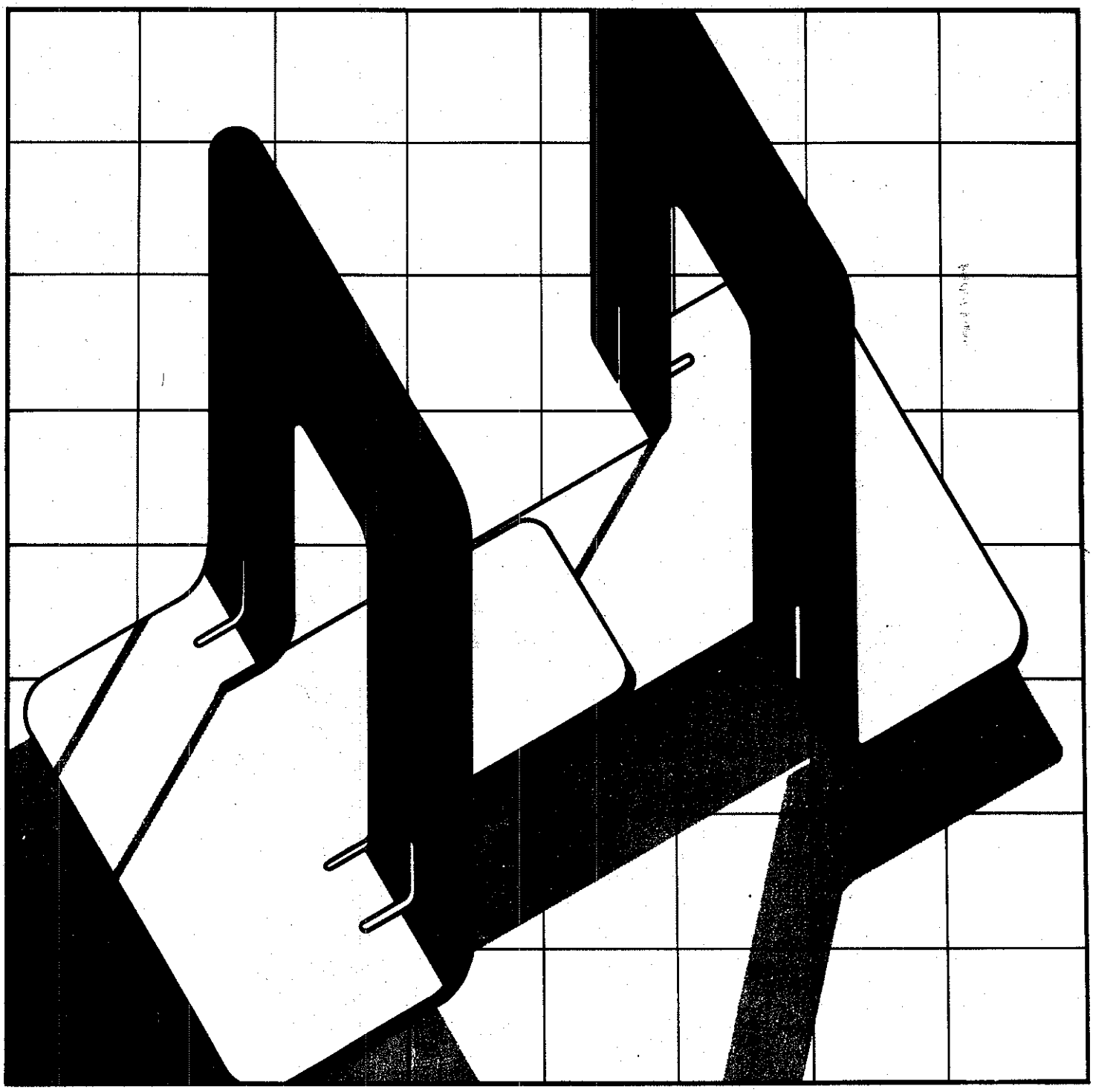
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Publications on Copyright





NATIONAL COUNCIL OF UNIVERSITY RESEARCH ADMINISTRATORS

Introduction to

COPYRIGHT CLAUSES IN INDUSTRIAL RESEARCH AGREEMENTS

Workshop Materials - NCURA Intellectual Property Series - 1984

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Introduction to

COPYRIGHT CLAUSES IN INDUSTRIAL RESEARCH 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

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Introduction to

COPYRIGHT CLAUSES IN INDUSTRIAL RESEARCH AGREEMENTS

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UNIVERSITY OWNERSHIP OF COPYRIGHTABLE MATERIALS

Most universities appear to have adopted the position that copyrightable materials generated in the course of sponsored research projects should be owned by the university with some form of license rights to the sponsor.

This may reflect concern over maintaining the integrity of the author's work and ensuring control over the institution's academic prerogatives with respect to publication and dissemination. It may also reflect the view that the copyright law is a vehicle for technology transfer, comparable in many respects to the patent law.

An institutional policy reflecting this philosophy is as follows:

> "Introduction: University retains the ownership of, and copyright in, all copyrightable materials first produced or composed in the performance of University research agreements, except that a sponsor is normally entitled to ownership of the physical embodiments of all such materials which are stipulated in the contract as deliverables. The sponsor is also normally entitled to a copyright license in all such materials, as defined below.
>
> "University believes that by retaining such ownership it can most effectively achieve the objectives of its copyright policy which, in most respects, parallel the objectives of its patent policy. These objectives include protecting the public interest, providing recognition to authors and their department and/or laboratory, and supporting University education and research programs with royalty income. Further, retention of copyright ownership by University will help to minimize conflicts arising from prior or concurrent Federal sponsorship with respect to rights in data.
>
> "In addition, University believes that the retention of copyright ownership will insure that the integrity of an author's work is protected in a way that will be of maximum benefit to the author, University and the public at large."

LICENSING OPTIONS

Use of all materials for any purpose

Some universities will provide the research sponsor with a royalty-free, non-exclusive license to use for any purpose all copyrightable materials generated in the performance of the research. The following clause is representative:

> "Copyrights. Title to and the right to determine the disposition of any copyrights, or copyrightable materials, first produced or composed in the performance of the research shall remain with the university; provided, however, that the university shall grant the sponsor an irrevocable, royalty-free, nonexclusive license to reproduce, translate, perform, and distribute for any purpose whatsoever, all such copyrighted materials."

As set forth above the basic clause would apply to software (including computer data bases and supporting documentation). Some universities, however, exclude software from the operation of the clause, particularly when the software is not a deliverable under the contract but an incidental by-product or a tool used for the conduct of the research.

Use of software for sponsor internal purposes only

Because of the technology transfer potential and commercial possibilities of computer-related materials, some universities as noted above, differentiate them from other copyrightable material, particularly if they are not a deliverable but only a by-product of the research, and license them in a manner similar to patents.

Where this is the case, the sponsor could be granted the right to use the material for its own internal purposes only, and possibly for the use of its subsidiaries. As is the case with nonexclusive patent licenses to sponsors, some universities will grant this right royalty-free, while others believe that some royalty payment should be made.

The most likely situation in which a royalty would be sought is that in which the sponsor is dominant in the market, so that the granting of a royalty-free, non-exclusive license would preclude the university from licensing the work to others for any significant royalties.

Providing the sponsor with a license to copyrightable data bases, software and documentation may be accomplished by adding a clause such as the following to the basic copyright clause:

> "...except, however that with respect to copyrightable computer data bases, software and docmentation, the university shall grant the sponsor an irrevocable, royalty-free (or royalty-bearing),

non-exclusive license to use, reproduce, translate, display and perform such copyrightable materials for the internal purposes of the sponsor and of the sponsor's subsidiaries, but not including the right to sell, distribute or license the materials to others, either independently or in conjunction with the sale of hardware or other software."

As stated, the sponsor in this case would have the right to use the software in connection with product design, manufacturing processes, etc., but would not have the right to sell the software outright as a product, license it to others, or use it as part of hardware or other software products which it sells. The university, therefore, is free to license the software out of its portfolio to others for royalties.

Non-exclusive license to distribute and sublicense

In the previous section, we have discussed licensing the sponsor for internal operations only and reserving the right to license third prties.

Some industrial sponsors, however, may wish to receive a license which permits them to sell and to distribute the copyrighted material either by itself or in conjunction with sponsor's hardware, and/or to sublicense others for the same purposes, or to use the material in consulting services normally offered to the public. Licenses for this type of activity would be granted to the sponsor on terms and conditions, including reasonable royalty rates, to be negotiated.

It should be noted that the licensing of such materials on a non-exclusive basis with the right to sublicense differs from patent licensing in which the right to sublicense is normally granted only in connection with exclusive licenses.

Where it is appropriate to grant the sponsor a royalty-bearing non-exclusive license to use copyrighted software and related material in that part of its business offered to the public, or in conjunction with its products, this may be accomplished by adding a clause such as the following to the basic copyright clause:

"...except, however, that with respect to copyrightable data bases, software and documentation, the university shall grant to the sponsor a non-exclusive, royalty-bearing right to use, reproduce, translate, display, perform, distribute, sell and sublicense commercially for any purposes whatsoever, such materials at such royalty rates and upon such other terms and condition as may be negotiated in good faith by the parties."

Exclusive licenses

Exclusive licenses to computer data bases, software, and documentation are less commonly granted to sponsors than exclusive licenses for patents, and are more likely to be found where the university is licensing a software company to manage, maintain, distribute and sublicense its software commercially. Under an exclusive license, due diligence require-

ments, performance milestones, and minimum annual royalties are likely to be included in the same manner as with exclusive patent licenses.

Derivative works

In Unit 6 of this series we reviewed the subject matter of copyrights, including Section 103 of the Copyright Act, which deals with compilations and derivative works.

The right to prepare derivative works is one of the copyright owner's basic rights under the Act and may be specifically conveyed if the university wishes. It greatly enhances the value of the license right granted to the sponsor by allowing the sponsor to write new software based on the original work which is the subject of the license.

Permitting a sponsor to prepare derivative works to software licensed only for internal operations is of some value and is often included in the sponsor's licensing rights. It is of greatest value, however, to a sponsor that wishes to adapt software for a particular piece of equipment which it manufactures or sells, or to a sponsor that is in the business of enhancing basic software so that it may be used by a broader customer base.

Since the writing of derivative works may dilute the value and integrity of the original work, the university may wish to give careful consideration before granting this right to the sponsor and appropriately reflect it in the license fee or royalty rates established.

In the clauses cited in the previous two sections, the right to prepare derivative works can be granted by adding the following phrase to the list of rights granted:

"...including the right to prepare derivative works,"

Option agreements

The copyright clauses cited above refer simply to the granting of a license, or to the granting of a license at reasonable royalties and on terms to be negotiated. This is also common in patent clauses.

Some sponsors will wish, however, to know in more detail what the rates and terms may be. In some cases they may ask to review a standard university copyright licensing agreement, which may satisfy such sponsors without the need for further contractual language to specify rates and terms. In some cases, as in patents, they may wish the principal terms of the software license to be defined in the contract.

Another approach in use at a few universities is to actually negotiate an option to acquire a license and sign the option agreement at the same time as the research contract. The option agreement spells out the nature of the option right and license, and the terms and conditions which will apply, to the extent that is feasible prior to identifying the copyrightable material. Where this approach is used, the following clause

is typical and the option agreement would cover the specifics:

> "Copyright. (a) Copyright in materials, including computer software, created or fixed in a tangible medium of expression during the performance of the work funded under this Agreement shall vest in the University. To the extent that the University has the legal right to do so, University shall grant sponsor an option to license the materials on reasonable terms and conditions, including reasonable royalties, as the parties shall mutually agree in writing."

