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Monsanto, DuPont strike \$1.75 billion licensing deal, end lawsuits

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By **Carey Gillam**

(Reuters) - DuPont Co will pay Monsanto Co at least \$1.75 billion in a new licensing deal and both companies have agreed to dissolve their bitter legal battles over rights to technology for genetically modified seeds, the world's top seed companies said on Tuesday.

The companies agreed to drop antitrust and patent claims against each other while forging the new collaboration, and agreed to toss out a \$1 billion jury verdict DuPont was ordered to pay Monsanto last August.

Separately, DuPont will make at least \$1.75 billion in royalty payments over several years in exchange for broad access to Monsanto's leading genetic technology for the development of new agricultural seed products.

Monsanto shares finished up 4.4 percent at \$103.79, while DuPont fell 0.3 percent to \$48.97 by Tuesday's market close.

DuPont officials said the agreement was a win for shareholders and sets up its Pioneer agricultural seed unit for future growth.

"This is a smart deal for DuPont," Paul Schickler, president of DuPont Pioneer, said in an interview. "We've got access to two additional technologies that we can now combine with our existing technologies as well as the technologies that are in our pipeline."

DuPont Pioneer will have broad rights to important new technology that includes stacking of traits, Schickler said.

Monsanto, which generates revenues both through seed sales and licensing of its genetic seed technology to other companies, said the deal should bring in far more than the minimum \$1.75 billion as DuPont pushes the company's technology through its broad customer base.

"We would expect them to move past those minimums pretty swiftly and significantly. They were and are the largest soybean company in the world, the United States for sure," said Scott Partridge, vice president/strategy for Monsanto. "We are pleased to have them again as a customer for our newest technology."

Under the agreement, which Schickler said came together over the last week, DuPont is to make four annual fixed royalty payments totaling \$802 million to Monsanto from 2014 to 2017.

Beginning in 2018, DuPont will also pay royalties on a per-unit basis for Genuity Roundup Ready 2 Yield soybean technology and Genuity Roundup Ready 2 Xtend for the life of the agreement in exchange for continued technology access. Annual minimum payments through 2023 will total \$950 million.

DuPont can start testing Monsanto's material in the field this year and will be able to sell Roundup Ready 2 Yield in 2014. And if regulatory approvals are in place, DuPont will be able to start selling the Xtend product in 2015, according to Schickler.

Pioneer will integrate the technology into its own seed germplasm over time, he said.

BGC Partners analyst Mark Gulley said the deal appears to be a win for both companies, notably for DuPont who has converted its legal liability for the \$1 billion jury award into royalty payments that provide access to important new technology.

"Monsanto gets a nice royalty stream and DuPont gets to remove this cloud over the stock in terms of a contingent liability," he said.

Access to Xtend is key as it is seen as part of a next wave of herbicide-resistant crop technology aimed at dealing with a wave of herbicide-resistant weeds spreading across U.S. farmland.

In addition, DuPont is gaining Monsanto's assistance in maintaining regulatory approvals for certain technologies that are coming off patent and which are already incorporated into several DuPont Pioneer corn and soybean varieties. Also, DuPont granted Monsanto licenses to certain of its disease resistance technology and corn defoliation patents.

LEGAL TRUCE



The settlement comes after a jury in the U.S. District Court in St. Louis last year agreed with Monsanto that DuPont and Pioneer violated a licensing agreement for use of the Roundup Ready trait by trying to stack several traits together.

DuPont was pursuing a separate case against Monsanto, alleging anti-competitive behavior, and a hearing in that matter was set for this autumn. But under the settlement, each side is dropping its claims against the other.

Both DuPont and Monsanto hold strong positions in the U.S. seed industry. They and other competitors have been racing to develop improved crops through genetic modifications and other means.

Pioneer, which generated sales of \$7.3 billion in 2012, has been gaining market share in North American soybean and corn markets, and its brands have been popular with farmers.

Monsanto, which had \$13.5 billion in sales last year, is seen as the market leader in developing genetically altered crop technology and is the world's largest seed company.

Monsanto introduced its Roundup Ready soybean technology in 1996. Roundup Ready crops can tolerate sprayings of Roundup, or glyphosate-based, herbicide. And the technology has become a foundation for many key crops, including corn, alfalfa, cotton, canola and sugar beets.

The two companies have been notorious for their battles, both in the marketplace and in the courtroom, but Monsanto's Partridge said on Tuesday that they had agreed to try to improve relations going forward.

"We do not want to have fights in the court house," he said. "We need to compete vigorously with our product offerings and let farmers choose."

(Reporting by Carey Gillam; Editing by Lisa Von Ahn, Marguerita Choy and [Tim Dobbyn](#))

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