



OPTION AGREEMENT

This Option Agreement (“**AGREEMENT**”) between:

KING FAHD UNIVERSITY OF PETROLEUM & MINERALS (hereinafter “**KFUPM**”) having its postal address at P.O. Box 5001, Dhahran, 31261, Kingdom of Saudi Arabia; represented by Vice Rector for Applied Research.

And

XXXXXX, (hereinafter “**OPTION HOLDER**”) registered in the Commercial Register under number **XXXX**, having its postal address at **XXXXXX**, represented by **XXXXXX** in his capacity as **XXXXXX**.

RECITALS

WHEREAS, KFUPM is the owner of certain PATENTS and KNOW-HOW (as later defined herein)

WHEREAS, OPTION HOLDER desires a period of time in which to internally evaluate the PATENTS and KNOW-HOW, potential products and markets therefor, and in which to elect to negotiate a license.

WHEREAS, OPTION HOLDER represents that it has the facilities, personnel and expertise to conduct the evaluation and that it will expend reasonable efforts and resources on said evaluation; and

WHEREAS, OPTION HOLDER's evaluation will involve expenditure of resources, which OPTION HOLDER does not wish to expend without being assured of being granted rights to negotiate a royalty-bearing exclusive license under the PATENTS and KNOW-HOW; and

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the PARTIES hereto agree as follows:



1. DEFINITIONS

"BUSINESS PLAN" shall mean a reasonably detailed written plan prepared by OPTION HOLDER showing its commitment and capacity for development and commercialization of the TECHNOLOGY. The BUSINESS PLAN will include, but is not limited to: activities to be undertaken and resources (including amount of money, number and kind of personnel budgeted) available with OPTION HOLDER for each phase of development of the TECHNOLOGY for identified market(s), potential partnership needs/relationship structures, timeline for technology development, government approvals (if any), compliance to regional industry standards (if any), description of final product, projected market sizes, discrete markets, market prices (if applicable by sector), sales, costs, expected margins, competitive information (potential competitors, competitive products), customers, identified paths to getting the TECHNOLOGY to market (make/sell, sublicense, sell through distributors, models for different sectors), marketing plan, anticipated market introduction dates for the TECHNOLOGY, and expected growth of sales (sector-by-sector, if appropriate).

"CONFIDENTIAL INFORMATION" shall mean any information which is disclosed by a PARTY ("DISCLOSER") to the other ("RECIPIENT") that is not generally available to others, provided that (i) if disclosed in tangible form, it shall be marked as confidential or proprietary, or (ii) if disclosed orally or visually, it shall be identified as such prior to disclosure, reduced to writing, properly marked and delivered to RECIPIENT within thirty (30) calendar days of disclosure.

"EFFECTIVE DATE" shall mean the date on which this AGREEMENT will become effective when all the PARTIES have signed it and which is determined by the date stated by the last PARTY to sign this AGREEMENT (under that PARTY's signature).

"PARTIES" shall mean KFUPM and OPTION HOLDER, and **"PARTY"** shall mean either of them, as the context requires.

"PATENTS" shall mean:

- a) the patent applications set out in APPENDIX A of this AGREEMENT;
- b) any patents granted in response to those applications;
- c) excluding any corresponding foreign patents and applications which may be granted to KFUPM in the TERRITORY (as set out in APPENDIX A) based on and deriving priority from that application; and
- d) excluding any addition, continuation, continuation in part, division, reissue, renewal or extension based on the application.



"PATENT PROSECUTION EXPENSES" shall mean all out-of-pocket expenses for the preparation, filing, prosecution, maintenance, and defence or enforcement of the PATENTS.

"INVENTION" shall mean the invention described in the PATENTS.

"INVENTORS" shall mean the inventors named in the PATENTS.

"KNOW-HOW" shall mean, and be limited to, KFUPM proprietary and unpatented technical information which has been created, developed by INVENTORS on or before the EFFECTIVE DATE, which is directly related to the use of, or desirable for the practice of, the PATENTS. The principal components of the KNOW-HOW is set out in APPENDIX C hereto or may be added and/or amended to APPENDIX C at a later date, if needed for the completion of the testing, in accordance with the provisions of this AGREEMENT and by mutual written agreement of the PARTIES.

