**Dated \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_20[x]**

1. **[Full legal name of the University]**

and

1. [Full legal name of the Company]

HEADS OF TERMS FOR IP SPIN-OUT LICENCE AGREEMENT

HEADS OF TERMS FOR IP SPIN-OUT LICENCE AGREEMENT

**These Heads of Terms are made on\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_20[x] are between:**

1. **[*insert full legal name*], an academic institution [incorporated *or* established] under [statute *or* charter in England and Wales], whose [principal address *or* registered office] is at [*insert address*] (the “University”), and**
2. [***insert full legal name***], a company incorporated in [*insert country*] under registration number [*insert registered number*], whose [principal place of business *or* registered office] is at [*insert address*] (the “**Company**”).

The University and the Company together shall be referred to as the “**Parties**” and individually shall be referred to as a “**Party**”.

1. Purpose

The Parties intend to discuss the possibility of entering into a licence agreement of certain intellectual property belonging to the University (the “**Licence Agreement**”). The purpose of these Heads of Terms is to summarise the main commercial terms of the proposed Licence Agreement. [The Parties intend to negotiate and execute the Licence Agreement within [x] weeks of signature of these Heads of Terms (the “**Exclusivity** **Period**”)].

1. Provisions envisaged for the Licence Agreement

The Parties intend that the Licence Agreement will contain terms based on the following principles:

|  |  |
| --- | --- |
| Grant of Licence: | The University will grant the Company [for the Term] [an exclusive] *OR* [a non-exclusive] licence under the IP (as defined below) to use the IP in relation to [*insert permitted* *uses here*]or otherwise supply Licensed Products (to be defined in the Licence Agreement) only in the Field and in the Territory. |
| Intellectual Property (IP): | [*Insert description of the IP to be licensed to the Company*]. |
| Field: | [*Insert description of the Field*]. |
| Territory: | [*Insert description of the Territory*]. |
| [Term:] | [*insert duration of licence, including any initial and subsequent rolling/auto-renewal periods*]. |
| Sub-licensing: | [*Insert sublicensing*].[The Company will have the right to grant a sub-licence subject to :* the University's prior written consent
* any sub-licence being in writing and on equivalent licence terms (excluding the right to sub-licence)
* the Company providing the University with a copy of the relevant sub-licence; and
* the University not being liable for any losses arising as a result of the sub-licensing arrangements and the Company will provide a full indemnity to the University in relation to any such loss or damage incurred by the University.]
 |
| University reserved rights: | * The University, its staff and its students shall be:
* able to publish in accordance with normal academic practice (including the submission of theses based on the licensed IP) but subject to appropriate protections for the Company’s confidential information and consideration of patent protection and prior notification to / consultation with the Company; and.
* able to use the licensed IP for non-commercial research and teaching activities.
 |
| Ethics matters & excluded sectors | The Company will be required to ensure any ongoing R&D or testing of or using Licenced Products on humans or animals and including clinical trials shall first obtain relevant ethical, regulatory approvals and UKCA/CE marking. The Company will also need to commit to not using Licensed IPR and Licensed Products in activity relating to certain excluded sectors.[Include list as your institution deems appropriate e.g. tobacco industry, gambling, weapons, foreign military...]  |
| Payments: | The Company will pay to the University: [*insert description of the various payments to be made, which may include e.g. initial payments, milestone payments, royalties on Net Sales and Net Receipts, etc. For example:** An initial payment of £[x] within 30 days of signing the Licence Agreement;
* [past patent costs of [£x] and] ongoing patent costs to be paid by Licensee
* A royalty of [x]% of Net Sales Value payable by Licensee and any sub-licensee (to be defined in the Licence Agreement); and
* A royalty of [x]% of Net Receipts (to be defined in the Licence Agreement).]
* Annual fee of [£x] per year
* Minimum royalties of [£X]
* Milestone payments of [£X on inflection point Y etc]
 |
| Equity | Shares equivalent to [X%] equity OR [X shares ] |
| Commercialisation Obligations: | The Company will take diligent steps to develop, [manufacture], market and commercially exploit Licensed Products. In addition, the Company will submit [*insert frequency e.g. monthly, annually, etc*] statements to the University outlining (amongst other things) the activities taken and planned to bring Licensed Products to market.The Company and the University agree the following milestones:* [*insert milestone 1 – event and date to be achieved*]
* [*insert milestone 2 – event and date to be achieved*]
* [*insert milestone 3 – event and date to be achieved*]
 |
| Reporting and audit rights  | The Company will provide the University with the right to inspect/audit the relevant documentation on reasonable notice. |
| Assignment/Change of Control | The Company may not assign the Licence Agreement (including the IP licence therein) to another person without the University’s prior consent. [The University may only withhold its consent/terminate if it believes (acting reasonably) that there is a financial or reputational risk to it.] |
| Warranties/Limits of Liability | The Company will take sole responsibility for its use and exploitation of the IP. The Company will protect the University from claims suffered by the University as a result of Company’s use and exploitation of the IP. [The University will not warrant that exploitation of the IP will not infringe third party IP].[The University’s liability for all indirect/consequential losses will be excluded and its aggregate liability capped in total at [ £x ] OR [no more than the total income received by it under the Licence Agreement in the 6 years leading up to liability arising)] as far as the law permits.]The Company will indemnify the University for third party claims suffered by the University as a result of the Company’s exploitation of the IP |
| Insurance | The University will require the Company to maintain appropriate insurances in relation to the Licence Agreement. |
| Governing Law/Jurisdiction | The laws of England and Wales and exclusive jurisdiction of the English and Welsh courts. |
| Other: | [*Insert here any other main commercial terms for the proposed Licence Agreement, e.g. future patent prosecution/maintenance – who will control, consultation with other party, technology improvements etc*]. |

