



OPTION AGREEMENT

dated _____, 20__

between

[COMPANY NAME]

and

KU Center for Technology Commercialization, Inc.

FOR DISCUSSION PURPOSES ONLY – the KU Center for Technology Commercialization (KUCTC) has provided this example agreement template as a courtesy to our industry partners; no single template can account for the wide variety of option agreements in which the university may engage; it is **explicitly not an offer**. The terms, conditions, and considerations for any option agreement will be will vary and be influenced by the specific details of the technology, the relationship, the intent of the parties, and our negotiations, therefore certain terms may or may not be applicable.

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Option Agreement

This Option Agreement (“Agreement”) is entered into this _____ day of _____, 20__ by and between the KU CENTER FOR TECHNOLOGY COMMERCIALIZATION, INC, a Kansas non-profit § 501(c)(3) corporation, having its principal place of business at 2029 Becker Drive, #142, Lawrence, KS 66047, hereinafter referred to as “KUCTC” or “Optionor,” and [COMPANY NAME], having its principal place of business at _____, hereinafter referred to as “Optionee.”

WITNESSETH

WHEREAS, certain inventions, generally characterized as [Invention Title] and assigned KUCTC Technology ID # _____, titled “[insert title]”, hereinafter collectively referred to as “the Invention”, have been made in the course of research at the University of Kansas conducted by [Inventors] and are Covered By Patent Rights (as defined below); and

WHEREAS, the University of Kansas and the University of Kansas Medical Center (collectively referred to as “KU”) and KUCTC have an affiliation agreement wherein KUCTC is solely responsible for the administration, management, licensing, and enforcement of intellectual property as well as other activities relating to the development, commercialization, or transfer of technologies owned by KU; and

WHEREAS, Optionor desires to grant certain rights to pursue further development and commercialization of the Invention so that it may have a more broad impact and the Patent Rights (as defined below) be more fully utilized Patent in accordance with the terms and conditions of the Agreement; and

WHEREAS, Optionee wishes to obtain from Optionor an option to negotiate and acquire an exclusive license to the Patent Rights for the commercial development, production, manufacture, use and sale of Licensed Products and/or Licensed Methods, and Optionor is willing to grant such an option upon the terms and conditions hereinafter set forth; and

WHEREAS, the Patent Rights were developed in the course of research sponsored in part by the U.S. Government, and as a consequence are subject to overriding obligations of Optionor to the U.S. Government; and

NOW THEREFORE, for and in consideration of the covenants, conditions and undertakings hereinafter set forth, the parties hereby agree as follows:

ARTICLE I. DEFINITIONS

- I.1 “**Covered By**...” means a claim or claims within any pending or issued patent included in the Patent Rights claiming all, a portion, or a component or step of a Licensed Product or Licensed Method.
- I.2 “**Effective Date**” means _____.
- I.3 “**Licensed Product**” means any product, apparatus, kit or component part thereof, or any other subject matter, the manufacture, design, creation, use, importation, distribution, or sale of which is Covered By any claim or claims included within the Patent Rights. For the avoidance of doubt, a product is a Licensed Product if it incorporates Patent Rights even if it adds additional features.

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- 1.4 **“Licensed Method”** means any method, procedure, process or other subject matter, the practice, manufacture, use, or sale of which is Covered By any claim or claims included within the Patent Rights. For the avoidance of doubt, a method is a Licensed Method if it incorporates Patent Rights even if it adds additional features.
- 1.5 **“Patent Rights”** means and include all of the following Optionor intellectual property: The United States patents and/or patent applications listed in Exhibit “A”; United States patents issued from the applications listed in Exhibit “A” and from divisionals and continuations (other than continuations-in-part) of these applications and any reissues of such United States patents; claims of continuation-in-part applications and patents directed to subject matter specifically described in the patent(s) and/or patent application(s) listed in Exhibit “A”; and claims of all foreign applications and patents which are directed to subject matter specifically described in the United States patents and/or patent applications listed in Exhibit “A”.
- 1.6 **“Option Field”** shall be limited to _____.
- 1.7 **“Option Period”** shall mean the period commencing on the effective date of this Agreement and ending _____ thereafter.
- 1.8 **“Option Territory”** shall be limited to _____.