"LICENSE" shall mean the license under the PATENTS and KNOW-HOW to develop, manufacture, have manufactured, use, offer for sale and have sold any product or service in the TERRITORY and in the FIELD (as set out in APPENDIX B).

"NON-COMMERCIAL USE" shall mean academic, teaching and research purposes including sponsored research and collaborations with commercial partners.

"OPTION" shall have the meaning set out in Clause 4.1.

"OPTION PERIOD" shall mean the period beginning on EFFECTIVE DATE and ending XXXXX calendar days from EFFECTIVE DATE.

"TECHNOLOGY" shall mean:

- a) The INVENTION;
- b) CONFIDENTIAL INFORMATION or KNOW-HOW provided to the OPTION HOLDER by KFUPM that are concerned with or relate to the INVENTION or the practice of the INVENTION.

2. INTERPRETATION

Words and expressions used in this AGREEMENT have the meaning set out in DEFINITIONS in Clause 1 of this AGREEMENT or if not set out in DEFINITIONS, as set out in APPENDIX B.

3. EVALUATION

KFUPM hereby grants to OPTION HOLDER an internal use license for the OPTION PERIOD solely to conduct technical and commercial internal evaluation (as set out in APPENDIX D) of the TECHNOLOGY for the purpose of exploring possibility of taking a LICENSE.

4. OPTION

- 4.1. In consideration of the payments mentioned in Clause 5.1, KFUPM hereby grants to OPTION HOLDER, and the OPTION HOLDER hereby accepts, an exclusive



option (the "OPTION") during the OPTION PERIOD to negotiate a royalty-bearing, exclusive LICENSE on terms to be mutually agreed by the PARTIES during the NEGOTIATION PERIOD (as set out in Clause 4.5).

- 4.2. OPTION HOLDER may exercise the OPTION upon submitting the following to KFUPM at any time prior to end of OPTION PERIOD:
 - a. a written notice
 - b. a report showing results and data arising from OPTION HOLDER's technical evaluation ("RESULTS") and
 - c. a BUSINESS PLAN
- 4.3. KFUPM shall have an unrestricted right to use RESULTS for NON-COMMERCIAL USE.
- 4.4. KFUPM reserves for itself and its Affiliates, without limitation, the non-exclusive, irrevocable, worldwide, royalty-free right to use the PATENTS and use TECHNOLOGY for NON-COMMERCIAL USE. KFUPM reserves all rights to use the PATENTS and use TECHNOLOGY outside of the FIELD.
- 4.5. Upon KFUPM's receipt of notice, report and BUSINESS PLAN reasonably acceptable to KFUPM pursuant to Clause 4.2, KFUPM and OPTION HOLDER shall enter into good faith negotiations regarding the terms of the LICENSE. KFUPM and OPTION HOLDER shall have ninety (90) calendar days from the date that KFUPM receives notice pursuant to Clause 4.2 to negotiate such a LICENSE (the "NEGOTIATION PERIOD"). The LICENSE shall include terms which require OPTION HOLDER to reimburse KFUPM all PATENT PROSECUTION EXPENSES incurred to KFUPM prior to the EFFECTIVE DATE and further the OPTION HOLDER shall be fully responsible for all PATENT PROSECUTION EXPENSES after signing the license agreement. The LICENSE shall also include reasonable commercial terms and shall be similar in format as in KFUPM's template for the license agreement (as set out in APPENDIX E)
- 4.6. The OPTION will lapse and this AGREEMENT will terminate on:
 - a. the date falling thirty (30) calendar days after a written notice is sent by KFUPM to the OPTION HOLDER that KFUPM terminates this AGREEMENT upon observing no reasonable progress made by the OPTION HOLDER to conduct the EVALUATION; or
 - b. the date that the OPTION HOLDER serves written notice on KFUPM that it no longer wishes to exercise the OPTION and discuss the LICENSE; or
 - c. the date falling fifteen (15) calendar days after notice has been sent to the OPTION HOLDER by KFUPM that sums due pursuant to OPTION FEES and PATENT PROSECUTION EXPENSES have not been received by KFUPM by the due date for payment, if such sums remain due at the end of such fifteen (15) day period; or
 - d. the date at the end of the OPTION PERIOD unless the OPTION is exercised;
 - e. the date at the end of the NEGOTIATION PERIOD if, after the OPTION HOLDER has elected to exercise its OPTION, the PARTIES have not completed a license agreement or mutually agreed to extend said NEGOTIATION PERIOD, whichever occurs first.
- 4.7. On termination of this AGREEMENT, the OPTION HOLDER will:



