

Licensing Executives Society
(U.S.A. and Canada), Inc.



Global BioPharmaceutical Royalty Rates & Deal Terms Survey

LES USA/Canada

-In coordination with -

Licensing Executives Society

International (LESI)

September 2010

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Introduction: LES “Global” BioPharmaceutical Royalty Rates and Deal Terms Survey

The LES (USA & Canada) Life Sciences Sector, in coordination with the Licensing Executive Society International (LESI) Life Sciences Sector, is pleased to present the first "[*LES Global BioPharmaceutical Royalty Rates and Deal Terms Survey*](#)". This landmark report is one of the many benefits of LES membership and reflects the organization's objective to provide its members with relevant, cutting edge licensing educational information, and information generally not available from other sources.

We believe you will find this report contains many keen insights on some of the most important areas of deal making in our industry.

We would like to specifically acknowledge and express our appreciation to each survey contributor. Because of the confidential manner in which the survey is executed, LES does not know who participated. However, we applaud their efforts and willingness to share their deal-related information. It is because of these members that we have this survey report to issue. **Thank you, and your companies, for your participation.**

The Survey Committee was assisted in this effort by Veris Consulting, a survey research firm in the Washington, DC area, specializing in confidential studies for industry and professional associations. The Veris survey instruments and data processes ensure the confidentiality of all company and deal information reported. Individual company and individual deal data is NEVER reported in any individual manner, only in aggregate analyses as part of a larger sample. We appreciate their fine work in assisting with the survey and this report.

Finally, we want to acknowledge the contributions of the Survey Committee members (listed below). It was their aggregate efforts that made the survey a reality for the professional benefit of LES (USA & Canada) and LESI Life Sciences Sector members. If you have any questions or suggestions on the survey, please contact any of us at info@les.org.

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Special Appreciation for Valuable Support and Guidance

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Survey Execution – Confidentiality – Survey Report

- Veris Consulting



By LES Members → For LES Members

The Licensing Executives Society (U.S.A. and Canada), Inc. (LES) and the Licensing Executive Society International (LESI) are professional societies representing over 10,000 members engaged in the transfer, use, development, manufacture and marketing of intellectual property. With the growing economic importance of intellectual property, LES membership has increased to encompass business, technical and legal professionals in a broad range of industries.

This report summarizes the results of a targeted survey to LES Life Sciences Sector members in the Biotechnology and Pharmaceutical industries, in an attempt to benchmark important areas of deal-making for licensing professionals.

In particular, this report illustrates detailed analysis on fixed royalties, tiered royalties, deal terms, valuation methods, and therapeutic areas. It provides a more current perspective on licensing royalty rates and deal terms than the Freedom of Information (FOI) approach allows, and provides information not found in other licensing or royalty rate sources or publications. Actual survey results are summarized in aggregate form, presented in Appendix A.

This survey is in its second edition and has been expanded to a global basis. We hope that this report is useful to LES members and others who are interested in the dynamically expanding field of licensing and intellectual asset management.

All responses to this survey have been kept strictly confidential. At no point will anyone other than select Veris Consulting, Inc. (Veris) employees be granted access to respondents' submissions.

If you have any questions or comments on this report, please send them to info@les.org



Report Highlights

Profile and Composition of Responses

- 359 total responses were submitted. Of these responses, 184 surveys were considered complete for analysis and incorporated into this report. This represents close to a 20% increase in completed surveys from the 2008 Survey Report.
- Survey respondents represented 19 out of the 31 LESI Societies.
- Respondents based on number of Deals submitted: 18% Not-for-Profit Organizations, 9% Government, 64% Operating Companies, and 9% Other. Of the Operating Companies, 59% were Pharmaceutical and 28% were Biotech.
- Respondent by Organization Composition: 39% Pharmaceutical Companies (includes Diagnostic and Drug Delivery), 23% Biotech Companies (includes Device), 12% Academic Institutions, 6% Government, and 20% Other.

Deal Statistics

- 51% of the submitted deals were completed in 2008 and 49% were completed in 2009.
- 61% of reported deals were reported by the licensors.
- Close to 40% of deals were related to Small Molecule.
- Anticancer (Oncology), CNS, and Infectious Disease deals were the most prevalent therapeutic area types submitted.



Report Highlights

Deal Statistics (continued)

- 50% of all deals submitted were still in the Preclinical stage of development (Discovery & IND Track/ Pre-IND).
- 82% of deals were categorized as exclusive.
- Over 80% of licenses included the U.S. and close to 63% of licenses were considered “Global” in scope.
- 62% of deals represented peak Annual Sales of greater than \$US100 million.

Fixed and Tiered Royalties

- Of the 184 deals, 105 deals were of the fixed/flat royalty type, 48 were of the tiered royalty type, and 31 did not have any royalty components.
- 63% of fixed royalty deals were in the Preclinical stage while 33% of Tiered royalty deals were in the same stage.

Valuation

- While “upfront payment” was the most frequently indicated financial component (87%), “sales milestones” displayed the greatest average and median amounts.
- Significant differences in deal terms are noted in the academic deals compared to Biotech and Pharma Deals. This is especially evident through the differences in flat Royalty Rates and the amounts of payments upfront.
- Deals that were financially modeled had higher fixed royalty rates than deals not modeled.



Methodology

In the spring and summer of 2009, Veris staff coordinated with a select committee, of experienced LES (USA/Canada) and LESI Life Sciences Sector members, to develop and enhance a survey instrument that would help provide current and relevant data on royalty rate and deal terms for licensing professionals. The survey was designed to focus on the LES Life Sciences Sector, specifically the Biotechnology and Pharmaceutical segments. A key objective was to expand the LES (USA/Canada) survey to a global scope in coordination with the Licensing Executive Society International (LESI).

After multiple planning meetings by the LES Survey Committee and Veris, Veris drafted and tested the survey instrument. Veris incorporated learning from the pilot survey exercise to construct and refine the final online survey instrument.

Veris worked with the committee to create a survey package that emphasized Confidentiality and included:

- Survey promotions;
- The online, web-based survey instrument, and
- Conduct reminder communications.

In fall 2009, the LES Survey Committee provided Veris with a list of 6,131 email addresses. Led by the LES (USA/Canada), this represented LES member of Life Sciences Sector interest from over 30 member societies within the Licensing Executive Society International (LESI). Veris emailed each member a unique survey account. During the LES (USA & Canada) annual meeting in October 2009, LES officially promoted the survey to all appropriate LES members. All members were sent updates of The progress and reminders throughout the survey collection phase. In order to garner further participation, the LES Survey Committee personally contacted many of the top 50 Pharmaceutical companies to encourage participation.

The survey ended in December, 2009 with 359 total respondents. Quality control and data analysis was conducted in Spring 2010. During the May 2010 LES USA/Canada Spring Meeting in Boston, the Survey Committee presented the survey's preliminary findings. Based on questions and feedback, additional analysis was conducted . A final survey report was issued to LES USA / Canada and LESI members in September 2010.

