

License Agreement  
Between  
STANFORD UNIVERSITY  
and  
ELECTRIC POWER RESEARCH INSTITUTE

Effective as of the date of signing, THE BOARD OF TRUSTEES OF THE LELAND STANFORD JUNIOR UNIVERSITY, a body having corporate powers under the laws of the State of California ("STANFORD"), and ELECTRIC POWER RESEARCH INSTITUTE., having a principal place of business at 3412 Hillview Avenue, Palo Alto, California 94303 ("EPRI"), agree as follows:

1. BACKGROUND

1.1 -- STANFORD and EPRI entered into Research Agreement RP8065-07 SPONo. 13851 for the initial period May 1, 1994 to April 30, 1996 with Theodore H. Geballe as Principle Investigator.

1.2 -- Art invention resulting from the Research Agreement entitled "Ion Beam Induced Bi-Axial Texturing on Non-Epitaxial Substrates" as described in Stanford Docket S97-161 ("Invention") was reported to EPRI in October 1997. Under the terms of the Research Agreement, STANFORD is to grant to EPRI a paid-up exclusive license under any patent filed under the terms of Section 7 of the Research Agreement, including the right to grant royalty-bearing sublicenses. This License Agreement fulfills this obligation of STANFORD.

2. LICENSE AGREEMENT

2.1 -- STANFORD grants to EPRI a paid-up exclusive license to any patent that may issue stemming from the Invention, including any patents resulting from U. S. Provisional Patent Applications 60/065,324 and 60/066,852 filed on November 13 and 25, 1997 respectively . The term of the exclusive license, filing of patents, sublicensing rights and the sharing of any and all compensation received by EPRI from the grant of sublicensees, and so forth, will be as set forth in Section 7 of the Research Agreement, attached hereto as Attachment A.

2.2 -- With regard to the License Agreement, STANFORD makes no representations or extends no warranties of any kind, express or implied. By way of example, but not limitation, STANFORD makes no express or implied warranties of merchantability of fitness for a particular purpose, or that the use of the invention will not infringe any patents, copyrights, trademarks, or other rights. STANFORD will not be held liable for any liability or for any direct, indirect, or consequential damages with respect to any claim by EPRI or any third party on account of or arising from this License Agreement or use of the Invention.

2.3 -- EPRI agrees that title to any intellectual property related to the Invention at all times remain with STANFORD, and EPRI agrees to preserve same.

2.4 -- EPRI agrees that EPRI or any sublicensee will not identify STANFORD or any student, staff or faculty member of STANFORD in any promotional advertising or other promotional materials or use any trademark,

trade name or symbol of STANFORD without STANFORD's prior written permission.

2.5 -- This License Agreement may not be assigned to another party,

2.6 -- For any dispute arising under this License Agreement, STANFORD and EPRI agree to first attempt to settle through consultation and negotiation. If such attempts fail, then the dispute will be mediated by a mutually acceptable mediator to be chosen by STANFORD and EPRI within 45 days after written notice by one of the parties demanding such mediation. Neither party may unreasonably withhold consent of the selection of a mediator, and the parties will share the costs of the mediation equally. The parties may by mutual consent agree to replace mediation with some other form of non-binding alternative dispute resloution. If these actions do not resolve the dispute, than the dispute will be determined by judicial proceedings.

2.7 -- This License Agreement will be governed by the laws of the State of California applicable to agreements negotiated, executed and performed wholly within California.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 1 in duplicate originals by their duly authorized officer or representative.

THE BOARD OF TRUSTEES OF THE  
LELAND STANFORD JUNIOR UNIVERSITY

Signature Katharine Ku

Printed Name KATHARINE KU

Title DIRECTOR, TECHNOLOGY LICENSING

Date Sept 4, 1998

ELECTRIC POWER RESEARCH INSTITUTE

Signature Laura J. Rafaty

Printed Name Laura J. Rafaty

Title Gen Mgr, Bus Ops & Support

Date 8/28/98



## Attachment A

either the UNIVERSITY or said sponsor, the UNIVERSITY shall share with EPRI any resulting royalties derived from such licensing. The parties shall mutually determine the split of such royalties between the parties,

