Swedish Biotech firms ask for American Assistance

What would the Americans know that the Swedes wouldn't, particularly about the latter's own legal policies, and how could they possibly have the contacts necessary to get the job done right?

We asked **James Farrington** of the law firm Wiggin & Dana in Stamford, Connecticut, to take the stand. James has been working with Swedes and Swedish pharmaceutical companies for the past 25 years, and has come to understand a great deal about how things work in that (as he puts it) smart Scandinavian country. At least with regard to the pharmaceutical and biotechnology industries, and if you open a business newspaper today, you'll find those to be a major part of Sweden's dynamic infrastructure (they have the largest number of biotech companies per capita).

"Swedes have always been good at science. Our work with their biotech companies stems from their tremendous success in that branch, requiring them to collaborate internationally. There are a number of factors putting them at the top of the biotech industry today. For the past ten years, Swedish universities have worked hard at commercializing their technology. A researcher in Sweden can also own his invention and make subsequent transactions directly with companies; this differs from American regulations stating that the university owns the invention or drug compound. And there has been an increase in private equity funds in Sweden as well; the financial issue is of course a major one." (At $200-$600 million for the development of one drug, this is no understatement).

But there is another factor, considerably more unique in its character, that has also contributed to the biotech success in Sweden. James Farrington explains. "In the past five years, two major drug companies, Pharmacia and Astra, have shifted headquarters from Sweden and relocated major operation to other countries. Astra's merger with Zeneca and Pharmacia's relocation of its headquarters to the United States have led to an overstock of scientists and managers with experience. Most of the small (and larger) biotech companies in Sweden are now managed by former Pharmacia and Astra personnel, people who are experienced in management and know how things work in the large corporate environment. This scattering of knowledge has led to the creation of many successful new biotech companies."

Success by collaboration

A key word in any successful business venture is collaboration. Without collaborating at a critical phase in their development, however, it appears that their success will be brief. This is where this particular American law firm comes in handy. By assisting biotech companies with transactions with large pharmaceutical companies, helping them develop strategies for merging and the like, they are playing a crucial role that only experience can play. James Farrington is among those assisting in the negotiations. After 25 years in the business, "you get to know the style of these big pharmaceutical companies, and to understand the differences between them." This is the kind of knowledge that the biotechs are looking for, and essentially require, to survive.

A unique relationship

In a recent international deal, James Farrington served as legal counsel representing one of Europe's largest biotech companies, the Swedish company Biovitrum A.B. As a result, Biovitrum is now collaborating with the global

pharmaceutical company GlaxoSmithKline (GSK) to develop and commercialize a drug for the treatment of obesity as well as other medical disorders. Biovitrum's potential upfront and milestone payment from this deal reach $150 million, a figure hardly attainable had they remained on their own. "It's definitely a unique relationship, the one between us and the Swedish pharma companies. But like many business deals, it really comes down to relationships and experience. I've become familiar with the Swedish mindset and many aspects of their culture, and have established close friendships with Swedes. The contact on the personal level makes the business deals that much smoother. We've also got the expertise; with the work we've done internationally, our law firm, American or otherwise, can bring a level of expertise to Swedish companies that no other Swedish firm can provide." The company does in fact work closely with Swedish law firms; it's not by guessing that they know what's happening in the law books of their Scandinavian counterparts. "Besides, most legal contracts have become Americanized in the past ten years," adds James Farrington. "Longer contracts with much greater detail make it of less importance in which country the law is governed."

In a nutshell, to get where they're at with regard to biotech, the Swedes have used, and continue to use one of the traits they are perhaps best known for, humility. This is not to indicate that the Swedes lack pride, but rather that they know when to ask for assistance. "A good scientist isn't enough if you need a great CEO to get somewhere, and one that knows where to turn next," says James Farrington, his positive view of Swedes intact. "The Swedish biotech companies that have succeeded all share similar patterns. They are extremely good at collaborating, whether it be among themselves, with universities, or with other companies. They find the right business model, and are good at changing that model when the need arises. And then they know when to hop on the big pharma ship. They recognize that they can't do it themselves, and while they see how good they are, they can also identify expertise elsewhere. They see the key: nobody's got the monopoly in knowledge." ■

— written by Sofia Piel