

## APPENDIX P - SAMPLE LICENSE AGREEMENT

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This agreement ("this Agreement" ) is effective March 13, 2006 by and between \_\_\_\_\_, Inc., a California corporation having principal offices at \_\_\_\_\_, ("Licensor"), and \_\_\_\_\_, a \_\_\_\_\_ corporation having principal offices at \_\_\_\_\_ ("Licensee"). Licensor and Licensee may be collectively referred to hereinafter as "The Parties".

### RECITALS

WHEREAS Licensor is the owner by assignment of U.S. patent numbers \_\_\_\_\_ and \_\_\_\_\_, which together with any additional related trade secrets and know-how is collectively referred to hereinafter as "The Proprietary Rights";

WHEREAS Licensor and Licensee desire to further develop and commercialize The Proprietary Rights;

WHEREAS Licensor and Licensee are desirous of fixing and defining between themselves their respective ongoing interests, rights, responsibilities, and limits in connection therewith;

NOW THEREFORE, in consideration of the mutual covenants and promises herein contained, The Parties agree to be legally bound by the following covenants and they agree and certify as follows:

### GRANT OF LICENSE

2. Licensor hereby grants to Licensee (a) an exclusive, worldwide, license covering all of The Proprietary Rights, including all inventions, improvements, enhancements, modifications to, and embodiments of, The Proprietary Rights made, conceived or owned by Licensor and/or Licensee during the term of this Agreement, all of which automatically become part of the Intellectual Property; (b) all patent applications and patents based on or covering the same which the Licensor now owns or controls or hereafter owns or controls; and (c) an express right to grant sublicenses to Affiliates or Third Parties, to make, have made, further develop, research, improve, use, sell, and distribute products embodying The Proprietary Rights, under terms and conditions determined by License and sub-licensee, provided any sublicense comply with the provisions concerning transferability set forth below.

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## TERM

3. This Agreement shall be in effect until the date of the last to expire of any patents or other intellectual property relating to The Proprietary Rights, unless terminated earlier as set forth below.

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2. This Agreement shall be in effect until \_\_\_\_ unless terminated earlier as set forth below.
4. Licensee shall have the right to terminate this Agreement upon giving Licensor ninety (90) days prior to written notice to that effect. Upon termination of this Agreement by such notice, all rights granted to Licensee will automatically revert back to Licensor.
5. In the event that Licensee (a) shall become "Insolvent" (as such term is defined in the Bankruptcy Code of the United States of America, as amended from time-to-time, (b) shall fail to pay its debts generally as they become due, (c) shall voluntarily seek, consent, or acquiesce in the benefits of any bankruptcy or similar debtor-relief laws, (d) shall become a party to or is made the subject of any proceeding provided for by any debtor-relief law that could suspend or otherwise affect Licensee's rights under this Agreement, or (e) ceases to actively pursue prosecution, development and/or commercialization of The Proprietary Rights for a consecutive 12 month period, Licensee shall be considered to be in default of this Agreement.
6. At any point during which Licensee is in default of this Agreement, Licensor shall have the option to provide Licensee with written NOTICE mailed to Licensee's principal place of business, that Licensor intends to terminate this Agreement, and if Licensee fails to remedy the breach within the thirty day period following receipt of such NOTICE, this Agreement will terminate, and all rights granted to Licensee will automatically revert back to Licensor.

## CONSIDERATION

7. In addition to any other consideration provided for herein:

Licensee shall pay Licensor a one-time license issue fee of \$ \_\_\_\_\_ upon execution of this Agreement as an advance against royalties, which license issue fee is non-refundable;

Licensee shall pay Licensor a royalty of \_\_\_\_% of gross revenue realized by or on behalf of the Licensee from commercialization of any of The Proprietary Rights. All monies due the Licensor shall be payable in United States funds collectable at par in \_\_\_\_\_, California, or as directed from time to time by Licensor. Royalties earned with respect to revenue arising in any country outside the United States shall be reduced by any taxes, fees or other charges imposed by the government of such country on the remittance of the royalty income. The Licensee shall also be responsible for any bank transfer charges; and

Licensee shall pay Licensor a minimum royalty according to the following schedule, with License fees paid under paragraph 6.2 offset against the minimum royalty:

Time Period From Effective Date Hereof	Minimum Quarterly Royalty
1st - 4th quarters	
5th - 8th quarters	
9th - 12th quarters	
13 <sup>th</sup> quarter onwards	