- a. As directed by KFUPM, immediately return to KFUPM all CONFIDENTIAL INFORMATION, and all copies of patent applications (or, if requested, certify to KFUPM the destruction of) supplied by KFUPM;
 - b. Submit a report of RESULTS to KFUPM within thirty (30) calendar days of termination of this AGREEMENT.
- 4.8. The OPTION HOLDER acknowledges that by virtue of this AGREEMENT the OPTION HOLDER acquires no more than the OPTION and does not acquire any rights of ownership or title in or over any of the TECHNOLOGY.
- 4.9. Upon termination of this AGREEMENT KFUPM shall be free to license its rights under the TECHNOLOGY to any third party in the TERRITORY.

5. PAYMENT

- 5.1. **OPTION FEES:** In consideration of the rights granted to OPTION HOLDER under this AGREEMENT, OPTION HOLDER shall pay to KFUPM a non-refundable OPTION FEE in the sum of **XXXXXX** within thirty (30) calendar days following the EFFECTIVE DATE. OPTION HOLDER shall pay the OPTION FEES by check in the name of KING FAHAD UNIVERSITY OF PETROLEUM AND MINERALS and sent by registered or certified mail or by Federal Express, DHL or any other comparably reputable courier service, postage prepaid, to KFUPM's Contact Address as set out in APPENDIX B.
- 5.2. OPTION HOLDER shall be responsible for paying PATENT PROSECUTION EXPENSES incurred during the OPTION PERIOD and NEGOTIATION PERIOD. KFUPM shall ask its patent attorney to send invoices to the OPTION HOLDER's Contact Address as set out in APPENDIX B for such PATENT PROSECUTION EXPENSES. OPTION HOLDER agrees to pay the attorney within thirty (30) calendar days of the invoice date.

6. CONFIDENTIALITY

The PARTIES will keep the terms of this AGREEMENT and all information relating to the TECHNOLOGY confidential, and use such information solely for the purposes of this AGREEMENT.

7. GENERAL

7.1 Advertising – The OPTION HOLDER must not use the name of King Fahd University of Petroleum & Minerals or “KFUPM” or any variation, adaptation, or abbreviation thereof, or any of their trustees, officers, faculty, students, employees, inventors or agents, or any trademark owned by KFUPM, or any terms of this AGREEMENT in any promotional material or other public announcement or disclosure without the consent of KFUPM.

7.2 Taxes - Where the OPTION HOLDER is obliged to make any payment under this AGREEMENT which attracts value-added, sales, use, excise or other similar taxes or duties, the OPTION HOLDER will pay such taxes and duties in addition to the fees and other charges payable under this AGREEMENT.

7.3 Notices – All notices to be sent under this AGREEMENT should be sent, by first class post, hand or fax unless agreed otherwise in writing, until further notice to KFUPM's



Contact Address or the OPTION HOLDER's Contact Address as set out in APPENDIX B. Notices sent in this way will be deemed served in the case of first class post, three (3) calendar days after posting, delivery by hand, on the next working day and fax, on the next working day following receipt of a successful transmission report by the sender.

7.4 Warranty - KFUPM EXPRESSLY DISCLAIM ANY AND ALL IMPLIED OR EXPRESS WARRANTIES AND MAKE NO EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. FURTHER, KFUPM HAVE MADE NO INVESTIGATION AND MAKE NO REPRESENTATION AND EXTEND NO WARRANTIES THAT ANYTHING MADE, USED, SOLD OR OTHERWISE DISPOSED OF UNDER A LICENSE GRANTED PURSUANT TO THIS AGREEMENT IS FREE FROM LIABILITY FOR PATENT INFRINGEMENT. KFUPM MAKES NO REPRESENTATIONS AND EXTEND NO WARRANTIES AS TO THE VALIDITY OF PATENTS CLAIMS, ISSUED OR PENDING.

