

OPTION AGREEMENT

This Option Agreement is made as of May 25, 2018 by and between the University of Pittsburgh – Of the Commonwealth System of Higher Education, having an office at 1st Floor Gardner Steel Conference Center, 130 Thackeray Avenue, Pittsburgh, PA 15260 (“University”) and _____ having an office at _____ (“Company”).

BACKGROUND

University owns certain intellectual property pertaining to _____ developed by _____ of University faculty, and consisting of certain **[patents or patent applications]** as more specifically described in Exhibit A attached hereto and made a part hereof (“Patent Rights”). Patent Rights also shall include (a) United States and foreign patents issued from the applications listed in Exhibit A and from divisionals and continuations of these applications and (b) claims of U.S. and foreign continuation and divisional applications, and of the resulting patents, which are directed to subject matter specifically described in the U.S. and foreign applications listed in Exhibit A.

Company desires a period of time in which to evaluate the Patent Rights, potential products arising therefrom, and markets therefor, and in which to elect to negotiate a license with University for the use of such Patent Rights.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, and intending to be legally bound hereby, the parties hereto agree as follows:

- 1) University hereby grants to Company an exclusive option to negotiate a royalty-bearing, exclusive license to the Patent Rights in the Field of _____ (“Option”). During the Option Term, as defined below in paragraph 2, Company shall have the right to use the Patent Rights for internal research and evaluation purposes only. Subject to the rights, if any, of the United States government pursuant to 35 U.S.C. §200, et seq. during the Option Term, University shall not offer a license to the Patent Rights in the Field set forth above to any third party which is inconsistent with the Option granted herein.
- 2) The term for the exercise of the Option shall be twelve (12) months and extend from the date of this Option Agreement to 5:00 p.m. on the _____ day of _____, 20XX unless sooner terminated by the exercise of the Option hereunder or the written notice by Company to University that this Option Agreement is terminated (“Option Term”). Upon prior written approval from University, not to be unreasonably withheld, and so long as it is not in material breach of its obligations hereunder, the Company may extend the term for exercise of the Option for another six (6) months (“Option Extension”), until 5:00 p.m. on the _____ day of _____, 20XX, by giving notice in writing to University ten (10) business days prior to the termination of the first option period and upon payment to University by Company of an Option Extension Fee in the amount of Five Thousand Dollars (\$5000.00). The Option Extension Fee must accompany the notice and such amount shall be non-refundable and non-creditable against any further license consideration.

- 3) In consideration of the Option granted hereunder, Company agrees to reimburse University for all of University's out-of-pocket filing, prosecution, and maintenance costs (including all attorneys' fees and costs), for any and all patent prosecution actions that were taken during the Option Term and/or Option Extension and for all actions that will be taken by patent counsel after the Option Term and/or Option Extension but in response to any instructions that were sent during the Option Term and/or Option Extension from University to patent counsel relating to the Patent Rights. University shall invoice Company for all such attorneys' fees and costs. Company shall pay such invoices within thirty (30) days after receipt thereof from University. The amount of such payments shall not be creditable toward license consideration.
- 4) Company may exercise the Option upon written notice to University during the Option Term or Option Extension after successful completion of the following milestones: (1) creation or identification of an entity to commercialize the Patent Rights; (2) a minimum of _____ Dollars (\$XXX,000) in debt, convertible debt, or equity investment in the entity; (3) development of a comprehensive commercialization plan for development and commercialization of the Patent Rights, including the identification of a qualified management team for the entity to commercialize the Patent Rights, and (4) _____. Upon University's receipt of such written notice, the parties agree, within a ninety (90) day period, to negotiate in good faith to attempt to establish the terms of a license agreement granting Company exclusive rights to make, have made, use and sell products in the Field under the Patent Rights ("Negotiation Period"). Such license agreement shall include at least the following provisions: license fee, annual maintenance payments, royalty payments, minimum royalties, milestone payments (where applicable), payment of all past and future costs incurred by University associated with the prosecution and maintenance of the Patent Rights, the right to grant sublicenses upon written approval, a commitment by Company to exert their best efforts to commercialize and make available licensed products as rapidly as practicable, the right of University to terminate the license agreement should Company not meet specified due diligence milestones, and indemnity and insurance provisions with limits satisfactory to University. Notwithstanding anything in this Option Agreement to the contrary, the exercise of the Option hereunder by Company shall only require the parties to negotiate in good faith to attempt to enter into a license, and shall not require either party to enter into such a license unless the terms and conditions for such license are mutually agreeable. If such license agreement has not been executed within the Negotiation Period, this Option Agreement shall be deemed terminated and University shall be free to enter into an exclusive or non-exclusive license to the Patent Rights with any other company. The Company acknowledges that the role of any University faculty in the Company must be approved by the University of Pittsburgh Conflict of Interest Committee prior to execution of any license agreement.
- 5) During the Option Term and any Option Extension, University shall take all actions to prosecute and maintain the Patent Rights and may seek additional patent protection for the Patent Rights in the United States and/or in international markets. University shall provide the Company a reasonable opportunity to advise, comment, and propose modifications to any material patent prosecution and maintenance action taken, which advice, comments, and proposals shall be considered in good faith by University.

If Company does not exercise its Option, Company shall nevertheless be liable to University for University's out-of-pocket filing, prosecution and maintenance costs (including attorneys' fees), incurred during the Option Term and/or Option Extension.

If Company does exercise its Option but a license agreement has not been executed within the Negotiation Period, Company shall nevertheless be liable to University for University's out-of-pocket filing, prosecution and maintenance costs (including attorneys' fees), incurred during the Option Term and/or Option Extension and the Negotiation Period.

