UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): December 1, 2010

PDL BioPharma, Inc.

(Exact name of Company as specified in its charter)

000-19756
(Commission File Number)

Delaware	94-3023969
(State or Other Jurisdiction of Incorporation)	(I.R.S. Employer Identification No.)

932 Southwood Boulevard
Incline Village, Nevada 89451
(Address of principal executive offices, with zip code)

(775) 832-8500
(Company's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Company under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure.

Press Release

On December 1, 2010, PDL BioPharma, Inc. (the "Company") issued a press release with revenue guidance for the quarter ending December 31, 2010. The Company notes that the royalty payment it received from Genentech was complete and without a reservation of rights. A copy of the press release is attached hereto as Exhibit 99.1.

Detailed Product Sales, Royalties and Manufacturing

On December 1, 2010, the Company distributed to analysts covering the Company's securities and posted to its website a summary of certain information underlying the Company's receipt of royalty payments (the "Information Sheet") to assist those analysts and its stockholders in valuing the Company's securities. The Information Sheet is based on information provided to the Company by its licensees and includes reported net sales revenues by licensed product, royalty revenue by licensed product and where certain licensed products are manufactured and sold. A copy of the Information Sheet is attached hereto as Exhibit 99.2.

CEO Newsletter

On December 1, 2010, the Company released its Chief Executive Officer's third quarter stockholder newsletter (the "Newsletter"). A copy of the Newsletter has been posted to the Company's website and is attached hereto as Exhibit 99.3.

Limitation of Incorporation by Reference

In accordance with General Instruction B.2. of Form 8-K, the information in this report, including the exhibits, is furnished pursuant to Item 7.01 and shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. This Current Report will not be deemed an admission as to the materiality of any information in the report that is required to be disclosed solely by Regulation FD.

Cautionary Statements

This filing, the press release, the Information Sheet and the Newsletter include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Important factors that could impair the Company's royalty assets or business are disclosed in the "Risk Factors" contained in the Company's 2009 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2010, and subsequent Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission thereafter. All forward-looking statements are expressly qualified in their entirety by such factors. We do not undertake any duty to update any forward-looking statement except as required by law.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release, dated December 1, 2010
99.2	Information Sheet, dated December 1, 2010
99.3	Newsletter, dated December 2010

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PDL BIOPHARMA, INC.
(Company)

By: /s/ Christine R. Larson
Christine R. Larson
Vice President and Chief Financial Officer

Dated: December 1, 2010

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release, dated December 1, 2010
99.2	Information Sheet, dated December 1, 2010
99.3	Newsletter, dated December 2010

Contacts:
Cris Larson
PDL BioPharma, Inc.
775-832-8505
Cris.Larson@pdl.com

Jennifer Williams
Cook Williams Communications, Inc.
360-668-3701
jennifer@cwcomm.org

PDL BioPharma Provides Fourth Quarter 2010 Revenue Guidance of $74 Million

INCLINE VILLAGE, NV, December 1, 2010 – PDL BioPharma, Inc. (PDL) (NASDAQ: PDLI) today announced revenue guidance for the fourth quarter ending December 31, 2010 of approximately $74 million, as compared with actual results of $58.3 million for the fourth quarter of 2009, a 27 percent year-over-year increase. The growth is primarily driven by increased third quarter 2010 sales of Avastin®, Herceptin®, Lucentis® and Tysabri® for which PDL receives royalties in the fourth quarter of 2010. The royalty payment received from Genentech included royalties generated on all worldwide sales.

