

KTI Practical Guide

Option Agreements



Foreword

The KTI Practical Guides have been produced as a resource for those approaching transactions between Irish research performing organisations (RPOs)¹ and commercial companies. Each Practical Guide explains common terms in the agreements and describes the considerations that might apply.

The KTI Model Agreements contained in each Practical Guide take account of the legal constraints upon RPOs when entering into contracts, as well as the unique nature of RPOs, whose primary purpose is not-for-profit rather than commercial. At the same time, the terms of the agreements seek to address the typical commercial priorities of companies, e.g. to have access to intellectual property rights. The Guides are based on European best practice.

The Practical Guides are offered as a starting point for drafting and discussion, as required. Neither companies nor RPOs are mandated to use the Model Agreements.

The KTI Practical Guides and Model Agreements are available on the KTI website to download and use directly. www.knowledgetransferireland.com

Disclaimer

Parties should take their own legal advice on the suitability of any model agreement for their individual circumstances and on associated legal and commercial issues. None of Knowledge Transfer Ireland, Enterprise Ireland nor any of the individuals or organisations who have produced or commented on these documents assumes any legal responsibility or liability to any user of any of these model agreements or commentaries.

The KTI Practical Guides and Model Agreements were prepared by Anderson Law LLP (Oxford, UK; www.andlaw.eu) with advice on certain Irish law issues from LK Shields Solicitors (Dublin, Ireland; www.lkshields.ie).

¹ RPOs are considered to be Higher Education Institutes (Universities and Institutes of Technology) or State research organisations

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Introduction to Option Agreements and Option and Evaluation Agreements

What are Option Agreements and Option and Evaluation Agreements?

An Option Agreement is a contract performing the first of the following functions whereas an Option and Evaluation Agreement is a contract that performs both of the following functions:

1. *Option - The grant of an option.*

This grants a contractual right to the recipient to either negotiate a licence or to enter into a licence within a defined period. The recipient is not obliged to enter into negotiations or into the licence but it has the right to do so if it so decides.

2. *Evaluation - The grant of rights to evaluate.*

This is essentially a licence that allows the recipient to use certain technology for a defined period and for the limited purpose of assessing the technology. The exact extent of the licence will depend upon negotiations between the recipient and the party holding the technology, but typically the licence will be limited to allowing a pre-agreed set of experiments or tests to be run. The licence to evaluate is not, and should not be used as, a substitute for a commercial licence.

Option Agreement (OA)

The Model Option Agreement offers the Company the right to negotiate to take a licence to technology arising from an RPO.

The Model (at clause 2.2) can be adjusted to deal with a situation where, as at the signature of the OA, no licence terms have been agreed, or, outline licence terms have been agreed, or, detailed licence terms have been agreed.

Combined Option and Evaluation Agreement (O&EA)

The Model Option and Evaluation Agreement offers a Company both an option and a right to perform an evaluation of technology arising from an RPO as described above. The Model O&EA is directed towards companies who wish to take an option to a licence and to evaluate technology arising from an RPO.

The O&EA has been designed so that the evaluation provisions can be deleted without impacting on the validity of the agreement as a whole. It is possible that the recipient will not require any licence to evaluate, but will instead only require the benefit of an option. It is entirely possible, acceptable and commonplace to grant an option without any right to evaluate.

If the recipient is only seeking an option and does not need the right to evaluate, the Model O&EA should be used. Alternatively, clauses 3, 4.2, 7.4(a) and Schedule 4 of the Model O&EA should be deleted. Depending on the situation, clauses 5 and 6 may also be deleted.

Why is an OA useful?

An OA gives the recipient an opportunity and a commercial advantage. It grants the recipient a period during which the recipient can have confidence that the RPO will not grant a licence to any competitor. Typically, the RPO will commit to not granting a licence to any other party during the option period and the RPO may even go further and agree not to even enter negotiations with another party during the option period. This represents a valuable commercial advantage to the recipient and the RPO should not be shy about insisting on a realistic option fee.

For the RPO, an OA represents an opportunity to realise some early return on the costs of developing the technology as well as representing a firm foundation on which to enter into negotiations with the recipient. It allows the RPO and the Company to agree on matters such as confidentiality and the expected duration of the negotiation period. Frequently, the RPO will use any fees charged for the grant of the option to cover costs already incurred (or due to be incurred) in the development or protection of the technology – for example, patent application costs.

Why is an O&EA useful?

An O&EA is useful for a number of reasons:

1. It allows for a light touch agreement to be put in place so that the recipient can consider its position and the quality or effectiveness of the technology for itself. The recipient can draw its own conclusions and decide whether it needs or wants a licence. It can help the RPO as it is a means of the RPO avoiding any request from the recipient to give warranties as to the quality or effectiveness of the technology.
2. As is the case for an OA, an O&EA also gives the recipient an opportunity and a commercial advantage because it grants the recipient a period during which the recipient can have confidence that the RPO will not grant a licence to any competitor. Typically, the RPO will commit to not granting a licence to any other party during the option period and the RPO may even go further and agree not to even enter negotiations with another party during the option period. This represents a valuable commercial advantage to the recipient and the RPO should not be shy about insisting on a realistic option fee.
3. An O&EA gives the RPO an early opportunity to realise some revenue from the technology, which can be useful if, for example, patent application costs are excessive and imminent.
4. The O&EA provides a means to regulate the relations between the RPO and the recipient during the option period. For example: it can address issues of confidentiality; issues of ownership of any new intellectual property that may be created during the evaluation process; questions of responsibility for costs that are incurred during the option period; and it can be used to set the boundaries for the full scale commercial negotiation that will follow.

Can my organisation comply with an OA or an O&EA?

An RPO should be able to comply with an OA or an O&EA. In fact, if there are doubts about complying with an OA or an O&EA it would be prudent for the RPO to shelve any thoughts of licensing the technology at all until the doubts have been addressed.

In practice the two biggest compliance issues for the RPO will be:

1. *To ensure that commercial discussions are occurring only at the level of the TTO.* Frequently, different researchers within an RPO may also be pursuing parallel but different commercialisation leads. If an option is granted without all those involved being made aware of it and of the rights and restrictions that it includes, there is a serious danger that the RPO will commit a breach of the terms of the O&EA.
2. *Background due diligence.* There is a danger that entering into an O&EA is seen as a lightweight commitment. It is not. It is a contractually binding obligation and any failure to comply will have unhappy consequences for the RPO. Therefore, the RPO must conduct sufficient background checks to be confident that the RPO is in a position to enter into the O&EA and ultimately is in a

position to grant a licence to the recipient.