## ARTICLE 7.

Inventions and Patents

7.1. (a) It is recognized and acknowledged by the UNIVERSITY that one of the purposes of EPRI in contributing to the research undertaken pursuant to this Agreement is to secure the tangible benefit of certain scientific and technological knowledge developed under this Agreement for use by the general public on a nondiscriminatory basis. Therefore, whenever any invention or discovery is made, conceived, or first reduced to practice by the UNIVERSITY or its employees in the course of or under this Agreement ("Foreground Invention"), the UNIVERSITY shall promptly furnish EPRI with complete information thereon including, without limitation, a written description thereof giving the date of invention, naming the inventors and others involved in the development thereof. The UNIVERSITY, for itself and its employees, agrees to extend to EPRI or its designee its full cooperation in (a) enforcing the patents on the inventions or discoveries, (b) giving of testimony, and (c) providing invention or discovery records and other documents in support of the enforcement procedure.

7.1 (b) If, in accordance with the patent laws of the United States, EPRI determines that a patent should be applied for, then EPRI shall undertake to obtain the patent at its expense in the United States and foreign jurisdictions. The UNIVERSITY shall have title to any such invention or discovery. EPRI shall notify the UNIVERSITY of its intent to file patent applications on any Foreground Invention within one hundred eighty (180) days after the completion or termination of the Agreement, but no later than ninety (90) days prior to publication of the Final Report by EPRI. EPRI shall, within nine (9) months of the filing of the United States patent application, notify the UNIVERSITY of those foreign countries in which it intends to file patent applications and shall file such applications prior to the expiration of any applicable convention dates.

7.1 (c) The UNIVERSITY shall by separate license agreement grant EPRI a paid-up exclusive license under any patent obtained above including the right to grant royalty-bearing sublicenses thereunder unless preexisting agreements with other sponsors bar such right and EPRI has been so notified in writing prior to execution of this Agreement. The term of the exclusive license shall extend for eight (8) years from the date of filing of the patent application on any Foreground Invention. The exclusive license shall automatically extend for five (5) year increments throughout the life of the patent, upon request by EPRI, provided, however, if the UNIVERSITY determines at any time after the initial eight (8) year period that the exclusive license should be

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terminated it shall ~~so notify EPRI in writing. If upon receipt of such notification, EPRI demonstrates to the UNIVERSITY that it has made diligent efforts towards the further development or commercialization of the Foreground Invention during the previous period, the exclusive license shall continue. EPRI shall submit a written report to the UNIVERSITY which includes a report of licenses granted, contacts or negotiations with prospective licensees, and any such other information as EPRI determines is necessary to demonstrate its commercialization activities.~~ If the parties fail to agree that EPRI has made diligent efforts towards commercialization of the Foreground Invention, any such dispute will be resolved in accordance with the provisions of Article 17, "Arbitration."

7.1 (d) In the event EPRI elects not to file a patent application in the United States on any Foreground Invention or if EPRI elects not to file foreign applications in any country then the UNIVERSITY may, at its own expense, file such applications in the United States or in those countries not selected by EPRI and EPFU shall be granted an irrevocable, nonexclusive, paid-up license to make, have made and/or use the Foreground Invention in such countries for the benefit of EPRI and its member utilities.

7.1 (e) Unless the parties otherwise agree, the net royalty income earned on the licensing of patents by EPRI under its exclusive license shall be equally apportioned between EPRI and the UNIVERSITY. Net royalty shall be the gross royalties received less out-of-pocket expenses directly related to the licensing of said inventions.

7.1 (f) In the event EPRI's exclusive license is terminated in accordance with subarticle 7.1(c) above, then EPRI's exclusive license shall automatically convert to an irrevocable, nonexclusive, paid-up worldwide license to make, have made and/or use the Foreground Invention in any countries for the benefit of EPFU and its member utilities.

7.2. The UNIVERSITY reserves for itself, a revocable (but only for cause), nonexclusive, paid-up license, without the right to sublicense, to practice any Foreground Invention in its internal use for research purposes. In the event the UNIVERSITY uses a Foreground Invention for the benefit of a third party, the UNIVERSITY shall notify said party of EPRI's proprietary interest in the Foreground Invention.