Some universities which treat research contracts as public documents except for business details, such as royalty-rates, prefer to cover such details in a separate option agreement.

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Introduction to

UNIVERSITY COPYRIGHT POLICIES

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GUIDELINES FOR DEVELOPING COPYRIGHT POLICIES

"Copyrights at Colleges and Universities," a chapter from the NACUBO Administrative Services, which is reproduced hereafter, was prepared by the Subcommittee on Patents, Copyrights, and Rights in Data of the NACUBO Council on Governmental Relations and Revised in 1980 to reflect the Copyright Revision Act of 1976. Its purpose is to assist colleges and universities in developing policies and procedures on copyrights.

The Guide suggests that in developing its copyright policies, an institution consider:

1. Definition of copyrightable materials.

2. Statement of policy concerning disposition of rights to copyrightable materials within the framework of the following suggested categories:

   a. Individual Effort (including institution-assisted)

   b. Institution-Supported Efforts

   c. Sponsor-Supported Efforts

3. Determination of equities, i.e., income resulting from royalties or assignment of copyrighted materials in terms of the categories in 2. above.

4. Copyright Administration.

In order to illustrate the manner in which these elements have been reflected in university policies, we have reproduced those of Stanford University and MIT in this part They have been selected solely because they illustrate differences in approach which are useful for purposes of comparison.

The Stanford University policy is a particularly broad and comprehensive one in that it not only deals with both research and instructional activities, but also addresses the principal features of the Copyright Act and copyright terms, contains guidelines for the application of the law and of Stanford policy to specific situations and types of materials, and provides a fairly complete statement of administrative considerations. It is, in effect, not only a statement of policy and procedure but also an educational document.

The MIT statement, on the other hand, is more narrowly drawn. It focuses primarily on disposition of rights in terms of the source of support and spells out its royalty sharing policy. (Discussion of the copyright law as such, its relation to instructional activities, and its implementation is contained in separate MIT memoranda and regulations distributed shortly after the copyright revisions of 1976.

Copyrights at Colleges and Universities

The expanding use of new and developing media in the teaching-learning processes has involved colleges and universities in a broad, complex spectrum of copyright issues. However, many institutions do not have adequate statements of copyright policies and procedures. The academic community traditionally has been most protective of the rights of authors' literary, dramatic, musical, artistic, and other intellectual works. When these works are original and presented by the author in a tangible medium of expression, they are protected by copyrights.

In addition to these traditional works, colleges and universities are increasingly concerned with the use of new media that generate or draw on a wide variety of materials that may be protected by copyright. These include films, television programs, cassettes, programmed learning materials, computer-assisted instruction, and computer programs. The generation of such materials is often a joint enterprise involving the ideas and talents of individual faculty members, the use of institutional facilities and equipment, and in many instances financial support from the institution or an outside sponsor. As both a generator and a user of these copyrightable materials, a college or university may face problems focusing on issues such as academic freedom, faculty rights, faculty accountability, release time, teaching credit, sponsor requirements, and the determination of rights to copyrightable materials. The income from royalties for some copyrightable materials can be significant.

The sponsor supporting a program that generates copyrightable material may stipulate specific conditions with respect to copyrights and royalty income. The U.S. Office of Education, in outlining its copyright policies in *Copyright Program Information,* 1971, made the following statement: "Universities particularly should establish written policies setting forth the respective rights of the university and its staff members in anticipated copyright royalties."

New curriculums and course materials are being developed continually for use with new media for communications and learning. Colleges and universities will be confronted with increasingly complex problems relating to copyrights and royalties on these materials. To protect the rights of the individual and the institution, it is important that colleges and universities develop well-conceived policies and procedures to govern the determination of rights to copyrightable materials.

Copyright Considerations

Scope of the Copyright

Statutory copyright is based on laws enacted by Congress. The U.S. Constitution gives Congress the power to enact laws relating to copyrights. Article 1, Section 8, states, "Congress shall have power...to promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." Under this power, Congress has enacted various laws relating to copyrights, the most recent being the Copyright Revision Act of 1976, P.L. 94-553, effective January 1, 1978.

Under current copyright laws, a work must be original and fixed in a tangible medium of expression to be copyrightable; it is not necessary that the work be novel, as is the case with an invention. The copyright is applied to the form of expression rather than to its subject matter. A description of

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a machine could be copyrighted as a writing, but this would only prevent others from copying the description; it would not prevent others from writing their own descriptions or from making and using the machine.

Copyright Transfer

A copyright may be assigned, transferred, limited, or licensed by a written agreement signed by the author or the owner of the copyright. Unless specified in the agreement, transfer of a manuscript or a material object does not transfer the underlying rights to the manuscript. Similarly, transfer of ownership of a copyrighted work does not convey any rights in the material object.

Copyright Registration

Copyright protection can be claimed by the author or those authorized by him or her to assert this right. Works produced by an individual employed specifically for their production are normally copyrightable by the employer as a "work made for hire" and not by the author-employee. A copyright is registered by submitting an application for registration to the Copyright Office in the Library of Congress. Registration is a prerequisite to bringing an action for copyright infringement and may be done at any time during the term of copyright, but registration is not a condition of copyright protection. Copyright registration is obtained by delivering to the Copyright Office (1) the deposit copy or copies of the work, as required by the type of copyright protection sought, (2) an application in the form prescribed, and (3) a small fee. The Copyright Office receives the application and on finding that the material is copyrightable registers the claim and issues to the applicant a certificate of registration. Copies that are deposited without an application and registration fee will satisfy only the deposit requirements for the Library of Congress. Forms for registering copyrightable material of several media may be obtained from: Register of Copyrights, U.S. Copyright Office, Washington, D.C. 20559.

The revised copyright law (Public Law 94-553, October 19, 1976) provides protection to both published and unpublished works of authors without regard to national origin, thereby preempting common law state copyright.

Rights of Copyright Owner

The right of copyright arises when the author fixes his or her original work in any tangible medium of expression. While notice is still required for published works, it is no longer a prerequisite to obtaining protection. The owner of a copyright has the right of reproduction, derivation, distribution, performance, and public display.

The 1976 act provides broad guidelines for determining whether or not the rights of a copyright owner are subject to fair use, which permits limited use and reproduction for certain purposes. The guidelines of the Congressional Conference Committee should be consulted for specific examples of minimum fair-use copying.

The owner of a copyrighted sound recording has the exclusive right to reproduce it, to prepare derivative works, and to distribute it. This exclusivity does not extend to the right to perform the work publicly; pending legislation may provide this right. The new act incorporates the 1972 law on sound recordings including the copyright symbol Ⓟ.

There is no renewal feature wherein the copyright reverts to either the author or specified beneficiaries, except for those works already in their first term prior to January 1, 1978. After that date, the author or heirs may terminate a transfer made other than by will after 35 years from the date of the grant by serving written notice within a five-year period thereafter. If the grant covers the right of publication, termination may be effected 35 years from the date of publication or 40 years from the date of the grant, whichever is shorter. Such termination may be effected notwithstanding any agreement to the contrary; the copyright is divisible and each separate right has the right of termination. If not so terminated, the grant of copyright continues in effect for the term of the copyright.

Works made for hire and derivative works have no termination rights. Derivative works may continue to be used but no new derivative work may be prepared after termination.

Sole or Joint Copyright Ownership. Copyright ownership may be sole or joint; the intention of the authors determines this. Unless the intention is to create a unitary whole into which two or more

authors merge their contributions, the works of more than one author form a collective work. If there is no express written agreement, the owner of a copyright in a collective work has rights limited to the material contributed by the author of such work and the privilege of reproducing and distributing the contribution of other authors as part of the particular collective work or revision of that work. In the case of a "work for hire," which is defined as a work prepared by an employee within the scope of his or her employment or a commissioned work, the employer is the original author or owner unless the parties have agreed otherwise in a written statement.

Duration of Copyright

The duration of copyright is as follows: Works created on or after January 1, 1978, exist from *creation* and have a duration of life of the author plus 50 years. If there are joint authors, then duration is for life of the last surviving author plus 50 years. In the case of anonymous works or works made for hire, the term is 75 years from the year of first publication, or 100 years from creation, whichever is shorter.

In the case of works already under statutory protection, the term is 28 years plus 47 years, for a total of 75 years. Works in their first copyright term must be renewed in the 28th year. However, if the copyright was renewed between December 31, 1976 and December 31, 1977, the term is automatically extended for a total term of 75 years.

Works created prior to January 1, 1978, but not previously published or copyrighted have been accorded protection under the Copyright Act unless they are already in the public domain. A minimum duration of copyright is 25 years even though the same criteria (the life of the author plus 50 years, etc.) apply.

Although a published copyrighted work still requires notice, the placement of the notice has been liberalized so that the manner and location will be considered appropriate if they are within reasonable view. In addition, omission of the copyright notice or error in or omission of name or date may be corrected within certain time limits.

Infringement of Copyright

Only the legal or beneficial owner of the copyright has the right to institute an action for infringement. (Recordation of transfer is a prerequisite to bringing an infringement suit.) Remedies available include injunctions against further use; impoundment or destruction of material, damages and profits; and imposition of statutory damages in lieu of actual damages and profits. In the case of a civil suit for recovery of damages for willful infringement, damages of up to $50,000 may be awarded. Damage for infringement may be reduced to $100 in cases where an employee of a nonprofit educational institution or library is involved and where there is no reason to believe there would be copyright infringement. Where the offense of criminal infringement or private gain is proven, fines up to $50,000 and imprisonment for not more than two years for subsequent offenses may be imposed by the court. Fraudulent copies together with all usable plates, etc. are seized by and forfeited to the United States.

Compulsory Licensing

Chapter 8 of the new act creates the independent Copyright Royalty Tribunal, which is responsible for determining a fair and reasonable royalty where compulsory licensing is required. Such areas are noncommercial transmissions of published musical and graphic works by public broadcasters, performances of copyrighted music by jukeboxes, and transmissions of cable television.

MATERIALS SUBJECT TO COPYRIGHT

The following types of material, published or unpublished, may be subject to copyright:

1. Any written works, including books, journal articles, text, glossaries, bibliographies, study guides, laboratory manuals, syllabuses, tests, proposals.
2. Lectures, musical or dramatic compositions, and unpublished scripts.
3. Films, filmstrips, charts, transparencies, and other visual aids.
4. Video and audio tapes and cassettes.

5. Live video or audio broadcasts.
6. Programmed instruction materials.
7. Computer programs.
8. Pantomimes and choreographic works.
9. Pictorial, graphic, and sculptural works.
10. Sound recordings.
11. Other materials.

Although copyright law does not specifically mention computer programs, the U.S. Copyright Office has recognized since 1964 that computer programs are copyrightable, and numerous programs have been copyrighted. The National Commission on New Technological Use of Copyrighted Works recommended in 1978 that such recognition be continued.

COPYRIGHT POLICY AND PROCEDURES

Colleges and universities recognize and encourage the publication of scholarly works as an inherent part of the educational mission. They also acknowledge the privilege of college or university personnel (faculty, staff, and students) to prepare, through individual initiative, articles, pamphlets, and books that are copyrighted and that may generate royalty income for the author. The variety and number of copyrightable materials that may be created in a college or university community have increased significantly in recent years as have the author-institution-sponsor relationships under which such materials are produced. Many institutions have well-defined patent policies and procedures, but few have adequate formal policies governing copyrights.