8. Amounts due to Licensor under this Agreement that are not paid on the due date will incur a simple interest carrying charge of \_\_\_\_% per month, which charge is due and payable immediately upon being incurred, and which must be paid in full in a timely manner along with any underlying royalties to avoid breach of this Agreement.
9. The Licensee will not sell, license, lease or otherwise commercialize any existing \_\_\_\_\_ product that competes with any product licensed under this Agreement.
10. The Licensee will not take any affirmative steps to challenge the validity of any of the Proprietary Rights, or their ownership by Licensor, except as compelled by law.
11. The Licensee shall keep books and records in accordance with accounting principles that are generally accepted in the United States, accurately reflecting all transactions and other information relevant to the calculation of royalties under this Agreement. Such books and records shall be open to inspection by representatives or agents of Licensor at reasonable times upon reasonable request, and costs for inspection shall be borne by Licensor. Within 30 days following the end of each calendar quarter, Licensee shall provide a summary to Licensor sufficient to support the license fees accruing during the previous quarter.

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12. Licensee shall take all commercially reasonable steps to ensure that all Licensed Products are designated with proper patent notice under 35 U.S.C. 287(a) "Limitation on damages and other remedies; marking and notice".
  13. Licensee has a duty to, and hereby does, assign to Licensor any improvements and/or modifications to Licensed Products made by Licensee, its employees or agents. Licensee will promptly notify Licensor of the existence of any such improvements and/or modifications, and will full cooperate in Licensor's pursuit of corresponding intellectual property protection. Licensee will take all reasonable steps to ensure that its employees and agents are bound by, and cooperate in enforcing, the provisions of this paragraph.

### RECOVERY OF RIGHTS

14. Upon termination of this Agreement other than through breach by Licensor, all right, title and interest in the Proprietary rights shall be deemed to have been transferred back to Licensor on the date of the breach, the consideration therefore having been the License fees paid through the date of such breach.

### MAINTENANCE OF RIGHTS

15. The \_\_\_\_\_ <<Licensee or Licensor>> assumes all responsibility to prosecute and maintain, at its own expense, patent applications relating to The Proprietary Rights and any related future inventions.

### INFRINGEMENT

16. Each of Licensor and Licensee shall promptly inform each other in writing of any alleged infringement of any intellectual property rights which it shall have notice committed by a Third Party regarding any patents within The Proprietary Rights, and each shall provide the other with any available evidence of such infringement. Within thirty (30) days after receipt of the notice of alleged infringement, Licensor and Licensee shall meet and mutually agree on a procedure for resolving the alleged infringement.
17. If within six (6) months after the notice of alleged infringement specified in paragraph 10 above, Licensee shall have been unsuccessful in resolving the alleged infringement in a manner mutually acceptable to Licensor and Licensee, then Licensor shall have the right, but shall not be obligated, to prosecute at its own expense any infringement of the Patent Rights, and Licensor may, for such purposes, use the name of Licensee as party plaintiff.

18. In any infringement suit either party may institute to enforce the Patent Rights pursuant to this Agreement, the other party hereto shall, at the request and expense of the party initiating such suit, cooperate in all respects and, to the extent possible, have its employees testify when requested and make available relevant records, papers, information, samples, specimens, and the like. Any damages recovered from an infringing party pursuant to such infringement suit shall be used first to pay costs, and then distributed between Licensee and Licensor in accordance with their respective funding of the infringement suit.

## **REPRESENTATIONS AND WARRANTIES**

19. Licensor hereby represents to Licensee as follows:

- 19.1. Licensor holds good and marketable title to The Proprietary Rights granted to Licensee;
- 19.2. Licensor has the full right, power, and authority to grant the license set forth herein;
- 19.3. There are no outstanding agreements, assignments, or encumbrances inconsistent with the provisions of this Agreement which, in the opinion of Licensor, in any manner prohibit the transactions contemplated by this Agreement or impair the ability of Licensor to perform its obligations hereunder;
- 19.4. Licensor has no knowledge of any infringement or of any pending or threatened claim relating in any manner to The Proprietary Rights; and
- 19.5. Licensor has no knowledge of or reason to believe that any of The Proprietary Rights are invalid or unenforceable or that their exercise would infringe the patent rights of any Third Party.

20. LICENSOR MAKES NO OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, NOR DOES LICENSOR ASSUME ANY OBLIGATIONS WITH RESPECT TO THE INFRINGEMENT OF PATENTS OR OTHER INTELLECTUAL PROPERTY ARISING AS A RESULT OF LICENSEE'S ACTIVITIES UNDER THIS AGREEMENT.

## **MISCELLANEOUS PROVISIONS**

21. Transferability. this Agreement and the rights and privileges hereof are assignable, licensable or otherwise transferable by either party without the written consent and approval of the other party, subject to the requirement that all the terms and conditions of this Agreement shall be binding upon the respective successors and assigns of The Parties hereto and shall insure to

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the benefit of and be enforceable by The Parties hereto and their respective successors and assigns.

