

Mid-sized companies discover biotechnology deals

Just as large pharmaceutical companies have looked to biotechnology for innovative ideas, mid-sized companies are beginning to join them in an effort to increase competitiveness. Recent agreements involving Synthelabo (Paris) and Genset (Paris), and ASTA Medica (Frankfurt) and Sugem (Redwood City, CA) illustrate this growing trend.

Synthelabo's agreement with the genomics firm Genset, which raised \$86.4 million in its initial public offering in June, was part of Synthelabo's strategy to gain access to new technologies, and to accelerate its drug discovery, according to Synthelabo spokesperson Françoise Ceccaldi. The agreement gives Synthelabo access to potential new drugs for prostate cancer, including therapeutic proteins and antibodies. In return, Genset will receive funding from Synthelabo that could amount to FFr 355 million (\$70 million), if the project results in the commercialization of two drugs, plus royalties, plus FFr 50 million (\$10 million) in equity funding.

Another Paris-based company, Servier, is currently negotiating its first deal with a small biopharmaceutical company, according to the company's director of scientific collaborations and licensing, Jean-Bernard Borfiga. But it has taken something of a corporate culture change within Servier to get it to this point. Until recently, every product marketed resulted from the company's own research efforts. Now the company has begun to license in products, look at acquisitions, and contemplate collaborations with biotechnology and biopharmaceutical companies. "External growth is a way to sustain our innovation effort. . ." says Borfiga. "We now have to add licensing of mature products and collaboration with academic institutes and small companies."

The European pharmaceutical industry, outside of the major global giants, has, up to now, consisted of privately held companies, each with a strong domestic base in their respective countries. Spanish companies such as Laboratorios Dr Esteve (Barcelona) and Almirall (Barcelona), for instance, have market shares within Spain that rival those of GlaxoWellcome (London) or Bayer (Leverkusen, Germany). But over the past few years, cuts in healthcare and deregulation in European pharmaceutical markets mean that mid-sized pharmaceutical companies can no longer call the shrinking domestic markets their own. But neither can they compete on a global scale against the companies like Hoechst-Marion Roussel (Frankfurt), GlaxoWellcome, or Novartis (Basel, Switzerland).

Sylvia Davidson is a freelance writer working in London.

In Italy, too, companies have had to adapt their business strategies, looking beyond their national borders and away from traditional R&D. According to Ari Sartani, vice president for R&D at Recierdati (Milan), "Collaborations are vital. . .the only possible solution for a company our size." "We need to partner as much as possible, to acquire competencies and skills that we do not have," says Sartani.

The parameters for deals with smaller pharmaceutical companies are not the same as for those of the major multinationals. "We are not massive investors, unlike the Glaxos," said Servier's Borfiga, "so we have to be selective." For one thing, as Borfiga points out, the mid-sized companies may not be able to countenance the same degree of risk: "Although we are financially sound, it would still be a big disaster if a collaboration didn't work out. . . The whole exercise in external growth is dependent on our success in our first alliances." In some cases, mid-sized companies may expect biotechnology firms to reduce the risk by taking the project further. "Some companies send me proposals in which the initial pharmacology isn't even completed," says Recierdati's Sartani. "They expect us to take all the risks and just give them money. We are not a bank."

That kind of consideration may mean that biotechnology companies will find the larger companies more attractive partners. "We have tried to do deals with these [biotechnology] companies, but it is very difficult," Sartani notes. "They are all looking for the big money and they all want to partner with the big companies." Jürgen Engel, vice president of R&D at ASTA Medica, agrees that the activities of the large pharmaceutical companies squeezes the opportunity for smaller concerns. "The large pharmaceutical companies. . . spend a lot of money on external drug discovery, and this makes it difficult for companies like us to make deals with biotechnology companies. The best are more or less gone, the others remaining may not be very attractive." However, successful

deals are possible, as ASTA Medica's recent agreement with Sugem shows.

Under the ASTA-Sugem agreement, ASTA will conduct the medicinal chemistry and pharmaceutical development work on potential cancer drugs—inhibitors of the cell signal transduction proteins, HER-2 and Raf—discovered by Sugem. ASTA will receive European and South American marketing rights to the products and will provide Sugem with a small molecule library for screening in Sugem's assay systems. In return, Sugem will receive royalties on product sales, a \$9 million equity investment from ASTA, and \$19 million in potential milestone payments if the products succeed. One of the attractions of ASTA for Sugem, said Engel, was that it could offer "long experience in cancer research development." Being, or becoming highly focused in one particular area might be a successful strategy for mid-sized companies, he says.

As the large companies become larger, the mid-sized companies—especially those in Europe—may find they have another advantage: They can offer a better geographical fit to biotechnology companies that wish to retain US marketing rights. "We offer them strength in Europe," says Borfiga, "[yet] we are not interested in marketing direct to the US [. . .or] in Japan."

Both Borfiga and Sartani are advocating the need for mid-sized companies to cooperate with each other in constructing alliances with biotechnology firms. Two or more companies could, he argues, jointly acquire a technology that neither alone would be able to afford. "If the companies do not band together we will miss out to larger companies," warns Borfiga. He feels that the mid-sized companies are probably still on the steep part of the learning curve. "This is something that is very new. The problem lies in not knowing how to divide the territories, how to divide any benefit, or knowing who does what."

Sylvia Davidson

Rifkin marshals feminists against gene patents

Amidst a flurry of media attention, Jeremy Rifkin, longtime biotechnology opponent, along with Bette Friedan, Gloria Steinem, and Bella Abzug—a pantheon of American feminism—have announced their opposition to Myriad Genetics' (Salt Lake City, UT) patent application for the BRCA1 breast cancer gene. Genes, the coalition says, should not be for sale.

"This event launches the first genetic rights movement in history, which will loom as large as the civil rights and human rights movements," said Rifkin at a press conference in Washington, DC in late May. He was introducing a new organization, the International Coalition to Protect the Human Genome—a collection of 250 women's, health, and social justice organizations from