

This model document is the work product of a coalition of technology transfer professionals, university general counsel and outside counsel. This document is intended to serve as a starting point, and should be tailored to meet your specific requirements. This document should not be construed as legal advice for any particular facts or circumstances.

MODEL INTER-INSTITUTIONAL AGREEMENT (ANNOTATED)

This model document is the work product of a coalition of technology transfer professionals, university general counsel and outside counsel. This document is intended to serve as a starting point, and should be tailored to meet your specific requirements. This document should not be construed as legal advice for any particular facts or circumstances.

INTRODUCTION

The Model Inter-Institutional Agreement (Model IIA) was developed by a diverse group of U.S. research institutions to create a template as a common starting point for IIA negotiations. It is intended to supplement, not replace, the existing body of IIA templates, although some institutions may choose to use it as their standard template agreement.

The Model IIA has been endorsed by more than ___ research institutions. By endorsing the Model IIA, research institutions express their commitment to use the Model IIA as a starting point for negotiations of an Inter-Institutional Agreement for the management of jointly-owned patents if requested by another endorsing institution. For more information, see www.modeliia.org.

The footnotes in this annotated version of the Model IIA provide an explanation of many of the provisions, as well as suggestions for the customization of some provisions if desired by the parties. A version of the Model IIA without annotations is available at www.modeliia.org. To use the Model IIA, the parties only need to do the following:

- *complete the table at the beginning of the document with the identity of the parties and other transaction-specific terms (Part 1),*
- *customize the signature blocks at the end of Part 2, and*
- *include Exhibit A furnished by the non-lead institution (its requirements for a license agreement). Each institution using the Model IIA is encouraged to customize the sample Exhibit A provided or create its own Exhibit A to reflect its specific license agreement requirements and institutional policies.*

If the parties wish to customize any of the standard terms and conditions (Part 2), they are encouraged to indicate which sections have been changed in the “Changes in General Terms” section of Part 1 and exchange redlines to show the changes. The Model IIA only covers the joint management of patent rights. It does not encompass know how or technology rights, software, materials or other forms of intellectual property. The Model IIA requires customization to accommodate anything beyond patent rights.

The Model IIA can be used for any number of patent co-owners by adding additional co-owners as “Other Institutions” to the table in Part 1 and inserting signature blocks for the additional owners. When there are three or more co-owners, parties may wish to consider whether it would be appropriate for certain rights of the Other Institutions to be exercised by the Other Institutions in concert, and the parties should carefully consider the operational aspects of the designated consequences of a party withdrawing from paying its share of patent expenses (see Part 1 and Section 2.3).

The preparation and upkeep of the Model IIA is an open process managed by a task force of volunteers. Current members of the task force can be found at www.modeliia.org. New volunteers are always welcome.

Last updated October 21, 2015

INTER-INSTITUTIONAL AGREEMENT

This Inter-Institutional Agreement (“Agreement”) is made and entered into as of the Effective Date set forth below between the Lead Institution and Other Institution(s) identified below (together, the “Parties”). This Agreement consists of: Part 1 (“Transaction Terms”) which identifies the Parties, the patent rights subject to this Agreement, the economic arrangements between the Parties, and other transaction-specific terms; Part 2 (“General Terms”) which contains the general terms and conditions; and Exhibit A which includes terms to be included in any license of the patent rights subject to this Agreement.

The Parties hereby agree as follows:

Part 1 – Transaction Terms

Lead Institution <i>[Lead Institution name and address]</i> Attn: _____ [Email: _____] ¹	Other Institution(s) <i>[Other Institution name and address]</i> Attn: _____ [Email: _____]			
<i>Effective Date</i>	_____, 20__			
<i>Patent Rights</i>	<i>Internal Reference No.</i>	<i>Serial No./Date of Filing</i>	<i>Title</i>	<i>Inventors (including employer at time of invention)</i>
<i>Share of Net Consideration</i>	[Name of Lead Institution]: __%			
	[Name of Other Institution]: __%			
<i>Share of Patent Expenses</i>	[Name of Lead Institution]: __%			
	[Name of Other Institution]: __%			
<i>Patent Expense Notice Level²</i>	[Insert threshold (e.g., \$5,000/calendar year) to trigger advance notice requirement or state “None.” If Lead Institution is paying 100% of Patent Costs, state “Not applicable”]			
<i>Consequences of Withdrawal³</i>	[Select one of the following alternatives and delete the others. See §2.3] <ul style="list-style-type: none"> • Not applicable (Lead Party is paying 100% of Patent Expenses) • 2.3(a) Reduce Withdrawing Party’s Share of Net Consideration by __% • 2.3(a) Reduce Withdrawing Party’s Share of Net Consideration to 0% • 2.3(b) Other Party(ies) recover __ times the Covered Expenses • 2.3(c) Share only with Withdrawing Party’s Inventors • 2.3(d) Meet and Confer 			

¹ Note that the address listed in the Transaction Terms is used for notice under Section 7. If an email address is included, delivery to that email address will be considered valid notice and, accordingly, use of a permanent email address is recommended.

² See footnote 19.

³ See footnote 9.

<i>Past Patent Expenses</i>	[Name of Lead Institution]: \$ _____ [Name of Other Institution]: \$ _____
<i>Administration Fee⁴</i>	[Specify %, or state “None.” If there is a cap, specify here. If there are special conditions that trigger payment of the Administration Fee, such as paying foreign patent expenses or managing litigation, specify here.]
<i>Third-Party Interests</i>	[Identify specific existing licenses, sponsor rights or other encumbrances by institution and by patent right (if applicable), including U.S. federal funding with agency name(s) and grant numbers, or state “None”]
<i>Governing Law</i>	[Specify “State of _____” or other jurisdiction; or state “None” if the Parties wish to remain silent on choice of governing law.]
<i>Changes in General Terms</i>	[State “No changes” or identify the specific Sections that have been changed from the standard template]

Part 2 – General Terms

1. Definitions

The following capitalized terms have the meanings set forth below.

