

SMALL BUSINESS TECHNOLOGY TRANSFER (STTR) PROGRAM

ALLOCATION OF RIGHTS IN INTELLECTUAL PROPERTY AND  
RIGHTS TO CARRY OUT FOLLOW-ON RESEARCH, DEVELOPMENT,  
OR COMMERCIALIZATION

This Agreement between \_\_\_\_\_, a small business concern organized as a corporation under the laws of \_\_\_\_\_ and having a principal place of business at \_\_\_\_\_, ("SBC") and Auburn University, a research institution having a principal place of business at Office of Technology Transfer, 570 Devall Drive, Auburn, Alabama, 36832, ("RI") is entered into for the purpose of allocating between the parties certain rights relating to an STTR project to be carried out by SBC and RI (hereinafter referred to as the "PARTIES") under an STTR funding agreement that may be awarded by \_\_\_\_\_ ("AGENCY") to SBC to fund a proposal entitled " \_\_\_\_\_ " (hereinafter referred to as the "Project") submitted, or to be submitted, to AGENCY by SBC on or about \_\_\_\_\_, 20\_\_.

**1. Applicability of this Agreement.**

- (a) This Agreement shall be applicable only to intellectual property matters relating to the STTR project referred to in the preamble above.
- (b) If a funding agreement for an STTR project is awarded to SBC based upon the STTR proposal referred to in the preamble above, SBC will promptly provide a copy of such funding agreement to RI, and SBC will make a subaward to RI in accordance with the funding agreement, the proposal, and this Agreement. If the terms of such funding agreement appear to be inconsistent with the provisions of this Agreement, the PARTIES will attempt in good faith to resolve any such inconsistencies. However, if such resolution is not achieved within a reasonable period, SBC shall not be obligated to award nor RI to accept the subaward. If a subaward is made by SBC and accepted by RI, this Agreement shall not be applicable to contradict the terms of such subaward or of the funding agreement awarded by AGENCY to SBC except on the grounds of fraud, misrepresentation, or mistake, but shall be considered to resolve ambiguities in the terms of the subaward.
- (c) The provisions of this Agreement shall apply to any and all consultants, subcontractors, independent contractors, or other individuals employed by SBC or RI for the purposes of this STTR project.

## **2. Background Intellectual Property.**

It is possible that one or both Parties may possess rights in intellectual property not otherwise subject to this Agreement (“Background Intellectual Property”) that would be useful or essential to the practice or commercialization of the results of this Agreement. For example, the RI might own a patent that would be infringed by the SBC when it attempted to commercialize the results of this Agreement unless a license was obtained from the RI. Where the Parties determine that background technology exists, consideration shall be given to negotiating license rights that would allow the practice and commercialization of the results of this Agreement.

## **3. Project Intellectual Property.**

(a) "Project Intellectual Property" means the legal rights relating to inventions (including Subject Inventions as defined in 37 CFR § 401), patent applications, patents, copyrights, trademarks, mask works, trade secrets and any other legally protectable information, including computer software, conceived or reduced to practice during the performance of the Project.

(b) Except as otherwise provided herein, ownership of Project Intellectual Property shall vest in the party whose personnel conceived the subject matter or first actually reduced the subject matter to practice, and such party may perfect legal protection therein in its own name and at its own expense. Jointly made or generated Project Intellectual Property shall be jointly owned by the PARTIES. The SBC shall have the first option to perfect the rights in jointly made or generated Project Intellectual Property.

(c) The PARTIES agree to disclose to each other, in writing, each and every Subject Invention, which may be patentable or otherwise protectable under the United States patent laws in Title 35, United States Code. The PARTIES acknowledge that they will disclose Subject Inventions to each other and the awarding agency within two months after the respective inventor(s) first disclose the invention in writing to the person(s) responsible for patent matters of the disclosing Party. All written disclosures of such inventions shall contain sufficient detail of the invention, identification of any statutory bars, and shall be marked and treated as confidential.

(d) Each party hereto may use Project Intellectual Property of the other nonexclusively and without compensation in connection with research or development activities for the Project, including properly marked confidential information inclusions in STTR project reports to the AGENCY and with prior written permission from the proprietor properly marked confidential proposals to the AGENCY for continued funding of this STTR project through additional phases.

(e) In addition to the Government’s rights under the Patent Rights clause of 37 CFR § 401.14, the PARTIES agree that the Government shall have an irrevocable, royalty free, nonexclusive license for any governmental purpose in any Project Intellectual Property.

(f) SBC will have an option to commercialize the Project Intellectual Property of RI, subject to any rights of the Government therein, as follows--

