

Understanding the unique new landscape of cell and gene therapy deals

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While cell, tissue, and gene therapy has become a new focus for the life sciences industry, it is a rapidly evolving field still in its infancy. Companies pursuing this new area should know what to expect when considering a potential acquisition.

Rapid innovations in cell, tissue, and gene therapy (CTGT) have brought treatments once considered theoretical into the realm of reality. Companies across the life sciences industry are racing to lead the pack in this new area, and as a result deal activity in the space continues to heat up. Adam Golden, partner at Hogan Lovells' New York office, says as M&A activity across CTGT accelerates, life sciences companies considering their own transactions should understand three key factors that make deals in this space unique.

1. Many CTGT transactions involve multi-component products

Unlike small molecule drug transactions – where a company acquires rights to a specific pill or treatment – CTGT transactions tend to involve multi-component products that may require rights to a platform or other new technologies. “Companies are not just developing one or two products, they're developing a technology that involves techniques or processes that can be used across a host of products, and a number of different indications,” says Golden. “It's not just thinking about how [a company] is going to acquire access to a specific gene therapy, say a CAR-T technology, but (also asking) what other technology components they need to go along with [the therapy] that will allow them to successfully bring the product to market and continue to develop it.”

2. Both buyers and sellers in a CTGT deal need to clearly understand the scope of the transaction

Many transactions in the cell and gene space involve smaller companies with new technologies, and larger companies with the capabilities and resources to bring them to market. Golden says it's crucial that both parties entering into this type of transaction have a clear picture of the boundaries and scope of rights that the deal entails. “Smaller companies want to make sure that they're preserving their platform technology and that there are appropriate boundaries around the rights they're granting to the other company,” he says. “Larger companies will want to be

mindful of the same thing, ensuring they're getting enough runway so that they are receiving the adequate scope of rights to [the technology] or product that they will need." He adds that the purchasing company doesn't want to find itself in a situation where two or three years down the line it needs to come back to renegotiate a deal in order to receive additional rights.

3. Pricing these complex therapies will remain challenging

Golden says that like any new treatment area, the long-term viability of CTGT will ultimately hinge on pricing. Finding the balance between adequate returns and pricing that isn't overly prohibitive is something his clients are navigating as the cell and gene space continues to mature. "New (cell and gene) therapies need to be priced (so that) that they are affordable for the patients and payers that will bear the primary financial burden. But [pricing] also need to allow the companies developing these products to realize a reasonable return," he says. "There are a lot of unknowns because this area is so new and we don't know what the pricing landscape will look like when these products come to market. But building a financial model to make the product successful in the long term will continue to be a real challenge."

Watch the video for more insights from Golden on the rapidly evolving cell and gene therapy market.

Contacts



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