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November 2, 2010

Submitted via email (to director@fasb.org)

Financial Accounting Standards Board 401 Merritt 7 Norwalk, Connecticut 06856-5116 Attention: Technical Director

RE: File reference No. 1820-100 Comments on Revenue Recognition (Topic 605) Revenue from Contracts with Customers

We appreciate the opportunity to comment on the proposed Accounting Standards Update Revenue Recognition (Topic 605) Revenue from Contracts with Customers issued on June 24, 2010 (the "proposed guidance"). We support the overall objective of the exposure draft to clarify the principles for recognizing revenue; however, we disagree with some of the tentative conclusions in the exposure draft, and seek clarifications. We are also concerned that making the move from rules-based guidance to principles-based guidance requires increased use of on point industry-specific examples to ensure the objectives of the proposed guidance are actually achieved.

Biogen Idec is a leading global biotechnology company and we currently recognize revenue from multiple sources including sales of our products in over 90 countries around the world, revenue from collaborative arrangements with other biotechnology and pharmaceutical companies, fees for licensing the rights to our technology to others, and royalties. As a result, the tentative conclusions in the proposed guidance draft would have a broad impact on how we recognize revenue and our disclosures of our revenue-generating arrangements.

Collaborative Arrangements and Variable Consideration

We believe that additional clarification is necessary to assess the appropriate application of the proposed guidance in the instance of biotechnology/pharmaceutical collaborative relationships, which typically move from development initiatives to commercial revenue-generating activities. Most collaborative arrangements in our industry begin as a vehicle to share risk and costs of development. However, the ultimate objective of most collaborations is the successful commercialization of a therapeutic product. We are unclear if, at inception, collaborations would ever qualify as a supplier-customer relationship under paragraph BC17. Often, in the post-commercialization period, the operation of the collaboration is more closely aligned with a supplier-customer relationship. Under the guidance, it is also not clear if a collaboration could move to a supplier-customer relationship at some point in the life of the collaboration. For instance, if it is initially determined that a collaboration does not meet the definition of a contract with a customer, could the collaboration meet the definition in the post-product commercialization phase?

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Milestones

We believe the users of financial statements perceive achievement of milestones and royalty payments as strong indicators of sales performance or development of the underlying asset. The proposed guidance introduces a higher degree of subjectivity into the measurement, recognition and timing of revenues related to milestones and royalties. In our industry, most milestones are based on successful outcomes, such as meeting endpoints in a clinical study or FDA approval of a commercial product. The milestone is either earned in full or not at all. Amounts required to be initially recognized under the probability-weighted model guidance will almost certainly not reflect the ultimate amount earned under the terms of the agreement, thereby either overstating or understating the revenue ultimately realized, perhaps materially. That is to say, it would likely be normal under the proposed model to have negative revenue in periods where the probability of ultimate realization decreases from previous judgments. Further complicating the anticipated estimating process, failure to achieve one milestone may eliminate the possibility of achieving future milestones, and achievement of an earlier milestone is no guarantee of achievement of a later milestone when biology and regulatory agencies are involved in the process. For these reasons, we believe that the current "best estimate" model, which requires the milestone be probable of realization before recognition and reflects the ultimate amount expected to be realized, is the more optimal revenue recognition model.

In addition, we believe that applying the revenue recognition model in the proposed guidance will result in differing financial results among filers with similar collaboration fact pattern. A mature company may be able to recognize revenue earlier due to its successful track record, while a new company would be unable to demonstrate its probability of success given its inexperience. In this case, the proposed guidance would result in lack of comparability of revenue recognized even with similar success outcomes, which is not a likely case under the current model.

We believe that the increased volatility in recorded revenues that will result from the application of the proposed guidance (including recording "negative revenue" for subsequent changes to revenue recorded in a prior period) would make it difficult for users of financial statements to understand a company's true operating patterns. In our opinion, the proposed guidance will not provide better information to the users of financial statements than the current standards, which result in more closely matching the economic benefits of variable consideration to the successful achievement of the underlying event.

Royalties

Sales-based royalties share some of the complexities of milestones and, in addition, will only be realized after successful commercialization of the product. We see commercial success as the elimination of the most significant contingency in a royalty agreement and the earliest point at which revenue should be recognized. The proposed guidance would allow for a probability-weighted estimate of expected royalties in advance of a successful product and actual sales, with future revenue "true-ups". We believe reporting results in this manner would provide less meaningful information to the users of our financial statements than the current revenue recognition model.

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We do not agree with accounting for any amount of royalties in advance of product approval. Amounts, so determined, would be highly subjective and based on speculative assumptions regarding post-commercialization results. We believe that the proposed accounting will result in an unnecessary amount of volatility in revenue numbers that will make it difficult for users of financial statements to understand the operating patterns.

We also request that the Board provide guidance on the accounting for costs directly related to royalty revenue. For example, if we are required to recognize royalty revenue in advance of actual product sales (on a probability-weighted estimate basis), and we are contractually, under a separate arrangement, required to pay a royalty to a third party upon such sales, would recognition of the royalty obligation be "pulled forward" and recognized in the period when the royalty revenue is recognized? Would the obligation amount be estimated on a similar probability-weighted-estimate-basis? Or, would the timing and measurement of the royalty obligation be unchanged from current practice?

License

We believe that the determining factor for revenue recognition should be an entity's fulfillment of the performance obligation in an arrangement. We do not understand why whether a license is "exclusive" or "non-exclusive" is relevant given the overall model proposed under the guidance. Under the collaboration model, discussed previously in this letter, we are uncertain as to how the guidance around "sales of intellectual property" would be applied in practice.

Retrospective Application

Biotechnology and pharmaceutical companies have many complex agreements that have been in effect for several years. Applying the proposed standard in a full retrospective fashion will lead to variable consideration being moved to past periods and future royalty revenue being permanently reduced (i.e. never recognized). We believe, that, if practicable, the costs incurred to recalculate and reassess the revenue from all applicable agreements will exceed the incremental benefit to users of the financial statements. In addition, the subjectivity and judgments required in this exercise will likely not result in financial statements that will provide comparability among companies. We would propose that the standard allow for prospective application, with an option for full retrospective application.

We appreciate the opportunity to express our views and concerns regarding the Proposed ASU. If you have any questions regarding our response, or would like to discuss our comments further, please call me at (781) 464-1838.

Sincerely,

Michael F. MacLean
Senior Vice President and
Chief Accounting Officer