

# **PENN STATE INTELLECTUAL PROPERTY TERMS**

## **Intellectual Property Definitions**

"Intellectual Property" means (i) those inventions conceived and reduced to practice in performance of this Project and any resulting patent application, division, continuation, substitution, reissue, or reexamination and (ii) any copyrights to software or source code created in performance of this Project, upon which a University employee is an inventor or creator, respectively. University will own all research results. Sponsor will have the irrevocable, worldwide, free, non-exclusive right to use the research results for any purpose.

"Product" means any product, article, composition, apparatus, material, substance, composition, process, service, or method, which is covered in whole or in part by the Intellectual Property. A Product shall be considered covered by the Intellectual Property if the research, development, manufacture, use, offer for sale, sale, or importation of a Product would, if conducted by a third party, infringe the Intellectual Property.

"Net Sales" means the gross consideration invoiced or received from the sale, use, lease, transfer, consignment, or other disposition of Product by Sponsor, and/or its Affiliate or sublicensee to or for the benefit of a third party less the following deductions, if directly attributable to the sale of such Product, to the extent they are included in such gross consideration: (i) all normal and customary discounts in the trade; (ii) credits or allowances actually granted upon claims or returns; each determined in accordance with generally accepted accounting principles consistently applied; (iii) sales taxes directly linked to the sale of the Product; and (iv) transportation costs, including insurance, for outbound freight related to the delivery of Product. In the event Licensee, any Affiliate, or any sublicensee transfers a Product to a third party in a bona fide arm's length transaction, for any consideration other than cash, then the Net Sales price for such Product shall be deemed to be the standard invoice price then being invoiced by Licensee or the Affiliate or sublicensee, as applicable, in an arm's length transaction with similar independent third parties. Any calculation of Net Sales from sales of combination products and/or services utilizing Intellectual Property shall first be calculated by multiplying the percentage value of the licensed Product(s) contained in the combination product(s), such percentage value being the quotient obtained by dividing (a) the current market value of the licensed Product(s) by (b) the sum of the separate current market values of the licensed Product(s) and the other components which are contained in the combination product(s). When no current market value is available for a component other than the licensed Product(s) of a combination product(s), Sponsor shall calculate a hypothetical market value for such component, allocating the same proportions of costs, overhead, and profit as are then allocated to similar components made by Sponsor and having an ascertainable market value. If, however, the parties determine that the above formula does not adequately and fairly reflect the contribution of each component in a particular combination product(s), then the parties shall negotiate in good faith a modification of the formula for the determination of Net Sales of that combination product(s).

## **OPTION A—Exclusive License with Pre-Set Royalty Terms**

The University hereby grants Sponsor an exclusive option to obtain an exclusive royalty-bearing license, with the right to sublicense, to the Intellectual Property in any field, excluding human health, which includes but is not limited to diagnostics, therapeutics, and uses thereof (the "Option"). University will promptly disclose any Intellectual Property to Sponsor in writing. Sponsor has ninety (90) days from the date of disclosure (the "Option Period") to exercise the Option in writing. If Sponsor exercises the Option during the Option Period, University shall execute the exclusive license subject to the terms and conditions of this Agreement. In consideration for this exclusive license, Sponsor agrees to pay University a running royalty of one percent (1%) royalty on the Net Sales of Product in any calendar year when annual Net Sales of such Product exceed twenty million dollars (\$20,000,000). Sponsor shall reimburse University for any reasonable third-party costs incurred to protect the Intellectual Property during the Option Period.

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## **OPTION B – Assignment with an Upfront Fee**

Upon final payment of all costs associated with this Agreement, the University agrees to grant Sponsor, an assignment of the Intellectual Property in any field, excluding human health, which includes but is not limited to diagnostics, therapeutics, and uses thereof (the “Assignment”). In consideration for the Assignment, Sponsor will pay University a fee of either twenty percent (20%) of the Total Cost/Total Price of the Agreement or fifty thousand dollars (\$50,000), whichever is greater, at the time of execution of this Agreement. University will promptly disclose Intellectual Property to Sponsor in writing. Sponsor has ninety (90) days from the date of disclosure to request University to assign the Intellectual Property, and University shall execute the Assignment subject to the terms and conditions of this Agreement. Sponsor shall reimburse University for any reasonable third-party costs incurred to protect the Intellectual Property during the term of this Agreement.

## **OPTION C— Non-Exclusive Royalty Free Commercial License with an Upfront Fee and an Option to Negotiate an Exclusive License**

The University hereby grants Sponsor a non-exclusive royalty-free license to the Intellectual Property in any field. In consideration of this non-exclusive license, Sponsor will pay University a fee of either ten percent (10%) of the Total Cost/Total Price of the Agreement or ten thousand dollars (\$10,000), whichever is greater, at the time of execution of the Agreement. The University also hereby grants Sponsor a non-exclusive option to negotiate an exclusive license to Intellectual Property on commercially reasonable terms negotiated in good faith and agreed upon between University and Sponsor (the “Option”). University will promptly disclose Intellectual Property to Sponsor in writing. This Option will commence upon disclosure of the Intellectual Property and will expire six (6) months after written disclosure of the Intellectual Property to the Sponsor (“Option Period”). If the parties do not reach an agreement and finalize an exclusive license agreement during the Option Period, University will have no further obligation to the Sponsor and will be free to license Intellectual Property to third parties.

## **OPTION D— Non-Exclusive Royalty Free Internal Use License with an Option to Negotiate an Exclusive License**

The University hereby grants Sponsor a non-exclusive, royalty free license to the Intellectual Property solely for its internal research purposes. The University also hereby grants Sponsor a non-exclusive option to negotiate an exclusive license to the Intellectual Property on commercially reasonable terms negotiated in good faith and agreed upon between University and Sponsor (the “Option”). University will promptly disclose Intellectual Property to Sponsor in writing. This Option will commence upon disclosure of the Intellectual Property and will expire six (6) months after written disclosure of the Intellectual property to the Sponsor (“Option Period”). If the parties do not reach an agreement and finalize an exclusive license agreement during the Option Period, University will have no further obligation to the Sponsor and will be free to license Intellectual Property to third parties.