**MODEL AGREEMENT**

**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 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ under the laws of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and having a principal place of business at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, (“SBC”) and The University of Texas \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, a component institution of The University of Texas System (“System”), having a principal place of business at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, (“UT \_\_\_\_\_\_\_\_\_\_\_\_\_”) is entered into for the purpose of allocating between SBC and UT \_\_\_\_\_\_\_\_\_\_\_\_\_ (“Parties”, or singly, “Party”) certain rights relating to an STTR project to be carried out by the Parties under an STTR funding agreement that may be awarded by the National Institutes of Health (“NIH”) to SBC to fund a proposal entitled “\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_” submitted, or to be submitted, to the NIH by SBC on or about \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 200\_\_ (“STTR Proposal”).

**1. Applicability of this Agreement.**

**(a)** This Agreement shall be applicable only to matters relating to the NIH funded STTR project encompassing the STTR Proposal (“STTR Project”).

**(b)** If a funded STTR Project is awarded to SBC, SBC will promptly provide a copy of such funding agreement to UT \_\_\_\_\_\_\_\_\_\_, and SBC will make a sub-award to UT \_\_\_\_\_\_\_\_\_\_ in accordance with the funding agreement, the STTR 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 UT \_\_\_\_\_\_\_\_\_\_\_\_ to accept the sub-award, as the case may be. If a sub-award is made by SBC and accepted by UT \_\_\_\_\_\_\_\_\_\_\_\_, this Agreement shall not be applicable to contradict the terms of such sub-award or of the funding agreement awarded by the NIH to SBC except on the grounds of fraud, misrepresentation, or mistake, but shall be considered to resolve ambiguities in the terms of the sub-award.

**(c)** The sub-award to UT \_\_\_\_\_\_\_\_\_\_\_ shall provide for an overhead rate equal to the current overhead rate negotiated between UT \_\_\_\_\_\_\_\_\_\_\_ and NIH.

**(d)** The provisions of this Agreement shall apply to any and all consultants, subcontractors, independent contractors, or other individuals employed by SBC or UT \_\_\_\_\_\_\_\_\_\_\_\_\_ for the purposes of the STTR Project.

**2. Definitions.**

**(a)** “Background Intellectual Property” means intellectual property that is intellectual property not otherwise subject to this Agreement, which would be useful or essential to the practice or commercialization of the results of the STTR Project.

**(b)** “License Receipts” means the actual royalties, fees, payments, equity securities and other sums, excluding research and development money and reimbursement of patent expenses, received in consideration of licenses or other rights granted to, or things of value delivered to, third parties in connection with the Project Intellectual Property, as well as any monetary recovery received from enforcement of Project Intellectual Property against infringement.

**(c)** “Net Sales” means the gross revenues received from the sale of Products, less sales and/or use taxes actually paid, import and/or export duties actually paid, outbound transportation prepaid or allowed, and amounts allowed or credited due to returns (not to exceed the original billing or invoice amount).

**(d)** “Project Intellectual Property” means the legal rights relating to inventions (including, but not limited to, “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, first made or generated during the performance of the STTR Project.

**(e)** “Products” (or singly, “Product”) means products or services sold that embody Project Intellectual Property, or the development, manufacture, identification of (either in whole or in part) and/or use of which involves the employment of Project Intellectual Property.

**3. Background Intellectual Property Rights.**

It is possible that one or both Parties may possess rights in Background Intellectual Property. For example, one Party’s attempts to commercialize the results of the STTR Project may require the licensing of Background Intellectual Property developed by the other Party. Where the Parties determine that such Background Intellectual Property may exist, consideration should be given to negotiating license rights which will allow the practice and commercialization of the results of the STTR Project.

**4. Project Intellectual Property Rights.**

**(a)** The rights of the Parties to Project Intellectual Property made by their employees in the performance of the STTR Project shall be as set forth in the patent rights clause of 37 CFR 401.14. The NIH may obtain title to any Project Intellectual Property not elected by a Party as set forth in the patent rights clause.

Unless otherwise agreed in writing, Project Intellectual Property shall be owned by the Party whose employees make or generate the Project Intellectual Property. Jointly made or generated Project Intellectual Property shall be jointly owned by the Parties unless otherwise agreed in writing.

Subject to the NIH’s rights under the patent rights clause of 37 CFR 401.14, SBC acknowledges that all intellectual property developed by UT \_\_\_\_\_\_\_\_\_\_ faculty, staff and students developed using UT \_\_\_\_\_\_\_\_\_\_\_ facilities, including but not limited to Project Intellectual Property, is subject to ownership by the Board of Regents of System (“Board”) as set forth in the Board’s *Rules and Regulations*, Series 90000 (“Rules”).

In addition to the NIH’s rights under the Patent rights clause of 37 CFR 401.14, the Parties agree that the U.S. federal government (“Government”) shall have an irrevocable, royalty free, nonexclusive license for any Government purpose in any Project Intellectual Property.

**(1)** Unless set forth in a license agreement pursuant to Section 4(d), any revenues and profits resulting from the practice, licensing, or exploitation of Project Intellectual Property generated by either Party shall be allocated between SBC and UT Southwestern as follows:

SBC % Net Sales and License Receipts

UT \_\_\_\_\_\_\_\_\_ % Net Sales and License Receipts

**(2)** Patent expenses associated with the development and marketing of any Product shall be allocated as follows: the SBC will be responsible for \_\_\_\_\_\_\_ percent and UT \_\_\_\_\_\_\_\_\_\_\_ will be responsible for \_\_\_\_\_\_ percent.