In setting copyright policy and procedures, an institution should consider the following:

1. Statement of institutional copyright policy.
2. Definition of copyrightable materials.
3. Determination of rights.
4. Determination of equities.
5. Copyright administration.

Most colleges and universities will find that copyrightable materials pose different policy and procedure problems than inventions do, so that separate policies and procedures should normally be adopted for copyrights and for patents. Policies and procedures developed for copyrightable materials should be consistent with or complementary to established institutional practices concerning inventions. Care should be taken to coordinate the copyright and publication requirements and patent requirements that may have been previously issued by the sponsoring agencies.

Statement of Institutional Copyright Policy

An institution seeking to clarify its position on the rights to and disposition of copyrightable material should develop a statement of copyright policy. This statement should be broad and it should be brief. Administrative procedures should be separate from the policy statement. The following topics may be included in the statement:

1. Recognition of the rights of college or university personnel (faculty, staff, and students), on their own individual initiative, to write or otherwise generate copyrightable materials to which they have the sole rights of ownership and disposition.
2. Disposition of rights to those materials generated as a result of assigned institutional duties or with support from a third-party sponsor.
3. Definition of royalty-sharing.
4. Description of the administrative body responsible for interpretation and administration of the copyright policy.

Definition of Copyrightable Materials

To guide faculty, staff, and students, an institution should define the types of copyrightable material covered by the copyright policy and interpret the provisions that apply to certain kinds of copyrightable materials. A list of types of materials is presented on page 3.

Determination of Rights

To determine the disposition of rights to copyrightable materials developed by college or university personnel, materials may be assessed within the framework of the following four categories:

Individual Effort. Rights to copyrightable material generated as a result of individual initiative, not as a specific college or university assignment and with only incidental use of the institution's facilities or resources, reside with the author.

Institution-Assisted Individual Effort. Where the college or university provides partial support of an individual effort resulting in copyrightable material by contributing significant faculty time, facilities, or institutional resources, it is reasonable to consider joint rights to ownership and disposition of these materials and a sharing of royalty income. A written agreement of joint ownership should be required. Some colleges or universities may find it desirable to merge this category with that of "Individual Effort," described above.

Institution-Supported Efforts. Ownership of copyrightable material specifically developed as a result of a written assigned college or university duty may reside with the institution, although sharing royalty income with the author may be appropriate in certain instances.

Sponsor-Supported Efforts. The grant or contract under which copyrightable materials are generated may specify provisions for the disposition of rights in these materials. These provisions should be determined at the time the agreement is negotiated. Persons who produce copyrightable materials under sponsor-supported projects should clearly understand their rights and obligations and, if so indicated, their agreement should be obtained before the institution enters into the contract or grant. Similarly, these persons should be aware of the appropriate terms and conditions before the work starts. Generally, the agreement between the sponsor and the institution will vest title to copyrightable materials in the college or university, with the sponsor retaining a royalty-free license for the sponsor's use. In other circumstances, the agreement may specify that the materials be placed in the public domain. (Such a requirement is normally undesirable from the standpoint of both the institution and the author.) Or the agreement may assign all rights to the institution, or may allow the sponsor to retain all rights. Even in exceptional situations, where the sponsor retains all rights, sharing of royalty income between the sponsor and the institution may be appropriate, particularly when the project involves institutional cost sharing. Thus, the nature and extent of the institution's ownership interest in copyrighted materials that are generated through sponsored programs are subject to policies and regulations of the sponsor.

The author, institution, and sponsor are often requested to relinquish rights to copyrighted articles submitted to scholarly and professional journals, many of which are copyrighted. Advance arrangements should be made with the publisher if the author, institution, or sponsor is to retain title or other rights to copyright of the material.

It is desirable to define in advance the disposition of rights to copyrightable materials generated through institution- or sponsor-supported efforts. The disposition of rights to materials developed through individual efforts partially assisted by an institution may prove more difficult to determine, particularly in advance.

Determination of Equities

The nature and extent of participation in income resulting from royalties or assignment of copyrighted materials can be determined by following the four categories of ownership described earlier.

Individual Effort and Institution-Assisted Individual Effort. Income derived from materials resulting from the individual initiative of college or university personnel should accrue to the author alone. However, when these individual efforts are significantly assisted by the use of institutional facilities or resources, the institution and the author may stipulate some degree of income sharing.

Institution-Supported Efforts. Where copyrighted materials are generated by a specific, assigned institutional duty, institutional policy may specify the college or university as sole recipient of the derived income. Many institutions have a royalty-sharing policy on patents, so an institution may similarly adopt a policy that provides for the crediting of part or all of the royalty from copyrightable materials to authors and academic departments. In some instances the institution may elect to grant or return copyrights to the author, even though the institution commissioned the work that generated the copyrightable materials.

Sponsor-Supported Efforts. If the development of the copyrighted materials is supported by a

sponsor, the college or university and the author must adhere to the conditions of the grant or contract. Income derived from copyrighted materials is handled in accordance with institutional policies unless special contractual or grant requirements prevail. In cases where the sponsor requires the return of part of the income derived from sales of sponsor-supported materials that are copyrighted, institutional cost sharing should be considered together with other factors in determining the distribution of such royalty income. If the institution receives all or part of the income derived from the sale of such sponsor-supported materials, this income normally would be handled in accordance with established institutional policies unless special sponsor requirements prevail.

In determining institutional policy on the disposition of royalty income, it may be desirable to consider identifying a portion of the derived income as a reserve to defray costs of future revisions or to implement the adoption of the copyrighted materials.

It is imperative that the disposition of copyrights and the royalty income aspects of institution- or sponsor-supported projects leading to copyrightable materials be examined thoroughly at the outset of the project and that a clear and mutually satisfactory written understanding be reached among the author, college or university, and sponsor.

Copyright Administration

It is beneficial for a college or university to develop well-defined and codified procedures for the governance of copyrightable materials developed by its personnel. The president of the university, or more generally some other appropriately designated authority, has the ultimate responsibility for decisions on copyright matters. It is usually advantageous to delegate responsibility and authority on copyright matters to an appropriate administrator, such as the institution's legal counsel, a vice president for research, the dean of the faculty, or another administrator. The statement of policies and procedures should define clearly the responsibilities and authority of the college or university copyright administrator. These duties may include providing assistance, guidance in obtaining a publisher, and other related services on copyright matters to the institution's personnel.

Adopted procedures should provide for the copyright administrator, the author, and other concerned parties to arrive at a mutually acceptable copyright agreement within the provisions of the institution's policy. One mechanism for negotiation of copyright matters is to use a three-member panel consisting of the author or the author's representative, the institution's copyright officer, and a third member agreed on by the first two. Alternatively, a copyright advisory committee may prove helpful in evaluating ownership, disposition, and distribution of royalty income relating to copyrightable materials. Whatever the procedure for administering copyright matters, there should be specific provisions for appeal.

College or university procedures may provide for prior review of all programs expected to generate copyrightable materials with full or significant partial support by the university or a sponsor in order that an advance determination can be made concerning rights, disposition, and income distribution. This review is normally accomplished by the intended authors, the copyright officer, and any others designated by institutional policy. A mutually acceptable advance agreement covering the determination of rights, disposition, and income distribution may be an important part of the project file for those projects producing copyrightable materials with partial or total support by the institution or by a sponsor. The advance agreement may be revised as the project progresses.

Alternatively, an institution may request an annual report from faculty and staff on all copyrightable material generated during the reporting period. Those materials developed with partial or full institutional or sponsor support should be reviewed by the copyright officer and by others designated by college or university procedures to make recommendations on the disposition of rights to copyrightable material and income participation.

If an institution adopts specific policies and procedures relative to the rights, disposition, and income distribution relating to copyrightable materials, it may be desirable to incorporate

reference to these provisions in employment contracts where appropriate.

Faculty and staff should be encouraged to participate in formulating institutional copyright policies and procedures. Faculty and staff can also be involved in the governance of copyright matters to insure that policies and procedures are equitable and workable. The nature and extent of student participation in copyright policies and procedures may vary with the institution and its policy on copyrightable material generated by students.

In designing and implementing institutional policies and procedures for copyrightable materials, care must be taken to protect the initiative and rights of individual authors. Similarly, consideration should be given to copyrightable work that is the result of a group effort. These policies and procedures should reasonably insure the requisite control and accountability by the university for resources allocated to partial or full support of university personnel engaged in producing copyrightable materials.

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Copyrightable Materials and Other Intellectual Property

This Guide Memo describes Stanford policies and associated administrative procedures for copyrightable materials and other intellectual property. Its objectives are:

- To enable the University to foster the free and creative expression and exchange of ideas and comment;
- To preserve traditional University practices and privileges with respect to the publication of scholarly works;
- To establish principles and procedures for sharing income derived from copyrightable material produced at the University; and
- To protect the University's assets and imprimatur.

Section headings for this Guide Memo are:

1. COPYRIGHT POLICY
2. ADMINISTRATION OF POLICY
3. OTHER INTELLECTUAL PROPERTY
4. TANGIBLE RESEARCH PROPERTY
5. EXPLANATION OF TERMS

1. COPYRIGHT POLICY

a. General Policy Statement — Copyright is the ownership and control of the intellectual property in original works of authorship which is subject to copyright law. It is the policy of the University that all rights in copyright shall remain with the creator unless the work is a work for hire (and copyright vests in the University under copyright law), is supported by a direct allocation of funds through the University for the pursuit of a specific project, is commissioned by the University, or is otherwise subject to contractual obligations.

b. Books, Articles, and Similar Works — In keeping with tradition, the University does not claim ownership of books, articles, and similar works, the intended purpose of which is to disseminate the results of academic research or scholarly study. Such works include those of students created in the course of their education, such as dissertations, papers and articles. Similarly, the University claims no ownership of popular nonfiction, novels, poems, musical compositions, or other works of artistic imagination which are not institutional works. If title to copyright in works defined within this section 1.b. vests in the University by law, the University will, upon request and to the extent consistent with its legal obligations, convey copyright to the creators of such works.

c. Institutional Works — The University shall retain ownership of works created as institutional rather than personal efforts — that is, works created for University purposes in the course of the creator's employment. For instance, work assigned to staff programmers is "work for hire" as defined by law (regardless of whether the work is in the course of sponsored research, unsponsored research, or non-research activities), as is software developed at the Center for Information Technology or Research Libraries Group, and the University owns all rights, intellectual and financial, in such works.

d. Scholarly Projects Specifically Funded by Sponsored Agreements or Other University Funds — All individuals who participate in sponsored agreements or other research or scholarly projects specifically supported by University funds must sign an Agreement with the University (Form SU-18, as amended) under which copyrightable works resulting from such projects are assigned to the University except as provided under paragraph b. above. Subject to sections b. and c. above and g. below, and to the provisions of the Agreement, royalty income received by the University for such works will normally be distributed in accordance with University policy (see section 2.b.iii. below). Copyrightable works may also be subject to the University's policies on Tangible Research Property (see Guide Memo 77).

e. Commissioned Works of Non-employees — Under the Copyright Act, commissioned works of non-employees are owned by the creator and not by the commissioning party, unless there is a written agreement to the contrary. University personnel must, therefore, generally require contractors to agree in writing that ownership is assigned to the University.

