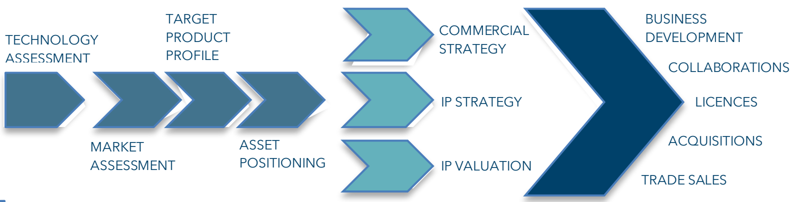
TRADE SALE

CONTROLLED RELEASE DRUG PRODUCT

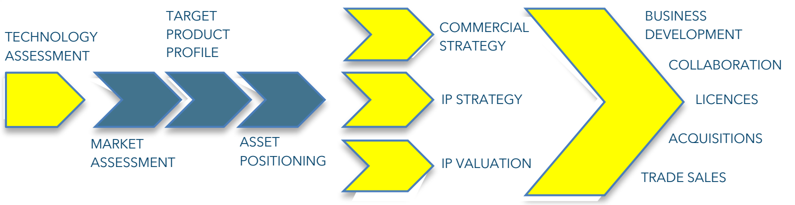
Deals that are good for their time, may look less commercial some years later. This was the case for a listed IP owner and their exclusive licensee, a listed UK drug development company. Delays in product development and clinical testing meant there was a danger that the licensor might not recoup any value from the deal. Their patents would expire before the main fees and royalties became due in what was a heavily back-loaded deal. Indeed, the licensor was responsible in the meantime for considerable accrued patenting costs. This would erode the overall deal value further. Moreover, the licensee had defaulted on two annual licence payments. It was time to take action.

The original licence granted rights under 4 patents to the licensee. The licence was terminated and an exclusive time-limited option agreed whilst the parties negotiated a sale of two of the patents to the licensee in a one-off transaction. This appealed to the licensee as the controlled drug release product was their lead product and they were fund-raising at the time. The IP acquisition would give them a positive news story.

Since the licensee had not exploited 2 out of the 4 patents during the lifetime of the original licence, these were excluded from the sale. The remaining patents were sold to the licensee for seven figures, delivering immediate and de-risked income to the licensor. By selling the patents, the erstwhile licensor was also relieved of the burden of on-going patent fees for another 7 years – a considerable saving. The 2 patents not sold immediately would remain to be of strategic value to the licensor and were excluded until a better price could be agreed.



The workplan:



CASE STUDY NOTES

Licensing terms in deals must take account of the circumstances and be structured accordingly. In this case, the licence did not work financially for the licensor and played too well for the licensee.

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