment. Licensee, however, is given the right during the exclusive term to also prosecute, at licensee's expense.

X. Product Liability

Due to the increased incidence of suit for injuries sustained by the consumer of a product and the ability of the consumer to reach through the immediate supplier to the manufacturer and, perhaps, ultimately to the inventing entity, it is advisable to ensure indemnification by the licensee for all liability for damage or injury resulting from the licensee's use of the invention.

XI. Assignment

It is important that the university retain some degree of control over the licensee's right to assign the license agreement to a third party. This is advisable since the university entered into the agreement initially with the licensee based on the licensee's support of the research or on its perceived capability of transferring the technology. Some agreements contain an absolute prohibition on assignment, although the sample agreement provides for assignment within the restrictions and limitations set forth.

XII. Non-use of names

This clause is self-explanatory and normally includes both the name of the university and the names of the inventors. As in research agreements, the purpose here is to prevent a licensee from benefitting commercially from use of the university's name and reputation.

XIII. Export control regulations

This clause warns the licensee that it is the responsibility of the licensee to comply with all of the export control regulations of the U.S. Government in any export of technical data or products under the license agreement. This clause provides valuable protection for the university and should always be included.

OTHER CLAUSES (XIV - XV)

The remaining clauses are for housekeeping and administrative purposes and parallel those normally contained in any research contract under such headings as:

A. Payments and notices

B. Governing law

C. Severability

D. Entire agreement

SAMPLE

LICENSE AGREEMENT

This Agreement, made and entered into this day of , 198 , (the Effective Date) by and between MASSACHUSETTS INSTITUTE OF TECHNOLOGY, a corporation duly organized and existing under the laws of the Commonwealth of Massachusetts and having its principal office at 77 Massachusetts Avenue, Cambridge, Massachusetts 02139 U.S.A. (hereinafter referred to as M.I.T.), and <company>, a corporation duly organized under the laws of <state> and having its principal office at <address> (hereinafter referred to as LICENSEE).

WITNESSETH

WHEREAS, M.I.T. is the owner of certain "Patent Rights" (as later defined herein) relating to <information> and has the right to grant licenses under said Patent Rights, subject only to a royalty-free, nonexclusive license heretofore granted to the United States Government;

WHEREAS, M.I.T. desires to have the Patent Rights utilized in the public interest and is willing to grant a license thereunder; and

WHEREAS, LICENSEE has represented to M.I.T., to induce M.I.T. to enter into this Agreement, that the LICENSEE is experienced in the development, production, manufacture, marketing and sale of products similar to the "Licensed Product(s)" (as later defined herein) and/or the use of the "Licensed Process(es)" (as later defined herein) and that it shall commit itself to a thorough, vigorous and diligent program of exploiting the Patent Rights so that public utilization shall result therefrom; and

WHEREAS, LICENSEE desires to obtain a license under the Patent Rights upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto agree as follows:

ARTICLE I - DEFINITIONS

For the purposes of this Agreement, the following words and phrases shall have the following meanings:

1.1 "LICENSEE" shall mean <company> and any subsidiary of <company>.

1.2 "Subsidiary" shall mean any corporation, company or other entity more than fifty percent (50%) of whose voting stock is owned or controlled directly or indirectly by <company>.

1.3 "Patent Rights" shall mean the United States and Foreign pending patent applications set forth in Appendix <appendix> attached hereto and made a part hereof (hereinafter referred to as the "Patent Rights Patent Application(s)"), and the United States patents and Foreign patents issuing from said pending United States and Foreign patent applications or later-filed foreign applications based upon any of said United States patents and applications (hereinafter referred to as the "Patent Rights Patent(s)") and any continuations, continuations-in-part, divisions, reissues or extensions of any of the foregoing.

1.4 "Licensed Product(s)" shall mean <product description> which:

(a) is covered in whole or in part by (i) a pending claim contained in a Patent Rights Patent Application in the country in which the Licensed Product(s) is made, used or sold or (ii) a valid and unexpired claim contained in a Patent Rights Patent in the country in which the Licensed Product(s) is made, used or sold.

