

## ROYALTY AGREEMENT

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This Royalty Agreement (the "Agreement") is made and entered into on \_\_\_\_\_ by and between \_\_\_\_\_, with its principal place of business at \_\_\_\_\_ ("Grantor"), and \_\_\_\_\_, with its principal place of business at \_\_\_\_\_ ("Grantee").

WHEREAS, the Grantor owns and holds the rights to grant an interest in \_\_\_\_\_ ("Property"), the Grantee has expressed an interest to make use of Grantor's property by paying a percentage of the Grantee's profits as royalty for the Property, as well as any agreed upon lump sums included in this Agreement.

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## Terms and Conditions

### Grant of Rights

The Grantor hereby grants to the Grantee, the non-exclusive right to use and exploit the Grantor's Property for the purpose of manufacturing, marketing, distributing, and selling the products described below:

The Grantee shall have the right to sublicense the licensed intellectual property to third parties subject to the Grantor's prior written consent. The Grantor reserves all rights not expressly granted to the Grantee under this Agreement.

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## Term and Termination

This Agreement shall commence on the Effective Date and shall continue in full force and effect for a period of \_\_\_\_\_, unless terminated earlier in accordance with the terms of this Agreement.

Either Party may terminate this Agreement upon written notice to the other Party if the other party breaches any material term or condition of this Agreement and fails to cure such breach within \_\_\_\_\_ days after receipt of written notice specifying the breach.

In addition, either Party may terminate this Agreement upon written notice to the other Party if the other Party becomes insolvent, files a petition for bankruptcy or reorganization, or makes an assignment for the benefit of creditors.

Upon termination of this Agreement, the Grantee shall immediately cease all use of the licensed Property and shall return all materials related to the Property to the Grantor.

Notwithstanding any termination of this Agreement, the provisions of this Agreement that by their nature are intended to survive termination shall continue to be binding and enforceable, including but not limited to the royalty payment provisions and the confidentiality obligations.

This Agreement may be renewed upon mutual agreement of the Parties, in writing, for additional periods of \_\_\_\_\_.

## Grantee's Representations and Warranties

The Grantee represents and warrants that:

- The Grantee has the authority to enter into and perform this Agreement and has taken all necessary actions to authorize the execution, delivery, and performance of this Agreement.
- The Grantee will comply with all applicable laws, regulations, and industry standards related to the use of the licensed intellectual property and the performance of this Agreement.
- The Grantee will use the Property solely for the purposes and in the manner set forth in this Agreement, and will not use the Property in any manner that infringes upon the rights of any third party.

- The Grantee will not make any modifications, enhancements, or alterations on the Property without the prior written consent of the Grantor.
- The Grantee will promptly notify the Grantor of any actual or threatened claim or action that the Property infringes upon the rights of any third party.
- The Grantee will not assign, sublicense, or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the Grantor.
- The Grantee will indemnify, defend, and hold harmless the Grantor, its affiliates, officers, directors, employees, and agents, from and against any and all claims, damages, costs, and expenses (including reasonable attorneys' fees) arising out of or relating to any breach of the representations and warranties made by the Grantee under this Agreement.

## **Grantor's Representations and Warranties**

The Grantor represents and warrants that:

- The Grantor is the owner of the Property and has the right to grant the rights granted under this Agreement.
- The Property does not infringe upon the rights of any third party.
- The Grantor has not granted any rights in the Property that conflict with the rights granted to the Grantee under this Agreement.
- To the best of the Grantor's knowledge, the Property is free from any defects or other harmful components that may adversely affect the use, operation, or enjoyment of the Property.
- The Grantor has obtained all necessary consents, approvals, and authorizations required for the Grantor to enter into and perform this Agreement.
- The Grantor will comply with all applicable laws, regulations, and industry standards related to the licensed intellectual property and the performance of this Agreement.
- The Grantor has not received any notice of any claims or threats of claims that the licensed intellectual property infringes upon the rights of any third party.
- The Grantor will indemnify, defend, and hold harmless the Grantee, its affiliates, officers, directors, employees, and agents, from and against any and all claims, damages, costs, and expenses (including reasonable attorneys' fees) arising out of or relating to any breach of the representations and warranties made by the Grantor under this Agreement.

## Royalty

In consideration of the rights granted to the Grantee under this Agreement, the Grantee shall pay the Grantor a royalty of \_\_\_\_\_ of the Net Sales of the Property.

Royalties shall be payable on a quarterly basis, within \_\_\_\_\_ days after the end of each calendar quarter in which Net Sales occurred.

If the Grantee sublicenses the Property to a third party, the Grantee shall pay the Grantor a sublicensing royalty of \_\_\_\_\_ of the sublicense fees received by the Grantee from such third party.

The payment shall be made to \_\_\_\_\_,  
\_\_\_\_\_ through \_\_\_\_\_ under  
this Agreement.

The royalty payments and sublicensing royalties are exclusive of any taxes or duties imposed by any governmental authority, which shall be the sole responsibility of the Grantee.

