

PATENT OPTION AGREEMENT

Tech Transfer Arizona File(s) # _____

This Patent Option Agreement (the "**Agreement**") is effective on the date of the last authorized signature below ("**EFFECTIVE DATE**"), between _____ ("**COMPANY**"), having the address in Article 7 below, and the Arizona Board of Regents on behalf of the University of Arizona, an Arizona body corporate ("**ARIZONA**"). ARIZONA and COMPANY are referred to herein individually as "Party" and jointly "Parties").

COMPANY desires to evaluate certain OPTIONED PATENT(S) (as defined below) to determine whether to negotiate a license to such OPTIONED PATENT(S). ARIZONA desires to grant COMPANY the right to negotiate for an exclusive license, as further described and in accordance with the terms and conditions set forth herein. ARIZONA and COMPANY therefore agree as follows:

1. DEFINITIONS

In addition to terms defined elsewhere, the following definitions apply to this Agreement:

1.1. "FIELD OF USE" means _____.

1.2. "OPTIONED PATENT(S)" means:

(a) [Example: United States Patent Application Serial No. __/__,__; _____ entitled "_____" filed on _____]; and

(b) Any and all United States and foreign patents issued from patents and/or applications listed in subparagraph 1.2(a) above, including patent application(s), divisionals, continuations (except continuations-in-part), and foreign counterparts of the same, and any reviewed, reissued or reexamined patents based upon the same.

1.3. "TERRITORY" means _____.

2. OPTION

2.1. Option. ARIZONA grants to COMPANY the exclusive option to negotiate for an exclusive license under the OPTIONED PATENT(S) within the TERRITORY and FIELD OF USE ("OPTION"). The OPTION must be exercised in writing within [_____] (_____) months of the Effective Date ("OPTION PERIOD"), in accordance with the terms set forth in Section 2.2 below. If Company fails to exercise the OPTION within the OPTION PERIOD, or if the Parties do not reasonably agree on terms for a license within ninety (90) days of exercising the OPTION ("NEGOTIATION PERIOD"), ARIZONA is free to license the OPTIONED PATENT(S) to third parties.

2.2. Exercise of Option. COMPANY may exercise this OPTION by submitting a request in writing to ARIZONA during the OPTION PERIOD specifying, to ARIZONA'S reasonable satisfaction: (a) its intention to exercise of the OPTION; (b) providing the information described in Section 2.4 below; and (c) expressing COMPANY'S intention and ability to develop and make commercially available products embodying the OPTIONED PATENT(S) in the FIELD OF USE for public use as soon as practicable.

2.3. License Negotiation. When COMPANY exercises its OPTION in accordance with Section 2.2 above, the Parties will negotiate a license agreement in good faith and on commercially reasonable terms. The parties agree that the license will include at least the following terms:

- i. reservation for ARIZONA to practice the OPTIONED PATENT(S) for educational and research purposes and to license to other non-profit institutions these same reserved rights, and to use and license the OPTIONED PATENT(S) outside the TERRITORY and FIELD OF USE;
- ii. license fees and/or royalty payments and/or minimum annual fees, if appropriate;
- iii. reimbursement of past and future patent costs by COMPANY, including all costs and attorney fees associated with preparation, filing and maintenance of patents and patent applications;
- iv. appropriate obligations on COMPANY to commercialize the OPTIONED PATENT(S); and
- v. other standard terms required by Arizona state law, federal law, or the Arizona Board of Regents ("ABOR") or ARIZONA policy.

2.4. COMPANY Obligations During OPTION PERIOD. During the OPTION PERIOD, COMPANY shall evaluate the market potential for products embodying the OPTIONED PATENT(S) in the FIELD OF USE. ARIZONA hereby grants to COMPANY a license in the OPTIONED PATENT(S) for this evaluative purpose only. As part of this evaluation, COMPANY shall satisfactorily complete the activities described below. Prior to or at the same time as exercising the OPTION as set forth in Section 2.2 above, COMPANY shall report the results of such activities and evaluations in writing to ARIZONA.

Evaluation Activity	Due Date
[insert activity]	[insert date or ___ months after EFFECTIVE DATE]
[insert activity]	[insert date or ___ months after EFFECTIVE DATE]

2.5. Federal Funding. The licenses granted in this Agreement are subject to any rights required to be granted under prior research or sponsorship agreements, or retained by the U.S. government, when applicable. COMPANY agrees to comply in all respects, and shall provide ARIZONA with all reasonably requested information and cooperation for ARIZONA to comply with, all applicable federal funding agreements and federal requirements. COMPANY agrees that products embodying the OPTIONED PATENT(S) developed using federal funding that are used, leased or sold in the United States must be manufactured substantially in the United States.

