

Marijuana Series: "Big Pharma's" Entry Into the Cannabis Market

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By: Brian P. Sharkey

Tilray is a federally licensed producer of medical cannabis products in Canada. On March 19, Tilray made big news in Canada, and around the world, when it announced that it signed a binding letter of intent to form a strategic alliance with Sandoz Canada Inc. ("Sandoz Canada"), an affiliate of Sandoz International GmbH, a global leader in biosimilars and generic products and part of the Novartis Group. The purpose of the strategic alliance, whereby Tilray will be the exclusive collaborator with Sandoz Canada, is to accelerate innovation and increase the availability of medical cannabis products.

Tilray's press release announcing the alliance identified four specific items areas that the parties will focus on, subject to necessary regulatory approvals and final agreements: 1) Tilray will utilize Sandoz Canada's knowledge and sales force to educate Canadian physicians and pharmacists about Tilray's medical cannabis products; 2) Tilray will become the exclusive partner of Sandoz Canada for non-smokable/non-combustible cannabis products; 3) Tilray will partner with Sandoz Canada to develop new, innovative medical cannabis products that provide an alternative to smokable/combustible products; and 4) Sandoz Canada will wholesale distribute non-smokable/non-combustible Tilray products to hospitals and pharmacies in Canada.

In its press release, Tilray included the following statement from Brendan Kennedy, its Chief Executive Officer: "This agreement is a major milestone on the long road to legitimizing medical cannabis as a conventional medicine[.] ... Tilray is pleased to be, what we believe is, the first federally licensed producer of medical cannabis to form a strategic alliance with a local affiliate of a global pharmaceutical company to improve the availability and quality of medical cannabis products for Canadian patients in need." Although the financial terms of the agreement were not announced, according to press reports a spokesperson for Tilray confirmed that Sandoz Canada had not taken a financial stake in Tilray.

Mr. Kennedy expanded on the strategic alliance in an interview VICE Money, as he explained that "[a] lot of people were wondering when global pharma would enter the cannabis industry. Now officially it has[.] This is a huge milestone for us, our industry, and the medical community at large." Commenting on the path to get to the strategic alliance, Mr. Kennedy observed that Sandoz Canada had spent the past eighteen months studying the medical cannabis industry and how the pharmaceutical industry could play a role. In that regard, Mr. Kennedy pointed out that Sandoz Canada was "really focused on ethics, quality and compliance practices and were looking for a company the right way. We had our first meeting with them in the summer of 2017[.]" As to why Sandoz Canada ultimately decided to partner with Tilray, Mr. Kennedy reasoned that Tilray performs "research on cannabis products for research and development, products that we can't sell yet but can be used for clinical trials and exported for clinical trials. To Sandoz that gave them tremendous confidence because they saw us as kind of a pharmaceutical company as well[.]"

In terms of how Tilray could leverage Sandoz Canada's sales force, Mr. Kennedy stated that Tilray has "an existing sales force of about 10 people that spend a substantial amount of time meeting physicians on a daily basis and educating them about our products. Sandoz has a sales force 10 times that size, which will enable us to scale up that physician education process rapidly[.]" Lastly, Mr. Kennedy stressed that "[w]e've been saying that Canada has the potential to be a global leader in exporting medical cannabis as a biotech product[.] A global pharma company knocking on our industry's door is the first step in that process."

In commenting to the Financial Post, Mr. Kennedy expressed excitement about the idea that Tilray's collaboration with a pharmaceutical company would help to overcome skepticism from health professionals and patients about the value of medical cannabis products. Specifically, he emphasized that "was part of the opportunity we saw. To distribute Tilray products that have the Sandoz logo that pharmacists, physicians and patients are used to seeing in their pharmaceutical packages. I think that will give physicians confidence in our brand and our product[.]"

Sandoz Canada was also enthused about the strategic alliance, as its president declared in a statement that "[w]e are thrilled to form a strategic alliance with Tilray to strengthen our portfolio[.] We are committed to making every reasonable effort to respond to patients' medical needs by increasing the number of high-quality, adequately dosed non-smokable, non-combustible medical cannabis products at the disposal of doctors."

Those involved in the industry have been waiting for some time to see when "Big Pharma" would become involved in the cannabis market. Now that Sandoz Canada/Novartis has, it will be interesting to see if other pharmaceutical companies develop similar relationships with medical cannabis companies, or if they create other types of collaborations. It will also be interesting to monitor whether this development has any impact on the status of cannabis in the United States, as one of the primary reasons why Canada is an appealing prospect for these types of collaborative relationships is the fact, unlike in the United States, medical cannabis is legal on the federal level in Canada.