



LICENSING PATENTS FROM OKLAHOMA STATE UNIVERSITY BY STARTUPS

The Technology Development Center (TDC) is a participant and Oklahoma State University's primary driver of the technology development process and is dedicated to encouraging startup companies in commercializing OSU technologies. This assistance can be in the form of support in seeking government and private financing, assembling a management team and publicizing startups' efforts. The TDC also supports licensees' participation in the various organizations dedicated to assisting startups in Oklahoma.

In establishing licensing relationships, TDC represents the interests of OSU and those of the individual OSU inventors. In accordance with the policy of the Board of Regents of Oklahoma State University, individual inventors who have used OSU resources in the development of the new technology assign their ownership interest in the invention to the university and are entitled to share in the proceeds received by the OSU.

TDC's primary objective in patenting and licensing OSU-developed technologies is to serve the public interest by finding practical application for these technologies. To accomplish this objective, we seek to create mutually beneficial license relationships with industry and entrepreneurs. We understand that for our technologies to thrive, our licensees must be successful.

Startups formed to commercialize particular technologies have unique needs and requirements. For this reason, we have developed this explanation of the licensing process and terminology for startups.

No one deal structure fits all licensing relationships, and for a licensing relationship to be successful, the license agreement must be aligned with the business of the licensee. It is important for us to have a flexible approach in structuring transactions.

We strive to simplify the licensing process so that license agreements are completed quickly and our licensees can focus on the important work of bringing the technology to market.

Accordingly, the following information has been developed to assist in understanding the terms and conditions surrounding a patent license agreement. This information will provide a basic understanding of the structure of the agreement and contains some specifics with regard to startup licenses.



Patent License Agreement – Terms and Conditions.

Licensors	<p>The license grant is made by the Board of Regents of the Oklahoma Agricultural and Mechanical College System. Oklahoma State University is one of the component institutions of this system and enters into the license on behalf of the Board of Regents.</p>
Licensed Patents	<p>The patent license will enumerate the specific patents or patent applications that are being licensed.</p> <p><i>The rights conveyed in a license do not convey any rights in the future work of the inventor, not guarantee the inventor will be made available to assist in the further development of the licensed patents for your particular application, except under specifically defined parameters that will be contained in the license agreement.</i></p>
Licensed Territory	<p>The patent license will specify the territories in which a licensee may practice the patents.</p> <p><i>In some cases, the territory will be worldwide. In other cases, the licensee's rights will be limited to a country or list of countries.</i></p>
Licensed Field	<p>The patent license will specify the fields in which a licensee may practice the patents (e.g., semiconductor fabrication, oncology, petroleum exploration, etc.)</p> <p><i>If a licensee desires a license for all fields of use, there will generally be diligence requirements for each different field to insure that the licensee has the capability to perform in each field.</i></p>
Exclusive or Non-exclusive	<p>A licensee will either receive exclusive or non-exclusive rights to the technology. Exclusive means that the licensee will be the sole licensee. Non-exclusive means that OSU may license to multiple licensees.</p> <p><i>In either case, OSU retains a non-exclusive, royalty-free, continuing, irrevocable, worldwide right to publish its general scientific findings related to the licensed patents</i></p>



	<p><i>and use of the licensed patents for educational and research purposes only. These provisions reinforce OSU's educational mission and encourage the development of inventions and other intellectual creations for the best interest of the public.</i></p>
License Economics:	<p>A patent license will contain some combination of the following payments. Each patent license is structured on an individual basis, taking into account the nature of the technology, the business plan for commercializing the technology including expected cash flows and risks, and its current and anticipated financial resources.</p> <p>The license economics are based on the value of the technology. Third party figures, if they exist, are generally used as a starting point. The licensee is encouraged to participate in the determination of the economics as a collaborative process that results in a fair deal for both the licensee and OSU.</p> <p>The following financial structure is reviewed for each patent license and all or some of the payments listed below will be a part of each license.</p>
Upfront license issue fee	<p>This fee is intended to demonstrate the licensee's investment and commitment to commercialization of the technology.</p> <p><i>In order to allow startup companies to focus their capital resources on activities that promote the commercialization of the technology, OSU may defer or waive payment of this fee in favor of issuance of equity to OSU.</i></p>
Annual Maintenance Fee	<p>This fee is intended to demonstrate the licensee's continued commitment to the commercialization of the technology.</p> <p><i>This fee may be offset by other financial provisions in the license agreement and may be deferred until certain mutually agreed milestones are reached by the licensee.</i></p>