“Administration Fee”⁵ means the fee retained by Lead Institution as consideration for acting as lead under this Agreement. The amount of the Administration Fee, if any, is identified in the Transaction Terms and is calculated as a percentage of License Consideration after subtracting Patent Expenses reimbursed therefrom.⁶

“Covered Expenses” has the meaning given in Section 2.3.

“Extraordinary Patent Expenses” means Patent Expenses that are either (a) in excess of the Patent Expense Notice Level, if any, set forth in the Transaction Terms, or (b) incurred in the defense of a challenge made to the validity of Patent Rights, such as an *inter partes* review, interference or opposition proceeding.

“General Terms” has the meaning given in the first paragraph of this Agreement.

“License Agreement” means any agreement entered into by Lead Institution pursuant to the rights conferred by this Agreement granting Licensee the right to make, have made, import, use, offer to sell or sell products or services covered by Patent Rights, or any agreement granting an option for such a license.

⁴ See footnote 5.

⁵ There is significant divergence among research institutions’ common practices regarding assessing administrative fees by the Lead Institution. The Model IIA accommodates this divergence of practices by including a place to include an administrative fee if one is to be applied, but allowing for circumstances where there is none. If there is none, then the parties simply need to include the word “None” in the “Administration Fee” section in Part 1 and no further modification is required in the document. In cases where there is an Administration Fee, the Model IIA provides that it is calculated after gross revenues are reduced by unreimbursed patent expenses.

⁶ Some institutions calculate the Administration Fee before accounting for the reimbursement of patent expenses. For Lead Institutions that calculate it this way, adjustments need to be made in the language in the definition of Administration Fee and in Section 4.2(b) (by reversing the order so that the Administration Fee is paid first).

“License Consideration” means collectively all money and other items of value (excluding research grants), including up-front license fees (whether cash, equity, or other consideration), annual maintenance fees, patent expense reimbursements, milestone fees, minimum royalties, earned royalties, and other consideration received from a Licensee or its sub-licensees, or otherwise received on account of licensing or optioning the Patent Rights.⁷

“Licensee” means a third party granted an interest in the Patent Rights pursuant to a License Agreement with Lead Institution.

“Net Consideration” means the License Consideration less the Administration Fee and unreimbursed Patent Expenses paid by the Parties.

“Patent Expenses” means all reasonable, out-of-pocket expenses incurred relating to the preparation, filing, prosecution, maintenance or defense of Patent Rights, both past and future. For avoidance of doubt, the salaries and overhead costs of each Party’s technology transfer office or legal affairs office are not included as out-of-pocket expenses for purposes of calculating the Patent Expenses.

“Patent Rights” means worldwide rights to the inventions described and claimed in the patents and patent applications identified as Patent Rights in the Transaction Terms; reissues, reexaminations, renewals, extensions, divisionals, continuations (including continuations-in-part (CIPs) only to the extent that the claims in such CIPs are entitled to the priority date of, and fully supported by, another patent or application in the Patent Rights) of the foregoing; and any extensions of or supplementary protection certificates referencing any of the foregoing, foreign counterparts and any other forms of protection directed to the inventions covered by the patents and patent applications identified as Patent Rights in the Transaction Terms.

“Share of Net Consideration” means the respective percentage allocated to each Party of Net Consideration, as set forth in the Transaction Terms.

“Share of Patent Expenses” means the respective responsibility allocated to each Party for Patent Expenses, as set forth in the Transaction Terms.

“Third-Party Interests” means rights of licensees, research sponsors (including the U.S. government) or other third parties in the Patent Rights or in the proceeds of licensing the Patent Rights, other than inventors’ interest under the Parties’ intellectual property policies. The Third-Party Interests, if any, are identified in the Transaction Terms.

“Transaction Terms” has the meaning given in the first paragraph of this Agreement.

⁷ The Model IIA has purposefully not included recovery from a patent infringement lawsuit involving Patent Rights in the definition of License Consideration. If the lawsuit is brought by one of the institutions, then the institutions will need to agree upon the terms of that enforcement under Section 6, including allocation of costs and recoveries. If the lawsuit is brought by the licensee, then payments made by the licensee to the Lead Institution on account of the litigation recoveries would already fall within the existing definition of License Consideration.

“Withdrawing Party” means an Other Institution that either (a) notifies the other Party(ies) that it elects to not pay or to discontinue paying all or some portion of its future Share of Patent Expenses in accordance with Sections 2.2, 4.1(b) or 4.1(c), including declining to pay expenses in excess of the Patent Expense Notice Level set forth in the Transaction Terms, or (b) defaults in its obligation to pay its Share of Patent Expenses and does not cure such default within 30 days of written notice of the default.

2. Patent Prosecution and Protection

2.1 Authority to File Patents. The Lead Institution has the responsibility and authority to take all reasonable actions necessary and appropriate to seek patent protection for the Patent Rights in accordance with the terms of this Agreement. The Lead Institution may not delegate this authority to a Licensee, unless stated otherwise in Exhibit A or unless such delegation is approved by the Other Institution(s) for a particular Licensee (or deemed approved in accordance with Section 3.3). Although the Lead Institution will have the ultimate decision authority in these matters, the Lead Institution will use reasonable efforts to keep the Other Institution(s) reasonably informed as to all material patent prosecution actions and decisions, and the Lead Institution will give due consideration to any recommendations made by the Other Institution(s) concerning the patent prosecution. Lead Institution will provide, or direct outside patent counsel to provide, Other Institution(s) with all serial numbers and filing dates, together with copies of all applications in the Patent Rights and patents that issue from the Patent Rights, including copies of all office actions, responses and all other communications from the U.S. Patent and Trademark Office and the patent offices in any other jurisdictions.

2.2 Foreign Patent Prosecution. In instances where there is no commitment from a Licensee to reimburse Patent Expenses, Lead Institution will consult with the Other Institution(s) regarding foreign filings reasonably in advance of the filing deadline. If an Other Institution(s) is not willing to pay its Share of Patent Expenses for any such foreign filing, it will so notify the Lead Institution in writing in accordance with Section 4.1(c) and the consequences stated under Section 2.3 will apply if the Lead Institution elects to proceed with foreign filings.

