

SMALL BUSINESS TECHNOLOGY TRANSFER (STTR) PROGRAM

ALLOCATION OF RIGHTS AGREEMENT

This Agreement between [award recipient], a small business concern organized as a corporation under the laws of the State of _____ and having a principal place of business at _____ (hereinafter referred to as "COMPANY") and VILLANOVA UNIVERSITY with offices at 800 Lancaster Avenue, Villanova, PA 19085, an educational nonprofit research (hereinafter referred to as "UNIVERSITY"), is entered into for the purpose of establishing an allocation between the parties of intellectual property rights relating to a proposed STTR project to be carried out by COMPANY and UNIVERSITY (hereinafter referred to as the "PARTIES") if an STTR funding agreement is awarded by _____ (Federal Agency) to COMPANY to fund a proposal entitled "_____ " submitted to the Federal Agency by COMPANY on or about _____.

Article 1 - Applicability of this Allocation of Rights Agreement

- A. This Allocation of Right Agreement shall become effective only if the Federal Agency awards an STTR funding agreement to COMPANY and COMPANY and UNIVERSITY enter into a funding agreement for the portion of the above referenced proposal that is to be conducted by UNIVERSITY.
- B. The provisions of this Allocation of Rights Agreement shall apply to any and all consultants, subcontractors, independent contractors, or other individuals employed by COMPANY or UNIVERSITY for the purposes of this STTR project.

Article 2 - Background Intellectual Property

It is possible that one or both Parties may possess rights in background intellectual property, that is, intellectual property not otherwise subject to this Allocation of Rights Agreement, which would be useful or essential to the practice or commercialization of the results of this Allocation of Rights Agreement. For example, the UNIVERSITY might own a patent, which would be infringed by COMPANY when it attempted to commercialize the results of this Allocation of Rights Agreement unless a license was obtained from the UNIVERSITY. Where the Parties determine that background technology may exist, consideration should be given to negotiating license rights which will allow the practice and commercialization of the results of this Allocation of Rights Agreement.

Article 3 - Project Intellectual Property

- A. "Project Intellectual Property" means the legal rights relating to inventions (including Subject Inventions as defined in 37 CFR 401), patent applications, patents, copyrights, trademarks, mask works, trade secrets, and any other legally protectable information, including computer software, first made or generated during the performance of the STTR Project to which this Allocation of Rights Agreement relates ("STTR Project").
- B. The rights of the Parties to subject inventions made by their employees in the performance of the STTR Project shall be as set forth in the Patent rights clause of 37 CFR 401.14. The Federal Agency may obtain title to any subject invention not elected by

a party as set forth in the Patent rights clause.

Unless otherwise agreed in writing, Project Intellectual Property shall be owned by the party whose employees make or generate the Project Intellectual Property. Jointly made or generated Project Intellectual Property shall be jointly owned by the Parties unless otherwise agreed in writing. UNIVERSITY shall have the first option to perfect the rights in jointly made or generated Project Intellectual Property unless otherwise agreed in writing.

In addition to the Government's rights under the Patent rights clause of 37 CFR 401.14, the Parties agree that the Government shall have an irrevocable, royalty free, nonexclusive license for any Governmental purpose in any Project Intellectual Property.

- C. The Parties agree to disclose to each other, in writing, each and every Subject Invention, which may be patentable or otherwise protectable under the United States patent laws in Title 35, United States Code. The Parties acknowledge that they will disclose Subject Inventions to each other within two (2) months after their respective inventor(s) first disclose the invention in writing to the person(s) responsible for patent matters of the disclosing Party. All written disclosures of such inventions shall contain sufficient detail of the invention, identification of any statutory bars, and shall be marked confidential, in accordance with 35 U.S.C. Section 205. Disclosures to the Federal Agency shall be within the time provided in paragraph (c)(1) of the Patent rights clause of 37 CFR 401.14.
- D. Each party hereto may use Project Intellectual Property of the other nonexclusively and without compensation in connection with research or development activities for this STTR project, including inclusion in STTR project reports to the Federal Agency and proposals to the Federal Agency for continued funding of this STTR project through additional phases.
- E. COMPANY will have an option to commercialize the Project Intellectual Property of UNIVERSITY, subject to any rights of the Government therein. The following terms apply unless other provisions are negotiated:
 - (1) Where Project Intellectual Property of UNIVERSITY is a potentially patentable invention, COMPANY will have an option for either an exclusive or non-exclusive license (at COMPANY's choosing) to such invention, for an initial option period of two (2) months after such invention has been reported to COMPANY. COMPANY may, at its election and subject to the patent expense reimbursement provisions of this section, extend such option for an additional six (6) months by giving written notice of such election to UNIVERSITY prior to the expiration of the initial option period. During the period of such option following notice by COMPANY of election to extend, UNIVERSITY will pursue and maintain any patent protection for the invention requested in writing by COMPANY and, except with the written consent of COMPANY or upon the failure of COMPANY to reimburse patenting expenses as required under this section, will not voluntarily discontinue the pursuit and maintenance of any United States patent protection for the invention initiated by UNIVERSITY or of any patent protection requested by COMPANY.