Sales of Avastin, Herceptin and Lucentis are subject to a tiered royalty rate for product that is made or sold in the United States and a flat royalty rate of three percent for product that is manufactured and sold outside of the United States. The net sales thresholds and the applicable royalty rates for product that is made or sold in the United States are outlined below:

	Royalty Rate
Net sales up to $1.5 billion	3.0%
Net sales between $1.5 billion and $2.5 billion	2.5%
Net sales between $2.5 billion and $4.0 billion	2.0%
Net sales exceeding $4.0 billion	1.0%

Reported sales for Avastin increased 8.7 percent in the third quarter of 2010 when compared to the same period in 2009. Roche recently reported that global sales of Avastin for advanced colorectal, breast, lung and kidney cancer, and for relapsed glioblastoma, rose 11 percent in the first nine months of 2010 driven by strong positive uptake of the product overall. Roche also reported that slower U.S. sales, especially in the third quarter, reflected regulatory and reimbursement uncertainty regarding the metastatic breast cancer indication. Contributing to increased Avastin royalties were sales of Avastin that was both manufactured and sold outside the United States. Ex-U.S. manufactured and sold Avastin sales represented 26 percent of total Avastin sales; there were no sales of ex-U.S. manufactured and sold Avastin prior to the fourth quarter of 2009.

Reported sales for Herceptin increased 10.2 percent in the third quarter of 2010 when compared to the same period in 2009. Roche recently announced that global sales of Herceptin for HER2-postive breast cancer and advanced stomach cancer increased eight percent in the first nine months of 2010 driven by further penetration in the early and metastatic breast cancer settings, particularly in emerging markets. Additionally, Roche reported that sales continue to benefit from uptake in advanced HER2-positive stomach cancer in Europe and other markets. Also contributing to increased Herceptin royalties were sales of Herceptin that was both manufactured and sold outside the United States. Ex-U.S. manufactured and sold Herceptin sales represented 40 percent of total Herceptin sales in the third quarter of 2010 as compared with 22 percent in the third quarter of 2009.

Reported sales for Lucentis increased 30.8 percent in the third quarter of 2010 when compared to the same period in 2009. Lucentis is approved for the treatment of age-related macular degeneration in the United States and in Europe and received approval for the treatment of macular edema following retinal vein occlusion in June 2010 in the United States. Roche and Novartis recently reported that sales grew by 29 percent and 30 percent for the first nine months of 2010 in the United States and internationally, respectively.

Reported sales for Tysabri increased 10.9 percent in the third quarter of 2010 when compared to the same period in 2009. Biogen Idec recently announced that at the end of September 2010, approximately 55,100 patients were on therapy worldwide representing an increase of 19 percent over the approximately 46,200 patients who were on therapy at the end of September 2009. Tysabri royalties are determined at a flat rate as a percent of sales regardless of location of manufacture or sale.

The sales information presented above is based on information provided by PDL's licensees in their quarterly reports to the Company as well as from public disclosures made by PDL's licensees.

About PDL BioPharma
PDL pioneered the humanization of monoclonal antibodies and, by doing so, enabled the discovery of a new generation of targeted treatments for cancer and immunologic diseases. PDL is focused on maximizing the value of its antibody humanization patents and related assets. The Company receives royalties on sales of a number of humanized antibody products marketed by leading pharmaceutical and biotechnology companies today based on patents which expire in late 2014. For more information, please visit www.pdl.com.

Forward-looking Statements
This press release contains forward-looking statements. Each of these forward-looking statements involves risks and uncertainties. Actual results may differ materially from those, express or implied, in these forward-looking statements. Factors that may cause differences between current expectations and actual results include, but are not limited to, the following:

- The expected rate of growth in royalty-bearing product sales by PDL's existing licensees;
- The relative mix of royalty-bearing Genentech products manufactured and sold outside the U.S. versus made or sold in the U.S.;
- The ability of our licensees to receive regulatory approvals to market and launch new royalty-bearing products and whether such products, if launched, will be commercially successful;
- Changes in any of the other assumptions on which PDL's projected royalty revenues are based;
- The outcome of pending litigation or disputes;
- The change in foreign currency exchange rate; and
- The failure of licensees to comply with existing license agreements, including any failure to pay royalties due.

Other factors that may cause PDL's actual results to differ materially from those expressed or implied in the forward-looking statements in this press release are discussed in PDL's filings with the SEC, including the "Risk Factors" sections of its annual and quarterly reports filed with the SEC. Copies of PDL's filings with the SEC may be obtained at the "Investors" section of PDL's website at www.pdl.com. PDL expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in PDL's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based for any reason, except as required by law, even as new information becomes available or other events occur in the future. All forward-looking statements in this press release are qualified in their entirety by this cautionary statement.

Royalty Revenue by Product ($ in 000's) *

Avastin	Q1	Q2	Q3	Q4	Total
2010	16,870	44,765	29,989	24,922	116,547
2009	13,605	35,161	21,060	15,141	84,966
2008	9,957	30,480	19,574	12,394	72,405
2007	8,990	21,842	17,478	9,549	57,859
2006	10,438	15,572	15,405	12,536	53,952

Herceptin	Q1	Q2	Q3	Q4	Total
2010	23,402	38,555	27,952	25,441	115,350
2009	16,003	32,331	26,830	18,615	93,779
2008	14,092	34,383	28,122	20,282	96,880
2007	19,035	28,188	22,582	14,802	84,608
2006	15,142	19,716	21,557	20,354	76,769

Lucentis	Q1	Q2	Q3	Q4	Total
2010	7,220	19,091	10,841	8,047	45,198
2009	4,621	12,863	8,123	6,152	31,759
2008	3,636	11,060	7,631	4,549	26,876
2007	2,931	6,543	6,579	3,517	19,570
2006	-	-	289	3,335	3,624

Xolair	Q1	Q2	Q3	Q4	Total
2010	3,723	6,386	4,980	4,652	19,741
2009	2,665	5,082	4,085	3,722	15,553
2008	1,488	4,866	3,569	2,927	12,850
2007	1,684	3,942	3,332	2,184	11,142
2006	2,263	2,969	3,041	2,495	10,768

Raptiva	Q1	Q2	Q3	Q4	Total
2010	(150)	142	-	150	142
2009	477	589	22	150	1,238
2008	405	1,618	1,111	802	3,937
2007	588	1,246	1,160	738	3,733
2006	776	1,060	1,069	874	3,780

Synagis	Q1	Q2	Q3	Q4	Total
2010	-	-	-	-	-
2009	17,145	18,869	1,568	3,159	40,741
2008	16,268	17,376	2,278	4,251	40,173
2007	14,352	16,747	1,608	4,042	36,748
2006	14,171	14,689	831	3,664	33,354

Tysabri	Q1	Q2	Q3	Q4	Total
2010	8,791	8,788	8,735	9,440	35,754
2009	6,656	7,050	7,642	8,564	29,912
2008	3,883	5,042	5,949	6,992	21,866
2007	839	1,611	2,084	2,836	7,370
2006	-	-	-	237	237

Actemra	Q1	Q2	Q3	Q4	Total
2010	1,587	237	315	688	2,827
2009	585	537	909	1,197	3,228
2008	44	116	179	369	708
2007	32	326	32	34	425
2006	-	-	-	-	-

Mylotarg	Q1	Q2	Q3	Q4	Total
2010	366	153	285	137	941
2009	293	370	805	453	1,921
2008	314	132	288	209	943
2007	276	137	292	426	1,131
2006	309	168	311	568	1,355

*** As reported to PDL by its licensees**

Reported Net Sales Revenue by Product ($ in 000's) *

Avastin	Q1	Q2	Q3	Q4	Total
2010	1,586,093	1,596,892	1,594,707	1,646,218	6,423,910
2009	1,345,487	1,295,536	1,439,730	1,514,053	5,594,806
2008	980,715	1,084,930	1,180,427	1,239,382	4,485,454
2007	678,068	746,587	797,013	875,084	3,096,752
2006	439,318	516,052	570,551	592,897	2,118,817