2.3 Consequences of Other Institution Withdrawing from Paying or Defaulting on Payment of Patent Expenses.⁹ If an Other Institution becomes a Withdrawing Party, then the other Party(ies) may elect to either terminate this Agreement by providing 30 days’ prior written notice, or to pay the Withdrawing Party’s Share of Patent Expenses (the “Covered Expenses”). If the other Party(ies) elect to pay the Covered Expenses, the “Consequences of Withdrawal” indicated in the Transaction Terms will apply, subject to the following:

⁸ The Model IIA gives the Lead Institution sole control over patent prosecution, subject to the requirement to work with the Other Institutions to make decisions and to give due consideration to any recommendations by the Other Institutions. The Lead Institution also has authority to select patent counsel. If an Other Institution requires approval rights over selection of counsel or prosecution decisions, Section 2.1 should be amended accordingly.

⁹ There is a wide divergence of opinions on the appropriate consequences of an Other Institution withdrawing from paying, or defaulting in payment of, patent expenses. The Model IIA allows the parties to choose between several alternative approaches. A discussion of the pros and cons of different approaches, as well as operational and other issues resulting from the different approaches, can be found at www.modeliaa.org.

(a) If the Transaction Terms indicate a reduction in the Withdrawing Party's Share of Net Consideration, that reduction will only be applicable to Net Consideration reasonably attributable to the Patent Rights for which the other Party(ies) are paying Covered Expenses;

(b) If the Transaction Terms indicate a recovery of a multiple of the Covered Expenses, the Party(ies) paying the Covered Expenses will be entitled to recover that amount from the first of any License Consideration reasonably attributable to Patent Rights for which the other Party(ies) are paying Covered Expenses;

(c) If the Transaction Terms indicate "Share only with Withdrawing Party's Inventors," then the Withdrawing Party's Share of Net Consideration for any Net Consideration reasonably attributable to the Patent Rights for which the other Party(ies) are paying Covered Expenses will be reduced to zero, but the paying Party will pay the Withdrawing Party's inventors a share of such Net Consideration in accordance with the paying Party's policy;

(d) If the Transaction Terms indicate "Meet and Confer," then the Parties will confer and negotiate in good faith a fair accommodation to the other Party(ies) for the additional cost and risk, if any, assumed by paying the Covered Expenses; and

(e) Nothing in this Section 2.3 will eliminate the right of a Withdrawing Party under Section 4.2(b) to reimbursement of Patent Expenses actually paid by the Withdrawing Party.

2.4 Abandonment of Patent Rights by Lead Institution. The Lead Institution will not abandon the prosecution of any patent application (except in favor of a continuation, divisional or continuation-in-part application) or the maintenance of any Patent Rights without notifying the Other Institution(s) in writing at least 90 days in advance of any applicable deadline and allowing the Other Institution(s) the opportunity to prosecute or maintain such Patent Rights at its sole expense in the name of Other Institution(s) and Lead Institution. If the Other Institution(s) wishes to continue prosecution of such Patent Rights, then the Parties will negotiate in good faith an appropriate arrangement to enable the Other Institution(s) to continue prosecution and commercialization of such Patent Rights, which may include the Parties entering into a new agreement that gives an Other Institution the lead in patent prosecution and licensing with appropriate adjustments in the economic arrangements between the Parties.¹⁰

¹⁰ Given the complexity of structuring a mechanism for changing Lead Institutions and the relative infrequency of a Lead Institution withdrawing from paying patent costs and the other parties wishing to continue, the Model IIA addresses the circumstances of a Lead Institution pulling out by requiring the parties to negotiate in good faith a resolution which enables the other institutions to continue prosecution and commercialization of such Patent Rights if they desire to do so. If the parties wish to structure the IIA to permit a change of Lead Institutions, Section 2.4 would need to be edited as appropriate and a specific provision addressing the change would need to be added. The following is a sample provision, which may be added as a new section at the end of the agreement: "Change in Lead Institution. An Other Institution may elect to become the Lead Institution by providing written notice to the Lead Institution if either: (a) the Lead Institution has elected to withdraw from paying its Share of Patent Expenses for all or a substantial portion of the Patent Rights in accordance with Section 2.4 and such Other Institution has elected to pay Patent Expenses to maintain such Patent Rights, or (b) the current Lead Institution has been the Lead Institution for more than three years and the Agreement is terminable in accordance with Section 9.2 because no License Agreement is currently in place and the Lead Institution is not actively engaged in a License Agreement negotiation. Such election will become effective 30 days after written notice is given. In the event of a change in Lead Institution, the previous Lead Institution will

2.5 Patent Assignments. Lead Institution will record assignments of Patent Rights in the names of the Lead Institution and the Other Institution(s) in the U.S. Patent and Trademark Office and other government patent offices, as applicable, and will provide Other Institution(s) with a copy of each recorded assignment.

3. Licensing

3.1 Exclusive Right to License. Subject to the terms and conditions of this Agreement and Lead Institution's compliance therewith, Other Institution(s) hereby grants to Lead Institution (a) the exclusive right and final authority to negotiate, execute¹¹, and administer License Agreements that comply with the requirements of Section 3.6, and (b) except as permitted under Section 3.4, the exclusive license to grant licenses to Other Institution(s)' rights in the Patent Rights. Other Institution(s) will not license the Patent Rights, except as permitted under Section 3.4.

3.2 Efforts to License. Lead Institution will use reasonable efforts, consistent with its usual practices, to seek Licensee(s) for the commercial development of Patent Rights and will administer all License Agreements for the mutual benefit of the Parties and in the public interest. Lead Institution will exercise reasonable efforts to ensure that any Licensee fully complies with the terms of any License Agreement. Under no circumstances will Lead Institution be liable to Other Institution(s) for monetary damages for any alleged failure by Lead Institution to meet the obligations stated in this Section 3.2.