7.3. No claim or compensation other than that provided in Article 3 or subarticles 7.1 and 7.2 above, shall be asserted by the UNIVERSITY or its employees with respect to any invention or discovery made, conceived, or first reduced to practice in the course of or under this Agreement.

7.4. Except as otherwise authorized in writing by EPRI, the UNIVERSITY will obtain patent agreements to effectuate the purposes of subarticles 7.1, 7.2, and 7.3 of

this Article 7 from all persons who perform any part of the Work under this Agreement, consistent with the UNIVERSITY's existing policies.

7.5. The term of this Article 7 shall extend to the expiration date of the latest U.S. Letter Patent issued on any invention or improvement thereon, any reissues thereof and all continuations, continuations-in-part, and divisional applications related thereto; provided, however, that if no US. Letters Patents are issued thereon, the term of this Article 7 shall extend for five (5) years after the conclusion of the Work or until the patentability of any invention or discovery hereunder is determined by a court or agency of competent jurisdiction, whichever is longer.

7.6. If an invention or discovery is made, conceived, or first reduced to practice in the course of or under this Agreement, and a patent is not applied for by EPRI or the UNIVERSITY, such invention or discovery may be published, with appropriate acknowledgment of EPRI research support, and thereby placed in the public domain.

7.7. It is recognized during the course of the work under this Agreement, the UNIVERSITY or its employees may from time to time desire to publish information regarding scientific or technical developments made, conceived, or first reduced to practice in the course of or under this Agreement. In order that premature public disclosure of information will not adversely affect the patent interests of EPRI or the UNIVERSITY, prior to any such disclosure, the UNIVERSITY will notify EPRI's Contracts Division and allow up to ninety (90) days for response. After ninety (90) days from the date of the UNIVERSITY's written notification to EPRI, the UNIVERSITY is free to publish such information; provided, however, that if during the ninety (90) day period EPRI determines that the patent interests of EPRI or the UNIVERSITY may be adversely affected by the release or publication of such information, EPRI may request modifications to the publication to protect patent interests and the UNIVERSITY shall give due consideration to EPRI's request.

7.8. Except as otherwise authorized in writing by EPRI, the UNIVERSITY will insert in all subcontracts provisions making this Article 7 applicable to the subcontractor and its employees, for all subcontracts pertaining to the Work hereunder.

7.9. If the UNIVERSITY has any dominant and relevant background patent or data rights including information or computer software and supporting documentation and EPRI determines such rights to be needed for full utilization of Foreground Inventions or discoveries developed under this Agreement, the UNIVERSITY agrees to make available upon EPRI's request, to the extent it has the right to do so at the time of EPRI's request, to whomever EPRI may designate such background rights on a nondiscriminatory, reasonable royalty basis. If the parties fail to agree that EPRI's request to designate background rights is reasonable, the matter shall be resolved in accordance with the provisions of Article 17, Arbitration.

7.10. If in accordance with any of the provisions of this Agreement the UNIVERSITY is entitled to receive a license from EPRI with or without the right to sublicense, then it is understood and agreed that such right is nontransferable without EPRI's prior written consent. Additionally, if under subarticle 7.9 the UNIVERSITY is obligated to grant background patent or data rights to EPFU or its designees, then it is understood and agreed that the UNIVERSITY shall reserve such background rights for EPRI and its designees in any assignment or transfer of such background rights, and that any such assignment or transfer shall be subject to EPRI's prior written approval.

7.11. It is understood and agreed that any out-of-pocket expenses incurred by the UNIVERSITY pursuant to this Article 7 shall be borne by EPRI; provided, however, that if the UNIVERSITY undertakes to obtain patents under the provisions of subarticle 7.1(d) above, out-of-pocket expenses incurred by the UNIVERSITY shall be borne by the UNIVERSITY.

## ARTICLE 8.

### Visits and Inspections

8.1. EPRI and any of its authorized representatives shall have the right with reasonable notice during ordinary business hours to visit and inspect the offices of the UNIVERSITY and its subcontractors, if any, and the site or sites at which the Work is being performed, to the extent that such visits do not unreasonably interfere with the Work and, when nuclear materials or processes are involved, subject to compliance with UNIVERSITY procedures implementing security regulations of the United States Government.

