

Biogen burned as Forward goes backwards



Madeleine Armstrong



Biogen might be wondering what else it could have spent \$1.2bn on as Forward Pharma's patent challenge against Tecfidera falters.

Biogen's \$1.25bn settlement with Forward Pharma now looks like a waste of cash, after another blow yesterday to Forward's patent challenge against Tecfidera. But hindsight is always 20:20, and the initial outlay was relatively small for Biogen, which could have been on the hook for much more had Forward come out on top.

Still, Biogen investors concerned about an ageing franchise in the increasingly competitive multiple sclerosis market and a risky Alzheimer's readout next year might be wondering what else the company could have spent the money on.

Son of Tecfidera

Biogen's recent deals have been miniscule: last year it licensed a potential Tecfidera competitor, ALKS 8700, from Alkermes for just \$28m up front ([Alkermes's Tecfidera sleeper falls asleep](#), November 28, 2017).

The project, now codenamed BIIB098, is thought to have a better gastrointestinal side-effect profile than Tecfidera, and this is being tested in a head-to-head trial. If the thesis bears out Biogen could replace Tecfidera with BIIB098, but analysts are sceptical about the latter's chances – still, it was an inexpensive bet by Biogen that also helped it take out a rival.

Alkermes previously said head-to-head data with BIIB098 should be available in the first quarter of this year, but Biogen was coy about timings during its fourth-quarter earnings call last week.

Biogen announced another small deal last week, acquiring rights to Karyopharm's preclinical amyotrophic lateral sclerosis project KPT-350 for \$10m up front.

However, investors would no doubt like to see Biogen put its \$6.7bn cash pile to use with larger-scale M&A. Within the group's neuroscience wheelhouse, the company has highlighted several emerging areas: pain, ophthalmology, neuropsychiatry and acute neurology, so perhaps deals could come in these sectors.

In neuropsychiatry, Sage Therapeutics might be an attractive target – but with its market cap now sitting at \$7.5bn it is a lot more expensive than it used to be.

Hero to zero

At least Biogen has had a reprieve from its ongoing patent battle with Forward, which had long contended that it was the first filer of patents for the active ingredient in Tecfidera, dimethyl fumarate.

Last year Biogen paid Forward \$1.25bn and agreed to future royalties of 10-20%, contingent on its rival prevailing in the patent courts ([Biogen windfall reveals Europe's best capitalised and most mispriced biotech, January 17, 2017](#)).

At the time the deal was seen as an insurance policy for Biogen. Tecfidera is the group's biggest product, with 2017 sales of \$4.2bn. It now it looks like a case of Biogen being too cautious – but, if Forward had come out on top without such an agreement in place, the Danish company could have wrung a much larger royalty rate out of Biogen, or forced a takeout at an inflated value.

As it now stands, Biogen looks likely to get out of paying Forward royalties, either in the US or Europe. Yesterday the European Patent Office [invalidated the '355 patent](#) covering FP187, Forward's formulation of dimethyl fumarate. The group plans to appeal, which could take two to three years.

Forward is also going through the appeals process in the US, where it lost an interference case against Biogen last March relating to a different patent, '871. Oral arguments are due mid-year, but analysts do not hold out much hope for a Forward victory.

Forward's shareholders, who enjoyed a special dividend in September, sent the group's stock down 28% yesterday. By slashing its costs to the bone the company could limp on until final decisions are made on its appeals but, with FP187 its only project, it looks like Forward is all but finished.

Biogen, meanwhile, has several reasons to celebrate. But, with its multiple sclerosis sales set to decline in the long term, it might need to make a bolder move soon.

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