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THE PRAXISUNICO PRACTICAL GUIDES SERIES

OPTIONS

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FOREWORD

PraxisUnico is a world-leading membership organisation for Knowledge and Technology Transfer Practitioners. PraxisUnico's mission is to develop, promote and connect an internationally recognised community of professional excellence – sharing and promoting best practice at the interface between academia and industry. PraxisUnico is led by a team of expert volunteers and is a not-for-profit organisation.

PraxisUnico is renowned around the world for its professional training courses, conferences, networking and industry engagement events. We provide consultation responses, surveys and opinion pieces on behalf of the sector, as well as information and practical tools, including this Practical Guides series.

The highly successful and popular set of Practical Guides was first produced in 2005 and funded by the UK Government. In 2014, PraxisUnico has invested its own reserves in a series of updates to the Practical Guides, to ensure that the community continues to have access to this valuable specialist resource. The updated guides have been produced in electronic format only, both for ease of use and for cost effectiveness.

This new and revised edition is a resource for Knowledge Commercialisation professionals in the UK and overseas. The set brings together, in one concise location, practical support materials for anyone dealing with commercialisation or other Knowledge Transfer contracts. Many thousands of practitioners from the UK and beyond have regularly used the guides and the draft template agreements, citing them as an invaluable source of practical information and guidance.

Acknowledgements

The PraxisUnico Practical Guides on Confidentiality Agreements, Material Transfer Agreements, Options, Licence Agreements, and General Legal Issues have been updated to take account of changes in the legal landscape that have occurred since their first publication. The updating has been carried out by Mark Anderson and his team at Anderson Law LLP: Lisa Allebone, Stephen Brett, Mario Subramaniam, and AnnMarie Humphries.

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CHAPTER 1
General introduction

An option to acquire rights in university intellectual property ("IP") may be encountered in several guises: as a stand-alone agreement, as a clause within an agreement (e.g. a sponsored research agreement or a material transfer agreement), or as a 'pipeline' (or 'IP framework') agreement in the context of a university spin-out company.

Although it may often form quite a small part of a larger agreement, the grant of an option can raise important issues in terms of an organisation's intellectual property commercialisation strategy. This is especially true of 'pipeline' agreements which are, effectively, a specialised form of option agreement. This Practical Guide looks at 'pipeline' agreements in more detail but for now suffice to say that 'pipeline' agreements should be approached with utmost caution because of the impact that a 'pipeline' agreement can have on the freedom of a research group to function. From the point of view of this Practical Guide, all the agreements referred to above will be covered by the general term 'Option', unless specifically stated otherwise.

The purpose of this Practical Guide is three fold:

1 to provide an introduction to Options and their use, including legal, practical and negotiating issues;

2 to provide some suggested templates together with guidelines concerning their completion; and

3 to consider and discuss some of issues which are problematic or of particular concern to universities.

This Practical Guide attempts to provide information that is useful for both the beginner and the more experienced research contracts or technology transfer professional. The breadth of material covered may give the misleading impression that university contracts are fraught with legal and commercial difficulties. Usually, this is not the case. But sometimes differences of expectation, practice or legal culture can arise between the parties negotiating an agreement, particularly in international transactions. The beginner may wish to focus on the earlier chapters and to use the detailed discussion that appears in the Appendices as a reference source if a specific question or problem arises.

CHAPTER 2
Introduction to options

Introduction to options

What is an option?

An Option may be either an *agreement* or a *clause within an agreement*. Typically, an option gives one party to the agreement the right:

a to acquire a particular right (e.g. a patent licence) or asset (e.g. a patent); and/or

b to require another party to enter into an agreement (in a specified form) or to negotiate the terms of a further agreement; and/or

c to evaluate materials, products or assets to determine whether to enter into further agreements (such as further research or licensing arrangements).

Usually, options are granted on an exclusive basis. Thus, where a university grants an option to acquire rights to a package of IP, the option terms may require the university not to license that IP to anyone else during the option period. This may be implicit in the grant of an "exclusive option", but sometimes the parties prefer to add a clause to the option that states explicitly that the university will not license anyone else whilst the option continues. Sometimes the wording may go further and prohibit the university from talking to anyone else about a possible licence during the option term. This type of explicit wording is usually requested by the grantee of the option.

The main types of agreement that an individual working in technology transfer will come across, and where an understanding of Options is useful, include the following:

Stand alone option agreements in which the main subject matter of the agreement is the granting of an option, such as an option to take a licence to a specific patent application, and is not part of a larger contract. The template agreement in Appendix A is drafted as an Option and Evaluation Agreement. However, the evaluation provisions are drafted such that they can be deleted without impacting on the coherence of the document as a whole. If the evaluation provisions are deleted, the template serves as a stand alone Option Agreement.

Option and evaluation agreements (which are often referred to just as evaluation agreements) and which are particularly common in relation to computer software. For example, under such an agreement one party provides an item of software for the other party to evaluate over a defined period of time in order to ascertain whether the second party wants to take a licence to the software. The evaluation period gives the second party an option to acquire such a licence if it so wishes. The template agreement in Appendix A includes evaluation provisions.

Research collaboration/sponsorship agreements, in which the collaborator/sponsor is sometimes given an option to acquire rights in the IP generated by the university under the research programme.

Licence agreements, where in addition to the licensee obtaining a licence to a university's particular patents and know-how (or other technology), there may be a provision for the licensee to acquire rights in 'improvements' to the licensed technology. This is commonly done by granting an option to such improvements, and by including an appropriate definition of 'Improvements' in the agreement.

Pipeline agreements and *rights of first refusal* (which are similar to options) are considered separately below along with a brief explanation of how they differ from basic option agreements or clauses and some of the pitfalls to be aware of when considering a request to grant a 'pipeline' agreement.

What is a right of first refusal?

People sometimes use the terms 'option' and 'right of first refusal' loosely (and interchangeably) to refer to any kind of opportunity right. The authors of this Guide are not aware of any official definition of these terms. However, a 'right of first refusal' is often understood as having the following, more precise, meaning, and it is suggested that it is 'best practice' to adopt this meaning.

The key distinction between an option and a right of first refusal is who *initiates* the grant of rights. Typically, with an *option*, the party benefiting from the option (the grantee) has a period of time in which to 'claim the prize' – to notify the party granting the option (grantor) that it wishes to obtain the grant of rights (licence, assignment or whatever).

By contrast, if the grantee is given a *right of first refusal*, it cannot initiate the grant of rights. The grantor is in control of the process. If the grantor wishes to grant the rights, it must notify the grantee and give the grantee an opportunity to accept (or 'refuse') those rights.

Typically, right of first refusal clauses operate at one or both of the following stages:

a when the grantor first decides that it is ready to grant the rights (or is about to start offering the rights to third parties), it must offer the rights to the grantee; or

b when the grantor is about to sign an agreement with a third party, it must give the grantee an opportunity to match the terms agreed with the third party. If the grantee takes up this opportunity, the grantor must grant the rights to the grantee on those terms, instead of granting them to the third party.

Rights of first refusal are often encountered where the other party to an underlying agreement (e.g. a research agreement) is either sponsoring the research (either financially or "in kind") or providing materials. Indeed, many university Research Agreements and Material Transfer Agreements (MTAs) that originate from large pharmaceutical companies often incorporate a right of first refusal. (For further assistance with MTAs the reader is referred to the MTA Practical Guide in this series).

A right of first refusal can therefore cover the following situations:

- if Party A negotiates with Party B over certain terms (eg a licence agreement) then Party A will give Party C an opportunity to match those terms; or
- if Party A creates IP from a research programme or produces something (such as a prototype) then before Party A offers to licence it or assign it (either generally or to a specific party, B) Party C will be given a first opportunity to acquire the right or product.

Depending on how they are drafted, rights of first refusal over intellectual property can present practical difficulties, particularly in the situation described in paragraph (b) above. Negotiations over the grant of intellectual property rights can take months to complete, and usually require a degree of confidence-building as to the potential value of the technology and intellectual property rights and as to how the parties will work together under the agreement. A practical issue arises as to when to tell a party that is in negotiations with you that someone else has a right of first refusal over the same rights. If you tell them at the outset, will they be willing to spend time and resource in negotiating terms with you? If you tell them only when the other party exercises the right of first refusal, they may feel that they have been misled.

Universities may therefore wish to resist granting rights of first refusal that operate immediately prior to signing an agreement with a third party. Where it is commercially necessary to grant a right of first refusal, one solution that the authors have used is to draft the right of first refusal so that it operates immediately before signing a non-binding *term sheet* with the third party. The third party may be less likely to complain if he is 'trumped' at this stage.