8.2. The UNIVERSITY shall provide, and shall require its subcontractors to provide, all reasonable facilities and assistance for the convenience of such representatives during their visits, including making personnel engaged in the performance of the Work available for consultation at all reasonable times.

## ARTICLE 9.

### Key Personnel

The individuals set forth in the Schedule are considered essential to the Work being performed under this Agreement; substitutions for any such individuals or substantial reductions in any of their efforts will not be made without the prior written approval of EPRI, which approval shall not be unreasonably withheld.

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1.2 -- An invention resulting from the Research Agreement entitled "Ton Beam Induced Bi-Axial Texturing on Non-Epitaxial Substrates" as described in Stanford Docket S97-161 ("Invention") was reported to EPRI in October 1997. Under the terms of the Research Agreement, STANFORD is to grant to EPRI a paid-up exclusive license under any patent filed under the terms of Section 7 of the Research Agreement, including the right to grant royalty-bearing sublicenses. This License Agreement fulfills this obligation of STANFORD.

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2.2 -- With regard to the License Agreement, STANFORD makes no representations or extends no warranties of any kind, express or implied. By way of example, but not limitation, STANFORD makes no express or implied warranties of merchantability of fitness for a particular purpose, or that the use of the invention will not infringe any patents, copyrights, trademarks, or other rights. STANFORD will not be held liable for any liability or for any direct, indirect, or consequential damages with respect to any claim by EPRI or any third party on account of or arising from this License Agreement or use of the Invention.

2.3 -- EPRI agrees that title to any intellectual property related to the Invention at all times remain with STANFORD, and EPRI agrees to preserve same.

2.4 -- EPRI agrees that EPRI or any sublicensee will not identify STANFORD or any student, staff or faculty member of STANFORD in any promotional advertising or other promotional materials or use any trademark,

either the UNIVERSITY or said sponsor, the UNIVERSITY shall share with EPRI any resulting royalties derived from such licensing. The parties shall mutually determine the split of such royalties between the parties.

ARTICLE 7.

Inventions and Patents

7.1. (a) It is recognized and acknowledged by the UNIVERSITY that one of the purposes of EPRI in contributing to the research undertaken pursuant to this Agreement is to secure the tangible benefit of certain scientific and technological knowledge developed under this Agreement for use by the general public on a nondiscriminatory basis. Therefore, whenever any invention or discovery is made, conceived, or first reduced to practice by the UNIVERSITY or its employees in the course of or under this Agreement ("Foreground Invention"), the UNIVERSITY shall promptly furnish EPRI with complete information thereon including, without limitation, a written description thereof giving the date of invention, naming the inventors and others involved in the development thereof. The UNIVERSITY, for itself and its employees, agrees to extend to EPRI or its designee its full cooperation in (a) enforcing the patents on the inventions or discoveries, (b) giving of testimony, and (c) providing invention or discovery records and other documents in support of the enforcement procedure.

7.1 (b) If, in accordance with the patent laws of the United States, EPRI determines that a patent should be applied for, then EPRI shall undertake to obtain the patent at its expense in the United States and foreign jurisdictions. The UNIVERSITY shall have title to any such invention or discovery. EPRI shall notify the UNIVERSITY of its intent to file patent applications on any Foreground Invention within one hundred eighty (180) days after the completion or termination of the Agreement, but no later than ninety (90) days prior to publication of the Final Report by EPRI. EPRI shall, within nine (9) months of the filing of the United States patent application, notify the UNIVERSITY of those foreign countries in which it intends to file patent applications and shall file such applications prior to the expiration of any applicable convention dates.

7.1 (c) The UNIVERSITY shall by separate license agreement grant EPRI a paid-up exclusive license under any patent obtained above including the right to grant royalty-bearing sublicenses thereunder unless pre-existing agreements with other sponsors bar such right and EPRI has been so notified in writing prior to execution of this Agreement. The term of the exclusive license shall extend for eight (8) years from the date of filing of the patent application on any Foreground Invention. The exclusive license shall automatically extend for five (5) year increments throughout the life of the patent, upon request by EPRI, provided, however, if the UNIVERSITY determines at any time after the initial eight (8) year period that the exclusive license should be

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terminated it shall so notify EPRI in writing. If upon receipt of such notification, EPRI demonstrates to the UNIVERSITY that it has made diligent efforts towards the further development or commercialization of the Foreground Invention during the previous period, the exclusive license shall continue. EPRI shall submit a written report to the UNIVERSITY which includes a report of licenses granted, contacts or negotiations with prospective licensees, and any such other information as EPRI determines is necessary to demonstrate its commercialization activities. If the parties fail to agree that EPRI has made diligent efforts towards commercialization of the Foreground Invention, any such dispute will be resolved in accordance with the provisions of Article 17, "Arbitration."

