



April 15, 2016

Dear Attorneys:

As you know, the patenting and licensing environment has been challenging for many years now. We have concerns about Stanford's yearly and cumulative patent expenses, which have increased dramatically over time. To date, our inventory of patent expenses has reached over \$21M! We are more cost conscious because of AIA and also we have changed our guidelines on when we will file patent applications.

We would like to reiterate and modify some of the points regarding how we like to work with you. This letter is subject to the attached Stanford Office of General Counsel's Guidelines.

The official name of Stanford is The Board of Trustees of the Leland Stanford Junior University. Please use OGC's address as the address of record for patent documents (e.g. Power of Attorney, assignments, PCT and foreign patent applications):

Office of the General Counsel
Building 170, Third Floor, Main Quad
P.O. Box 20386
Stanford, CA 94305-2038

- **Correspondence and email:**

Please send all correspondence by e-mail only, do not follow-up with hard confirmation copies. Send all office actions and documents requiring signature(s) directly to the signatories. In particular, assignment and inventor declaration forms should be sent directly to the inventors, with electronic copies to us. Direct contact with the inventors expedites the response and return of the executed documents. **Do not use assignment forms that require notarization.**

For all patent related correspondence please copy the following:

- otlpatents@stanford.edu
- the Licensing Associate
- the Liaison to the Licensing Associate
- the inventors

Please include the following information in all correspondence:

- The email subject line should include the Stanford docket number, patent serial number, and type of attachment (Office Action, Application, etc.).
Example: S04-143 10/969,314 Notice of Recordation - File Copy

- In the event that the serial number has not been assigned, the attorney reference number can be substituted.
Example: S04-143 (STAN-361) Notice of Recordation - File Copy
- It also helps if the attachment itself has an identifying filename, such as:
S04-143_Declaration.pdf

The inventors of Stanford technologies should be copied on all incoming and outgoing patent mail. In the case of office actions, please communicate directly with the inventors unless otherwise stipulated.

Once the patent issues, please send us an electronic pdf copy of the patent. Please do not order hard copies from the Patent Office.

Please do **not** send the following information or documents:

- For PCT, a Chapter II demand notification (deadlines, reminders, etc.)
 - Copies of issued patents (please do not order copies from the USPTO)
NOTE: Unless otherwise stipulated, **do send us** the blue-ribbon original patent
 - Copies of references
- **Estimates:** We continue to expect an estimate of patent expenses before you commence with patent preparation. The estimate should include a dollar amount, a time frame, and an outline of your patenting strategy. If your estimate changes after reviewing the disclosure, or after discussing the invention with the inventor(s), or after reviewing the prior art, you must let us know. We expect you to stay within your estimated expenses and to inform us if these estimates change. In addition, we expect you to spend a maximum of four hours to prepare and respond to an Office Action; if you expect to spend more time, you must obtain our prior approval.
 - **Budget:** If we find that the costs are generally greater than similarly qualified firms, we will transfer the work to another attorney. We do expect reported expenses to reflect the "best possible budget" you can do for the work.
 - **Patent work:** Stanford no longer files a patent when a technology is publicly disclosed. Inventors and/or Stanford licensees cannot authorize work to be done, except with explicit approval by an Associate. Only OTL personnel (<http://otl.stanford.edu/about/who.html>) can authorize and approve patent expenditures.

We are hiring you to do our patent work, not another associate in your firm or an outside consultant. We do not want you to assign the job to someone else without our prior agreement. If you plan to use associates and/or outside consultants, please specify which tasks they will be performing and provide an estimate of how many hours they will spend on

those tasks. Include this information in the initial estimate of patent expenses that you provide us.

Please ask each inventor about her/his contribution to the invention at the appropriate time so that you can determine proper inventorship.

- **Government Sponsorship:** Most of our inventions are government sponsored and require acknowledgment of such government sponsorship. If you cannot identify the sponsor, please ask.
 - The wording of the government support clause that is **required** by Federal regulation to appear in all patent applications for inventions that have had government funding is: “This invention was made with Government support under contract ##### awarded by (agency name). The Government has certain rights in this invention.” Please be sure to use this wording.
 - Mistakes or changes in the sponsorship of the patent application can result in a substantial administrative impact to OTL so please keep us informed if you make any changes.
 - When the language is incorrect, due to the administrative burden to OTL, we expect you to correct it at no charge to Stanford.