- 6) Company and University agree that any information disclosed by either party to the other party pursuant to this Option Agreement shall be maintained in strict confidence, and each will use all reasonable diligence to prevent disclosure except to necessary personnel and to affiliates and consultants who agree to be bound by this confidentiality provision. Company's and University's obligations under this confidentiality clause shall remain in effect for the Option Term and a period of five (5) years thereafter. Company and University shall not have any obligation of confidentiality with respect to information that:
 - a) is in the public domain by use and/or publication at the time of its receipt from the disclosing party; or
 - b) is developed independently of information received from the disclosing party; or
 - c) was already in the recipient's possession prior to receipt from disclosing party; or
 - d) is properly obtained by recipient from a third party with a valid legal right to disclose such information and such third party is not under a confidentiality obligation to the disclosing party.
- 7) UNIVERSITY, AND ITS AGENTS AND/OR EMPLOYEES, MAKE NO REPRESENTATION AND EXTEND NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR VALIDITY OF PATENT CLAIMS, ISSUED OR PENDING, WITH RESPECT TO THE PATENT RIGHTS.
- 8) This Option Agreement is not assignable and any attempt to do so shall be null and void.
- 9) All notices required to be given under this Option Agreement shall be in writing and shall be deemed to have been sufficiently given for all purposes thereof when sent by facsimile or mailed by first class or overnight mail and shall be evidenced by a facsimile transmission confirmation, by the postmark at the point of mailing or by the time-stamped receipt of the overnight carrier.

All notices and any correspondence respecting this Option Agreement shall be addressed and sent out as follows:

To University:

Innovation Institute
University of Pittsburgh
1st Floor Gardner Steel Conference Center
130 Thackeray Avenue
Pittsburgh, PA 15260
ATTN: Director

To Company:

- 10) If Company fails to perform any of its obligations hereunder, University shall have the right to terminate this Option Agreement upon thirty (30) days written notice. If Company has not corrected its non-performance within such thirty (30) days, this Option Agreement is terminated and University shall have no further obligation to Company with respect to the Patent Rights. The obligation of Sections 5 and 6 shall survive the termination of this Option Agreement and University shall have no obligation to prorate or reimburse Company for any amounts paid by Company or remaining due to the University under this Option Agreement.
- 11) The balance of any payments pursuant to this Option Agreement which are overdue shall bear interest, compounded monthly, calculated from the due date until payment is received at the rate of eight percent (8%) per annum. Payment of such interest by Company shall not negate or waive the right of University to seek any other remedy, legal or equitable, to which it may be entitled because of the delinquency of any payment, including, but not limited to, recovering legal and collection fees and termination of this Option Agreement as set forth in Paragraph 10 of this Option Agreement. Any cash payments made to the University by wire transfer shall be directed as follows

Bank: Mellon Bank, NA, Pittsburgh, PA
ABA Routing No.: 043000261-University of Pittsburgh
Account No.: 0015510
Mellon SWIFT Code: MELNUS3P (international transfers)
Reference Code: Innovation Institute, Account -
ljpribe@innovation.pitt.edu - (412) 648-2241

The Company shall be responsible for all applicable fees and costs relating to any wire transfer (including, but not limited to, any applicable wire transfer, transaction, and/or foreign translation fees), without any deduction of such fees from amounts due to the University pursuant to this Option Agreement.

- 12) Nothing contained in this Option Agreement shall be construed as conferring upon either party any right to use in advertising, publicity or other promotional activities any name, trade name, trademark, or other designation of the other party, including any contraction, abbreviation, or simulation of any of the foregoing. Without the express written approval of the other party, neither party shall use any designation of the other party in any promotional activity associated

with this Option Agreement. Neither party shall issue any press release or make any public statement in regard to this Option Agreement without the prior written approval of the other party.

- 13) This Option Agreement shall be construed and the rights of the parties determined by the laws of the Commonwealth of Pennsylvania and the forum for any action relating hereto, including those brought against individuals such as University employees and/or agents, shall be the Courts of Allegheny County, Pennsylvania, or, if in a federal proceeding, in the United States District Courts for the Western District of Pennsylvania.
- 14) The parties acknowledge that they consulted, or had the opportunity to investigate and/or consult, with their legal counsel and/or other advisors with respect to the Patent Rights and the terms of this Option Agreement.
- 15) Company agrees that with respect to the performance of this Option Agreement or the practice of the rights granted by the University hereunder, it shall comply with any and all applicable United States export control laws and regulations, as well as any and all embargoes and/or other restrictions imposed by the Treasury Department's Office of Foreign Asset Controls.
- 16) The parties acknowledge that this Option Agreement sets forth the entire understanding and intentions of the parties hereto as to the subject matter hereof and supersedes all previous representations, negotiations, or understandings between the parties and/or its employees or agents, whether written or oral, regarding the subject matter of this Option Agreement. No subsequent modification hereof shall be made except in a writing executed by University and Company.

[The remainder of this page is left intentionally blank.]

IN WITNESS WHEREOF, the parties represent and warrant that each has the authority to bind the Party to this Option Agreement and have executed this Option Agreement on the date set forth in the first paragraph hereof.

UNIVERSITY OF PITTSBURGH – OF
THE COMMONWEALTH SYSTEM OF
HIGHER EDUCATION

By: _____
Evan Facher, Ph.D., MBA
Interim Director
University of Pittsburgh Innovation Institute

(COMPANY)

By: _____
Name:
Title:

Sample