Examples of works which the University may commission non-employees to prepare are:

- Illustrations or designs
- Artistic works
- Architectural or engineering drawings
- Forewords and introductions
- Computer software
- Reports by consultants or subcontractors

f. Videotaping and Related Classroom Technology — Any videotaping, broadcasting, or televising of classroom, laboratory, or other instruction, and any associated use of computers, must be approved in advance by the cognizant academic dean (or, in the case of SLAC, by the Director), who shall determine the conditions under which such activity may occur and, in conjunction with the Vice Provost and Dean for Graduate Studies and Research, resolve questions of ownership, distribution and policy.

g. Contractual Obligations of the University — The University in all events shall have the right to perform its obligations with respect to copyrightable works, data, prototypes and other intellectual property under any contract, grant, or other arrangement with third parties, including sponsored research agreements, license agreements and the like.

NOTE: University resources are to be used solely for University purposes and not for personal gain or personal commercial advantage, nor for any other non-University purposes.

2. ADMINISTRATION OF POLICY

a. Determinations of Ownership and Policy in Unclear Cases — Questions of ownership or other matters pertaining to materials covered by this Guide Memo shall be resolved by the cognizant vice president or designee in consultation with the Sponsored Projects Office and the General Counsel's Office. The Vice Provost and Dean of Graduate Studies and Research is the designee of the Provost, who is the cognizant vice president for all University research, scholarship and education.

b. Licensing and Income Sharing —

i. Licensing — Computer databases, software and firmware, and other copyrightable works owned by the University, are licensed through its Office of Technology Licensing. Exceptions to this procedure must be approved in advance by the Vice Provost and Dean

of Graduate Studies and Research.

ii. **Proprietary Protection** — The Office of Technology Licensing seeks the most effective means of technology transfer for public use and benefit. To that end, the Director will determine whether to apply for patent protection in addition to or instead of copyright with respect to particular software, firmware or other computer-related copyrightable materials owned by or assigned to the University.

iii. **Royalty Distribution** — If patent protection is being sought, distribution of royalties will be handled in accordance with the University's Patent Policy (Guide Memo 75). If copyright protection alone is claimed, royalties will normally be allocated in a similar manner, with the "inventor's share" allocated among individuals identified by the Director of the Office of Technology Licensing, in consultation with the principal investigator (or department head if not under a sponsored agreement), based on their relative contributions to the work. The Director may, after consultation, conclude that any royalty distribution to individuals would be impracticable or inequitable, however (for example, when the copyrightable material has been developed as a laboratory project, or where individual royalty distribution could distort academic priorities). In such cases, the "inventor's share" may be allocated to a research or educational account in the laboratory where the copyrightable material was developed. Such determination will be made on a case-by-case basis by the Director of the Office of Technology Licensing after consultation with the principal investigator or department head, and is subject to the approval of the Vice Provost and Dean of Graduate Studies and Research.

iv. **Assignments** — No assignment, license or other agreement may be entered with respect to copyrighted works owned by the University except by an official specifically authorized to do so.

Questions regarding licensing and royalty-sharing should be addressed to the Office of Technology Licensing.

c. **Use of the University Name in Copyright Notices** — If copyrightable materials are published without a copyright notice, the copyright may be lost and the work may enter the public domain. The following notice on University-owned materials will protect the copyright:

Copyright © [year] The Board of Trustees of The Leland Stanford Junior University. All Rights Reserved.

No other institutional or departmental name is to be used in the copyright notice, although the name and address of the department to which readers can direct inquiries may be listed below the copyright notice. The date in the notice should be the year in which the work is first published, i.e., distributed to the public or any sizeable audience.

Additionally, works should be registered with the United States Copyright Office using its official forms. Forms may be obtained from the General Counsel's Office, to which questions concerning copyright notices and registration also may be addressed.

d. **Copyright Agreements** — The University may require faculty, staff, students, visiting scholars and/or other research participants to sign agreements implementing this Guide Memo as a condition of employment or as a condition of participation in a sponsored project, or as may be necessary to comply with the terms of grants or contracts or to establish record title in the University (see section 1.e. above).

e. **Copying of Works Owned by Others** — Members of the University community are cautioned to observe the rights of other copyright owners. Contact the General Counsel's Office for University policies pertaining to copying for classroom use. Policies regarding copying for library purposes may be obtained from the Office of the Director of Libraries. Questions should be addressed to the General Counsel's Office.

f. **Sponsored Agreements** — Contracts and grants frequently contain complex provisions relating to copyright, rights in data, royalties, publication and various categories of material including proprietary data, computer software, licenses, etc. Questions regarding the specific terms and conditions of individual contracts and grants, or regarding rules, regulations and statutes applicable to the various government agencies, should be addressed to the Patent and Copyright Affairs group in the University's Sponsored Projects Office.

g. **General Advice and Assistance** — The Associate Director for Intellectual Property Administration in the Sponsored Projects Office, the Director of Technology Licensing, and staff counsel in the General Counsel's Office are available to advise on questions arising under this Guide Memo, and to assist with the negotiation and interpretation of the provisions of proposed formal agreements with third parties.

3. OTHER INTELLECTUAL PROPERTY

a. **Trade and Service Marks** — Trade or service marks relating to goods or services distributed by the University shall be owned by the University. Examples include names and symbols used in conjunction with computer programs or University activities and events. Consult the Office of Technology Licensing for information about registration, protection, and use of marks.

b. **Patents** — See Guide Memo 75.

c. **Proprietary Information** — Proprietary information arising out of University work (e.g., software developed at the Center for Information Technology) shall be owned by the University.

NOTE: All research involving proprietary information is subject to the University's Policy Guidelines on Secrecy in Research, adopted by the Academic Senate and reprinted in the Faculty Handbook.

4. TANGIBLE RESEARCH PROPERTY

See Guide Memo 77. The University encourages the prompt and open exchange, for others' scientific use, of software and firmware resulting from research. A Software Distribution Center has been established by the Office of Technology Licensing as a mechanism to distribute computer software efficiently to the largest number of potential users.

5. EXPLANATION OF TERMS

a. **Copyright** —

i. **Copyrightable Works** — Under the federal copyright law, copyright subsists in "original works of authorship" which have been fixed in any tangible medium of expression from which they can be perceived, reproduced, or otherwise communicated, either

directly or with the aid of a machine or device. These works include:

- Literary works such as books, journal articles, poems, manuals, memoranda, tes... computer programs, instructional material, databases, bibliographies;
- Musical works including any accompanying words;
- Dramatic works, including any accompanying music;
- Pantomimes and choreographic works (if fixed, as in notation or videotape);
- Pictorial, graphic and sculptural works, including photographs, diagrams, sketches and integrated circuit masks;
- Motion pictures and other audiovisual works such as videotapes;
- Sound recordings.

ii. **Scope of Copyright Protection** — Copyright protection does not extend to any idea, process, concept, discovery or the like, but only to the work in which it may be embodied, illustrated, or explained. For example, a written description of a manufacturing process is copyrightable, but the copyright only prevents unauthorized copying of the description; the process described could be freely copied unless it enjoys some other protection, such as patent.

Subject to various exceptions and limitations provided for in the copyright law, the copyright owner has the exclusive right to reproduce the work, prepare derivative works, distribute copies by sale or otherwise, and display or perform the work publicly. Ownership of copyright is distinct from the ownership of any material object in which the work may be embodied. For example, if one purchases a videotape, one does not necessarily obtain the right to make a public showing for profit.

b. **Works for Hire** — "Work for hire" is a legal term defined in the Copyright Act as "a work prepared by an employee within the scope of his or her employment." This definition includes works prepared by employees in satisfaction of sponsored agreements between the University and outside agencies. Certain commissioned works also are works for hire if the parties so agree in writing. Other examples of works for hire are given in section 1.c.

The employer by law is the "author," and hence the owner, of works for hire for copyright purposes. Ownership in a work for hire may be relinquished only by an official of the University specifically authorized to do so.

c. **Other Intellectual Property** —

i. **Trade and Service Marks** — Trade and service marks are distinctive words or graphic symbols identifying the source, producer, or distributor of goods or services.

ii. **Trade Secrets** — "Trade secret" is a legal term referring to any information, whether or not copyrightable or patentable, which is not generally known or accessible, and which gives competitive advantage to its owner. Trade secrets are proprietary information.

iii. **Patents** — See Guide Memo 75.

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

COPYRIGHT POLICY

OBJECTIVES

The copyright policy of the Institute seeks to protect and promote the traditional academic freedom of the Institute's faculty, staff, and students in matters of publication; seeks to balance fairly and reasonably the equitable rights of authors, sponsors, and the Institute; and attempts to ensure that any copyrightable material in which the Institute has an equity interest is utilized in a manner consistent with the public interest.

OWNERSHIP AND DISPOSITION OF COPYRIGHTABLE MATERIAL

Copyright ownership and the rights thereof are terms defined by Federal law. The Institute believes that its copyright policy objectives will best be attained within the context of the Federal law by defining the equities of ownership of copyrightable material in terms of the following categories:

A. Copyright ownership of all material (including software, but excluding theses) which is developed in the course of or pursuant to a sponsored research or other agreement shall be determined in accordance with the terms of the sponsored research or other agreement, or in the absence of such terms, the copyright shall become the property of the Institute.

Comment: Normally, research contracts sponsored by the government provide the government with specified rights in copyrightable

material developed in the performance of the research. These rights may consist of title to such data vesting solely in the government or the reservation of a royalty-free license to the government, with title vesting in the Institute. In some cases, the government prohibits any private copyright ownership. Grants and other types of sponsored research agreements, whether by the government or by private industry, may, on the other hand, provide no specific provision concerning rights in such material.

The purpose of this provision (which applies to all academic and research employees of the Institute) is to ensure that the Institute will be free to dispose of all such data in a manner consistent with its obligations to the sponsor and to the public.

In cases where a researcher wishes to publish Category A material in journals or other media, Federal law now requires the written consent of the owner of the copyright. Requests for such consent, which will normally be routinely provided, should be addressed to the Patent, Copyright, and Licensing Office.

B. Copyright ownership of all material (including software, but excluding theses) which is developed with the significant use of funds, space or facilities administered by the Institute, including but not limited to classes and laboratory facilities, but without any M.I.T. obligation to others in connection with such support shall reside in the Institute.

Comment: The Institute shall exercise its rights in such material in a manner that will best further M.I.T.'s basic aims as an educational institution, giving full consideration to making the

material available to the public on a reasonable and effective basis, avoiding unnecessary exclusions and restrictions, and providing adequate recognition of the authors.

In this respect M.I.T. recognizes and reaffirms the traditional academic freedom of its faculty and staff to publish freely without restriction. In keeping with this philosophy, M.I.T. will neither construe the provision of office or library facilities as constituting significant use of Institute space or facilities, nor will it construe the payment of salary from instructional accounts as constituting significant use of Institute funds, except for those situations where the funds were paid specifically to support the development of such material.

Publications not prepared within the scope of an Institute employee's duties are excluded from the ownership provisions of this category. Textbooks developed through the use of classes are excluded from the provisions of this category, unless such textbooks were developed using Institute-administered funds paid specifically to support such textbook development.

All persons who have developed copyrightable material through the significant use of M.I.T. space, funds, or facilities shall be required to transfer copyright ownership of such material to the Institute as a condition of such use.

