
REASONABLE ROYALTY RATES IN BIOTECH

BVR'S GUIDE TO FULL-TEXT LICENSING AGREEMENTS

EDITED BY RANDY COCHRAN

Published by



Business Valuation Resources, LLC
1000 SW Broadway, Suite 1200
Portland, OR 97205
(503) 291-7963 • Fax (503) 291-7955 • www.BVResources.com



Copyright © 2010 by Business Valuation Resources, L.L.C. (BVR). All rights reserved.
Printed in the United States of America.

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning or otherwise, except as permitted under Sections 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher or authorization through payment of the appropriate per copy fee to the Publisher. Requests for permission should be addressed to the Permissions Department, Business Valuation Resources, LLC, 1000 SW Broadway St., Suite 1200, Portland, OR, 97205, (503) 291-7963, fax (503) 291-7955.

Information contained in this book has been obtained by Business Valuation Resources from sources believed to be reliable. However, neither Business Valuation Resources nor its authors guarantee the accuracy or completeness of any information published herein and neither Business Valuation Resources nor its authors shall be responsible for any errors, omissions, or damages arising out of use of this information. This work is published with the understanding that Business Valuation Resources and its authors are supplying information but are not attempting to render business valuation or other professional services. If such services are required, the assistance of an appropriate professional should be sought.

Editor: Randy Cochran

Chair and CEO: David Foster

President: Lucretia Lyons

Sales: Linda Mendenhall

Customer Service Manager: Stephanie Crader

ISBN: 978-1-935081-36-4

Table of Contents

Section 1: Introduction

Why Value Intellectual Property?	1
Valuation Methods and Royalty Rates.	4
Rules of Thumb	6
And Then There Is the Biotech Industry.	9
Four Levels of Biotech License Agreements	9

Section 2: License Gross Sales11

5% of Gross Sales for License and Sublicensee Sales, 25% of Sublicensee Fees, Minimums, License Fee, Equity, The Washington University and AspenBio	14
Agreement in Full Text.	16

5% of Gross Sales as a Minimum, Sublicense Agreement, Biodelivery Sciences International, Inc. and RetinaPharma, Inc.	30
Agreement in Full Text.	31

8-9% of Monthly Gross Sales, with a Fixed Payment, Settlement and License Agreement, Cytomedix, Inc. and SafeBlood® Technologies, Inc..	35
Agreement in Full Text.	36
Parties	36
Recitals	36
Terms of Agreement	36
EXHIBIT A	46
EXHIBIT B.	47

8% of Gross Sales, Biotech/Agribusiness Industries, Minimum, License Fee, Stock, Trademarks (Right to Privately Label and Distribute), Defined Territory, David R. Mortenson & Associates and Growtex, Inc.	49
Agreement in Full Text.	50
EXHIBIT A: TERRITORY	57
EXHIBIT B: Products Included in This Agreement	58
EXHIBIT C: PURCHASE OBLIGATIONS	58
EXHIBIT "D" PAYMENT TERMS	58
EXHIBIT E: CONFIDENTIALITY AGREEMENT.	59
EXHIBIT F: SHARE DISTRIBUTION SCHEDULE	61
AMENDMENT NO. 1 TO LICENSE AGREEMENT	62

5% of Gross Sales (plus), Exclusive License, Limited Field of Use, Sudor Partners and CEO Advisors, Inc.	64
Agreement in Full Text.	65

Stepped Royalty Rates from 2%-4% of Gross Sales, Minimums, Field of Use, Patents and Trade Secrets, Helix Biomedix., Inc. and Therapeutic Peptides, Inc.75
Agreement in Full Text.76
EXHIBIT A: Licensed Peptides	84
 2.5% of Adjusted Gross Sales, Field of Use, Michigan State University and Phoenix Biosystems, Inc.85
Agreement in Full Text.86
 Section 3: License Net Sales Prior to 200197
License Net Sales; Biotech Industry; all Agreements99
License Net Sales; Biotech Industry; Agreements Effective Before Year 200199
License Net Sales; Biotech Industry; Agreements Effective After Year 2000	100
 10% of Net Revenues, (50% of Sublicense Revenues), Center for Neurologic Study and IriSys Research & Development, LLC.	101
Agreement in Full Text.	102
SCHEDULE A: LICENSED PATENTS.	108
 5% - 6% of Net Sales plus a Fixed Payment, Annual Minimums, Milestones and Including Equity Transfer, Field of Use, Oklahoma Medical Research Foundation and Bridge Therapeutic Products, Inc.	109
Agreement in Full Text.	110
License Agreement Amendment	127
Amendment No. 1 to License Agreement	127
 7% of Net Sales, Fixed Payment, Right to Purchase Stock Warrants, Side Development Deal, Personal Guarantee, INVIRION and AMPERSAND.	130
Full Text of Agreement.	131
EXHIBIT A: DEVELOPMENT AGREEMENT	136
EXHIBIT B.	137
EXHIBIT C.	143
EXHIBIT D.	149
 2.5% of Net Sales, Limited Field of Use, Non-Exclusive License, Sponsored Research (Milestone) Payments, MAYO FOUNDATION FOR MEDICAL EDUCATION AND RESEARCH and MINDSET, LTD..	151
Agreement in Full Text.	152
Amendment No. 1	166
Amendment No. 2	167
 1-4% of Net Sales Stepped Royalty Schedule, Fixed Payment, Joint Development Deal with Significant Milestone Payments, Rigel Pharmaceuticals and Pfizer	169
Agreement in Full Text.	170
EXHIBIT A: RIGEL PATENT RIGHTS	194
EXHIBIT B.	196