Who should draft the OA or the O&EA?

There is no hard and fast rule that says that either the RPO or the recipient must draft the OA or the O&EA. However, in the author's experience, the RPO should produce the first draft wherever possible. The first draft sets the tone for the discussion and, more importantly, ensures that the RPO sets out an initial position that the RPO is comfortable with. The commercial recipient will naturally want to get the best deal possible and will almost always push back but the RPO probably has less flexibility and is likely to face more practical or legal restrictions on the terms that can be agreed.

Some organisations, when presented with a draft agreement, respond by proposing their own favoured form of agreement, stating that this is their organisation's policy, or that using their own template will avoid the need for them to obtain legal advice on the externally drafted agreement. While this may be true, the author's view is that these arguments apply equally to the RPO if the RPO is faced with a document drafted by an external party.

Negotiation can sometimes be smoothed by asking if the recipient has any specific concerns and offering to adapt the O&EA to address these at the outset.

For speed, companies should realise that using the KTI **Model OA** or the **Model O&EA** will be more effective.

How detailed should the OA or the O&EA be?

Both the Model OA and the Model O&EA are intended to be light touch documents that govern relations between the parties in relation to a specific piece of technology for a defined and usually short period of time. Neither Model is a substitute for a full commercial licence. As such, the Model does not need to be too detailed. That said, the more sensitive or valuable the technology or the more elaborate the proposed evaluation process, the more detailed the provisions will need to be to ensure that each party's position is protected. In particular, in the context of the Model O&EA, as the recipient will have an opportunity to examine the technology in detail the RPO must be sure that adequate confidentiality protections and intellectual property protections are in place.

Factors that will influence the length of the OA or the O&EA include:

1. Duration of the option period.
2. Detail of the technology that is covered by the option. An option should refer to a specific piece of technology. The RPO will be wary of granting wide ranging options that are, in effect, pipeline agreements that give the recipient access to any and all output from the RPO or from a research group. Both an OA and an O&EA relates to a specific piece of technology and neither serves as a pipeline agreement.
3. Sensitivity of the technology. How important is ongoing confidentiality? Is the technology fully developed or still developing?
4. Extent of the material and information that needs to be supplied to allow the recipient to perform the evaluation.
5. Extent of the evaluation process.
6. Extent to which agreement over the proposed licence terms has already been reached. Have the parties decided only on commercial terms or concluded a term sheet or have they already agreed the full licence and are just awaiting a successful evaluation before signature?

Issues to consider in relation to the Model OA and the Model O&EA

- *Template.* Use of the Model OA or the Model O&EA will speed up negotiation. The aim is to allow the company to move as quickly as possible to the point at which it is able to decide whether it wishes to take a licence.
- *Terms.* Possible key issues might include:
 - Law and jurisdiction (is it covered by relevant insurance policies?).
 - Duration of the option period and how it can be terminated early.
 - What level of fee is appropriate (this may extend to considering who is responsible for ongoing costs during the option period)?
 - Acceptable levels of exclusivity.
 - Acceptable levels of access to the technology and minimum levels of protections necessary to give the RPO comfort.
 - Minimum terms that must be included in any licence that is ultimately granted (e.g. rights for the RPO to continue using the technology for research, teaching and publication purposes).
 - Who has the benefit of the option and/or the right to evaluate the technology? The RPO will want to establish if the recipient is a member of a group of companies and signing on behalf of the group as a whole. If that happens, the technology may be evaluated by a large number of companies (with attendant risks of loss of control) and the RPO may find itself obliged to grant a licence to a company that it has not had any direct negotiations with.
- *Monitoring.* The RPO will want to implement procedures to monitor those OAs and O&EAs that are in place and to ensure that OAs and O&EAs do not conflict with pre-existing obligations.

Important points to note about the Model OA and the Model O&EA

The reader faced with drafting an option agreement or an option and evaluation agreement must always keep in mind that a template can only ever be a starting point. The specific circumstances of the particular arrangement must always be considered and the template tailored as appropriate. For example, a number of fact specific, complex issues may be raised when drafting an option agreement or an option and evaluation agreement, which by their nature cannot be dealt with in a template.

Examples of these issues include the following:

- Neither the Model OA nor the Model O&EA have been drafted to take account of the individual requirements of Irish RPOs which might apply. Readers are advised to seek out and address, by additional provisions, any peculiarities or requirements of a relevant RPO.
- Neither the Model OA nor the Model O&EA have been drafted with regard to any tax law, treatment or policy. It may be advisable to get specific tax advice in relation to any tax issue or treatment which might arise as a result of performing or implementing the agreement. Tax treatment will depend in part on the parties' circumstances at the time the agreement is made and thereafter.
- Neither the Model OA nor the Model O&EA have been drafted to be used by or in relation to consumers. Contracts concluded with consumers are obliged to include an additional layer of legal protections, to be written in plain-spoken language, and to contain other features imposed by consumer-specific laws which are beyond the scope of this Practical Guide.
- In addition, the reader should be aware that in some situations the law relating to 'state aid' might need to be considered (e.g. if the industrial party to the option agreement or the option and evaluation agreement does not pay market value for the benefits it receives). This is a complex area and there is no 'one-size-fits-all' way of dealing with it. Accordingly, the reader should seek specialist advice when required.

Checklist of Preliminary Issues and Provisions Commonly Found in OAs and O&EAs

Preliminary	
Parties	<ul style="list-style-type: none"> • Have the correct legal names and addresses been included? • Is the recipient entering into the OA or the O&EA for itself or for itself and its affiliates or other group companies? Are the references appropriate? If so, does the signatory have authority to sign on behalf of group companies?
Authorised Signatory	<ul style="list-style-type: none"> • The signatory must be an authorised signatory for each organisation and must have sufficient rights to grant the licence that is contemplated by the option.
Extent of option	<ul style="list-style-type: none"> • What is the nature of the option that has been agreed? Specifically, consider: <ul style="list-style-type: none"> ○ Exclusivity. ○ Duration. ○ Technology that is covered. ○ Fee. ○ Extent of agreement over proposed licence terms.
Due diligence	<ul style="list-style-type: none"> • Has sufficient background due diligence been completed so that the RPO is confident that it can grant the licence that is contemplated by the option?
Definitions	
Evaluation Exercise	<ul style="list-style-type: none"> • The Model O&EA is drafted so that the broad licence permitting evaluation is set out at clause 3 while details of the proposed evaluation process can be inserted in schedule 4. Care should be taken to ensure that: <ul style="list-style-type: none"> ○ The permitted evaluation exercise is wide enough to allow the recipient to obtain the information it needs to evaluate the technology but not so wide as to allow the recipient to extract commercially valuable information; ○ The RPO will have access to the results or the evaluation exercise (see clause 3.2 of the Model O&EA); ○ The ownership of any intellectual property arising during the course of the evaluation exercise is clear (see clause 3.3 of the Model O&EA).
Option	<ul style="list-style-type: none"> • What does the option grant: an option to negotiate for a period of time (and if so, on what terms) or an option to sign a licence that has already been fully negotiated?
Option period	<ul style="list-style-type: none"> • When does the option period start and finish? • Are there any provisions for extension and/or for the payment of a fee to extend? • Are early termination provisions necessary?
Option fee	<ul style="list-style-type: none"> • What is the option fee and how and when is it payable? • Are any other fees or contributions payable (for example as a contribution to ongoing research or the payment of IP protection fees)?
Research Fees	<ul style="list-style-type: none"> • In the case of the Model O&EA, the evaluation exercise may involve the RPO. Have the RPO's costs been addressed? • Equally, should the RPO consider requiring the recipient to pay a fee in order to perform the evaluation exercise?
Technology	<ul style="list-style-type: none"> • Is the technology that is covered by the option clearly defined?
Contractual terms:	

Exclusivity	<ul style="list-style-type: none"> • Is the recipient granted an exclusive option? • Is the RPO under any restriction as regards negotiating with or signing licences with other parties during the option period?
Extent of evaluation process	<ul style="list-style-type: none"> • Is the extent of the permitted evaluation clearly defined? Have the relevant experiments or actions been discussed and agreed. • Is the RPO entitled to receive copies of the results of the evaluation? • If any new intellectual property is created during the evaluation will it be owned by or accessible to the RPO?
Intellectual Property	<ul style="list-style-type: none"> • Is the IP suitably protected? Are confidentiality provisions necessary? • Has the IP been defined in as much detail as possible? • Has the RPO conducted sufficient background due diligence to be confident that it can grant the proposed licence and has the recipient been made aware of any restrictions that exist? • If the option is exercised and the licence is granted, will the RPO retain sufficient rights over the IP, for example to allow it to continue to use it for research and teaching? • Who will be responsible for any IP related costs that arise during the option period?
Limitation	<p>Given the RPO's restricted contracting position and the early stage nature of the technology:</p> <ul style="list-style-type: none"> • Ensure that the RPO is not being required to give contractual assurances or other comfort to the recipient that the RPO is not in a position to give as regards the origins, quality or effectiveness of the technology. • If the RPO is asked to give contractual assurances, check that all internal approvals are in place and that any verification procedures have been satisfactorily completed. If contractual assurances are required, the RPO is accepting a greater risk and should consider whether to adjust the Option Fee accordingly. • Does the agreement record that the recipient acknowledges that the RPO does not offer any comfort?
Confidentiality	<ul style="list-style-type: none"> • Are confidentiality provisions necessary to protect the technology itself? • Does either party require the existence of the O&EA to be kept secret? • Are all those individuals involved aware of the restrictions?
Termination and consequences of termination	<ul style="list-style-type: none"> • Does the OA or O&EA include provisions allowing for the early termination of the option period? • Is it clear how and when the option lapses if the recipient does not exercise it? • Are the consequences of termination clear: <ul style="list-style-type: none"> ○ Do the confidentiality provisions remain in force? ○ Is it clear when any rights to use the technology end? ○ Is it clear how any IP created during the option period is to be handled?
Law and Jurisdiction	<ul style="list-style-type: none"> • Has the law governing the OA or O&EA been stated? • Has jurisdiction also been specified (i.e. which party's courts would hear any dispute)? • Is it appropriate to specify exclusive or non-exclusive jurisdiction?

Model Option Agreement including drafting points

Dated _____ 20[●]

(1) [Full legal name of the RPO]

and

(2) [Full legal name of the Company]

MODEL OPTION AGREEMENT



MODEL OPTION AGREEMENT^{i ii iii iv}

This Agreement dated _____ 20[●]^v is between:

- (1) [●] (the “**RPO**”), [an academic institution incorporated or established under [statute or charter in Ireland],] whose [principal address or registered office] is at [●]^{vi}; and
- (2) [●] [**LIMITED**][**INC.**] (the “**Company**”), [a company incorporated in [●] under registration number [●],] whose [principal place of business or registered address] is at [●]^{vii}.

Background:

- A. The RPO has developed certain technology and owns certain intellectual property rights relating to [●]^{viii}, including the Patents and the Know-how^{ix}; and
- B. The Company wishes to acquire an option to obtain rights under the Patents and to use the Know-how for the purposes set out in this Agreement and the RPO is willing to grant the Company such an option in accordance with the provisions of this Agreement.

The Parties agree as follows:**1. Definitions**

1.1 In this Agreement, the following words shall have the following meanings:

Commencement Date	[●] ^x .
Confidential Information	(a) All Patents and Know-how; and (b) All other technical or commercial information that: <ol style="list-style-type: none"> i. in respect of information provided in documentary form or by way of a model or in other tangible form, at the time of provision is marked or otherwise designated to show expressly or by necessary implication that it is imparted in confidence; and ii. in respect of information that is imparted orally, any information that the Disclosing Party or its representatives informed the Receiving Party at the time of disclosure was imparted in confidence; and iii. any copy of any of the foregoing.
Field	[●] ^{xi} .
Know-how	Technical information in the Field developed by the RPO and relating directly to the inventions claimed in the Patents, as described in the attached Schedule 1 Part B.
Licence Rights	The licence rights ^{xii} described in Schedule 2.
Option	The option described in Clause 2.1.
Option Fee	The sum of €[●] ([●] Euro).
Option Period	The period of [90] days from the Commencement Date, subject to any earlier termination of the Option under Clause 6.
Patents	Any and all of the patents and patent applications referred to in Schedule 1 Part A ^{xiii} , including any continuations, continuations in part, extensions, reissues, divisions, and any patents, [supplementary protection certificates] and similar rights that derive priority from the foregoing.
Territory	[●] ^{xiv xv} .

2. Option

- 2.1. In consideration of the payment of the Option Fee by the Company to the RPO, the RPO hereby grants to the Company an [exclusive] option, with effect from the Commencement Date and during the Option Period and subject to the provisions of this Agreement, to negotiate a separate, written licence agreement to use the Patents and the Know-how in the Field and in the Territory.
- 2.2. During the Option Period, the RPO and the Company shall negotiate in good faith the terms of a separate, written licence agreement between them under which the Company would be granted the Licence Rights^{xvi}. [Any such licence agreement would include, without limitation, terms based on the provisions of Schedule 3.]^{xvii} [Any such licence agreement will be upon the terms recorded in Schedule 3.]^{xviii} Upon agreement of the terms of the licence agreement during the Option Period, the Parties shall forthwith execute a licence agreement between them on such terms.
- 2.3. If the Parties are unable to agree the terms of a separate, written licence agreement during the Option Period, despite negotiating in good faith, the Option will lapse and this Agreement shall terminate by expiry.
- 2.4. During the Option Period, the RPO reserves for itself and its collaborators the [exclusive,] irrevocable, worldwide, royalty-free right to use the Patents and Know-how for the purposes of research that is not directed to the development of commercial products and services, publication^{xix} and teaching.

3. Payments^{xx}

- 3.1. In consideration of the Option, the Company shall pay to the RPO the Option Fee (plus VAT and any other taxes or duties that are applicable) within [30] days of the Commencement Date.
- 3.2. All amounts stated or referred to in this Agreement are exclusive of VAT and any other taxes or duties that are applicable. These will be charged by the RPO to the Company and are payable by the Company in addition, if applicable and at the appropriate rate.

4. No warranty^{xxi}

- 4.1. The Company acknowledges and agrees that:
 - (a) the inventions claimed in the Patents, and the Know-how, are at an early stage of development. Accordingly, specific results cannot be guaranteed and any results, materials, information and other items, including the Patents and the Know-how, (together, the “**Delivered Items**”) provided under this Agreement are provided to the Company ‘as is’ and without any express or implied warranties, representations or undertakings. As examples, but without limiting the foregoing, the RPO does not give any warranty that the Delivered Items are of merchantable or satisfactory quality, are fit for any particular purpose, comply with any sample or description, nor are viable, uncontaminated, safe or non-toxic, accurate, up to date or complete; and
 - (b) the RPO has not performed any searches or investigations into the existence of any third party rights that may affect any of the Patents or Know-how.

5. Confidentiality obligations

- 5.1. Each Party (the “**Receiving Party**”) undertakes from the Commencement Date:
 - (a) to maintain as secret and confidential all Confidential Information obtained directly or indirectly from the other Party (the “**Disclosing Party**”) in the course of or in anticipation of this Agreement and to respect the Disclosing Party’s rights therein;
 - (b) to use such Confidential Information only for the purposes of this Agreement;
 - (c) to disclose such Confidential Information only to those of its employees to whom and to the extent that such disclosure is reasonably necessary for the purposes of this Agreement; and
 - (d) to ensure that all those to whom disclosure of or access to such Confidential Information has been given, including its employees, comply with the provisions of this Agreement and the

Receiving Party shall be liable to the Disclosing Party for any breach of this Agreement by any of the foregoing.

- 5.2. The provisions of Clause 5.1 shall not apply to Confidential Information which the Receiving Party can demonstrate by reasonable, written evidence:
- (a) was, prior to its receipt by the Receiving Party from the Disclosing Party, in the possession of the Receiving Party and at its free disposal; or
 - (b) is subsequently disclosed to the Receiving Party without any obligations of confidence by a third party who has not derived it directly or indirectly from the Disclosing Party; or
 - (c) is independently developed by the Receiving Party by individuals who have not had any direct or indirect access to the Disclosing Party's Confidential Information; or
 - (d) is or becomes generally available to the public through no act or default of the Receiving Party or its employees.
- 5.3. To the extent that the Receiving Party is required to disclose any of the Disclosing Party's Confidential Information by order of a court or other public body that has jurisdiction over it or under other legal obligations, such as under a *bona fide* freedom of information request, it may do so, provided that, before making such a disclosure the Receiving Party shall, unless the circumstances prohibit:
- (a) inform the Disclosing Party of the proposed disclosure as soon as possible, in any event, no later than 5 working days after becoming aware of the proposed disclosure; and
 - (b) permit the Disclosing Party to make representations (written or otherwise) in respect of the disclosure and/or confidential treatment of the Confidential Information.

6. Termination

- 6.1. This Agreement shall come into effect on the Commencement Date and, subject to any earlier termination in accordance with this Clause 6, shall continue in force until the expiry of the Option Period. Upon expiry of the Option Period, this Agreement, and the Option, shall terminate by expiry.
- 6.2. The Company may terminate this Agreement at any time on giving no less than 60 days^{xxii} notice in writing to the RPO.
- 6.3. Either Party may terminate this Agreement at any time by notice in writing to the other Party (the "**Other Party**"), such termination to take effect as specified in the notice:
- (a) if the Other Party is in material breach of this Agreement; or
 - (b) if: (A) the Other Party becomes insolvent or unable to pay its debts as and when they become due, (B) an order is made or a resolution is passed for the winding up of the Other Party (other than voluntarily for the purpose of solvent amalgamation or reconstruction), (C) a liquidator, examiner, receiver, receiver manager or trustee is appointed in respect of the whole or any part of the Other Party's assets or business, (D) the Other Party makes any composition with its creditors, (E) the Other Party ceases to continue its business, or (F) as a result of debt and/or maladministration the Other Party takes or suffers any similar or analogous action.
- 6.4. The RPO may terminate this Agreement by giving written notice to the Company, such termination to take effect forthwith or as otherwise stated in the notice:
- (a) if the Company fails to pay any amount payable under this Agreement by the due date; or
 - (b) if the RPO has reasonable grounds to believe that the Company or any of its employees or

representatives are in breach of any applicable anti-corruption legislation.

- 6.5. A Party's right of termination under this Agreement, and the exercise of any such right, shall be without prejudice to any other right or remedy (including any right to claim damages) that such Party may have in the event of a breach of contract or other default by the other Party.
- 6.6. Upon termination of this Agreement for any reason, including without limitation upon termination by expiry under Clause 6.1:
- (a) the Company shall immediately cease to make any further use of the Patents, Know-how and any Confidential Information provided by the RPO under this Agreement and shall, at the RPO's option return or destroy any documents or other materials under its possession or control recording any of the Patents, Know-how or Confidential Information;
 - (b) the Option shall lapse, and in such circumstances, the RPO shall be free to exploit the Patents and the Know-how without restriction or further obligation to the Company; and
 - (c) neither Party shall be under any further obligation to the other save that obligations under Clauses 5, 6.6 and 7 of this Agreement shall remain in force.

7. General^{xxiii}

- 7.1. Neither Party shall have any liability or be deemed to be in breach of this Agreement for any delays or failures in performance of this Agreement that result from circumstances beyond the reasonable control of that Party, including without limitation labour disputes involving that Party. The Party affected by such circumstances shall promptly notify the other Party in writing when such circumstances cause a delay or failure in performance and when they cease to do so.
- 7.2. This Agreement may only be amended in writing signed by duly authorised representatives of the RPO and the Company.
- 7.3. Subject to Clause 7.4, neither Party shall assign, mortgage, charge or otherwise transfer any rights or obligations under this Agreement, nor any of the Patents or rights under the Patents, without the prior written consent of the other Party.
- 7.4. Either Party may assign all its rights and obligations under this Agreement together with its rights in the Patents to any company or other organisation to which it transfers all or substantially all of its assets or business [in the Field], provided that the assignee undertakes to the other Party to be bound by and perform the obligations of the assignor under this Agreement. However, a Party shall not have such a right to assign this Agreement if any of the circumstances described in Clause 6.3(b) apply to it^{xxiv}.
- 7.5. Neither Party shall act or describe itself as the agent of the other, nor shall it make or represent that it has authority to make any commitments on the other's behalf.
- 7.6. Any notice to be given under this Agreement shall be in writing and shall be sent by post or by fax to the address of the relevant Party set out at the head of this Agreement, or to the relevant fax number set out below, or such other address or fax number as that Party may from time to time notify to the other Party in accordance with this Clause 7.6. The fax numbers of the Parties are as follows:
- (a) RPO – [●]^{xxv}; and
 - (b) Company – [●]^{xxvi}.
- 7.7. Notices sent as above shall be deemed to have been received three working days after the day of posting or on the next working day after transmission (in the case of fax messages, but only if a transmission report is generated by the sender's fax machine recording a message from the recipient's fax machine, confirming that the fax was sent to the number indicated above and confirming that all pages were successfully transmitted).

- 7.8. This Agreement shall be governed by and construed in accordance with the laws of the Republic of Ireland and each Party agrees to submit to the exclusive jurisdiction of the courts of the Republic of Ireland. Notwithstanding the preceding sentence, before commencing any litigation, each Party shall consider in good faith whether it would be reasonable in the circumstances for the Parties to agree to pursue any alternative dispute resolution processes. Such alternative dispute resolution processes may include internal escalation procedures and/or mediation in accordance with the WIPO mediation rules. For the avoidance of doubt, however, nothing in this Agreement shall prevent or delay a Party from seeking an interim injunction.
- 7.9. Each Party agrees to execute, acknowledge and deliver such further instruments, and do all further similar acts, as may be necessary or appropriate to carry out the purposes and intent of this Agreement.
- 7.10. Neither Party shall make any press or other public announcement concerning any aspect of this Agreement, or make any use of the name of the other Party in connection with or in consequence of this Agreement, without the prior written consent of the other Party.
- 7.11. This Agreement, including its Schedules, sets out the entire agreement between the Parties relating to its subject matter and supersedes all prior oral or written agreements, arrangements or understandings between them relating to such subject matter. The Parties acknowledge that they are not relying on any representation, agreement, term or condition which is not set out in this Agreement.

Agreed by the Parties through their authorised signatories:

For and on behalf of
[Full legal name of the RPO]

For and on behalf of
[Full legal name of the Company]

Signed

Signed

Print name

Print name

Title

Title

Date

Date

Schedule 1^{xxvii}

Part A Patents

[Insert details of the patents and/or patent applications]

Part B Know-how

[Insert a description of the know-how including reference to any documents in which the Know-how is recorded]

Schedule 2

Licence Rights

[Insert key points to be incorporated in licence agreement such as:

- Intended exclusivity.
- Duration.
- Field.
- Territory.
- Permitted use (e.g. manufacture, develop, sell or supply).
- Ability to grant sub-licences.
- Warranties or indemnities to be offered.]

Schedule 3

[Insert details of any pre-agreed term sheet (including commercial details) or insert a copy of the finalised licence agreement that will be signed if the evaluation period is satisfactory]

Drafting Notes:

- ⁱ If the intention is simply to grant a right to negotiate, this Model Option Agreement should be used. The alternative Model Option and Evaluation Agreement should be used to grant the Company rights to evaluate or test the intellectual property as well as a right to negotiate a licence.
- ⁱⁱ Users of this Model Agreement should note that the authors have not drafted it to take account of the individual requirements of Irish RPOs which might apply. Users are advised to seek out and address by additional provisions, any peculiarities or requirements of a relevant RPO.
- ⁱⁱⁱ Users of this Model Agreement are advised that the authors have not drafted it to be used by or in relation to consumers. Contracts concluded with consumers are obliged to include an additional layer of legal protections, to be written in plain-spoken language and to contain other features imposed by consumer-specific laws which are not dealt with in this template.
- ^{iv} Users of this Model Agreement should be aware that, depending on the particular circumstances of the arrangements, the law relating to 'state aid' might need to be considered (e.g. if the industrial party to the option agreement does not pay market value for the benefits it receives). This is a complex area and there is no 'one-size-fits-all' way of dealing with it. Accordingly, the user should seek specialist advice when required.
- ^v This should be the date on which the last party signed, and should be inserted by the last signatory, on that date.
- ^{vi} Insert the full name of the RPO, the statute or charter under which it was incorporated or established, and its principal/registered address. Individual RPOs will have their own legal formalities which will need to be completed to bind the RPO.
- ^{vii} Insert the full name of the company (or other entity), its incorporation number, and its principal/registered address. This Model Agreement has been designed for use with a commercial entity.
- ^{viii} Insert a general description of what the intellectual property rights relate to, for instance therapeutic area.
- ^{ix} This Model Option Agreement is drafted to refer to Patents and Know-how, but could be amended to refer to "Technology" if a wider range of intellectual property is involved (such as for example, copyright in software).
- ^x This is the date on which the Option comes into force.
- ^{xi} This refers to the field in which the proposed licence would be granted and assumes that the licence would be limited to a particular technical field or field of use.
- ^{xii} Depending upon the arrangement reached with the Company, the licence rights would address issues such as permitted uses, duration, exclusivity, the right to sub-license and the extent of rights reserved to the RPO.
- ^{xiii} As mentioned in an above footnote, this Model Option Agreement can be adapted to refer to a wider range of technology. The Schedule will need to be amended to reflect this as part of the adaptation process.
- ^{xiv} Insert the countries in which the Company will be granted a licence to use the Patents and the Know-how.
- ^{xv} Where this Model Agreement is adapted to be used to govern the performance of obligations in a jurisdiction outside of the Republic of Ireland, users should note that their ability to enforce the rights and obligations set out here may be subject to the law of that jurisdiction and that local legal advice may need to be sought.
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- ^{xix} This will be of central importance to the RPO. If there is a concern that the technology may be compromised by a publication, the Company may ask the RPO to consider agreeing to delay publication for the duration of the Option Period.
- ^{xx} Users of this Model Agreement are advised that it has not been prepared with regard to any tax law, treatment or policy and that it may be advisable to get specific tax advice in relation to any tax issue or treatment which might arise as a result of performing or implementing this agreement. Tax treatment will depend in part on the parties' circumstances at the time the agreement is made and thereafter.
- ^{xxi} As drafted, this clause minimises the RPO's exposure. It reflects the RPO's limited ability to provide comprehensive warranties or other guarantees in support of the technology. RPOs may look to the Company to provide indemnity protection to the RPO in respect of the Company's use of the technology on the basis that the RPO cannot exercise day to day control over the Company's actions and could lose a valuable commercial opportunity if (for example) the Company breached confidentiality.
- ^{xxii} Sixty days is an arbitrary suggestion designed primarily to ensure that the RPO has time to make alternative arrangements if (for example) patent renewal deadlines are imminent.
- ^{xxiii} Parties may wish to seek advice whether the option agreement raises any competition law issues, e.g. under Article 101(1) of the Treaty on the Functioning of the European Union (TFEU), Section 4(1) of the Competition Act 2002 (as amended), or the

Technology Transfer Block Exemption Regulation (TTBER). For further information, the user should see the section which provides further detail in the Practical Guide entitled "Licence Agreements".

^{xxiv} This seeks to avoid assignments by a liquidator. This and other insolvency-related provisions may not work in particular jurisdictions as laws may protect insolvent companies.

^{xxv} Insert title and address of the office bearer to whom notices about the RPO should be sent.

^{xxvi} Insert title and address of the office bearer to whom notices about the Company should be sent.

^{xxvii} This Schedule can be amended to describe a broader range of intellectual property if necessary.

Model Option and Evaluation Agreement including drafting points

Dated _____ 20[●]

(1) [Full legal name of the RPO]

and

(2) [Full legal name of the Company]

MODEL OPTION AND EVALUATION AGREEMENT

MODEL OPTION AND EVALUATION AGREEMENT^{i ii iii iv}

This Agreement dated _____ 20[●]^v is between:

1. [●] (the “RPO”), [an academic institution incorporated or established under [statute or charter in Ireland],] whose [principal address or registered office] is at [●]^{vi}; and
2. [●] [LIMITED][INC.] (the “Company”), [a company incorporated in [●] under registration number [●],] whose [principal place of business or registered address] is at [●]^{vii}.

Background:

- A. The RPO has developed certain technology and owns certain intellectual property rights relating to [●], including the Patents and the Know-how^{viii}; and
- B. The Company wishes to evaluate the Patents and the Know-how and the RPO is willing to grant the Company a limited licence to use the Patents and the Know-how in accordance with the provisions of this Agreement; and
- C. The Company wishes to acquire an option to obtain rights under the Patents and to use the Know-how for the purposes set out in this Agreement and the RPO is willing to grant the Company such an option in accordance with the provisions of this Agreement.

The Parties agree as follows:

1. Definitions

1.1. In this Agreement, the following words shall have the following meanings:

Commencement Date	[●] ^{ix} .
Confidential Information	(c) All Patents and Know-how; and (d) All other technical or commercial information that: iv. in respect of information provided in documentary form or by way of a model or in other tangible form, at the time of provision is marked or otherwise designated to show expressly or by necessary implication that it is imparted in confidence; and v. in respect of information that is imparted orally, any information that the Disclosing Party or its representatives informed the Receiving Party at the time of disclosure was imparted in confidence; and vi. any copy of any of the foregoing.
Evaluation Exercise	The process of evaluating the Patents and Know-how which shall be restricted to the activities described in Schedule 4.
Field	[●] ^x .
Know-how	Technical information in the Field developed by the RPO and relating directly to the inventions claimed in the Patents, as described in the attached Schedule 1 Part B.
Licence Rights	The licence rights ^{xi} described in Schedule 2.
Option	The option described in Clause 2.1.
Option Fee	The sum of €[●] ([●] Euro).
Option Period	The period of [90] days from the Commencement Date, subject to any earlier termination of the Option under Clause 7.

Patents	Any and all of the patents and patent applications referred to in Schedule 1 Part A ^{xii} , including any continuations, continuations in part, extensions, reissues, divisions, and any patents, [supplementary protection certificates] and similar rights that derive priority from the foregoing.
Research Fees	The amounts detailed in Schedule 4 and payable by the Company as detailed in Schedule 4 in respect of any further research or work to be performed by the RPO as part of the Evaluation Exercise.
Territory	[●] ^{xiii} ^{xiv} .

2. Option

- 2.1. In consideration of the payment of the Option Fee by the Company to the RPO, the RPO hereby grants to the Company an [exclusive] option, with effect from the Commencement Date and during the Option Period and subject to the provisions of this Agreement, to negotiate a separate, written licence agreement to use the Patents and the Know-how in the Field and in the Territory.
- 2.2. During the Option Period, the RPO and the Company shall negotiate in good faith the terms of a separate, written licence agreement between them under which the Company would be granted the Licence Rights^{xv}. [Any such licence agreement would include, without limitation, terms based on the provisions of Schedule 3.]^{xvi} [Any such licence agreement will be upon the terms recorded in Schedule 3.]^{xvii} Upon agreement of the terms of the licence agreement during the Option Period, the Parties shall forthwith execute a licence agreement between them on such terms.
- 2.3. If the Parties are unable to agree the terms of a separate, written licence agreement during the Option Period, despite negotiating in good faith, the Option will lapse and this Agreement shall terminate by expiry.
- 2.4. During the Option Period, the RPO reserves for itself and its collaborators the [exclusive,] irrevocable, worldwide, royalty-free right to use, the Patents and Know-how for the purposes of research that is not directed to the development of commercial products and services, publication^{xviii} and teaching.

3. Licence to evaluate

- 3.1. In consideration of the payment of the Option Fee by the Company to the RPO, the RPO hereby grants to the Company an [exclusive]^{xix} non-transferable, non-sub-licensable, royalty-free licence, with effect from the Commencement Date and during the Option Period and subject to the provisions of this Agreement, to use and evaluate the Patents and the Know-how for the limited purpose of performing the Evaluation Exercise.
- 3.2. The Company shall promptly disclose to the RPO the information resulting from the Evaluation Exercise.
- 3.3. All information and any intellectual property (including, but not limited to, developments, improvements and further know-how) arising from the Evaluation Exercise that incorporates or arises directly from the Patents and Know-how (whether generated by the RPO or by or on behalf of the Company) shall:
 - (a) be treated as confidential information owned by the RPO in accordance with Clause 5; and
 - (b) [be assigned to and vest in the RPO and the Company shall take any steps necessary to complete such assignment promptly and at its own expense]. If the RPO subsequently grants the Company a licence pursuant to Clause 2.2 then the intellectual property arising from the Evaluation Exercise shall be included in the licence granted to the Company.

4. Payments^{xx}

- 4.1. In consideration of the Option, the Company shall pay to the RPO the Option Fee (plus VAT and any other taxes or duties that are applicable) within [30] days of the Commencement Date.

- 4.2. The Company shall pay to the RPO the Research Fees by way of funding the RPO's contribution to the Evaluation Exercise on receipt of an invoice from the RPO.
- 4.3. All amounts stated or referred to in this Agreement are exclusive of VAT and any other taxes or duties that are applicable. These will be charged by the RPO to the Company and are payable by the Company in addition, if applicable and at the appropriate rate.

5. No warranty^{xxi}

- 5.1. The Company acknowledges and agrees that:
 - (a) the inventions claimed in the Patents, and the Know-how, are at an early stage of development. Accordingly, specific results cannot be guaranteed and any results, materials, information and other items, including the Patents and the Know-how (together, the "**Delivered Items**") provided under this Agreement are provided to the Company 'as is' and without any express or implied warranties, representations or undertakings. As examples, but without limiting the foregoing, the RPO does not give any warranty that Delivered Items are of merchantable or satisfactory quality, are fit for any particular purpose, comply with any sample or description, nor are viable, uncontaminated, safe or non-toxic, accurate, up to date or complete; and
 - (b) the RPO has not performed any searches or investigations into the existence of any third party rights that may affect any of the Patents or Know-how.

6. Confidentiality obligations

- 6.1. Each Party (the "**Receiving Party**") undertakes from the Commencement Date:
 - (a) to maintain as secret and confidential all Confidential Information obtained directly or indirectly from the other Party (the "**Disclosing Party**") in the course of or in anticipation of this Agreement and to respect the Disclosing Party's rights therein;
 - (b) to use such Confidential Information only for the purposes of this Agreement;
 - (c) to disclose such Confidential Information only to those of its employees to whom and to the extent that such disclosure is reasonably necessary for the purposes of this Agreement; and
 - (d) to ensure that all those to whom disclosure of or access to such Confidential Information has been given, including its employees, comply with the provisions of this Agreement and the Receiving Party shall be liable to the Disclosing Party for any breach of this Agreement by any of the foregoing.
- 6.2. The provisions of this Clause 6.1 shall not apply to Confidential Information which the Receiving Party can demonstrate by reasonable, written evidence:
 - (a) was, prior to its receipt by the Receiving Party from the Disclosing Party, in the possession of the Receiving Party and at its free disposal; or
 - (b) is subsequently disclosed to the Receiving Party without any obligations of confidence by a third party who has not derived it directly or indirectly from the Disclosing Party; or
 - (c) is independently developed by the Receiving Party by individuals who have not had any direct or indirect access to the Disclosing Party's Confidential Information; or
 - (d) is or becomes generally available to the public through no act or default of the Receiving Party or its employees.
- 6.3. To the extent that the Receiving Party is required to disclose any of the Disclosing Party's Confidential Information by order of a court or other public body that has jurisdiction over it or under other legal obligations, such as under a *bona fide* freedom of information request, it may do so, provided that, before making such a disclosure the Receiving Party shall, unless the circumstances prohibit:

- (a) inform the Disclosing Party of the proposed disclosure as soon as possible, in any event, no later than 5 working days after becoming aware of the proposed disclosure; and
- (b) permit the Disclosing Party to make representations (written or otherwise) in respect of the disclosure and/or confidential treatment of the Confidential Information.

7. Termination

- 7.1. This Agreement shall come into effect on the Commencement Date and, subject to any earlier termination in accordance with this Clause 7, shall continue in force until the expiry of the Option Period. Upon expiry of the Option Period, this Agreement, and the Option, shall terminate by expiry.
- 7.2. The Company may terminate this Agreement at any time on giving no less than 60 days^{xxii} notice in writing to the RPO.
- 7.3. Either Party may terminate this Agreement at any time by notice in writing to the other Party (the "**Other Party**"), such termination to take effect as specified in the notice:
 - (a) if the Other Party is in material breach of this Agreement; or
 - (b) if: (A) the Other Party becomes insolvent or unable to pay its debts as and when they become due, (B) an order is made or a resolution is passed for the winding up of the Other Party (other than voluntarily for the purpose of solvent amalgamation or reconstruction), (C) a liquidator, examiner, receiver, receiver manager or trustee is appointed in respect of the whole or any part of the Other Party's assets or business, (D) the Other Party makes any composition with its creditors, (E) the Other Party ceases to continue its business, or (F) as a result of debt and/or maladministration the Other Party takes or suffers any similar or analogous action.
- 7.4. The RPO may terminate this Agreement by giving written notice to the Company, such termination to take effect forthwith or as otherwise stated in the notice:
 - (a) if the Company fails to perform any part of the Evaluation Exercise as agreed or by any agreed date; or
 - (b) if the Company fails to pay any amount payable under this Agreement by the due date; or
 - (c) if the RPO has reasonable grounds to believe that the Company or any of its employees or representatives are in breach of any applicable anti-corruption legislation.
- 7.5. A Party's right of termination under this Agreement, and the exercise of any such right, shall be without prejudice to any other right or remedy (including any right to claim damages) that such Party may have in the event of a breach of contract or other default by the other Party.
- 7.6. Upon termination of this Agreement for any reason, including without limitation upon termination by expiry under Clause 7.1:
 - (a) the Company shall immediately cease to make any further use of the Patents, Know-how and any Confidential Information provided by the RPO under this Agreement and shall, at the RPO's option return or destroy any documents or other materials under its possession or control recording any of the Patents, Know-how or Confidential Information;
 - (b) the Option shall lapse, and in such circumstances, the RPO shall be free to exploit the Patents and the Know-how without restriction or further obligation to the Company; and
 - (c) neither Party shall be under any further obligation to the other save that obligations under Clauses 3.3, 6, 7.6 and 8 of this Agreement shall remain in force.

8. General^{xxiii}

- 8.1. Neither Party shall have any liability or be deemed to be in breach of this Agreement for any delays or failures in performance of this Agreement that result from circumstances beyond the reasonable control of that Party, including without limitation labour disputes involving that Party. The Party affected by such circumstances shall promptly notify the other Party in writing when such circumstances cause a delay or failure in performance and when they cease to do so.
- 8.2. This Agreement may only be amended in writing signed by duly authorised representatives of the RPO and the Company.
- 8.3. Subject to Clause 8.4, neither Party shall assign, mortgage, charge or otherwise transfer any rights or obligations under this Agreement, nor any of the Patents or rights under the Patents, without the prior written consent of the other Party.
- 8.4. Either Party may assign all its rights and obligations under this Agreement together with its rights in the Patents to any company or other organisation to which it transfers all or substantially all of its assets or business, provided that the assignee undertakes to the other Party to be bound by and perform the obligations of the assignor under this Agreement. However, a Party shall not have such a right to assign this Agreement if it is insolvent^{xxiv}.
- 8.5. Neither Party shall act or describe itself as the agent of the other, nor shall it make or represent that it has authority to make any commitments on the other's behalf.
- 8.6. Any notice to be given under this Agreement shall be in writing and shall be sent by post or by fax (confirmed by post) to the address of the relevant Party set out at the head of this Agreement, or to the relevant fax number set out below, or such other address or fax number as that Party may from time to time notify to the other Party in accordance with this Clause 8.6. The fax numbers of the Parties are as follows:
 - (a) RPO – [●]^{xxv};
 - (b) Company – [●]^{xxvi}.
- 8.7. Notices sent as above shall be deemed to have been received three working days after the day of posting, or on the next working day after transmission (in the case of fax messages, but only if a transmission report is generated by the sender's fax machine recording a message from the recipient's fax machine, confirming that the fax was sent to the number indicated above and confirming that all pages were successfully transmitted).
- 8.8. This Agreement shall be governed by and construed in accordance with the laws of the Republic of Ireland and each Party agrees to submit to the exclusive jurisdiction of the courts of the Republic of Ireland. Notwithstanding the preceding sentence, before commencing any litigation, each Party shall consider in good faith whether it would be reasonable in the circumstances for the Parties to agree to pursue any alternative dispute resolution processes. Such alternative dispute resolution processes may include internal escalation procedures and/or mediation in accordance with the WIPO mediation rules. For the avoidance of doubt, however, nothing in this Agreement shall prevent or delay a Party from seeking an interim injunction.
- 8.9. Each Party agrees to execute, acknowledge and deliver such further instruments, and do all further similar acts, as may be necessary or appropriate to carry out the purposes and intent of this Agreement.
- 8.10. Neither Party shall make any press or other public announcement concerning any aspect of this Agreement, or make any use of the name of the other Party in connection with or in consequence of this Agreement, without the prior written consent of the other Party.
- 8.11. This Agreement, including its Schedules, sets out the entire agreement between the Parties relating to its subject matter and supersedes all prior oral or written agreements, arrangements or understandings between them relating to such subject matter. The Parties acknowledge that they are not relying on any representation, agreement, term or condition which is not set out in

this Agreement.

Agreed by the Parties through their authorised signatories:

For and on behalf of
[Full legal name of the RPO]

For and on behalf of
[Full legal name of the Company]

Signed

Signed

Print name

Print name

Title

Title

Date

Date

Schedule 1^{xxvii}

Part A Patents

[Insert details of the patents and/or patent applications]

Part B Know-how

[Insert a description of the know-how including reference to any documents in which the Know-how is recorded]

Schedule 2

Licence Rights

[Insert key points to be incorporated in licence agreement such as:

- Intended exclusivity.
- Duration.
- Field.
- Territory.
- Permitted use (e.g. manufacture, develop, sell or supply).
- Ability to grant sub-licences.
- Warranties or indemnities to be offered.]

Schedule 3

[Insert details of any pre-agreed term sheet (including commercial details) or insert a copy of the finalised licence agreement that will be signed if the evaluation period is satisfactory]

Schedule 4

Evaluation Exercise

[Insert details of the agreed evaluation process which may include some or all of the following by either the Company or the RPO:

- performing defined experiments and tests in order to evaluate the technology;
- investigating the feasibility and implications of developing products based on the technology;
- performing market research and preparing market forecasts; and
- preparing an outline programme for the commercial exploitation of the technology.]

Research Fees

[Insert details of any fees payable by the Company to the RPO to perform any further research or any other part of the Evaluation Exercise]

Drafting Notes:

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- ⁱⁱ Users of this Model Agreement should note that the authors have not drafted it to take account of the individual requirements of Irish RPOs which might apply. Users are advised to seek out and address by additional provisions, any peculiarities or requirements of a relevant RPO.
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- ^{xviii} This will be of central importance to the RPO. If there is a concern that the technology compromised by a publication, the Company may ask the RPO to consider agreeing to delay publication for the duration of the Option Period.
- ^{xix} The exclusivity of the licence to evaluate must match the exclusivity of the Option at Clause 2.1.
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