3. CONSIDERATION

3.1. Option Fee. COMPANY shall pay ARIZONA a non-refundable fee of [_____ (\$X) dollars] ("OPTION FEE") within three (3) days of execution of this Agreement. Payments drawn directly on a U.S. bank may be made by either check or wire transfer. Wire transfers shall be made in accordance with the following or any other instructions as may be specified by ARIZONA:

BANK: Wells Fargo Bank Arizona, N.A.
 100 W. Washington, 7th Floor
 Phoenix, AZ 85003

ACCOUNT NO.:

ROUTING NO.:
SWIFT CODE:
ACCOUNT HOLDER/TITLE: University of Arizona
ACCOUNT TYPE: Checking
ATTN: Rosa Saucedo, PHONE: 520-626-1675

3.2 Patent Expenses. COMPANY shall reimburse ARIZONA for all reasonable fees and expenses incurred during the OPTION PERIOD AND NEGOTIATION PERIOD relating to the OPTIONED PATENT(S), including for preparing, filing, prosecuting, and maintaining the OPTIONED PATENT(S). Failure to reimburse patent expenses will be considered a material breach of this Agreement.

3.3 Taxes. COMPANY is responsible for the payment of all taxes, duties, levies, and other charges imposed by any taxing authority with respect to the OPTION FEE payable to ARIZONA under this agreement.

4. PATENT PROSECUTION

4.1. Patent Prosecution. ARIZONA will control all aspects of filing, prosecuting, and maintaining all OPTIONED PATENT(S), using counsel of its choice. COMPANY shall fully cooperate in such activities as and when requested by ARIZONA. During the OPTION PERIOD and for any period of time thereafter during which the parties are engaging in good faith license negotiations, all such costs will be reimbursed by COMPANY to ARIZONA pursuant to Section 3.2 above.

4.2. Collaboration with COMPANY. During the OPTION PERIOD, ARIZONA agrees to collaborate with COMPANY in good faith regarding the foreign countries in which to pursue patent protection. Further, ARIZONA shall notify COMPANY of any significant information received by ARIZONA relating to the filing, prosecution and maintenance of the OPTIONED PATENT(S), and shall make reasonable efforts to allow COMPANY to review and comment upon such information. COMPANY agrees to hold such information, including such information received before the EFFECTIVE DATE, confidential and to use the information provided by ARIZONA only for the purpose of advancing OPTIONED PATENT(S), and shall return all such information to ARIZONA if the parties do not complete a license agreement hereunder. With written permission from ARIZONA, COMPANY may share such information with third parties (e.g., outside patent counsel) who are obligated to the same extent as COMPANY.

5. TERM AND TERMINATION

5.1. Term. This Agreement terminates at the conclusion of the OPTION PERIOD unless the OPTION is exercised, in which case this Agreement will terminate at the end the NEGOTIATION PERIOD or upon execution of a license agreement, whichever occurs first.

5.2. Termination. Upon any material breach of this Agreement by COMPANY, ARIZONA has the right to terminate this Agreement effective on thirty (30) days written notice to COMPANY except for a non-payment by COMPANY of fees set forth in Section 3.1 or 3.2, which will require no advance notice by ARIZONA to COMPANY prior to termination. Such termination shall become automatically effective upon expiration of the thirty-day period unless COMPANY cures the material breach or default before the period expires. COMPANY may terminate this Agreement for its convenience upon at least 90 days prior written notice to ARIZONA.

5.3. Termination for Patent Challenge. ARIZONA may terminate this Agreement in the event that COMPANY files any claims of invalidity, unenforceability or non-infringement of the

OPTIONED PATENT(S). COMPANY will notify ARIZONA in advance of any such intended claims of and will specify the details and bases for such claims.

6. DISCLAIMER AND LIMITATION OF LIABILITY

6.1. Indemnification by Company. COMPANY will indemnify, defend and hold harmless ARIZONA, its governing board, officers, agents, and employees, from and against any liability, loss or damage resulting from claims, demands, costs or judgments that arise out of the COMPANY'S use of the OPTIONED PATENT(S), or that arise from any breach by COMPANY of the terms of this Agreement. Notwithstanding the foregoing, COMPANY is not obligated to defend ARIZONA for claims arising from ARIZONA'S negligence, willful misconduct or failure to comply with applicable governmental requirement. COMPANY is responsible for the management of defense of any actions or claims at its own expense, and will pay ARIZONA'S reasonable expenses to assist COMPANY in such defense. COMPANY will not compromise or settle any claim or action without the prior written approval of each of the following if they are a named party: Principal Investigator, ARIZONA, its governing board, officers, agents, or employees. ARIZONA may participate at its option and expense through counsel of its own selection.

6.2. Disclaimer of Warranties and Limitation of Liability. THE OPTIONED PATENT(S) ARE PROVIDED ON AN "AS IS" BASIS. ARIZONA does not warrant expressly or impliedly, and hereby expressly disclaims any warranty that the OPTIONED PATENT(S) or any products embodying the OPTIONED PATENT(S) is suitable for commercial use or is free from infringement of any third party's patents, copyright, or trademarks. ARIZONA EXPRESSLY DISCLAIMS ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE, OR ANY OTHER IMPLIED WARRANTY. THERE ARE NO WARRANTIES THAT EXTEND BEYOND THE DESCRIPTION ON THE FACE HEREOF. IN NO EVENT WILL ARIZONA BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOSS OF PROFITS AND LOSS OF USE) RESULTING FROM, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT.

7. GENERAL PROVISIONS

7.1. Mandatory Arbitration. The parties agree that should a dispute arise between them concerning this Agreement and no party seeks affirmative relief other than money damages in the amount of Fifty Thousand Dollars (\$50,000) or less, exclusive of interest, costs and attorneys' fees, the parties may be required to submit the matter to arbitration pursuant to the Revised Uniform Arbitration Act, A.R.S §12-3001 *et seq.* (the "Act"), whose rules will govern the interpretation, enforcement, and proceedings pursuant to this section. Except as otherwise provided in the Act, the decision of the arbitrator(s) shall be final and binding upon the parties.

7.2. Applicable Law and Venue. This Agreement shall be interpreted pursuant to the laws of the State of ARIZONA. Any arbitration or litigation between the Parties shall be conducted in Pima County, ARIZONA, and Company hereby submits to venue and jurisdiction in Pima County, ARIZONA.

7.3. Non-Discrimination. The Parties agree to be bound by state and federal laws and regulations governing equal opportunity and non-discrimination and immigration.

7.4. Conflict of Interest. This Agreement is subject to the provisions of A.R.S. 38-511 and other conflict of interest regulations. The State of ARIZONA may cancel this Agreement if any person significantly involved in negotiating, drafting, securing or obtaining this Agreement for or on behalf of ABOR becomes an employee in any capacity of any other party or a consultant to any other party with reference to the subject matter of this Agreement while the Agreement or any extension

thereof is in effect.

7.5. Small Entity Status. COMPANY represents that COMPANY qualifies as a “Small Entity” under U.S. patent laws. COMPANY will notify ARIZONA immediately of any changes that may affect COMPANY’S or any of its sublicensee’s “Small Entity” status including, without limitation, acquisitions, mergers, hiring of more than 500 total employees, sublicense agreements and sublicense options.

7.6. Notices. Any notice, request, or report required or permitted to be given or made under this Agreement by either party is effective when mailed if sent by recognized overnight carrier, certified or registered mail, or electronic mail followed by confirmation by U.S. mail, to the address set forth below or such other address as such party specifies by written notice given in conformity herewith. Any notice, request, or report not so given is not effective until actually received by the other party.

To ARIZONA

By USPS
The University of Arizona
Tech Transfer Arizona
University Services Annex, 4th Floor
P.O. Box 2130300A
Tucson, AZ 85721-0300
Attn: File UA__-__

By Overnight Delivery
The University of Arizona
Tech Transfer Arizona
220 W 6th Street
4th Floor
Tucson, AZ 85701
Attn: File UA__-__

To COMPANY:

[Insert]

7.7. Miscellaneous. The Parties agree that any xerographically or electronically reproduced copy of this fully-executed agreement shall have the same legal force and effect as any copy bearing original signatures of the Parties. This Agreement is the entire agreement between the parties on the subject matter hereof. No amendment or modification hereof will be valid or binding upon the parties unless made in writing and signed by the duly authorized representatives of both parties. The relationship of the parties hereunder is that of independent contractors, and this Agreement will not be construed to imply that either party is the agent, employee, or joint venturer of the other. In the event that any provision of this Agreement is held to be unenforceable, this Agreement will continue in full force and effect without said provision and will be interpreted to reflect the original intent of the parties. COMPANY may not assign this Agreement (by operation of law or otherwise) without the prior written consent of ARIZONA, and any prohibited assignment will be null and void. This Agreement will be binding upon and will inure to the benefit of the parties permitted successors and/or assignees. Waiver by either party of a breach of any provision of this Agreement or the failure by either party to exercise any right hereunder will not operate or be construed as a waiver of any subsequent breach of that right or as a waiver of any other right. Except for the payment of fees hereunder, nonperformance of either party will be excused to the extent that performance is rendered impossible by strike, fire, flood, earthquake, governmental acts or orders or restrictions, or any other reason when failure to perform is beyond the reasonable control of the nonperforming party.

IN WITNESS THEREOF, the Parties execute this Agreement as of the day and year written above.

COMPANY

The Arizona Board of Regents
on behalf of The University of Arizona

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____