



**OPTION AGREEMENT**  
**between**  
**and**  
**AUBURN UNIVERSITY**

THIS AGREEMENT is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, (the "Effective Date") by and between Auburn University, a university duly established and organized under the laws of the State of Alabama, and with offices located at Office of Innovation Advancement and Commercialization, 570 Devall Drive, Suite 102, Auburn, Alabama, 36832 (hereinafter referred to as "AUBURN"), and \_\_\_\_\_, a corporation duly organized under the laws of the State of \_\_\_\_\_ and having its principal office at \_\_\_\_\_ (hereinafter referred to as "COMPANY"):

**WHEREAS**, AUBURN, as a public institution engaged in educational, research, and extension activities of national and international significance, is committed to a policy that intellectual property produced by AUBURN should be used for the greatest possible public benefit; and

**WHEREAS**, AUBURN owns or controls the entire right and title to AUBURN Patents (as defined below); and

**WHEREAS**, COMPANY desires an exclusive option for a limited period of time to conduct further technical and commercial evaluation of AUBURN Patents and AUBURN is willing to grant such an option;

**NOW, THEREFORE**, in consideration of the premises and undertakings hereinafter set forth, the parties hereby agree as follows:

**ARTICLE 1 - DEFINITIONS**

AUBURN Patents shall mean United States Patent No. \_\_\_\_\_ dated \_\_\_\_\_, 20\_\_, all patents which may issue thereon, all foreign counterparts thereof, and continuations and divisions thereof, and patents of addition, reissues, re-examinations, renewals, or extensions based on any patent issuing therefrom.

Confidential Information shall mean proprietary information, trade secrets, know-how, and other technical information which is considered by the disclosing party to constitute its confidential or proprietary business secrets.

Field of Use shall mean \_\_\_\_\_.

Territory shall mean \_\_\_\_\_.

**ARTICLE 2 - OPTION**

2.1 AUBURN hereby grants to COMPANY an exclusive option to negotiate for an exclusive, royalty-bearing license under all AUBURN Patents in the Field of Use in the Territory.

- 2.2 This exclusive option shall extend for a period of \_\_\_\_\_ months from the Effective Date of this Agreement (“Option Period”). Until the end of this Option Period, AUBURN shall not offer these rights to any third party. Such option may be extended upon mutual written agreement of the parties.
- 2.3 If COMPANY elects on or before the end of the Option Period to exercise its option in Article 2.1 and so notifies AUBURN in writing, both parties shall negotiate in good faith to reach agreement and to execute a binding license agreement which is acceptable to both parties. Such license agreement shall include at least the following provisions: license fees, royalty payments, the right to grant sublicenses, a commitment by COMPANY and any sublicensee to exert commercially reasonable efforts to introduce the licensed material into public use as rapidly as practicable, the right of AUBURN to terminate the license should COMPANY not meet specified due-diligence milestones, a commitment by COMPANY to pay all past and future domestic and foreign patent costs, and indemnity and insurance provisions. Before receiving such a license, COMPANY shall outline for AUBURN its and/or its sublicensees' capability and/or plans to introduce such licensed material into public use. Should COMPANY not elect to exercise its option, if AUBURN and COMPANY cannot agree upon a term sheet for a license agreement within forty-five (45) days after the end of the Option Period, or if AUBURN and COMPANY do not execute a binding license agreement within ninety (90) days after the end of the Option Period, AUBURN shall be free to license the AUBURN Patents to a third party without further obligation to COMPANY. These negotiation periods may be extended upon mutual written agreement of the parties.
- 2.4 In consideration for the Option Period granted herein, COMPANY will pay to AUBURN a non-refundable option fee in the sum of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) due upon full execution of this Agreement. If said option fee is not received within thirty (30) days from the date of full execution, this Agreement shall terminate immediately and be deemed null and void. AUBURN will then have no further obligations to COMPANY and will be free to offer the AUBURN Patents to other parties.

### **ARTICLE 3 - SECRECY**

- 3.1 The receiving party shall maintain for a period of three (3) years from the date of disclosure the confidentiality of the Confidential Information disclosed to it under this Agreement, provided such information is marked or designated as being confidential at the time of disclosure. The foregoing notwithstanding, Confidential Information provided to the receiving party by or on behalf of the disclosing party that, by its nature and content, would be readily recognized by a reasonable person to be confidential or proprietary to the disclosing party shall also be deemed Confidential Information of the disclosing party irrespective of any marking or designation. This term for confidentiality shall survive any termination of this Agreement. The COMPANY warrants that it will not disclose any trade secrets to AUBURN. The receiving party shall use the same level of care to prevent the use or disclosure of the Confidential Information as it exercises in protecting its own information of similar nature, provided that the level of care shall not be less than reasonable.
- 3.2 The receiving party will have no such confidential obligation with respect to any information which:
- a. information which is now or hereafter becomes a part of the public domain other than as a result of a disclosure by receiving party in breach of this Article 3; or
  - b. information known to the receiving party before disclosure to it by the disclosing party hereunder as evidenced by its records; or
  - c. information given to the receiving party by a third party having a right to disclose the same without violating any obligation of confidentiality; or
  - d. information which is hereinafter independently developed by the receiving party without reference to or benefit from the Confidential Information received from the disclosing party; or
  - e. information which the receiving party is compelled to publicly disclose by judicial or administrative process, or by other mandatory requirements of law.

- 3.3 Within ten (10) days following termination or expiration of this Agreement, COMPANY and AUBURN will return all then existing samples and Confidential Information provided to each other under this Agreement. Each party, however, may retain one archival copy of Confidential Information for the purpose of determining their obligations hereunder. Confidential Information disclosed by one party to the other shall remain the property of the disclosing party

-- OR --

The disclosure of Confidential Information under this Agreement shall fall under the terms of the Secrecy/Nondisclosure Agreement executed by the parties having an effective date of \_\_\_\_\_, 20\_\_ (“NDA”). The term of the NDA is hereby extended by mutual agreement to expire with the expiration or termination of this Agreement, and the scope of the NDA is amended to include the subject matter of this Agreement. All other provisions of the NDA shall remain in full force and effect.

#### **ARTICLE 4 - GENERAL**

- 4.1 COMPANY may terminate the option in this Agreement at anytime during the Option Period by providing written notice to AUBURN. Upon termination for any reason, COMPANY is responsible for all payments due and non-cancellable commitments incurred by AUBURN under this Agreement through the effective date of termination, such payments to be due no later than thirty (30) days from the effective date of termination. In the event COMPANY fails to comply with such payment requirements, AUBURN will be entitled to receive its reasonable attorneys' fees and costs from the COMPANY should AUBURN prevail in legal action regarding such delinquent payments.
- 4.2 This Agreement shall be construed, governed, interpreted and applied in accordance with and under the jurisdiction of the laws of the State of Alabama, U.S.A., notwithstanding the residence or principal place of business of any party, the place where this Agreement may be executed by any party or the provisions of any jurisdiction's conflict-of-laws principles.
- 4.3 No use of the name of AUBURN in any form of promotion or in connection with the sale of products, processes, devices, or designs is permitted without prior written approval from AUBURN.
- 4.4 Any notice required or permitted by this Agreement to be given by either party to the other shall be in writing, may be first transmitted to the other party by telefax or email, and shall be considered served when delivered personally, by commercial courier verified by the return receipt, or deposited in the United States mail in a sealed envelope with sufficient postage affixed and addressed as follows:

To AUBURN:        Director  
                         Office of Innovation Advancement and Commercialization  
                         Auburn University  
                         570 Devall Drive, Suite 102  
                         Auburn, AL 36832

To COMPANY:

- 4.5 Nothing in signing of the Option Agreement shall be construed to constitute the immediate grant of any license to COMPANY by AUBURN under any present or future patent rights, copyrights, trademarks, or Confidential Information of AUBURN; however, COMPANY has the right to use the AUBURN Patents and Confidential Information solely for its further internal technical and commercial evaluation during the Option Period.

- 4.6 AUBURN MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE CONDITION, ORIGINALITY, OR ACCURACY OF THE RESEARCH OR ANY INVENTION(S) OR PRODUCT(S), WHETHER TANGIBLE OR INTANGIBLE, CONCEIVED, DISCOVERED, OR DEVELOPED UNDER THIS AGREEMENT; OR THE MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF THE RESEARCH OR ANY SUCH INVENTION OR PRODUCT. A PARTY SHALL NOT BE LIABLE FOR ANY DIRECT, CONSEQUENTIAL, OR OTHER DAMAGES SUFFERED BY THE OTHER PARTY RESULTING FROM THE USE OF THE FIRST PARTY'S RESEARCH, INVENTIONS OR PRODUCTS.
- 4.7 COMPANY shall indemnify and hold AUBURN, its directors, officers, employees, contractors, subcontractors, and agents harmless against any and all claims for loss, damage, or injuries in connection with or arising out of use by COMPANY, its directors, employees, contractors, subcontractors, or agents or by third parties of AUBURN Patents or Confidential Information. Such indemnity shall include all costs and expenses, including attorney's fees and any costs of settlement.
- 4.8 Articles 1, 3 and 4 shall survive the termination of this Agreement.
- 4.9 This instrument contains the entire agreement between the parties hereto. No verbal agreement, conversation, or representation between any officers, agents, or employees of the parties hereto either before or after the execution of this Agreement, shall affect or modify any of the terms or obligations herein contained.

IN WITNESS WHEREOF, the parties have duly executed this Agreement the day and year set forth below.

COMPANY

AUBURN UNIVERSITY

By \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Date: \_\_\_\_\_

By \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Date: \_\_\_\_\_