1. Other clauses forming part of the Licence Agreement

The Parties envisage that the Licence Agreement may also include other terms, which may include, without limitation, [*insert other terms to be included in the Licence Agreement. For example, term of the Licence Agreement, obligations of the University as licensor, obligations of the Company as licensee, quality control, any technical support services/provision of key personnel: to include time/days allocated and details of services to be provided and how expenses will be paid. insurance provisions, preconditions of NSI Act and Export Control Act, dispute resolution procedures, ownership of IP developed by the Company under the Licence Agreement and any associated licence back terms (for University reserved rights), confidentiality, termination and consequences of termination provisions.*].

1. Confidentiality

[This clause 4 is legally binding.]

*Option A:* [It is agreed that the confidentiality of the Parties’ confidential information that may be disclosed by one Party to the other during the negotiation of the Licence Agreement will be maintained in accordance with the Confidentiality Agreement signed by the Parties on [*insert date*]. The Parties agree that these Heads of Terms and information disclosed as part of negotiations are commercially sensitive and confidential and shall not be disclosed to any other person without the other Party’s express consent.]

*Option B:* [Each of the Parties acknowledges that during the negotiation of the Licence Agreement it may receive Confidential Information from the other Party. “**Confidential Information**” means all information of a confidential nature disclosed in whatever form by a Party directly or indirectly to the other Party and includes all know-how, trade secrets, financial, commercial, technical, tactical or strategic information of any kind. Each of the Parties agrees that it will:

1. use the Confidential Information only for the purpose of negotiating the Licence Agreement and not for any other purpose; and
2. keep the Confidential Information confidential and not directly or indirectly disclose it or make it available to any third party.

Each Party may disclose the other Party’s Confidential Information to those of its employees, officers, advisers, agents, [shareholders / investors] or other representatives who need to know the other Party’s Confidential Information for the consideration and negotiation of the Licence Agreement. Each Party may also disclose the other Party’s Confidential Information to the extent required by law, any court, any governmental, regulatory or supervisory authority or any other authority of competent jurisdiction.

The obligation shall not apply to information which is or subsequently becomes publicly known through no act or omission of the Party that receives it.]

1. [Exclusivity

[This clause 5 is legally binding.]

[During the Exclusivity Period, neither of the Parties may enter into any agreement, negotiations or discussions for the grant of commercial licenses to the IP in the Field and the Territory with any third party.]]

1. Governing law and jurisdiction; status of these Heads of Terms

**[This clause 6 is legally binding]**

Except for the provisions of these Head of Terms which are expressly stated to be legally binding, these Heads of Terms are not intended to create, evidence or imply any legal relationship or contract between the Parties. Each Party acknowledges and agrees that (a) either Party may withdraw from the negotiation of the Licence Agreement at any time without liability, and (b) the negotiations are being conducted on a non-exclusive basis, unless and to the extent otherwise stated in these Heads of Terms. To the extent that any legal issue arises in connection with these Heads of Terms, it will be governed and construed in accordance with the laws of England and Wales. The Parties irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of, or in connection with, these Heads of Terms, its subject matter or formation (including non-contractual disputes or claims).

1. Costs and expenses

**[This clause 7 is legally binding.]**

Each Party shall bear its own legal and other costs in connection with the negotiation, preparation, signature of these Heads of Terms and the Licence Agreement.

1. First Draft of the Licence Agreement

The University will produce the first draft of the Licence Agreement for review by the Company.

 Agreed by the Parties on the date set out at the head of this Agreement.

|  |  |
| --- | --- |
| Signed on behalf of the **University** by: | Signed on behalf of the **Company** by: |
| Signature:Name:Position:Date: | Signature:Name:Position:Date: |