<p>Running Royalty Payments</p>	<p>The royalty paid to OSU is usually a percentage of gross or net sales of products or services resulting from the licensed patents.</p> <p><i>The royalty percentage is based on a number of factors that include the type of patent, the markets in which the products will be sold, and the margins expected from product sales. Royalty payments must be submitted to OSU, along with a sales and royalty report, on a quarterly, semi-annual, or annual basis.</i></p>
<p>Minimum Royalty</p>	<p>Minimum royalty requirements are structured to be deducted from the operation cash flows of the licensee based on the business plan for commercialization of the technology. They represent the minimum expected cash payment to OSU from the licensee and represent the licensee’s continuing obligations to diligently commercialize the licensed patents.</p> <p><i>If sales of products do not result in the payment of the minimum royalty, the licensee is required to pay the difference.</i></p>
<p>Patent Expenses</p>	<p>OSU requires exclusive licensees to pay all patent expenses related to the patents it licenses. Non-exclusive licensees are required to pay a pro-rata share of the patent expenses. These expenses are due within 30 days of invoicing by OSU to the licensee.</p> <p>The license agreement specifies how patent expenses will be paid. Deferred payment or payment upon attainment of certain mutually agreed milestones to support startups may be negotiated.</p> <p><i>Startup companies must make provisions to pay past and ongoing patent prosecution expenses for the patent they license. The payment of these expenses may be deferred in order to facilitate company operations, however, it is essential for the ongoing commercialization efforts of OSU that these expenses be reimbursed so that OSU can continue to invest in the protection of other inventions.</i></p>



Sublicensing	<p>Exclusive licensees may be given the right to grant sublicenses in the licensed field. OSU requires that all sublicensees be subject to substantially similar terms and conditions of the licensee’s agreement with OSU and that the licensee remains liable for sublicensee’s acts or omissions.</p> <p>In consideration for granting the licensee the ability to sublicense patent rights, OSU shares in the consideration paid to the licensee by a sublicensee for the grant of sublicense rights through the payment of sublicense fees.</p> <p><i>Sublicense fees apply to consideration for the grant of the sublicensee and not to the sale of products by the sublicensee.</i></p>
Due Diligence	
Milestones	<p>OSU generally requires its licensees to meet technical and/or commercial milestones to ensure diligent efforts are being applied to commercialize the licensed technology. Payments may be required when certain milestones are achieved.</p> <p><i>Since OSU has a mandate that its inventions be developed in the interests of the public, these milestones are an important part of the license agreement and OSU uses these milestones to gauge the progress of the licensee. If milestones are missed but the licensee is still actively pursuing commercialization, it may be appropriate to restructure the license to best serve the public interest and the interests of the licensee and OSU.</i></p> <p><i>Technical milestones may include regulatory approvals required for product development, such as clinical trials. Prototype development and first commercial sale may be other milestones.</i></p> <p><i>Milestones are especially critical for startup company development and will usually refer to funding goals that must be achieved in order for the startup to be successful.</i></p>