3.3 License Agreement. Lead Institution will provide Other Institution(s) with a substantially final draft¹² of any License Agreement or amendment to a License Agreement prior to execution for the Other Institution(s) to review for compliance with Section 3.6 of this Agreement. Other Institution(s) agrees that if it does not provide objections or comments within 10 business days of its receipt of the substantially final draft of the License Agreement or amendment, Other Institution(s) will be deemed to have approved it. Other Institution(s) acknowledges that the Other Institution(s) may not withhold approval of a License Agreement or

be entitled to the Administration Fee, if any, from License Consideration paid prior to the change. The Party serving as replacement Lead Institution will be entitled to the Administration Fee, if any, from License Consideration paid after the change. There will be no change in each Party's Share of Patent Expenses or Share of Net Consideration as a result of a change in Lead Institution."

¹¹ The Model IIA gives the Lead Institution authority to sign the License Agreement without the need for signature by the Other Institutions. If an Other Institution requires that it must also sign the License Agreement, then clause (a) of Section 3.1 should be replaced with: "(a) the exclusive right and final authority to negotiate and administer License Agreements that comply with the requirements of Section 3.6, and to which Other Institution(s) is made a party," and the following should be added as the second to last sentence in Section 3.3: "Upon Lead Institution's compliance with the requirements of this Section, Other Institution(s) agrees to promptly execute the final License Agreement upon presentation."

¹² This section provides the minimum requirements for the Lead Institution in sharing license agreement drafts with the Other Institutions. In practice, Lead Institution may choose to furnish term sheets and earlier license drafts beyond the minimum requirements. The parties may also negotiate the IIA to include additional requirements on the Lead Institution relating to the license agreement negotiation process.

amendment because of its expected financial return (e.g., royalties or equity level).¹³ The Lead Institution will provide the Other Institution(s) a copy of any License Agreement or amendment that is executed.

3.4 Reserved Rights. Each Party expressly reserves the right to use the Patent Rights and associated inventions or technology for educational and research purposes, and to grant such educational and research rights to other non-profit institutions.¹⁴¹⁵ Each Party can also license rights to the U.S. government as required by its obligations related to research funding.

3.5 No Agency Relationship. This Agreement does not create an agency relationship between the Parties.¹⁶

3.6 Terms of License Agreements. License Agreements must include the terms identified in Exhibit A and be consistent with any policies and requirements of the Other Institution(s) identified in Exhibit A, except to the extent that a License Agreement with deviations therefrom is approved by the Other Institution(s) or deemed approved in accordance with Section 3.3.

3.7 Equity in Licensees.¹⁷ If the License Consideration includes equity in the Licensee, the Lead Institution will in accordance with its regular practices either (a) allocate the equity among the Parties in accordance with each Party's Share of Net Consideration without giving effect to any Administration Fee¹⁸ and promptly distribute to the Other Institution(s) its share of

¹³ The Model IIA specifically denies the Other Institution the ability to object to a license agreement on financial terms. This reflects the consensus view of the drafting group that the Lead Institution should have the discretion to negotiate financial terms. Many institutions believe that this is at the heart of the authority granted by the IIA. The following alternative has been offered as a compromise in limited circumstances where the Other Institution is not willing or able to give that broad delegation: "Other Institution(s) acknowledge that the Lead Institution will not be required to consider any comments to the proposed financial terms of any License Agreement, unless the Other Institution(s) provides written documentation that such financial terms, taken as a whole, are not within the range of typical financial terms usually obtained in academic-industry licensing practice for similar technologies licensed in a similar field of use." There may be special circumstances where the Lead Institution has conflicting interests (such as in the case of a faculty-led startup or the licensee providing sponsored research funding to the Lead Institution) that may warrant an Other Institution commenting on the financial terms. This issue is not addressed in the Model IIA, but an Other Institution may want to require disclosure of potential conflicts of interests in the IIA. Sample language to address that point is included in Exhibit A, item 20.

¹⁴ The Model IIA reserves to the parties the rights to use the patents for research and educational purposes. If a party also needs rights for clinical purposes, Section 3.4 (and the corresponding provision of Exhibit A) must be revised to reflect that.

¹⁵ Publication rights are not referenced in Section 3.4 because they are explicitly covered in Section 15.

¹⁶ Section 3.1 provides an explicit grant of rights by the Other Institutions to the Lead Institution so the Lead Institution can enter into a License Agreement under that grant of rights without acting as an agent of the Other Institutions.

¹⁷ If institutions have specific requirements relating to the receipt of equity under a license that are applicable when they are not the lead on the IIA, those should be called out in Exhibit A. Section 3.7 makes it clear that Exhibit A will take precedence over Section 3.7 if a particular manner of handling equity is specified there.

¹⁸ The Model IIA provides that in circumstances where the Lead Institution distributes equity before it is liquidated, no administration fee will be applied. This is a change from the original 2013 version of the Model IIA. The rationale for changing the default provision is that in most circumstances with an administration fee, the fee is capped. Because of the difficulty in valuing private company equity, the application of the cap to equity distribution would be highly subjective. Accordingly, the Model IIA does not allow for the capture of an administration fee on the distribution of equity (but does on the distribution of cash proceeds from equity). The parties may negotiate for the application of the Administration Fee against equity distributions in particular instances.

the equity, or (b) hold such equity until it receives cash on account of such equity whether by way of dividend, sale of shares, merger or other transaction or event and then allocate and distribute such cash as License Consideration hereunder. If Exhibit A provides requirements that dictate a particular handling of equity, then that provision will take precedence over this Section 3.7. The Lead Institution will use its reasonable efforts to obtain for the Other Institution(s) information about the Licensee relevant to the equity issuance that is reasonably requested by the Other Institution(s).

3.8 No Implied License. This Agreement grants no express or implied license in any rights of either Party except for the rights explicitly granted in Patent Rights.