7.1 (d) In the event EPRI elects not to file a patent application in the United States on any Foreground Invention or if EPRI elects not to file foreign applications in any country then the UNIVERSITY may, at its own expense, file such applications in the United States or in those countries not selected by EPRI and EPRI shall be granted an irrevocable, nonexclusive, paid-up license to make, have made and/or use the Foreground Invention in such countries for the benefit of EPRI and its member utilities.

7.1 (e) Unless the parties otherwise agree, the net royalty income earned on the licensing of patents by EPRI under its exclusive license shall be equally apportioned between EPRI and the UNIVERSITY. Net royalty shall be the gross royalties received less out-of-pocket expenses directly related to the licensing of said inventions.

7.1 (f) In the event EPRI's exclusive license is terminated in accordance with subarticle 7.1(c) above, then EPRI's exclusive license shall automatically convert to an irrevocable, nonexclusive, paid-up worldwide license to make, have made and/or use the Foreground Invention in any countries for the benefit of EPRI and its member utilities.

7.2. The UNIVERSITY reserves for itself, a revocable (but only for cause), nonexclusive, paid-up license, without the right to sublicense, to practice any Foreground Invention in its internal use for research purposes. In the event the UNIVERSITY uses a Foreground Invention for the benefit of a third party, the UNIVERSITY shall notify said party of EPRI's proprietary interest in the Foreground Invention.

7.3. No claim or compensation other than that provided in Article 3 or subarticles 7.1 and 7.2 above, shall be asserted by the UNIVERSITY or its employees with respect to any invention or discovery made, conceived, or first reduced to practice in the course of or under this Agreement.

7.4. Except as otherwise authorized in writing by EPRI, the UNIVERSITY will obtain patent agreements to effectuate the purposes of subarticles 7.1, 7.2, and 7.3 of

this Article 7 from all persons who perform any part of the Work under this Agreement, consistent with the UNIVERSITY's existing policies.

7.5. The term of this Article 7 shall extend to the expiration date of the latest U.S. Letter Patent issued on any invention or improvement thereon, any reissues thereof and all continuations, continuations-in-part, and divisional applications related thereto; provided, however, that if no U.S. Letters Patents are issued thereon, the term of this Article 7 shall extend for five (5) years after the conclusion of the Work or until the patentability of any invention or discovery hereunder is determined by a court or agency of competent jurisdiction, whichever is longer.

7.6. If an invention or discovery is made, conceived, or first reduced to practice in the course of or under this Agreement, and a patent is not applied for by EPRI or the UNIVERSITY, such invention or discovery may be published, with appropriate acknowledgment of EPRI research support, and thereby placed in the public domain.

7.7. It is recognized during the course of the work under this Agreement, the UNIVERSITY or its employees may from time to time desire to publish information regarding scientific or technical developments made, conceived, or first reduced to practice in the course of or under this Agreement. In order that premature public disclosure of information will not adversely affect the patent interests of EPRI or the UNIVERSITY, prior to any such disclosure, the UNIVERSITY will notify EPRI's Contracts Division and allow up to ninety (90) days for response. After ninety (90) days from the date of the UNIVERSITY's written notification to EPRI, the UNIVERSITY is free to publish such information; provided, however, that if during the ninety (90) day period EPRI determines that the patent interests of EPRI or the UNIVERSITY may be adversely affected by the release or publication of such information, EPRI may request modifications to the publication to protect patent interests and the UNIVERSITY shall give due consideration to EPRI's request.

7.8. Except as otherwise authorized in writing by EPRI, the UNIVERSITY will insert in all subcontracts provisions making this Article 7 applicable to the subcontractor and its employees, for all subcontracts pertaining to the Work hereunder.