Yet another variation on options and rights of first refusal is the 'right of first opportunity'. This expression is used less frequently than 'right of first refusal' and probably has less of a settled meaning. Where the authors have encountered a right of first opportunity, it has tended to mean a right for the grantee to make a proposal to the grantor at some defined point in time (e.g. when the grantor decides to grant rights), but on the basis that the grantor has no obligation to accept the grantee's proposal or negotiate exclusively with the grantee. Sometimes this level of right is described as 'having a [non-exclusive] seat at the negotiating table'. As with other types of option, the precise meaning and extent of any right of first opportunity, and the procedure to be followed when exercising it, should be clearly set out in the agreement.

Sometimes one encounters heavyweight clauses that are a composite of both an option and a right of first refusal. For example, there may be an option to negotiate a further agreement, and if the parties cannot agree terms then the university can grant the rights elsewhere, but must come back to the other party before entering into an agreement on terms that are no better for the university than those that the other party offered. Any such clauses need to be carefully scrutinized to ensure that they are workable and do not prejudice discussions with the third party. Examples of some composite clauses are included in Appendix A.

What is a pipeline agreement?

A pipeline agreement is normally only encountered where a university spin-out company has been formed or where one funder (usually a commercial company) is providing a significant proportion of the funding for the relevant project.

On formation of the spin-out company, the university (or its technology transfer office) will have assigned or licensed certain IP to the spin-out. The IP in question usually has its origins in the laboratory/department of the academic[s] who created it. These academics usually end up being the 'Founders' in the new spin-out company – often sitting as directors or being retained as consultants and usually holding shares in the spin-out company.

Companies that are providing significant levels of research funding to a particular research group often try to include provisions in funding arrangements that amount to pipeline agreements. The author's view is that while there may be good reason to agree to the request (for example, in order to strengthen ties with the commercial funder or to obtain access to materials or other technology or resources that are controlled by the commercial funder), the university should be reluctant to do so. From the university's point of view, the risks attached to a pipeline agreement are:

- if a company has an option over all of the output of a particular research group, that research group starts to look more like a contract research organisation than a university research group. This can have far reaching implications for the research group and for the university as it makes it difficult to demonstrate public benefit which in turn threatens the university's charitable status;
- if the option is exclusive, the research group will find it difficult to obtain any funding from elsewhere which leaves them dependent on the company and threatens their academic freedom and their ability to direct their own research path;
- the company's option rights are likely to conflict with the terms and conditions attaching to other research funding. Either this means that the research group risks breaching the terms of existing funding arrangements by entering a pipeline agreement or that the research group effectively excludes its own ability to seek new funding elsewhere or to enter into new collaborative arrangements.

Bearing these points in mind, the author's view is that there needs to be a strong reason to enter into a pipeline agreement and that the university needs to take great care over the terms of the pipeline agreement to ensure that the unintended consequences do not outweigh the benefits.

Of the two situations mentioned, the author's view is that a pipeline agreement with a spin-out company is slightly less threatening to a university because the university will generally have some interest in (and possibly some small measure of control over) the spin-out company. This interest reduces the risks as compared to the situation where a pipeline agreement is granted to an independent commercial company that will have different priorities to the university. The remainder of this section focusses on the possibility of granting a pipeline to a spin-out company although the same considerations apply to both situations.

A pipeline agreement is basically a sophisticated form of option agreement, the purpose of which is to set out the rights the spin-out has to *future* IP that, at the time the option is signed, has yet to be generated. Looking at the spin-out company situation, the grantee of the option (the new spin-out company) is obtaining a 'pipeline' to enable it to obtain rights in the IP from the originating university department.

In that situation, a typical pipeline agreement is therefore normally entered into by these parties:

i the technology transfer company/office (TTO) of the academic organisation and/or the university (whether the university needs to sign or not will depend upon the IP provisions within the university but it is likely that the TTO will not own any IP until after the university has transferred it to the TTO);

ii the spin-out company; and

iii the original inventors/academics (often defined as the 'Founders' in the company formation agreements) involved in the creation of the invention or technology which has been assigned or licensed to the spin-out company. Again, whether the individuals need to sign will depend upon the IP provisions within the university. It may not be necessary and the point should be checked in each instance. If the IP is being generated by research carried out by the university, it is less likely that the individual employees of the university will have any ownership rights themselves. In that case, the author's view is that individual academics should be discouraged from signing agreement as it exposes them to personal obligations and liabilities.

Scenarios normally catered for by a pipeline agreement with a spin-out company include:

i if the research group identifies or creates further IP related to the original invention or technology; or possibly (in some cases) not related to the original invention or technology; and

ii if the further IP is created within a limited time span (eg one or three years from the date of the pipeline agreement); then

iii the spin-out company will get an option to obtain an assignment or licence of the further IP.

In addition to the provisions above, pipeline agreements will in addition generally include:

i a requirement on the Founders to report regularly on their work and to identify any IP that will be subject to the option;

ii a clause allowing the company to identify IP suitable to be subject to the option;

iii clauses dealing with created IP that may be subject to third party rights, or third party funding or which incorporates third party IP (or technology), or which has been developed subject to third party restrictions (eg on assignment or licensing), or is subject to third party licensing, assignment or option requirements;

iv provisions giving the university a licence-back to (or reservation of rights over) any IP or technology licensed to the company under the pipeline agreement (eg for research and/or teaching; or for 'non-commercial' use (setting out the parties' understanding of non-commercial) or for use outside a defined field);

v provisions imposing on the company an obligation to develop and commercially exploit the IP and technology assigned or licensed to it under the pipeline agreement;

vi provisions stating which party is responsible (and when) for obtaining IP protection and bearing the costs of IP protection.

Summary comments

The negotiation and drafting of a good option agreement, right of first refusal, and especially a pipeline agreement is a substantial task, with consideration needing to be given to many issues – 'legal' issues as well as commercial ones. The main issues that typically arise are discussed in this Guide.

Options and similar agreements should never be taken lightly, and should be clearly and comprehensively negotiated and drafted in order to reflect fully the intentions and expectations of the parties. Pipeline agreements in particular can have far reaching consequences and should be approached with caution.

CHAPTER 3
Summary of best practice

Summary of best practice

The following points are put forward for your consideration as possible 'best practice' (on some points, readers may feel they are 'ideal practice') in relation to the preparation of Options.

- *Policy*. Have in place an institutional policy for the different types of Options, covering such matters as:
    - Whether to enter into them at all, and if so, which type is appropriate – i.e. a basic option, a right of first refusal or a pipeline;
    - Whether pipeline agreements are acceptable and if so whether there are terms that must be included in the pipeline agreement;
    - What 'due diligence' should be done to ensure that obligations under an Option do not conflict with obligations under other existing agreements, and to ensure that the terms of each option do not conflict with or prejudice an IP commercialisation strategy;
    - Use of questionnaires to be completed by the relevant academic/department, to provide information relevant to the option and/or surrounding IP;
    - Who has authority to sign the Option for the institution?
- *Templates*. Have in place templates for each type of Option agreement ready for use in individual transactions.
- *Negotiation*. Who has responsibility for negotiating the terms of Options? Do they have the required level of training and skill? Is there a procedure for referring difficult issues to a more specialist adviser (e.g. an in-house lawyer)?
- *Terms*. Have in place clear 'bottom lines' as to terms that must, or cannot, be accepted in each type of Option agreement. Possible key issues might include:
    - Law and jurisdiction (is it covered by relevant insurance policies?)
    - Duration of option

    - Exactly how the option is exercised
    - Clarification of what happens when the option is exercised (i.e. there may be a need to enter into a further agreement)
    - Whether warranties or indemnities can be accepted in the different types of Options
- *Monitoring*. Implementing procedures to monitor obligations under Option agreements, including maintaining a database of Options (and other agreements)

CHAPTER 4

Key negotiating issues in options: introduction to frequently-encountered provisions

The aim of this chapter is to provide an introductory overview – a greater level of detail may be found in Appendices C and D.