ARTICLE 2. OPTION GRANT

2.1 Option to a License

Subject to the terms and conditions set forth herein, Optionor hereby grants to Optionee an option during the Option Period to negotiate a(n) [exclusive/non-exclusive] license under the Patent Rights in the Option Field and Option Territory. This grant is subject to the payment by Optionee to Optionor of all consideration required under this Agreement, and subject to any rights of the Government of the United States as set forth in Section 2.2. This grant is further subject to rights retained by Optionor and KU to:

- a. publish the general scientific findings from research conducted in whole or in part at the University related to the Patent Rights;
- b. manufacture, have manufactured, use, practice, or transfer the Patent Rights for research, teaching and other educationally-related purposes; and
- c. to permit all other non-profit and/or academic research institutions the right to use the Patent Rights, to make, have made, and use any Licensed Product, and to practice any Licensed Method for such organizations' internal non-commercial research purposes (including its own clinical practice).

2.2 Patents

During the Option Period, Optionor shall remain responsible for the filing, prosecution, maintaining and obtaining the Patent Rights.

2.2 United States Government Interests.

The option granted in Section 2.1 hereof is expressly made subject to a non-exclusive, irrevocable, royalty-free license heretofore granted to the U.S. Government and in the general form as attached hereto as Exhibit “B” and incorporated herein by reference.

2.3 Option Term and Exercise of Option.

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The option granted hereunder shall terminate at the end of the Option Period, or, if Optionee exercises its option, _____ () days from the date that Optionor receives notice pursuant to this Section 2.3, which the parties may extend upon mutual written agreement. In order to exercise its option, Optionee must, prior to the end of the Option Period, notify Optionor in writing that it is exercising its option rights.

2.4 Negotiation.

If Optionee elects to exercise this Option, Optionor and Optionee will promptly commence negotiation of a license agreement. Optionee and Optionor will execute a license agreement no later _____ () days after the date of the exercise of the Option under Section 2.1. The license agreement shall include, but not be limited to, terms which require Optionee to reimburse Optionor for all unreimbursed expenses incurred in obtaining the Patent Rights, require Optionor to defend, hold harmless, and indemnify KU, KUCTC, including its employees and students, against all claims or damages arising from the commercial exploitation and use of the Patent Rights as well as other terms and conditions typically found in license agreements entered into between universities and [industry type] companies involving similar technology. All such remaining terms and conditions shall be negotiated in good faith by Optionor and Optionee.

2.5 Specific Exclusion.

Optionor does not:

- a) grant to Optionee any other licenses, implied or otherwise, to any patents or other rights of Optionor other than those rights granted under Patent Rights, regardless of whether the patents or other rights are dominant or subordinate to any licensed Patent Rights, or are required to exploit any Licensed Product or Licensed Method;
- b) agree to furnish to Optionee any invention or technological information other than the Invention or to provide Optionee with any assistance unless otherwise agreed to by the parties.

ARTICLE 3. CONSIDERATION AND PAYMENT OF PATENT EXPENSES

3.1 Option Fee. In consideration of the grant by Optionor of the Option and for Optionor's forbearance from licensing the Patent Rights in the Option Field and Option Territory to other companies during the term of the Option, Optionee shall pay to Optionor a [number] US dollars (\$ _____) option fee within thirty (30) days of Optionee's execution of this Agreement.

