

Life Sciences Industry

- Are the results of your collaborations, including licensing, co-marketing and co-promotion agreements, meeting your expectations?
- Are you certain that there are no hidden issues with your collaborations that may lead to larger problems in the future?
- Are you certain that you are receiving the maximum financial benefit of these agreements?



The Need for Strategic Alliances

The life sciences industry is under intense pressure to develop new products and bring them to market. The high cost of R&D, competition for new technologies or compounds, as well as market demand, makes it crucial for the players in the industry to form strategic alliances, often in the form of licensing or co-marketing/co-promotion agreements. The resulting benefits of these alliances include:

- For licensors, out-licensing maximizes the value of a technology/compound while freeing the organization from many of the risks associated with manufacturing, providing services and establishing distribution channels;
- For licensees, in-licensing can be very profitable by allowing companies to fill new product pipelines; and
- For co-marketers and co-promoters, the collaboration with marketing partners allows for broader distribution of products.

In addition to being based on complimentary strengths and shared responsibilities, successful partnerships also require transparent and continuous communication and mutual respect and trust.

Missed Opportunities

Although companies commit significant amounts of time and resources researching, negotiating and implementing collaborations with its partners, many companies fail to effectively monitor their partner's compliance with various terms of their agreements including the determination of royalty payments and commitments of resources for development, sales or marketing activities. Most collaboration agreements restrict the amount of information that is allowed to be shared directly between the parties, thereby limiting the ability to assess compliance. At the same time most agreements allow for third-party examinations of such information.

PricewaterhouseCoopers has found that approximately 90% of our examinations identify discrepancies which are often the result of contract interpretation differences, lack of accounting oversight and clerical

errors. These discrepancies often result in incremental revenues to licensors. Our experience has found that most discrepancies are not made intentionally, but often result from a lack of transparent communication. Many of our examinations are conducted many years after the effective date of an agreement and only after an organization suspects that its partner may not be complying with terms of the agreement.

Given the increasing significance of strategic alliances along with the high incidence of reporting discrepancies, it is smart business for companies to have a proactive program to monitor the compliance with contract terms by their partners. This allows for the early identification of any potential business issues, which in turn will increase the long-term health of the collaboration.

A Proactive Approach to Licensing and Alliance Management

PricewaterhouseCoopers' Licensing Management team assists companies with developing a proactive approach to licensing management. We offer a unique mix of accounting knowledge, industry and licensing experience and a global network that understands the issues that collaborators face when managing complex alliance agreements. Our team assists companies in improving revenue streams and managing risk by reviewing compliance with licenses and other business arrangements, and by advising on appropriate procedures to manage risk in their royalty revenue or payment streams.

We help companies develop sound business practices to maximize cash flows from their licensing management programs. Our local and international experience includes assisting life sciences companies with:

- **License Management Programs** including best business practices; strategies for managing, monitoring and enforcing licence portfolios; compliance programs for license, distribution and pricing agreements; and forensic-based royalty examinations.
- **Dispute Resolution** including negotiation; litigation; arbitration; damage calculations; and expert witness testimony.
- **License Advisory Services** such as due diligence; advice on royalty rates and licensing fees; and drafting of royalty and financial provisions in agreements.

In an industry where strategic alliances are essential, we help companies develop sound business practices to ensure compliance with contract terms by their partners which often leads to healthier collaborations. In addition, increased cash flows in the form of incremental revenues are often achieved through a combination of identifying the IP value drivers, establishing robust compliance systems and performing forensic royalty procedures. In short, we help provide licensors, and their investors, the confidence that their partners are appropriately complying with the financial terms of their agreements and which often lead to stronger business relationships.

www.pwc.com/uk/licensing

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PricewaterhouseCoopers's licensing management practice is unique in its use of skilled forensic accountants and objective, fact-finding techniques to help companies optimise their revenues, protect their intellectual property, and manage risk while maintaining strong business relationships.

PricewaterhouseCoopers (www.pwc.com) provides industry-focused assurance, tax and advisory services for public and private clients. More than 120,000 people in 139 countries connect their thinking, experience and solutions to build public trust and enhance value for clients and their stakeholders.

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