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# Another Depomed Deal: $68M Delivery License with Covidien

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Just a few days after inking a $395 million deal with Solvay Pharmaceuticals Inc., Depomed Inc. continued its business development spree by signing a $68 million deal with Covidien AG, the health care spinoff of Tyco International Ltd.

The arrangement provides Covidien with a nonexclusive, worldwide license to Depomed's extended-release drug delivery technology, AcuForm. The polymer-based tablets swell in the stomach, allowing steady delivery of the incorporated drug to absorption sites in the upper intestine with the goal of improving dosing schedules, tolerability or efficacy.

Covidien will apply the AcuForm technology to four undisclosed products.

In exchange, Depomed gets $4 million up front and up to $64 million in development milestone payments, as well as a royalty on future sales. One of those milestones will be triggered when Depomed completes initial formulation work, the company's President and CEO Carl Pelzel told *BioWorld Today*.

Pelzel said it typically takes Depomed about four to six months from the start of formulation work to the delivery of a product to a partner. That process will be paid for by Covidien, which will manage all subsequent development.

As part of the deal, Depomed retained an exclusive option to sell any resulting products to OB/GYNs. Pelzel said Covidien will pay Depomed a much higher royalty for its OB/GYN marketing efforts and noted that the "economics are pretty consistent with a co-promotion deal."

Retaining the right to market to OB/GYNs fits Depomed's near-term strategy of building a basket of products that could be detailed with a niche sales force.

In last week's Solvay deal, Depomed retained a right of first negotiation to co-promote DM-1796 (formerly Gabapentin GR) in fibromyalgia within the OB/GYN field. DM-1796 is in Phase III for postherpetic neuralgia and Phase II for diabetic peripheral neuropathy, but Solvay may elect to develop the drug for other types of pain including fibromyalgia. (See *BioWorld Today*, Nov. 24, 2008.)

Similarly, when Depomed partnered its FDA-approved diabetes drug Glumetza (metformin hydrochloride extended-release tablets) with Santarus Inc. earlier this year, the company retained the option to co-promote the drug to OB/GYNs, which prescribe it for gestational diabetes, among other conditions. (See *BioWorld Today*, July 23, 2008.)

Depomed also holds the rights to Gabapentin GR in hot flashes, where it is referred to as DM-5689 and is undergoing two pivotal Phase III trials. Although Depomed may seek a partner for the program, Pelzel said the company would retain rights to the OB/GYN niche. (See *BioWorld Today*, Sept. 18, 2008.)

Depomed's pipeline also includes the approved antibiotic Proquin XR (ciprofloxacin hydrochloride extended-release tablets), which is marketed by Watson Pharmaceuticals Inc. for uncomplicated urinary tract infections; the Phase II gastroesophageal reflux disease drug DM-3458, which is actively being partnered; and the preclinical Parkinson's disease drug DM-1992, which is slated to begin clinical trials early next year.

Unlike many biotechs today, Depomed has funding to develop its products. The company reported $85.5 million in cash, equivalents and marketable securities as of Sept. 30 after burning $3.8 million during the third quarter. In addition, the Solvay deal brought $25 million up front, and the Covidien deal brought $4 million up front.

Yet Pelzel said Depomed is scrupulously managing "every single penny" and hopes that its existing cash and anticipated milestone payments will carry it to profitability. He projected that the tipping point for making rather than losing money could come in two to three years, once the company launches its hot flash drug and begins to realize royalties from Solvay's sales of DM-1796.

Shares of Menlo Park, Calif.-based Depomed (NASDAQ:DEPO) gained 10 cents to close at $1.59 on Monday. ■