- **Billing:**
 - We use electronic billing.
 - We require that you notify us in writing at least thirty (30) days prior to the implementation of any proposed increase in billing rates.
 - We will not accept block billing on attorney invoices. You should separately itemize each independent activity and its corresponding time as specifically as possible on the invoices you send us. In addition, we will not pay invoices that are for prior billing periods older than three months; so you should send your invoices promptly.
 - Since we track patent-related expenses by docket, not by patent or application number, you must include the Stanford reference number (i.e., Stanford Docket Sxx-xxx) on invoices and there should be one docket billing per invoice. If the docket number is not on the bill, your payment will be delayed.
 - Any disputed invoices need to be resolved within 3 months or we will not pay them.
 - If a licensee is responsible for all patent expenses directly pursuant to a Client Billing Agreement, you must inform us within 90 days if the licensee is delinquent on payment. Otherwise, we will not be responsible for those expenses.

- **Reimbursable expenses.** We will reimburse your firm for out-of-pocket expenses incurred and disbursements made, except for the non-permitted charges as detailed below. We do not

pay “general” administrative expenses, nor any expense unless it is assigned to a specific Stanford invention docket.

- **Non-Permitted Charges.** Please read the attached letter from our General Counsel’s office with regard to non-permitted charges.
- **Routine Correspondence:** We recognize that you want to provide a service to us by sending us reminders and routine correspondence. On the other hand, these emails/letters are part of your client relations and we should not be charged for them.
 - **PTO status inquiries:** We will not pay for status inquiries to the Patent Office.
 - **Routine Reissue Reminders:** We do not need to receive reminders that we can file for a reissue application within two years of the issue date of the patent.
 - **Office Action Summaries:** You do not need to send us, and certainly must not bill us, for “reviewing and summarizing office actions.”
- **Issued Patents:** You do not need to proofread issued patents unless we request that you do so. Please copy the inventors on your transmittal letter, along with an electronic copy of the issued patent and the request to proofread the patent. **In addition, please provide the date of the expiration of the patent.**
- **Audit:** Just for your information, we will be auditing our attorney and attorney firms as part of our ongoing and routine audit program. We will inform you if you are selected for auditing.
- **Stanford’s patent policy** provides that inventions conceived or reduced to practice in the course of University responsibilities or with more than incidental use of University resources are assigned to Stanford. If a Stanford person requests a filing that is not assigned to Stanford, you may be in a conflict situation. In such a situation, you may wish to recommend that the person contact OTL directly for clarification of title.
- **Dual Representation:** When we have licensed technology to an exclusive licensee, occasionally the licensee may wish to hire you for its own patent prosecution or IP strategy advice. Unless Stanford has expressly waived the conflict of interest in writing in advance - which will be rare - you will need to choose whether you wish to represent Stanford or the licensee. If you wish to represent the licensee, we will transfer the case to another lawyer.
- **Engagement Letter:** We require an engagement letter on file at Stanford. If you need to work out an engagement letter or have a potential conflict and want a waiver, contact Linda Woodward at Stanford’s Office of the General Counsel (Lindaw@stanford.edu) or (650) 723-9751.

Our business is licensing technology, not just acquisition of patents. We are interested in obtaining broad licensable proprietary rights at a reasonable cost. As you know, our inventions

are generally very early stage and require much development before they can be commercially viable. Our patenting expenses are Stanford's "at risk" expenditures and we appreciate your help in controlling these expenses.

Thank you for your service to OTL and Stanford. We look forward to a mutually rewarding relationship.

Best,

A handwritten signature in cursive script that reads "Katharine Ku".

Katharine Ku
Executive Director



Revised June 2014

GUIDELINES FOR STANFORD'S OUTSIDE COUNSEL

This memorandum summarizes certain basic principles concerning the retention of outside counsel by the Office of the General Counsel (OGC). At Stanford, when we use outside counsel, we are doing so because we respect that counsel's professionalism and expertise. The model for that relationship is that of partners on the matter, and our desire is that the relationship be ongoing and long-term.

In turn, we expect counsel to honor that trust, especially in light of the nature of the University and the hospitals as nonprofit enterprises primarily devoted to education, research, patient care and community betterment. To put it another way, we expect counsel both inside and outside of the OGC to recognize that resources spent inefficiently on legal services are resources not available to be used in furtherance of the charitable purposes of our clients.

In short, cost and efficiency are important to us, and we trust counsel will be continually vigilant to determine the best use of resources. **We therefore expect our outside counsel to manage themselves with respect to cost efficiency with the same intensity that they manage themselves with respect to quality.**

We have found that the following practices and procedures, effective immediately, promote these principles and, consequently, facilitate an effective partnership with our firms.

WITH RESPECT TO ALL MATTERS

BUDGETS

- No Surprises. Counsel should present anticipated budgets and strategies up front for discussion, and then on a regular basis thereafter. It is in our mutual interest to have "no surprises."
- Initial Budget. An initial budget estimate is due one week from the date the matter is assigned to outside counsel. (Note: no separate budget is necessary for any matter taking fewer than ten hours of attorney time. For matters reaching or exceeding ten hours, a budget is required to be submitted before that threshold is attained.)
- Revisions. When budgets need to be revised, this should be done as soon as possible, and before exceeding an existing budget which is tracked within the system.

