NONEXCLUSIVE AGREEMENT

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

1 BACKGROUND

Stanford has an assignment of an invention entitled "Green Fluorescent Protein (GFP) Mutants," which was invented in the laboratory of Stanley Falkow, and is described in Stanford Docket S95-040. The invention was made in the course of research supported by the National Institutes of Health.

2 DEFINITIONS

2.1 "Licensed Field of Use" means all fields.

2.2 "Licensed Patent" means Stanford's U.S. Patent Number 5,804,387, U.S. Patent Number 5,994,077, U.S. Patent Number 6,090,919, any reexamination application, and each patent that reissues from any of these patents. Any claim of an unexpired Licensed Patent is presumed to be valid unless it has been held to be invalid by a final judgment of a court of competent jurisdiction from which no appeal can be or is taken.

2.3 "Licensed Product" means a product or part of a product in the Licensed Field of Use the making, using, importing or selling of which, absent this license, infringes, induces infringement, or contributes to infringement of a Licensed Patent.

2.4 "Licensed Territory" means the world.

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

(A) import, export, excise and sales taxes, and custom duties;

(B) costs of insurance, packing, and transportation from the place of manufacture to the customer's premises or point of installation;

(C) costs of installation at the place of use; and

(D) credit for returns, allowances, or trades.

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

3 GRANT

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

3.2 **Nonexclusivity.** The license is nonexclusive in the Licensed Field of Use beginning on the Effective Date and ending when the last Licensed Patent expires.

3.3 **Specific Exclusion.** Stanford does not:

(A) grant to Company any other licenses, implied or otherwise, to any patents or other rights of Stanford other than those rights granted under Licensed Patent, regardless of whether the patents or other rights are dominant or subordinate to any Licensed Patent, or are required to exploit any Licensed Patent;

(B) commit to Company to bring suit against third parties for infringement; and

(C) agree to furnish to Company any technology or technological information or to provide Company with any assistance.

4 SUBLICENSING

Company may not grant sublicenses.

5 GOVERNMENT RIGHTS

This Agreement is subject to Title 35 Sections 200-204 of the United States Code. Among other things, these provisions provide the United States Government with nonexclusive rights in the Licensed Patent. Company will ensure all obligations of these provisions are met.

5.1 **Progress Report.** By March 1 of each year, Company will submit a written annual report to Stanford covering the preceding calendar year. The report will include information sufficient to enable Stanford to satisfy reporting requirements of the U.S. Government and for Stanford to ascertain progress by Company toward meeting this Agreement’s diligence requirements. Each report will describe, where relevant: Company’s progress toward commercialization of Licensed Product, including work completed, key scientific discoveries, summary of work-in-progress, current schedule of anticipated events or milestones, market plans for introduction of Licensed Product, and significant corporate transactions involving Licensed Product.

6 ROYALTIES

6.1 **Issue Royalty.** Company will pay to Stanford a noncreditable, nonrefundable license issue royalty of $20,000 upon signing this Agreement.

6.2 **License Maintenance Fee**. Company will pay Stanford a yearly license maintenance fee as follows:

(A) $20,000 on the first, second and third anniversaries of the Effective Date; and

(B) $35,000 on the fourth anniversary and each anniversary thereafter.

Yearly maintenance payments are nonrefundable, but they are creditable each year as described in Section 6.5.

6.3 **Earned Royalty.** Company will pay Stanford earned royalties of 5% on Net Sales of Licensed Products.

6.4 **Earned Royalty if Company Challenges the Patent.** Notwithstanding the above, should Company bring an action seeking to invalidate any Licensed Patent, Company will pay royalties to Stanford at the rate of 10 percent (10%) of the Net Sales of all Licensed Products sold during the pendency of such action. Moreover, should the outcome of such action determine that any claim of a patent challenged by Company is both valid and infringed by a Licensed Product, Company will pay royalties at the rate of 15 percent (15%) of the Net Sales of all Licensed Products sold.