C. Copyrightable material not within the provisions of Categories A and B of this policy shall be the sole property of the author, except for theses, as discussed below.

Theses created by students shall be governed by the following provisions:

D. Copyright ownership of theses generated by research which is performed in whole or in part by the student with financial support in the form of wages, salaries, stipend or grant from funds administered by the Institute shall be determined in accordance with the terms of the support agreement, or in the absence of such terms, shall become the property of the Institute.

E. Copyright ownership of theses generated by research performed in whole or in part utilizing equipment or facilities provided to the Institute under conditions that impose copyright restriction shall be determined in accordance with such restrictions.

F. Copyright in theses not within the provisions of Categories D and E of this policy shall be the property of the author. However, the student must, as a condition of a degree award, grant royalty-free permission to the Institute to reproduce and publicly distribute copies of the thesis.

As with faculty and research staff, the Institute wishes to encourage broad dissemination of all such material. Requests for permission to publish Category D and E theses should be addressed to the Patent, Copyright, and Licensing Office. (See also Faculty Regulation 2.71 and the Graduate School Manual.)

COPYRIGHT ROYALTIES

Royalty income received by the Institute through the sale, licensing, leasing or use of copyrightable material, under

Categories A and B, in which the Institute has acquired a property interest, will normally be shared with the author and the department, laboratory or center within the Institute where the material originated. Authorship shall be determined by the director of the originating department, laboratory or center. The gross royalties received by the Institute will usually be distributed as follows:

1. To the Institute, 60%;

2. To the author(s), a total of:

   35% of the first $50,000 in accumulated gross royalties,
   25% of the next $50,000 in accumulated gross royalties,
   15% of the accumulated gross royalties thereafter;

3. To the originating department, laboratory, or center within the Institute:

   5% of the first $50,000 in accumulated gross royalties,
   15% of the next $50,000 in accumulated gross royalties,
   25% of the accumulated gross royalties thereafter.

Where, after review, authorship cannot be determined, the percent share of royalties intended for the author shall be distributed instead to the originating department, laboratory, or center. (As used herein, the phrase "originating department, laboratory or center" means the department, laboratory or center which administered the funds, space or facilities used in developing the copyrightable material.)

The Institute reserves the right at its discretion to deduct from gross royalty income prior to any such distribution, expenses such as litigation which may be incurred in enforcing or defending the copyright or in licensing the copyrightable material.

INVENTION AND COPYRIGHT AGREEMENTS

The policies set forth above constitute an understanding which is binding on Institute faculty and staff, students, and others as a condition of their participating in Institute research programs or their use of funds, space, or facilities. Where the Institute may have an obligation to assign rights in inventions or copyrights to a sponsor, or may itself acquire rights under this policy, it will require a formal invention and copyright agreement.

September, 1979

NATIONAL COUNCIL OF UNIVERSITY RESEARCH ADMINISTRATORS

Introduction to

SOFTWARE LICENSING AGREEMENTS

Workshop Materials - NCURA Intellectual Property Series - 1984

Title	Unit
Patents and Patent Rights	1
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Introduction to

SOFTWARE 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

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Introduction to

SOFTWARE LICENSING AGREEMENTS

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SOFTWARE LICENSING AGREEMENTS

The most common type of copyright licensing resulting from sponsored research programs involves computer software, including data bases and documentation.

Much of this licensing will be from the so-called "portfolio," i.e., those copyrightable works, resulting from the university's research and educational programs, which are available for licensing to any qualified licensee and may be marketed by the university or by a software house or similar organization on the university's behalf. Licenses are of various types. Some run directly to the end user, some to a software house for licensing to others, and some may be to distributors.

For the purposes of this introductory course, we will be primarily concerned with the type of license granted to a research sponsor as part of contract negotiations. The sample agreement we will refer to, however, will be identical in many respects to the licenses which would be granted to third parties out of the portfolio under like circumstances.

University research administrators should be aware, of course, that there is a broad range of copyright and other forms of licensing which may result from university activities, including the following:

Licensing of literary works, such as textbooks
Videotapes, instructional materials and courses
Trademarks and LOGOs

NON-EXCLUSIVE LICENSE TO A RESEARCH SPONSOR

Sample Agreement - Commentary

The essential provisions of a non-exclusive software license to a research sponsor are outlined below. They are illustrated in the attached sample agreement which is one of several types in use at MIT.

PARTIES

As in all agreements, the parties must be identified by name and place of business and by their "hereafter referred to as..." designation, such as Licensor and Licensee.

RECITALS

The recitals (i.e., the Whereases) help to identify and characterize the type of license and the general nature of the agreement at the outset. In some cases, the recitals are also used to identify the data base, software and other material to be licensed. More commonly, these are detailed in a separate provision with a title such as "Licensed Materials." It may also be helpful in some circumstances to attach a complete list of all the documentation and other materials to be provided as an Appendix so that there is no question later as to the completeness of the transfer.

ARTICLES

1. LICENSE RIGHTS

As discussed in Part III, Section 1., the agreement must clearly specify the type of license, whether exclusive or non-exclusive, and the rights granted, and may also list the rights specifically excluded.

The right to prepare derivative works was also discussed in Part III, where we noted that it is of greatest value to a sponsor that may wish to modify the software to adapt it to specific computer equipment or increase the general utility of the software.

2. TERM

Term of the license should be specified in precise language. The license granted may be perpetual, i.e., for the life of the copyright. However, it is highly doubtful that any software program would have a useful life of that length. It is more common to provide for a specific

license term such as five years, ten years, etc., or, as the sample agreement provides, such term may be set out as running automatically from year to year unless terminated. Given the uncertain commercial life of software, the self-renewing term offers the most flexibility to meet the changing commercial markets.

3. ROYALTIES

The payment of royalties can take many forms and choosing the one most appropriate to the particular transaction is primarily a business decision. In many cases, especially when the license granted is for end use only, the licensing fee is a one-time, up-front payment. In other cases, as where the software will be distributed by the licensee, a running royalty based on the net sales price of the software being licensed is combined with an initial up-front payment. In the sample agreement, a running royalty combined with an initial down payment is used. The initial payment may or may not be used as a credit against royalties, depending on negotiations. In those situations where a combination of initial payment and running royalties is used, the initial payment is considerably less than the fee expected when the license is to be fully paid-up without any running royalty. Further, the concept of a minimum annual royalty may be useful as a method of ensuring that the licensee has an incentive for performing under the agreement, and is used particularly in exclusive software licenses in lieu of performance milestones.

4. DELIVERY OF MATERIALS

It is important that the materials to be delivered under the license are clearly identified so that there is no question that the transfer has been completed and the licensor's obligations fully met. If the subject matter of the license has been detailed in an appendix to the agreement, the materials to be delivered can usually be specified by reference to it, with additions or deletions, if any. Otherwise an appendix can be added.

This clause in the sample agreement includes a provision requiring the licensee to take care that the copyright notation is retained on all copies of the material licensed which are made by the licensee. In addition, it is helpful to the licensee for the licensor to specifically address the content of the copyright notice and the requirements for placement of the notice. This can best be done in an appendix such as that included as Appendix B to the sample agreement.

The "Delivery" clause normally stipulates that the licensor provides the material on an "as is" basis and that licensor is not required to test or perform any debugging. In the sample agreement MIT does agree to provide on-site installation assistance at its discretion and at licensee's expense. This clause may be expanded to provide other minimum assistance as the program developers deem necessary.

Acceptance Testing: Although not included in the sample agreement, a clause is sometimes used which allows a period for acceptance testing. If it turns out that the program is not suitable in practice for the

licensee's purposes, licensee can terminate the license by reimbursing the licensor's out-of-pocket costs. A clause of this type might read as follows:

> "Licensee may conduct acceptance tests of the Program during the thirty (30) days following delivery of the Program by Licensor. During this acceptance period, Licensee may terminate this Agreement if Licensee finds that the Program is not suitable for Licensee's purposes. Upon such termination, Licensee shall immediately return the Program and its manuals to Licensor at no cost to Licensor, and shall reimburse Licensor for those costs incurred by it in reproducing and delivering the Program and accompanying materials to Licensee. Upon receipt of the Program and Manuals, Licensor shall refund to Licensee any initial license fee which may have been paid by Licensee."

5. CORRECTIONS

The sample license agreement contains a provision under which the Licensor agrees to use its best efforts to correct malfunctions resulting from errors which are internal to the code, since errors of that type obviously limit the ability of the program to serve its intended purpose. The Licensor does not, however, agree to modify the program to serve purposes or provide features not intended in the program as delivered.

6. REPORTS AND RECORDS

This clause clearly states the licensee's obligations to maintain records of transactions on which royalties are due. It also provides for an inspection of records by the licensor.

The second part of the clause specifies a semi-annual report of transactions and payment of royalties due.

7. WARRANTIES

A clause should be included in every agreement, such as the one in the sample agreement, to the effect that no warranty of any kind, express or implied, is provided. Warranty clauses vary quite widely, and in some of them a limited warranty may in fact be included. Because of certain legal decisions, it is considered necessary by many lawyers that the warranty disclaimer be in capital letters to be legally valid and binding.

8. LIMITATION OF LIABILITY

A limitation of liability provision is frequently included, such as the one in the sample agreement, so that the Licensor is not liable for problems arising due to use of program by the licensee or its distributees at a later date. As with warranties, there are variations in such clauses,

and some Licensors accept limited liability where it results directly from acts solely under the control of the Licensor, as°, for example, when the licensed software infringes the copyright of a third party.

9. TERMINATION

A termination clause should be included in all software licenses where a licensee may breach its obligations under the license, especially with regard to royalties, the copyright notice requirement, or non-distribution. The termination clause should provide for a notice and cure period for breach; termination in the case of bankruptcy, and in the case of a non-exclusive license, termination at will for a licensee that no longer has use for the licensed program.

10. EFFECTS OF TERMINATION

It is important to enumerate the steps to be taken to wind up the licensee's licensing rights. The licensor should require written assurances that all copies of the software in the licensee's possession have been destroyed except for a single copy which, under the copyright law, may be retained by the licensee for archival purposes. It should also be clearly stated that the licensee's sublicensees should have continued use of the software despite termination of the license to the licensee.

11. NON-USE OF NAMES

This clause is self-explanatory and is normally included for the same reasons that it is included in research contracts.

OTHER CLAUSES (12 and 13)

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

- Notices, addresses
- Governing law
- Entire agreement
- Modifications
- Severability
- Assignability
- Waiver of rights

SOFTWARE LICENSE AGREEMENT

This Agreement, made and entered into this _____ day of _____, 19__, (the Effective Date) by and between the MASSACHUSETTS INSTITUTE OF TECHNOLOGY, a corporation duly organized and existing under the laws of the Commonwealth of Massachusetts and having a principal office at 77 Masschusetts Avenue, Cambridge, Massachusetts 02139 U.S.A. (hereinafter referred to as M.I.T.) and _____, a corporation organized under the laws of _____ and having a principal office at _____ (hereinafter referred to as LICENSEE).

WHEREAS, M.I.T. is the owner of certain rights, title and interest in the computer program and related documentation, entitled "_____" (as set forth in Exhibit A and hereinafter referred to as the "Program") and has procured copyright therefor and has the right to grant licenses to reproduce and distribute the Program and wishes to have the Program utilized in the public interest; and

WHEREAS, LICENSEE wishes to obtain a nonexclusive right and license to copy and use the Program upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants, terms and conditions herein contained, the parties agree as follows:

1. LICENSE

M.I.T. hereby grants to LICENSEE nonexclusive, nontransferable (except as hereinafter set forth), worldwide rights to use, reproduce, display, perform and distribute the Program by sale, lease or sublicense for end-use (hereinafter called "RIGHTS GRANTED").