2% of Net Sales, Maximum Payment Established, Right to Purchase Stock Warrants, Side Development Deal, Personal Guarantee, MILLIPORE CORPORATION and GEOMIC SOLUTIONS, INC.	200
Agreement in Full Text.	201
3.5-7% of Net Sales, Field of Use, THE SCRIPPS RESEARCH INSTTUTE and CYANOTECH	204
Agreement in Full Text.	205
EXHIBIT A	215
2-4% of Licensee Net Sale, 25% of Sublicensee Net Sales, Field of Use, Sponsored Research, STEM CELL SCIENCES, PTY LTD and BIOTRANSPLANT, INC.	216
Agreement in Full Text.	218
APPENDIX A	233
APPENDIX B	234

Section 4: License Net Sales After 2001 235

2% of Net Sales, Sublicense Agreement, HOUSTON PHARMACEUTICALS, INC. and CALLISTO PHARMACEUTICALS, INC.	237
Agreement in Full Text.	238
4% of Net Sales, Fixed Payments, Equity Deal, UT-Battelle, LLC and Sense Holdings, Inc.	245
Agreement in Full Text.	246
EXHIBIT A: PROPRIETARY RIGHTS	258
EXHIBIT B: FINANCIAL OBLIGATIONS	259
EXHIBIT C: DEVELOPMENT AND COMMERCIALIZATION PLAN.	261
6% of Net Sales, Field of Use, TIAX LLC and U.S. GLOBAL NANOSPACE, INC.	263
Agreement in Full Text.	264
5-7.5% Royalty on Net Sales, Field of Use, Know-How Intellectual Property, Milestone Payments, INDEVUS PHARMACEUTICALS, INC. and NOVEXEL SA	274
Agreement in Full Text.	277
EXHIBIT A	300
EXHIBIT B	302
EXHIBIT A	307
EXHIBITS AND SCHEDULES.	334
LETTERS OF EXTENSION FOR AVENTIS SUPPLY OF NUCLEUS.	336
3.5% Royalty Rate for Licensed Net Sales, 9% Royalty Rate on Sublicensed Net Sales, Field of Use, OXIGENE INC. and ACTIVE BIOTECH AB	346
Agreement in Full Text.	347
Annex 1	355
Agreement to Amend License Agreement.	357
Annex 1	358

Stepped Royalty Rate of 2-4% on Licensed Net Sales, 25% Royalty Rate on Sublicensed Net Sales, Joint Development, INMEDICA DEVELOPMENT CORP. and MICROCOR, INC., WESCOR, INC.	360
Agreement in Full Text.	361
4% Royalty Rate for Licensed Net Sales and 15-20% Royalty Rate for Sublicensed Net Sales, License Fee, Milestone Payment, Minimum Annual Royalty, THE BETH ISRAEL DEACONESS MEDICAL CENTER and DNAPRINT GENOMICS, INC.	378
Agreement in Full Text.	380
Schedule 1.8 LICENSED FIELD	392
Schedule 1.10 LICENSED PATENTS	392
APPENDIX A: Recombinant Fusion Dimers:	392
Schedule 1.12 LICENSED TERRITORY	393
Schedule 3.1(i) LICENSING FEES	393
Schedule 3.1(ii) RUNNING ROYALTIES	393
Schedule 3.1(iii) MINIMUM ROYALTIES	394
Schedule 3.1(v) MILESTONE PAYMENTS	394
Schedule 3.1(vi) SUBLICENSING AND OTHER FEES	394
Schedule 4.1 PATENT PROSECUTION	395
Schedule 5.1 SPECIFIC DUE DILIGENCE OBLIGATIONS.	395

Section 5: License Net Sales; the Licensors are a College or University 397

5% for Licensee Sales and 30% for Sublicensee Sales Royalty on Net Sales, License Fee, Milestone Payments, Minimum Annual Royalty, Assignment Fee, THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, THE UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER and BRIDGETECH HOLDINGS INTERNATIONAL, INC.	434
Agreement in Full Text.	435
EXHIBIT I	447

4% for Licensee Net Sales and 15-20% for Sublicensee Net Sales Royalty, License Fee, Milestone Payments, Minimum Annual Royalty, Stock Options, TUFTS UNIVERSITY and ILLUMINA, INC.	448
Agreement in Full Text.	449
Exhibit 1 Patents and Patent Applications.	462
Exhibit 2 Founding Capitalization	463

6% for Licensee Sales and 8% for Sublicensee Sales Royalty on Net Sales, License Fee, Milestone Payment, Equity Transfer with Protection Against Dilution, THE TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA and ACUITY PHARMACEUTICALS, INC.	464
Agreement in Full Text.	466

2-4% for Licensee Sales and 35% for Sublicensee Sales Royalty on Net Sales, License Fee, Milestone Payment, Minimum Annual Royalty, CALIFORNIA INSTITUTE OF TECHNOLOGY and UNIVERSAL DETECTION TECHNOLOGIES	478
Agreement in Full Text.	479
EXHIBIT A	494
EXHIBIT 1	495

2-4% for Licensee Sales and 35% for Sublicensee Sales Royalty on Net Sales, License Fee, Milestone Payment, Minimum Annual Royalty, UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES and IMARX THERAPEUTICS, INC.	496
Agreement in Full Text.	497
APPENDIX A	508

1.25-3% for Licensee Sales and 12.5-25% for Sublicensee Sales Royalty on Net Sales, Milestone Payments, THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL, NIIGATA UNIVERSITY OF PHARMACY AND APPLIED LIFE SCIENCES and PANACOS PHARMACEUTICALS, INC.	510
Agreement in Full Text.	512