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

For example:

(A) if Company pays Stanford a $10 maintenance payment for year Y, and according to Section 0 $15 in earned royalties are due Stanford for Net Sales in year Y, Company will only need to pay Stanford an additional $5 for that year's earned royalties.

(B) if Company pays Stanford a $10 maintenance payment for year Y, and according to Section 6.3 $3 in earned royalties are due Stanford for Net Sales in year Y, Company will not need to pay Stanford any earned royalty payment for that year. Company will not be able to offset the remaining $7 against a future year's earned royalties.

6.6 **Obligation to Pay Royalties.** A royalty is due Stanford under this Agreement for any activity conducted under the licenses granted. For convenience's sake, the amount of that royalty is calculated using Net Sales. Nonetheless, if certain Licensed Products are made, used, imported, or offered for sale before the date this Agreement terminates, and those Licensed Products are sold after the termination date, Company will pay Stanford an earned royalty for its exercise of rights based on the Net Sales of those Licensed Products.

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

6.8 **Currency.** Company will calculate the royalty on sales in currencies other than U.S. Dollars using the appropriate foreign exchange rate for the currency quoted by the Wall Street Journal on the close of business on the last banking day of each calendar quarter. Company will make royalty payments to Stanford in U.S. Dollars.

6.9 **Non-U.S. Taxes.** Companies will pay all non-U.S. taxes related to royalty payments. These payments are not deductible from any payments due to Stanford.

6.10 **Interest.** Any payments not made when due will bear interest at the lower of (a) the Prime Rate published in the Wall Street Journal plus 200 basis points or (b) the maximum rate permitted by law.

7 ROYALTY REPORTS, PAYMENTS, AND ACCOUNTING

7.1 **Semi-Annual Earned Royalty Payment and Report.** Beginning with the first sale of a Licensed Product, Company will submit to Stanford a written report (even if there are no sales) and an earned royalty payment within 30 days after the end of each 6-month period ending either June 30th or December 31st. This report will be in the form of Appendix A and will state the number, description, and aggregate Net Sales of Licensed Product during the completed 6-month period. With each report, Company will include any earned royalty payment due Stanford for the completed 6-month period (as calculated under Section 6.3)

7.2 **No Refund**. In the event that a validity or non-infringement challenge of a Licensed Patent brought by Company is successful, Company will have no right to recoup any royalties paid before or during the period challenge.

7.3 **Termination Report.** Company will pay to Stanford all applicable royalties and submit to Stanford a written report within 90 days after the license terminates. Company will continue to submit earned royalty payments and reports to Stanford after the license terminates, until all Licensed Products made or imported under the license have been sold.

7.4 **Accounting.** Company will maintain records showing manufacture, importation, sale, and use of a Licensed Product for 7 years from the date of sale of that Licensed Product. Records will include general-ledger records showing cash receipts and expenses, and records that include: production records, customers, invoices, serial numbers, and related information in sufficient detail to enable Stanford to determine the royalties payable under this Agreement.

7.5 **Audit by Stanford.** Company will allow Stanford or its designee to examine Company's records to verify payments made by Company under this Agreement.

7.6 **Paying for Audit.** Stanford will pay for any audit done under Section 7.5. But if the audit reveals an underreporting of earned royalties due Stanford of 5% or more for the period being audited, Company will pay the audit costs.

7.7 **Self-audit.** Company will conduct an independent audit of sales and royalties at least every 2 years if annual sales of Licensed Product are over $5,000,000. The audit will address, at a minimum, the amount of gross sales by or on behalf of

Company during the audit period, the amount of funds owed to Stanford under this Agreement, and whether the amount owed has been paid to Stanford and is reflected in the records of the Company. Company will submit the auditor's report promptly to Stanford upon completion. Company will pay for the entire cost of the audit.

8 EXCLUSIONS AND NEGATION OF WARRANTIES

8.1 **Negation of Warranties.** Stanford provides Company the rights granted in this Agreement AS IS and WITH ALL FAULTS. Stanford makes no representations and extends no warranties of any kind, either express or implied. Among other things, Stanford disclaims any express or implied warranty:

(A) of merchantability, of fitness for a particular purpose;

(B) of non-infringement; or

(C) arising out of any course of dealing.