2. TERM

The term of this Agreement shall be for one (1) year from the Effective Date and shall be automatically renewed from year to year thereafter, unless sooner terminated under the provisions of Paragraph 8 hereof.

3. ROYALTIES

In consideration of the RIGHTS GRANTED herein, LICENSEE shall pay to M.I.T., in accordance with the following schedule:

A. An Initial Payment

Upon execution of two copies of this Agreement, LICENSEE shall pay to M.I.T. the sum of $_____, which payment shall be deemed earned, but which shall be credited against future royalties arising pursuant to Paragraph 2.B below.

B. Royalty Payments

LICENSEE shall pay M.I.T. a royalty of _____% of the Net Sales Price of each Program which shall be sold, leased, licensed or otherwise distributed by LICENSEE.

Net Sales Price shall mean LICENSEE's billings for the Program, less the sum of the following:

1. Discounts allowed in amounts customary in the trade.

2. Sales, tariff duties and/or use taxes directly imposed and with reference to particular sales.

3. Outbound transportation prepaid or allowed.

4. Amounts allowed or credited on returns.

4. DELIVERY OF MATERIALS

4.1 Upon execution of two copies of this Agreement and payment by LICENSEE of the initial payment in accordance with paragraph 3 above, M.I.T. shall deliver to LICENSEE ____ copy(ies) of the Program as defined in Exhibit A to this Agreement.

4.2 LICENSEE acknowledges that title to the Program (including copyright) shall remain with M.I.T. and that any copies of the Program or portion thereof made by LICENSEE in accordance with the RIGHTS GRANTED hereunder shall include thereon an M.I.T. copyright notice as set forth in Exhibit B to this Agreement. Such notice shall be affixed to all copies or portions thereof in such manner and location as to give reasonable notice of M.I.T.'s claim of copyright and shall be in conformity with all applicable regulations of affixation prescribed by the United States Register of Copyright.

4.3 LICENSEE accepts the above materials on an "as is" basis. Accordingly, M.I.T. shall not be required to load the Program onto LICENSEE's volumes, test for proper operation, perform any debugging, make any corrections or otherwise maintain the Program at any time other than provided under Paragraph 5 hereunder. M.I.T. may, in its sole discretion, at the request of LICENSEE provide on-site installation assistance so long as LICENSEE shall bear the cost of all expenses incurred by M.I.T. in providing such on-site installation assistance.

5. CORRECTIONS

M.I.T. shall use its best efforts, at no additional cost, to correct MALFUNCTIONS that arise in that version of the Program delivered to LICENSEE. MALFUNCTIONS, as used herein, shall mean errors deemed by M.I.T. to be internal to the Program code licensed hereunder. M.I.T. does not hereby agree to develop or provide LICENSEE with any updates, enhanced capabilities or other features not present in the version of the Program first delivered to LICENSEE under this Agreement.

In addition, LICENSEE specifically agrees that if any error is determined by M.I.T. to be of user origin, M.I.T. shall be under no obligation to correct such error.

6. REPORTS AND RECORDS

6.1 LICENSEE shall keep and maintain full, true and accurate books of account containing all particulars which may be necessary for the purpose of showing the amount payable to M.I.T. by way of royalty as aforesaid. Said books shall be kept at LICENSEE'S principal place of business. Said books and the supporting data shall be available for inspection, during business hours, upon reasonable notice, by a certified public accountant designated by M.I.T. and approved by LICENSEE, which approval shall not be unreasonably withheld, for three (3) years following the year to which they pertain.

6.2 Within sixty (60) days of March 31 and September 30 of each calendar year during the license term, LICENSEE shall make to M.I.T. a royalty report stating the number of copies of the Program which have been sold, leased, sublicensed for end-use or otherwise distributed during the preceding six (6) month period and the amount of royalties due. With each such royalty report, LICENSEE shall pay to M.I.T. the royalties due. If no royalties shall be due, it shall be so reported

7. WARRANTIES

LICENSEE AGREES THAT RIGHTS GRANTED ARE MADE AVAILABLE WITHOUT WARRANTY OF ANY KIND EXPRESSED OR IMPLIED INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND FURTHER INCLUDING NO WARRANTY AS TO CONFORMITY WITH WHATEVER USER MANUALS OR OTHER LITERATURE MAY BE ISSUED FROM TIME TO TIME.

8. LIMITATION OF LIABILITY

LICENSEE agrees that neither M.I.T. nor any of its employees, agents or contractors shall be liable under any claim, charge, demand, whether in contract, tort or otherwise, for any and all loss, cost, charge, claim, demand, fee, expense or damage of any nature or kind arising out of, connected with, resulting from or sustained as a result of executing this Agreement or for performing all or any part of this Agreement. In no event shall M.I.T. be liable for special, direct, indirect or consequential damages, losses, costs, charges, claims, demands, fees or expenses of any nature or kind.

9. TERMINATION

9.1 Upon any material breach of this Agreement by LICENSEE, M.I.T. shall have the right to terminate this Agreement by giving thirty (30) days written notice thereof to LICENSEE. Such termination shall become effective unless LICENSEE shall have cured any such breach prior to the expiration of said thirty (30) day period.

9.2 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.

9.3 LICENSEE shall have the right to terminate this Agreement at any time upon thirty (30) days notice by certified mail to M.I.T.

10. EFFECTS OF TERMINATION

10.1 Upon termination for any reason, LICENSEE shall provide M.I.T. with written assurance that the original and all copies of the Program, including partial copies in modifications, have been destroyed, except that, upon prior written authorization from M.I.T., LICENSEE may retain a copy for archive purposes.

10.2 Termination of this Agreement for whatever reason shall not be construed to release either party from any right or obligation that matured prior to the date of such termination.

10.3 Upon termination of this Agreement for any reason, the rights of LICENSEE'S customers to the use and enjoyment of the Program in accorddance with any sublicense granted by LICENSEE pursuant to the provisions of Paragraph 1 hereof prior to such termination shall not be abridged or diminished in any way so long as LICENSEE shall continue to pay to M.I.T. any royalties otherwise due on account of such sublicensing.

11. NON-USE OF NAMES

LICENSEE shall not use the name of Massachusetts Institute of Technology nor the names of any of its employees nor any adaptation thereof in any advertising, promotional or sales literature without prior written consent obtained from M.I.T. in each case.

12. NOTICES AND OTHER COMMUNICATIONS

Any notice, consent, demand or other communication required or permitted under this Agreement shall be sufficiently made or given on the date of mailing if in writing and sent to such party by registered or certified mail, postagne prepaid, addressed to it at its address below or as it shall designate by wirtten notice given to the other party:

In the case of M.I.T.:

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

In the case of LICENSEE:

13. MISCELLANEOUS

13.1 This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

13.2 This instrument contains the entire agreement between the parties hereto and supersedes all prior agreements with respect to the subject matter hereof.

13.3 Any mondification of the Agreement to be effective must be in writing and signed by both parties.

13.4 If one or more of the provisioins of this Agreement shall be held to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisionms shall not in any way be affected or impaired thereby.

13.5 This Agreement shallb e binding on the parties and their succsssors in interest; LICENSEE 'S rights and obligations hereunder shall not oterhwise be assignable without M.I.T.'s prior written consent.

13.6 The failure of either party to assert a right hereunder or to insist upon compliance with any terms or condition shall not constitute a waiver of that right or excuse the subsequent nonperformance of 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 Agreement the day year first above written.

Attest: MASSACHUSETTS INSTITUTE OF TECHNOLOGY

_____ By_____
Title_____ Title_____

Attest:

_____ By_____
Title_____ Title_____

APPENDIX

COPYRIGHT NOTICE SPECIFICATIONS

A. LICENSEE and any party licensed or otherwise permitted by LICENSEE to reproduce the computer programs and materials licensed hereunder shall include a notice of copyright on each such reproduction, whether made in whole or in part and regardless of the form in which made. Said notice of copyright shall be in accordance with the following specifications.

1. The notice shall appear in the same form and location as it appears on the copy being reproduced.

B. If no notice appears on the copy (or portion thereof) being reproduced, a notice shall be placed as follows:

1. The notice shall read:

"Copyright c (date of first publication), Massachusetts Institute of Technology

2. The notice shall be positioned:

(a) For printed materials, including documentation -- on the first title page or, if no title appears on the portion reproduced, on the first page of such portion.

(b) For computer materials --

(i) on a gummed or other label securely affixed to the copies or to a box, reel, cartridge, cassette or other container used as a permanent receptacle for the copy, and

(ii) in the body of the machine-readable form in such a manner that, on visually perceptible printouts, it appears either with the title or at the end of the work.

DEPARTMENT OF THE ARMY

EXCLUSIVE LICENSE AGREEMENT

A. WHEREAS, The United States of America is the owner by assignment recorded in the United States Patent and Trademark Office at Reel 4039, Frame 0840, on August 11, 1982, of an invention described and claimed in United States Patent Number 4,445,989 granted on May 1, 1984 (hereinafter referred to as THE INVENTION);

B. WHEREAS, the Secretary of the Army (hereinafter referred to as LICENSOR) as the representative of the United States of America has custody of and the right to issue licenses to practice THE INVENTION pursuant to Public Law 96-517 and implementing regulations;

C. WHEREAS, LICENSOR desires THE INVENTION should be brought to the point of practical application in the shortest possible time and made available to the public, thereby serving the public interest and broadening the potential supply base for LICENSOR and other Government agencies;

D. WHEREAS, APS-Materials, Inc., whose mailing address is: 153 Walbrook Avenue, Dayton, Ohio 45405 (a corporaton organized and existing under the laws of the State of Ohio) (hereinafter referred to as LICENSEE) desires to obtain an exclusive license to practice THE INVENTION;

E. WHEREAS, LICENSEE is willing to cause THE INVENTION to be brought to the point of practical application and thereafter to be reasonably accessible to the public;

F. WHEREAS, LICENSOR has designated the Chief, Patents, Copyrights, and Trademarks Division, U.S. Army Legal Services Agency, 5611 Columbia Pike, Falls Church, VA 22041 as LICENSOR'S REPRESENTATIVE for legal activities and the Chief, Engineering and Materials Division, Department of the Army, Construction Engineering Research Laboratory, P.O. Box 4005 Champaign, Illinois, 61820 as LICENSOR'S REPRESENTATIVE for technical activities; and

G. WHEREAS, LICENSEE has submitted a satisfactory plan for development of THE INVENTION, together with information about LICENSEE'S capability to fulfill the plan;

NOW THEREFORE, in consideration of the above premises and of the mutual promises set forth and for other good and valuable consideration, LICENSOR and LICENSEE do hereby agree as follows:

1. LICENSOR hereby grants to LICENSEE the right to practice THE INVENTION, which practice as used herein means to make, use and sell the device, within the license area, which for the purpose of the LICENSE means the geographical limits of the United States of America, its territories and possessions, and Puerto Rico.

