

# MODEL AGREEMENT – NOT FOR EXECUTION

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## OPTION AGREEMENT

This option agreement (the "Agreement") is made by and is effective as of the date of last signature ("Effective Date") by **Name of Contractor** ("**Abbreviated name of the Contractor**" or "Lab"), which operates **Name of National Laboratory** at **Address of the Lab** (hereinafter "**Abbreviated name of the Laboratory**") under Contract No. ##### with the United States Department of Energy ("DOE") and **Name of Company** ("**Abbreviated name of the Company**" or "Company"), having a principal place of business at **Address of the Company**.

### 1. BACKGROUND

- 1.1. Lab owns certain U.S. patent properties related to describe the technology.
- 1.2. Lab has the right to grant options and licenses to practice the technology covered by those patent properties and wishes to deploy that technology for commercial development in the public interest.
- 1.3. Company is a "small business concern" as defined at Section 2 of Public Law 85-536 (15 U.S.C.632) and the implementing regulations of the Small Business Administration.
- 1.4. Company is interested in exploring commercial development of those patent properties and therefore wishes to obtain an option upon the terms and conditions set forth below to negotiate an exclusive field-of-use license under those patent rights.

Therefore, the parties agree as follows:

### 2. DEFINITIONS

- 2.1. "Patent Rights" means:
  - 2.1.1. U.S. Patent No. \_\_\_\_\_;
  - 2.1.2. U.S. Patent Application Serial No. \_\_\_\_\_;
  - 2.1.3. [corresponding existing foreign patent applications or patents] and
  - 2.1.4. with respect to paragraphs 2.1.1-2.1.3, any continuations, continuations-in-part (excluding new matter contained and claimed in those continuations-in-part), or divisionals; [any corresponding foreign patent applications for which Company has met the requirements of paragraph 4.2]; and any patents or reissue of patents that issue therefrom.

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- 2.2. “Licensed Product” means any product, service or process whose manufacture, use, practice, sale, offer for sale, or importation would constitute an infringement of Patent Rights without a license from Lab.
- 2.3. “Option Period” means (a) six months from the Effective Date of this Agreement or (b) twelve months from the Effective Date if the option is extended under paragraph 3.5.
- 2.4. “Field-Of-Use” means the \_\_\_\_\_.
- 2.5. “Commercialization Plan” means a reasonably detailed document describing the general market and business opportunity the Company expects to address using the Patent Rights; a set of product development and commercialization milestones; and the associated financial and personnel requirements to achieve those milestones.

### 3. OPTION

- 3.1. Lab grants to Company for the Option Period the first option to obtain an exclusive license under the Patent Rights solely within the Field of Use (the "Option").
- 3.2. [Include as appropriate: Lab grants to Company, the right during the Option Period to practice the Patent Rights solely for [Insert evaluation or R&D activities to be undertaken by the Company during the Option Period](#) in the Field-Of-Use.]
- 3.3. As partial consideration for the Option, Company shall pay to Lab a non-refundable fee of U.S. \$1,000 within 15 days of the Effective Date.
- 3.4. Company may exercise the Option to negotiate an exclusive license to make, have made, use, sell, lease and import Licensed Products in the Field of Use at any time within the Option Period by providing Lab (a) written notice of its election; (b) a Commercialization Plan (if not yet provided) that is acceptable to Lab within its reasonable discretion; and (c) documentation that Company has met the evaluation or development milestones identified in Appendix A.
- 3.5. Company may make a written request for an extension within six months from the Effective Date and shall provide a Commercialization Plan [\[and documentation of any required evaluation or development milestone\]](#) prior to or together with its request. If the Commercialization Plan is acceptable to Lab within its reasonable discretion, Lab shall provide written notice to Company with 15 business days that the Option Period is extended an additional six months (i.e., for a total of twelve months from the Effective Date). The extension of the Option Period shall be without additional charge. No further extensions shall be available under this Agreement.

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- 3.6. If the Option Period expires without Company exercising its Option, or, if Company notifies Lab in writing that it does not desire to exercise the Option, then Company shall provide Lab a summary of the results of Company's evaluation of the technology of the Patent Rights and Company's reason for not exercising its Option. Thereafter, neither Lab nor Company shall have any further obligation whatsoever to each other regarding the subject matter of this Agreement.

