

# **PENN STATE INTELLECTUAL PROPERTY TERMS**

## **UP FRONT COMMERCIAL LICENSES (EFFECTIVE 9/15/2021)**

### **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 Penn State employee is an inventor or creator, respectively. Penn State will own all research results. Sponsor will have the irrevocable, worldwide, free, non-exclusive right to use the research results for any purpose.

"Net Sales" means the gross consideration invoiced or received from the sale, use, lease, transfer, consignment, or other disposition of Product by Sponsor, its affiliate(s) and sublicensee(s) 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 in good faith 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).

"Product" means any product, article, composition, apparatus, material, substance, process, service, or method, which is Covered By, in whole or in part, by the Intellectual Property. "Covered By" means that 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.

"Human Health" includes but is not limited to diagnostics, therapeutics, medical devices, and uses thereof.

### **Up Front Commercial Options**

#### **OPTION A - Non-Exclusive Royalty Free License for any Purpose with an Option to Negotiate an Exclusive License**

Penn State hereby grants Sponsor a non-sublicensable, non-exclusive royalty-free license to Penn State's rights in Intellectual Property for any purpose to make, have made, use, import, offer to sell, and sell Products in any field. Penn State also hereby grants Sponsor the first option to negotiate an exclusive

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license to Intellectual Property on commercially reasonable terms negotiated in good faith and agreed upon between Penn State and Sponsor (the “Option”). Sponsor has sixty (60) days, from the date of disclosure of the Intellectual Property to Sponsor, to exercise its Option (the “Election Period”). If Sponsor exercises the Option during the Election Period, the Parties shall diligently negotiate the terms of an exclusive commercial license, which shall contain terms under which Sponsor reimburses Penn State for all reasonable third-party costs incurred to secure and maintain the Intellectual Property during the Election Period and period of negotiation and to be incurred during the life of the Intellectual Property’s protection. If the parties do not reach an agreement and finalize an exclusive license agreement within six (6) months from the date of disclosure of the Intellectual Property to Sponsor, Penn State will have no further obligation to the Sponsor and will be free to license Intellectual Property to one or more third parties, provided that Sponsor shall retain its non-exclusive royalty free license as described above.

### **OPTION B - Exclusive Royalty-Free Commercial License with a One-Time Up Front Fee**

Penn State hereby grants Sponsor an exclusive, sublicensable, royalty-free license to make, have made, use, import, offer to sell, and sell Products in all fields except Human Health (the “License”). In consideration for the License, Sponsor will pay Penn State a fee of either twenty percent (20%) of the Total Cost/Total Price of this Agreement or fifty thousand U.S. dollars (\$50,000), whichever is greater, within thirty (30) days of execution of this Agreement. Penn State or its designee shall apply for and maintain all rights to the Intellectual Property at Sponsor’s expense. Sponsor shall, on an ongoing basis, reimburse Penn State for all reasonable third-party costs that Penn State incurs and has incurred to secure and maintain the Intellectual Property within thirty (30) days of receipt of invoice by Penn State of such costs. Sponsor shall be given reasonable opportunity to advise and comment upon the prosecution of such rights, and any Sponsor requests with regard to prosecution strategy, shall be considered in good faith. In the event Sponsor fails to reimburse Penn State for such Intellectual Property protection expenses in a particular country, Penn State may terminate Sponsor’s License in that particular country upon providing Sponsor thirty (30) days written notice, and such non-payment is not cured within the notice period. The Parties shall work together in good faith regarding enforcement or defense of the Intellectual Property rights in any legal action.

### **OPTION C - Exclusive License with Pre-Set Royalty Terms (royalty free until cumulative Net Sales reach \$20 million)**

Penn State hereby grants Sponsor an exclusive, sublicensable, royalty-bearing license to make, have made, use, import, offer to sell, and sell Products in all fields except Human Health (the “License”). In consideration for the License, Sponsor agrees to pay Penn State a running royalty of one percent (1%) on all future Net Sales of Product once cumulative Net Sales of such Product exceed twenty million dollars (\$20,000,000). Sponsor shall keep and preserve in accordance with generally accepted accounting principles and procedures (“GAAP”) complete and accurate books, records, and accounts containing all particulars that may be necessary for the purpose of showing amounts payable to Penn State and shall provide Penn State each year upon the anniversary of the date on which Intellectual Property was disclosed to Sponsor, an annual report disclosing annual Net Sales and supporting documentation and calculations. Said report shall be forwarded to [PSRF-License@psu.edu](mailto:PSRF-License@psu.edu). Penn State or its designee shall apply for and maintain all rights to the Intellectual Property at Sponsor’s expense. Sponsor shall, on an ongoing basis, reimburse Penn State for all reasonable third-party costs that Penn State incurs and has incurred to secure and maintain the Intellectual Property within thirty (30) days of receipt of invoice by Penn State of such costs. Sponsor shall be given reasonable opportunity to advise and comment upon the prosecution of such rights, and any Sponsor requests with regard to prosecution strategy, shall be considered in good faith. In the event Sponsor fails to reimburse Penn State for such Intellectual Property protection expenses in a particular country, Penn State may terminate Sponsor’s License in that particular country upon providing Sponsor thirty (30) days written notice, and such non-payment is not cured within

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the notice period. The Parties shall work together in good faith regarding enforcement or defense of the Intellectual Property rights in any legal action.

**Mode of Payment and Currency**

All payments due for an up front commercial license under this Agreement are expressed in and shall be paid in USD to “The Penn State Research Foundation” and will be made by delivery to any one of the following within thirty (30) days of execution of this Agreement:

**By ACH/Wire**

RBS Citizens N.A.  
One Citizens Plaza  
Providence, RI 02903  
ABA #036076150

SWIFT: CTZIUS33  
For Credit to:  
Penn State Research Foundation  
Account #610002-340-0

**By Check**

Payable to:  
The Penn State Research Foundation

Send to:  
The Penn State Research Foundation  
c/o The Pennsylvania State University  
Office of Technology Management  
200 Innovation Boulevard, Suite 113  
University Park, PA 16802

All amounts paid for an up front commercial license under this Agreement shall be nonrefundable. Any questions regarding up front license payments can be addressed to the Office of Technology Management at 814-865-6277 or [PSRF-License@psu.edu](mailto:PSRF-License@psu.edu).