2. LICENSEE hereby grants to LICENSOR an option to obtain a worldwide, non-exclusive, non-transferable license to practice each invention covered by an improvement patent in which LICENSEE obtains an interest. Such non-exclusive license shall grant to the LICENSOR the right to practice and have practiced such inventions on behalf of the LICENSOR and on behalf of any foreign government or international organization pursuant to any existing or future treaty or agreement with LICENSOR. LICENSOR shall pay LICENSEE a royalty not to exceed two percent of the selling price, as defined in paragraph 15 below, as consideration for practicing the invention covered by the improvement patents. Improvement patent means any U.S. patent covering subject matter related to the subject matter disclosed in THE INVENTION.

3. This LICENSE shall extend to any reissued patent which may be derived from the patent identified in A. above, provided that LICENSOR has custody of the rights thereto and is able to grant such license without incurring liability to third parties; the LICENSE shall not apply to the rights to any other invention, patent, or patent application.

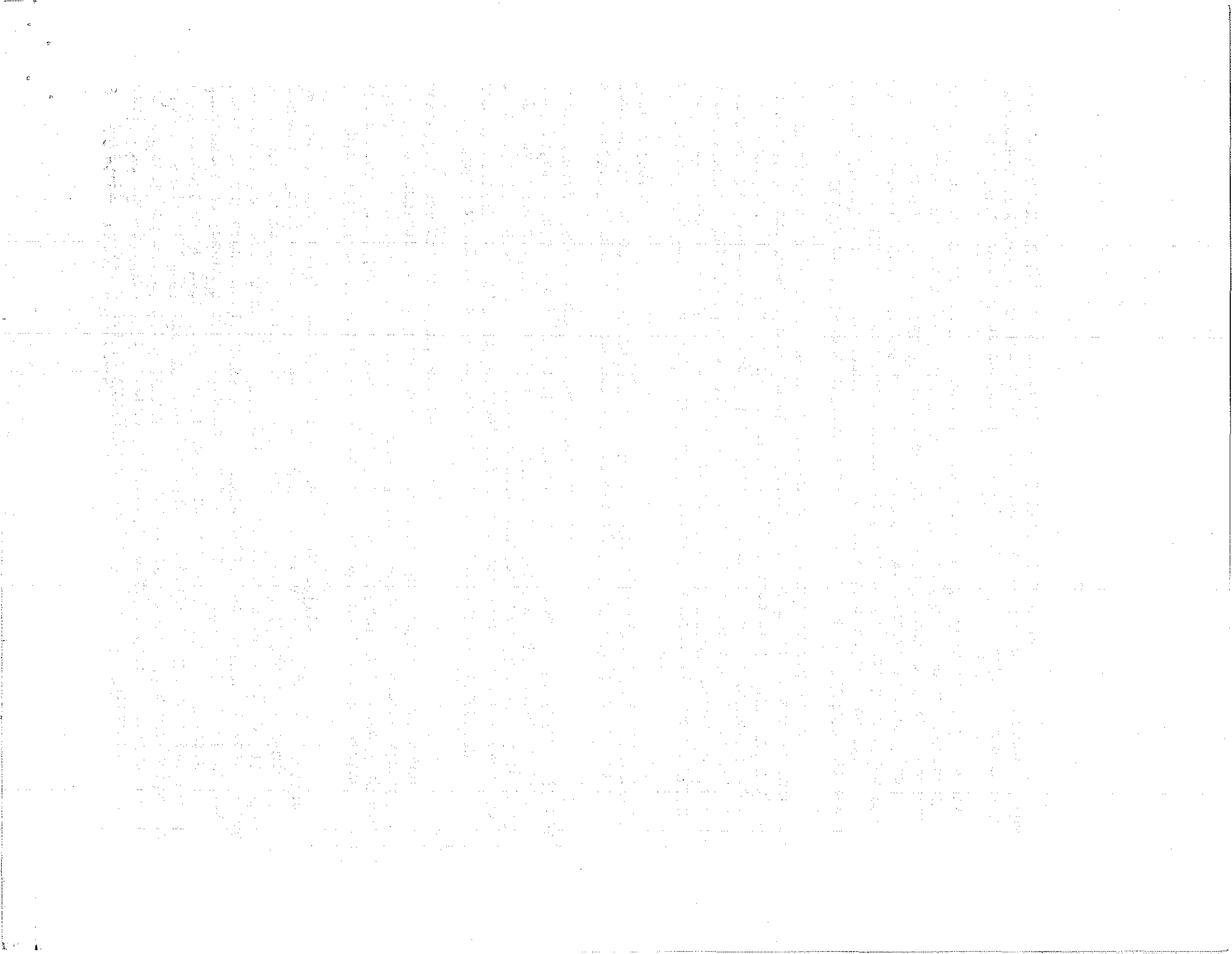
4. LICENSEE may grant sublicenses, subject to approval by LICENSOR'S REPRESENTATIVE for legal activities; any sublicense shall make reference to this LICENSE and be subject to those rights retained by LICENSOR. A copy of any sublicense shall be furnished to LICENSOR'S REPRESENTATIVE for legal activities within 30 days from the effective date thereof. LICENSOR will not unreasonably withhold approval of a sublicense.

5. LICENSEE agrees that any products embodying THE INVENTION or produced through the use of THE INVENTION will be manufactured substantially in the United States.

6. Except as provided below, this LICENSE shall be exclusive, and LICENSOR agrees to grant no other licenses to practice THE INVENTION during the term of this LICENSE. This LICENSE shall be subject to the irrevocable, royalty free right of the Government of the United States to practice THE INVENTION or to have practiced on its behalf and to authorize practice of THE INVENTION by or on behalf of any foreign government or intergovernmental organization pursuant to any existing or future treaty or agreement with the United States.

7. This LICENSE shall become effective upon execution for LICENSOR and shall remain effective for seven years from date of execution unless sooner terminated or otherwise modified pursuant to Chapter 10, Army Regulation 27-60, as revised. This LICENSE may be renewed for an additional period upon written submission by LICENSEE supported by a factual showing that a renewal is necessary to permit the LICENSEE to bring THE INVENTION to the point of practical application, and to make a reasonable profit from his investment.

8. This LICENSE may not be assigned to any party without express approval by LICENSOR'S REPRESENTATIVE for legal activities except to the successor of that part of LICENSEE'S business to which THE INVENTION pertains.



9. If either LICENSOR or LICENSEE shall have reason to believe that any United States patent, issued for THE INVENTION identified in A. above, is infringed, it shall promptly notify the other. LICENSOR shall have the first option, at its expense, to sue others for infringement of the U.S. Patent issued for THE INVENTION identified in A above. If LICENSOR fails to bring suit within six months after knowledge of the infringement, LICENSEE shall have the right, at its expense, to sue to abate such infringement. All proceeds derived from an infringement suit shall be the property of the party bringing the suit. LICENSOR and LICENSEE mutually agree to furnish technical and other necessary assistance to each other in conducting any litigation necessary to enforce such patent against others. Expenses for such assistance will be paid by the party requesting such assistance.

10. LICENSOR makes no warranty, express or implied, regarding scope of validity of any patent or noninfringement of any other patent in the practice of THE INVENTION.

11. LICENSOR assumes no liability resulting from the practice of THE INVENTION or from other exercise of the terms of this LICENSE, as herein provided including modification or termination.

12. This LICENSE does not convey any immunity from the antitrust laws or from a charge of patent misuse, and LICENSEE'S or sublicensee's exercise of rights hereunder are not immunized from the operation of any state of Federal law by reason of the source of the grant.

13. LICENSOR reserves the right to require LICENSEE to grant sublicenses to responsible applicants on terms that are reasonable in the circumstances to the extent that THE INVENTION is required for public use by government regulations or as may be necessary to fulfill public health, welfare, or safety needs. Any decision by LICENSOR to require such a sublicense may be appealed by LICENSEE under the procedures set forth in paragraph 28.

14. All correspondence and questions on technical and scientific matters shall be sent to LICENSOR'S REPRESENTATIVE for technical activities.

15. LICENSEE shall pay a royalty based upon the selling price of patented products sold within the license area by LICENSEE, his sublicensees, or any other third party duly authorized by or through LICENSEE, as set forth below:

a. Selling price means the sum of all charges invoiced by LICENSEE or sublicensee to customers with respect to sale of patented products less:

(1) Normal trade and cash discounts actually allowed;

(2) Expenses of transporting shipment between LICENSEE or sublicensees and customers;

(3) Premiums on insurance against loss and damage in transit;

(4) Credits or refunds actually allowed for spoiled, damaged, outdated or returned goods, and;

(5) Sales and other excise taxes imposed and paid directly with respect to the sale.

b. Transfer of patented products between LICENSEE and sublicensees shall not be deemed sales and shall not be included in computing selling price.

c. The license area is the geographical area described in paragraph 1 above.

d. Royalties shall be paid at the royalty rate of 5 per cent of the selling price.

e. Royalties shall be paid by check payable in United States dollars to the Treasurer of the United States, mailed to LICENSOR'S REPRESENTATIVE for technical activities.

f. Royalties accrued for sales made subject to royalty payments during the months of April through September of each year shall be paid not later than the last day of the following November. Royalties accrued for sales made subject to royalty payments during the months of October through March of each year shall be paid not later than the last day of the following May. Royalty payments received by LICENSEE but not received by LICENSOR by the due date shall be subject to interest charges computed at 10% per annum.

g. No royalty shall accrue on the patented products manufactured for or sold to the United States Government or any of its agencies for governmental purposes.

16. LICENSEE shall carry out its plan to bring the INVENTION to the point of practical application, which as used herein means to practice THE INVENTION under such conditions as to establish that work on THE INVENTION is being carried out and that its benefits are reasonably accessible to the public in the U. S. within two years of the date of this LICENSE, and to continue during the term of this LICENSE to make the benefits of THE INVENTION reasonably accessible to the public. LICENSEE shall promptly report discontinuance of his making the benefits of THE INVENTION reasonably accessible to the public.

17. LICENSEE shall keep true books of account containing an accurate record of all data necessary for the computation of royalty fees payable under this LICENSE. LICENSEE shall from time to time permit the LICENSOR'S REPRESENTATIVE for technical activities to examine the books of account of LICENSEE to such an extent as may be reasonably necessary for LICENSOR to determine the accuracy of the royalty reports.

18. LICENSEE shall submit reports to LICENSOR'S REPRESENTATIVE for technical activities, as set forth below, which shall include, but need not be limited to, the information required in subparagraphs a., b., c., and d. below.

a. LICENSEE shall report its efforts, and the efforts of any sublicensee, to bring the INVENTION to the point of practical application.

b. LICENSEE shall provide all pertinent information within LICENSEE'S knowledge, or reasonably available to LICENSEE, regarding the commercial use being made of THE INVENTION or which LICENSEE has reason to believe will be of interest to LICENSOR.

c. LICENSEE shall report the total dollar value of entitlements for royalties, and the actual amount of royalties received by LICENSEE, during each reporting period set forth in subparagraph e. below. Negative reports are required.

d. LICENSEE shall provide reasonably sufficient information to substantiate that the plan submitted with its request for a license is being executed.

e. Reports shall be made within 30 days of the following:

(1) at the end of each year following the effective date of this LICENSE,

(2) at such shorter intervals as LICENSOR'S REPRESENTATIVE for technical activities request in writing,

(3) upon termination of this license, or

(4) upon discontinuance of LICENSEE'S or any sublicensee's efforts to practice the INVENTION.

