

Strategic alliances continue to grow at a staggering pace in the pharmaceutical, biotech and medical device industries in response to the challenges of market globalisation, increased regulatory pressures and weakened pipelines. These alliances most commonly take the form of:

- Licence agreements
- Co-promotion and co-marketing agreements
- Co-development agreements
- Supply agreements
- Joint venture agreements

However, the complex terms of these agreements can make it difficult to monitor partners' compliance, an issue which often results in financial losses.

How are you effectively managing your partners' compliance with alliance agreements for maximum financial benefit?

As the number of strategic alliances increases and the financial provisions become more complex, it is difficult to effectively monitor partner compliance. Additionally, as companies assess controls they find it challenging to ensure that these arrangements work effectively because of confidentiality constraints and lack of critical information from alliance partners.

Approximately 90% of PwC contract examinations identify misreporting that leads to increased revenue or decreased expenses. As a result, most companies that do not have a proactive contract compliance programme do not receive the maximum financial benefit from their alliances. Since the number of alliances continues to grow and the financial impact will become more substantial, it is critical to have sufficient controls in place to manage your partners' contract compliance.

The reasons for the high rate of non-compliance include:

Simple (and avoidable) mathematical and clerical errors

Failure to apply basic contract terms

Ambiguous and unclear wording in agreements

These issues primarily occur because there is not a centralised and consistent approach to the financial oversight of such agreements. This is caused by:

Failure to dedicate appropriate resources

Lack of communication and coordination among various departments, including legal, business development and finance

Lack of understanding of contractual obligations

Turnover of key personnel

How can PwC help your organisation?

PwC' Licensing Management and Contract Compliance team is comprised of professionals that are specifically dedicated to helping your company develop a proactive approach to licensing management. We offer a unique mix of accounting knowledge, licensing experience and a global network that understands the issues. We have experience performing the following services both locally and internationally:

On-site audits or reviews of your partner, focusing on contract compliance and the processes for monitoring compliance

Assistance with licence enforcement programmes including best business practices; strategies for managing, monitoring and enforcing licence portfolios; compliance programmes for license distribution and pricing agreements; and forensic-based royalty examinations

Dispute Resolution including negotiation, litigation, arbitration, damage calculations and expert witness testimony

Drafting of royalty and other financial provisions in agreements

Assessment of the policies and control procedures used to monitor your alliances along with recommended improvements

Contacts

Geoffrey Osborne

Partner
geoffrey.h.osborne@us.pwc.com
+1 (267) 330 3040

Joseph Braido

Director
joseph.braido@us.pwc.com
+1 (973) 236 4050

Benefits you can realise

We help companies develop sound business practices to maximise cash flow associated with their partner agreements

Our proactive approach to licensing management will improve future agreement terms and build stronger relationships between you and your business partners

Licensors will be confident that they are receiving accurate and complete financial information and licensees will be assured that they are not paying more than they should

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Global Pharmaceutical and Life Sciences Industry Group

The Global Pharmaceutical and Life Sciences Industry Group at PwC is dedicated to delivering effective solutions to the complex business challenges facing pharmaceutical and life sciences companies. A global leader in serving the pharmaceutical and life sciences industry PwC has extensive experience working with companies on industry-specific strategic, operational, and financial issues. Our expertise includes assurance, tax and advisory services, as well as specialised capabilities in regulatory compliance, risk management, performance improvement and transaction support. In helping our clients, we draw on the full knowledge and skills of PwC's professionals. More than 161,000 people in 154 countries connect their thinking, experience and solutions to build public trust and enhance value for clients and their stakeholders.