4. Financial Terms

4.1 Patent Expenses.

(a) The Patent Expenses invoiced to the Parties prior to the Effective Date are identified as Past Patent Expenses in the Transaction Terms. Within 90 days of the Effective Date, the other Party(ies) will pay its Share of Patent Expenses with respect to the Past Patent Expenses to the Parties that incurred such expenses.

(b) The Lead Institution will be solely responsible for reviewing and approving all Patent Expenses incurred after the Effective Date and for ensuring that all Patent Expenses are paid in a timely manner. The Lead Institution will furnish to the Other Institution(s) copies of all invoices for Patent Expenses on a regular basis. The Other Institution(s), within 90 days after receipt of the invoices, will reimburse to the Lead Institution its Share of Patent Expenses which have been paid by the Lead Institution and not reimbursed by a Licensee. Notwithstanding the foregoing, Lead Institution will notify Other Institution(s) prior to incurring any Extraordinary Patent Expenses. In the event such advance notice is given, the Other Institution(s) may elect to pay its Share of Patent Expenses for such Extraordinary Patent Expenses or decline to pay such share and have the consequences stated in Section 2.3 apply.¹⁹ In the event Extraordinary Patent Expenses are incurred and advance notice was not given, Other Institution(s) will not be responsible for reimbursing any portion of such Extraordinary Patent Expenses.

(c) Upon at least 90 days' prior written notice from an Other Institution to the other Party(ies), such Other Institution may decline to pay its Share of Patent Expenses incurred after such notice period for either of the following as specified in such notice: (i) all Patent Expenses outside the United States, or (ii) all Patent Expenses.²⁰ If the other Party(ies) pays such Patent Expenses, then the consequences stated in Section 2.3 will apply.

¹⁹ The Model IIA does not provide for the alternative of capping patent costs. There is a notification threshold that requires the Lead Institution to notify Other Institutions that it will exceed a certain spending amount. However, if that notice is properly given, then the Other Institution's only options are to pay its share of those costs or decline and suffer the consequences under Section 2.3. If an Other Institution requires a true cap, that must be negotiated at the time of entering into the IIA and Section 4.1(b) modified accordingly.

²⁰ The Model IIA provides an Other Institution with the option to withdraw from paying all patent expenses or all non-US patent expenses. In either of these cases, the consequences under Section 2.3 apply. It does not provide an option of selectively withdrawing on a patent-by-patent or country-by-country basis.

4.2 License Consideration.

(a) The Lead Institution will have the responsibility, obligation and authority to receive and collect the License Consideration payable under the License Agreement, and perform such audits under the License Agreement as the Lead Institution deems appropriate. The Lead Institution will keep the Other Institution(s) informed as to all receipts of the License Consideration in accordance with Section 5.2. The Lead Institution will keep the Other Institution(s) reasonably informed of any material delinquencies, deficiencies or defaults by the Licensee in performing the License Agreement.

(b) The Lead Institution will deduct from the License Consideration and retain for itself or reimburse the Other Institution(s) the following amounts:²¹ first, the Patent Expenses (which will be distributed to the Parties in proportion to the Patent Expenses actually paid by each Party and not yet reimbursed, including Past Patent Expenses), and second, the Administration Fee, if any. The Net Consideration will be distributed to the Other Institution(s) in accordance with the Share of Net Consideration set forth in the Transaction Terms. Each Party will be responsible for paying out of its Share of Net Consideration any obligations it owes with respect to Third-Party Interests, unless stated otherwise in the Transaction Terms.²² The Lead Institution may not deduct or retain for itself or reimburse the Other Institution(s) for any costs or expenses other than Patent Expenses, unless otherwise agreed in writing by the Parties.²³

4.3 Allocation of Proceeds. If the Lead Institution licenses the Patent Rights together with other patent or intellectual property rights controlled by Lead Institution that are not covered by this Agreement, the Parties will negotiate in good faith to determine the portion of the gross licensing proceeds received under the License Agreement that are attributable to the Patent Rights.²⁴

²¹ Some institutions typically calculate the Administration Fee before accounting for the reimbursement of patent expenses. If the parties agree to calculate it this way, the language in the definition of Administration Fee (Section 1) and in this Section 4.2(b) should be changed to reverse the order so that the Administration Fee is paid first. (See also footnote 4.)

²² If there are obligations of a party to pay a portion of license revenue to a research sponsor, the Model IIA states that the party with those obligations will satisfy that payment obligation out of that party's share of revenue. If the parties would like the sponsor obligations to be satisfied off the top of revenues, either the language in this Section 4.2(b) must be adjusted or the change in the default payment structure must be specifically called out under "Third-Party Interests" in Part 1.

²³ The Model IIA provides that the only type of expenses recoverable from License Consideration are patent expenses, unless the parties agree otherwise in writing. If the parties expect marketing, proof-of-concept funding, or other expenses to be recovered, adjustment must be made in Section 4.2(b) or in a separate, later-dated written instrument.

²⁴ The Model IIA provides for future good faith negotiation of apportionment if a license agreement covers patents or other intellectual property in addition to the Patent Rights. If the parties anticipate at the time the IIA is entered into that additional rights will likely be included in a license, it is recommended that the allocation of revenue be spelled out in the IIA. The following is a sample provision to include: "Lead Institution anticipates that the Patent Rights will be licensed concurrently with patent rights for other inventions solely developed at Lead Institution. The Parties agree that the allocation will be X% to Lead Institution and Y% to Other Institution(s) of Net Consideration from a License Agreement that licenses Patent Rights together with the patent rights arising from Lead Institution invention reference numbers ### and ###, including patent applications and patent numbers #####, #####, #####. If the Lead Institution licenses the Patent Rights together with any other combination of patent or intellectual property rights controlled by Lead Institution, the Parties will negotiate in good faith to determine the

4.4 Inventors. Each Party will be solely responsible for calculating and distributing to its respective inventors their share of Net Consideration or equity allocated to it under Section 3.7(a) in accordance with the Party's own policy.