19. The LICENSOR may terminate this license, in whole or in part, if:

a. The LICENSOR determines that the LICENSEE or sublicensee is not executing the plan submitted with its request for a license and the LICENSEE or sublicensee has not otherwise demonstrated to the reasonable satisfaction of the LICENSOR'S REPRESENTATIVE for technical activities that it has taken or can be expected to take within a reasonable time effective steps to achieve practical application of the invention;

b. The LICENSOR determines that such action is necessary to meet requirements for public use specified by Federal regulations issued after the date of the LICENSE and such requirements are not reasonably satisfied by the LICENSEE;

c. The LICENSEE has willfully made a false statement of, or willfully omitted, a material fact in the license application or in any report required by the LICENSE AGREEMENT;

d. The LICENSEE commits a substantial breach of a covenant or agreement contained in the LICENSE;

e. The LICENSEE defaults in making any report required by the LICENSE; or

f. THE LICENSEE gave or offered gratuities (in the form of entertainment, gifts, or otherwise) to any officer or employee of the LICENSOR with a view toward securing a license.

20. The parties shall notify each other of any changes in name, address, or business status, and any notice or report under the provisions of this LICENSE shall be sent to the address as provided hereunder.

21. All rights and obligations of LICENSOR and LICENSEE hereunder shall remain in effect throughout the term of this agreement and any renewal term of this agreement and it is understood and agreed that expiration or termination of this agreement shall not relieve either party of any obligation arising under this agreement which shall have accrued prior to such expiration or termination, but the rights and license granted to LICENSEE under paragraph 1 above, shall thereby be revoked.

22. Any notice or report including royalty payments required or permitted by this agreement to be given by either party to the other shall be in writing and shall be considered served when deposited in the United States Mail in a sealed envelope with sufficient postage affixed, registered or certified with return receipt requested, and addressed to the party to whom such notice is directed at its post office address.

23. No member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of this LICENSE, or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this LICENSE if made with a corporation for its general benefit.

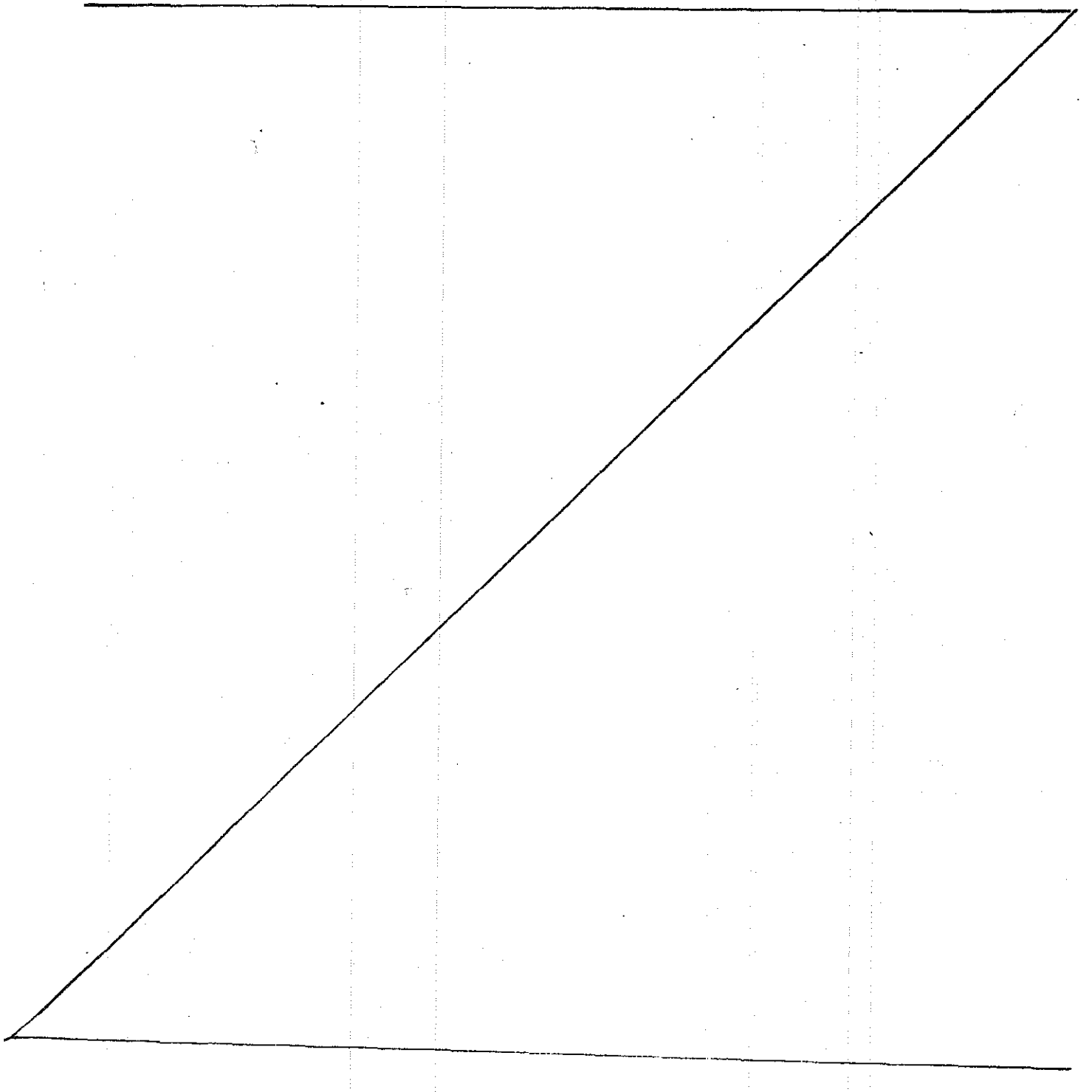
24. The LICENSEE warrants that no person or selling agency has been employed or retained to solicit or secure this LICENSE upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bonafide employees or bonafide established commercial or selling agencies maintained by the LICENSEE for the purpose of securing business. For breach or violation of this warranty the LICENSOR shall have the right to annul this LICENSE without liability or in its discretion, to recover the full amount of such commission, percentage, brokerage or contingent fee.

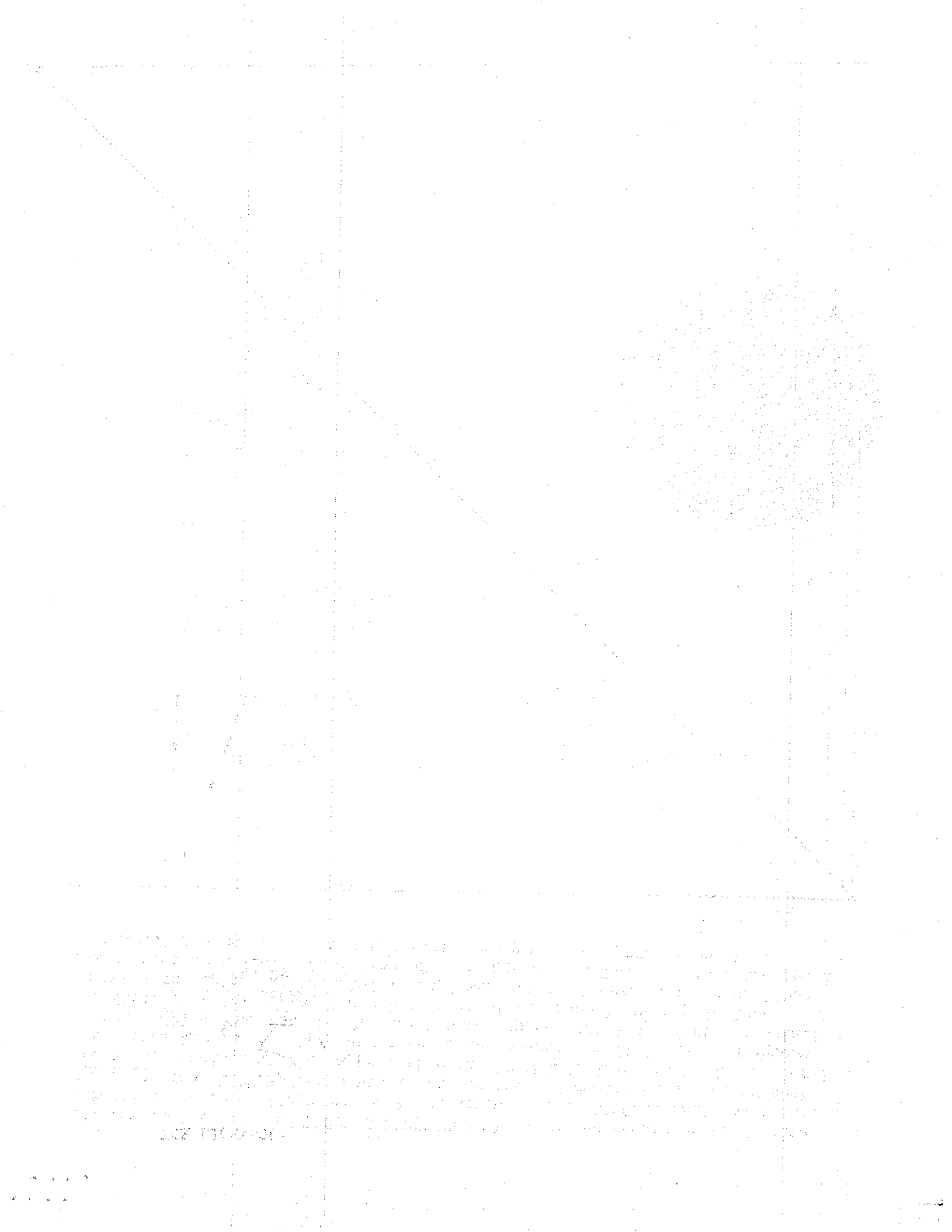
25. This agreement constitutes the entire agreement between the parties and there are no other understandings, representations or warranties of any kind except as expressly set forth herein.

26. Should any provision of the agreement be declared or found illegal, unenforceable or void, both parties shall be relieved of all obligations arising under such provision, but if the remainder of this agreement shall not be affected by such declaration or finding and the agreement is capable of substantial performance, each provision not so affected shall be enforced to the extent permitted by law.

27. This agreement shall be binding upon LICENSEE, its successors and assignees, but nothing contained in this Agreement shall authorize an assignment of any claim against LICENSOR otherwise than as permitted by law.

28. The decisions of LICENSOR'S REPRESENTATIVES on any requirement, dispute, interpretation, modification, or termination of this LICENSE shall be final, Provided, That LICENSEE may, within thirty days of receiving notice of such decision, submit a written appeal through LICENSOR'S REPRESENTATIVE for legal activities to the Assistant Judge Advocate General for Civil Law, Department of the Army, Washington, D. C. 20310 which appeal shall set forth in detail the decision being appealed and the basis of the appeal and may include appropriate supporting materials. Implementation of such decision shall be stayed pending a final resolution of such appeal. LICENSEE'S right to appeal is without prejudice to any other legal or equitable rights it may have.





FOR LICENSOR:

Jay R. Sculley

JAY R. SCULLEY
ASSISTANT SECRETARY OF THE ARMY
(Research, Development and
Acquisition)

25 MAY 1984
DATE

FOR LICENSEE:

Douglas H. Harris

DOUGLAS H. HARRIS
President
APS - MATERIALS, INC.

25 May 1984
DATE

Clifton J. Sargeon
Witness

SUBSCRIBED AND SWORN TO
BEFORE ME ON 25 May 1984

Robert A. Bechmann

ROBERT A. BECHMANN
NOTARY PUBLIC
STATE OF ILLINOIS

