

Sample Licensing Agreement

PATENT LICENSE AGREEMENT

This Patent License Agreement (the “Agreement”) is made and effective as of the last date signed below (“Effective Date”), by and between _____ (“Licensor”), whose address is _____, and _____ (“Licensee”), whose address is _____ (the Licensor and Licensee shall together be referred to as the “Parties”).

WHEREAS, Licensor owns the entire right, title, and interest in and to certain inventions which form the subject matter of the Licensed Patents.

WHEREAS, Licensee desires to obtain certain rights under the Licensed Patents and to acquire the right to use the Licensed Patents and Technical Information to make, use, and sell the Licensed Products in the Licensed Territory.

NOW THEREFORE, in accordance with the recitals of this Agreement, and for good and valuable consideration, the sufficiency of which is hereby acknowledged, the undersigned Parties agree as follows:

ARTICLE I

GENERAL DEFINITIONS AND RELATIONSHIPS AMONG DEFINITIONS

As used in this Agreement, the following terms shall have the meanings set forth in the succeeding paragraphs of this Article.

1.00 “Licensor” and “Licensee” may be individually referred to as a “Party” and are referred to collectively as the “Parties.”

1.01 “Licensed Patents” means the patents enumerated in attached Schedule A and the patent applications enumerated in attached Schedule B along with any divisions, continuations, reissues, reexaminations, extensions, substitutions, renewals, inventor’s certificates, and foreign counterparts and any patent applications and patents issuing on any patent applications claiming priority to any one of the patents and patent applications enumerated in Schedules A and B.

1.02 “Technical Information” means unpublished research and development information, unpatented inventions, know-how, trade secrets, and technical data in the possession of Licensor on the Effective Date of this Agreement that is needed to produce Licensed Products and that Licensor has the right to provide to Licensee.

1.03 “Licensed Territory” means the entire world.

1.04 “Licensed Products” means _____ that in the absence of this Agreement would be covered by at least one of the Licensed Patents.

1.05 “Net Selling Price,” for the purpose of computing royalties, means the gross sales price of all Licensed Products covered by at least one of the Licensed Patents in arm’s-length transactions with independently controlled third parties, less trade discounts, returns, or other allowance.

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1.06 “Affiliated Companies” means any business entity that is in any degree beneficial to, partially owned by, or in any way controlled by Licensee or any stockholder or officer of Licensee.

1.07 “Prime Rate” is the prime rate as published by the *Wall Street Journal*.

ARTICLE II THE GRANT

2.00 Licensor grants to Licensee an exclusive license under the Licensed Patents to make, have made, use, sell, offer to sell, sell for importation, import, export, and practice the Licensed Products throughout the Licensed Territory. Ownership of the Licensed Patents remains with Licensor.

2.01 Licensor grants to Licensee a fully paid-up, royalty-free worldwide nonexclusive license to use the Technical Information to make, use, or sell the Licensed Products.

ARTICLE III CONSIDERATION

3.00 Licensee shall pay to Licensor a nonrefundable initial lump-sum payment of \$_____, the receipt of which is acknowledged. The initial lump-sum payment shall be credited against royalties paid by Licensee under paragraph 3.01 of this Article and Article VII.

3.01 Licensee shall pay to Licensor a royalty of _____ percent (_____%) of the Net Selling Price of all Licensed Products covered by at least one of the Licensed Patents and sold by Licensee and its Affiliated Companies.

3.02 No royalty is due for sales of the Licensed Products by Licensee to Licensor.

ARTICLE IV SUBLICENSING

4.00 Licensee shall not have the right to sublicense.

ARTICLE V TECHNICAL INFORMATION

5.00 Licensor shall within 60 days of the Effective Date of this Agreement make available to Licensee for its use the Technical Information in Licensor’s possession needed to make, use, or sell the Licensed Products if not already provided. Licensor will, from time to time, on request from Licensee, supply additional Technical Information as that information becomes available during the term of this Agreement.

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5.01 Licensee shall not disclose any unpublished Technical Information furnished by Licensor to third parties during the term of this Agreement or any time after. However, that disclosure may be made of any such Technical Information at any time (1) with the prior written consent of Licensor, (2) to the extent necessary to purchasers of Licensee's products or services, or (3) after it has become public through no fault of Licensee or purchasers of Licensee's products or services. To the extent that any such Technical Information is disclosed to purchasers of Licensee's products or services, the agreements in this Article shall be made by Licensee to apply to and be made binding on all such parties.

5.02 Licensee shall not use any Technical Information furnished by Licensor other than in the manufacture of Licensed Products and only during the term of this Agreement. However, other use of the Technical Information may be made (1) with the prior written consent of Licensor or (2) after it has become public through no fault of Licensee or purchasers of Licensee's products or services.

5.03 Licensor represents that it has used the material lists, drawings, specifications, instructions, and other elements of Technical Information to be supplied by it under this Agreement in the manufacture of Licensed Products but does not otherwise warrant the accuracy of this information; nor does Licensor warrant that Licensed Products produced in accordance with such information will be free from claims of infringement of the patents or copyrights of any third party. Licensor shall not, except as provided in this Article, be under any liability arising out of the supplying of information under, in connection with, or as a result of this Agreement, whether on warranty, contract, negligence, or otherwise.

PROVISIONS ARTICLE VI RECORDS

6.00 Licensee agrees on behalf of itself and its Affiliated Companies to keep accurate records for 5 years after the years to which the records pertain. The records must be kept in sufficient detail to enable the Net Selling Price and royalties payable by Licensee and its Affiliated Companies to be determined.

6.01 Licensee also agrees on behalf of itself and its Affiliated Companies to permit the records to be examined from time to time at Licensee's premises, on reasonable prior notice, during usual business hours during the life of this Agreement and for 1 year after its expiration or termination by authorized representatives of Licensor to the extent necessary to verify the accuracy of the reports and payments required under Article VII.

6.02 Any deficiencies in royalty payments that are found by the authorized representatives must be remedied within 30 days after Licensee receives notice and relevant details of the authorized representatives' determination.

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ARTICLE VII REPORTS AND PAYMENTS

7.00 Licensee agrees to furnish a written report to Licensor within 30 days after the first of January, April, July, and October of each calendar year during the life of this Agreement. The report shall set forth the number of Licensed Products sold, the Net Selling Prices of all Licensed Products made and sold by Licensee and its Affiliated Companies during the preceding quarter, and the royalties due. Each report shall be certified by an officer of Licensee and be accompanied by a remittance, as provided in Article III, covering the royalties then due. If no royalties are due during any period, a written statement to that effect shall be furnished to Licensor.

7.01 Payments provided for in this Agreement, when overdue, shall bear interest at a rate per annum equal to 2 percent in excess of the Prime Rate at the time the payment is due and for the time period until payment is received by Licensor.

7.02 All reports and payments under this Agreement shall be made to Licensor in U.S. currency to the address of the Licensor in this Agreement, unless Licensee is notified otherwise in writing by Licensor.

ARTICLE VIII IMPROVEMENTS

8.00 "Improvements" means any and all improvements, derivative works, variations, updates, modifications, enhancements or adaptations on, to or of the Licensed Product whether invented or developed by Licensee or Licensor. Licensee hereby acknowledges that any and all Improvements invented or developed by Licensee during the Term shall be fully assigned to Licensor at the termination of this Agreement.

ARTICLE IX MARKING

9.00 Licensee agrees on behalf of itself and its Affiliated Companies to mark, in a conspicuous location, any Licensed Products made, used, or sold under this Agreement with a patent notice of the Licensed Patents in accordance with the laws of the countries granting the Licensed Patents or as may be requested in writing by Licensor.

ARTICLE X ENFORCEMENT, VALIDITY, AND MAINTENANCE

10.00 Licensee shall notify Licensor of any suspected infringement of the Licensed Patents in the Licensed Territory. The sole right to institute a suit for infringement rests with Licensor. Licensor has no obligation to institute any action or suit against third parties for infringement of any Licensed Patents or to defend any action or suit brought by a third party that challenges or concerns the validity of Licensed Patents. Licensee agrees to cooperate with Licensor in all respects; to have any of Licensee's employees testify when requested by Licensor; and to make

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available any records, papers, information, specimens, and the like. Any recovery received pursuant to such a suit shall be retained by Licensor.

10.01 During the term of this Agreement, Licensee shall bring to the attention of Licensor any prior art or other information known to Licensee that is relevant to the patentability or validity of any of the Licensed Patents and that might cause a court to deem any of the Licensed Patents wholly or partially inoperative or invalid.

10.02 Licensor shall pay for all expenses and fees in the preparation, filing, prosecution, issuance, and maintenance of the Licensed Patents. If Licensor is unable or unwilling to pay the expenses and fees of one or more of the Licensed Patents, Licensor shall give Licensee 60 days' written notice. Licensee may maintain the Licensed Patents and deduct any expenses incurred from any royalty payments due to Licensor.

ARTICLE XI TERMINATION

11.00 Unless terminated earlier as provided in this Article, the term of this Agreement shall be from the Effective Date until the expiration of all of the Licensed Patents.

11.01 In the instance that a patent application listed in the schedule does not issue as an enforceable patent within 3 years of the Effective Date or the filing date of the respective patent application, whichever is longer, the royalty provisions of Article III relative to sales in the Licensed Territory of the subject unissued patent application shall cease until the subject unissued patent application issues into an enforceable patent.

11.02 Licensee may terminate this Agreement at any time on 30 days' notice in writing to Licensor.

11.03 Licensor may terminate this Agreement on 90 days' notice in writing to Licensee for a failure of Licensee to fulfill any of its obligations under this Agreement. However, if during the period of the notice Licensee remedies the failure, this Agreement shall continue in full force and effect as it would have done if notice had not been given.

11.04 This Agreement shall terminate automatically if Licensee becomes insolvent or bankrupt, if a receiver is appointed for Licensee, or if Licensee is reorganized for the benefit of creditors.

11.05 Royalties payable under this Agreement and associated with a Licensed Patent or Improvement Patent shall terminate automatically if the Licensed Patent or Improvement Patent is held unpatentable, invalid, or otherwise unenforceable.

11.06 The termination or expiration of this Agreement shall not relieve Licensee of its obligation to pay Licensor all royalties that have accrued up to and including the date of termination or expiration.

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11.07 Termination of this Agreement by Licensor shall in no way prejudice the rights of Licensor to seek other remedies for the failure of Licensee.

11.08 Any delay in exercising the termination rights shall in no way prejudice the right of Licensor to terminate for any subsequent or continuing failure of Licensee.

ARTICLE XII REPRESENTATIONS AND WARRANTIES

12.00 Each Party represents and warrants that it has the right, power, and authority to enter into this Agreement and that the persons executing the Agreement have the authority to act for and bind each Party.

12.01 Licensor represents and warrants that it has not conveyed any rights inconsistent with the rights conveyed in the Agreement.

12.02 Licensor represents and warrants that it possesses all of the necessary proprietary interests in the Licensed Patents to grant the license rights set forth in this Agreement.

12.03 Nothing in this Agreement shall be deemed to be a representation or warranty by Licensor of the validity of any of the Licensed Patents or the accuracy, safety, or usefulness for any purpose of any Technical Information made available by Licensor.

ARTICLE XIII SEVERABILITY

13.00 If any provision of this Agreement is declared void or unenforceable or becomes unlawful in its operation, the remainder of the Agreement shall not be affected, and each remaining provision shall be valid and enforceable to the fullest extent, unless the deletion of the provision would cause the Agreement to become materially adverse to any Party, in which event the Parties shall use their respective best efforts to arrive at an accommodation that best preserves for the Parties the benefits and obligations of the offending provision. If a substitute provision cannot be agreed to, arbitrators shall substitute a provision on behalf of the Parties pursuant to Article XVI.

ARTICLE XIV NOTICES

14.00 All notices related to the Agreement shall be in writing and shall be effective when deposited, first-class postage prepaid, in the U.S. Mail addressed to the Parties respectively, at the following addresses. Duplicates of notices may also be sent by facsimile transmission to the facsimile numbers indicated below.

Licensor:

Copy to:

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Licensee:

Copy to:

ARTICLE XV ASSIGNABILITY

15.00 This Agreement may be assigned by Licensor and shall inure to the benefit of his or her heirs, successors, assigns, or other legal representatives. However, this Agreement shall not be assignable by Licensee without express written approval by Licensor, except to a successor to its entire business to which this Agreement relates, without the prior written approval of Licensor.

ARTICLE XVI GOVERNING LAW

16.00 This Agreement shall be construed, interpreted, and enforced in accordance with the laws of the State of Michigan.

ARTICLE XVII ENTIRE UNDERSTANDING AND WAIVER

17.00 This Agreement constitutes the entire understanding between the Parties relating to its subject matter, supersedes all previous agreements between the Parties with respect to its subject matter, and shall not be modified in any way except by an instrument in writing executed by the Parties or their respective assignees.

17.01 Waiver of any provision will not be deemed a waiver of any other provision, nor will waiver of any breach of this Agreement be construed as a continuing waiver of other breaches of the same or other provisions of this Agreement.

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[SIGNATURE PAGE TO FOLLOW]

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The Parties have executed this Agreement by their authorized representatives on the Effective Date of this Agreement.

LICENSOR

/s/ _____
Print Name:

Dated: _____

LICENSEE:

/s/ _____
Print Name:

Dated: _____

SAMPLE

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SCHEDULE A
ISSUED PATENTS

SAMPLE

Sample Licensing Agreement

SCHEDULE B
PENDING PATENT APPLICATIONS

SAMPLE