### 4. PATENT COSTS

- 4.1. During the Option Period, Lab shall bear the usual and customary cost of prosecuting and maintaining the U.S. patents and patent applications within Patent Rights. Notwithstanding the foregoing, if Patent Rights are subject to extraordinary costs, such as for a patent interference, patent appeal, or patent-related litigation, Lab shall provide notice to Company of the nature of those extraordinary costs. Company shall have 15 business days to provide notice to Lab that it is willing to bear the expense of those extraordinary costs during the Option Period. If Company does not provide such notice, Lab may decline to continue bearing such costs, even if such Lab action or inaction results in the loss of Patent Rights.
- 4.2. [\[Insert paragraphs 4.2 to 4.5 if foreign rights are available during the Option Term or existing foreign rights are included in Patent Rights\]](#): Subject to the terms and conditions of this section, during the Option Period, Company may request that Lab seek non-U.S. patent protection for the Patent Rights in specific jurisdiction(s). Lab agrees to file and prosecute such patent applications, as available. Lab will hold those patents in its name and obtain them using counsel of its choice. Lab has no obligation to take action to file such foreign patent applications unless Company makes a written request no less than six weeks prior to any applicable bar date for filing such patent application; the absence of the required notice from Company to Lab acts as an election not to include those foreign patent rights in Patent Rights.
- 4.3. Company shall underwrite Lab's expenses during the Option Period for preparing, filing, prosecuting and maintaining all patent applications it requests under paragraph 4.2 [or other foreign Patent Rights that are included in paragraph 2.1.3] as follows: [\[insert Lab's standard language for reimbursement or escrow of prepayments\]](#). Furthermore, Company shall underwrite all Lab's expenses for any nullification, cancellation, or opposition and of annuities and fees of all such resulting patents covered by this Agreement, as follows: [\[insert Lab's standard language for reimbursement or escrow of prepayments\]](#). Company may terminate its obligation to underwrite such costs for specified patent applications by providing Lab 60 day's written notice, and such specified patent applications shall no longer be considered part of Patent Rights.

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- 4.4. Lab may file patent applications at its own expense in any country where Company has not requested Lab to do so. Those applications and resultant patents shall not be subject to this Agreement.
- 4.5. Lab shall timely provide Company with copies of all relevant documentation, upon Company's request, so that Company is informed of the continuing prosecution of any patent applications Lab files at Company's request. Company shall keep this documentation confidential.
- 4.6. Lab shall use all reasonable efforts to amend any patent application to include claims reasonably requested by Company to protect the products contemplated to be sold, and methods used in preparing such products, under a resulting license agreement.]

### 5. LICENSE TO BE NEGOTIATED

- 5.1. If Company elects to exercise the Option, the parties within two weeks shall start negotiating in good faith a license agreement under the Patent Rights. Lab may initiate those negotiations by providing Company either a terms sheet for the license agreement or a draft license agreement. The parties shall then continue good faith negotiations to arrive at mutually acceptable and reasonable terms for that license, such as: an equity position, an initial license fee, a royalty rate based upon sales, a commercialization and technical milestone schedule, annual minimum royalties, previous patent cost reimbursements, retained rights for noncommercial research and educational purposes and other standard license terms of Lab. That license shall also be subject to (a) Department of Energy nonexclusive, nontransferable, irrevocable, paid-up, worldwide licenses to practice or have practiced for or on behalf of the U.S. Government; (b) certain federal government march-in rights in accordance with 48 CFR 27.304-1(g); and (c) the requirement to substantially manufacture Licensed Products in the U.S. when manufacturing for the U.S. market. If the parties have not executed the license agreement within 120 days after Company elects to exercise the Option, or such later time as the parties mutually agree in writing, all rights of Company and obligations of Lab under this Agreement shall terminate.

### 6. CONFIDENTIALITY

- 6.1. Any disclosure made under this Agreement by either party of proprietary information (a disclosing party) to the other party (a receiving party) shall not be disclosed to a third party without express written permission of the disclosing party, except that Lab shall have the right to disclose to the DOE or the designee thereof, as required under the Prime Contract between Lab and DOE. Proprietary Information shall be protected against further disclosure by DOE employees under 18 USC 1905.
- 6.2. Obligations of confidentiality shall not apply to information:

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- 6.2.1. that the receiving party can demonstrate by written records was previously known to it;
  - 6.2.2. is now, or becomes in the future, public knowledge other than through acts or omission of the receiving party;
  - 6.2.3. that the receiving party obtains in good faith from a third party, unless receiving party knows or reasonably should have known that the third party was then subject to confidentiality obligations to the disclosing party;
  - 6.2.4. that is required to be disclosed by law; or
  - 6.2.5. that the receiving party develops independently, for which the receiving party can demonstrate by written records that independent development occurred without knowledge or use of the disclosing party's confidential information.
- 6.3. Company shall not provide proprietary information to Lab that would require an export license to legally export outside of the U.S. without making prior written arrangements with the Lab.