(b) is manufactured by using a process which is covered in whole or in part by (i) a pending claim contained in a Patent Rights Patent Application in the country in which the Licensed Process(es) is used or (ii) a valid or unexpired claim contained in a Patent Rights Patent in the country in which the Licensed Process(es) is used.

1.5 "Licensed Process(es)" shall mean a process for making <process description> which is covered in whole or in part by (i) a pending claim contained in a Patent Rights Patent Application or (ii) a valid and unexpired claim contained in a Patent Rights Patent.

ARTICLE II - GRANT

2.1 M.I.T. hereby grants to LICENSEE a worldwide right and license to make, have made, use, lease and sell the Licensed Product(s) under the Patent Rights, and to practice the Licensed Process(es) to the full end of the term for which the Patent Rights are granted unless sooner terminated as hereinafter provided.

2.2 In order to establish a period of exclusivity for LICENSEE, M.I.T. hereby agrees that it shall not grant any other license to make, have made, use, lease and sell the Licensed Product(s) or to utilize the Licensed Process(es) during the period of time commencing with the Effective Date of this Agreement and terminating with the first to occur of:

(a) The expiration of <year A> years after the first commercial sale of a Licensed Product or first commercial use of a Licensed Process; or,

(b) The expiration of <year B> years after the Effective Date of this Agreement.

2.3 At the end of the exclusive period, the license granted hereunder shall become nonexclusive and shall extend to the full end of the.. term or terms for which the Patent Rights are issued, unless sooner terminated as hereinafter provided.

2.4 LICENSEE shall have the right to sublicense worldwide any of the rights, privileges and license granted hereunder only during the exclusive period of this Agreement.

2.5 LICENSEE hereby agrees that every sublicensing agreement to which it shall be a party and which shall relate to the rights, privileges and license granted hereunder shall contain a statement setting forth the date upon which LICENSEE's exclusive rights, privileges and license hereunder shall terminate.

2.6 LICENSEE agrees that any sublicenses granted by it shall have privity of contract between M.I.T. and sublicensee such that the obligations of this Agreement shall be binding upon the sublicensee as if it were in the place of LICENSEE. LICENSEE further agrees to attach copies of Articles II, V, VII, IX, X, XII, XIII, and XV of this Agreement to all sublicense agreements.

2.7 LICENSEE agrees to forward to M.I.T. a copy of any and all fully executed sublicense agreements, and further agrees to forward to M.I.T. annually a copy of such reports received by LICENSEE from its sublicensees during the preceding twelve (12) month period under the sublicenses as shall be pertinent to a royalty accounting under said sublicense agreements.

ARTICLE III - DUE DILIGENCE

3.1 LICENSEE shall use its best efforts to bring the Licensed Product(s) and/or Licensed Process(es) to market through a thorough, vigorous and diligent program for exploitation of the Patent Rights.

3.2 In addition, LICENSEE shall adhere to the following milestones:

(a) Deliver evidence to M.I.T. within <months A> months from the Effective Date of this Agreement of the amount of money, number and kind of personnel and time budgeted and planned for each phase of development of the Licensed Product(s) and/or Licensed Process(es).

(b) Develop a working model within <months B> months from the Effective Date of this Agreement and permit an in-plant inspection by M.I.T. within <months C> months from the Effective Date of this Agreement, and thereafter permit in-plant inspections by M.I.T. at regular intervals with at least <months D> months between each such inspection.

(c) Make a first commercial sale of a Licensed Product and/or a first commercial use of a Licensed Process within <months E> months from the Effective Date of this Agreement

<(d) Other milestones depending on invention being licensed.>

3.3 LICENSEE's failure to perform in accordance with Paragraphs 3.1 and 3.2 above shall be grounds for M.I.T. to terminate this Agreement pursuant to Paragraph 7.3 hereof.

ARTICLE IV - ROYALTIES

4.1 For the rights, privileges and license granted hereunder, LICENSEE shall pay to M.I.T. in the manner hereinafter provided to the end of the term of the Patent Rights or until this Agreement shall be terminated as hereinafter provided:

(a) A license issue fee of <license issue fee> Dollars, which said license issue fee shall be deemed earned and due immediately upon the execution of this Agreement.