5. Records, Reports and Audits

5.1 Books and Records. Lead Institution will keep complete, true and accurate accounts of all Patent Expenses and of all License Consideration received by it from each Licensee of the Patent Rights and will permit Other Institution(s) to examine its books and records²⁵ in order to verify the payments due or owed under this Agreement.^{26 27 28}

5.2 Payments and Reports. Lead Institution will calculate the allocation of License Consideration in accordance with the terms of this Agreement and furnish to the Other Institution(s) a written report of receipts and calculations and deliver the Net Consideration due to the Other Institution(s), if any, with the report. Such reports and distributions will be provided with the same frequency that Lead Institution distributes revenue to its inventors, but no less frequently than once per year. Lead Institution will provide the Other Institution(s) copies of reports, sublicense agreements and other material documents received from Licensees.

5.3 Annual Reports. Upon request by Other Institution(s), Lead Institution will submit to Other Institution(s) an annual report setting forth the status of all patent prosecution, commercial development and licensing activity relating to the Patent Rights for the preceding year.

6. Patent Challenge or Infringement

portion of the gross licensing proceeds received under the License Agreement that are attributable to the Patent Rights.”

²⁵ The purpose of this provision is to give the Other Institution access to those books and records relevant to the Patent Rights and License Agreements. Accordingly, parties should use caution in expanding the scope of this provision to, for example, something akin to “complete and unredacted” copies of the books and records.

²⁶ The purpose of this provision is to enable an Other Institution to confirm compliance with the financial provisions of the IIA, not all obligations under the IIA. The annual reports that may be requested under Section 5.3 provide a mechanism to monitor the Lead Institution's compliance with the other obligations.

²⁷ The Model IIA does not include a specific time period for maintaining records. The consensus of the participating institutions in the drafting process was that the record retentions policy of the Lead Institution should control. The Model IIA is silent with the expectation that the Lead Institution will follow its internal policies. The parties may negotiate though for a specific record retentions period in particular instances.

²⁸ Section 5.1 provides an Other Institution with right to review the books and records of the Lead Institution. If a more complete audit rights section is desired, the following is suggested language for a new Section 5.4 to be added: “5.4 Audit Rights. Lead Institution will permit a certified public accountant engaged by an Other Institution or a state auditor (if the Other Institution is a state government institution) to audit Lead Institution's books and records related to the License Consideration and the calculation of the Net Consideration and the Share of Net Consideration, subject to the accountant or auditor entering into appropriate confidentiality restrictions as permitted by law. Such an audit may be exercised during normal business hours upon at least 30 days' prior written notice to the Lead Institution, but not more frequently than once in any 12-month period. The Other Institution initiating the audit will pay the costs for said audit unless there is an underpayment by the Lead Institution of more than 10% of the amount owed to the Other Institution(s) for the period of time covered by the audit, in which case the Lead Institution will pay the out of pocket cost of the audit, not to exceed the amount of the underpayment. The Lead Institution will pay any past due amounts within 30 days of the results of such audit.”

If any Party learns of a claim by a third party challenging the validity of any Patent Rights (such as an *inter partes* review, interference or opposition proceeding) or a potential infringement of the Patent Rights, it will promptly notify the other Parties hereto. Subject to the rights granted to the Licensee in any License Agreement, the Parties agree to discuss the situation and determine in good faith how best to proceed. In the event of a challenge to the validity of any Patent Rights by a third party, the Lead Institution will have the right, but not the obligation, to defend such challenge in the absence of the Parties reaching another agreement on how to respond to such challenge.

7. Notice

Any notice or payment required to be given to a Party will be sent to the address of that Party specified in the Transaction Terms. If an email address is included for a Party in the Transaction Terms, then transmission of an email to that email address will constitute valid notice under this Agreement. Any Party may notify the other in writing of a change of address, in which event any subsequent communication relative to this Agreement will be sent to the last said notified address. All notices and communications relating to this Agreement will be deemed to have been given when received.

8. Confidentiality of Licensee Information

If required by a License Agreement, each Party will, to the extent permitted by law, keep confidential the terms of such License Agreement and any business information received from the Licensee (e.g., revenues, business development reports, milestones accomplished, sublicensee information and sublicense agreements), except that a Party may report revenue it receives in accordance with its reporting requirements to sponsors and may include such revenue in aggregate licensing revenue reported by such Party.^{29 30}

9. Term and Termination

9.1 Term Duration. This Agreement is effective from the Effective Date and will remain in effect for the life of the last-to-expire patent under Patent Rights, or in the event no patent contained in Patent Rights issues or such patents or patent applications are abandoned, then one year after the last patent or patent application is abandoned, unless otherwise terminated by operation of law or by acts of the parties in accordance with the terms of this Agreement.

²⁹ The Model IIA does not specifically create a carve out for freedom of information laws. However, in it does limit the confidentiality obligations to the extent permitted by law, which would encompass relevant freedom of information laws.

³⁰ The Model IIA does not specifically mention the ability of an institution to discuss the details of License Agreements with its inventors, but a Party can share confidential information with its employees who are subject to confidentiality so institutions can share with current inventor-employees on that basis.

9.2 Termination for Convenience After Three Years.³¹ Any Party may terminate this Agreement without cause at any time after three years have passed from the Effective Date upon 90 days' prior written notice to the other Parties, unless either (a) there is a License Agreement in effect at such time, or (b) the Lead Institution notifies the terminating Party that it is actively engaged in good faith negotiations with a bona fide potential Licensee and the Lead Institution consummates a License Agreement with such potential Licensee within 120 days of the notice of termination; provided, however, that for a Withdrawing Party to exercise this right of termination, prior to termination it must repay the other Party(ies) the Covered Expenses that have not already been recovered from a Licensee. For the purpose of this Section, "actively engaged" will mean that there has been at least one exchange of a draft License Agreement or term sheet between the Lead Institution and the bona fide potential Licensee within 60 days after receipt of the notice of termination.

9.3 Termination for Cause. Any Party may terminate this Agreement for cause by written notice in the event another Party materially breaches this Agreement and does not cure the breach within 30 days of such written notice.³² In addition, a Party may elect to terminate this Agreement in the circumstances specified in Section 2.3.

