

# PATENT LICENSE AGREEMENT

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This Patent License Agreement (this "**Agreement**") is entered into as of [EFFECTIVE DATE] (the "**Effective Date**") by and between:

[LICENSOR LEGAL NAME], a [STATE] [ENTITY TYPE, e.g. corporation] with its principal place of business at [LICENSOR ADDRESS] ("**Licensor**"); and

[LICENSEE LEGAL NAME], a [STATE] [ENTITY TYPE] with its principal place of business at [LICENSEE ADDRESS] ("**Licensee**").

Licensor and Licensee are each a "**Party**" and together the "**Parties**."

**Recitals.** Licensor owns or controls certain patents and patent applications relating to the technology described below and is willing to grant a license under those patents. Licensee wishes to obtain a license to make, use, and sell products that practice those patents. In consideration of the mutual promises below, the Parties agree as follows.

## 1. Definitions

**1.1 Licensed Patents.** "**Licensed Patents**" means the patents and patent applications listed in **Exhibit A**, together with any continuations, continuations-in-part, divisionals, reissues, renewals, extensions, and foreign counterparts of those patents, and any patents issuing from those applications.

**1.2 Licensed Products.** "**Licensed Products**" means any product, process, or service the manufacture, use, sale, offer for sale, or importation of which would, absent the license granted here, infringe one or more Valid Claims of the Licensed Patents.

**1.3 Valid Claim.** "**Valid Claim**" means a claim of an issued and unexpired Licensed Patent that has not been held invalid or unenforceable by a court or other authority of competent jurisdiction in a decision from which no appeal can be taken, and that has not been admitted to be invalid or unenforceable by Licensor.

**1.4 Net Sales.** "**Net Sales**" means the gross amounts invoiced by Licensee for Licensed Products, less ordinary and customary deductions actually allowed, including returns, trade discounts, sales taxes, and shipping, all as further described in **Exhibit B**.

**1.5 Field of Use.** "**Field of Use**" means [DESCRIBE THE PERMITTED FIELD, e.g. consumer electronics / medical diagnostics].

**1.6 Territory.** "**Territory**" means [GEOGRAPHIC SCOPE].

## 2. Grant of License

2.1 **License grant.** Subject to Licensee's compliance with this Agreement and payment of all amounts due, Licensor grants Licensee a [EXCLUSIVE / NON-EXCLUSIVE], [NON-TRANSFERABLE] license under the Licensed Patents to make, have made, use, offer for sale, sell, and import Licensed Products solely within the Field of Use and the Territory during the Term.

2.2 **Sublicensing.** Licensee [MAY / MAY NOT] grant sublicenses under the Licensed Patents. Any permitted sublicense must be in writing, must be consistent with and no broader than this Agreement, and Licensee remains responsible for each sublicensee's compliance. Licensee will provide Licensor a copy of each executed sublicense within [NUMBER] days.

2.3 **Reservation of rights.** All rights not expressly granted are reserved by Licensor. No license is granted by implication, estoppel, or otherwise to any patent or other intellectual property other than the Licensed Patents as expressly stated. This Agreement does not transfer ownership of any Licensed Patent.

2.4 **Retained rights.** If the license is exclusive, Licensor nonetheless retains the right to practice the Licensed Patents for its own internal research and development purposes and [OTHER RESERVED RIGHTS, IF ANY].

### 3. Royalties and Payment

3.1 **Up-front fee.** Licensee will pay Licensor a non-refundable up-front license fee of [AMOUNT AND CURRENCY] within [NUMBER] days of the Effective Date.

3.2 **Running royalty.** Licensee will pay Licensor a running royalty of [PERCENTAGE]% of Net Sales of Licensed Products, calculated as set out in Exhibit B.

3.3 **Minimum royalties.** Beginning in [YEAR / PERIOD], Licensee will pay minimum annual royalties of [AMOUNT], creditable against running royalties for the same period. Failure to meet a minimum may, at Licensor's election, convert an exclusive license to non-exclusive or be treated as a curable breach.

3.4 **Reports and payment.** Within [NUMBER, e.g. 45] days after the end of each [CALENDAR QUARTER], Licensee will deliver a written royalty report showing Net Sales and royalties due, together with payment.

3.5 **Records and audit.** Licensee will maintain complete records supporting its royalty reports for at least [NUMBER, e.g. 5] years. On reasonable notice and no more than once per year, Licensor may have an independent accountant audit those records. If an audit reveals an underpayment of more than [e.g. 5]%, Licensee will pay the shortfall, interest, and the reasonable cost of the audit.

3.6 **Taxes and late payment.** Amounts are exclusive of taxes; Licensee is responsible for all applicable taxes other than taxes on Licensor's net income. Undisputed amounts not paid when due accrue interest at the lesser of [e.g. 1.5%] per month or the maximum rate permitted by applicable law.

### 4. Patent Prosecution, Maintenance, and Marking

4.1 **Prosecution and maintenance.** [LICENSOR / LICENSEE] will, at its expense, control the prosecution and maintenance of the Licensed Patents, including payment of all maintenance fees and annuities, and will keep the other Party reasonably informed of material developments.

4.2 **Patent marking.** Licensee will mark Licensed Products, or their packaging, with applicable patent notices in a manner consistent with the patent-marking requirements of applicable law, so as to preserve the right to recover damages.

4.3 **Cooperation.** Each Party will provide reasonable cooperation, including execution of documents, to support prosecution, maintenance, and enforcement of the Licensed Patents.

## 5. Enforcement and Infringement

5.1 **Notice.** Each Party will promptly notify the other in writing of any actual or suspected infringement of the Licensed Patents by a third party, or of any claim that a Licensed Product infringes a third party's patent.