The Grantee shall keep accurate records and books of account related to the Net Sales of the licensed products and sublicensing fees received from third parties, and shall permit the Grantor to inspect such records and books of account during normal business hours upon reasonable notice.

If the Grantee fails to make any royalty or sublicensing royalty payment when due, the Grantor may terminate this Agreement upon written notice to the Grantee.

## Net Profits

Net profits shall, for the sake of this Agreement, be considered the total profits obtained by the Grantee during the term of this Agreement through the use of the Grantor's Property after the following expenses have been paid:

- All costs regarding manufacturing and marketing
- All general and overhead expenses, including taxes and fees.

## Intellectual Property

The Grantee agrees and understands that all patents, trademarks, licenses, copyrights, and intellectual property, developed by the Grantor, for this project or otherwise, belong to the Grantor and the Grantee has only been licensed the rights to use it for \_\_\_\_\_.

The Grantee agrees to send the Grantor, the royalties the Grantor due arising from any commercial or non-commercial use of Grantor's product from \_\_\_\_\_ to \_\_\_\_\_. Any use of Grantor's product that does not fall within that timeline will be classified as illegal use and the Grantor has the full rights to demand compensation for it and/or request legal remedies.

## Indemnification

The Grantee shall indemnify, defend, and hold harmless the Grantor, its affiliates, officers, directors, employees, and agents from and against any and all claims, damages, liabilities, costs, and expenses (including reasonable attorneys' fees) arising out of or relating to any breach of this Agreement by the Grantee or any act or omission of the Grantee or its affiliates, officers, directors, employees, or agents.

The Grantor shall give prompt written notice to the Grantee of any claim, suit, or action for which the Grantor seeks indemnification under this Agreement. The Grantee shall have the right to assume the defense of any such claim, suit, or action at its own expense, with counsel of its own choosing, provided that the Grantee notifies the Grantor promptly in writing of its intent to do so.

The Grantor shall have the right to participate in the defense of any such claim, suit, or action at its own expense, with counsel of its own choosing.

The Grantee shall not settle any claim, suit, or action without the prior written consent of the Grantor, which consent shall not be unreasonably withheld.

The indemnification obligations of the Grantee under this clause shall survive the termination of this Agreement for a period of \_\_\_\_\_ years.

## Confidentiality

During the term of this Agreement, and for a period of \_\_\_\_\_ years thereafter, the Grantee agrees to hold in strict confidence and not disclose to any third party any confidential information received from the Grantor, including but not limited to financial, technical, and business information, that is designated as confidential or that, under the circumstances surrounding the disclosure, reasonably should be treated as confidential ("Confidential Information").

The Grantee agrees to use the Confidential Information only for the purpose of fulfilling its obligations under this Agreement and to take all reasonable precautions to prevent the unauthorized use or disclosure of the Confidential Information.

The obligations of confidentiality and non-disclosure under this clause shall not apply to information that: (i) is or becomes generally available to the public through no fault of the Grantee, (ii) was in the Grantee's possession prior to receipt from the Grantor and was not obtained directly or indirectly from the Grantor, or (iii) is required to be disclosed by law, regulation, or court order, provided that the Grantee gives the Grantor prompt written notice of such requirement and cooperates with the Grantor in seeking an appropriate protective order or other remedy.

The Grantee acknowledges that any unauthorized use or disclosure of the Confidential Information may cause irreparable harm to the Grantor and that the Grantor shall be entitled to seek injunctive relief to prevent any such unauthorized use or disclosure, in addition to any other remedies available at law or in equity.

Upon termination or expiration of this Agreement, the Grantee shall promptly return to the Grantor or destroy all Confidential Information in its possession, custody, or control.

This clause shall survive the termination or expiration of this Agreement.

## Miscellaneous

**Entire Agreement.** This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations, agreements, and understandings between the parties, whether written or oral.

**Governing Law.** This Royalty Agreement shall be governed by and construed in accordance with the laws of \_\_\_\_\_.

**Assignment.** The Grantee may not assign or transfer this Agreement, or any of its rights or obligations hereunder, without the prior written consent of the Grantor. Any attempted assignment or transfer without such consent shall be null and void.

**Notices.** Any notice or other communication required or permitted under this Agreement shall be in writing and shall be deemed given (i) upon personal delivery, (ii) when sent by confirmed facsimile or email, (iii) three (3) days after mailing by certified or registered mail, postage prepaid, or (iv) one (1) business day after deposit with a nationally recognized overnight courier, postage prepaid. Notices shall be sent to the parties at the addresses set in this Agreement or to such other addresses as may be designated by a party by giving written notice to the other Party.

**Amendments.** This Agreement may not be amended or modified except in writing signed by both parties.

**Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

**Grantor**

**Name**

**Date**

**Signature**

\_\_\_\_\_

**Grantee**

**Name**

**Date**

**Signature**

\_\_\_\_\_



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