9.4 Effect of Agreement Termination on Patent Rights.³³ After termination of this Agreement and subject to any previously signed License Agreement and applicable law³⁴, each Party may separately license its interest in the Patent Rights on a worldwide basis and no Party will have any ongoing obligations to share Patent Expenses or share or account for revenues under such licenses; provided, however, if this Agreement is terminated in circumstances that do not require the Withdrawing Party to repay Covered Expenses in accordance with Section 9.2 and a Withdrawing Party thereafter licenses any Patent Rights, it will be obligated to repay to the other Party(ies) out of the first proceeds of any such license all Covered Expenses to the extent that the other Party(ies) have not already recovered such amounts from a Licensee, such obligation to survive termination of this Agreement.

9.5 Other Effects of Termination.

(a) Termination will not affect any previously signed License Agreement or the distribution of License Consideration thereunder if still appropriate, and the applicable provisions of this Agreement will continue to be applied.

³¹ The Model IIA provides that for the first three years after execution the IIA can only be terminated for an uncured breach or a party withdrawing from paying its share of patent costs. If the parties wish to make the IIA terminable for convenience before the third anniversary, Section 9.2 should be adjusted accordingly.

³² The Model IIA does not stipulate penalties such as late payment charges for defaults, although there are specific remedies for failing to pay patent expenses under Section 2.3. If an institution would like to include interest on late payments as a way to create further incentives for timely compliance, the following can be added: "Any amount not paid when due will bear interest of 1% per month."

³³ The Model IIA provides that the Parties have no ongoing obligations to share Patent Expenses after termination. If the parties wish to have the obligations survive, Section 9.4 must be edited appropriately.

³⁴ Patent laws in some jurisdictions require that all joint owners agree to a license grant, so co-owners may be limited in their ability to grant licenses with respect to their interest in the patent rights after the termination of the IIA under laws of such jurisdictions.

(b) Termination of this Agreement will not relieve any Party of any obligation or liability accrued under this Agreement before termination, or rescind any payments made or due before termination.

(c) Apart from the provisions specifically set forth in this Section 9, the Parties will have no further rights or obligations under this Agreement.

9.6 Surviving Terms. Any termination of this Agreement pursuant to this Section 9 will not affect the rights and obligations set forth in this Section 9 as well as the following Sections of the General Terms, all of which will survive termination: 8 (Confidentiality of Licensee Information), 11 (Disclaimer; Limitations), and 14 (Governing Law).

10. Representations.

10.1 Assignment by Inventors. Each Party represents that its inventors have assigned or are obligated to assign to such Party all of the inventors' rights in the Patent Rights, and that such Party will use diligent efforts to cause its inventors to sign any additional papers as may be necessary to evidence such assignment.

10.2 No Conflict. Except for the Third-Party Interests identified in the Transaction Terms and any rights granted pursuant to Section 3.4, each Party represents that, to the knowledge of its technology transfer office or other licensing office or department, it has not granted any rights to any entity or person in the Patent Rights.

11. Disclaimers; Limitations.

EXCEPT AS SET FORTH IN SECTION 10, NO PARTY EXTENDS ANY WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE PATENT RIGHTS. IN ADDITION, EACH OF THE PARTIES EXPRESSLY DISCLAIMS ANY WARRANTY THAT THE PRACTICE OF THE PATENT RIGHTS WILL NOT INFRINGE ANY PATENT, COPYRIGHT, TRADEMARK, OR OTHER RIGHTS OF THIRD PARTIES. No Party will make statements, representations, or warranties, or accept liabilities or responsibilities, with respect to or potentially involving the other Party, that are inconsistent with this Section.

TO THE MAXIMUM EXTENT PERMITTED BY LAW, IN NO EVENT WILL ANY PARTY BE RESPONSIBLE FOR ANY INCIDENTAL DAMAGES, CONSEQUENTIAL DAMAGES, EXEMPLARY DAMAGES OF ANY KIND, LOST GOODWILL, LOST PROFITS, LOST BUSINESS AND/OR ANY INDIRECT ECONOMIC DAMAGES WHATSOEVER REGARDLESS OF WHETHER SUCH DAMAGES ARISE FROM CLAIMS BASED UPON CONTRACT, NEGLIGENCE, TORT (INCLUDING STRICT LIABILITY OR OTHER LEGAL THEORY), A BREACH OF ANY WARRANTY OR TERM OF THIS AGREEMENT, AND REGARDLESS OF WHETHER A PARTY WAS ADVISED OR HAD REASON TO KNOW OF THE POSSIBILITY OF INCURRING SUCH DAMAGES IN ADVANCE.

12. Sponsor Reporting

Each Party will assume responsibility for reporting the Patent Rights to its own government and other research sponsors as may be required, provided that if Lead Institution and the Other Institution(s) both received federal funding for the research that resulted in the Patent Rights, then the Lead Institution will take responsibility for the federal reporting, and provide viewing rights or copies of sponsor reports to the other Party.³⁵

13. Use of Names

Each Party agrees that it will not use the name of any other Party or a Licensee in any advertising or publicity material, or make any form of representation or statement which would constitute an express or implied endorsement by such other Party of any licensed product, and that it will not authorize others to do so, without having obtained written approval from such other Party or Licensee. Notwithstanding the foregoing, either Party may make factual statements regarding the existence of this Agreement and that Lead Institution is managing commercialization of the Patent Rights. After a License Agreement is executed, the Parties may make factual statements that the Patent Rights have been licensed to a particular Licensee, except to the extent limited by Section 8.

14. Governing Law

This Agreement will be governed by and interpreted, and its performance enforced in accordance with the laws of the jurisdiction specified in the Transaction Terms, without giving effect to choice of law and conflicts of law principles, except that the scope and validity of any patent application or patent will be governed and enforced by the laws of the applicable country of the patent application or patent. If no jurisdiction is so specified or the Transaction Terms states “None” or the like, then the Parties have contractually agreed not to designate a particular governing law for this Agreement.