5.2 **Right to enforce.** [LICENSOR / THE PARTY DESIGNATED IN EXHIBIT A] has the first right, but not the obligation, to bring and control an action to enforce the Licensed Patents. The other Party will provide reasonable cooperation and may join as a party where required to maintain standing.

5.3 **Recoveries.** Amounts recovered in an enforcement action, after reimbursement of the litigation costs of the Party that controlled the action, will be allocated as set out in **Exhibit A** or, if not stated, [DESCRIBE DEFAULT SPLIT].

5.4 **Settlement.** The Party controlling an action may not settle in a manner that admits invalidity or unenforceability of a Licensed Patent, or that imposes an obligation on the other Party, without that Party's prior written consent.

## 6. Representations, Warranties, and Disclaimer

6.1 **By Licensor.** Licensor represents and warrants that it owns or controls the Licensed Patents, that it has the right to grant the license, and that it has not granted, and will not grant during the Term, rights inconsistent with those granted to Licensee.

6.2 **By Licensee.** Licensee represents and warrants that it has the authority to enter into this Agreement and that it will manufacture, use, and sell Licensed Products in compliance with applicable law.

6.3 **Disclaimer.** Except for the express warranties in this Section 6, Licensor makes no warranty regarding the Licensed Patents and, to the extent permitted by applicable law, disclaims all implied warranties, including any warranty that the Licensed Patents are valid or enforceable, that practicing them will not infringe third-party rights, or of merchantability or fitness for a particular purpose.

## 7. Indemnification and Limitation of Liability

7.1 **By Licensee.** Licensee will defend, indemnify, and hold harmless Licensor against third-party claims arising from the manufacture, use, sale, or other exploitation of Licensed Products by Licensee or its sublicensees, including product liability claims, subject to the procedure below.

7.2 **By Licensor.** Licensor will defend Licensee against third-party claims that the Licensed Patents, as licensed, misappropriate or were obtained from that third party, and will indemnify Licensee for resulting damages, subject to Section 7.4.

7.3 **Procedure.** The indemnified Party will give prompt written notice of the claim, allow the indemnifying Party to control the defense, and provide reasonable cooperation. The indemnifying Party may not settle in a way that imposes liability or admission on the indemnified Party without its consent.

7.4 **Limitation of liability.** Except for the indemnification obligations in this Section 7 and a Party's gross negligence or willful misconduct, neither Party is liable for indirect, incidental, special, consequential, or punitive damages, and each Party's total aggregate liability will not exceed [AMOUNT / the royalties paid in the prior [NUMBER] months].

## 8. Term and Termination

8.1 **Term.** This Agreement begins on the Effective Date and continues, unless terminated earlier, until the expiration of the last-to-expire Valid Claim of the Licensed Patents (the "**Term**").

8.2 **Termination for cause.** Either Party may terminate on written notice if the other materially breaches and fails to cure within **[NUMBER, e.g. 30]** days after written notice describing the breach.

8.3 **Termination for challenge.** Licensor may terminate this Agreement on **[NUMBER]** days' written notice if Licensee or its sublicensee challenges the validity or enforceability of any Licensed Patent, to the extent such a provision is permitted by applicable law.

8.4 **Effect of termination.** On termination or expiration, the license ends and Licensee will cease making, using, and selling Licensed Products, except that Licensee may, on continued payment of royalties, sell off existing inventory for up to **[NUMBER]** days. Accrued royalty obligations survive.

8.5 **Survival.** Sections 3 (for amounts accrued), 5, 6, 7, and 9, and any provisions that by their nature should survive, survive termination.

## 9. General Provisions

9.1 **Governing law and venue.** This Agreement is governed by the laws of the State of **[STATE]**, without regard to its conflict-of-laws rules, and by applicable federal patent law. The Parties submit to the exclusive jurisdiction of the state and federal courts located in **[COUNTY, STATE]**.

9.2 **Assignment.** Neither Party may assign this Agreement without the other's prior written consent, except to a successor in connection with a merger, acquisition, or sale of substantially all assets to which the Licensed Patents or Licensed Products relate, on written notice.

9.3 **Notices.** Notices must be in writing and sent to the addresses above (or as updated in writing) and are effective on receipt.

9.4 **Independent contractors.** The Parties are independent contractors. Nothing creates a partnership, joint venture, agency, or employment relationship.

9.5 **Entire agreement; amendment.** This Agreement, together with its Exhibits, is the entire agreement between the Parties on its subject and supersedes prior discussions. It may be amended only by a writing signed by both Parties.

9.6 **Severability and waiver.** If any provision is unenforceable, the rest remains in effect. A Party's failure to enforce a provision is not a waiver.

9.7 **Counterparts and electronic signature.** This Agreement may be signed in counterparts and by electronic signature, each of which is an original and all of which together form one agreement.

**IN WITNESS WHEREOF**, the Parties have executed this Agreement as of the Effective Date.

**LICENSOR**

**LICENSEE**

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed name: **[NAME]**

Printed name: **[NAME]**

Title: **[TITLE]**

Title: **[TITLE]**

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

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

## Exhibit A — Licensed Patents and Deal Terms

- Licensed Patents (number, title, jurisdiction, status): **[LIST]** - Field of Use: **[DESCRIBE]** - Territory: **[DESCRIBE]** - Exclusivity: **[EXCLUSIVE / NON-EXCLUSIVE]** - Enforcement control and recovery split: **[DESCRIBE]**

## Exhibit B — Royalty Calculation

- Royalty rate: **[PERCENTAGE]** - Net Sales deductions allowed: **[LIST]** - Minimum annual royalties: **[AMOUNT]** - Reporting period and due dates: **[DESCRIBE]**

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