**(b)** The Parties agree to disclose to each other, in writing, each and every Project Intellectual Property. The Parties acknowledge that they will disclose Project Intellectual Property to each other within \_\_\_\_\_\_\_ months after their respective inventor(s) first disclose such Project Intellectual Property in writing in accordance with the notice guidelines set forth in Section 8. All written disclosures of such Project Intellectual Property shall contain sufficient detail of the Project Intellectual Property, identification of any statutory bars, and shall be marked confidential, in accordance with 35 U.S.C. Section 205. Disclosures to the NIH shall be within the time provided in paragraph (c)(1) of the patent rights clause of 37 CFR 401.14.

**(c)** Each Party hereto may use Project Intellectual Property of the other nonexclusively and without compensation in connection with research or development activities for the STTR Project, including inclusion in STTR Project reports to the NIH and proposals to the NIH for continued funding of the STTR Project through additional phases.

**(d)** SBC will have an exclusive option to commercialize the Project Intellectual Property of UT \_\_\_\_\_\_\_\_\_\_\_ (“Optioned Intellectual Property”), subject to any rights of the Government therein. SBC’s option period of \_\_\_ months shall commence upon SBC’s receipt of written disclosure of Project Intellectual Property in accordance with Section 4(b). SBC may, at its election and subject to the patent expense reimbursement provisions of this section, extend such option period once for an additional \_\_\_\_\_\_\_\_ months by giving written notice of such election to UT \_\_\_\_\_\_\_\_\_\_\_\_ prior to the expiration of the initial option period. During the period of such option following notice by SBC of election to extend, UT \_\_\_\_\_\_\_\_\_\_\_\_ will pursue and maintain any patent protection for such Optioned Intellectual Property requested in writing by SBC and, except with the written consent of SBC or upon the failure of SBC to reimburse patenting expenses as required under this section, will not voluntarily discontinue the pursuit and maintenance of any United States patent protection for such Optioned Intellectual Property initiated by UT \_\_\_\_\_\_\_\_\_\_\_\_\_ or of any patent protection requested by SBC. For any such Optioned Intellectual Property for which SBC gives notice of its election to extend the option, SBC will, within \_\_\_\_\_\_\_\_ days after invoice, reimburse UT \_\_\_\_\_\_\_\_\_\_\_ for the expenses incurred by UT \_\_\_\_\_\_\_\_\_\_ prior to expiration or termination of the option period in pursuing and maintaining (i) any United States patent protection initiated by UT \_\_\_\_\_\_\_\_\_\_\_\_ and (ii) any patent protection requested by SBC. SBC may terminate such option at will by giving written notice to UT \_\_\_\_\_\_\_\_\_\_\_\_ during the initial option period or during the option extension period, in which case further accrual of reimbursable patenting expenses hereunder, other than prior commitments not practically revocable, will cease upon UT \_\_\_\_\_\_\_\_\_\_’s receipt of such notice. At any time prior to the expiration or termination of the option, SBC may exercise such option by giving written notice to UT \_\_\_\_\_\_\_\_\_\_\_\_, whereupon the Parties will promptly and in good faith enter into negotiations for a license under UT \_\_\_\_\_\_\_\_\_\_\_\_’s rights (patent or otherwise) in such Optioned Intellectual Property for SBC to develop, use and or sell Products. The terms of such license will include: (i) payment of reasonable royalties to UT \_\_\_\_\_\_\_\_\_\_\_ on Net Sales of Products; (ii) reimbursement by SBC of expenses incurred by UT \_\_\_\_\_\_\_\_\_\_\_ in seeking and maintaining patent protection for such Optioned Intellectual Property in countries covered by the license; and, in the case of an exclusive license, (iii) reasonable commercialization milestones and/or minimum royalties.

**(e)** Where more than one royalty might otherwise be due in respect of any Product 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 by providing in such license(s) for a reasonable discount or cap on total royalties due in respect of any such unit.

**(f)** All option and/or license agreements negotiated by SBC and UT \_\_\_\_\_\_\_\_\_\_\_\_ shall comply with Rules.

**5. 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.

**6. 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 the STTR Project shall be received and held in confidence for a period of 5 years by the receiving Party and, except with the consent of the disclosing Party or as permitted under this Agreement, or as required by law or regulation, 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)** Project Intellectual Property may be disclosed to third parties provided that any such third party executes a confidential disclosure and limited use agreement previously approved by both Parties.

**(c)** Background Intellectual Property may only be disclosed by the owning Party.

**(d)** Subject to the terms of paragraphs (a), (b) and (c) above, either Party may publish its results from the STTR Project. However, the publishing Party shall provide the other Party a thirty-day period in which to review proposed publications, identify proprietary or confidential information, and 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 \_\_\_\_\_ additional days for preparation and filing of a patent application which the reviewing Party has the right to file or to have filed at its request by the publishing Party.

**7. 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 information, result, design, prototype, Product or process deriving directly or indirectly and in whole or part from such Party in connection with the STTR Project.

**(b)** SBC will indemnify and hold harmless UT \_\_\_\_\_\_\_\_\_\_\_, System, Board, and its officers, employees and agents with regard to any claims arising in connection with commercialization of the results of the STTR Project by or under the authority of SBC. The Parties will indemnify and hold harmless the Government with regard to any claims arising in connection with commercialization of the results of the STTR Project.

**8. Notice.**

Any notice required by this Agreement must be given by email or facsimile transmission confirmed by personal delivery (including delivery by reputable messenger services such as Federal Express) or by prepaid, first class, certified mail, return receipt requested, addressed in the case of UT \_\_\_\_\_\_\_\_\_ to:

ADDRESS

or in the case of SBC to:

ADDRESS

**9. Termination.**

**(a)** This Agreement may be terminated by either Party upon \_\_\_\_\_ 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 and UT SIGNATURES**