Key terms of a typical option Agreement

Although the detailed terms of Option Agreements vary, they often include terms covering the following points:

a A description of the general subject matter of the option;

b A detailed definition of "Option IP/Pipeline IP" (which may refer to existing IP, or future IP based on some existing IP);

c Stating what the option is for, i.e. to take an exclusive licence, assignment, etc.

d Stating whether the option is exclusive and whether the grantor can negotiate with other parties during the option period;

e In an evaluation agreement, restrictions limiting the permitted use of the IP provided to a defined purpose;

f Setting out the option exercise period (e.g. "for a period of three months from the date of the agreement"; or "within one month of the Company being informed of new IP having arisen under a pipeline agreement") and what happens if the option period expires before the option has been exercised;

g Setting out the method of how the option is actually exercised;

h Stating what happens after the exercise of the option, e.g. obligations on the parties:

  i To execute a formal assignment of specific patents;

  ii To enter into a detailed licence agreement on pre-agreed terms, e.g. those set out in a schedule to the option agreement; or iii To negotiate the terms of further agreement(s), e.g. a licence agreement or assignment, including any time limit for such negotiations and what happens if the parties are unable to reach agreement.

i Payments clause setting out the option fee, including the reimbursement of any historic patent costs.

j General confidentiality obligations; and

k Various IP-related provisions, including ownership of IP, any warranties that may be given, or that no warranties are given relating to any information/IP provided for evaluation (i.e. it is provided 'as is');

l In an evaluation agreement, or a research agreement containing option provisions, obligations to disclose the results of research or evaluation and provisions dealing with the ownership and rights to use the results of the research or evaluation;

m In a pipeline agreement, obligations to promptly inform the spin-out company of arising IP that may fall within the pipeline;

n Standard 'boilerplate' provisions;

o Termination provisions recording how and in what circumstances the option agreement may be terminated (note that this addresses a slightly different situation to the provisions dealing with what happens if the option period expires before the option is exercised.

What are the common areas of negotiation?

The terms which are often negotiated in Option Agreements include the following:

a the extent of the IP covered by the agreement, especially in pipeline situations, where the university needs to keep the pipeline narrow (defined by, for example, inventors and research groups, field or sources of funding of the research), often against the wishes of the spin-out company (and their investors);

b whether exclusivity is to be granted and if so to what extent exclusivity is to be granted (for example, is it to be limited to a defined field of use);

c the option fee;

d the duration of the option;

e who has control over (and pays for) the patenting process during the option period;

f the detailed terms of the 'further agreement' (e.g. licence agreement) or, if these are not agreed at the time that the option agreement is negotiated, the extent to which the parties are required to negotiate in good faith the terms of the 'further agreement', e.g. the actual final licence of the IP, and the consequences of failing to agree those terms (e.g. whether the terms are settled by an expert or whether the grantee receives a right of first refusal);

Sometimes, as a half-way house between items (h)(ii) and (h)(iii) above, certain key commercial terms of the future licence or assignment are agreed as part of the option agreement, e.g. that there will be an exclusive licence, with royalty payments. However certain provisions, such as the actual percentage figure for royalties, may be left for agreement at a later stage (with provisions for referral to an expert where the parties cannot agree).

CHAPTER 5

Checklist of preliminary issues and provisions commonly found in option agreements

The checklist provided below lists (i) some preliminary points that may need consideration and (ii) the main clauses usually found in an Option Agreement together with the main issues that should be addressed regarding each provision.

Preliminary	
Parties	• Are the parties the correct ones? For example, where the technology is under development, the parties should comprise the Technology Transfer Office, the university and the grantee of the option; • Have their correct legal names and addresses been included?
Authorised Signatory	• Does the option need to be signed by a central part of the organisation, e.g. a Technology Transfer Office? • Do you need to remind the 'other side' re their authorised signatory?
Where materials or software are under evaluation	• Have the materials/software and their intended use been correctly identified? • Have the materials/software been adequately described?
Pre-existing commitments	• Confirm that there are no other agreements in place that impose restrictions on the use of the technology or that restrict the grantor's ability to grant the proposed option;

The option agreement

Recitals	• Is it useful or appropriate to cross-refer to a parallel agreement (eg a research collaboration agreement under which the technology has been developed)? • Is there anything in the Recitals that should really be in the body of the contract? (Remember that statements made in the Recitals may not be legally binding)

Contract terms

Date of the Agreement	• This is the date when the agreement is signed. It will be the date when the last party signs and this should be the date entered onto any contracts database. • Do the parties want to have a particular date from which the agreement is effective? If so, agree and define an "Effective Date" or "Commencement Date". This is most likely to be used as the starting point of any option period. It is not possible to backdate an agreement itself by entering a prior date in the signature block. The agreement itself cannot be dated earlier than the date on which the last party signs it.
Term	• Does the agreement specify a defined duration (in addition to the option period)? • Should it? • Are there any obligations (e.g. return of materials/software) when the term ends or when the option period expires? • Any obligation to seek to renew the option (e.g. 3 months) prior to expiry? • Are there any confidentiality obligations that extend beyond the term? • Should you include termination provisions?
Meaning of the rights that would be subject to the option	• Would all the IP arising from a particular research project be covered? • Should the option be limited to certain IP (eg IP within a defined field or IP related to materials which have been provided for evaluation)?

What exactly is the option for?	The most common possibilities are: • To negotiate a further agreement; and/or • To evaluate materials/products; and/or • To obtain a product, material or right; and/or • To enter into an agreement on set terms.
What level of exclusivity is granted by the option?	• Does the option prevent the grantor from negotiating with other parties during the option period? • Does the option commit that grantor to granting an exclusive licence?
Payment (option fee)	• Is the option fee separate to any other payments being made under the agreement by the person being granted the option? • If it is a separate payment, when is it to be paid: upon signing the agreement, or upon exercise of the option? • What is the method of payment?

When is the option exercised?	Is the option to be exercised:
	• Within a set period from an agreed date? *or*
	• On the occurrence of a particular event or result ("Trigger Event"), such as
	  ◦ a patent is filed;
	  ◦ an invention is made or new or improved technology or IP is created resulting from e.g. research work;
	  ◦ a proof of concept is shown;
	  ◦ software development reaches beta stage;
	  ◦ another specified event; *or*
	• At any time during the existence of the option agreement (or the agreement in which the option is incorporated)?

If a Trigger Event occurs	• Is the party creating the trigger event under an obligation to notify the other party? • Within what period must the other party be notified (e.g. within 30 days of the Trigger Event occurring)? • How must the other party be notified (e.g. by written notice)? • Must the written notice clearly specify certain matters (e.g. describe exactly what the trigger event is, providing details)?
How is the option to be exercised?	Common means of exercising an option are: • By written notice; or • By such notice being given to a specified representative of the other party; or • By signature of a pre-agreed document.
When does the option period start?	Common points at which the option period starts include: • When notice is sent by the party exercising it; or • When notice is received by the other party; or • When some other trigger event happens.
Exercise of the option	Once the option is exercised, what is the next stage? • The parties are to negotiate; • The parties are to negotiate in good faith or using their best or other specified endeavours; • The parties are to negotiate for a fixed period, e.g. for a period of [X] days from receipt of the notice by the other party; or • The parties are to negotiate to achieve some achievable outcome such as entering into a further agreement

Further Agreement	If a further agreement is to be negotiated once the option is exercised: • Are there a specified set of terms which are to be used during the negotiations? • Are there minimum conditions (such as milestones and payments) which must be included in any agreement?
Failure to Agree	If the parties fail to reach agreement on the terms of the further agreement, what happens? There can be several outcomes: • The option lapses; • The provisions of the agreement are to be settled by a third party; • A right of first refusal arises.
Settlement of Terms by a Third Party	If disputes between the parties in relation to the terms of the option agreement are to be settled by a third party (for example by determination by an expert): • How is the third party to be chosen? By the parties themselves, or by another third party or by a specific organisation (a professional body such as the Law Society of England and Wales)? • Are the terms which are to be settled based on an agreed minimum set of terms (such as those that are attached to the option agreement) or according to 'common trade practice'?
Right of First Refusal	• If the option lapses, and there is a right of first refusal, what are the circumstances which will bring the right of first refusal into play? (See further the discussion in Chapter 2). • What does the right of first refusal comprise – for example, the right to match the terms offered to the third party? • For how long can the parties negotiate once the right of first refusal has arisen? • When must the third party be informed about the right of first refusal?

