

COMPANION BIOMARKERS IN DRUG DEVELOPMENT *(SAMPLE COPY, NOT FOR RESALE)*

Trends, Industry Participants, Product Overviews and Market Drivers



TABLE OF CONTENTS

1.	Overview	14	
1.1	Statement of Report	14	
1.2	About This Report	14	
1.3	Scope of the Report	14	
1.4	Objectives	14	
1.5	Methodology	16	
1.6	Executive Summary	17	
2.	Introduction: Companion Diagnostics in Drug Development		25
2.1	Companion Diagnostics as Biomarkers	26	
2.1.1	Potential Benefits of Biomarkers as Companion Diagnostics		28
2.2	Biomarkers in Different Phases of Drug Development		28
2.2.1	Drug Discovery and Development Process	28	
2.2.2	Biomarkers in Drug Development	30	
2.3	Drug Targets	31	
2.3.1	Target Discovery Using Functional Genomics	34	
2.3.2	Functional Genomics	35	
2.3.3	Target Validation	36	
2.3.3.1	Target Discovery	37	
2.3.3.2	Lead Identification	37	
2.3.4	Target and Biomarker Discovery	37	
2.3.4.1	Biomarker Validation	38	
2.4	Biomarkers in Drug Discovery, Development and Clinical Diagnostics		38
2.4.1	Role of Biomarkers in Drug Discovery, Preclinical, Clinical Development and Diagnostics		38
2.4.2	The Pipeline Problem	40	
2.4.3	Biomarkers in the Drug Discovery Process	41	
2.4.4	Segmentation of Biomarker Usage	42	
2.4.5	Efficacy of Biomarkers as Surrogate Endpoints	42	
2.4.6	Biomarkers Used to Reduce the Cost of Drug Development	43	
2.4.7	Biomarkers: Challenges and Opportunities	43	
2.4.8	Biomarkers in Early Safety and Toxicity Assessment	44	
2.4.9	Biomarkers in Determining Validation Parameters	44	
2.4.10	Challenges in Development of Biomarkers	45	
2.4.11	Using Biomarkers in Early Clinical Development	45	
2.4.12	Translational Biomarkers	45	
2.4.13	Use of Biomarkers in “Go”/No-Go” Decisions	46	
2.4.14	Diagnostic Tests	46	
2.4.15	Biomarkers in Deal Making	46	
2.4.16	Payers Use Biomarkers in Decision-Making	47	
2.5	World Pharmaceutical Markets	47	
2.5.1	World Market Summary	47	
2.5.2	Forces Affecting the Structure of the Pharmaceutical Industry		51
2.5.2.1	Threats	52	
2.5.2.2	Competitive Forces	52	
2.6	Companion Diagnostics Market Opportunity	53	
2.6.1	Industry Overview	53	
2.6.1.1	Pharmaceutical Industry Drug Pipeline	54	
2.6.1.2	Asia-Pacific to Replace U.S. and Europe as Pharmaceutical Industry Center		64
2.6.1.3	The Changing Pharmaceutical Business Model	65	
2.6.2	Benefits for Companion Diagnostic Tests in Drug Development		65
2.6.3	Strategies for the Creation of Partnerships—Predicting and Overcoming Challenges in Creating Drug Response Profiling Diagnostics	67	
2.6.4	Options and Applications	68	
2.6.4.1	Clinical Applications of Genomics: The Use of Evidence-Based Frameworks by Decision-Makers	68	