Herceptin	Q1	Q2	Q3	Q4	Total
2010	1,337,732	1,349,512	1,300,934	1,409,310	5,397,488
2009	1,210,268	1,133,993	1,226,435	1,278,626	4,849,323
2008	1,105,426	1,195,215	1,211,982	1,186,806	4,699,428
2007	891,761	949,556	979,602	1,015,033	3,835,952
2006	529,585	659,719	761,099	803,576	2,753,979

Lucentis	Q1	Q2	Q3	Q4	Total
2010	759,965	698,890	745,376	804,684	3,008,915
2009	462,103	469,736	555,296	615,212	2,102,347
2008	363,615	393,682	460,167	454,922	1,672,386
2007	224,820	219,579	299,995	322,300	1,066,695
2006	-	-	10,689	157,742	168,431

Xolair	Q1	Q2	Q3	Q4	Total
2010	240,904	225,878	251,055	263,389	981,225
2009	184,669	181,086	211,006	219,693	796,454
2008	137,875	169,521	177,179	183,753	668,329
2007	129,172	130,700	144,250	147,754	551,876
2006	95,241	99,354	112,608	118,002	425,204

Raptiva	Q1	Q2	Q3	Q4	Total
2010	-	14,224	-	-	14,224
2009	62,653	21,526	1,502	-	85,681
2008	55,541	57,601	66,992	65,216	245,349
2007	45,134	47,401	52,914	53,885	199,333
2006	32,672	35,458	39,610	41,353	149,093

Synagis	Q1	Q2	Q3	Q4	Total
2010	-	-	-	-	-
2009	571,486	623,951	57,271	105,314	1,358,021
2008	542,283	574,207	80,930	141,696	1,339,116
2007	478,388	548,227	53,586	139,736	1,219,936
2006	472,362	489,634	30,185	124,629	1,116,811

Tysabri	Q1	Q2	Q3	Q4	Total
2010	293,047	287,925	293,664	316,657	1,191,292
2009	221,854	229,993	257,240	285,481	994,569
2008	129,430	163,076	200,783	233,070	726,359
2007	30,468	48,715	71,972	94,521	245,675
2006	-	-	-	7,890	7,890

Actemra	Q1	Q2	Q3	Q4	Total
2010	52,908	5,405	10,493	22,919	91,725
2009	19,504	17,920	30,313	39,888	107,627
2008	1,452	1,377	5,981	12,305	21,116
2007	2,388	873	1,071	1,137	5,470
2006	-	-	-	-	-

Mylotarg	Q1	Q2	Q3	Q4	Total
2010	8,500	8,658	8,142	(363)	24,937
2009	8,367	8,406	8,813	8,654	34,240
2008	8,978	8,050	8,225	8,140	33,393
2007	7,879	8,202	8,345	7,878	32,304
2006	8,832	9,084	8,874	16,081	42,871

*** As reported to PDL by its licensees**

Manufacturing Location & Sales - Genentech / Roche & Novartis ($ in 000's) *

Avastin Sales	**2009 - Q3**	**2009 - Q4**	**2010 - Q1**	**2010 - Q2**	**2010 - Q3**	**2010 - Q4**
US Made & Sold	777,635	795,199	795,453	814,872	820,453	800,139
US Made & ex-US Sold	662,095	718,855	703,661	355,742	338,929	415,576
ex-US Made & Sold	-	-	86,979	426,277	435,325	430,503
Total	1,439,730	1,514,053	1,586,093	1,596,892	1,594,707	1,646,218
US Made & Sold	54%	53%	50%	51%	51%	49%
US Made & ex-US Sold	46%	47%	44%	22%	21%	25%
ex-US Made & Sold	0%	0%	5%	27%	27%	26%

Herceptin Sales	**2009 - Q3**	**2009 - Q4**	**2010 - Q1**	**2010 - Q2**	**2010 - Q3**	**2010 - Q4**
US Made & Sold	391,401	386,654	394,883	406,222	410,563	416,611
US Made & ex-US Sold	256,693	608,046	372,146	312,792	306,085	425,303
ex-US Made & Sold	578,341	283,926	570,703	630,498	584,286	567,396
Total	1,226,435	1,278,626	1,337,732	1,349,512	1,300,934	1,409,310
US Made & Sold	32%	30%	30%	30%	32%	30%
US Made & ex-US Sold	21%	48%	28%	23%	24%	30%
ex-US Made & Sold	47%	22%	43%	47%	45%	40%

Lucentis Sales	**2009 - Q3**	**2009 - Q4**	**2010 - Q1**	**2010 - Q2**	**2010 - Q3**	**2010 - Q4**
US Made & Sold	251,182	266,405	323,153	300,501	326,840	360,911
US Made & ex-US Sold	304,114	348,808	436,812	398,389	418,536	443,773
ex-US Made & Sold	-	-	-	-	-	-
Total	555,296	615,212	759,965	698,890	745,376	804,684
US Made & Sold	45%	43%	43%	43%	44%	45%
US Made & ex-US Sold	55%	57%	57%	57%	56%	55%
ex-US Made & Sold	0%	0%	0%	0%	0%	0%

Xolair Sales	**2009 - Q3**	**2009 - Q4**	**2010 - Q1**	**2010 - Q2**	**2010 - Q3**	**2010 - Q4**
US Made & Sold	146,022	150,950	157,503	145,245	165,109	170,001
US Made & ex-US Sold	47	10	-	-	-	-
ex-US Made & Sold	64,937	68,733	83,401	80,632	85,945	93,388
Total	211,006	219,693	240,904	225,878	251,055	263,389
US Made & Sold	69%	69%	65%	64%	66%	65%
US Made & ex-US Sold	0%	0%	0%	0%	0%	0%
ex-US Made & Sold	31%	31%	35%	36%	34%	35%

Total Sales	**2009 - Q3**	**2009 - Q4**	**2010 - Q1**	**2010 - Q2**	**2010 - Q3**	**2010 - Q4**
US Made & Sold	1,567,742	1,599,208	1,670,992	1,666,840	1,722,965	1,747,662
US Made & ex-US Sold	1,222,949	1,675,718	1,512,620	1,081,147	1,063,551	1,284,652
ex-US Made & Sold	643,279	352,659	741,083	1,137,407	1,105,556	1,091,287
Total	3,433,970	3,627,585	3,924,694	3,885,394	3,892,072	4,123,601
US Made & Sold	46%	44%	43%	43%	44%	42%
US Made & ex-US Sold	36%	46%	39%	28%	27%	31%
ex-US Made & Sold	19%	10%	19%	29%	28%	26%

*** As reported to PDL by its licensees**

During the third quarter of 2010 we continued to post an increase in royalty revenue and we further strengthened our capital structure. In addition, we responded to the August fax that we received from Genentech and are prepared to defend our intellectual property rights in national and international settings.

Increased Third Quarter 2010 Royalty Revenue
Revenue report for Q3-2010 and royalty revenue update. >> **read**

Fourth Quarter 2010 Revenue Guidance
On December 1, 2010, we announced Q4-2010 revenue guidance of $74 million. >> **read**

Update on Genentech / Roche
Update on litigation and recent communications with Genentech / Roche. >> **read**

Updates on Licensed Products
Brief reports on products under license to PDL and regulatory approvals. >>**read**

Strengthening our Capital Structure
Creating a better capital structure for our shareholders. >> **read**

Dividends
We paid the second of two dividends in 2010 of $0.50 per share on October 1, 2010 to all stockholders of record as of September 15, 2010. We plan to announce our 2011 dividend policy in the first quarter of 2011.

In closing, we will continue to evaluate alternatives to increase return for our stockholders and we intend to vigorously defend our intellectual property rights in the United States and internationally. We will keep you apprised of our progress.

Sincerely,

John P. McLaughlin
President and Chief Executive Officer
PDL BioPharma, Inc.
December 2010

Complete Articles

Increased Royalty Revenue
Total revenue for the third quarter of 2010 was $86.4 million as compared with $71.4 million for the third quarter of 2009, an increase of 21 percent year over year. Revenue growth was driven largely by increased second quarter 2010 sales by our licensees of Avastin®, Herceptin®, Lucentis®, and Tysabri® for which PDL received royalties in the third quarter of 2010. The royalty payment from Genentech included royalties generated on both U.S. and ex-U.S. manufactured products and sales.

Sales of Avastin, Herceptin and Lucentis are subject to a tiered royalty rate for product that is made or sold in the United States and a flat royalty rate of three percent for product that is manufactured and sold outside of the United States. The net sales thresholds and the applicable royalty rates for product that is made or sold in the United States are outlined below:

	Royalty Rate
Net sales up to $1.5 billion	3.0%
Net sales between $1.5 billion and $2.5 billion	2.5%
Net sales between $2.5 billion and $4.0 billion	2.0%
Net sales exceeding $4.0 billion	1.0%

Reported sales of Avastin and Herceptin, which are sold by Genentech in the U.S. and by Roche outside of the U.S., increased 11 percent and six percent, respectively, in the second quarter of 2010, when compared to the same period for the prior year. Roche recently reported that global sales of Avastin for advanced colorectal, breast, lung and kidney cancer, and for relapsed glioblastoma, rose 14 percent in the first half of 2010 driven by uptake in colorectal, breast and/or lung cancer. Roche also reported that global sales of Herceptin for HER2-postive breast cancer and advanced stomach cancer increased eight percent in the first half of 2010 driven by further penetration in the early and metastatic breast cancer settings, particularly in emerging markets. Additionally, first signs of uptake in Europe of Herceptin in HER2-postive advanced stomach cancer were seen following approval of this new indication in January of this year.

Reported sales of Lucentis, which is sold by Genentech in the U.S. and by Novartis outside of the U.S., increased 34 percent when compared to the same period for the prior year. Lucentis is approved for the treatment of age related macular degeneration in the United States and in Europe and received approval for the treatment of macular edema following retinal vein occlusion in June 2010 in the United States. Second quarter 2010 sales grew by 30 percent in the United States and by 38 percent internationally.

Reported sales of Tysabri, which is sold by Elan in the U.S. and by Biogen Idec outside of the U.S., increased 14 percent in the second quarter of 2010 when compared to the same period for the prior year. Elan recently announced that at the end of June 2010, approximately 52,700 patients were on therapy worldwide representing an increase of 22 percent over the approximately 43,300 patients who were on the therapy at the end of June 2009. Tysabri royalties are determined at a flat rate as a percent of sales regardless of location of manufacture or sale.

The sales information presented above is based on information provided by PDL's licensees in their quarterly reports to the Company as well as from public disclosures made by PDL's licensees.

Q4-2010 Revenue Guidance

On December 1, 2010, we announced Q4-2010 revenue guidance of $74 million, as compared with actual results of $58.3 million for the fourth quarter of 2009, a 27 percent year-over-year increase. The growth is primarily driven by increased third quarter 2010 sales of Avastin, Herceptin, Lucentis and Tysabri for which PDL receives royalties in the fourth quarter of 2010. The royalty payment received from Genentech included royalties generated on all worldwide sales.

Update on Genentech / Roche

In August, we received a letter from Genentech, which was sent at the request of Roche and Novartis, stating that Avastin, Herceptin, Lucentis and Xolair® (the Genentech products) do not infringe PDL's supplementary protection certificates (SPCs) applied for and granted by various countries in Europe to PDL. SPCs are intended to extend the duration of patent life to compensate for some of the patent time lost while seeking government approval to market a drug. Roche and Novartis are responsible for sales of the Genentech products outside of the United States.

The letter asked for PDL's views on the matter and does not describe what actions, if any, Genentech intends to take. The letter refers only to those products both manufactured and sold outside the United States. It does not suggest that the Genentech products do not infringe PDL's U.S. patents that cover products made in the United States and sold anywhere in the world.

It is important to note that we received our regular quarterly payment from Genentech following the receipt of the letter including royalties generated on all worldwide sales of the Genentech products. We have received two regular quarterly royalty payments since Genentech sent us the fax in mid-August. Both payments included royalties generated on all worldwide sales. We believe that our SPCs are valid and we believe that Genentech owes us royalties on sales of their products on a worldwide basis.

In response to the letter, we replied to Genentech stating that we believe their declarations are without merit. We disagree fundamentally with the claim that their products do not infringe our patents. We have had discussions with Genentech regarding this matter and would like to reach a satisfactory outcome for both parties. If no mutually agreeable resolution can be reached, however, we are prepared to vigorously enforce our rights.

To that end, we filed a claim in Nevada, naming Genentech, Roche and Novartis as defendants. In 2003, Genentech and PDL entered into a settlement agreement to resolve the intellectual property disputes between the two companies once and for all. This agreement restricts Genentech's right to challenge the validity of our patents. Violations of the settlement agreement require Genentech to pay up to $1 billion in damages. The settlement agreement calculates the damages by applying a 3.75% royalty rate on all past sales of Genentech products that were made in the U.S. and sold anywhere in the world and also adds interest. In addition, the settlement agreement states PDL can end the license agreement with Genentech or receive a flat royalty of 3.75% on all future sales of the Genentech products made in the United States and sold anywhere in the world.

In our complaint filed in Nevada, we state that the letter we received from Genentech as requested by Roche and Genentech violates Genentech's requirements under the 2003 settlement agreement. We also stated that Roche and Novartis interfered with the contract between PDL and Genentech deliberately. We have asked the court to rule that Genentech has an obligation to pay royalties to PDL on international sales of its products covered under the SPC's. In addition, we are asking the court to find that Genentech should pay additional damages for violating the agreement and pay the legal costs to resolve this dispute.

In November, Genentech and Roche asked the courts to dismiss our filing because they believe that the 2003 settlement agreement apply only to PDL's U.S. patents and does not cover international intellectual property disputes. Genentech and Roche also asked the courts to dismiss PDL's filing because they do not believe Nevada has authority over Roche, which is based in Switzerland and California. PDL disagrees with both requests and we intend to defend our intellectual property rights forcefully. Novartis has not yet responded to our filing, but is expected to reply in December 2010.

Overall, we would like to resolve the dispute in a mutually agreeable manner to all parties. If we need to go to court to defend our position we are ready to do so. However, it can be very expensive, can take a long time and can be risky. We encourage you to learn more about the Genentech matter. You can find more information in our Form 10-Q document, which was filed with the Securities and Exchange Commission on November 9, 2010.

Updates on Licensed Products

- ACTEMRA®: Chugai/Roche's drug ACTEMRA (marketed as RoACTEMRA in Europe) is a prescription medication called an interleukin-6 (IL-6) receptor inhibitor. ACTEMRA is used to treat adults with moderately to severely active rheumatoid arthritis (RA) after at least one other medicine called a tumor necrosis factor (TNF) antagonist has been used and did not work well. On October 19, 2010, Roche submitted a supplemental Biologics License Application (sBLA) to the U.S. Food and Drug Administration (FDA) and European Medicines Agency (EMA) to expand the uses of ACTEMRA to include the treatment of systemic Juvenile Idiopathic Arthritis (sJIA) which affects children who are less than 16 years old and makes the joints inflamed and stiff for more than six weeks. "Idiopathic" means that we do not know the cause of the disease. On November 7, 2010, Genentech announced positive updated data from a Phase 3 study showing that 85% (64/75) children with sJIA receiving ACTEMRA experienced a 30% improvement in the signs and symptoms and an absence of fever after three months of therapy compared with 24% (18/37) of children receiving placebo.