7.5 Indemnity - OPTION HOLDER shall indemnify and hold KFUPM and their board members, directors, officers, INVENTORS, employees, students, contractors, subcontractors, and agents harmless from and against any and all claims, suits for losses, damages of any kind, including economic damages or injuries, noncompliance with applicable laws and lost profits in connection with or arising out of evaluation or use of TECHNOLOGY by OPTION HOLDER, its directors, employees, contractors, subcontractors, or agents or by third parties whose use is authorized by OPTION HOLDER. Such indemnity shall include all costs and expenses, including attorney's fees and any costs of settlement. The rights and obligations of this Clause shall survive termination or expiration of this AGREEMENT.

7.6 Force Majeure – If the performance by either PARTY of any of its obligations under this AGREEMENT (other than an obligation to make payment) shall be prevented by circumstances beyond its reasonable control, then such PARTY shall be excused from performance of that obligation for the duration of the relevant event.

7.7 Assignment - Neither PARTY shall assign all or any of its rights or obligations under this AGREEMENT without the prior written consent of the other.

7.8 Severability - If any of the provisions of this AGREEMENT is or becomes invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions will not in any way be affected or impaired. The PARTIES will, however, negotiate to agree the terms of a mutually satisfactory provision, achieving as nearly as possible the same commercial effect, to be substituted for the provision found to be void or unenforceable.



7.9 No Partnership etc. - Nothing in this AGREEMENT creates, implies or evidences any partnership or joint venture between the PARTIES or the relationship between them of teaching

7.10 Entire Agreement - This AGREEMENT constitutes the entire agreement between the PARTIES with regard to the OPTION and the OPTION HOLDER has not relied on any other statements or representations in agreeing to enter into this AGREEMENT.

7.11 Further Work - This AGREEMENT does not impose or imply any obligation on KFUPM or their employees, students, appointees, affiliates to conduct any technical work. Any arrangements for such work must be the subject of a separate research agreement between KFUPM and OPTION HOLDER. Any resources of KFUPM that would be used for such work, must be described in the research agreement.

7.12 Variation - Any variation of this AGREEMENT must be in writing and signed by authorized signatories for both PARTIES.

7.13 Rights of Third Parties - The PARTIES to this AGREEMENT do not intend that any of the terms of this AGREEMENT should be enforceable by a person who is not a party to it.

7.14 Governing Law – This AGREEMENT is governed by the rules and regulations valid in the Kingdom of Saudi Arabia. Any dispute arising between the two PARTIES shall be settled and resolved amicably through direct negotiations amongst them.



IN WITNESS WHEREOF, the PARTIES hereto caused this AGREEMENT to be executed by their duly authorized representatives as of the date below written, each PARTY retaining one copy.

KING FAHD UNIVERSITY OF PETROLEUM & MINERALS

Name: XXXXXX

Position: Vice Rector for Applied Research

Signature:

Date:

XXXXXXXXXX

Name: **XXXXXX**

Position: **XXXXXXX**

Signature:

Date:



APPENDIX A

PATENTS:

KFUPM Track Code :
Inventors :
Country of Filing :
Patent Application. no :
Date of Filing :
Patent Application :
Publication no. :
Patent No. :
Title :

Country of Filing :
Patent Application. no :
Date of Filing :
Patent Application :
Publication no. :
Patent No. :
Title :

KFUPM Track Code :
Inventors :
Country of Filing :
Patent Application. no :
Date of Filing :
Patent Application :
Publication no. :
Patent No. :
Title :



APPENDIX B

FIELD: XXXXX

TERRITORY: XXXXX

KFUPM's Contact Address:

Attn: XXXXX

Innovation and Technology Transfer,

P.O. BOX: 5071

or Room# XXXX, Innovation Building, Dhahran Techno Valley

King Fahd University of Petroleum and Minerals

Dhahran 31261

Saudi Arabia

Phone: XXXXX

OPTION HOLDER's Contact Address:

XXXXXXXX



APPENDIX C

KNOW-HOW



APPENDIX D

TECHNICAL AND COMMERCIAL EVALUATION PLAN



APPENDIX E

KFUPM's TEMPLATE FOR EXCLUSIVE LICENSE AGREEMENT