3.2 Patent Expenses.

a) Past (sunk) Patent Costs. Optionee shall reimburse Optionor on the Effective Date in the amount of [number] US dollars (\$ _____) for its actual expenses incurred as of the Effective Date in connection with filing, prosecuting, maintaining, and obtaining the Patent Rights.

b) Ongoing Patent Costs. Within thirty (30) days after Optionor invoices Optionee, Optionee shall reimburse Optionor for all patent-related fees, costs, and expenses (including attorneys' fees) incurred by Optionor during the Option Period in connection with filing, prosecuting, maintaining and obtaining the Patent Rights.

c) Additional Filings. During the Option Period, Optionee may elect to have Optionor file foreign patent applications corresponding to the Patent Rights in such foreign countries as Optionee may select by written notice on or before [Date], and such foreign filings shall be added to Appendix A and shall be included in the definition of Patent Rights. Optionee shall reimburse Optionor for all patent-related fees, costs, and expenses (including attorneys' fees) incurred by Optionor during the term of this Agreement in connection with obtaining or maintaining such foreign Patent Rights.

ARTICLE 4. CONFIDENTIALITY

- 4.1 Optionee and Optionor acknowledge that either party may provide certain information to the other with regard to the Invention that is considered to be confidential. Optionee and Optionor shall take all reasonable precautions to protect such confidential information. Such precautions shall involve at least the same degree of care and precaution that the recipient customarily uses to protect its own confidential information, but in no circumstance less than reasonable care.
- 4.2 Optionee acknowledges that Optionor is subject to the Kansas Open Records Act, K.S.A. 45-215 et seq.. Optionor shall keep confidential any information provided to Optionor by Optionee that Optionee considers confidential, to the extent allowable under the Kansas Open Records Act.

ARTICLE 5. PAYMENTS

5.1 Payments

Optionee shall pay all fees accruing to Optionor in U.S. Dollars, without deduction of exchange, collection, wiring fees, bank fees, or any other charges, within thirty (30) days following the calendar quarter in which Net Sales occur. Each payment will reference KUCTC Technology ID # _____. All payments to Optionor will be made in United States Dollars by wire transfer or check payable to the KU Center for Technology Commercialization, Inc. and sent to:

KUMC Research Institute, Inc.
3901 Rainbow Blvd, Mail Stop 1039
Kansas City, KS, 66160
(913) 588-1261
Tax Identification Number: 26-2838693

Wire Transfer Information:

Commerce Bank of Kansas City
1000 Walnut P.O. Box 13686
Kansas City, MO 64199-3686
Routing #: 101000019
Account#:700046965
Account Type: Checking
Swift # CBKC US 44

5.2 Late Payments

In the event the option fee is not timely received by Optionor when due hereunder, Optionee shall pay to Optionor interest charges at the rate of twelve percent (12%) per annum on the fees due for the option period.

ARTICLE 6. TERMINATION BY OPTIONEE

- 6.1 Optionee may terminate this Agreement, in whole or as to any specified patent, at any time during the term of this Option without cause, by giving written notice thereof to Optionor. Optionee also agrees to provide Optionor, in reasonable detail, the basis for this determination.

- 6.2 Any termination pursuant to Section 6.1 hereof shall not relieve Optionee of any obligation or liability accrued hereunder prior to such termination, or rescind or give rise to any right to rescind any payments made or other consideration given to Optionor hereunder prior to the time such termination becomes effective. Such termination shall not affect in any manner any rights of Optionor arising under this Agreement prior to the date of such termination.
- 6.3 Upon expiration or termination of this Option, or upon Optionee's decision not to enter into a license agreement, whichever is earlier, Optionee will have no residual or other rights in the Patent Rights, Licensed Product, or Licensed Method.