8.2 **No Representation of Licensed Patent.** Company also acknowledges that Stanford does not represent or warrant:

(A) the validity or scope of any Licensed Patent; or

(B) that the exploitation of Licensed Patent will be successful.

9 INDEMNITY

9.1 **Indemnification.** Company will indemnify, hold harmless, and defend all Stanford Indemnitees against any claim of any kind arising out of or related to the exercise of any rights granted Company under this Agreement or the breach of this Agreement by Company.

9.2 **No Indirect Liability.** Stanford is not liable for any special, consequential, lost profit, expectation, punitive or other indirect damages in connection with any claim arising out of or related to this Agreement, whether grounded in tort (including negligence), strict liability, contract, or otherwise.

9.3 **Workers' Compensation.** Company will comply with all statutory workers' compensation and employers' liability requirements for activities performed under this Agreement.

9.4 **Insurance.** During the term of this Agreement, Company will maintain Comprehensive General Liability Insurance, including Product Liability Insurance, with a reputable and financially secure insurance carrier to cover the activities of Company. The insurance will provide minimum limits of liability of $5,000,000 and will include all Stanford Indemnitees as additional insureds. Insurance must cover claims incurred, discovered, manifested, or made during or after the expiration of this Agreement and must be placed with carriers with ratings of at least A- as rated by A.M. Best. Within 15 days of the Effective Date of this Agreement, Company will furnish a Certificate of Insurance evidencing primary coverage and additional insured requirements. Company will provide to Stanford

30 days prior written notice of cancellation or material change to this insurance coverage. Company will advise Stanford in writing that it maintains excess liability coverage (following form) over primary insurance for at least the minimum limits set forth above. All insurance of Company will be primary coverage; insurance of Stanford and Stanford Hospitals and Clinics will be excess and noncontributory.

10 EXPORT

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

(A) the licensed technology, or any portion thereof, or

(B) any foreign produced direct product (including equipment, processes or services) of the licensed technology; or

(C) any foreign produced direct product of a plant or major component of a plant if the direct product of the licensed technology is the plant itself or a major component of the plant.

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

11 MARKING

Company will mark Licensed Product with the numbers of issued Licensed Patents U.S. 5,804,387, U.S. 5,994,077, and U.S. 6,090,919.

12 STANFORD NAMES AND MARKS

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

13 PROTECTION OF PATENTS

Suspected Infringement. Company will promptly inform Stanford of any suspected infringement of a Licensed Patent by a third party.

14 TERMINATION

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

14.2 **Termination by Stanford**.

(A) Stanford may also terminate this Agreement if Company:

(1) is delinquent on any report or payment;

(2) is not diligently developing and commercializing Licensed Product;

(3) is in breach of any provision; or

(4) provides any false report.

(B) Termination under this Section 14.2 will take effect 30 days after written notice by Stanford unless Company remedies the problem in that 30-day period.

14.3 **Surviving Provisions.** Surviving any termination or expiration are:

(A) Company's obligation to pay royalties accrued or accruable;

(B) any claim of Company or Stanford, accrued or to accrue, because of any breach or default by the other party; and

(C) the provisions of Articles 7, 8, and 9 and any other provision that by its nature is intended to survive.

15 ASSIGNMENT

15.1 **Permitted Assignment by Company.** Subject to Section 15.3, Company may assign this Agreement as part of a sale, regardless of whether such a sale occurs through an asset sale, stock sale, merger or other combination, or any other transfer of:

(A) Company's entire business; or

(B) that part of Company’s business that exercises all rights granted under this Agreement.

15.2 **Any Other Assignment by Company.** Any other attempt to assign this Agreement by Company is null and void.

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

(A) Company must give Stanford 30 days prior written notice of the assignment, including the new assignee’s contact information; and

(B) the new assignee must agree in writing to Stanford to be bound by this Agreement; and

(C) Stanford must have received a $20,000 assignment fee.

15.4 **After the Assignment.** Upon a permitted assignment of this Agreement pursuant to Article 15, Company will be released of liability under this Agreement and the term "Company" in this Agreement will mean the assignee.