- (2) For any invention for which COMPANY gives notice of its election to extend the option, COMPANY will, within thirty (30) days after invoice, reimburse UNIVERSITY for the expenses incurred by UNIVERSITY prior to expiration or termination of the option period in pursuing and maintaining (i) any United States patent protection initiated by UNIVERSITY and (ii) any patent protection requested by COMPANY. COMPANY may terminate such option at will by giving written notice to UNIVERSITY in which case further accrual of reimbursable patenting expenses hereunder, other than prior commitments not practically revocable, will cease upon UNIVERSITY's receipt of such notice.
- (3) At any time prior to the expiration or termination of an option, COMPANY may exercise such option by giving written notice to UNIVERSITY whereupon the Parties will promptly and in good faith enter into negotiations for an exclusive or non-exclusive license (at COMPANY's choosing) under UNIVERSITY's patent rights in the invention for COMPANY to make, use and/or sell products and/or services that embody, or the development, manufacture and/or use of which involves employment of, the invention. The terms of such license will include:
 - (i) payment of reasonable royalties to UNIVERSITY on sales of products or services which embody, or the development, manufacture or use of which involves employment of, the invention;
 - (ii) reimbursement by COMPANY of expenses incurred in seeking and maintaining patent protection for the invention in countries covered by the license (reimbursement will be negotiated between the parties in good faith within two years of termination of the funding agreement for the STTR Project); and
 - (iii) in the case of an exclusive license, reasonable commercialization milestones and/or minimum royalties.
- (4) Where Project Intellectual Property of UNIVERSITY is other than a potentially patentable invention, COMPANY will have an option for an exclusive license to such inventor for an option period extending until four (4) months following completion of UNIVERSITY's performance of that phase of this STTR project in which such Project Intellectual Property of UNIVERSITY was developed by UNIVERSITY. COMPANY may exercise such option by giving written notice to UNIVERSITY, whereupon the parties will promptly and in good faith enter into negotiations for an appropriate license under UNIVERSITY 's interest in the subject matter for COMPANY to make, use and/or sell products or services which embody, or the development, manufacture and/or use of which involve employment of, such Project Intellectual Property of UNIVERSITY. The terms of such license will include: (i) payment of reasonable royalties to UNIVERSITY on sale of products or services that embody, or the development, manufacture or use of which involves employment of, the Project Intellectual Property of UNIVERSITY and, in the case of an exclusive license; (ii) reasonable commercialization milestones and/or minimum royalties.
- (5) Where more than one royalty might otherwise be due in respect of any unit of product

or service under a license pursuant to this Allocation of Rights Agreement, the parties shall in good faith negotiate to ameliorate any effect thereof that would threaten the commercial viability of the affected products or services by providing in such license(s) for a reasonable discount or cap on total royalties due in respect of any such unit.

Article 4- Follow-on Research or Development

All follow-on work, including any licenses, contracts, subcontracts, sublicenses or arrangements of any type, shall contain appropriate provisions to implement the Project Intellectual Property rights provisions of this Allocation of Rights Agreement and insure that the Parties and the Government obtain and retain such rights granted herein in all future resulting research, development, or commercialization work.

IN WITNESS WHEREOF, the parties hereto have caused this Allocation of Rights Agreement to be executed by their duly authorized representatives as of the day, month, and year as of the last signature below.

COMPANY	VILLANOVA UNIVERSITY
By:	By:
Name:	Name:
Title:	Title:
Date:	Date: