

Pharmaceutical Partnerships in Japan for Regulatory and Commercial Success

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Modern pharmaceutical drug development and commercialization is more and more dependent on sharing of technology and infrastructure. Partnering is often key for small-to-midsize global pharma companies who do not have a development or commercial organization in Japan as well as for local Japan pharma who would like to tap into the global flow of innovation to keep competitive on their home turf.

What are some of the fundamentals for a foreign firm to keep in mind in partnering in Japan?

* **First, “do no harm”.** Confirm that the global product franchise will not be harmed by safety issues or efficacy positioning in Japan. Make sure you understand the way adverse events are reported in Japan, and what other products or medical practice in Japan might put you at a disadvantage. Have your global safety team work closely with the local safety function founded on a safety data exchange agreement.

* **Be clear on the type of quid pro quo** you want from the relationship. If you want to use the partnership to help you create a development group by gaining experience in the development of the product, understand that only the local company will be the sponsor of the study unless you have a corporation set up in Japan with a complex infrastructure for safety reporting (both co-sponsors need to make and submit the same report with a different electronic signature to the Authority), or you are willing to pay a CRO handsomely for this service in order to be co-sponsors.

* **If you don’t participate in the clinical development**, the key opinion leaders will not see your company as having expertise in the product and therapeutic area. The clinical development will take a number of years and will be the cornerstone for the commercialization phase. If you are really in for the long-run in Japan, then get the buy-in from your Japanese partner’s development group for some form of co-development before you sign the licensing agreement. If you don’t want to go all the way to do co-development, be sure you specify what kind of joint governance you will request; what kinds of committees will make decisions, who will be represented in regulatory meetings, what and when are the requirements for reporting of specific regulatory events, etc.

* **What will the dynamics of commercialization become?** You may want the branding of your product to be the trusted name of the local partner; or you may



want to begin to develop your reputation. If you really think you have the expertise and want to translate this into commercial infrastructure then get the buy-in of your partner that it is in their interest to have your help in a 1-brand 2-channel scheme.

* **Think out-of-the-box.** Only the sponsor company of a trial can have its name on the protocol and say they are doing the development vis-à-vis the medical community. If you don’t want to invest in a development group to start you might make a

joint venture for that product, or have your staff seconded to the local partner with business cards that have both company’s names. You don’t have to be the sponsor to put on educational seminars for the physicians in Japan or in your home country.

* **Engage your partner for the future.** Develop close personal relationships and try to cultivate them to be partners for future indications and products. Often the foreign company is confused why their local partner does not request things that seem “rational” to the Authority. Remember that local companies have a number of products in development discussions with the authorities in Japan at any one time. They will not likely want to sacrifice their relationship with the Authority to argue for some special consideration for your product. Respect this, but at the same time try to engage them in a longer-term relationship that will increase the weight they will put on your product’s success.

Trouble Shooting Examples (actual cases):

1. You get in the middle of a local turf battle. One day you find that you have two partnerships in competition in Japan because of global licensing arrangements that took precedence.

Think out-of-the-box. Can you bring these competitors together to join marketing forces and expand the market? Even if one is the market leader in sales volume, this can be a commercial win-win situation, but it is not an easy pill to swallow for the runner-up partner.

2. Friendly fire becomes enemy fire. In the development phase you and your partner were comrades in arms in getting the drug on the market, but now your sales force competes with theirs in a 2-brand 2-channel scheme where your partner does not gain sales from the promotion of your product.

Your local partner will usually have the larger sales force. Try to join forces to expand the market even if it means helping your former comrade sell more.

3. Your follower compound cannibalizes your lead compound. Your lead compound is licensed-out to partner A. Your similar follower compound is licensed-out a number of years later to partner B for additional but related indications. The new compound is promoted both globally and in Japan as superior to the old compound in part because of patent expiry concerns about the older compound. Partner B's compound then cannibalizes partner A's compound when it hits the market.

Don't let this happen to begin with. Try to help your first partner license-in the follower even if you need to help them with front loading costs for a return on investment later. Value your reputation in Japan.

4. Your product is a blockbuster globally but your partner is reluctant to push it. The product got caught in the fire of safety concerns with a similar class of products many years ago and only in Japan. After a number

of years and millions of patients use globally you push your partner on the rationale to redevelop it but they resist. They prefer to continue sales of an older but successful product you licensed to them claiming that pushing the Authority may lead to the "fire of safety concerns jumping" from the new and unused product to all drugs for that indication.

You may be able to buy the product back, but heed the warnings of your partner carefully; the Authority in Japan almost never rescinds a prior safety warning.

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