22. Notices. All notices required hereunder shall be given in writing and shall be personally delivered or sent by postage prepaid mail, addressed to The Parties at their addresses listed below, or at such other addresses as the respective parties may designate from time to time to the other by written notice. Notice is reputedly presumed to have been received five days after the mailing date.
23. Choice of Law. this Agreement shall be governed by, construed, interpreted and enforced under and according to the laws of the State of \_\_\_\_\_.
24. Dispute Resolution.
25. The parties expressly agree to the jurisdiction of the Superior Court of the State of California and to the jurisdiction of the Central District Court of California, with venue in Orange County, California, for the resolution of any dispute concerning the enforcement, breach, interpretation or validity of this Agreement.

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21. All claims, disputes and other matters in question arising out of, or relating to, this Agreement or the performance hereof shall be submitted to, and determined by, arbitration if good faith negotiations among the parties hereto, if any, does not resolve such claim, dispute or other matter. Such arbitration shall proceed in accordance with the then-current rules for arbitration established by Judicial Arbitration Mediation Services, Inc./ENDISPUTE ("JAMS"), unless the parties hereto mutually agree otherwise, and pursuant to the following procedures:

26. Reasonable discovery shall be allowed in arbitration.

All proceedings before the arbitrators shall be held in Orange County, California, under the laws of California.

The award rendered by the arbitrator(s) shall be final and binding, and judgment may be entered in accordance with applicable Law and in any court having jurisdiction thereof.

The award rendered by the arbitrator(s) shall include (i) a provision that the prevailing party in such arbitration recover its costs relating to the arbitration and reasonable attorneys' fees from the other party, (ii) the amount of such costs and fees, and (iii) an order that the losing party pay the fees and expenses of the arbitrator(s).

The arbitrator(s) shall by the agreement of the parties expressly be prohibited from awarding punitive damages in connection with any claim being resolved by arbitration hereunder.

27. Severability. In the event any part or parts of this Agreement are found to be invalid, illegal, or unenforceable in any respect, the remaining provisions shall nevertheless be binding with the same effect as if the invalid, illegal, or unenforceable part or parts were originally deleted.
28. Successors and Assigns. this Agreement shall be binding upon and inure to the benefit of The Parties to this Agreement and their respective successors, sublicensees, assignees and agents.
29. Hold Harmless. Each of The Parties hereto shall indemnify and hold the other party, its directors, officers, members, employees, successors, sublicensees, assignees and agents harmless from and against any and all claims arising from acts and omissions of the party, its directors, officers, members, employees, successors, sublicensees, assignees and agents.
30. Costs and Fees. In the event that any legal proceedings arise as a result of this Agreement, the prevailing party is entitled to receive attorney fees.
31. Time of the Essence. Time is of the essence in this Agreement.
32. Failure to Enforce. Failure of any Party herein to enforce any of the terms of this Agreement shall not constitute waiver to enforce that term in the future.
33. Expected Performance. Each Party herein agrees to perform all acts and execute and deliver all documents as may be necessary or appropriate to carry out the intent and purposes of this Agreement. Licensee agrees that Licensor may not have an adequate remedy at law for money damages in the event that this Agreement has not been performed in accordance with its terms, and therefore agrees that Licensor shall be entitled to specific enforcement of the terms hereof in addition to any other remedy to which it may be entitled, at law or in equity.
34. Entire Agreement. this Agreement embodies the entire understanding of The Parties and supersedes and replaces any and all pre-existing agreements or understandings between Licensee and Licensor. No amendment or modification of this Agreement shall be valid or binding upon Licensee or Licensor unless made in writing and signed on behalf of each of The Parties by their respective duly authorized representative.
35. No Construction. No party hereto nor any attorney for any party shall be deemed the attorney of this Agreement for the purpose of interpreting or construing any of the provisions hereof.

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36. Representation by Counsel. Each of The Parties hereto acknowledges that it has had the opportunity to be represented by independent legal counsel of its own choice throughout all of the negotiations that preceded the execution of this Agreement and that each has executed this Agreement with the consent and on the advice of any such independent legal counsel; and further acknowledges that it and any such counsel have had an adequate opportunity to make whatever investigation or inquiry they may deem necessary or desirable in connection with any of the subjects of this Agreement prior to the execution hereof.

37. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

So agreed and executed this \_\_\_th day of \_\_\_\_\_.

\_\_\_\_\_  
Date

\_\_\_\_\_  
By: \_\_\_\_\_

\_\_\_\_\_  
Date

\_\_\_\_\_  
By: \_\_\_\_\_

Mailing Addresses: