



## REVENUE SHARING OBLIGATIONS OF FOR-PROFIT CIRM AWARDEES AND COMMERCIALIZING ENTITIES<sup>1</sup>

### WHO POTENTIALLY MUST SHARE REVENUE WITH THE STATE?

CIRM awardees, collaborators, and “commercializing entities.”

A collaborator is an entity that receives CIRM funding and has an ownership interest in the CIRM-funded invention or technology from which the drug, product, or service arose.

A commercializing entity is a *for-profit CIRM awardee*, its collaborator, or any downstream licensee that sells, offers for sale or transfers a drug, product, or service resulting in whole or in part from CIRM-funded research.

### WHAT REVENUE MUST BE SHARED WITH THE STATE GENERAL FUND?

A for-profit awardee may owe licensing revenue *or* commercial revenue.

**Licensing Revenue:** A for-profit awardee may be required to share licensing revenue received by the awardee. However, because pre-commercial revenue and revenue arising from commercial sales are exempt, it is unlikely that an awardee will owe licensing revenue to the State General Fund.

**Commercial Revenue:** A commercializing entity that sells a product, drug, or service arising from CIRM-funded research must pay a royalty on commercial revenue to the State General Fund as follows: 0.1% per \$1 Million in award funds, for the earlier of ten (10) years or 9x the award amount.

**Example:** For an \$8 million award, the commercializing entity (either the original CIRM awardee if it produces the drug, or a licensee who does so) will owe less than a one percent royalty (0.8%) on commercial revenue for ten years (unless payments reach \$72 million before ten years have passed).

### WHEN IS THE REVENUE SHARING TRIGGERED?

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<sup>1</sup> This primer is intended to introduce the reader to concepts contained in CIRM’s IP revenue sharing regulations. It is a summary only, and does not override or replace the regulations and should not be relied upon as legal advice regarding the operation of the regulations. Please review CIRM regulations and contact CIRM if you have questions about our rules or their application.

Licensing revenue sharing is not triggered until after the Awardee receives \$500,000 in licensing revenue.

Commercial revenue must be shared from the date of first commercial sale.

**WHAT IS THE “BLOCKBUSTER” PROVISION?**

A 1% royalty to the State General Fund is owed for a limited time in the event CIRM participation in the project is significant (at least \$5 million in awards) the revenue exceeds \$500 million in any given year, and a CIRM-funded patented invention contributed towards the commercialization of the drug..<sup>2</sup>

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<sup>2</sup> Blockbuster revenue doesn't kick in until *after* the capped commercial revenue has been paid or ten years have elapsed (whichever occurs first).