15. Publication

Each Party reserves the right to publish related to the Patent Rights, in accordance with each Party’s own policies and practices. A License Agreement will not give Licensee the right to review an advance copy of the proposed publication by any of the Parties relating to the Patent Rights unless such Party has specifically agreed in advance to the inclusion of and scope of such provision.

16. Complete Agreement

³⁵ If a government grant was involved in the development of the Patent Rights and the Lead Institution was not a recipient of the grant, the responsibility for government reporting remains with the Other Institution that was the grant recipient. The Lead Institution still must direct patent counsel to include a federal support statement in the patent application.

This Agreement sets forth the complete agreement of the Parties concerning the subject matter hereof. No waiver of or change in any of the terms hereof subsequent to the execution hereof claimed to have been made by any representative of either Party will have any force or effect unless in writing, signed by duly authorized representatives of the parties.

17. Counterpart Signatures; Electronic Delivery

The Parties may execute this Agreement in one or more counterparts, which may be by electronic signature or transmission, each of which will be deemed an original and all of which, taken together, will constitute one and the same instrument, and will be given the effect of an original signature upon receipt by the other Party of the electronic signature or transmission.

36 37

³⁶ The Model IIA does not include a provision disclaiming third party beneficiaries to the agreement, but parties may desire to add such a provision if they believe that there is legal need for it in their jurisdictions.

³⁷ If the Parties wish to address the circumstances of a change in inventorship, the following are alternative clauses that can be added:

Option A. Sole owner may remove patent from IIA:

18. Change in Inventors

Should any patent or patent application included in the Patent Rights no longer be co-owned by the Parties (e.g., because all of the inventors of a divisional of the parent application are from only one of the Parties or because of an inventorship determination), the Institutions hereby agree that such patent application or patent will remain included within the definition of Patent Rights set forth in Section 1 of this Agreement. However, the Party owning such solely-owned patent application or patent may notify the other Party(ies) that such solely owned patent application or patent will no longer be subject to this Agreement, provided that at the time of the notice, the solely owned patent application or patent is not subject to an existing License Agreement or active license negotiations with a potential Licensee.

Option B. If change is significant, then the parties negotiate changes in sharing percentages:

18. Change in Inventors

If (a) it is subsequently determined that any inventor identified in the Patent Rights is not actually an inventor under patent law or an additional inventor exists with respect to the Patent Rights, and (b) such removal or addition of inventors results in a significant change in the contributions of the Parties to the Patent Rights, then the Parties will negotiate in good faith to amend prospectively the Share of Net Consideration and Share of Patent Expenses provisions of this Agreement to more accurately reflect the contribution of each Party to the Patent Rights.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the Effective Date:

[Name of Lead Institution]

[Name of Other Institution(s)]

By _____
Name _____
Title _____
Date _____

By _____
Name _____
Title _____
Date _____

Exhibit A

License Agreement Requirements

[The following is a sample Exhibit A. It can be replaced by the specific license agreement requirements of an Other Institution.]³⁸

All License Agreements will contain terms covering the following:³⁹

1. Reservation of rights to all parties to the Inter-Institutional Agreement (“IIA”) and, where possible, the right to license such rights to other non-profit research institutions, to use the Patent Rights in future for research and educational purposes without payment to the Licensee;
2. Reservation of rights to government entities and to private sponsors (to the extent such rights are required under sponsored research agreements and disclosed in the IIA)
3. Payment of earned royalties on net sales by licensee and any sublicensee;
4. Reimbursement of all patent prosecution expenses if the license is exclusive;
5. Product development and commercialization diligence if the license is exclusive;
6. Periodic reports (at least annually) covering development and commercialization efforts and sale of products, including date of first commercial sale for each product;
7. Standard audit rights exercisable by the Lead Institution⁴⁰;
8. Indemnification of all parties to the IIA;
9. Disclaimer on behalf of all parties to the IIA of all warranties, including validity, enforceability and non-infringement of the Patent Rights;
10. Limitation of damages for all parties to the IIA to direct damages only;
11. Prohibition on the use of the names, logos and trademarks of the parties to the IIA;
12. Unfettered right on part of all parties to the IIA to publish in connection with the Patent Rights (with reasonable delays for review for confidentiality and filing for intellectual property protection);
13. Maintenance of general liability insurance as is standard for the business of the Licensee at its various stages of development and commercialization, naming all of the parties to the IIA as additional insureds, or appropriate self-insurance provisions.

³⁸ To the extent that an Other Institution has specific requirements for a License Agreement (including required clauses or institution policies that bear on the License Agreement), those must be indicated in Exhibit A. A sample is provided with the Model IIA. Each institution is encouraged to customize the sample provided or create its own Exhibit A to reflect its specific requirements.

³⁹ This sample Exhibit A does not include the right of an Other Institution to review sublicense agreements since this is not a typical practice for non-leads. Such a requirement can be added by Other Institutions on a case-by-case basis if that is their practice and the Lead Institution agrees to it.

⁴⁰ This sample Exhibit A does not include a flow down of audit rights to the Other Institution since this is not a typical IIA provision. Such a requirement can be added by Other Institutions on a case-by-case basis if that is their practice and the Lead Institution agrees to it.

14. For start-up companies, annual reporting of business information, including funding, employees, hiring and other information on request.
15. Provision to encourage licensing to address unmet needs.
16. Compliance with laws, including export control laws.
17. [Mandatory provisions required if equity granted in consideration for license]
18. [If permitted to delegate authority for patent prosecution to a Licensee, state that here.]
19. [If an exception to any License Agreement confidentiality restriction is required by state open-records laws, state that here.]
20. [Lead Institution will inform the Other Institution(s) prior to signing a License Agreement if either (a) the Licensee and Lead Institution are negotiating a sponsored research agreement or other agreement for the Lead Institution to provide services to the Licensee at the same time as a License Agreement is being negotiated or (b) the Lead Institution's researchers are serving as founders of the Licensee.]