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Licensing Executives Society (USA & Canada) Publishes Biopharmaceutical Royalty Rates and Deal Terms Survey Report

WASHINGTON, DC, JULY 22, 2008 – The Licensing Executives Society (USA and Canada), Inc. HealthCare Sector has published its first “*LES BioPharmaceutical Royalty Rates and Deal Terms Survey.*”

This landmark survey includes real-time data from licensing executives who are involved in a wide range of licensing agreements. It provides data and insights about deals in the biotechnology/pharmaceutical sector that is extremely difficult to obtain.

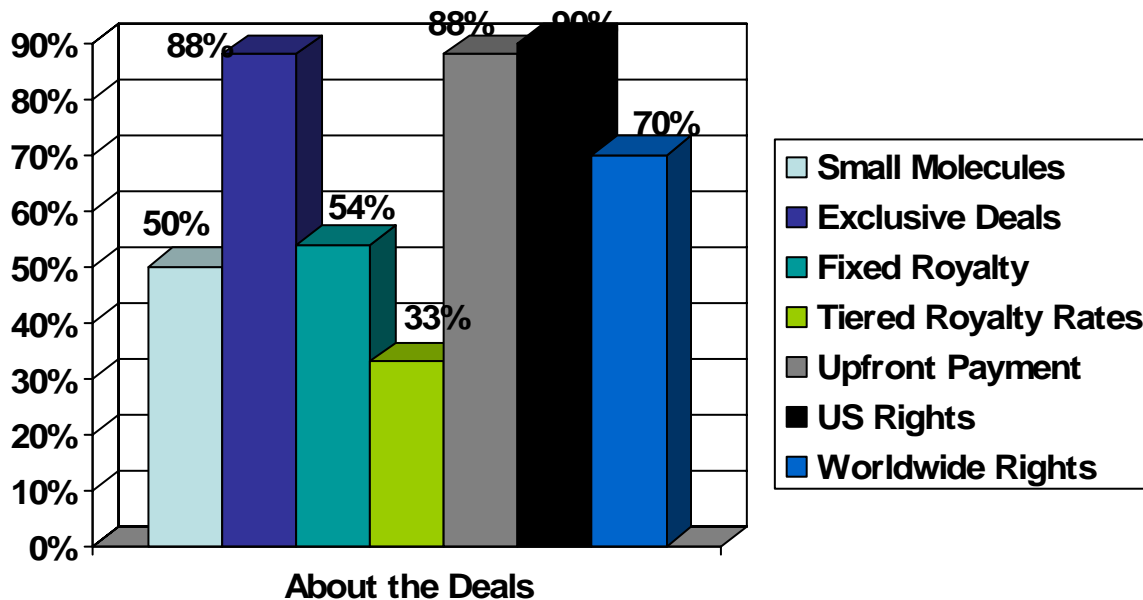
The report features data from an industry sample of more than 150 deals – respondents participated voluntarily and all data was provided anonymously.

The deals broke down into the following categories:

- Pharmaceutical Companies 28%
- Biotechnology Companies 26%
- Academic Institutions 35%
- Other 11%

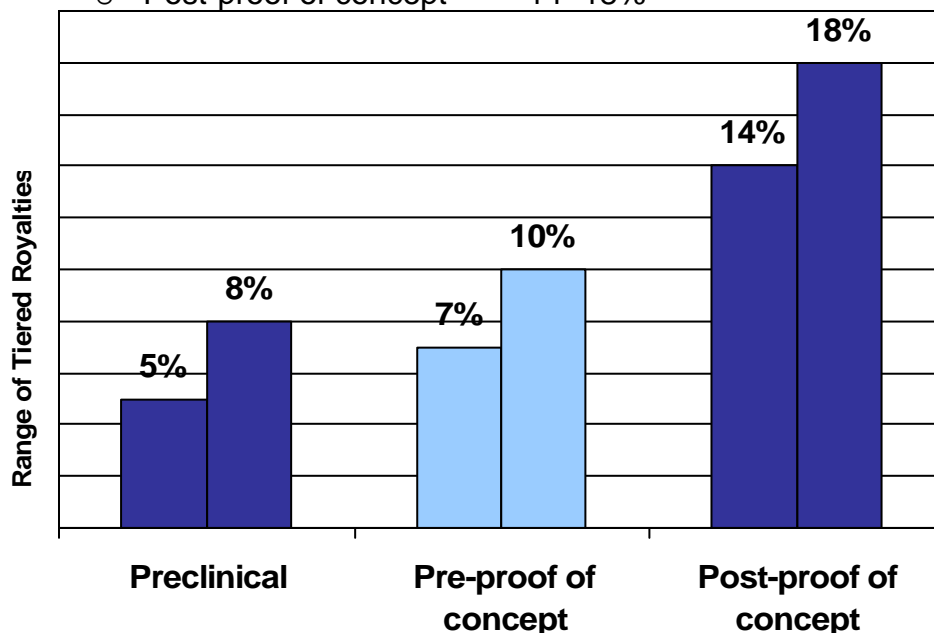
120 of the deals were completed in 2006 or 2007. Key findings regarding deal terms included:

- Small Molecule compounds were included in more than 50% of all deals submitted
- 88% of deals were exclusive
- 54% of deals included a fixed royalty; 33% included tiered royalty rates
- 80% included an upfront payment
- 90% of deals included U.S. rights; 70% were worldwide
- 57% of products covered have estimated peak sales of less than \$100M



Royalty rates are important components on most deals, and the survey found the following:

- Fixed royalty rates used for most deals with preclinical products
- Average fixed royalty rate for preclinical products: 4.3%
- Average royalty rates for biological products slightly higher than small molecules
- Higher valued assets generated both higher upfront payments and higher average royalty rates
- Range of tiered royalty rates by stage of development:
 - Preclinical 5-8%
 - Pre-proof of concept 7-10%
 - Post-proof of concept 14-18%



The therapeutic areas represented by deals in this survey included anticancer, cardiovascular, central nervous system, musculoskeletal, and ophthalmology.

“As predicted, this survey found an increase in the value of transactions proportional to the stage of development at the time of the deal,” said Jim McCarthy of Expression Genetics (EGEN), Chairperson of the 2007-2008 Royalty Rate Survey Committee. “As projects move from pre-clinical, through proof of concept in humans, to regulatory approval, the royalties do increase, reflecting the incremental value being created from these activities.”

In reviewing the findings, committee members were pleasantly surprised by the percentage of deals submitted on pre-clinical compounds. These deals are done very early in the cycle and have always been the most difficult to gather information on. Other results provided insights into the area of fixed and tiered royalty rates. Fixed rates were most common in early stage pre-clinical and smaller deals, while the frequency of tiered rates increased with sales estimates.

Members 2007-2008 Royalty Rate Survey Committee who oversaw this report included:

- Jim McCarthy, Expression Genetics (EGEN), Chairperson
- Steven Renwick, Ph.D., PharmaVentures
- Jim Lynch, Strategic Access
- Dan McGavock, CRA International
- Deni Zodda, NovaDel Pharma, Inc.
- Ben Bonifant, Campbell Alliance
- James Forte, Campbell Alliance
- Jeff Snell, CRA International

This valuable report is one of the many benefits of LES membership and reflects the organization’s commitment to provide its members with relevant, cutting edge licensing educational information.

The full survey report, with over 100 pages of analysis and data, is available exclusively to LES (USA & Canada) members. Excerpts of the report are also posted on the LES (USA & Canada) website at www.usa-canada.les.org. For more information, contact LES (USA & Canada) at 703-836-3106.

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