

# TCG WHITE PAPER



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## Rising Above the Tide – A Partnering Primer

Proven strategies for finding a licensing  
or co-development partner

Large healthcare companies, scrambling to create viable products for their pipelines, are eager to in-license promising pharmaceuticals, diagnostics and medical devices. The consolidation of large healthcare companies has led to record numbers of executives venturing into the start-up world, creating or growing offerings of their own. Universities have now married pharmacy, medical, and/or engineering schools with their business schools to spin off new healthcare related companies at a steady, rising pace. In parallel, VC funding, angel funding and national grant funding in the US and Europe has receded significantly. As a result, over the years there has been a rising tide of start-up and small healthcare related companies seeking growth and funding support via licensing or co-development partnerships with profitable mid-size and large healthcare companies that can handle the extraordinarily high costs and time commitments of later stage clinical trials, regulatory submissions and commercialization.

The marketplace is now flooded with offerings, and smaller companies aiming to out-license their products are more often finding it difficult to achieve a good valuation in a timely manner. In this paper we address three main mistakes that companies make when trying to out-license their drug or medical device, or when attempting to secure a co-development partner.

## 1. Create a credible licensing summary that sells

A good non-confidential licensing summary is a concisely written, 2-3 page document that should include the following:

- ▶ Problem: Unmet medical need
- ▶ Solution: Concise product description
- ▶ Clinical indications
- ▶ Competitive analysis: Unique benefits

- ▶ Regulatory filing status and strategy
- ▶ Manufacturing and development plans
- ▶ Market prospects
- ▶ Cost benefits
- ▶ Intellectual property
- ▶ Company overview / selected biographies and hospitals involved in clinicals

Successful small companies must be particularly careful to appreciate the importance of the business aspects to a licensing partner. While the science is typically the foundation of the company and the core purpose for its existence, the competitive business aspect is what will secure an investment partner. Be sure the market data is well researched. Your market is likely not an entire therapeutic area, but a specific condition where you have an advantage over current products. Your market data should reflect this. You will most likely not secure sales for 100% of the potential market in major global territories. What percent do you realistically think you can secure? In what timeframe? Communicate this clearly in your technology offering memorandum.

If the market aspect of the technology summary is inaccurate or overstated in the areas of market research, competition analysis, or market analysis, you can quickly damage your credibility and lead members of the potential licensor's team to question the credibility of the entire offering.

Anticipate questions. Your first contact with a potential licensing partner will scrutinize your document looking for assurance that your licensing opportunity is credible and that your summary is complete enough to endorse and share internally for further evaluation. You will need a brief, well communicated summary of the technology – what it is, and how it is better than your competition's offerings. Your audience needs to understand the benefits you are proposing for patients, doc-

tors and providers. They have to sense that you understand the competition — current and emerging. They need a solid projection on costs - estimated final price point, manufacturing costs, as well as remaining development and regulatory costs.

Of course the technology summary has to be complete enough to answer their questions without revealing confidential data that could jeopardize pending patents or spur copycat products. Walking that fine line between what is confidential and what is important must be done thoughtfully. You need to protect your company's assets, but provide potential licensing partners enough information to entice them, while at the same time preventing deal-breaker surprises down the road.

## **2. Qualify the companies and individuals on your outreach list**

Do your homework first. Conduct research to find appropriate companies with a good strategic portfolio fit for your technology. In order to gain attention in such a crowded marketplace, you need to use your professional network to access the right people in your selected companies. After all, in-licensors are more likely to conduct deals with people they already knew or who were introduced by someone they know and respect.

After initial research, the first contact person can help you to better understand the corporate, R&D and commercial strategies, as well as current company priorities. Armed with this information, you can and should tweak your licensing summary for that company. You might stress a different feature of your technology or product. It's still the same opportunity, just positioned differently to meet the current interests of that company. Rise above the tide of offerings with a thoughtfully constructed and individualized

introductory e-mail letter that accompanies your technology summary.

Companies eager to outlicense a product often may decide to use a generic introductory e-mail template and send a non-confidential licensing summary to anyone and everyone, without regard for the recipients' goals, strategies and real needs. Such efforts often are ignored or discarded because this generic approach can be a turnoff and does not typically make a favorable first impression. Similarly, it is not advisable to send your technology summary along with a generic e-mail to the general company e-mail address. While you may hope it gets directed to the right person within the business development (BD) or licensing department, it may not be routed to the proper person in business development by the individual who checks the company mailbox (who may be from customer service or sales). Broadcast e-mails can turn a perfectly good licensing opportunity into spam. The result is often silence or just a quick "no". BD executives are inundated with opportunities to evaluate, and they typically spend their precious time on the most credible ones that make a good first impression and are presented appropriately.

Understand the size and structure of the company you are approaching. Large companies typically have large business development groups who handle licensing, and are grouped by therapeutic area. Staff responsible for licensing in these types of structures are typically very well versed in their designated therapeutic area, have a very good understanding of the market's unmet needs, and will therefore typically quickly recognize an attractive offering. Smaller to mid-size companies, however, often have much smaller BD groups (or even one person) responsible for the initial evaluation of licensing oppor-

tunities. Because their expertise may not be well aligned with your product, it is often advisable to enlist at least one of their scientific management as an internal champion for you to help communicate the value of your offering before they are approached.

### 3. Develop a team of opportunity champions at target companies

If you have created a great licensing summary that has captured the interest of a qualified company, the business development person will circulate your document to a specific team charged with evaluating and conducting due diligence.

A company can have hundreds of (or more) licensing opportunities to evaluate every year. So each one is measured against the others as well as against the internal opportunities being championed by their own product developers. Will this one get FDA approval faster? How much more data do we need? Will it be easier to recruit patients for the critical clinical trials? What would pricing and reimbursement look like for this? Does this product give the sales rep a new message that will give a lift to our other products?

Building an internal team of champions requires people outside the BD department – for example, in R&D, international and marketing. If you have an established rapport

with the company, and do it in the right way, this will benefit you without alienating the BD contact person. The initial business development contact may not be the one with the most influence to complete the licensing deal, so learn the internal team dynamics and be able to communicate with all members on their terms. That means you need to be able to help your newly developed champions sell the deal “up the corporate ladder” and respond to internal questions about issues such as regulatory strategy, clinical development plans, patent strategy and protection, emerging competition, pricing, reimbursement, marketing strategies and sales projections.

The effort to attract and manage a company’s attention can take considerable time. In addition, having prior licensing or partnering experience and relevant personal contacts are invaluable. An outside consultant can be very useful in helping the effort, particularly if your company is small and your team is fully engaged in technology development.

Following this plan does take more time than sending out a broadcast e-mail with a hastily prepared licensing summary. But doing so will help your product offering “Rise Above the Tide” of assets ready for licensing or partnering, and more likely get your technology the attention it deserves.

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