- AVASTIN: Genentech/Roche's drug Avastin is approved for treatment of multiple cancers including advanced colorectal, lung, kidney and glioblastoma. It was also approved under a special procedure known as accelerated approval for first line (or first time) treatment of HER2-negative breast cancer. Avastin received this accelerated approval based on promising preliminary clinical trial results and a commitment to conduct further studies. Based on additional Avastin breast cancer studies that failed to show a meaningful survival benefit, an FDA advisory committee of experts recently recommended that the accelerated approval for first line treatment for HER2-negative breast cancer be removed from the U.S. label for Avastin. On October 18, 2010, the National Comprehensive Cancer Network reaffirmed its existing recommendation for the use of Avastin in HER2-negatrive metastatic breast cancer. In mid-September, the FDA extended the review period for Genentech's sBLA for Avastin in previously untreated advanced HER2-negative breast cancer until December 17, 2010.

- HERCEPTIN: Genentech/Roche's drug Herceptin was first approved in 1998 for the treatment of HER2-positive breast cancer. HER2 stands for Human Epidermal growth factor Receptor 2. Each normal breast cell contains copies of the HER2 gene, which helps normal cells grow. The HER2 gene is found in the DNA of a cell, and this gene contains the information for making the HER2 protein. HER2-positive cells have more of the HER2 protein on them than healthy cells. On October 20, 2010, Roche announced that the FDA approved Herceptin in combination with chemotherapy for HER2-positive metastatic cancer of the stomach or gastro-esophageal junction, for patients who have not received prior treatment. The EMA approved Herceptin for this indication in January 2010.

- TRASTUZUMAB-DM1 (T-DM1): T-DM1 is an experimental, antibody-drug conjugate being developed by Genentech/Roche that links Herceptin to the cell killing agent, DM1. This approach is designed to increase the already significant tumor fighting ability of Herceptin by coupling it with an additional cell killing agent that is efficiently and simultaneously delivered to the targeted cancer cells by the antibody. In July 2010, Genentech/Roche submitted an application for approval known as a BLA to the FDA for T-DM1, a Herceptin conjugate, for the treatment of people with an aggressive form of breast cancer known as HER2-positive breast cancer and hoped for accelerated approval as early as 2011. The focus of the request for approval for this exciting therapy is third line treatment, i.e. patients who have previously received multiple medicines and chemotherapies and whose breast cancer is no longer responding to such treatments.

  On August 25, 2010, the FDA issued a "Refuse to File" letter for rejecting accelerated approval for T-DM1 BLA. Genentech/Roche plan to continue their ongoing Phase 3 trial for this drug and plan to submit a new BLA in mid-2012. On October 13, Genentech/Roche announced preliminary, six month results from a Phase 3 trial in second line HER2-postive breast cancer patients which showed that 48 percent of women treated with T-DM1 had their tumors shrink compared with 41 percent of those taking the combination of Herceptin and Taxotere. Among the women taking the standard therapy, 75 percent had side effects of grade 3 or higher on a 5-point scale, compared with 37 percent of those getting T-DM1.

Strengthening our Capital Structure

Over the last several months, we have accomplished three milestones toward strengthening our capital structure. At the beginning of the year, we had two convertible notes, one due in 2012 and one due in 2023. First, we repurchased, retired or converted all of the 2023 notes which are now fully retired. Next, we exchanged $92 million of the 2012 notes for notes due in 2015. This transaction extends the timeline for repayment of this debt by three years. We entered into this transaction because we believe the benefit of having the additional financial flexibility substantially outweighs the small increase in the 7/8^{ths} of a percentage point of interest that we will need to pay for this debt. Finally, we placed an additional $88 million of the new 2015 notes, further increasing our free cash available for acquiring additional royalty-generating assets, buying back remaining 2012 convertible debt or buying back stock to improve stockholder value.