

PRELIMINARY DRAFT - For consideration and discussion only. This draft has NOT received final approval of necessary Executives or the Office of General Counsel.

**OPTION AGREEMENT BETWEEN
THE UNIVERSITY OF TEXAS SYSTEM
AND**

This Option Agreement (the AGREEMENT) is made between the Board of Regents (BOARD) of the University of Texas System (SYSTEM), an agency of the State of Texas, whose address is 201 West 7th Street, Austin, Texas 78701, on behalf of The University of Texas Southwestern Medical Center at Dallas (UT SOUTHWESTERN), a component institution of SYSTEM, and _____ (OPTIONEE), a _____ corporation, with its principal place of business at (address)_____.

RECITALS

- A. BOARD owns certain PATENT RIGHTS (as defined below) and TECHNOLOGY RIGHTS (as defined below) which were developed at UT SOUTHWESTERN.
- B. BOARD desires to have PATENT RIGHTS and TECHNOLOGY RIGHTS developed and used for the benefit of OPTIONEE, the BOARD, INVENTOR (as defined below), and the public as outlined in BOARD'S Intellectual Property Policy.
- C. OPTIONEE wishes to obtain an option to negotiate and acquire a license from BOARD to practice PATENT RIGHTS and TECHNOLOGY RIGHTS and sell and distribute products derived therefrom.

NOW THEREFORE, in consideration of the mutual covenants and premises herein contained, the parties agree as follows:

1. EFFECTIVE DATE AND OPTION PERIOD

This AGREEMENT is effective _____ (EFFECTIVE DATE) for a period of ___ months (the OPTION PERIOD).

2. DEFINITIONS

- 2.1 **FIELD** means _____.
- 2.2 **INVENTOR** means _____.
- 2.3 **LICENSED PRODUCT** means any product which cannot be developed, manufactured, used or sold without utilizing PATENT RIGHTS or TECHNOLOGY RIGHTS.
- 2.4 **LICENSED SUBJECT MATTER** means inventions, discoveries and processes covered by PATENT RIGHTS or TECHNOLOGY RIGHTS.
- 2.5 **PATENT RIGHTS** mean BOARD'S rights in information or discoveries covered by U.S. Patent # _____, issued _____ (UT SOUTHWESTERN file reference number _____), and U.S. Patent # _____, issued _____ (UT SOUTHWESTERN file reference number _____); all corresponding foreign patent applications; and all re-examinations or extensions thereof.

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2.6 **TECHNOLOGY RIGHTS** mean BOARD'S rights in any technical information, know-how, processes, procedures, compositions, methods, formulae, protocols, techniques or data developed by INVENTOR at UT SOUTHWESTERN prior to the EFFECTIVE DATE relating to _____ which are not covered by PATENT RIGHTS, but which are necessary for practicing the invention covered by PATENT RIGHTS.

3. WARRANTIES

3.1 Except for the rights, if any of the government of the United States (GOVERNMENT), as set forth below, BOARD hereby represents that it has the full right and power to enter into this AGREEMENT and to grant the exclusive option set forth in this AGREEMENT. BOARD makes no other warranties concerning its rights covered by this AGREEMENT. BOARD makes no expressed or implied warranty of merchantability or fitness for a particular purpose as to any LICENSED PRODUCT. BOARD makes no warranty or representation as to the validity or scope of the PATENT RIGHTS or that any LICENSED PRODUCT will be free from an infringement of patents of third parties, or that no third parties are in any way infringing PATENT RIGHTS.

3.2 OPTIONEE understands that the PATENT RIGHTS and TECHNOLOGY RIGHTS may have been developed under a funding agreement with the GOVERNMENT and, if so, that the GOVERNMENT may have certain rights relative thereto. This AGREEMENT is explicitly made subject to the GOVERNMENT'S rights under any such agreement and any applicable law or regulation. To the extent that there is a conflict between any such agreement, applicable law or regulation and this AGREEMENT, the terms of such GOVERNMENT agreement, applicable law or regulation will prevail.

4. OPTION FOR EXCLUSIVE LICENSE

4.1 BOARD hereby grants OPTIONEE an exclusive option to acquire an exclusive, worldwide license to practice PATENT RIGHTS and TECHNOLOGY RIGHTS under terms set forth in the License Agreement attached as Attachment A.

4.2 OPTIONEE may exercise its option at any time during the OPTION PERIOD by delivering to UT SOUTHWESTERN three executed copies of the License Agreement in Attachment A.

OR

4.1 Subject to the terms of this AGREEMENT, BOARD hereby grants OPTIONEE an exclusive option to negotiate an exclusive, worldwide license under the LICENSED SUBJECT MATTER to make, have made, sell or use LICENSED PRODUCTS for use within FIELD.

4.2 OPTIONEE may exercise its option at any time during the OPTION PERIOD by notifying BOARD and UT SOUTHWESTERN in writing of its intent to exercise this option.

4.3 If OPTIONEE exercises its option, BOARD and UT SOUTHWESTERN agree to diligently negotiate an exclusive, worldwide license, to make, have made, use or sell LICENSED PRODUCTS incorporating or based upon LICENSED SUBJECT MATTER for use within FIELD. Such license shall include reasonable and customary economic terms (i.e., royalties and/or other payments) as the parties shall mutually agree upon. In the event that the parties are unable to successfully negotiate an exclusive license agreement after 90 days, either party may supply the other with written notice to terminate license negotiations. If license negotiations are terminated, this AGREEMENT will also be terminated as set forth in Section 5.3

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4.4 BOARD reserves the right to use PATENT RIGHTS and TECHNOLOGY RIGHTS for research, teaching and other educationally related purposes.

5. TERMINATION

5.1 OPTIONEE may terminate this AGREEMENT by giving 30 days written notice to UT SOUTHWESTERN.

5.2 UT SOUTHWESTERN may terminate this AGREEMENT upon 30 days written notice to OPTIONEE if OPTIONEE breaches or defaults on its payments obligations under Article 6 herein or on its payment obligations (including, but not limited to, payment of patent expenses) as set forth in any related agreement between OPTIONEE and UT SOUTHWESTERN covering PATENT RIGHTS and/or TECHNOLOGY RIGHTS, unless, before the end of the 30 day period, OPTIONEE has cured the breach or default to the satisfaction of UT SOUTHWESTERN and so notifies UT SOUTHWESTERN in writing, stating the manner of the cure.

5.3 This AGREEMENT will automatically terminate if the parties are unsuccessful in negotiating the terms of a license agreement as set forth in Section 4.3. [DELETE IF NO SECTION 4.3]

5.4 If this AGREEMENT is terminated for any cause:

- a. nothing herein will be construed to release either party of any obligation matures prior to the effective date of the termination; and
- b. OPTIONEE will continue to be bound by the provisions of Articles 7 (Confidential Information), 8 (Indemnification) and Section 9.5 (Use of Name).

6. PAYMENT

6.1 In consideration for the option granted herein, OPTIONEE agrees to pay BOARD \$ _____ within 30 days after the EFFECTIVE DATE.

6.2 OPTIONEE further agrees to pay all expenses for searching, preparing, filing, prosecuting and maintaining PATENT RIGHTS during the OPTION PERIOD.

6.3 All payments under this AGREEMENT are to be paid in U.S. dollars, checks payable to the order of UT SOUTHWESTERN and mailed to:

UT Southwestern Medical Center at Dallas
Office for Technology Development
5323 Harry Hines Blvd.
Dallas, Texas 75390-9094
ATTENTION: Director for Technology Development

7. CONFIDENTIAL INFORMATION

7.1 As soon as possible following the execution of this AGREEMENT, UT SOUTHWESTERN, through INVENTOR, will disclose all relevant CONFIDENTIAL INFORMATION (as defined below), other information, and data relating to PATENT RIGHTS and TECHNOLOGY RIGHTS, to enable

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OPTIONEE to evaluate the potential commercial significance of the PATENT RIGHTS and TECHNOLOGY RIGHTS.

7.2 In addition to the initial disclosure described in Section 7.1, the parties may disclose other CONFIDENTIAL INFORMATION to each other, from time to time, in connection with work contemplated under this AGREEMENT. All such information disclosed during the OPTION PERIOD will be referred to as CONFIDENTIAL INFORMATION. Each party will use reasonable efforts to prevent the disclosure of any of the other party's CONFIDENTIAL INFORMATION to third parties for a period of 3 years from receipt thereof, provided that the recipient party's obligation will not apply to information that:

- a. was in the public domain at the time of disclosure;
- b. later became part of the public domain through no act or omission of the recipient party, its employees, agents, successors or assigns;
- c. was lawfully disclosed to the recipient party by a third party having the right to disclose it;
- d. was already known by the recipient party at the time of disclosure;
- e. was independently developed by the recipient; or
- f. is required by law or regulation to be disclosed, provided however, that the disclosing party shall first give the other party written notice and adequate opportunity to object to such order for disclosure or to request confidential treatment.

7.3 Information shall not be deemed to be available to the public or to be in the recipient's possession merely because it:

- a. includes information that falls within an area of general knowledge available to the public or to the recipient (i.e., it does not include the specific information provided by the other party); or
- b. can be reconstructed in hindsight from a combination of information from multiple sources that are available to the public or to the recipient, if not one of those sources actually taught or suggested the entire combination, together with its meaning and importance.

8. INDEMNIFICATION

OPTIONEE agrees to hold harmless and indemnify BOARD, INVENTOR, SYSTEM, UT SOUTHWESTERN, its Regents, officers, employees and agents from and against any claims, demands, or causes of action whatsoever, including without limitation those arising on account of any injury or death of persons or damage to property caused by, or arising out of, or resulting from, the exercise or practice of the option granted hereunder by OPTIONEE, its officers, employees, agents or representatives.

9. GENERAL PROVISIONS

9.1 This AGREEMENT may not be assigned by OPTIONEE without the prior written consent of BOARD, which consent may not unreasonably be withheld. However, OPTIONEE may assign any and

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all of the rights granted to it pursuant to this AGREEMENT to a successor of all or substantially all of its business to which this AGREEMENT relates without the approval from or prior notice to BOARD.

9.2 This AGREEMENT constitutes the entire and only agreement between the parties relating to an option to acquire a license, and all prior negotiations, representations, agreements and understandings are superseded hereby. No agreements altering or supplementing the terms hereof may be made except by written mutual agreement by the parties.

9.3 It is expressly agreed that BOARD and OPTIONEE shall be independent contractors and that the relationship between the two parties shall not constitute a partnership, joint venture or agency of any kind. Neither party shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other party, without the prior written consent of the other party.

9.4 If any provision of this AGREEMENT is ultimately held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

9.5 OPTIONEE may not use the name of UT SOUTHWESTERN, SYSTEM, INVENTOR or BOARD without express written consent from UT SOUTHWESTERN and/or SYSTEM.

9.6 Any delay in enforcing a party's right under this AGREEMENT or any waiver as to a particular default or other matter will not constitute a waiver of such party's rights to the future enforcement of its rights under this AGREEMENT, except only as to an express written and signed waiver to a specific matter for a specific period of time.

9.7 Any notice required by this AGREEMENT will be given by facsimile transmission confirmed by personal delivery (including delivery by reputable messenger services such as Federal Express) or by prepaid, first class, certified mail, return receipt requested, addressed in the case of BOARD and UT SOUTHWESTERN to:

UT Southwestern Medical Center at Dallas
Office for Technology Development
5323 Harry Hines Boulevard
Dallas, Texas 75390-9094
ATTENTION: Ray Wheatley, M.S.
Phone: (214) 648-1888
Fax: (214) 648-1889

with copies to:

Board of Regents
The University of Texas System
201 West 7th Street
Austin, Texas 78701
ATTENTION: Office of General Counsel
Phone: (512) 499-4462
Fax: (512) 499-4523

or in the case of OPTIONEE to:

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ATTENTION: _____
Phone: _____
Fax: _____

or at such other addresses as may be given from time to time in accordance with the terms of this notice provision.

9.8 This AGREEMENT will be governed by, construed, and enforced in accordance with the internal laws of the State of Texas.

IN WITNESS WHEREOF, the parties have caused this AGREEMENT to be executed by their duly authorized representatives.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

OPTIONEE

By _____
John A. Roan
Executive Vice President for Business Affairs
UT Southwestern Medical Center at Dallas

By _____
Name:
Title:

Date _____

Date _____

Approved as to Form:

By _____
BethLynn Maxwell, Ph.D., J.D.
Office of General Counsel
UT System

Date _____

Approved as to Content:

By _____
Dennis K. Stone, M.D.
Vice President for Technology Development
UT Southwestern Medical Center at Dallas

Date _____

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ATTACHMENT A

LICENSE AGREEMENT

[THIS ATTACHMENT MAY BE DELETED DEPENDING ON WHICH SECTION 4.1 IS USED]