



Royalty Rate Analysis

Dashboard Software for Physician and Healthcare Systems

September 28th, 2011

Developer's NAIC: 611310

Science/Technology Fields: Software Engineering; Programming

Arena NAIC: 511210

Technology Type: System

Supply Chain: R&D through Production

International Patent Classification: G 06 T

Geographic Region: Global

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Foresight Science & Technology Royalty Rate Reports combine market research with expert interviews to provide a detailed estimate of an industry average royalty rate that will assist in the valuation of your technology.

Description of Technology
This type of technology is software for the tracking of physicians and healthcare systems.

Examples of Relevant Deals		
Parties	Key Terms	Date
<p>Licensor: Universal EMR Solutions LLC</p> <p>And</p> <p>Licensee: Momentum Healthcare Services</p>	<p>Non-Exclusive know-how, technology and trademark license to market, sell and distribute products for physician solution EMR software for integrated health care solutions.</p> <p>Royalty Rate: None; Royalty Free</p> <p>Territory: Worldwide</p> <p>Duration: 5 years</p> <p>Other Payment Terms: Licensor is to receive 200,000 shares of Licensee stock. Anytime during the next 5 years, Licensor has the option to purchase an additional 990,000 shares of.¹</p> <p>Up-Front Fee of: \$1 million explained as follows: Licensee stock at the initial public offering rate of \$5 per. Licensee to purchase 20% of the Licensor's outstanding ownership units for \$1,000,000 in cash or \$500,000 in cash and \$500,000 in Licensee stock</p>	October 30, 2009
<p>Licensor: Network Technology</p> <p>And</p> <p>Licensee: eRXSYS</p>	<p>Non-exclusive patent, technology, trademark and software license agreement to use, make, sell and market a pharmaceutical document management software to a limit of 100,000 end users.</p> <p>Royalty Rate: 25% of gross sales</p> <p>Territory: Worldwide</p> <p>Duration: 3 years</p> <p>Other Payment Terms: Up-front fee of \$100,000. Licensee has the option of purchasing additional end user licenses in increments of 1,000 end users per \$100,000.²</p>	March 2004

¹ "EX-10 of S-1/A for MOMENTUM HEALTHCARE SERVICES, INC. " SEC web site. <http://www.secinfo.com/d11Amt.rb.7.htm> (access September 21, 2011).

<p>Licensor: Technology Alternatives</p> <p>And</p> <p>Licensee: Dendo Global</p>	<p>Exclusive patent, trademark, copyright and software license to make, use, sell offer, import exploit, update, enhance, and maintain software technology the management of data, such as healthcare data.</p> <p>Royalty Rate: None; Royalty Free</p> <p>Territory: Worldwide</p> <p>Duration: 6 months</p> <p>Other Payment Terms: Up-front fee of \$100,000 and licensor receives 4 million shares of licensee's stock at \$0.01 per share (\$40,000).³</p>	<p>August 20, 2004</p>
<p>Licensor: BConnected Software</p> <p>And</p> <p>Licensee: Trac Medical Solutions</p>	<p>Non-Exclusive technology, patent, know-how, and development software license to deliver, sell, and implement computer software for medical information and management.(CareCert technology).</p> <p>Royalty Rate: Between \$36 and \$50 per location of (around 20% of cost of software) implemented software and \$1.80 and \$3.00 per transaction.</p> <p>Territory: Worldwide</p> <p>Duration: 5 years</p> <p>Other Payment Term: Licensee will pay Licensor for further development efforts to improve software.⁴</p>	<p>February 12, 2004</p>

It appears that the majority of the relevant deals for healthcare management software are non-exclusive agreements. The format of the financial terms in the agreements appear to be vary, using essentially two approaches, a royalty fee approach with an up-front fee, or a royalty bases agreement . The average royalty rate for the latter approach appears to be between 20-25%. Additionally the duration of the agreement appears to be typically between 3-6 years.

<i>Expert Opinions on Industry Standard Terms</i>		
Expert	Affiliation and Title	Key Terms
<i>[name omitted for public sample report]</i>	<p>President</p> <p>Healthcare Software Company</p>	<p>There are various models for healthcare management software license arrangements, but mainly follow three strategies: royalty free with an up-front; royally based, and a subscription based strategy. The average royalty for this kind do software is usually around 20%.⁵</p>

² "EX-10.1 of 8-K for ASSURED PHARMACY INC." SEC web site. http://www.faq.s.org/sec-filings/110517/SIGA-TECHNOLOGIES-INC_8-K/exhibit10-1.htm (accessed September 21, 2011).

³ "EX-10.1 of 8-K for TECHALT INC." SEC web site. <http://www.secinfo.com/d12TC3.za4t.d.htm> (accessed September 21, 2011).

⁴ "Product Development and License Agreement between Trac Medical Solutions, Inc. and bConnected Software, Inc. dated February 12, 2004." SEC web site. <http://www.secinfo.com> (accessed September 21, 2011).

⁵ *[footnote omitted for public sample report]*

Anonymous Expert	Licensing and Acquisition Manager at a Software Company	This expert said that that a 20% royalty rate for healthcare management software is appropriate. ⁶
Anonymous Expert	CEO of a Software Company	This expert explained that if the software were to be licensed to a company who would sell it to end users, then a royalty rate of around 15-20% would be appropriate. Alternatively, explained this expert, if the licensee was a direct end user, then an up-front fee would be the best route. ⁷

<i>Industry Average Royalty Rate</i>
20%

Based on relevant deals, expert opinions, and industry research it appears that a rate 20% would be appropriate for a healthcare system dashboard software. A survey conducted by the Licensing Executives Society describes the average rate of software technologies to be around 10.5%; however this fluctuates greatly depending on the application of the software as well as how robust the software is.^{8,9}

The area of automated and computerized healthcare is expanding as the future of care is becoming more dependant on electronic medical records, tracking of clinical data, and real-time access to diagnostic and procedural changes and codes. It is estimated that by 2013 this market of healthcare management software is to reach over\$3.2 billion.¹⁰ The financial terms in a license agreement for this kind of technology should reflect the market share of the licensee based on this market size. It is likely that the larger the market player, the higher royalty rate the licensor can expect to wield. It should also be noted that the replacement cycle for this kid of software is about every 6 years, which could influence the duration of the license agreement.¹¹

⁶ Expert on a call with Claire Casola on September 27, 2011.

⁷ Expert in an email exchange with Claire Casola on September 28, 2011.

⁸ "Royalties." From Patent to Profit web site. <http://www.frompatenttoprofit.com/royalties.htm> (accessed September 21, 2011).

⁹ "Technology Royalty Rates in SEC Filings." LES web site. <http://www.lesi.org/images/article/95283c4b-f276-4f73-b9d3-164953edb6d9.pdf> (accessed September 21, 2011).

¹⁰ "Research and Markets: Electronic Medical Record Markets Are Anticipated to Reach \$3.2 Billion by 2013." Wireless News. October 7, 2007. HighBeam web site (subscription required). <http://www.highbeam.com/1> (accessed September 21, 2011).

¹¹ "Electronic Medical Record Market Opportunities, Strategies, and Forecasts, 2007 to 2013." WinterGreen Research web site. <http://www.wintergreenresearch.com/reports/Electronic%20Patient%20Records.html> (accessed September 21, 2011).