Confidentiality Provisions	• Are there any? Should there be? • Is it more appropriate to have a separate confidentiality agreement (which could be cross-referenced)? • Check exactly what is covered by the definition of Confidential Information. • Does Confidential Information include any information generated by a party evaluating materials/software provided to it? • For how long do any confidentiality obligations extend?
If materials or software are to be evaluated	• What exactly is to be supplied and when is it to be supplied? Are these points clearly stated in the agreement? • What endeavours/efforts is the supplier to use to supply them? • Is the responsibility for shipping, packaging and insurance allocated? • Who is responsible for these costs if materials are to be returned when the evaluation ends? • Are there any regulations governing materials' use (eg the regulations governing the use of genetically modified organisms)? Which party is responsible for compliance? • If software is being evaluated have appropriate disclaimers been included? • Generally, should any warranties or disclaimers be given by either party? • Does the definition of materials/software include confidential information/documents? If so check relevant IP, Publication and Confidentiality clauses; • What exactly is the receiving party entitled to do with the materials? Is the receiving party entitled to:

	- perform (specified) experiments with the materials; - determine whether the materials can be used for creating new products? - prepare business, marketing and scientific reports? - specify how the material can be (commercially) exploited at the end of the option/evaluation period? - inform the supplier whether the receiving party wishes to enter into a further agreement such as a licence agreement? • Are the stated nature and purpose of the evaluation what the parties understand to be carried out in relation to the materials? • Should the receiving party have a duty to disclose information generated during the course of the evaluation? • If the evaluation may lead to the creation of new IP, who will own the new IP and have rights to use it?
Liability and Indemnity	• Are any warranties being given in relation to the subject matter of the option? Should liability be limited? • Are any indemnities being given? If so are they (i) appropriate, and (ii) covered by your institution's insurance policies? • Where your institution is giving an indemnity, should you insist on having control of any proceedings brought by a third party (against the other (indemnified) party)? • Should indemnities just be restricted to third party claims?

Law and Jurisdiction	• Has the law governing the option been stated? • Has jurisdiction also been specified (ie which party's courts would hear any dispute)? • Is it appropriate to specify exclusive or non-exclusive jurisdiction? • If confidentiality provisions are important consider whether to include a right to obtain an injunction in any jurisdiction?

'Boilerplate' provisions	• Should any other provisions be included? eg:
	  ◦ Entire Agreement
	  ◦ Force Majeure
	  ◦ Notices (may be useful if option notices should go to Technology Transfer Office rather than address of legal entity)

Schedules	• Is a schedule appropriate for a description of the technology covered by the option? • Have the contents of the schedule been agreed/checked with the relevant academic/department? • Is it attached? • Has the technology or IP that is the subject of the option been described in sufficient detail?

CHAPTER 6
Administration of options

It is important to keep track of Option Agreements – both during the review and negotiation period and once they have been signed. This is probably best administered centrally, in order to check existing Option Agreements that may have already been signed with the same party, and any other agreements, for potential conflicts with the Option Agreement under review. Once a party has decided to enter an Option Agreement then a number of administrative issues may need to be addressed, including the following.

Having a standard operating procedure ("SOP")

It is extremely helpful to the person negotiating the Option Agreement if their institution has an established written policy or written SOP for dealing with Option Agreements that includes guidelines regarding particular clauses/issues. It can be particularly helpful if written guidance is also issued on non-negotiable provisions as it enables the negotiator to take a more confident stance. It goes without saying that the guidance should be updated regularly and honed in light of practical issues experienced by the negotiators on a daily basis.

In addition to aiding the negotiator, having an SOP is also in the institution's interest as by setting out clear guidelines (and emphasising which clauses should be referred to more senior staff or legal advisers) the potential for errors or matters to be overlooked is reduced. An SOP might usefully include:

- A checklist of provisions that should (or should not) be included
- Guidance on when to refer particular issues upwards.
- Reminders to enter certain details of a finalised Option Agreement on the relevant database and to send a copy to appropriate academics.
- A list of authorised signatories and the relevant procedures for holiday cover.
- Details of the minimum level of information required before an Option Agreement can be negotiated or signed. The lattice of ownership and rights to use any particular piece of IP generated within a university may be quite complex and a structured approach is necessary to ensure that the university has not granted identical rights to rival sponsors or contaminated its own background. That said, a formal questionnaire document may not be necessary as, in the author's view, the essential information can usually be captured in an email, with a follow-up telephone conversation if necessary.

Getting all the essential information for a new option

The academic responsible for generating the relevant IP is likely to hold much of the essential information that will enable the negotiator to understand the relevant issues and establish a position that will best protect the interests of the institution (and the academic). However, it is also likely that the university contracts team and/or the TTO will need to be involved to ensure that copies of the relevant background funding terms and other contracts are available. The negotiator needs the academic's input but should not rely only on the academic when checking the lattice work of background information. Even if your organisation does not use a formal questionnaire and instead elicits the information by email/phone, having a note of the relevant questions on a SOP does have the advantage that: (i) the negotiator does not need to rely on memory for the appropriate questions to ask; and, (ii) it saves time.

Deciding which information should be disclosed

Where a suite of confidential information is concerned, it may be safest to provide only some of the confidential information to the recipient, and withhold the most valuable, sensitive and confidential parts of the information. Or, it may be prudent to disclose the most sensitive information at a later date, e.g., when a further agreement has been signed, or when a patent application has been filed. It goes without saying that confidentiality terms should be agreed before any disclosure.

Other detailed issues and 'best practice' suggestions in relation to confidential disclosures of information are discussed in the PraxisUnico Practical Guide on Confidentiality Agreements.

Appointing a coordinator

It may be desirable to appoint someone, e.g., a senior secretary or contracts officer, to make sure that an Option Agreement has been signed and that confidentiality terms are in place prior to permitting access to the grantee to the technology and prior to disclosing confidential information. The individual appointed can also oversee the disclosure and receipt of information under the Option. Other duties could include:

- to monitor any deadlines (e.g., the expiry date of the option period);
- where appropriate keep a log of which employees have received the confidential information of an external party;
- note any unusual provisions or where an Option Agreement deviates from one's own standard Option Agreement terms;
- send a copy of the signed Option Agreement to the relevant academic together with a covering letter highlighting any particular obligations;

- record details of the Option Agreement in a contracts database and file the original in a safe (or designated area).

Making employees and others aware of their obligations

It is good practice to ensure that employees are aware of their obligations in respect of Option Agreements. In order to achieve this, all third-party confidential information should be clearly identified, perhaps labelling it clearly as confidential. Any employee who receives third-party information should be informed that it must be kept confidential and not used except as permitted under the Option Agreement with the third party. The employee should also be made aware of any restrictions that apply to the use of the technology and any restrictions on discussing the technology and licensing possibilities with other parties. In some cases it may be appropriate to provide a copy of that Option Agreement to the employee.

Contracts databases

Many universities enter into large numbers of intellectual property contracts, including Option Agreements, with many different organisations. It can be difficult to keep track of whether, if the university wants to talk to a third party, there is already an Option Agreement in place between them. If so, does it include any exclusivity provisions and has it expired? Does it cover the type of discussions that are contemplated?

Maintaining a general contracts database (or even better, having a discrete database just for Option Agreements) which includes brief details of the terms of each Option Agreement, and searchable fields, can be of invaluable assistance in situations such as the one outlined above.

When to involve the lawyers

Liability and indemnity provisions are probably the main areas where more specialist legal advice is sought. It is also important to ensure that the procedures for exercising the option are unambiguously worded and do not leave the option 'in limbo' for an excessive period of time. However, unfamiliar phrasing within any clause is often worth checking. Some institutions may have a set policy that certain non-standard Option Agreements are passed for a final legal review before signature. Whether or not this is the case, a legal review of a random selection of non-standard Option Agreements every so often may also be useful as part of a due diligence exercise (or good practice).

APPENDICES

APPENDIX A
Templates

Below are examples of:

I. Simple Option and Evaluation Agreement

II. Sample clauses: options and rights of first refusal

III. Schedule for use in an Option Agreement where the form of the Further Agreement is agreed in advance

I. Simple option and evaluation agreement

Note: This template has been designed so that the evaluation provisions can be deleted without impacting on the validity of the agreement as a whole.

If the grantee is only seeking an option and doesn't need the right to evaluate, clauses 3, 4.3, 7.3(a) and Schedule 4 of the template should be deleted.

Depending on the situation, clauses 5 and 6 may also be deleted.

This Agreement dated[1] ________________________ 20[ ] is between:

(1) • (the "University"), whose [principal address *or* registered office] is at •; and[2]

(2) • **[LIMITED][INC.]** (the "Licensee") a [company incorporated in Ireland] whose principal place of business is at [address].[3]

Background:

A. The University has developed certain technology and owns certain intellectual property rights relating to •[4],including the Patents and the Know-how[5]; and

B. [The Company wishes to evaluate the Patents and the Know-how and the University 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 University is willing to grant the Company such an option in accordance with the provisions of this Agreement.

1: This should be the date on which the last party signed. The convention among English lawyers is to write this date in once all parties have signed.

2: Full name of university and its registered address.

Note that it may be appropriate for the technology transfer office to enter into the agreement.

3: Full name of company (or other entity) and its principal place of business.

4: General description of what the intellectual property rights relate to, for instance therapeutic area.

5: The Option 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.

The Parties agree as follows:

1. Definitions

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

Commencement Date	•.[6]
Confidential Information	(a) All Know-how; and (b) All other technical or commercial information that: i. in respect of information provided in documentary 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.

6: This is the date on which the Option comes into force.

Evaluation Exercise	The process of evaluating the Patents and Know-how which shall be restricted to the activities described in Schedule 4.
Field	•.[7]
Know-how	Technical information in the Field developed by the University and relating directly to the inventions claimed in the Patents, including the information described in the attached Schedule 1 Part B.
Licence Rights	The licence rights described in Schedule 2.[8]
Option	The option described in Clause 2.1.
Option Fee	The sum of € • (• Euros.[9]
Option Period	The period of [90] days from the Commencement Date, subject to any earlier termination of the Option under Clause [...].
Patents	Any and all of the patents and patent applications referred to in Schedule 1 Part A, including any continuations, continuations in part, extensions, reissues, divisions, and any patents, supplementary protection certificates and similar rights that are based on or derive priority from the foregoing.

7: This refers to the field in which the proposed licence would be granted and assumes that the licence will be limited to a particular technical field or field of use.

Technical definitions such as those for Field, Patents, Know-how, Licensed Products, etc. may require input from scientific colleagues to ensure they are clear, accurate, and unambiguous, and do not overlap with any other licences that have been granted (or may be under negotiation) to the same technology.

8: Depending upon the arrangement reached with the Company, the licence rights will address issues such as permitted uses, duration, exclusivity, the right to sub-license and the extent of rights reserved to the University.

9: The amount to be paid by the Company to the University for entering into this Option Agreement.

Note that it is not the licence fee – the Company should expect to pay separate fees or royalties if the University and the Company enter into a licence subsequently.

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 University as part of the Evaluation Exercise.
Territory	•.[10]

10: The countries in which the Company will be granted a licence to use the Patents and the Know-how.

2. Option

2.1. In consideration of the payment of the Option Fee by the Company to the University, the University hereby grants to the Company an [exclusive][11] option, with effect from the Commencement Date and during the Option Period and subject to the provisions of this Agreement, to negotiate a licence agreement to use the Patents and the Know-how in the Field and in the Territory.

11: If the Option granted is exclusive, the University should not be able to grant any other potential licensee a licence in the Field during the Option Period. Sometimes, parties prefer to state this point explicitly in the option agreement.

2.2. During the Option Period, the University and the Company shall negotiate in good faith the terms of a licence agreement between them under which the Company would be granted the Licence Rights[12]. [Any such licence agreement would include, without limitation, terms based on the provisions of Schedule 3.][13] [Any such licence agreement will be upon the terms recorded in Schedule 3.][14] 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.

12: The Schedule allows for the University and the Company to outline the basics of any expected licence deal.

Note that if detailed provisions have been agreed in a Heads of Terms, it would be more appropriate to include a copy of the Heads of Terms.

13:This wording will be appropriate where the University and the Company have already agreed outline terms of the licence (ie Heads of Terms that are likely to include commercial provisions).

14: This wording will be appropriate where the University and the Company have already decided on the specific licence terms – for example where the Company's final decision to take a licence is dependent upon the outcome of the evaluation process.

2.3. If the Parties are unable to agree the terms of a licence agreement during the Option Period, despite negotiating in good faith, the Option will lapse.

2.4. During the Option Period, the University shall consult with the Company in relation to the filing and prosecution of patent applications in respect of the Patents. The Company shall reimburse to the University all of the University's costs and expenses in relation to the filing and prosecution of the Patents, including without limitation patent agents' fees. If at any time during the continuation of this Agreement the Company notifies the University that it does not wish to reimburse the University's costs in respect of the Patents (or any of them), the Option shall terminate in respect of such Patents on the date of the University's receipt of such notification, and the Company shall not have any responsibility for such patent costs arising after such date.

2.5. During the Option Period, the University reserves for itself and its collaborators the non-exclusive, irrevocable, worldwide, royalty-free right to use, and license other academic institutions to use, the Patents and Know-how for the purposes of academic research, publication[15] and teaching.

15: Although of central importance to the University, this point is likely to be an issue for the Company who will be concerned that the technology they are seeking to license is not about to made freely available. The University may need to consider agreeing to delay publication for the duration of the Option Period.

3. Licence to evaluate

3.1. In consideration of the payment of the Option Fee by the Company to the University, the University hereby grants to the Company an [exclusive][16] non-transferable, non-sublicensable 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.

16:The exclusivity of the licence to evaluate must match the exclusivity of the Option at Clause 2.1.

3.2. The Company shall promptly disclose to the University 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 University or by or on behalf of the Company) shall:

a. Be treated as confidential information owned by the University in accordance with Clause 6;

b. Be assigned to and vest in the University and the Company shall take any steps necessary to complete such assignment promptly and at its own expense. If the University 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

4.1. In consideration of the Option, the Company shall pay to University the Option Fee (plus VAT and any other taxes or duties that are applicable) within [30] days of the date of this Agreement.

4.2. During the continuation of the Option (including any extension of the Option Period)[17], the Company shall reimburse to the University all of the University's costs and expenses in relation to the drafting, filing and prosecution of the Patents[18], including without limitation patent agents' fees.

4.3. The Company shall pay to the University the Research Fees by way of funding the University's contribution to the Evaluation Exercise on receipt of an invoice from the University.

4.4. 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 University to the Company and are payable by the Company in addition, if applicable and at the appropriate rate.

5. No warranty[19]

5.1. The Company acknowledges 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 or other items, including the Patents and the Know-how

17: Note that if the Option Period is extended at the Company's request, the Company is getting a material benefit. As a result, the University should be reluctant to grant an extension without the payment of a further fee.

18: This template is drafted to deal with patents and know-how. Be aware that it can be adapted to refer to other forms of intellectual property but that this clause will need amending to ensure that other registration fees are also reimbursed.

19: As drafted, this clause intends to minimise the University's exposure in the event that the Company claims that they have incurred wasted expense.

It would be valid, but also more confrontational, to suggest that the Company should offer the University indemnity protection in respect of the Company's actions using the Patents and Know-how on the basis that the University 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.

This draft does not include such provisions because they are confrontational and because the Company, in response, is likely to push harder for warranties in support of the Patents and Know-how from the University.

(together "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 University 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, or are viable, uncontaminated, safe or non-toxic, accurate, up to date or complete; and

b. The University 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[20]

6.1. Each Party ("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 ("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; and

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

d. To ensure that all those to whom disclosure of or access to Confidential Information has been given, including its officers, directors and employees comply with the provisions of this Agreement and shall be liable to the Disclosing Party for any breach of this Agreement by any of the foregoing.

20: Included on the basis that where technology is made available for evaluation, both the University and the Company will be concerned to ensure that the details of the technology (and any other information that is exchanged) are treated as confidential in order to protect their commercial interests.

6.2. The provisions of this Clause 6 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 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 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 five (5) working days after becoming aware of the proposed disclosure;

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[21]

7.1. The Company may terminate this Agreement at any time on giving no less than 60 days'[22] notice in writing to the University.

7.2. Either Party may terminate this Agreement at any time by notice in writing to the other Party ("Other Party"), such notice to take effect as specified in the notice:

21: This clause is included to give the University some sanction against the Company in the event that the Company oversteps the uses permitted at Clause 3 or is late in making payments.

22: 60 days is an arbitrary suggestion designed primarily to ensure that the University has time to make alternative arrangements if (for example) patent renewal deadlines are imminent.

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 purposes of solvent amalgamation or reconstruction), (C) a liquidator, administrator, administrative receiver, receiver 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.

7.3. The UNIVERSITY 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[23]; or

b. If the Company fails to pay any fee payable under this Agreement by the due date; or

c. If the Company or any affiliate of the Company commences legal proceedings, or assists any third party to commence legal proceedings, to challenge the validity or ownership of any of the Patents[24]; or

d. If the University has reasonable grounds to believe that the Company or any of its employees or representatives are in breach of any applicable anti-corruption legislation[25].

7.4. 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.

23: This is designed to protect the University against 'time wasters' who enter the option with the intention not of concluding a licence but with the intention of delaying the development of the technology.

24: This is designed to give some minimal protection in the situation where, having disclosed the detail of the technology, the University is faced with an attempt by the Company to invalidate the Patent. The protection is minimal and the University would be better advised to consider carefully whether the Company is trustworthy.

25: This is designed to allow publicly funded institutions to protect their position.

7.5. Upon termination of this Agreement for any reason or on the expiry of the Option Period:

a. The Company shall immediately cease to make any further use of the Patents, Know-how or any Confidential Information provided by the University under this Agreement and shall, at the University'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. Neither Party shall be under any further obligation to the other save that obligations under Clauses 3.3, 4, 5 and 6 of this Agreement shall remain in force.

8. General

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 University 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 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[26].

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 first class mail or air mail, or by fax (confirmed by first class mail or air mail) 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. University – •[27];

b. Company – •.

8.7. Notices sent as above shall be deemed to have been received three working days after the day of posting (in the case of inland first class mail), or seven working days after the date of posting (in the case of air mail), 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 English law and each Party agrees to submit to the exclusive jurisdiction of the courts of England and Wales.

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.

26: 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.

27: Complete with title and address of the office holder to whom notices about the should be sent.

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	For and on behalf of
[University]	**[Company]**
______________________	______________________
signed	signed
______________________	______________________
print name	print name
______________________	______________________
title	title
______________________	______________________
date	date

Schedule 1[28]

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 (eg manufacture, develop, sell or supply);
- Ability to grant sub-licences;
- Warranties or indemnities to be offered.]

28: This Schedule can be amended to describe a broader range of intellectual property if necessary.

Schedule 3

[Insert details of any pre-agreed Heads of Terms (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 University:

- 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;
- preparing an outline programme for the commercial exploitation of the technology.]

Research Fees

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

II. SOME EXAMPLES OF OPTIONS, rights of first refusal (and similar provisions)

Note: The following examples of rights of first refusal ("ROFRs") have been included to illustrate the variety of ROFRs that are encountered. In general, universities should be cautious about giving any ROFR, and legal advice should generally be sought on the wording of the ROFR.

Example 1 – simple, pro-university option clause

(a) Subject to the provisions of this Clause [ ], the University grants to the Company an exclusive option (the 'Option') to acquire an exclusive, worldwide licence (with the right to sub-license) under the Arising Intellectual Property to develop, manufacture, have manufactured, market, use and sell products in [the Field] (the 'Licence Rights').

(b) The Option shall be exercisable [at any time during the agreed period of the Research] [and] [up to 3 months following the University's submission of the final Report]. The Option shall be exercised by the Company giving notice in writing to the University ('Notice of Exercise of Option').

(c) On receipt of the Company's Notice of Exercise of Option, the Parties shall negotiate in good faith, for a period of up to 90 days from the date of such receipt, the terms of a licence agreement between them under which the Company would be granted the Licence Rights. [Any such licence agreement would include, without limitation, terms based on the provisions of the attached Schedule [x]]. Upon agreement of the terms of such licence, the Parties shall forthwith execute a licence agreement between them on such terms.

(d) [If the Parties fail to agree the terms of a licence agreement within 90 days of the University's receipt of the Company's Notice of Exercise of Option, the Option will lapse.

Example 2 – ROFR to be tacked on to option (fairly brief).

If the Licensee and TTO or the University, as the case may be, are unable to agree on the terms of a licence agreement within 90 days of TTO's or the University's (as applicable) receipt of the Licensee's Notice of Exercise of Option, despite negotiating in good faith, the Option will lapse; provided, that TTO or the University, as the case may be, may not thereafter, without first offering such terms and conditions to the Licensee, enter into an agreement with a third party on terms and conditions equal to or more favourable to such third party than the terms and conditions negotiated between TTO or the University, as the case may be, and the Licensee.

Example 3 – strong option and ROFR to expand field; milder option to expand territory.

1.1 Expansion of Field.

1.1.1 With respect to each Compound, Owner hereby grants to Licensee a first right to expand the then current Field for such Compound and all Licensed Products based on such Compound to include additional disease indications in humans and disease indications in animals. This right may be exercised by Licensee only in the event that Owner determines to pursue development and commercialization (whether directly or through an Affiliate or Sublicensee) of a Compound in the Territory in one or more additional disease indications in humans or in one or more disease indications in animals outside the then current Field.

1.1.2 Within a reasonable period after such determination by Owner, Owner shall provide written notice to Licensee of proposed terms for such expansion of the Field in the Territory and disclose to Licensee all information that is within Owner's control and reasonably related to such expansion of the Field. Within sixty (60) days of such written notice from Owner, Licensee shall provide written notice to Owner as to whether it is interested in such expansion of the Field. If Licensee is not interested in such expansion of the Field or if Licensee does not provide written notice within such sixty (60) day period, Owner shall be free to develop and commercialize (whether directly or through an Affiliate or Sublicensee) the Compound and all Licensed Products based on such Compound in such additional disease indications in the Territory.

1.1.3 If Licensee provides written notice indicating its interest in such expansion of the Field within such sixty (60) day period, the Parties shall negotiate in good faith to reach agreement within one hundred twenty (120) days of the written notice from Licensee.

1.1.4 If the Parties are unable to reach agreement within such one hundred twenty (120) day period (or any mutually agreed upon extension), then Owner shall be free to (i) submit the matter to arbitration for resolution pursuant to Section 14.8 or (ii) enter into an agreement with a third party during the subsequent twelve (12) month period (but not to develop or commercialize directly or through an Affiliate) to license rights to practice the Owner Patent Rights and use the Owner Know-How for such purpose in the Territory; provided, however, that Licensee is first given the right to enter into any proposed agreement reached by Owner with a third party on substantially the same financial terms and conditions as such proposed agreement reached by Owner (it being understood that Licensee shall have the right to substitute cash or Licensee equity for equity of the third party).

1.2 Expansion of Territory. With respect to each Compound, in the event that Owner is approached by a potential Sublicensee which desires to pursue development and commercialization of such Compound or Owner determines to pursue development and commercialization of such Compound through a Sublicensee, in each case, in one or more countries outside the then-current Territory for such Compound, Owner shall promptly inform Licensee. As available, Owner will advise Licensee of the structure of the proposed license (e.g., the field and countries which are the subject of the potential license) and Licensee will thereupon have the non-exclusive right to negotiate for such a license from Owner.

Example 4 – ROFR (very scanty).

University agrees with Licensee that it will not sell or otherwise transfer all or any material part of the technology described as [•] to any third party without first giving the Licensee the opportunity to purchase such technology on terms identical to those offered to such third party.

Example 5 – ROFR to acquire royalty stream.

Transfer of other interests: If the University, at any time on or after the Start Date [until [end date], wishes to transfer any rights to any royalty stream it may own derived from the [Technology] (the "Remaining Royalty Interests"), then the University will give notice to the Grantee of (i) its wish to transfer such royalty stream, and (ii) the proposed consideration, payable by a named bona fide third party, for such royalty stream, and the Grantee shall have ninety (90) days to offer to purchase such royalty stream. In the event that the Grantee does not offer to purchase such royalty stream, for equal or higher consideration than the said bona fide third party offer, within ninety (90) days of such notice, the University shall be free to sell such royalty stream to a third party for a consideration equal to or higher than that specified in the aforesaid notice.

III. SCHEDULE FOR USE IN AN OPTION AGREEMENT WHERE THE FORM OF THE FURTHER AGREEMENT IS ALREADY AGREED BY THE PARTIES

Schedule [1]

Agreed Form [Licence][Assignment]

The [licence agreement][IP assignment] referred to in Clause [xx]of this Agreement (the ["Licence"] ["Assignment"]) is attached to this Schedule [1].

If [the University] and [the Grantee] are not able to agree on:

(a) the amount of upfront royalty advance payable in respect of Clause [xx] of the [Licence] [Assignment]; or

(b) the level of royalty payable in respect of Clause [xx] of the [Licence].

in respect of the [licence][assignment] of [Option IPR] for a [Selected Technology], then the disagreement shall be referred to an independent expert appointed in accordance with Schedule [2] who shall determine the reasonable level of [royalty, advance and minimum royalty] based on [typical market licensing practice] for the [Selected Technology] in question.

APPENDIX B
Completing the template agreement

Introduction

The following section provides a quick step-by-step list of the points to be noted when drafting/completing a 'standard' Option Agreement, or an Option clause comprising part of a larger agreement.

The assumption, for the purposes of this text, is that the basic starting point is an agreement based on the template set out in Appendix A, although the comments below are generic enough to be of universal value.

The issues referred to here have already been dealt with in the main text, but it seems appropriate to state them briefly again, so that one may have a 'one-shot' view of the drafting of suitable Option Agreement wording in the next page or so.

Signature Date

This means the date of the agreement, and is usually (unless otherwise agreed) the date on which the last person/party signs. As has been stated earlier, agreements cannot be 'backdated' by merely inserting an earlier date at the beginning of the agreement. If the agreement needs to cover periods prior to the date of the agreement, a separate definition of 'Commencement Date', 'Effective Date', or something similar should be inserted in the definitions section. The rights and obligations under the agreement can then be effective from that date.

Parties

For the University – make sure that the signatories are authorised signatories (e.g. ensure they are not a senior member of an academic department who, whilst they think they have authority to sign, actually do not have any authority whatsoever to enter into legally binding agreements on behalf of the university).

For UK companies - make sure to insert the full address. It may be registered address or business address but you have to state which it is. Also consider inserting the company number: a company can change its name, but the original number given to it by Companies House never changes. A similar approach should be applied for non-UK companies.

The 'Recitals' or 'Whereas' section

Generally appears on the first page of the agreement, after the 'Parties' section, but before the main body of the agreement. Recitals are intended to give some background to the agreement, but they are not strictly necessary.

Definitions

This may or may not be a separate clause in the agreement. Quite often definitions are peppered throughout the document, and the standard way of doing this is to state something and then put it in upper-case in brackets, e.g. 12th January 2005 (the "Effective Date"). Then throughout the whole agreement, 'Effective Date' will mean 12th January 2005. From a drafting as well as contractual interpretation point of view using defined terms is a very efficient approach.

Obligations

The Option Agreement needs to set out clearly:

- The IP covered by the agreement needs to be precisely identified. If it is future IP, it needs to be properly ring-fenced, by for example defining it as IP in a particular field, generated by a specific research group, during a limited period;
- The duration period of the option;
- How the option can be exercised;
- What happens if it is not exercised;
- What happens to any materials/software transferred under the Option Agreement once agreement is terminated;

Jurisdiction

The law governing the agreement should as far as possible be English law, whilst the jurisdiction should be the exclusive jurisdiction of the English Courts.

APPENDIX C
In-depth discussion of commercial issues in Options

Introduction

This Appendix will focus on some detailed drafting and negotiation issues in Options. The main topics to be covered will be:

- Different types of Option Agreement;
- Scope of Option Agreements;
- Duration;
- Payment.

Compared with some other topics covered in the Practical Guide series, there are relatively few, detailed commercial issues to discuss, once the key drafting and negotiating issues have been resolved (i.e. the scope and duration of the option, and the procedure for exercising it).

Drafting and negotiating issues on 'legal' clauses are discussed in the Practical Guide entitled General Legal Issues in University Contracts. In particular, that Practical Guide looks at:

- Dating the agreement;
- Parties, including third party rights;
- Warranties, liability and indemnities;
- Law and jurisdiction, including arbitration;
- Is the agreement legally binding or just an "agreement to agree"?

Different types of Option

Chapter 2 of this Guide summarises the main types of Option Agreement that are encountered. The following paragraphs will consider some of these types of Option Agreement in a little more detail.

Option for licence, or option for assignment?

There are many different types of Option, and many different types of subject-matter – e.g. options to acquire shares, intellectual property, contractual rights, or income streams. In the context of technology transfer activities, and where the subject-matter is intellectual property, a key question is whether an option should give the grantee the ownership of the intellectual property (i.e. by means of an *assignment)*, or merely a permission to use (i.e. by means of a *licence* under the intellectual property), with ownership remaining with the university.

From the university's perspective, the main advantage of retaining ownership (ie licensing rather than assigning) is the degree of control (or at least influence) that this gives. The main areas of control may be:

- Control over patenting (where the licensee's or assignee's interests may not always coincide with those of the university);
- Control over development and commercial exploitation of the IP;
- Recovery of rights if the commercial company becomes insolvent;

Diligence obligations can, of course, be included in an assignment agreement to ensure that the technology is used and not merely shelved. However, if the grantee obtains outright ownership of the IP, it will be more difficult to wrest back the IP (if the assignee is in breach of contract) than if only a licence is granted. A licence can be terminated; an obligation to assign back IP may be more difficult to enforce. If the grantee owns the IP and then sells it, the new owner may be able to avoid complying with the obligations under the assignment agreement. This is an even greater risk if the new owner was not aware of these obligations.

In the case of agreements with spin-out companies, the company's investors may push very hard for an assignment rather than a licence of intellectual property both in relation to the original package of IP that is being acquired from the university, and in relation to any further IP that is acquired under an Option Agreement. Investors are keen to own the IP on which the company that they are supporting is based. This is reasonable but the risks for the university are that it loses control of the IP and may no longer be able to use the IP for research purposes and that it loses any chance of sharing in the revenue that successful development of the IP brings. There will always be a robust debate around the appropriate valuation of the technology at the point of assignment and, again, the risk is that the university will accept a valuation that later proves to be woefully inadequate. Universities are becoming firmer at resisting such pressure and granting only a licence, or (in some cases) granting only a licence initially, but converting the licence into an assignment once the company has generated a certain level of investment.

Options as part of research agreements

Take the example of an agreement under which a commercial company sponsors a university to conduct a programme of research. Such an agreement will usually include provisions that determine which of the parties will own the results of the research, including any intellectual property in those results. Sometimes, the agreement will provide that the results are owned by the university, and that the sponsor is granted an option to acquire a licence to develop and commercialise those results. For example, some of the Lambert Agreements (e.g. Lambert agreement number 2, clause 4.6) include such option terms – see further http://www.ipo.gov.uk/lambert.

This approach - the grant of an option to acquire a licence to commercialise the results – is just one of a number of possible ways of "carving up" any intellectual property that is generated from a sponsored research programme. The Lambert Agreements offer some alternative ways of dealing with this issue. Other possible approaches include:

- The sponsor owns all the results (solely or jointly with the university)
- The sponsor has an automatic licence to the results (either for all purposes, including commercialisation, or just for research purposes)
- The sponsor gets no automatic rights to, or option over, the results.

Further subtle variations include granting rights such as those referred to above in specific fields or territories.

No automatic offer of licence or assignment – the US approach

Although the approach of the Lambert Toolkit may have helped UK universities to develop a more standardised approach to the question of intellectual property arising from research contracts, UK universities have some way to go before they become as consistent in their approach as many US universities are. Generally, in the US, the policy of most universities is to only ever grant options to arising IP generated under a research contract.

Although exceptions may be made in certain (rare) circumstances, US universities will generally retain ownership of any IP that arises from the results of their own researchers. However, they are willing to negotiate the grant of commercial rights to a sponsor through an appropriate licence, so that the sponsor may commercialise the IP. This approach has evolved for two different reasons – firstly, universities feel the need have a certain degree of control of discoveries made by them (no matter who funded the research), and secondly, the Bayh-Dole Act prohibits universities from transferring ownership of IP to a company if federal funding has helped support the work – instead, it encourages the transfer of technologies to industry through licensing.

The United States' Bayh-Dole Act was passed in 1980, and the policy set down in the Act is basically that of encouraging the utilisation of inventions produced under US federal funding. This policy promotes the participation of universities and small businesses in the development and commercialisation process. It also permits exclusive licensing with the transfer of an invention to the marketplace for the public good. The US Government gets a royalty-free, non-exclusive license to use such inventions for Government purposes (including use by government contractors).

Some licences granted by US universities have to be non-exclusive, either because federal requirements demand it, or because the research has had multiple sponsors. Under some circumstances, US universities will be willing to grant an exclusive license to a company. However, care will normally be taken to ensure that, firstly, the field of use specified in the license is limited to the application of commercial interest to the company (so that the university researchers can continue to conduct research on other applications and develop other licensing possibilities), and secondly, the university will wish to ensure that the company is diligent in pursuing commercialisation opportunities (a diligence clause is normally inserted to allow the university to terminate the license if the company does not take the promised steps to develop or market the product).

In addition, licences granted by US universities will normally obligate the company to pay or to reimburse the university for historic expenses associated with obtaining patents, as well as paying the university licensing fees and/or royalties on the sale of products. If the company and the university cannot reach agreement or the company does not wish to obtain a licence, the university is then generally free to negotiate with other parties.

Where research is industrially sponsored, a US university might consider granting the sponsor a free, non-exclusive, non-transferable, royalty-free licence for internal research purposes only to IP generated by academics under the agreement. In addition, the university could, in consideration for a fixed annual fee (or royalties), grant the company the option to a non-exclusive, non-transferable, royalty-free licence, without the right to sub-license for the company to make products using the IP.