- Alternative Fee Arrangements. Stanford encourages fee arrangements that are alternatives to hourly rates in staffing appropriate matters. On an ongoing basis, we expect you to propose arrangements such as consultation retainers, fixed pricing by matter or task, result-oriented formulas or additional approaches other than a pure hourly rate method.

STAFFING

- Number. All matters shall be staffed with the minimum number of lawyers consistent with high quality legal services. Attorneys who report significant billing activity should be introduced to OTL and contact information provided. The firm should provide a rationale for more than one attorney handling a matter, unless limited to partner review of associate's work.
- Level. All matters shall be handled at the most efficient level (partner, associate, paralegal, clerk or secretary) consistent with high quality legal services.
 - Firms are to bill partner time only for partner-level work (i.e., the more sophisticated legal work not appropriately done at a lower level - unless it is more cost efficient to be done at the partner level - and the oversight of more junior members of the legal team);
 - Firms are to bill associate time only for associate-level work (i.e., work requiring the use of an attorney, but below partner-level work);
 - Firms are to bill paralegal time only for work that is not clerical, and can be done most efficiently by a non-lawyer (under the supervision of a lawyer).

Bills are to include such detail so that it is clear that the level of work is appropriate to the level of the person performing it.

- Describing the Team. When you submit the initial budget, it should contain a field to provide additional budgetary information. In the budget field, the billing partner should identify the members of his or her team who will be working on the matter (including the year admitted to the Bar of any associate), and the role each person is expected to play.
- Staffing Changes. While staffing changes may be necessary from time to time, Stanford is not to be charged for the transition or learning time that may result from such a staffing change.
- One Person. Only one person from a firm should attend meetings unless the attendance of more is required to accomplish the purpose of the event. It is expected that the necessity of attendance by more than one person from a firm will be a rare exception and, in those instances, prior approval from the OTL is required.

- Work by Stanford. Each Firm is expected to give consideration to whether some of the work can be performed efficiently by lawyers, paralegals or other personnel employed by Stanford, and whether there are other ways in which the time required of the Firm can be minimized without compromising the quality of representation.

TIME BILLING

- All invoices must be submitted electronically to: Becky Wu, Stanford University Office of Technology Licensing, 1705 El Camino Real, Palo Alto, CA 94306.
- All time must be billed in LEDES format using appropriate UTBMS code and billed in increments of tenths of an hour (6 minutes) and should contain at least the following information:
 - (i) the date the task was performed;
 - (ii) the name of the person performing the task;
 - (iii) a brief but detailed description of the task performed (e.g., drafted [description of document], or researched [description of precise issue researched], or met with [name of person] about [topic or topics discussed]);
 - (iv) the time devoted to the task; and
 - (v) the cost of the task.

Many individual tasks, such as short telephone calls, brief conferences and reviewing correspondence may take less than 6 minutes (.10 hours) to complete. In these instances, small task billing items should be combined and billed in .10 hour increments.

Billing into “general” accounts is disfavored. Significant work should be billed into a specific account coordinated with OTL.

- Block-billing. Block-billed time records (that is, charges that lump together several unrelated tasks with a single total for the time spent to perform the combined tasks) are not acceptable and will be returned for further clarification. (Note: each email and phone call does not need to be separately reported, but should not be combined with other tasks such as drafting of motion papers unless related.)
- Legal Research. Ordinarily we do not pay for Lexis or Westlaw because of the availability of free on-line research. Usage of Lexis or Westlaw in any matter will require advance approval from the OTL supervising attorney. If a research memo is pre-approved, OTL and OGC must receive a copy of the memo.

- Legal analysis undertaken by outside counsel and reflected in memoranda, including internal memos to the file, have potential long-term value to the OGC. You should provide the OGC with copies of such memoranda. We do not expect that you will revise them at the OGC's expense to make them "look great" for the internal client or more polished than necessary for the purpose intended.
- Travel Time. If you bill for train or airplane travel time, the expectation is that you will be doing Stanford work. If you are working for other clients while traveling on Stanford business, we do not expect to be billed for travel time.
- Time to Submit Invoices. If time is not submitted within 90 days of completing the work, Stanford will not be responsible for payment.
- Billing Rate Increases. Thirty days advance notice in writing and acceptance by the OGC is required prior to the implementation of any billing rate increase.
- Non-Permitted Charges. Stanford will not pay for:
 - preparation of budgets, invoices or responses to billing inquiries
 - clerical work performed by attorneys and/or paralegals
 - training or educating of personnel
 - administrative time of the "relationship partner"
 - basic research on matters presumed to be within the Firm's expertise including unnecessary internal conferences about a Stanford matter

