an uptick in the number and in the quality of those interactions," says Wager. He sees the Merck-Cubist and other deals, such as Dublin-based Actavis' buyout of Durata Therapeutics earlier in 2014, as validating for the space. "Certain large pharmas are recognizing that there's a significant unmet medical need, and hence a significant opportunity for them," he says.

In fact a report on antimicrobial resistance, commissioned by the UK government and published in December 2014 by former Goldman Sachs chief economist Jim O'Neill, concluded that drug-resistant infections, if left unchecked, could cause 10 million deaths annually with a cumulative cost of up to $100 trillion by 2050 (antibiotic-resistant infections currently kill about 700,000 people a year).

For Cubist, signing the deal with Merck came just in time. It turns out that one day later might have been too late. Hours after the deal was signed, a federal district judge in Wilmington, Delaware, ruled that several Cubicin patents—which would protect that $1-billion drug from generic competition through 2020—were invalid. As a result, Hospira of Lake Forest, Illinois, could now launch a generic Cubicin as early as June 2016. Beyond scuttling the deal and paying Cubist a $250-million break-up fee, there doesn't appear to be much Merck can do about it.

According to a US Securities and Exchange Commission filing, discussions between Merck CEO Kenneth Frazier and Cubist CEO Michael Bonney first turned toward a potential acquisition in early October, and Merck had indeed attempted to link some of the value of the deal to the outcome of the Hospira litigation as well as to regulatory approvals for Zerbaxa. But Cubist held firm, and eventually, Merck yielded to Cubist's terms

Analysts have questioned whether, in light of the Hospira ruling, Merck paid too much. But on the morning of the deal, before the litigation announcement, Adam Schechter, Merck executive vice president and president of Merck's global human health division defended the valuation. He told analysts that regardless of any outcome of the Hospira litigation, "we still think the deal makes a significant amount of sense" given its strategic importance to Merck and its attempts to bulk up in acute care drugs administered in hospitals, where the company sees "significant unmet medical need."

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Around the world in a month