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):
September 15, 2005

PROTEIN DESIGN LABS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**000-19756**	**94-3023969**
(State or other jurisdiction of incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

34801 Campus Drive
Fremont, California 94555
(Address of principal executive offices)

Registrant's telephone number, including area code:
(510) 574-1400

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

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

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

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

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

Item 1.01 Entry into a Material Definitive Agreement.

On September 15, 2005, Protein Design Labs, Inc., a Delaware corporation ("PDL"), entered into a Transition Agreement (the "Transition Agreement") with Glen Sato, PDL's Senior Vice President and Chief Financial Officer, pursuant to which Mr. Sato resigns as PDL's Chief Financial Officer and all other positions as an officer of PDL, effective as of the date of PDL's filing of its Form 10-Q for the quarter ended September 30, 2005 (the "Termination Date"). Under the Transition Agreement, PDL and Mr. Sato agree that after the Termination Date, Mr. Sato will remain a non-officer employee of PDL, reporting to PDL's Chief Accounting Officer, until and including January 1, 2006. PDL and Mr. Sato also agree to enter into a consulting agreement for the period January 2, 2006 through and including March 1, 2006. The Transition Agreement is attached as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

Under the Transition Agreement, PDL will continue to compensate Mr. Sato in an amount equal to his current base salary rate, less applicable withholding, until January 1, 2006; provided, however, that Mr. Sato will not be entitled to any bonus accrual after the Termination Date. From January 2, 2006 through and including March 1, 2006, PDL will compensate Mr. Sato for his services as a consultant at the same rate of compensation as his current base salary rate, plus any reasonable and documented expenses. Mr. Sato's stock options will continue to vest through the Termination Date, and as of the Termination Date, and on or before January 1, 2006 such options will be accelerated for two months of vesting (i.e., through March 1, 2006), and thereafter will remain exercisable based on a termination of service date of March 1, 2006.

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers

On September 15, 2005, PDL announced the resignation of Mr. Sato as PDL's Chief Financial Officer and all other positions as an officer of PDL, including PDL's principal financial officer, effective as of the Termination Date. Under the terms of the Transition Agreement, Mr. Sato will remain a non-officer employee of PDL until and including January 1, 2006. Effective as of the Termination Date, George Jue, PDL's Vice President, Finance and Chief Accounting Officer, will oversee the financial organization of PDL until a new Chief Financial Officer is hired. The press release announcing Mr. Sato's resignation is attached as Exhibit 99.2 to this Current Report on Form 8-K and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

Exhibit No.	Description
99.1	Transition Agreement dated as of September 15, 2005 between Protein Design Labs, Inc. and Glen Sato.
99.2	Press Release, issued by Protein Design Labs, Inc. on September 15, 2005.

SIGNATURES

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

Date: September 19, 2005

PROTEIN DESIGN LABS, INC.

By: /s/ Glen Y. Sato
Glen Y. Sato
Senior Vice President and
Chief Financial Officer

TRANSITION AGREEMENT

1. Glen Sato ("Employee") is currently employed by Protein Design Labs, Inc. (the "Company") as its Chief Financial Officer ("CFO"). Employee has determined to leave the Company and Employee and Company desire to provide for an orderly transition as set out in this Transition Agreement (the "Agreement").

(a) Employee will continue in the capacity of Chief Financial Officer until filing of the 10Q for the quarter ended September 30, 2005 at which date his resignation, as CFO will take effect (the "Resignation Date"). Employee will continue to be employed by the Company from the Resignation Date until and including January 1, 2006 (the "Termination Date"), reporting to the Chief Accounting Officer and with responsibility as an individual contributor for the tasks described in Paragraph 2. Employee's employment will be subject to the terms and conditions described below.

(b) Company and Employee also agree that Employee and Company shall enter into a consulting agreement for the period January 2, 2006 through and including March 1, 2006, during which period: (i) Employee shall be a consultant to the Company and be paid the same rate of compensation as the Employee's current base salary rate, payable monthly in arrears, plus any reasonable and documented expenses, (ii) Employee shall provide such assistance, as a consultant as may reasonably be required to assist in an orderly transition of responsibilities to other PDL employees, including assistance with respect to the 2005 fiscal year close and (iii) except as otherwise provided herein, employee shall not be entitled to benefits during the consulting period. These provisions shall be effective and binding whether or not a formal consulting agreement is entered into.

2. This Agreement will become effective on the eighth day after it is signed by Employee (the "Effective Date"), at which time the Company will provide Employee with the following:

(a) During the period between the Effective Date and the Resignation Date, Employee will continue to perform his duties as the Company's CFO on a regular, full-time basis;

(b) As of the Resignation Date, Employee hereby resigns as the Company's CFO and hereby submits his resignation as CFO and from all other offices he may hold with the Company or any subsidiary thereof effective as of such date;

(c) The Company will continue to compensate Employee during the period ending on the Termination Date in an amount equivalent to Employee's current base salary rate, less applicable withholding, payable in accordance with the Company's standard payroll procedures, however in light of Employee's resignation, Employee will not be entitled to any bonus accrual during such period. Employee shall continue to be eligible for all standard employee benefits (e.g., medical, dental, life, expense reimbursement and ESPP) through the Termination Date, (iii) Employee's options shall continue to vest through the Termination Date, and as of the Termination Date, and on or before January 1, 2005 such options shall be

accelerated for two months of vesting (i.e., through March 1, 2006), and thereafter will remain exercisable based on a termination of service date of March 1, 2006; and

(d) During the period following the Resignation Date until the Termination Date, Employee agrees that he will be available as required by the Company to assist in an orderly transition of his duties as well as may be required with respect to the matters described in a memo prepared by Employee and delivered to the CEO as of the date of this Agreement. During such period, Employee will remain as an employee of the Company but will not be required to be present on site and will not be required to devote full time to such duties. Employee will during such period maintain phone, computer and network access at Company in order to perform such duties.

(e) Employee acknowledges that as of the Termination Date, he will not be entitled to any payments or benefits from the Company other than those expressly set forth in this paragraph 2 and in paragraph 1(b). Notwithstanding the foregoing, nothing herein shall be deemed to terminate or otherwise limit Employee's right to indemnification under his existing Indemnification Agreement or for which he may be eligible as an officer of the Company under the Company's By-Laws.

3. Employee and his successors and assigns release and absolutely discharge the Company and its parents, subsidiaries, affiliates, directors, officers, employees, agents, attorneys, insurers, legal predecessors, successors and assigns, (collectively, the "Released Parties") of and from any and all claims, actions and causes of action, whether now known or unknown, which Employee now has, or at any other time had, or shall or may have against the Released Parties relating to or arising out of their employment relationship, the termination of the employment relationship, or any other matter, cause, fact, thing, act or omission whatsoever occurring or existing at any time up to and including the date of execution of this Agreement, including, but not limited to, any claims of breach of contract, wrongful termination, retaliation, fraud, defamation, infliction of emotional distress or national origin, race, age, sex, sexual orientation, disability or other discrimination or harassment under the Civil Rights Act of 1964, the Family and Medical Leave Act, the Age Discrimination In Employment Act of 1967, the Americans with Disabilities Act, the California Fair Employment and Housing Act, the California Labor Code or any other applicable law, all as they have been or may be amended. To the fullest extent permitted by law, Employee agrees not to file any claim, action or demand based on any of the matters released above.

As additional consideration for the compensation and benefits described in this Agreement, Employee agrees that he will affirm and extend this release of claims for the period beginning on the Effective Date and ending on the Termination Date by re-signing this Agreement in the space at the end of the Agreement on or shortly prior to the Termination Date.

4. Employee acknowledges that he has read section 1542 of the Civil Code of the State of California, which states in full:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Employee waives any rights that he has or may have under section 1542 to the full extent that he may lawfully waive such rights pertaining to this general release of claims, and affirms that he is releasing all known and unknown claims that he has or may have against the parties listed above.

5. Employee further agrees that he will not, at any time in the future, make any critical or disparaging statements about the Company, its products or services, its employees, officers or directors unless such statements are made truthfully in response to a subpoena or other legal process.

6. Employee acknowledges and agrees that he shall continue to be bound by and comply with the terms of any proprietary rights or confidentiality agreements between the Company and Employee and that he will return to the Company all Company property provided to Employee by the Company.

7. This Agreement shall be governed by and construed in accordance with the laws of the State of California applicable to instruments, persons and transactions that have legal contacts and relationships solely within the state of California. Employee acknowledges that he understands his right to consult legal counsel, and that applicable law provides that he has seven days to revoke this Agreement and that he may be entitled to consider the agreement for up to twenty one days before signing it.

8. If any provision of this Agreement is for any reason found by an arbitrator or a court of competent jurisdiction to be unenforceable, the remainder of this Agreement shall continue in full force and effect.

9. This Agreement shall be binding on each of the Parties to this Agreement and each's heirs, estates, administrators, representatives, executors, successors and assigns, and shall inure to the benefit of each of the Parties, and to each's heirs, estates, administrators, representatives, executors, successors and assigns.

10. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations and agreements, whether written or oral, with the exception of (ii) the Indemnification Agreement (ii) any Company options Employee may have as of the date of this Agreement and (iii) any confidentiality or similar agreement described in paragraph 6. This Agreement may not be modified or amended except by a document signed by Employee and an authorized officer of the Company.

Dated: September 15, 2005

/s/ Glen Sato
Glen Sato

Dated: September 15, 2005

Protein Design Labs, Inc.

/s/ Mark McDade
By: Mark McDade

Title: Chief Executive Officer

By re-signing this Agreement on or around the Termination Date, Employee hereby agrees to extend the Release of all known and unknown claims set forth in sections 3 and 4 of this Agreement to include any claims arising through and including the Termination Date.

Glen Sato Date:

Exhibit 99.2

www.pdl.com

Contact:

James R. Goff
Senior Director,
Investor Relations
(510) 574-1421
jgoff@pdl.com

For Immediate Release

PDL Announces Senior Management Changes

Fremont, CA, September 15, 2005 – Protein Design Labs, Inc. (PDL) (Nasdaq: PDLI) today announced the following senior management changes:

- First, Mr. Glen Sato, Senior Vice President and Chief Financial Officer (CFO) is planning on resigning from PDL at year-end 2005 to join the life sciences practice of a leading law firm. Effective November 2, 2005, he will no longer be an officer of the company, though he will remain on staff as an employee until the end of year to ensure a smooth transition. Starting November 2, Mr. George Jue, PDL's Vice President, Finance and Chief Accounting Officer, will oversee the financial organization of PDL and report directly to Mark McDade, PDL's Chief Executive Officer, until a new CFO is hired. Mr. Jue previously served as Corporate Controller at Scios, Inc., a biopharmaceutical company affiliated with Johnson & Johnson. Prior to Scios, he served in various financial management positions at Roche Bioscience, at Genentech, Inc. and at Lawrence Berkeley National Laboratories. The company has initiated a search for a new CFO to meet the needs of its growing commercial enterprise.

- Second, PDL's Senior Vice President, Technical Operations, Mr. Brett Schmidli, will retire at the end of 2005. He has served in this role since February 2002. Prior to joining PDL, he held manufacturing and other positions at Eli Lilly and Genetics Institute. Mr. Schmidli will continue to serve as a consultant during 2006 to provide additional guidance as the company continues to bring its new antibody manufacturing facilities operational during mid-2006.

- Third, Dr. Richard Murray has been promoted to the position of Senior Vice President, Chief Scientific and Technical Officer and he will now oversee all of the company's technical operations, including manufacturing. He was previously PDL's Senior Vice President and Chief Scientific Officer. Dr. Murray joined PDL's senior team as part of the company's acquisition of privately held Eos Biotechnology, where he was a co-founder and served as Vice President, Research. Prior to Eos, he held several positions at DNAX Institute, a division of Schering Plough.

- Fourth, Mr. Eric Emery is being promoted to Vice President, Manufacturing from Vice President, Manufacturing Operations and will also serve as the Minnesota site head. In his new role, he will report to Dr. Murray. Mr. Emery has held several manufacturing positions at PDL since joining in 1996, and prior to that held additional manufacturing positions at Baxter.

"These management changes are consistent with our maturing organization," said Mr. McDade. "We thank Glen for his many contributions over the years in several key areas, most importantly building a strong financial infrastructure from which we can continue to grow. We wish him the best as he pursues a different career path in the life sciences industry.

"We also appreciate Brett Schmidli's many accomplishments, including overseeing the on-budget, on-time build-out of our new commercial-scale antibody production facility in Brooklyn Park, and helping to build the overall technical operations team from a small nucleus in Minnesota to a significant multi-site and multi-disciplinary effort. We are pleased he will continue to help us in the coming year and wish him well in his future endeavors," added Mr. McDade. "At the same time, we are also pleased to promote Dr. Richard Murray, who has successfully overseen much of the growth and scale up of our research and process development, and Eric Emery, who will step up to play a pivotal role in manufacturing, specifically at our Minnesota site."

About PDL

PDL is a biopharmaceutical company focused on the research, development and commercialization of novel therapies for inflammation and autoimmune diseases, acute cardiac conditions and cancer. PDL markets several biopharmaceutical products in the United States through its hospital sales force and wholly-owned subsidiary, ESP Pharma, Inc. As a leader in the development of humanized antibodies, PDL has licensed its patents to numerous pharmaceutical and biotechnology companies, some of which are now paying royalties on net sales of licensed products. Further information on PDL is available at www.pdl.com.

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