EXPENSES

- Itemization. Each bill is to contain an itemization of disbursements and costs, including the date incurred and at whose request each disbursement was incurred.
- Non-Permitted Charges. No charges are to be billed to Stanford for any of the following services and items:
 - Secretarial, word processing, proofreading, filing, office machine attendants (photocopy or telecopier or fax "tending"), librarian or other clerical services (normal, temporary, or overtime);
 - Photocopy or printing expenses at more than 5 cents per page for black and white copies and 25 cents per page for color copies; (unless specifically authorized);

- Internal computer time (other than pre-approved computerized legal research -- see earlier section);
 - Air conditioning, lighting, conference rooms, office supplies, or other costs associated with the maintenance of offices;
 - Parking, unless it is incurred while on Stanford business (and does not include parking at the Firm's office);
 - Local telephone expenses;
 - Meals (other than meals with a client or witness, or while away from the Firm on travel representing Stanford);
 - Local travel
 - Local outgoing fax or any incoming fax;
 - Imaging or Scanning documents; or
 - Any other expense properly chargeable to overhead or as a capital expense.
- Faxes. Outgoing long distance faxes are to be billed at cost (i.e., at the Firm's related long distance telephone charges).
 - Messengers. Firms are not to charge more for messengers than they would pay an unaffiliated third party vendor. Firms shall consider need, economy and good sense when determining the mode of delivery.
 - Travel Outside the Bay Area. Stanford will not reimburse the cost of travel other than coach and expects that travel arrangements will take advantage of any cost-effective discounts (including planning ahead to get lower fares) or special rates. Travel outside of the Bay Area requires the pre-approval of the supervising attorney.
 - Expenses for lodging, meals, and transportation are to be at reasonable rates. Counsel is expected to exercise prudence in incurring such expenses and in distinguishing between personal expenses and properly chargeable business expenses.
 - Miscellaneous Charges. Stanford will not accept the billing of a "miscellaneous" or "other" category of expenses, without specification of each expense.
 - Temporary Lawyers. If temporary lawyers or paralegals are employed on Stanford matters, they are to be billed to Stanford at cost as a disbursement.

- Filing. Every effort should be made, consistent with meeting filing deadlines, to use filing alternatives such as electronic filing, mail filing, etc. that are less expensive than personal filing services.
- Parking. With respect to parking on campus (in the context of non-local travel), in no circumstances will we accept a parking charge in excess of the cost of a daily parking pass issued by Transportation Services.
- General Principles.
 - Unless otherwise specifically addressed in these Guidelines, any expense which Stanford is requested to reimburse is to be billed at a Firm's actual out-of-pocket cost.
 - We expect fees and costs to be incurred such that you, too, would not be offended if you were the one billed for them, or embarrassed if they were to be audited by us or a government agency for reasonableness and appropriateness.

MISCELLANEOUS

- Communication. Communication is important, and we trust you will keep the General Counsel (or her designees) and the appropriate internal clients apprised regularly as to the progress of the matter and especially before any significant decisions are to be made.
- OGC Document Bank. Copies of any legal research memoranda and other important documents should be forwarded electronically to OGC.
- Business Associate Agreements (BAAs). If a matter may involve Protected Health Information (PHI) of the University or its hospital(s), a HIPAA-compliant BAA must be signed by the firm prior to any access to PHI. The firm is responsible for knowing if it has a BAA on file with Stanford. If it does not, and a matter may involve PHI, the firm should raise this with OGC's Director of Legal Services to ensure a BAA is executed.

CONFIDENTIALITY

- To the extent that the law firm receives personally identifying information that is protected under California law by Civil Code section 1798.82, <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=civ&group=01001-02000&file=1798.80-1798.84>, or other forms of personal identification, including passport and visa information, the law firm agrees to protect the information in accordance with Stanford's Data Classification Guidelines, http://web.stanford.edu/group/security/securecomputing/dataclass_chart.html.

A Business Associate Agreement (BAA) must be signed by the firm prior to creating, receiving, maintaining, or transmitting Protected Health Information (PHI) or performing legal or other services involving PHI.

CONCLUDING THOUGHTS

To reiterate, the key message is this: **We expect our outside counsel to manage themselves with respect to cost efficiency with the same intensity that they manage themselves with respect to quality.**

We hope you find these guidelines helpful in that regard. We welcome any suggestions you may have as to how the guidelines might be improved, or how the provision of legal services to Stanford (by outside and inside counsel) might be enhanced in regard to our twin goals of quality and cost efficiency. Similarly, if you believe that one or more of these guidelines should be modified in a particular instance in light of the facts and circumstances, please give us a call in advance; any modifications are to be confirmed by the OGC in writing.

Thank you for your service to Stanford University. We look forward to working with you.