16 DISPUTE RESOLUTION

16.1 **Dispute Resolution by Arbitration.** Any dispute between the parties regarding any payments made or due under this Agreement will be settled by arbitration in accordance with the JAMS Arbitration Rules and Procedures. The parties are not obligated to settle any other dispute that may arise under this Agreement by arbitration.

16.2 **Request for Arbitration.** Either party may request such arbitration. Stanford and Company will mutually agree in writing on a third party arbitrator within 30 days of the arbitration request. The arbitrator's decision will be final and nonappealable and may be entered in any court having jurisdiction.

16.3 **Discovery.** The parties will be entitled to discovery as if the arbitration were a civil suit in the California Superior Court. The arbitrator may limit the scope, time, and issues involved in discovery.

16.4 **Place of Arbitration.** The arbitration will be held in Stanford, California unless the parties mutually agree in writing to another place.

16.5 **Patent Validity.** Any dispute regarding the validity of any Licensed Patent shall be litigated in the courts located in Santa Clara County, California, and the parties agree not to challenge personal jurisdiction in that forum.

17 NOTICES

17.1 **Legal Action.** Company will provide written notice to Stanford at least three months prior to bringing an action seeking to invalidate any Licensed Patent or a declaration of non-infringement. Company will include with such written notice an identification of all prior art it believes invalidates any claim of the Licensed Patent.

17.2 **Other Notices.** All notices under this Agreement are deemed fully given when written, addressed, and sent as follows:

All general notices to Company are mailed to:

Name: ____

Address: ____

____

Email: ____

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

Name: ____

Email: ____

All progress report invoices to Company (i.e., technical contact) are e-mailed to:

Name: ______________________________________

Email: ______________________________________

All general notices to Stanford are e-mailed or mailed to:

Office of Technology Licensing
1705 El Camino Real
Palo Alto, CA 94306-1106
info@otlmail.stanford.edu

All payments to Stanford are mailed or sent via bank wire transfer to:

If mailed:

Stanford University
Office of Technology Licensing
Department #44439
P.O. Box 44000
San Francisco, CA 94144-4439

If bank wire transfer:

Stanford University – OTL
c/o Wells Fargo Bank
420 Montgomery Street
San Francisco, CA 94104

Account Number.: 4945-159507
Routing Number: 121000248
Swift Number: WFBIUS6S

All progress reports to Stanford are e-mailed or mailed to:

Office of Technology Licensing
1705 El Camino Real
Palo Alto, CA 94306-1106
info@otlmail.stanford.edu

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

18 MISCELLANEOUS

18.1 **Waiver.** No term of this Agreement can be waived except by the written consent of the party waiving compliance.

18.2 **Choice of Law.** This Agreement and any dispute arising under it is governed by the laws of the State of California, United States of America, applicable to agreements negotiated, executed, and performed within California.

18.3 **Exclusive Forum.** The state and federal courts having jurisdiction over Stanford, California, United States of America, provide the exclusive forum for any court action between the parties relating to this Agreement. Company submits to the jurisdiction of such courts, and waives any claim that such a court lacks jurisdiction over Company or constitutes an inconvenient or improper forum.

18.4 **Headings.** No headings in this Agreement affect its interpretation.

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

The parties execute this Agreement in duplicate originals by their duly authorized officers or representatives.

THE BOARD OF TRUSTEES OF THE LELAND STANFORD JUNIOR UNIVERSITY

Signature ______________________________

Name ______________________________

Title ______________________________

Date ______________________________

COMPANY

Signature ______________________________

Name ______________________________

Title ______________________________

Date ______________________________

APPENDIX A

SAMPLE REPORTING FORM

Stanford Docket No. S95-040

This report is provided pursuant to the license agreement between Stanford University and (Company Name)
License Agreement Effective Date:

Report Covering Period	
Yearly Maintenance Fee	$
Net Sales	$
Royalty Calculation	
Royalty Subtotal	$
Credit	$
Royalty Due	$

Comments: