



501 Licensing from the Licensee's Perspective

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Faculty Biographies

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Stacey A. Giamalis is the senior vice president, general counsel, and secretary of LookSmart, Ltd., located in San Francisco, a publicly-traded Internet company with vertical search, social bookmarking and web search properties, and technologies related to the display of online listings advertisements. Stacey has years of experience representing technology and other industries. As LookSmart's general counsel, Ms. Giamalis is responsible for advising on legal matters, including corporate, contractual, intellectual property, and international.

Prior to joining LookSmart, Ms. Giamalis was vice president, general counsel, and secretary of QRS Corporation, a publicly-traded company which provided hosted network services for retail e-commerce. Before QRS, she was the vice president, general counsel, and secretary of CrossWorlds Software, an enterprise software company that went public during Ms. Giamalis' tenure. She was previously in private practice, focusing on intellectual property and business transactions.

Ms. Giamalis received a B.A. degree from the University of California, Davis and her law degree from the University of California, Berkeley (Boalt Hall) and a B.A. degree from the University of California, Davis.



IP 501 – Licensing from the Licensee's Perspective

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Introduction

- Target: Occasional to frequent negotiators of in-bound licenses of intellectual property
- Objective:
 - Provide guidance on pro-licensee provisions and concerns
 - Provide sample contract language
- Disclaimer: Opinions expressed today are those of the individual presenters and do not represent views or opinions of their employers

Outline

- License Scope
- Intellectual Property Rights
- Term and Termination
- Maintenance and Support Obligations
- Warranties
- Royalties and Payments
- Indemnification
- Limitation of Liability



**Scope of License;
Intellectual Property Rights;
Term and Termination**

David Fligor

Intellectual Property Counsel, TiVo Inc.



What's The Business Objective?

- What is the business objective?
 - Internal Use Only
 - Distribution with Licensee products
 - Embedded in technology provided to third parties
- Avoid misunderstandings with Licensor with a clear agreement
- Will business and technical personnel be able to live with the agreement?



Scope of License – What’s a License?

- Ways to think of a License
 - A “permission slip” to use tangible or intangible property within the scope of the license
 - Defense to infringement or misappropriation claims

Scope of License – Background

- Know the technical details
 - What specific technology or IP is being licensed?
 - Product names and versions
 - Documentation license?
- Will the supplier’s products or IP be combined with Licensee products?
 - Operation through an API
 - Use of supplier’s IP in shipping products



Scope of License

- License Grant
 - Preamble
 - During the term...
 - Subject to payment obligations...
 - Subject to terms and conditions of the agreement...
 - License under all IP rights or under fewer IP rights
 - Limited purpose



Scope of License

- License Grant – sufficient enumerated rights for the intended purpose?
 - Patents
 - Make, have made, use, have made, sell, offer to sell, import an product
 - Practice any process or method under the patents
 - Copyrights
 - Use, reproduce, distribute, create derivative works, publicly perform
 - Trademarks
 - Trade secrets/know how



Scope of License

- License Grant (cont'd.)
 - Exclusive or non-exclusive
 - Perpetual or terminable
 - Rights to sublicense

Scope of License

- License Restrictions
 - No creation of derivative works except as licensed
 - Territory or location restrictions
 - No reverse engineering, disassembly
 - No use for others
 - No use outside the purpose
 - Minimum terms for sublicenses
 - Copyright and other proprietary rights notices



Scope of License

- License Restrictions
 - Licensee wants minimum restrictions
 - Consequences of breach of a license restriction



Intellectual Property Rights

- Ownership of licensed product and/or IP
- Ownership/Licenses for Improvements
 - Improvements by Licensor
 - Improvements by Licensee



Term and Termination

- Term
 - Effect of limited term
 - Renewal provisions/notice
- Termination
 - Automatic or after X days notice
 - For cause or for Licensor's convenience
 - Uncured material breach by either party
 - Upon certain events

Term and Termination

- Effect of Termination
 - Immediate cessation
 - Wind down rights
 - Return of licensed materials
- Special situations
 - Licensor bankruptcy
 - Termination of license as mitigation alternative for IP infringement
 - Termination of license if a license restriction is found invalid or unenforceable



Term and Termination

- Survival
 - Survival of licenses during wind down period
 - Survival of ownership provisions



Software Maintenance and Support; Warranties

Stacey Giamalis

SVP, General Counsel & Secretary , LookSmart, Inc.

David Boyko

Legal Director, Schering-Plough Corp.



End User Software Maintenance and Support

- Version Eligibility/Version Catch-Up
 - Which features/functionality retained
- Support Hours and Modes
- Response/Resolution Times
- Contacts and Escalation/Availability of Onsite Support



End User Software Maintenance and Support

- Error Classification
- Non-covered Events/Other Limits
- Rates for Onsite Support/Non-Covered Events
- Documentation for Patches/Updates/Upgrades
- Term of M&S Obligation/Auto-Renew
 - End User Obligation to Pay
 - Licensor Obligation to Provide
 - Licensor Ability to Discontinue Support/Sunset Product



End User Software Maintenance and Support

- Installation/Implementation
 - Scope, testing, mapping, data, etc.
- Training
- Ability to Subcontract Obligations
- Commitment to Product Roadmap



Non-End User Software Maintenance and Support

- Varies According to Business Model of Licensee
 - Example: Private Label OEM Licensee
 - Example: Distributor/VAR Licensee
 - Example: Consulting Firm Licensee
- If Licensee has a standard contract with its customers that covers the licensed product, how does that read on these issues?



Non-End User Software Maintenance and Support

- Support Levels (Who does What)
 - Level One, Two, Three
- Who provides Reporting/Tracking System
- Who develops Enhancements/New Features or Functionality requested by End Users
- Whose Support Contract does the End User Enter Into



Non-End User/Licensee Software Maintenance and Support

- Process, Systems and Hours for Communications between Licensor and Licensee
- Reporting of Errors by Licensee
- (Effect on Royalty Deals of copying/distributing support versions)



Software Warranties

- Performance According to Specifications
 - Materiality
 - Which Documents Are the Specifications?
- Freedom from Material Defects
- Licensor Has the Right to Grant the License(s)
 - Was Created by Employees vs. Contractors
 - If Licensor is Not Creator, Licensor has All Necessary Rights from Creator

Software Warranties cont'd

- Non-Infringement of a Third Party's IP
 - Express or Implied
 - Warranty vs. Indemnity
- Open Source
 - Does not Contain
 - Will not be Combined With
- No Viruses, etc.



Software Warranties cont'd

- Disclaimers
 - Implied Warranty of Non-Infringement
 - Implied Warranty of Merchantability
 - Implied Warranty of Fitness for a Particular Purpose

Software Source Code Escrow

- Cost Not Significant
- Is the Code Really Complete and Commented, and Who Verifies?
- Do the Licensee's people really have the Skills, Experience and Know-How to Use it?
- If so, Focus on License to Licensee following Release!



Other Warranties

- What are you getting?
 - Ownership (possibly exclusive) or right to license IP
 - Free and clear of any liens, charges, claims and encumbrances
 - All maintenance fees and annual payments have been made when due
- Known risks accompanying it?
 - No existing or threatened litigation actions, suits or claims pending before any court or governmental agency or other tribunal
 - No pending oppositions or interferences



Other Warranties cont'd

- Mitigating future risks
 - Warranty of non-infringement -- see indemnification
 - Are you are entitled to rely on licensor's testing/development prior to the effective date?
 - e.g., all [development] of Products conducted by or on behalf of licensor prior to the Effective Date have been performed in accordance with [standard/guidelines/ regulations etc.]



Other Warranties cont'd

- Left any gaps?
 - No knowledge from which it concludes that the Patents are invalid or that their exercise would infringe patent rights of third parties
 - Typically temporally limited to "as of Effective Date"
 - No knowledge from which it concludes that the manufacture or use of Product in the Field would infringe patent rights of third parties in the Territory
 - Typically temporally limited to "as of Effective Date"
 - Does not own or control any IP necessary or useful for exercise of rights as contemplated herein and that is not included in the IP



Royalties and Payments

David Boyko

Legal Director, Schering-Plough Corp.



Royalties

- Royalty Basis
 - Know your business model
 - How will the licensed IP be used?
 - How will the licensed IP be commercialized in downstream products/services?
 - Seek royalty basis that provides licensee flexibility and ease of accounting
 - Usage based (# of copies, # of seats, # of simultaneous users)?
 - Flat rate?
 - Annual fee (flat or tiered)?
 - % of Net Sales?

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Royalties Cont'd

- Link cash out to cash in
 - Preserve flexibility
 - Non-cash consideration
 - Bundling
 - Beware minimum royalty level
 - Potential for rollover credit?
 - Impact on future business plans?
 - Reconciling in arrears or paying up-front?

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Royalties Cont'd

- Royalty adjustments
 - Royalty stacking?
 - Combo products/services and invoicing?
 - In-license additional IP?
 - Loss of exclusivity
 - Holdbacks for litigation, challenges
- Royalty term
 - What happens on patent expiration?
 - Residual rights?

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Royalty Payments and Reports

- Payments and Reports
 - Minimize customer info to be disclosed
 - Tailor timing and content to YOUR accounting system
 - Protect cash flow
 - Tailor/limit audit rights
 - Consider timing of audits and audit costs
 - Consider cost-shifting provisions
- Refunds and contingencies

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Indemnification and Limitations of Liability

Krys Corbett

Senior Corporate Counsel, Genentech, Inc.

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Indemnity = only \$\$

- Avoid frustrating negotiations
 - Pet theories, myths, bad techniques
 - “Approved language”
 - Focus on fault and blame and bad behavior
- Instead, focus on the money
 - Economic advice to client
 - “Legal requires this” vs. “Our cost for this will increase by x-y% on a risk-adjusted basis without this.”
- Keep perspective
 - Not prevention, just mitigation
 - Likelihood of occurrence

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Indemnity - Licensee beware!

- “Indemnity gives with one hand . . .
 - and takes with the other.”
- Assets sufficient? Insurance?
- Parent/subsidiary issues?
- Consider lawyer time / transaction costs in relation to risk
 - Reduction of legal uncertainty?



Typical indemnities

- Scope
 - Third party claims
 - Settlements, “finally awarded”
 - “Defend, indemnify and hold harmless”
 - “Losses, costs and damages”
- Underlying claim
 - “Breach of contract”
 - Intellectual property claims
 - Negligence
 - Strict liability
- Harm or loss
 - Personal injury (bodily injury)
 - Property damage



Alternatives to Contractual Indemnity

- Common law or equitable indemnity
 - Probably does not extend to intellectual property claims
 - Underlying vicarious liability
- Statutory schemes
 - Under *U.C.C.*, sale of goods includes IP indemnity
- Insurance
 - CGL or specific additional policies
- Contract remedies / damages
 - Replacement? Obtain license?
 - Royalty reduction?



Limitations of liability

- Two types: damages exclusion, liability cap
- And their cousins
 - Exclusive remedy or entire liability clauses, liquidated damages
 - Indemnification
 - Warranty Disclaimers
- Licensee often does not want one!



Limitation of Liability - Relevant Law

- UCC
 - Sets out available damages, and also permits parties to “limit or alter the measure of damages,” provides exclusive remedies and, absent unconscionability, limit or exclude recovery of consequential damages.
- Statutory Rules for Consumers
 - Probably not relevant to a business licensee
 - Magnuson-Moss and Song-Beverly
- Case Law



Caps on Liability Amount

- Some issues
 - “Paid” versus “Payable”
 - The “limit of our insurance coverage”
 - If function of “value” of contract, consider non-monetary consideration
 - Cumulative liability across statements of work, or in long-term agreement, or when agreement is extended



Exclusion of Damages

- Laundry list
 - Incidental
 - Consequential
 - Only one of the laundry list specifically authorized to be excluded under the UCC (§2719),
 - Consequential damages: “loss resulting from general or particular requirements and needs . . .could not reasonably be prevented by cover or otherwise” and “injury to person or property proximately caused.” (UCC §2715)
 - Discrepancies in application



Exclusion of Damages cont'd.

- Laundry list cont'd
 - Punitive / Exemplary / Special
 - Special: “actual, but not the necessary, result of the injury complained” (arise from circumstances and not the act itself; must be foreseeable) (similar to consequential but in international context)
 - Punitive and exemplary are based on punishment, not compensation
 - ??? - lost profits, lost data, loss of use, loss of income or revenue, loss of business, goodwill or anticipated savings
 - Cost of Cover is a direct damage!
 - Arises from act, not from the circumstance
- Excluding “direct” is a bit much
- Exclusions of particular legal theories of damage



Potential Carve-Outs

- Carve out from either or both the “exclusions” and the “cap”
- Consider
 - Indemnity
 - Third party claims
 - Willful misconduct, gross negligence
 - Willful breach
 - Infringement of intellectual property or exceeding scope of the license
 - Required Exclusions (some jurisdictions, *e.g.*, EU)
 - Confidentiality



Negotiation Strategies

- Get what you need . . . (when you can't get what you want)
 - Exclusive remedies sufficient?
 - Royalty reductions
 - Replacement, repair, reimbursement for “step-in”
 - Practical remedies may be worth more
 - Right to terminate – leverage
 - Reduction in amount paid for failures
- Divide and conquer
 - Higher cap for important sections
 - Set a different standard for a higher cap
- Set out what is considered “direct” damages
- Work on carve-outs and exceptions

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 - e. alter or remove any copyright notice or other proprietary rights notices that may appear on any part of the Licensed Software or the API;
 - f. make or publish any representations, warranties or covenants on behalf of Licensor concerning the Licensed Software;
 - g. export, re-export, or import the Licensed Software without first obtaining any licenses that may be required under any applicable export or import laws;

- h. circumvent or disable any technological features or measures in the Licensed Software.

C. A Few Considerations for Licensee

- Ensure that Licensee has all of the license rights that it needs to accomplish its objectives.
- Minimize the risks that Licensor will assert breach of contract or IP infringement or misappropriation claims based on Licensee's use of the Licensor materials as needed to launch the Licensee Product.
- Maximize flexibility to exercise rights at multiple locations and/or using third party contractors.
- Negotiate a license agreement that permits the full exercise of the license in the event of a breach by Licensee while Licensee is attempting to cure or otherwise obtaining a waiver from Licensor.

II. Term and Termination; Survival.

A. Licensee Favorable

1. Term. The term of this Agreement will begin on the Effective Date and will continue indefinitely unless terminated pursuant to this Section ____.
2. Termination. Licensee may terminate this Agreement at any time, with or without cause, upon written notice to Licensor. Licensor may terminate this Agreement, effective immediately upon written notice to Licensee, if (a) Licensee materially breaches any provision in Section ____ ("Restrictions"), or Licensee's payment obligations under Section ____ ("Fees; Reporting"), and does not cure such breach within 15 days after receipt of written notice from Licensor or (b) Licensee breaches any other provision of this Agreement and does not cure such breach within 60 days after receiving written notice thereof from Licensor.
3. Effect of Termination. Upon termination of this Agreement for any reason, any amounts owed to Licensor under this Agreement before such termination will be due and payable, all licensed rights granted in this Agreement will immediately cease to exist, and Licensee must discontinue all use of the Licensed Software, erase all copies of the Licensed Software from Licensee's computers, and return to Licensor or destroy all copies of the Licensed Software, API and Documentation on tangible media in Licensee's possession or control. Termination of this Agreement will not affect the right of End Users to use Licensed Software delivered to them by Licensee prior to such termination. Notwithstanding the above, Licensee and any sublicensees permitted hereunder may (a) retain a reasonable number of copies of the Licensed Software and User Documentation to provide support to End Users, and (b) keep the Licensed Software without modification in the integrated Executable Code form that they distribute (during and after the term of this Agreement) to End Users. Notwithstanding the above, in the

event this Agreement terminates other than as a result of Licensee's material breach, Licensee's (and any sublicensees') licenses hereunder will continue for a period of one hundred twenty (120) days in order to allow them to sell out all Licensee Products which contain Licensed Software within their sales channel or inventory. Licensee (and any sublicensees) will continue to abide by the terms and conditions of this Agreement during such additional period.

4. **Survival.** Sections ___ ("Definitions"); ___ ("Warranties"); ___ ("Indemnification"); ___ ("Limitation of Liability"); ___ ("Effects of Termination"); and ___ ("General") will survive termination of this Agreement for any reason.

B. **Licensor Favorable**

5. **Term.** The initial term of this Agreement will begin on the Effective Date and will continue for one year. This Agreement will be extended for successive renewal terms of one year if Licensee provides written notice to Licensor of Licensee's intention to renew this Agreement at least 60 days before the expiration of the then current term.
6. **Termination.** Licensee may terminate this Agreement effective immediately upon written notice to Licensor, if Licensor materially breaches any of its obligations hereunder and fails to cure such breach within 30 days after receipt of written notice from Licensee. Licensor may terminate this Agreement, effective immediately upon written notice to Licensee, if (a) Licensee breaches any provision in Sections ___ ("Restrictions") or ___ ("Confidentiality"), or Licensee's payment obligations under Section ___ ("Fees; Reporting"), and does not cure such breach within 10 days after receipt of written notice from Licensor or (b) Licensee breaches any other provision of this Agreement and does not cure such breach within 30 days after receiving written notice thereof from Licensor.
7. **Effect of Termination.** Upon termination or expiration of this Agreement for any reason, any amounts owed to Licensor under this Agreement before such termination or expiration will be immediately due and payable, all licensed rights granted in this Agreement will immediately cease to exist, and Licensee and its sublicensees must promptly discontinue all use of the Licensed Software, erase all copies of the Licensed Software from their computers, and return to Licensor or destroy all copies of the Licensed Software, API and Documentation in their possession or control and certify full compliance with these requirements in writing to Licensor. Termination of this Agreement will not affect the right of End Users to use Licensed Software delivered to them by Licensee prior to such termination. Notwithstanding the above, Licensee may (a) retain up to three copies of the Licensed Software and User Documentation solely to provide support to End Users, and (b) keep the Licensed Software without modification in the integrated Executable Code form that it distributes during the term of this Agreement to End Users solely for archival purposes. Notwithstanding the above, in the event this Agreement terminates other than as a result of Licensee's breach, Licensee's licenses hereunder will continue for a period of 30 days in order to allow them to sell Licensee Products which contain Licensed Software within its sales

channel or inventory. Licensee will continue to strictly abide by the terms and conditions of this Agreement during such additional period.

8. **Survival.** Sections ___ ("Definitions"); ___ ("Warranties"); ___ ("Indemnification"); ___ ("Limitation of Liability"); ___ ("Effects of Termination"); and ___ ("General") will survive expiration or termination of this Agreement for any reason.

C. **A Few Considerations for Licensee**

- Ensure that Licensee can keep the license as long as it wants to continue to distribute the Licensed Software with little or no administrative hassles.
- Minimize chances that a minor breach or inadvertent mistake will provide Licensor with an opportunity to terminate the agreement (e.g., in order to negotiate higher per unit royalties).
- Negotiate post-termination rights that allow an orderly wind down period.

Royalties and Fees

1. **"Net Sales" definition**

NET SALES OF LICENSED PRODUCT means the invoiced sale price received by LICENSEE or its AFFILIATES for LICENSED PRODUCTS sold by LICENSEE or its AFFILIATES, respectively, hereunder to third parties, less the sum of the following actual and customary deductions where applicable: (a) cash, trade, or quantity discounts; (b) sales, use, tariff, import/export duties or other excise taxes imposed upon particular sales; (c) transportation charges; and (d) allowances or credits to customers because of rejections or returns.

NET SALES OF LICENSED SERVICE means the invoiced sale price received by LICENSEE or its AFFILIATES for LICENSED SERVICES performed by LICENSEE or its AFFILIATES, respectively, hereunder for third parties on a fee-for-service basis, less the sum of the following: (a) cash, trade, or quantity discounts; (b) sales, use, tariff, import/export duties or other excise taxes imposed upon particular sales; (c) transportation charges; (d) allowances or credits to customers because of rejections or returns; and (e) the fully burdened costs of providing such LICENSED SERVICES.

"NET SALE" means (a) the gross invoice price charged and the value of any other consideration received by the LICENSEE or any Sublicensee for LICENSED PRODUCTS or LICENSED SERVICES (including, but not limited to any up-front fees, annual fees, maintenance fees, milestone payments and/or royalty income received by the LICENSEE or a Sublicensee, including any type of income received by the LICENSEE or a Sublicensee from products/targets identified in the performance of LICENSED SERVICES), or (b) in those instances where the LICENSED PRODUCT or LICENSED SERVICE is combined in any manner with any other Product or service so as to form an integrated kit or service (integrated means that if such LICENSED PRODUCT or LICENSED SERVICE were removed from the integrated kit or service, the remaining kit or service would not function for the purpose for which the integrated kit is being sold), the gross invoice price charged and the value of any other consideration received by the LICENSEE or any Sublicensee for the integrated product or service in its entirety. In all cases, (a) and (b) above shall be

determined less the following items, but only to the extent that they actually pertain to the disposition of such LICENSED PRODUCT or LICENSED SERVICE and are separately billed:

- 1) Allowances actually granted to customers for rejections, returns and prompt payment and volume discounts;
- 2) Freight, transport packing and insurance charges associated with transportation; and
- 3) Taxes, including Deductible Value Added Tax, tariffs or import/export duties based on sales when included in the gross invoice price, but excluding value-added taxes other than Deductible Value Added Tax or taxes assessed on income derived from sales. "Deductible Value Added Tax" means value added tax only to the extent that such value added tax is actually incurred and is not reimbursable, refundable or creditable under the tax authority of any country; and
- 4) Rebates and discounts paid or credited pursuant to applicable law.

Whenever LICENSEE exercises its "have Sold" right for Sales of LICENSED PRODUCTS to end-users through a distributor, then for purposes of calculating the ROYALTY due, LICENSEE may report the NET SALE price based on the amount it receives from such distributor on account of such Sales, provided that the NET SALE price attributed to such transactions may not be less than fifty percent (50%) of the gross invoice price that would have been charged by LICENSEE (based on the end-user's size, status, volume of business and location) had LICENSEE Sold the LICENSED PRODUCTS directly to the end-user itself.

For the sake of clarity, if items other than LICENSED PRODUCTS or LICENSED SERVICES appear on the same invoice, the amounts charged for such items shall not be included in NET SALES.

Notwithstanding anything to the contrary contained in this Agreement, "consideration" when used herein does not include the value resulting to the LICENSEE from incidental use of LICENSED PRODUCTS and/or LICENSED SERVICES to support, encourage or stimulate existing or future LICENSED PRODUCT sales or to garner customer (or potential customer) goodwill.

"NET SALES" means the total amount invoiced to Third Parties in connection with the sales of the LICENSED PRODUCT in all of its final packaged forms by LICENSEE, its SUBLICENSEES or its AFFILIATES in the TERRITORY, less, to the extent actually incurred:

- 1) allowances and adjustments credited or payable, including credit for damaged, outdated and returned products;
- 2) trade, cost or quantity discounts earned or granted;
- 3) transportation charges (including insurance costs), sales taxes, excise taxes and duties, and other similar charges;
- 4) wholesaler chargebacks;
- 5) Medicare, Medicaid and other rebates and management fees mandated, earned or granted; and
- 6) taxes on sale, transportation or use paid by LICENSEE.

NET SALES shall be calculated in accordance with LICENSEE's standard internal policies and procedures. Any discount, allowance, rebate, management fee or wholesaler chargeback for the

LICENSED PRODUCT which is given to a customer due to the purchase of a product other than the LICENSED PRODUCT or due to the purchase of any service, shall not be taken into consideration for the calculation of NET SALES. NET SALES shall not include sales by LICENSEE to its AFFILIATES or Sublicensees for resale, provided that if LICENSEE sells the LICENSED PRODUCT to an AFFILIATE or Sublicensee for resale, NET SALES shall include the amounts invoiced by such AFFILIATE or Sublicensee to THIRD PARTIES on the resale of such LICENSED PRODUCT. A "sale" shall also include a transfer or other disposition for consideration other than cash, in which case such consideration shall be valued at the fair market value thereof.

2. Royalty Stacking

In the event LICENSEE becomes obligated to pay royalties to a Third Party for patent rights or technology utilized in or with a LICENSED PRODUCT, LICENSEE may deduct _____ percent (___%) of the royalties paid to such Third Party from the Royalties owing to LICENSOR for such LICENSED PRODUCT; provided, however, the Royalty amounts paid to LICENSOR may not be reduced by more than an aggregate of _____ percent (___%).

3. Payments and Reporting

While Royalties are payable hereunder, LICENSEE shall furnish to LICENSOR a written quarterly report showing, on a country by country basis: (i) the NET SALES during such quarter and the calculation thereof; (ii) the Royalties payable in United States dollars which shall have accrued in respect of such NET SALES and the calculation thereof; (iii) withholding taxes, if any, required by law to be deducted in respect of such sales, as applicable; and (iv) the exchange rates used in determining the amount of United States dollars. All amounts payable shall first be calculated in the currency of sale and then converted on a monthly basis into United States dollars using the rate of exchange used by LICENSEE in preparing its own quarterly financial reports. Royalties earned on sales occurring in any country outside the U.S. may not be reduced by any taxes, fees or other charges imposed by the government of such country on the payment of royalty income. Reports, together with the Royalties payable for the periods to which the reports relate, shall be due on the sixtieth (60th) day following the close of each calendar quarter. LICENSEE shall keep, in accordance with generally accepted accounting principles consistently applied, complete and accurate records concerning sales of the LICENSED PRODUCT in the TERRITORY in sufficient detail to enable the Royalties payable hereunder to be determined.

LICENSEE hereto shall maintain at its principal office usual books of account and records showing its actions under this Agreement. Such books and records shall be open to inspection and copying, upon reasonable notice during usual business hours by an independent certified public accountant retained by LICENSOR and reasonably acceptable to LICENSEE, for three (3) years after the calendar half year to which they pertain, for purposes of verifying the accuracy of the royalties paid under this Agreement by LICENSEE. The fees and expenses of such examination shall be borne by LICENSOR. However, if an error in the reporting of expenses or proceeds of more than ten percent (10%) for any calendar semi-annual reporting period is discovered, then those fees and expenses of these representatives shall be borne by LICENSEE. LICENSOR and any such independent certified public accountant shall treat LICENSEE's books and records as confidential.

4. License Maintenance Fee

LICENSEE shall also pay to LICENSOR a royalty in the form of a license maintenance fee of [] thousand dollars (\$) beginning on the one-year anniversary of the EFFECTIVE DATE and continuing annually on each anniversary of the EFFECTIVE DATE. The license maintenance fee is not due on any anniversary of the EFFECTIVE DATE if, on that date, LICENSEE is commercially selling LICENSED PRODUCT and paying a royalty to LICENSOR on the sales of that LICENSED PRODUCT. License maintenance fees are non-refundable and not an advance against royalties.

5. Minimum Annual Royalty

The minimum annual royalty will be paid to LICENSOR by February 28 of each year and will be credited against the earned royalty due for the calendar year in which the minimum payment was made. For the year of first commercial sale, LICENSEE's obligation to pay the minimum annual royalty will be pro-rated for the number of months remaining in that calendar year when commercial sales commence and will be due the following February 28 (along with the minimum annual royalty payment for that year), to allow for crediting of the pro-rated year's earned royalties.

6. Sublicense Fee

LICENSEE shall pay to LICENSOR [] percent (%) of any fees (other than earned royalties, advances creditable against earned royalties, reimbursements received for research and development expenses, *bona fide* equity investments in LICENSEE at market values, loans, fully burdened FTE costs, income derived from debt financing, or reimbursement of patent and patent-related expenses) received by LICENSEE from any third party resulting from any sublicense and/or research or development agreement concerning LICENSED PRODUCT or LICENSED SERVICE, including, but not limited to, license issue fees, license maintenance fees, milestone payments, premium paid to purchase equity, rights of set-off and other compensation of any kind, less taxes on such amounts withheld at the source.

"SUBLICENSE FEES" shall mean all cash license fees received by LICENSEE or a Subsidiary upon execution of a sublicense between LICENSEE, a Subsidiary or a sublicensee and a third party relating to LICENSED PRODUCTS (net of withholding taxes or other tax-related reductions), or equity (including options to purchase equity) in the sublicensee that LICENSEE or a Subsidiary receives upon execution of such a sublicense in lieu of such a cash license fee (in which case LICENSOR shall receive [] percent (%) of the equity so received by LICENSEE or a Subsidiary). It is understood that such fees shall not include royalties, advances against future royalties, LICENSED PRODUCT development funds, equity investments, or scientific benchmark payments or payments for past research expenditures relating to development of LICENSED PRODUCTS. In addition, it is understood that this Section shall not be deemed to require LICENSEE to share with LICENSOR any cash or equity received by LICENSEE in connection with an acquisition by a third party of all or substantially all of the business or assets of LICENSEE to which this Agreement pertains.

END USER SOFTWARE MAINTENANCE AND SUPPORT

LICENSOR-FAVORABLE

7.1. Maintenance and Support Services. Maintenance and Support means that Licensor will provide Customer, all as further described below, (a) telephone, web-based and e-mail assistance with respect to Customer's installation of the Software, including clarification of functions and features of the Software and clarification of the Documentation pertaining to the Software; (b) error verification, analysis and corrective efforts; and (c) Major Releases/Version, if any, to the Software and appropriate Documentation.

Error Classification (as certified by Customer)	Response Time	Patch/Update
Urgent (Production System Down, Causing Data Corruption or Severely Affecting Customer)	xx Hours	Continuous Effort Until Delivered
High Impact (Major Features not Performing Or Misperforming)	xx Business Hours	Continuous Effort During Business Hours Until Delivered
Medium Impact (Minor Features not Performing Or Misperforming)	xx Business Hours	xx Days
Low Impact (All Other Problem Reports)	xx Business Days	No Obligation

Licensor's business hours are: _____ [restrictive]

Maintenance and Support will be provided only with respect to versions of the Software that, in accordance with the following policy, are then being supported by Licensor: Licensor provides technical support for the current version of the current Major Release, for the last version of the prior Major Release, and for all versions in between. Licensor provides bug fixes/patches/updates on the current version of the current Major Release and the last version of the previous Major Release, and not on versions in between. As an example, if Licensor is on Major Release 3.x, and the current version of that Major Release is 3.1.2, if Customer requests support for version 3.0.1, Licensor will provide technical support, but any bug fixes/patches/updates for Customer would be provided in version 3.1.2.

Customer must supply a reproducible problem for this Section 7.1 to apply.

END USER-FAVORABLE:

7.1. Maintenance and Support Services. Maintenance and Support means that Licensor will provide Customer, all as further described below, (a) telephone, web-based and e-mail assistance with respect to Customer's installation of the Software, including clarification of functions and features of the Software and clarification of the Documentation pertaining to the

Software; (b) error verification, analysis and correction; and (c) Major Releases/Versions to the Software and appropriate Documentation.

Error Classification (as certified by Customer)	Response Time	Patch/Update
Urgent (Production System Down, Causing	xx Hours	Continuous Effort Until Corrected; Corrected within xx Hours/Days
Data Corruption or Severely Affecting Customer	xx Business Hours	Continuous Effort Until Corrected; Corrected within xx Hours/Days
High Impact (Major Features not Performing Or Misperforming)	xx Business Hours	Continuous Effort Until Corrected; Corrected Within xx Business Hours
Medium Impact (Minor Features not Performing Or Misperforming)	xx Business Hours	Continuous Effort During Business Hours Until Corrected
Low Impact (All Other Problem Reports)	xx Business Days	xx Business Days

Licensor's business hours are: _____ [expanded].

Maintenance and Support will be provided only with respect to versions of the Software that, in accordance with the following policy, are then being supported by Licensor: Licensor provides technical support and bug fixes/patches/updates for the current version of the current Major Release, for the last version of the prior Major Release, and for all versions in between.

LICENSOR-FAVORABLE:

7.2 Eligibility of Software. Maintenance and Support will not include services under 7.1 above resulting from the following (but Licensor will make services available to customer on a time-and-materials basis for the following: (a) improper installation by Customer or its Third Party Consultants or configuration of the Software that deviates from the standard configurations established by Licensor in the applicable Documentation; (b) accident, electrical failure, or failure of air conditioning or humidity control; (c) any version of the Software more than one Major Release/Version prior to the currently commercially available Major Release/Version of the Software, as described in Attachment B; (d) failure to incorporate any Major Release/Version previously released by Licensor; (e) modification, customizations, additions or extensions to or of the Software, provided that Maintenance and Support will remain available for the unaffected, underlying Software. Major Releases/Versions are not available from Licensor for Software configured in a manner that deviates from Licensor's standard configurations, nor for modified, customized or extended portions of the Software.

END USER FAVORABLE:

7.2 Eligibility of Software. Maintenance and Support will not include services requested as a result of, or with respect to, (i) improper installation by Customer or use of the Software that materially deviates from any operating procedures established by Licensor in the applicable Documentation, (ii) modification, alteration, additions or extensions to or of the Software by Customer (except for modifications, alterations, additions or extensions to or of the Software suggested by Licensor), (iii) accident, electrical failure, or failure of air conditioning or humidity control, (iv) any version of the Software more than two Updates prior to the currently commercially available Update of the Software so long as Licensor timely provided each of the Updates; (v) failure to incorporate an Update previously released and provided by Licensor within __ months after provision by Licensor and (vi) any portion(s) of the Software customized by Customer for Customer's use.

LICENSOR-FAVORABLE

7.3 Responsibilities of Customer. Licensor's provision of Maintenance and Support to Customer is subject to (and if Customer employs a Third Party Consultant, such Third Party Consultant's compliance with) the following:

7.3.1. Customer shall provide Licensor with access to Customer's personnel and Environment during normal business hours. This access must include the ability to dial-in to any part of the Environment on which the Software is operating necessary to maintain the Software. Licensor will inform Customer of the specifications of the modem equipment needed, and Customer will be responsible for the costs and use of said equipment.

7.3.2. Customer shall provide supervision, control and management of the Use of the Software. In addition, Customer shall implement procedures for the protection of information and the implementation of backup facilities in the event of errors or malfunction of the Software or Environment.

7.3.3. Customer shall document and promptly report all errors or malfunctions of the Software sufficient to enable Licensor to replicate and verify the error or malfunction. Customer shall take all steps necessary to carry out procedures for the rectification of errors or malfunctions within a reasonable time after such procedures have been received from Licensor.

7.3.4. Customer shall maintain a current backup copy of all programs and data.

7.3.5. Customer shall properly train its personnel in the Use and application of the Software and the Environment on which it is used.

END USER FAVORABLE:

7.3 (The less of the above, the better)

LICENSOR FAVORABLE:

7.4. Term and Termination. Licensor's provision of Maintenance and Support to Customer (a) will commence on the date of the applicable Attachment A, and (b) will continue for an initial term of one (1) year from the date of this agreement. Maintenance and Support will

automatically renew at the end of the initial term and any subsequent term for a renewal term of one (1) year unless Customer has provided Licensor with a written termination notice of its intention not to renew the Maintenance and Support prior to the end of the then-current term of Maintenance and Support. Termination of Maintenance and Support due to Customer's notice of intention not to renew will not affect the license of the Software.

END USER FAVORABLE:

7.4. Term and Termination. Licensor's provision of Maintenance and Support to Customer will commence on the date set forth in Attachment A and will continue for an initial term of one (1) year, except as set forth in an Attachment A. Customer may renew Maintenance and Support within ____ after the end of the initial or any renewal term at the following rate: _____. Customer's failure to renew Maintenance and Support will not affect the license of the Software.

END USER SOFTWARE MAINTENANCE AND SUPPORT

PRIVATE LABEL OEM MAINTENANCE AND SUPPORT (NON-END USER):

1. Definitions. For purposes of this **Exhibit G**, capitalized terms shall have the following meanings:

- a. "Error" means a Priority 1 Error, Priority 2 Error or Priority 3 Error.
- b. "Priority 1 Error" means any catastrophic failure that renders any material feature or function inoperable.
- c. "Priority 2 Error" means any failure that results in a significant loss or degradation of functionality.
- d. "Priority 3 Error" means any failure other than a Priority 1 Error or Priority 2 Error.

2. Warranty Support. During the Warranty Period as specified in Section of the Agreement, Licensor shall provide corrections in the form of a bug fix or workaround to Errors identified by the Parties in the Prepared Information as follows:

a. Notification. Licensee shall promptly notify Licensor of any Error and shall provide Licensor with sufficient supporting information and materials reasonably requested by Licensor to verify, diagnose and correct the reported Error. In the event of a dispute regarding whether there is an Error, or the failure by Licensor to promptly perform such correction, Licensee and Licensor shall immediately communicate such dispute to the appropriate business/project manager when such Party becomes aware of the dispute. If such dispute cannot be mutually resolved by such business/project managers within two (2) business days, then such dispute shall be immediately referred to the senior management of each Party for discussion and resolution.

b. Response Times. Licensor shall use all commercially reasonable efforts to respond to Licensee in accordance with the following table:

<i>Type of Error</i>	<i>Confirmation of Notification by Licensee</i>	<i>Initial Response</i>	<i>Target Resolution</i>
Priority 1 Error	Next business day following notification	2 business days from notification	5 business days from notification
Priority 2 Error	Next business day following notification	4 business days from notification	10 business days from notification
Priority 3 Error	Next business day following notification	6 business days from notification	15 business days from notification

Licensor's initial response may consist of a correction or workaround, a request for more information to complete analysis of the problem, or a plan on how the problem will be corrected, including a target date for correction. Once Licensor has created a bug fix or workaround to the Error, Licensor will deliver such bug fixes or workarounds to Licensee for

incorporation into the design of new production units and/or for downloading such bug fixes or workarounds to existing Licensee products, if applicable.

3. Extended Warranty Support. During the Extended Warranty Period as specified in Section ___ of the Agreement, Licensor shall provide corrections in the form of a bug fix or workaround to Priority 1 Errors identified by the Parties in the Prepared Information as follows:

a. Notification. Licensee shall promptly notify Licensor of any Error and shall provide Licensor with sufficient supporting information and materials reasonably requested by Licensor to verify, diagnose and correct the reported Error. In the event of a dispute regarding whether there is an Error, or the failure by Licensor to promptly perform such correction, Licensee and Licensor shall immediately communicate such dispute to the appropriate business/project manager when such Party becomes aware of the dispute. If such dispute cannot be mutually resolved by such business/project managers within two (2) business days, then such dispute shall be immediately referred to the senior management of each Party for discussion and resolution.

b. Response Times. Licensor shall respond to Licensee in accordance with the following table:

Type of Error	Confirmation of Notification by Licensee	Initial Response	Target Resolution
Priority 1 Error	Next business day following notification	2 business days from notification	5 business days from notification

Licensor's initial response may consist of a correction or workaround, a request for more information to complete analysis of the problem, or a plan on how the problem will be corrected, including a target date for correction. Once Licensor has created a bug fix or workaround to the Error, Licensor will deliver such bug fixes or workarounds to Licensee for incorporation into the design of new production units and/or for downloading such bug fixes or workarounds to existing Licensee products, if applicable.

4. Out-of-Warranty Support. With respect to Errors in the Prepared Information that are outside the support services set forth above, upon request of Licensee, Licensor shall provide corrections in the form of a bug fix or workaround to Errors identified by the Parties in the Prepared Information on a time and materials basis at Licensor's most-favored rates for such services, but no more than \$___ per ____. This obligation will survive any termination of the Agreement for a period of 5 years.

WARRANTIES

LICENSOR-FAVORABLE:

8.1. Warranty. Licensor warrants to Customer that (a) the Software will perform in substantial accordance with the Documentation for period of six (6) months from the Effective Date and (b) as of the time of delivery of the Software to Customer, the Software will not contain any viruses that are detectable by industry-standard virus detection methods. In addition, Licensor warrants that the media on which the Software is distributed will be free from defects in materials and workmanship under normal use for ninety (90) days after the Effective Date. All warranty claims not made in writing within the above time frames shall be deemed waived. Licensor makes no warranty that all errors or malfunctions will be corrected. The foregoing warranty is made to and for the benefit of Customer only.

END USER FAVORABLE:

8.1.1 Product Warranties. (a) Except as otherwise set forth herein, Licensor warrants that (i) for so long as Customer is entitled to obtain Maintenance and Support under Section 7 of this Agreement, from the Effective Date, the Software will operate in conformity with the Documentation, without material errors or defects, and Licensor will, at its own expense, upon receipt of written notice from Customer repair or replace the Software under the Maintenance and Support provisions so that the Software so operates, and (ii) for ninety (90) days after Customer's receipt of the media on which the Software and Documentation are distributed, such media will be free from defects in materials and workmanship under normal use and Licensor shall, upon written notice from Customer, replace such media.

8.1.2. Representations and Warranties. Licensor represents and warrants that:

- (a) to the best of its knowledge, information and belief after inquiry of each member of management it possesses all necessary rights and authority to license to Customer the Software;
- (b) no Illicit Code is coded or introduced into the Software;
- (c) Licensor is as an organization duly incorporated, validly existing and in good standing, and has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement;
- (d) Licensor is duly licensed, authorized or qualified to do business and is in good standing in every jurisdiction in which a license, authorization or qualification is required for the ownership or leasing of its assets or the transaction of business of the character of this transaction except where the failure to be so licensed, authorized or qualified would not have a material adverse effect on Licensor's ability to fulfill its obligations under this Agreement;
- (e) the execution, delivery and performance of this Agreement have been duly authorized by Licensor;
- (f) Licensor has no, and during the term of this Agreement will not enter into any, contractual or other obligations to any third party that interferes with any rights of Customer hereunder; and

(g) to the best of its knowledge, information and belief after inquiry of each member of management, the Software does not and will not (i) infringe upon the patent, copyright, database right, trademark rights or other rights of any third party or (ii) misappropriate the trade secret or other intellectual property rights of any third party.

8.1.3. Illicit Code. Licensor shall ensure that no Illicit Code (as defined herein) is coded or introduced into the Software by Licensor or Licensor's representatives. In the event that any Illicit Code is found to have been coded or introduced into the Software by Licensor or Licensor's representatives, Licensor shall, at no additional charge, assist Customer in reducing the effects of the Illicit Code, including assisting customer in mitigating and restoring any damaged or lost data. "Illicit Code" means any program, routine, device or other undisclosed feature or hidden file, not referenced in the Documentation, including without limitation, a time bomb, virus, software lock, trojan horse, drop-dead device, worm, malicious logic or trap door, that is designed to delete, disable, deactivate, interfere with or otherwise harm the Software or Customer's other software, hardware, data, any transmitting or activating computer program, or any hardware-limiting, software-limiting or services-limiting function (including, but not limited to, any key, node lock, time-out or other similar functions), whether implemented by electronic or other means.

8.1.4. Assignment or Enforcement of Warranties. With respect to all Software, Licensor shall assign to Customer the rights, including right to recovery, it obtains under warranties or indemnifications given by third parties in connection to the foregoing to the extent such rights are available and assignable. Licensor shall, upon Customer's request, and with reasonable notice and particular documentation to determine the nature of the potential breach of warranty, enforce any such warranties that are not assignable, to the extent any such warranties are available, and track and notify Customer of each non-assignable warranty applicable thereto and deliver to Customer any documentation issued by a warrantor evidencing such non-assignable warranty.

LICENSOR-FAVORABLE:

8.2 Conditions/Exclusions. The foregoing warranty will apply only if:

8.2.1. the Software has been properly installed and used at all times and in accordance with the instructions for Use;

8.2.2. no modification, alteration or addition has been made to the Software by persons other than Licensor or Licensor's authorized representative without Licensor's prior written approval (except pursuant to the authorized use of the Tools); and

8.2.3. Customer or an Affiliate has not requested modifications, alterations or additions to the Software that cause it to deviate from the Documentation.

END USER FAVORABLE:

8.2 All warranties made by Licensor under this Section are, and all obligations of Licensor shall be, contingent upon Customer's use of the Software without material conflict with the Documentation, and, solely to the extent that any of the following cause warranty failure, no such warranties or obligations shall apply to any portion of the Software that has been (a) installed or operated by Customer in a manner materially inconsistent with the provisions of this Agreement and the instructions for Use, (b) damaged by (i) negligence or misuse by Customer

unless approved or suggested by Licensor or (ii) fire, casualty or other external causes beyond Licensor's reasonable control, (c) modified, altered, or added to by persons other than Licensor or Licensor's authorized representatives or consultants without Licensor's prior written approval, (d) modified, altered, or added to by persons other than Licensor or Licensor's authorized representative or consultants that causes the Software to materially deviate from the Documentation, and prior to making such request, Licensor gave Customer notice that such modification, alteration, or addition would cause the Software to materially deviate from the Documentation, or (e) customized by Licensor, Customer or a Third Party Consultant for Customer's use. In addition, no such warranties or obligations shall apply to any portion of the Software if Customer has failed to incorporate an Update previously released and provided by Licensor.

LICENSOR FAVORABLE:

8.3 Remedy. If the Software does not meet the foregoing warranties during the applicable warranty period(s), as Customer's sole and exclusive remedy Licensor shall undertake to correct the Software or replace such Software free of charge.

END USER FAVORABLE:

8.3 (No exclusive remedy, or at least retain right to terminate for breach)

LICENSOR FAVORABLE:

8.4. Disclaimer. EXCEPT AS SET FORTH ABOVE, LICENSOR MAKES NO WARRANTIES, WHETHER EXPRESS, IMPLIED, OR STATUTORY REGARDING OR RELATING TO THE SOFTWARE OR THE DOCUMENTATION, OR ANY MATERIALS OR SERVICES FURNISHED OR PROVIDED TO CUSTOMER UNDER THIS AGREEMENT, INCLUDING MAINTENANCE AND SUPPORT. LICENSOR SPECIFICALLY DISCLAIMS ALL IMPLIED WARRANTIES OF MERCHANTABILITY, NONINFRINGEMENT AND FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE SOFTWARE, DOCUMENTATION AND SUCH OTHER MATERIALS AND SERVICES, AND WITH RESPECT TO THE USE OF ANY OF THE FOREGOING.

WARRANTIES (SOFTWARE)**LICENSOR-FAVORABLE:**

8.1. Warranty. Licensor warrants to Customer that (a) the Software will perform in substantial accordance with the Documentation for period of six (6) months from the Effective Date and (b) as of the time of delivery of the Software to Customer, the Software will not contain any viruses that are detectable by industry-standard virus detection methods. In addition, Licensor warrants that the media on which the Software is distributed will be free from defects in materials and workmanship under normal use for ninety (90) days after the Effective Date. All warranty claims not made in writing within the above time frames shall be deemed waived. Licensor makes no warranty that all errors or malfunctions will be corrected. The foregoing warranty is made to and for the benefit of Customer only.

END USER FAVORABLE:

8.1.1 Product Warranties. (a) Except as otherwise set forth herein, Licensor warrants that (i) for so long as Customer is entitled to Maintenance and Support under Section 7 of this Agreement, from the Effective Date, the Software will operate in substantial conformity with the Documentation and Licensor will, at its own expense, upon receipt of written notice from Customer and as Customer's sole and exclusive remedy repair or replace the Software under the Maintenance and Support provisions so that the Software so operates, and (ii) for ninety (90) days after Customer's receipt of the media on which the Software and Documentation are distributed, such media will be free from defects in materials and workmanship under normal use and Licensor shall, upon notice of Customer's warranty claim and as Customer's sole and exclusive remedy, replace such media; provided, however, that Licensor shall be relieved from any obligations under this Section 8.4 if Customer does not give Licensor reasonably prompt written notice of any defect claimed hereunder after Customer's first observation of such defect and if such delay causes additional degradation of the Software.

8.1.2. Representations and Warranties. Licensor represents and warrants that:

(a) to the best of its knowledge it possesses all necessary rights and authority to license to Customer the Software;

(b) to the best of Licensor's knowledge, information and belief, no Illicit Code is coded or introduced into the Software;

(c) Licensor is as an organization duly incorporated, validly existing and in good standing, and has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement;

(d) Licensor is duly licensed, authorized or qualified to do business and is in good standing in every jurisdiction in which a license, authorization or qualification is required for the ownership or leasing of its assets or the transaction of business of the character of this transaction except where the failure to be so licensed, authorized or qualified would not have a material adverse effect on Licensor's ability to fulfill its obligations under this Agreement;

(e) the execution, delivery and performance of this Agreement have been duly authorized by Licensor;

(f) Licensor has no, and during the term of this Agreement will not enter into any, contractual or other obligations to any third party that interferes with any rights of Customer hereunder; and

(g) to the best of Licensor's knowledge, the Software does not and will not (i) infringe upon the patent, copyright, database right, trademark rights or other rights of any third party or (ii) misappropriate the trade secret or other intellectual property rights of any third party, provided that the warranty stated in this sub-section (g) will not apply to infringements or misappropriations that result from a misuse or unauthorized modification of the Software by Customer.

8.1.3. Illicit Code. Licensor shall use its best efforts to ensure that no Illicit Code (as defined herein) is coded or introduced into the Software by Licensor or Licensor's representatives. In the event that any Illicit Code is found to have been coded or introduced into the Software by Licensor or Licensor's representatives, Licensor shall use best efforts, at no additional charge, to assist Customer in reducing the effects of the Illicit Code, including assisting customer in mitigating and restoring any damaged or lost data. "Illicit Code" means any program, routine, device or other undisclosed feature or hidden file, not referenced in the Documentation, including without limitation, a time bomb, virus, software lock, trojan horse, drop-dead device, worm, malicious logic or trap door, that is designed to delete, disable, deactivate, interfere with or otherwise harm the Software or Customer's other software, hardware, data, any transmitting or activating computer program, or any hardware-limiting, software-limiting or services-limiting function (including, but not limited to, any key, node lock, time-out or other similar functions), whether implemented by electronic or other means.

8.1.4. Assignment or Enforcement of Warranties. With respect to all Software, Licensor shall assign to Customer the rights, including right to recovery, it obtains under warranties or indemnifications given by third parties in connection to the foregoing to the extent such rights are available and assignable. Licensor shall, upon Customer's request, and with reasonable notice and particular documentation to determine the nature of the potential breach of warranty, enforce any such warranties that are not assignable, to the extent any such warranties are available, and track and notify Customer of each non-assignable warranty applicable thereto and deliver to Customer any documentation issued by a warrantor evidencing such non-assignable warranty.

LICENSOR-FAVORABLE:

8.2 Conditions/Exclusions. The foregoing warranty will apply only if:

8.2.1. the Software has been properly installed and used at all times and in accordance with the instructions for Use;

8.2.2. no modification, alteration or addition has been made to the Software by persons other than Licensor or Licensor's authorized representative without Licensor's prior written approval (except pursuant to the authorized use of the Tools); and

8.2.3. Customer or an Affiliate has not requested modifications, alterations or additions to the Software that cause it to deviate from the Documentation.

END USER FAVORABLE:

8.2 All warranties made by Licensor under this Section are, and all obligations of Licensor shall be, contingent upon Customer's Use of the Software in accordance with this Agreement and the Documentation, and, to the extent that any of the following cause warranty failure, no such warranties or obligations shall apply to any portion of the Software that has been (a) installed or operated by Customer in a manner materially inconsistent with the provisions of this Agreement and the instructions for Use, (b) damaged by (i) negligence or misuse other than by Licensor or a party at the direction of Licensor, without the written approval of Licensor or (ii) fire, casualty or other external causes beyond Licensor's reasonable control, (c) modified, altered, or added to by persons other than Licensor or Licensor's authorized representative without Licensor's prior written approval (except pursuant to the authorized Use of the Tools), (d) modified, altered, or added to at Customer's request that causes the Software to deviate from the Documentation, and prior to making such request, Licensor gave Customer notice that such modification, alteration, or addition will cause the Software to deviate from the Documentation, or (e) customized by Licensor, Customer or a Third Party Consultant for Customer's use. In addition, no such warranties or obligations shall apply to any portion of the Software if Customer has failed to incorporate an Update previously released and provided by Licensor.

LICENSOR FAVORABLE:

8.3 Remedy. If the Software does not meet the foregoing warranties during the applicable warranty period(s), as Customer's sole and exclusive remedy Licensor shall undertake to correct the Software or replace such Software free of charge.

END USER FAVORABLE:

8.3 (No exclusive remedy)

WARRANTIES (OTHER)

LICENSOR hereby represents, warrants and covenants to LICENSEE that:

- a. LICENSOR is the sole and exclusive owner, or the exclusive license pursuant to a valid and enforceable written license agreement, of the Licensed Patent Rights free and clear of any liens or encumbrances;
- b. The LICENSED PATENTS are valid and enforceable;
- c. Practice of any invention claimed or described in the LICENSED PATENTS does not and shall not infringe or otherwise conflict with any intellectual property rights or other rights owned or controlled by LICENSOR or its Affiliates that are not licensed hereunder;
- d. No claims of infringement, misappropriation or other conflict with any intellectual property rights or other rights owned or controlled by any third party have been made or threatened with respect to the LICENSED PATENTS;
- e. LICENSOR is not aware of any infringement or misappropriation of the LICENSED PATENTS by any third party;
- f. LICENSOR has not, up through and including the Effective Date, omitted to furnish LICENSEE with any information in its control or possession or of which it is aware, concerning (i) the LICENSED PATENTS or (ii) the activities contemplated by this

Agreement, which would be material to LICENSEE's decision to enter into this Agreement and to undertake the commitments and obligations set forth herein.

LICENSOR represents and warrants to LICENSEE that: (i) other than the LICENSED PATENTS, it does not have rights in any other patents or patent applications that are reasonably necessary for the manufacture, sale or use of the LICENSED PRODUCT; (ii) it owns or controls the LICENSED PATENTS listed in Exhibit _ and LICENSOR KNOW-HOW described in Exhibit _; (iii) to LICENSOR's knowledge, there are no existing or threatened actions, suits or claims pending against it with respect to the LICENSED PATENTS and LICENSOR KNOW-HOW or its right to enter into and perform its obligations under this Agreement; and (iv) to the best of LICENSOR's knowledge, LICENSOR does not have an obligation to pay any third party royalties with respect to the LICENSED PATENTS or LICENSOR KNOW-HOW.

LICENSOR warrants and represents that it has disclosed to LICENSEE the complete texts of all patent applications filed by LICENSOR as of the Effective Date which relate to LICENSED PRODUCT as well as all information received as of the Effective Date concerning the institution or possible institution of any interference, opposition, re-examination, reissue, revocation, nullification or any official proceeding involving a LICENSED PATENT anywhere in the TERRITORY. LICENSOR further warrants and represents that it will disclose to LICENSEE the complete texts of all patent applications filed by LICENSOR after the Effective Date which relate to LICENSED PRODUCT as well as all information received after the Effective Date concerning the institution or possible institution of any interference, opposition, re-examination, reissue, revocation, nullification or any official proceeding involving a LICENSED PATENT anywhere in the TERRITORY.

WARRANTY DISCLAIMER (TYP.)

Disclaimer. EXCEPT AS SET FORTH ABOVE, LICENSOR MAKES NO WARRANTIES, WHETHER EXPRESS, IMPLIED, OR STATUTORY REGARDING OR RELATING TO THE SOFTWARE OR THE DOCUMENTATION, OR ANY MATERIALS OR SERVICES FURNISHED OR PROVIDED TO CUSTOMER UNDER THIS AGREEMENT, INCLUDING MAINTENANCE AND SUPPORT. LICENSOR SPECIFICALLY DISCLAIMS ALL IMPLIED WARRANTIES OF MERCHANTABILITY, NONINFRINGEMENT AND FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE SOFTWARE, DOCUMENTATION AND SUCH OTHER MATERIALS AND SERVICES, AND WITH RESPECT TO THE USE OF ANY OF THE FOREGOING.

INDEMNIFICATION**Indemnity for licensee's product liability (somewhat middle ground)**

ABC shall indemnify, defend (only if requested by the Licensor) and hold the Licensor and its Affiliates, officers, directors and employees harmless from and against any losses, costs and damages [finally awarded and] paid to a Third Party as a result of a claim by a Third Party against the Licensor: (i) resulting from or attributable to [or alleging facts that would constitute] ABC's breach of its representations or warranties under Section xx; (ii) resulting from or attributable to [or alleging] the negligence or willful misconduct of ABC or its Affiliates, sublicensees, subcontractors, officers, directors or employees; (iii) resulting from the research, development, manufacture, use, handling, storage, sale or other disposition of the Licensed Product; all of the foregoing except to the extent attributable to Licensor's breach of its obligations under this Agreement.

To seek indemnification under this Section xx, Licensor shall (i) notify ABC of any Third Party suit, claim, action or demand for which it will be requesting indemnification within seven (7) days after it receives notice of that suit, claim, action or demand; (ii) permit ABC (at ABC's option) to assume the sole control of the defense thereof including, without limitation, the right to settle or conclude such defense, using counsel mutually satisfactory to the Parties; (iii) cooperate as reasonably requested (at the expense of ABC) in the defense of the suit, claim, action or demand; and (iv) not settle the suit, claim, action or demand that would involve other than full payment by ABC and a full release of claims by the Third Party, without first obtaining written permission from Licensor].

Licensee-favorable intellectual property indemnity.

Licensor shall indemnify and hold Licensee (and its officers, directors, employees and agents) harmless from and against any losses, costs (including attorney's fees), damages and liabilities arising out of or related to claims or allegations that the Technology or the use thereof infringes a third party's intellectual property rights.

Licensor-favorable intellectual property indemnity (software).

Licensor shall defend, or at its option settle, or pay any damages finally awarded in any claim, suit or proceeding brought against Licensee on the issue that the Software infringe any copyright, trade secret or trademark of any third party, subject to the limitations set forth herein; but only if Licensee notifies Licensor promptly in writing of such claim, suit or proceeding and gives Licensor sole control of any defense or settlement negotiations, and, at Licensor's expense, gives Licensor proper and full information and assistance at Licensor's request. Licensor's indemnification applies only to: (i) such claim or action would have been avoided but for modifications of the Software, or portions thereof, made after delivery to Licensee; (ii) such claim or action would have been avoided but for the combination or use of the Software, or portions thereof, with other products, processes or materials not supplied or specified in writing by Licensor; (iii) Licensee continues allegedly infringing activity after being notified thereof or after being informed of modifications that would have avoided the alleged infringement; or (iv) Licensee's use of the Software is not strictly in accordance with the terms of this Agreement. Licensee will be liable for all damages, costs, expenses,

settlements and attorneys' fees related to any claim of infringement arising as a result of (i)-(iv) above.

If a third party's claim endangers or disrupts Licensee's use of the Software, Licensor shall, at Licensee's option and at no charge to Licensee, (a) obtain a license so Licensee may continue use of the Software; (b) modify the Software to avoid the infringement; (c) replace the Software with a compatible, functionally equivalent and non-infringing product; or (d) refund to Licensee the amount paid for the Software as depreciated on a straight-line sixty (60) month basis.

THE FOREGOING PROVISIONS OF THIS SECTION STATE THE ENTIRE LIABILITY AND OBLIGATIONS OF LICENSOR, AND THE EXCLUSIVE REMEDY OF LICENSEE, WITH RESPECT TO ANY ACTUAL OR ALLEGED INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS BY THE SOFTWARE.

Limitation of Liability and Exclusion of Damages (middle ground to Licensee-favorable)

Neither Party will be liable to the other Party for incidental, indirect, special, punitive or consequential damages arising from or related to breach of this Agreement, including, without limitation, any claims for damages based upon lost profits for sales to Third Parties (collectively, "**Consequential Damages**"). The foregoing exclusion of Consequential Damages does not apply, and will not be deemed to limit amounts or exclude: (a) amounts properly payable to Third Parties or as indemnity for amounts paid to Third Parties under Section xx, (b) damages for bodily harm to persons caused by a Party, (c) for Licensor, damages arising from a failure to provide the [Technology] in accordance with the Requirements, and (d) damages arising from the misuse or misappropriation of the other Party's Confidential Information.

Neither Party will be liable to the other Party for damages in excess of an amount equal to the higher of \$5 million or five times the milestone payments paid or payable under this Agreement. The foregoing limit does not apply, and will not be deemed to limit amounts or exclude amounts properly payable to Third Parties or as indemnity for amounts paid to Third Parties under Section xx.