- (1) Where Project Intellectual Property of RI is a potentially patentable invention, SBC will have an exclusive option for a license to such invention, for an initial option period of four months after such invention has been reported to SBC. SBC may, at its election and subject to the patent expense reimbursement provisions of this section, extend such option for an additional twelve months by giving written notice of such election to RI prior to the expiration of the initial option period. During the period of such option following notice by SBC of election to extend, RI will unless agreed to otherwise pursue and maintain any patent protection for the invention requested in writing by SBC and, except with the written consent of SBC will not voluntarily discontinue the pursuit and maintenance of any United States patent protection for the invention initiated by RI or of any patent protection requested by SBC. For any invention for which SBC gives notice of its election to extend the option, SBC will, within ninety days after invoice, reimburse RI for the expenses incurred by RI prior to expiration or termination of the option period in pursuing and maintaining (i) any United States patent protection initiated by RI and (ii) any patent protection requested by SBC. SBC may terminate such option at will by giving written notice to RI, in which case further accrual of reimbursable patenting expenses hereunder, other than prior commitments not practically revocable, will cease upon RI's receipt of such notice. At any time prior to the expiration or termination of an option, SBC may exercise such option by giving written notice to RI, whereupon the parties will promptly and in good faith enter into negotiations for a license under RI's patent rights in the invention for SBC to make use and/or sell products and/or services that embody, or the development, manufacture and/or use of which involves employment of, the invention. The terms of such license will include: (i) payment of an up-front licensing fee payable upon execution of the license agreement; (ii) payment of reasonable royalties to RI, for the manufacture, sale or use of the RI invention as defined by the patent claims which involves employment of the invention; (iii) reimbursement by SBC of reasonable expenses incurred by RI in seeking and maintaining patent prosecution for the invention in countries covered by the license; (iv) reasonable commercialization milestones and/or minimum royalties; (v) SBC's (and its sublicensees, if any) exertion of its best efforts to introduce products utilizing the licensed technology into public use as rapidly as practicable; (vi) a provision for termination in the event SBC has not introduced licensed products into public use, or is not actively seeking to do so, within a time period acceptable to RI; (vii) a provision for indemnity and insurance terms acceptable to RI's insurance carrier; (viii) RI's retention of a non-exclusive license, with the right to grant sublicenses, for research purposes only.

- (2) Where Project Intellectual Property of RI is other than a potentially patentable invention, SBC will have an exclusive option for a license to such invention, for an option period extending until four months following completion of RI's performance of that phase of this STTR project in which such Project Intellectual Property of RI was developed by RI. SBC may exercise such option by giving written notice to RI, whereupon the parties will promptly and in good faith enter into negotiations for an appropriate license under RI's interest in the subject matter for SBC to make, use and or sell products or services which embody, or the development, manufacture and/or use of which involves employment of, such Project Intellectual Property of RI. The terms of such license will include: (i) payment of an up-front licensing fee payable upon execution of the license agreement; (ii) payment of reasonable royalties to RI on the sale of products or services to make, use and or sell products or services which embody, or the development, manufacture and/or use of which involves employment of, such Project Intellectual Property of RI; (iii) reasonable commercialization milestones and/or minimum royalties; (iv) SBC's (and its sublicensees, if any) exertion of its best efforts to introduce products utilizing the licensed technology into public use as rapidly as practicable; (v) a provision for termination in the event SBC has not introduced licensed products into public use, or is not actively seeking to do so, within a time period acceptable to RI; (vi) a provision for indemnity and insurance terms acceptable to RI's insurance carrier; (vii) RI's retention of a non-exclusive license, with the right to grant sublicenses, for research purposes only.
- (3) Where more than one royalty might otherwise be due in respect of any unit of product or service under a license pursuant to this Agreement, the parties shall in good faith negotiate to ameliorate any effect thereof that would threaten the commercial viability of the affected products or services by providing in such license(s) for a reasonable discount or cap on total royalties due in respect of any such unit.

#### **4. Follow-on Research or Development.**

All follow-on work, including any licenses, contracts, subcontracts, sublicenses or arrangements of any type, shall contain appropriate provisions to implement the Project Intellectual Property rights provisions of this agreement and insure that the PARTIES and the Government obtain and retain such rights granted herein in all future resulting research, development, or commercialization work.

## **5. Confidentiality/Publication.**

(a) Background Intellectual Property and Project Intellectual Property of a party, as well as other proprietary or confidential information of a party, disclosed by that party to the other in connection with this STTR project shall be received and held in confidence for five years by the receiving party from the date of last signature below and, except with the consent of the disclosing party or as permitted under this Agreement, neither used by the receiving party nor disclosed by the receiving party to others, provided that the receiving party has notice that such information is regarded by the disclosing party as proprietary or confidential. However, these confidentiality obligations shall not apply to use or disclosure by the receiving party after such information is or becomes known to the public without breach of this provision or is or becomes known to the receiving party from a source reasonably believed to be independent of the disclosing party or is developed by or for the receiving party independently of its disclosure by the disclosing party.

(b) Subject to the terms of paragraph (a) above, either party may publish its results from this STTR project. However, the publishing party shall provide the other party a thirty-day (30) period in which to review proposed publications, to identify proprietary or confidential and patentable information, and to submit comments. The publishing party shall not publish or otherwise disclose proprietary or confidential information identified by the other party and the publishing party will give full consideration to all comments before publication. Furthermore, upon request of the reviewing party, publication will be deferred for up to sixty (60) additional days for preparation and filing of a patent application or other form of intellectual property protection, as appropriate, which the reviewing party has the right to file or to have filed at its request by the publishing party.

## **6. Liability.**

(a) Each party disclaims all warranties running to the other or through the other to third parties, whether express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and freedom from infringement, as to any technology, data, information, result, design, prototype, product or process deriving directly or indirectly and in whole or part from such party in connection with this STTR project.

## **7. Termination.**

(a) This Agreement may be terminated by either upon thirty (30) days written notice to the other party. This Agreement may also be terminated by either party in the event of the failure of the other party to comply with the terms of this Agreement.

(b) In the event of termination by either party, each party shall be responsible for its share of the costs incurred through the effective date of termination, as well as its share of the costs incurred after the effective date of termination, and which are related to the termination. The confidentiality, use, and/or non-disclosure obligations of this Agreement shall survive any termination of this Agreement.

**AGREED TO AND ACCEPTED--**

**Small Business Concern:**

By: \_\_\_\_\_ Date: \_\_\_\_\_

Print name: \_\_\_\_\_

Title: \_\_\_\_\_

**Research Institution:** Auburn University

By: \_\_\_\_\_ Date: \_\_\_\_\_

Print name: John M. Mason

Title: Vice President for Research and Economic Development