(b) During the period of exclusivity, a royalty in an amount equal to <royalty percent> percent of the Net Sales Price of the Licensed Product(s) used, leased or sold by or for LICENSEE or its sublicensees.

(c) During the period of nonexclusivity, a royalty in an amount equal to <second royalty percent> percent of the Net Sales Price of the Licensed Product(s) used, leased or sold by or for LICENSEE or its sublicensees.

(d) In the event that LICENSEE's royalty payment to M.I.T. hereunder for licensed operation during the calendar year <calendar year> and each year thereafter during the exclusive period falls below <annual minimum amount> Dollars, LICENSEE shall, with its last report for said years, pay to M.I.T., in addition to the royalty payments provided in the foregoing paragraphs, an amount sufficient to the above annual amounts.

<(e) Royalty rates for the Licensed Process(es) shall be as negotiated.>

4.2 As used herein, the phrase "Net Sales Price" shall mean LICENSEE's billings for the Licensed Product(s) produced hereunder less the sum of the following:

(a) Discounts allowed in amounts customary in the trade;

(b) Sales, tariff duties and/or use taxes directly imposed and with reference to particular sales;

(c) Outbound transportation prepaid or allowed; and

(d) Amounts allowed or credited on returns.

No deductions shall be made for commissions paid to individuals whether they be with independent sales agencies or regularly employed by LICENSEE and on its payroll, or for cost of collections. Licensed Product(s) shall be considered "sold" when billed out or invoiced.

4.3 No multiple royalties shall be payable because the Licensed Product(s), its manufacture, lease or sale are or shall be covered by more than one patent application or patent licensed under this Agreement.

4.4 Royalty payments shall be paid in United States dollars in Cambridge, Massachusetts, or at such other place as M.I.T. may reasonably designate consistent with the laws and regulations controlling in any foreign country. Any withholding taxes which LICENSEE or any sublicensee shall be required by law to withhold on remittance of the royalty payments shall be deducted from royalty paid to M.I.T. LICENSEE shall furnish M.I.T. the original copies of all official receipts for such taxes. If any currency conversion shall be required in connection with the payment of royalties hereunder, such conversion shall be made by using the exchange rate prevailing at a first-class foreign exchange bank on the last business day of the calendar quarterly reporting period to which such royalty payments relate.

ARTICLE V - REPORTS AND RECORDS

5.1 LICENSEE shall keep full, true and accurate books of account containing all particulars that may be necessary for the purpose of showing the amount payable to M.I.T. by way of royalty as aforesaid. Said books of account shall be kept at LICENSEE's principal place of business or the principal place of business of the appropriate Division of LICENSEE to which this Agreement relates. Said books and the supporting data shall be open at all reasonable times, for five (5) years following the end of the calendar year to which they pertain, to the inspection of the M.I.T. Internal Audit Division and/or an independent certified public accountant retained by M.I.T. and/or a certified public accountant employed by M.I.T., for the purpose of verifying LICENSEE's royalty statement or compliance in other respects with this Agreement.

5.2 LICENSEE, within thirty (30) days after March 31, June 30, September 30 and December 31, of each year, shall deliver to M.I.T. true and accurate reports, giving such particulars of the business conducted by LICENSEE during the preceding three-month period under this Agreement as shall be pertinent to a royalty accounting hereunder. These shall include at least the following:

(a) All Licensed Products manufactured and sold.

(b) Total billings for Licensed Product sold.

(c) Accounting for all the Licensed Process(es) used or sold.

(d) Deductions applicable as provided in Paragraph 4.2.

(e) Total royalties due.

(f) Names and addresses of all sublicensees of LICENSEE.

(g) Licensed Products manufactured and sold to the United States Government. (No royalty obligations shall arise due to use by, for or on behalf of the United States Government in view of the royalty-free, nonexclusive license heretofore granted to the United States Government).

(h) Annually, the LICENSEE's certified financial statements for the preceding twelve (12) months including, at a minimum, a Balance Sheet and an Operating Statement.

5.3 With each such report submitted, LICENSEE shall pay to M.I.T. the royalties due and payable under this Agreement. If no royalties shall be due, LICENSEE shall so report.

ARTICLE VI - PATENT PROSECUTION

6.1 M.I.T. shall apply for, shall seek prompt issuance of, and maintain during the term of this Agreement the Patent Rights set forth in Appendix A. The prosecution and maintenance of all Patent Rights Patents and Applications shall be the primary responsibility of M.I.T.; provided, however, LICENSEE shall have reasonable opportunities to advise M.I.T. and shall cooperate with M.I.T. in such prosecution and/or maintenance.

<6.2 Payment of all fees and costs relating to the prosecution and maintenance of the existing Patent Rights set forth in Appendix A or additional foreign or domestic filings under the Patent Rights shall be as negotiated by the parties.>

ARTICLE VII - TERMINATION

7.1 If LICENSEE shall become bankrupt or insolvent, or shall file a petition in bankruptcy, or if the business of LICENSEE shall be placed in the hands of a receiver, assignee or trustee for the benefit of creditors, whether by the voluntary act of LICENSEE or otherwise, this Agreement shall automatically terminate.

7.2 Should LICENSEE fail in its payment to M.I.T. of royalties due in accordance with the terms of this Agreement, M.I.T. shall have the right to serve notice upon LICENSEE by certified mail at the address designated in Article XIV hereof, of its intention to terminate this Agreement within thirty (30) days after receipt of said notice of termination unless LICENSEE shall pay to M.I.T., within the thirty (30) day period, all such

royalties due and payable. Upon the expiration of the thirty (30) day period, if LICENSEE shall not have paid all such royalties due and payable, the rights, privileges and license granted hereunder shall thereupon immediately terminate.

7.3 Upon any material breach or default of this Agreement by LICENSEE, other than those occurrences set out in Paragraphs 7.1 and 7.2 hereinabove, which shall always take precedence in that order over any material breach or default referred to in this Paragraph 7.3, M.I.T. shall have the right to terminate this Agreement and the rights, privileges and license granted hereunder by ninety (90) days' notice by certified mail to LICENSEE. Such termination shall become effective unless LICENSEE shall have cured any such breach or default prior to the expiration of the ninety (90) day period from receipt of M.I.T.'s notice of termination.

7.4 LICENSEE shall have the right to terminate this Agreement at any time on six (6) months' notice by certified mail to M.I.T.

7.5 Upon termination of this Agreement for any reason, nothing herein shall be construed to release either party from any obligation that matured prior to the effective date of such termination. LICENSEE and/or any sublicensee thereof may, however, after the effective date of such termination, sell all Licensed Products, and complete Licensed Products in the process of manufacture at the time of such termination and sell the same, provided that LICENSEE shall pay to M.I.T. the royalties thereon as required by Article IV of this Agreement and shall submit the reports required by Article V hereof on the sales of Licensed Products.

ARTICLE VIII - ARBITRATION

8.1 Except as to issues relating to the validity, construction or effect of any patent licensed hereunder, any and all claims, disputes or controversies arising under, out of, or in connection with this Agreement, which have not been resolved by good faith negotiations between the parties, shall be resolved by final and binding arbitration in Boston, Massachusetts under the rules of the American Arbitration Association then obtaining. The arbitrators shall have no power to add to, subtract from or modify any of the terms or conditions of this Agreement. Any award rendered in such arbitration may be enforced by either party in either the courts of the Commonwealth of Massachusetts or in the United States District Court for the Eastern District of Massachusetts, to whose jurisdiction for such purposes M.I.T. and LICENSEE each hereby irrevocably consents and submits.

8.2 Claims, disputes or controversies concerning the validity, construction or effect of any patent licensed hereunder shall be resolved in any court having jurisdiction thereof.

8.3 In the event that, in any arbitration proceeding, any issue shall arise concerning the validity, construction or effect of any patent licensed hereunder, the arbitrators shall assume the validity of all claims as set forth in such patent; in any event the arbitrators shall not delay the arbitration proceeding for the purpose of obtaining or permitting

either party to obtain judicial resolution of such issue, unless an order staying such arbitratio n proceeding shall be entered by a court of competent jurisdiction. Neither party shall raise any issue concerning the validity, construction or effect of any patent licensed hereunder in any proceeding to enforce any arbitration award hereunder or in any proceeding otherwise arising out of any such arbitration award.

ARTICLE IX - INFRINGEMENT

9.1 LICENSEE and M.I.T. shall promptly inform the other in writing of any alleged infringement of which it shall have notice by a third party of any patents within the Patent Rights and provide such other with any available evidence of infringement.

9.2 During the term of this Agreement, M.I.T. shall have the right, but shall not be obligated, to prosecute at its own expense any such infringements of the Patent Rights and, in furtherance of such right, LICENSEE hereby agrees that M.I.T. may join LICENSEE as a party plaintiff in any such suit, without expense to LICENSEE. The total cost of any such infringement action commenced or defended solely by M.I.T. shall be borne by M.I.T., and M.I.T. shall keep any recovery or damages for past infringement derived therefrom.

9.3 If within six (6) months after having been notified of any alleged infringement, M.I.T. shall have been unsuccessful in persuading the alleged infringer to desist and shall not have brought and shall not be diligently prosecuting an infringement action, or if M.I.T. shall notify LICENSEE at any time prior thereto of its intention not to bring suit against any alleged infringer, then, and in those events only, LICENSEE shall have the right, but shall not be obligated, to prosecute at its own expense any infringement of the Patent Rights, and LICENSEE may, for such purposes, use the name of M.I.T. as party plaintiff; provided, however, that such right to bring an infringement action shall remain in effect only for so long as the license granted herein remains exclusive. No settlement, consent judgement or other voluntary final disposition of the suit may be entered into without the consent of M.I.T., which consent shall not unreasonably be withheld. LICENSEE shall indemnify M.I.T. against any order for costs that may be made against M.I.T. in such proceedings.

9.4 In the event that LICENSEE shall undertake the enforcement and/or defense of the Patent Rights by litigation, LICENSEE may withhold up to fifty percent (50%) of the royalties otherwise thereafter due M.I.T. hereunder and apply the same toward reimbursement of its expenses, including reasonable attorneys' fees, in connection therewith. Any recovery of damages by LICENSEE for any such suit shall be applied first in satisfaction of any unreimbursed expenses and legal fees of LICENSEE relating to the suit, and next toward reimbursement of M.I.T. for any royalties past due or withheld and applied pursuant to this Article IX. The balance remaining from any such recovery shall be divided equally between LICENSEE and M.I.T.

9.5 In the event that a declaratory judgement action alleging invalidity or non-infringement of any of the Patent Rights shall be brought

against LICENSEE, M.I.T., at its option, shall have the right, within thirty (30) days after commencement of such action, to intervene and take over the sole defense of the action at its own expense.

9.6 In any infringement suit as either party may institute to enforce the Patent Rights pursuant to this Agreement, the other party hereto shall, at the request and expense of the party initiating such suit, cooperate in all respects and, to the extent possible, have its employees testify when requested and make available relevant records, papers, information, samples, specimens, and the like.

9.7 LICENSEE, during the exclusive period of this Agreement, shall have the sole right in accordance with the terms and conditions herein to sublicense any alleged infringer under the Patent Rights for future infringements.

ARTICLE X - PRODUCT LIABILITY

LICENSEE shall at all times during the term of this Agreement and thereafter, indemnify, defend and hold M.I.T., its trustees, officers, employees and affiliates, harmless against all claims and expenses, including legal expenses and reasonable attorneys' fees, arising out of the death of or injury to any person or persons or out of any damage to proerty and against any other claim, proceeding, demand, expense and liability of any kind whatsoever resulting from the production, manufacture, sales, use, consumption or advertisement of the Licensed Product(s) and/or Licensed Process(es) or arising from any obligation of LICENSEE hereunder.

ARTICLE XI - ASSIGNMENT

LICENSEE may assign or otherwise transfer this Agreement and the license granted hereby and the rights acquired by it hereunder so long as such assignment or transfer shall be accompanied by a sale or other transfer of LICENSEE's entire business or of that part of LICENSEE's business to which the license granted hereby relates. LICENSEE shall give M.I.T. thirty (30) days prior notice of such assignment and transfer and if M.I.T. raises no reasonable objection to such assignment or transfer, in writing within thirty (30) days after the giving of such notice and stating the reasons for such objection, then M.I.T. shall be deemed to have approved such assignment or transfer; provided, however, M.I.T. shall not be deemed to have approved such assignment and transfer unless such assignee or transferee shall have agreed in writing to be bound by the terms and conditions of this Agreement. Upon such assignment or transfer and agreement by such assignee or transferee, the term LICENSEE as used herein shall include such assignee or transferee. If LICENSEE shall sell or otherwise transfer its entire business or that part of its business to which the license granted hereby relates and the transferee shall not have agreed in writing to be bound by the terms and conditions of this Agreement, or new terms and conditions shall not have been agreed upon within sixty (60) days of such sale or transfer, M.I.T. shall have the right to terminate this Agreement.

ARTICLE XII - NON-USE OF NAMES

LICENSEE shall not use the names of Massachusetts Institute of Technology nor of <inventors> nor any adaptation thereof in any advertising, promotional or sales literature without prior written consent obtained from M.I.T. in each case, except that LICENSEE may state that it is licensed by M.I.T. under one or more of the patents and/or applications comprising the Patent Rights.

ARTICLE XIII - EXPORT CONTROLS

It is understood that M.I.T. is subject to United States laws and regulations controlling the export of technical data, computer software, laboratory prototypes and other commodities (including the Arms Export Control Act, as amended, and the Export Administration Act of 1979), and that its obligations hereunder are contingent on compliance with applicable United States export laws and regulations. The transfer of certain technical data and commodities may require a license from the cognizant agency of the United States Government and/or written assurances by LICENSEE that LICENSEE shall not export data or commodities to certain foreign countries without prior approval of such agency. M.I.T. neither represents that a license shall not be required nor that, if required, it shall be issued.

ARTICLE XIV - PAYMENTS, NOTICES AND OTHER COMMUNICATIONS

Any payment, notice or other communication pursuant to this Agreement shall be sufficiently made or given on the date of mailing if sent to such party by certified first class mail, postage prepaid, addressed to it at its address below or as it shall designate by written notice given to the other party:

In the case of M.I.T.:

Patent, Copyright and Licensing Office
Massachusetts Institute of Technology
77 Massachusetts Avenue, Room E19-722
Cambridge, Massachusetts 02139

In the case of LICENSEE:

<company>
<address>

ARTICLE XV - MISCELLANEOUS PROVISIONS

15.1 This Agreement shall be construed, governed, interpreted and applied in accordance with the laws of the Commonwealth of Massachusetts, U.S.A., except that questions affecting the construction and effect of any patent shall be determined by the law of the country in which the patent was granted.

15.2 The parties hereto acknowledge that this Agreement sets forth the entire Agreement and understanding of the parties hereto as to the subject matter hereof, and shall not be subject to any change or modification except by the execution of a written instrument subscribed to by the parties hereto.

15.3 The provisions of this Agreement are severable, and in the event that any provision of this Agreement shall be determined to be invalid or unenforceable under any controlling body of law, such invalidity or unenforceability shall not in any way affect the validity or enforceability of the remaining provisions hereof.

15.4 LICENSEE agrees to mark the Licensed Products sold in the United States with all applicable United States patent numbers. All Licensed Products shipped to or sold in other countries shall be marked in such a manner as to conform with the patent laws and practice of the country of manufacture or sale.

15.5 The failure of either party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other party.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals and duly executed this License Agreement the day and year first set forth below.

Attest:

_____

Title_____

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

By_____

Title_____

Date_____

Attest:

_____

Title_____

<company>

By_____

Title_____

Date_____