ARTICLE 7. WARRANTY BY OPTIONOR

- 7.1 Optionor warrants that it has the lawful right to grant the option set forth in this Agreement.
- 7.2 **EXCEPT AS EXPRESSLY PROVIDED IN SECTION 7.1, THE PARTIES ACKNOWLEDGE AND AGREE THAT KU, OPTIONOR, ITS AFFILIATES, AGENTS, EMPLOYEES, AND THE INVENTORS HAVE MADE NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, OR THE VALIDITY OR ENFORCEABILITY OF PATENT RIGHTS, IN NO EVENT SHALL OPTIONOR, ITS AFFILIATES, AGENTS, EMPLOYEES, AND THE INVENTORS BE HELD RESPONSIBLE FOR ANY DIRECT, SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES ARISING OUT OF OR IN CONNECTION WITH THE EXERCISE OF PATENT RIGHTS, EVEN IF OPTIONOR IS ADVISED IN ADVANCE OF THE POSSIBILITY OF SUCH DAMAGES.**
- 7.3 Nothing in this Agreement shall be construed as:
- a. a warranty or representation by Optionor as to the validity, enforceability, or scope of any Patent Rights.
 - b. a warranty or representation by Optionor that the exercise or practice by the Optionee of the option granted herein (including making, using, selling, offering for sale, or importing the Licensed Product or Licensed Method) is or will be free from infringement of intellectual property rights of third parties.
 - c. an obligation by Optionor or KU to bring or prosecute actions or suits against third parties for patent infringement, except as expressly provided in Article 7 hereof.
 - d. an obligation to furnish any know-how not provided in the Patent Rights;
 - e. conferring by implication, estoppel or otherwise any license or rights under any patents of Optionor other than Patent Rights.
- 7.4 In no case shall Optionor's total cumulative liability in connection with this Agreement, whether in contract or tort or otherwise, exceed the amount of fees paid to Optionor during the Option Period.

ARTICLE 8. WAIVER

No waiver by either party hereto of any breach or default of any of the covenants or agreements herein set forth shall be deemed a waiver as to any subsequent and/or similar breach or default.

ARTICLE 9. ASSIGNABILITY

Optionee may not assign this Agreement.

ARTICLE 10. INDEMNIFICATION BY OPTIONEE

Optionee shall indemnify, hold harmless and defend Optionor, KU, and their respective officers, employees, inventors, affiliates, and agents, against any and all claims, suits, losses, damages, costs, liabilities, fees and expenses (including reasonable fees of attorneys) resulting from or arising out of or in connection with: (a) the exercise of any option granted under this Agreement; (b) the breach of this Agreement by Optionee; (c) Optionee's failure to comply with any applicable laws, rules, or regulations, or (d) any act, error, or omission of Optionee, its officers, agents, employees, or Affiliates, except where such claims, suits, losses, damages, costs, fees, or expenses result solely from the gross negligence, fraud, or intentional misconduct of the Optionor, its affiliates, officers, employees or agents, or (e) its practice of the Patent Rights. Optionee shall give Optionor prompt and timely notice of any claim or suit instituted of which Optionee has knowledge that in any way, directly or indirectly, affects or might affect Optionor, and Optionor shall have the right at its own expense to participate in the defense of the same.

ARTICLE 11. NOTICES

Any notice or other communication required or permitted to be given to either party hereto shall be in writing and shall be deemed to have been properly given and effective: (a) on the date of delivery if delivered in person during recipient's normal business hours; or (b) on the date of attempted delivery if delivered by courier, express mail service or first-class mail, registered or certified. Such notice shall be sent or delivered to the respective addresses given below, or to such other address as either party shall designate by written notice given to the other party as follows:

In the case of Licensee:

[COMPANY NAME]

In the case of Licensor:

KU Innovation Park
Attn: KUCTC
2029 Becker Dr, Suite 142
Lawrence, KS 66047
785-864-6401

ARTICLE 12. GOVERNING LAW

This Agreement shall be interpreted and construed in accordance with the laws of the State of Kansas, without application of any principles of choice of laws.

ARTICLE 13. RELATIONSHIP OF PARTIES

In assuming and performing the respective obligations under this Agreement, Optionee and Optionor are each acting as independent parties and neither shall be considered or represent itself as a joint venture, partner, agent or employee of the other.

ARTICLE 14. USE OF NAMES

14.1 By Optionee

Optionee shall not, without prior written consent of the Optionor, use the name or any trademark or trade name owned by Optionor, KU, or by an affiliate of KU, in any publication, publicity, advertising, or otherwise, except that Optionee may identify KUCTC as Optionor of the Patent Rights and Licensed Products and Licensed Methods.

14.2 By Optionor

Optionor may use Optionee's name in connection with Optionor's publicity related to Optionor's intellectual property and commercialization achievements.