7.9. If the UNIVERSITY has any dominant and relevant background patent or data rights including information or computer software and supporting documentation and EPRI determines such rights to be needed for full utilization of Foreground Inventions or discoveries developed under this Agreement, the UNIVERSITY agrees to make available upon EPRI's request, to the extent it has the right to do so at the time of EPRI's request, to whomever EPRI may designate such background rights on a nondiscriminatory, reasonable royalty basis. If the parties fail to agree that EPRI's request to designate background rights is reasonable, the matter shall be resolved in accordance with the provisions of Article 17, Arbitration.

7.10. If in accordance with any of the provisions of this Agreement the UNIVERSITY is entitled to receive a license from EPRI with or without the right to sublicense, then it is understood and agreed that such right is nontransferable without EPRI's prior written consent. Additionally, if under subarticle 7.9 the UNIVERSITY is obligated to grant background patent or data rights to EPRI or its designees, then it is understood and agreed that the UNIVERSITY shall reserve such background rights for EPRI and its designees in any assignment or transfer of such background rights, and that any such assignment or transfer shall be subject to EPRI's prior written approval.

7.11. It is understood and agreed that any out-of-pocket expenses incurred by the UNIVERSITY pursuant to this Article 7 shall be borne by EPRI; provided, however, that if the UNIVERSITY undertakes to obtain patents under the provisions of subarticle 7.1(d) above, out-of-pocket expenses incurred by the UNIVERSITY shall be borne by the UNIVERSITY.

## ARTICLE 8.

### Visits and Inspections

8.1. EPRI and any of its authorized representatives shall have the right with reasonable notice during ordinary business hours to visit and inspect the offices of the UNIVERSITY and its subcontractors, if any, and the site or sites at which the Work is being performed, to the extent that such visits do not unreasonably interfere with the Work and, when nuclear materials or processes are involved, subject to compliance with UNIVERSITY procedures implementing security regulations of the United States Government.

8.2. The UNIVERSITY shall provide, and shall require its subcontractors to provide, all reasonable facilities and assistance for the convenience of such representatives during their visits, including making personnel engaged in the performance of the Work available for consultation at all reasonable times.

## ARTICLE 9.

### Key Personnel

The individuals set forth in the Schedule are considered essential to the Work being performed under this Agreement; substitutions for any such individuals or substantial reductions in any of their efforts will not be made without the prior written approval of EPRI, which approval shall not be unreasonably withheld.

Interpretation of highlighted clauses by Paul M. Grant.

This interpretation does not necessarily represent the legal position of EPRI in regard to these matters.

What constitutes the "field" with respect to EPRI's license to AMSC?

- The field is that of coated conductors
- Whether the definition of "coated conductors" includes application to items such as superconducting rf filters is not clear.
- It is clear that the "field" does not include non-superconducting applications such as, for example, anisotropic materials used for magnetoresistive read heads of hard disk storage.

What remuneration is Stanford entitled to should EPRI "commercialize" the property "out of field from AMSC" under EPRI's license from Stanford between the present and 13 November 2005?

- 50% of the royalty revenue therefrom as negotiated by EPRI (or Stanford) from the third licensing party.
- 0% of the income derived from the commercialization of the subject patent by AMSC (unless the license from Stanford to EPRI expires due to non-due diligence in 2005, in which case Stanford is free to negotiate its own conditions in the future with AMSC)

What constitutes "due diligence" on the part of EPRI and its sub-licensees to enable "automatic" extension of Stanford's exclusive license due for renewal on 13 November 2005?

- Should EPRI independently engage third party licensees outside the AMSC "field" to pursue commercialization (e.g., MR heads)
- Should Stanford independently engage third party licensees "outside the AMSC field".
- Should AMSC exhibit "due diligence" in pursuing commercialization under its license from EPRI (I don't think this is likely)

What are Stanford's options?

- Begin to aggressively pursue "out of field" arrangements resulting in a 50-50 split of royalties with EPRI
- Gamble that EPRI/AMSC will not be able to demonstrate due diligence under the terms of the EPRI license by 13 November 2005 and thus garner all the riches forthcoming thereafter.