A good example of the US model is Massachusetts Institute of Technology (MIT). In the majority of cases where MIT research agreements involve a single sponsor, the sponsors accept MIT's standard IP clause, which gives the sponsor a number of different options (including an option to an exclusive licence) with regard to the licensing of patents and copyrightable materials (including software). In situations where a sponsor wants to negotiate particular 'non-standard' IP provisions, MIT is willing to enter into further negotiations. Where an MIT research agreement involves a consortium, the standard licensing options are limited to non-exclusive licences. See further www.mit.edu.

In relation to software licensing, whether IP arises from sponsored research or not, often companies are willing to accept non-exclusive licences. Also, because of the large number of patents involved in a typical electronic consumer product and accounting for the use of each patent in a product is onerous, many companies do not like royalty bearing licences in such cases. In such situations, universities might therefore consider offering royalty-free licences but with an upfront fee – an good example of such an approach is Stanford University's 'EPIC' (Engineering Portfolio of Inventions for Commercialisation) Programme, a subscription-type system with standard fees – see the following link for details - http://availtech.stanford.edu/Scripts/otl.cgi/epicsummary). Such an approach should increase a university's chances of licensing its software technologies.

When is an Option Agreement a pipeline agreement?

An agreement will generally be described as a pipeline agreement where the party wishing to obtain rights in the IP is a university spin-out company or a commercial research funder, and the IP which is the subject-matter of the agreement is *future* IP that may be generated by the university. Most standard option agreements on the other hand quite often relate to a discrete, existing item of IP, which a party wishes to evaluate, and then possibly obtain a licence to commercially exploit.

Given that a pipeline agreement involves different pieces of (as yet unidentified) IP, and also serves to set out the future relationship of the grantee and the university (and/or the university's technology transfer office), it is necessarily a more complex type of agreement than a straightforward option. As previously discussed and as also addressed below, there are also more complex considerations to be taken into account when deciding whether a pipeline agreement is appropriate.

Pipeline agreements usually grant an option to obtain an assignment or licence of IP. A pipeline agreement will usually include a definition of 'Pipeline IP' or similar, which will serve to define and limit the IP that is to flow through the pipeline. Usually, a university will wish to limit the pipeline to IP generated by a particular individual or research group during a defined period. The university may wish to exclude from the definition any IP that is subject to obligations to third parties, e.g. obligations to sponsors, or in which any third party owns any rights (e.g. joint inventions made with academics employed by other universities).

The method by which new IP is correctly identified as Pipeline IP needs to be set out in detail – i.e. requirements for the university to submit regular reports on their relevant research work to the grantee, in order that the grantee may then choose to exercise its option(s).

A pipeline agreement will also address which of the parties is responsible for IP protection going forward, and certain diligence obligations on the company in relation to its commercial exploitation of the IP.

Should the university be entering into a pipeline agreement at all?

In ascertaining whether it is really in the university's interest to grant a pipeline, various factors need to be taken into account. A fundamental point is whether the grantee in question is really the best placed to commercialise the IP coming out of the pipeline? For example, the assumption is often made that a spin-out company is the automatic licensee for further developments made by the university in the same field as the IP on which the spin-out is based (and bearing in mind that the academic inventors of the new IP in question are also involved in the spin-out and have a very close relationship with the technology in question). This assumption may not always be correct. Another company may be better placed to develop the new items of IP, e.g. because of their greater resources or established place in the market or because of their complementary technology or existing product range.

Another scenario where a spin-out may not be the 'licensee of choice' is where the university may decide to grant non-exclusive licences – e.g. if several companies are possible infringers of the university IP in question and may each be interested in taking out a licence.

Rights of first refusal

The differences between options and rights of first refusal, and some dangers associated with granting rights of first refusal over university IP, have been mentioned earlier in this Guide.

Detailed option terms, including scope, duration, procedure for exercise

The Option Agreement should be very clear in relation to:

1. The period of time when/during which the option can be exercised. The Option Agreement should clearly set out the relevant commencement and termination dates for exercise of the option. Options sometimes have provisions covering several different periods:

   a. The period during which the grantee can decide to exercise the option (e.g. during the period of a research programme and for a defined period after the final report is produced).

   b. If the grantee exercises the option, the period during which the parties are required to negotiate the terms of a further agreement (e.g. a licence agreement). Sometimes, this period is left vague, and there is merely an obligation on the parties to negotiate, with no clear cut-off point. From the university's point of view this is highly undesirable.

   c. If the option also incorporates a right of first refusal, the period of that right of first refusal. For example, the clause might provide that if the parties fail to agree the terms of the further agreement within a defined period, the university is free to license to a third party, but must offer to the grantee the terms offered to the third party. Sometimes this right of first refusal will only operate for a defined period of time, e.g. a year after the collapse of negotiations with the grantee, as in item (b) above.

2. What the option is exactly for, e.g. whether it is a right to negotiate something or a right to acquire something, specifying exactly what the subject matter of the option is, such as a specific piece of technology or a specific patent. As has already been mentioned, precise definitions of that subject matter will generally be needed.

3. The consequences of any failure to agree the terms of any further agreement. The two main alternatives are: (a) the option lapses, or (b) referral to an expert who will decide the terms of the further agreement.

Payments

Setting the price of the option

Sometimes, options are granted without charge. This usually happens where the grantee of the option is perceived to be in a sufficiently strong bargaining position to demand a period of exclusivity prior to deciding whether to acquire rights to the asset in question.

In many situations, however, the university may take the view that the grant of an option has a commercial value, which should be recognised in an option fee. One possible argument for such a fee is that if an exclusive option is granted, the university is prevented from pursuing its licensing activities with other companies during the option term. This gives the grantee a commercial advantage which has significant value. The fee could be either or both of the following:

a a fee payable for the grant of the option (e.g. payable on signature of an option agreement); and/or

b a fee payable on exercise of the option.

The amount that should be charged for the grant of an option is clearly a commercial, rather than a legal, issue. The authors have seen option fees of the order of tens of thousands of pounds, but much will depend on the technology, the market, the extent of rights granted, and so on. Usually, a university will wish to recover its incurred patent costs on exercise of the option, in addition to any option fee(s). Option fees should also not be confused with initial payments under any further agreement (e.g. a licence agreement).

Various standard techniques have been applied for the valuation (and therefore pricing) of technology generally and often there is no right or wrong answer. See for example chapter 3 of Technology Transfer: Law, Practice & Precedents (Anderson, second edition, 2003, published by Butterworths) where techniques such as *net present value, benchmarking* and *going rate* are discussed, and where a table of published royalty rates is included.

APPENDIX D
Special legal issues in options

Specific legal issues in relation to option agreements

The enforcement of Option Agreements depends on both (a) the terms of the agreement, and (b) the effect of the underlying law relating to such matters as 'agreements to agree' amongst others. The following paragraphs will briefly summarise the law as pertinent to this area, before focussing on some specific legal issues in relation to the drafting of Option Agreements.

Is it an "agreement to agree"?

The manner in which an Option Agreement is drafted might have a similar effect as when parties use and characterise documents as "Letters of Intent" or "Heads of Terms" in the course of negotiations – the document is not setting out all of the details of the overall transaction as it is anticipating further events occurring (and perhaps further written agreements too) down the line.

Generally, where substantial and necessary terms of an Option Agreement are left open for future negotiations, a contract has not been created. Ideally (from the point of view of legal enforcement) all the terms of the further agreement (e.g. the licence agreement) will be set out as a schedule to the Option Agreement, so that all the parties have to do when the option is exercised is to sign the further agreement. However, the parties do not always wish to spend time in negotiating detailed licence terms at the time of negotiating the option agreement.

An alternative is to specify that the parties will negotiate the detailed terms once the option is exercised. Unless carefully drafted (in particular with a default mechanism stating what happens if the parties cannot reach agreement – e.g. referring the terms for settlement by an independent expert), this may amount to an unenforceable agreement to agree.

Some tips for creating a binding option agreement

Where a party intends to create a legally binding Option Agreement, it should refrain from merely agreeing to "agree in the future," even if future agreements will be necessary corollaries to the contract at issue. Instead, the parties should specifically describe the responsibilities and obligations of each party, clearly stating the consideration for each party's obligations. By avoiding the inclusion of uncertain terms requiring future negotiation, a party can help ensure that a binding contract has been formed.

If certain commercial terms cannot be determined at the time of the execution of the Option Agreement the parties should provide a method for determining the matter. For example, in relation to any option fees or other payments to be paid at a later date, the parties can agree upon a formula that permits the calculation of fees/prices in the future, or such fees/prices will be as determined by a certain independent person, i.e. referral to an expert's decision. These matters should not be left for the court to decide, as the English courts are generally not willing to write the parties' contract for them.

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