ARTICLE 15. DISPUTE RESOLUTION

The parties agree to attempt to settle any dispute arising out of this Agreement first through consultation and good-faith negotiations. Except for the right of either party to apply to a court of competent jurisdiction for a temporary restraining order, a preliminary injunction, or other equitable relief to preserve the status quo or prevent irreparable harm, any and all claims, disputes or controversies arising under, out of, or in connection with the Agreement, including but not limited to any dispute relating to patent validity or infringement, which the parties shall be unable to resolve within sixty (60) days shall be mediated in good faith. The party raising such dispute shall promptly advise the other party of such dispute. By not later than five (5) business days after the recipient has received such notice of dispute, each party shall have selected for itself a representative who shall have the authority to bind such party, and shall additionally have advised the other party in writing of the name and title of such representative. By not later than ten (10) days after the date of such notice of dispute, the party against whom the dispute shall be raised shall select a mediator in the Kansas City area and such representatives shall schedule a date with such mediator for a hearing. The parties shall enter into good faith mediation and shall share the costs equally. If the representatives of the parties have not been able to resolve the dispute within fifteen (15) business days after such mediation hearing, then any and all claims, disputes or controversies arising under, out of, or in connection with this Agreement, including any dispute relating to patent validity or infringement, shall be resolved through arbitration if the parties mutually consent, or through any judicial proceeding either in the courts of the State of Kansas or in the United States District Court for the District of Kansas, to whose jurisdiction for such purposes Optionee and Optionor each hereby irrevocably consents and submits. All costs and expenses, including reasonable attorneys' fees, of the prevailing party in connection with resolution of a dispute by arbitration or litigation of such controversy or claim shall be borne by the other party.

ARTICLE 16. GENERAL PROVISIONS

16.1 The headings of the several sections are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

16.2 This Agreement shall not be binding upon the parties until it has been signed below by or on behalf of each party.

KUCTC Ref.: _____

- 16.3 No amendment or modification of this Agreement shall be valid or binding upon the parties unless made in writing and signed by both parties hereto.
- 16.4 This Agreement embodies the entire understanding of the parties and supersedes all previous communications, representations or understandings, either oral or written, between the parties relating to the subject matter thereof.
- 16.5 The provisions of this Agreement are severable, and in the event that any provision of this Agreement shall be determined to be invalid or unenforceable under any controlling body of the law, such invalidity or unenforceability shall not in any way affect the validity or enforceability of the remaining provisions hereof.
- 16.6 This Agreement may be signed in counterparts, each of which when taken together shall constitute one fully executed document. Each individual executing this Agreement on behalf of a legal entity does hereby represent and warrant to each other person so signing that he or she has been duly authorized to execute this Agreement on behalf of such Entity.
- 16.7 In the event of any litigation, arbitration, judicial reference or other legal proceeding involving the parties to this Agreement to enforce any provision of this Agreement, to enforce any remedy available upon default under this Agreement, or seeking a declaration of the rights of either party under this Agreement, the prevailing party shall be entitled to recover from the other such attorneys' fees and costs as may be reasonably incurred, including the costs of reasonable investigation, preparation and professional or expert consultation incurred by reason of such litigation, arbitration, judicial reference, or other legal proceeding.
- 16.8 Except as required by law, neither party may disclose the financial terms of this Agreement without the prior written consent of the other party.

IN WITNESS WHEREOF, Optionor and Optionee have executed this Agreement by their respective officers hereunto duly authorized, on the day and year hereinafter written.

Optionee

[COMPANY NAME]

Signature: _____

Name: _____

Title: _____

Date: _____

Optionor

KU Center for Technology Commercialization, Inc.

Signature: _____

Name: _____

Title: _____

Date: _____

KUCTC Ref.: _____

EXHIBIT "A"

PATENT RIGHTS

KU Ref No.	Matter	Application No. Date of Filing	Title	Inventor(s)

DRAFT

KUCTC Ref.: _____

EXHIBIT "B"

LICENSE TO THE UNITED STATES GOVERNMENT (when applicable)

DRAFT