**[Note: If the parties have entered into a Non-Disclosure Agreement and/or Material Transfer Agreement that covers the subject matter of this Agreement, revise this clause to incorporate the NDA and MTA by reference.]**

### 7. ADVERTISING

- 7.1. Neither party has any right to use any name, trade name, trademark, or other designation of the other party (including any contraction, abbreviation, or simulation) in advertising, publicity, or other promotional activities. Unless required by law, or unless otherwise agreed in advance in writing by Lab, the use of the name "**Name of the Lab,**" or "**Name of the Contractor**" by Company is expressly prohibited.

### 8. LIMITED WARRANTY AND INDEMNIFICATION

- 8.1. THIS OPTION AND THE ASSOCIATED PATENT RIGHTS ARE WITHOUT WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR ANY OTHER WARRANTY, EXPRESS OR IMPLIED. LAB AND DOE MAKE NO REPRESENTATION OR WARRANTY THAT LICENSED PRODUCTS WILL NOT INFRINGE ANY PATENT OR OTHER PROPRIETARY RIGHT. IN NO EVENT WILL LAB OR DOE BE LIABLE FOR ANY INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES RESULTING FROM EXERCISE OF THIS OPTION OR THE USE OF INVENTIONS AND TECHNOLOGY COVERED BY PATENT RIGHTS.

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- 8.2. Nothing in this Agreement will be construed as:
- 8.2.1. A warranty or representation by Lab as to the validity, enforceability, or scope of any Patent Rights or the ability of the Lab to obtain an issued patent on any patent application within Patent Rights, or any other warranty, either express or implied;
  - 8.2.2. A warranty or representation that anything made, used, or otherwise disposed of under any rights granted in the contemplated license agreement is or will be free from infringement of intellectual property of third parties;
  - 8.2.3. An obligation to bring or prosecute actions or suits against third parties for patent infringement;
  - 8.2.4. Conferring by implication, estoppel, or otherwise any rights under any patents of Lab other than Patent Rights as defined herein, regardless of whether such patents are dominant or subordinate to Patent Rights; or
  - 8.2.5. An obligation to furnish any know-how not provided in Patent Rights.
- 8.3. Company shall indemnify, hold harmless and defend Lab and the U.S. Government, and their officers, employees, and agents; the sponsors of the research that led to the Invention; and the inventors of the patents and patent applications optioned under this Agreement and their employers against all claims, suits, losses, damages, costs, fees, and expenses resulting from or arising out of exercise of this Option. Company shall pay all costs reasonably incurred by Lab in enforcing this indemnification, including reasonable attorney fees.

### 9. NOTICES

- 9.1. All formal notices from one party to the other provided for in this Agreement shall be delivered in person, by first-class certified mail, or by courier with verifiable date of delivery, to the recipient's address listed below, and shall be deemed to be given when such notice is delivered to the other party. Facsimile numbers and email addresses are given for purposes of convenience only, and are not acceptable means for delivery of formal notices between the parties.

For Lab:

(Contact name and title) \_\_\_\_\_

(Organization) \_\_\_\_\_

(Street Address) \_\_\_\_\_

(City, State, Zip code) \_\_\_\_\_

Telephone: \_\_\_\_\_

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Fax: \_\_\_\_\_

E-mail: \_\_\_\_\_

For Company:

(Contact name and title) \_\_\_\_\_

(Organization) \_\_\_\_\_

(Street Address) \_\_\_\_\_

(City, State, Zip code) \_\_\_\_\_

Telephone: \_\_\_\_\_

Fax: \_\_\_\_\_

E-mail: \_\_\_\_\_

### 10. MISCELLANEOUS

- 10.1. This Agreement may not be assigned, in whole or in part, by either party without the prior written consent of the other party, except that Lab may assign its rights under this Agreement to DOE or the successor contractor designated by DOE upon termination of Lab's contract to operate [Name of the National Laboratory](#).
- 10.2. This Agreement is not binding upon the parties until a duly authorized officer on behalf of each party signs it below.
- 10.3. This Agreement embodies the entire and final understanding of the parties on this subject. It supersedes any previous representations, agreements, or understandings, whether oral or written. No amendment or modification of this Agreement shall be valid or binding upon the parties unless made in writing and signed by an authorized officer of each party. This Agreement may be executed in counterparts, each of which is deemed an original, but all of which together constitute one and the same instrument.
- 10.4. This Agreement shall be governed by, and construed in accordance with, the laws of the United States and of the State of [Name of the State where the Lab is located](#).

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[LAB]

[COMPANY]

By : \_\_\_\_\_  
(Signature)

By : \_\_\_\_\_  
(Signature)

By : \_\_\_\_\_  
(Please Print)

By : \_\_\_\_\_  
(Please Print)

Title : \_\_\_\_\_

Title : \_\_\_\_\_

Date : \_\_\_\_\_

Date : \_\_\_\_\_

[INSERT APPENDIX A: DEVELOPMENT MILESTONES, IF APPLICABLE]