Equity	<p>OSU may accept an equity interest in startup companies in lieu of certain cash payments such as upfront or milestone payments.</p> <p><i>OSU's equity position must be treated in the same manner as other investments in the licensee (e.g. Series A Preferred Stock). All rights and privileges that apply to other stockholders and their stock must apply to OSU.</i></p>
Royalty Reports	<p>Licensee must submit a sales and royalty report to OSU at certain specified intervals that are negotiated. This may be quarterly, semi-annual, or annual periods. These reports will be accompanied by any royalty payment that is due to OSU as explained above.</p>
Progress Report and Commercialization Plan	<p>OSU requires an annual progress report and commercialization plan to be submitted by the licensee. This is to insure visibility into the commercialization efforts of the licensee and allows for discussion of ways in which OSU may be of assistance. These reports normally stop upon the commencement of products sales.</p>
Countries for Foreign Patent Filing	<p>If the countries for foreign filing are known at the time the license is entered into, those countries will be identified in the license. If not, the foreign countries will be mutually determined at a later time.</p> <p><i>Filing for patent protection in foreign countries can be very expensive. As a matter of policy, OSU does not fund patent protection in foreign countries because of this expense. The licensee must take this into account when considering fund raising and budgeting.</i></p>
Deadline for First Sale	<p>The purpose of this deadline is to ensure the licensee's continued diligence in the commercialization of the technology. If the licensee does not meet this deadline, the license may be terminated by OSU. The date for this deadline is determined by negotiation and based on realistic estimates and assumptions.</p>
Patent Ownership	<p>OSU's policy is to retain ownership rights to its inventions and to protect its interests in such inventions.</p>



	Accordingly, OSU does not assign ownership of patents to third parties, except in extremely rare situations.
Patent Prosecution	<p>OSU manages the prosecution of all patents that it owns in coordination with outside counsel that have been approved by University Counsel and the Oklahoma Attorney General.</p> <p><i>In an exclusive license relationship, the licensee will normally participate in the prosecution of the patent application that has been licensed to insure commercialization objectives are taken into account, but OSU retains final authority in all decisions.</i></p>
Termination	<p>The licensee may terminate the license agreement for convenience upon 180 days notice to OSU, subject to the licensee being in current compliance with the agreement. Licensee may also terminate on 30 days notice in the event of a breach by OSU and failure of OSU to cure that breach within the 30-day period.</p> <p>OSU may terminate the license, or any portion of the license, licensed field of use, licensed territory, in any of the following circumstances: failure by the licensee to sell products by the deadline specified in the license agreement; licensee is more than 30 days late in payment obligations; any other breach by the licensee that is not cured within 30 days of notice; or OSU delivers notice of any breach 3 or more times in a calendar year, even if the licensee has cured such breaches.</p> <p><i>It is the policy of OSU that intellectual property be developed primarily to serve the public interest. If a licensee does not meet its obligations under the terms of the license agreement, OSU has the option to terminate all or a portion of the agreement in order to provide opportunities for others to produce such useful products and services for the public benefit.</i></p>
Confidentiality	Both parties to the license agreement (the licensee and OSU) agree to keep each other's confidential information protected and secure and will only use that information in



	connection with the license. This obligation will survive for 5 years after termination of the license agreement.
Infringement	A licensee has the right, but not the obligation to enforce any patent licensed exclusively. OSU may join any action initiated by the licensee. In the event licensee decides not to enforce the patent rights, OSU may enter into enforce actions on its own. Sharing of proceeds from such actions is negotiated by the parties.
Export Control	OSU requires all of its licensees to comply with all applicable export control laws and regulations.
Representations	<p>As an agency of the state of Oklahoma, OSU is limited in the permissible representations it may provide to a licensee. Generally, OSU represents its belief that it is the owner of the patent rights, that it has the sole right to grant licenses, and that it has not knowingly granted other licenses that would restrict the licensee's rights.</p> <p>Licensee represents that it: (1) understands that the patent right may have been developed with funding from the US government and that the government may have certain rights to the technology; (2) it has adequate expertise to have conducted and has conducted sufficient due diligence with respect to the license; and (3) it accepts all risks inherent in the license.</p>
Indemnification by Licensee	Licensee will indemnify OSU for all claims arising from the exercise of the license.
Indemnification by OSU	As an agency of the State of Oklahoma, OSU cannot provide indemnification to any licensee.
Insurance	Licensee must maintain commercial general liability insurance to cover claims that may arise from Licensee's commercialization activities. Generally, one million dollars of liability insurance will cover this requirement.
Assignment	The license cannot be assigned to a third party without OSU's prior written consent.



Governmental Markings	OSU requires its patent licensees to comply with federal patent law requirements with regard to marking of patented products.
Use of Name	Licensee may not use the name of OSU as a brand or trademark for or related to Licensee's products or services without the prior written consent of OSU.
Governing Law	As an agency of the State of Oklahoma, OSU's license agreements are governed by Oklahoma state law.