2.6.5	Challenges, Drivers and Trends	68	
2.6.5.1	Macro Trends in Biomarkers	69	
2.6.5.2	Biomarkers: Industry SWOT Analysis	72	
2.6.6	Collaboration for Companion Diagnostics	72	
2.6.7	Key Stake Holders in Companion Diagnostics	73	
2.7	Impact of CDx/PM on Drug Clinical Trials	75	
2.8	Evolving Business Models in Companion Dx and Personalized Medicine	76	76
2.9	Current Pharma/Dx Business Model Examples	76	
2.10	Future Developments	76	
3.	Biomarker Development Tools	78	
3.1	New Technologies in Functional Genomics	78	
3.1.1	Genomics-Derived Drug Pipeline	78	
3.1.2	Future of Genomics Technologies for Drug Target Identification	78	78
3.2	Overview of Microarrays	79	
3.2.1	General Theory of Microarrays	80	
3.2.2	GeneChip Probe Array Technology	81	
3.2.3	DNA Microarrays	81	
3.2.3.1	DNA Microarray Market Size	83	
3.2.3.2	DNA Microarrays in SNP Analysis	84	
3.2.3.3	DNA Microarrays in Cancer	85	
3.2.4	Protein Microarrays	85	
3.2.4.1	Reasons Why Researchers Use Protein Microarrays	86	
3.2.4.2	Factors for Adoption of Protein Microarrays Technology	87	
3.2.4.3	Future Innovations in Protein Microarray Technology	87	
3.2.5	New Technologies	87	
3.2.5.1	Antibody Microarrays	87	
3.2.5.2	Peptide Microarrays	88	
3.2.5.3	Peptide MHC Microarrays	88	
3.2.5.4	Tissue Microarrays	88	
3.2.5.5	Key Points for Developing Microarray-Based Applications	89	
3.2.5.6	Reasons Why Researchers use DNA Microarrays	89	
3.2.5.7	Factors for Difficulties Applying DNA Microarrays Technology	90	90
3.2.5.8	Emerging Microarray Trends	91	
3.2.5.9	Emerging Microarray Applications	91	
3.2.5.10	Key Findings on Use of Microarrays	92	
3.2.5.11	Advantages and Drivers of Microarrays	92	
3.2.5.12	Limitations and Barriers to Use of Microarrays	94	
3.2.5.13	qRT-PCR Use in Biomarker Identification and Drug Development	96	96
3.2.5.14	Microarray Quality Control (MAQC) Project	97	
3.3	Theranostics	97	
3.3.1	Theranostics in Drug Development	97	
3.3.2	Trends in Theranostics	97	
3.3.3	Timeline for Impact on Various Segments in Theranostics	98	
3.3.4	Challenges for Biomarker-Based Therapeutics Development	99	99
3.4	Pharmaceutical Development and Bioanalytical Services	100	
3.4.1	Wyeth (now part of Pfizer) Singulex's Erenna	101	
3.5	Metabolomics in Drug Discovery	101	
3.6	Bioinformatics	102	
3.6.1	Definition and Role of Bioinformatics	103	
3.6.2	Bioinformatics Sector Overview	105	
3.6.3	Future Status of Bioinformatics	106	
3.6.3.1	Future in Drug Discovery	106	
3.6.3.2	Mergers and Acquisitions could Deter Bioinformatics Growth	106	106
3.6.3.3	Barriers to Bioinformatics Growth	106	
3.6.3.4	Types of Data and Bioinformatics Applications	106	

3.6.3.5	Validated Core Modeling Technology	108	
3.6.3.6	Applicability of Bioinformatics for Biomarker Discovery	108	
3.6.3.7	Biomarker Data Management Compliant with Industry Standards	108	108
3.6.3.8	Data Management for Biomarkers	108	
3.6.3.8.1	Data Transformation for Biomarker Development	108	
3.6.3.8.2	Biomarker Data Collaboration	108	
3.6.3.8.3	Interface for Online Data Sources for Genomic Structures	109	
3.6.3.8.4	Target Markets for Informatics Software	109	
3.6.3.8.5	Bioinformatics Drivers and Challenges in the Pharmaceutical Industry	110	110
3.6.3.8.6	Products of Bioinformatics	112	
3.6.3.8.7	Informatics Tools and Functionalities	113	
3.6.3.8.8	Bioinformatics in Lead Identification and Optimization	114	
3.6.3.8.9	Bioinformatics in Drug Development and Formulation	114	
3.6.3.8.10	Role of Bioinformatics in the Drug Discovery Value Chain	114	
3.6.3.8.11	Bioinformatics Software for Drug Discovery and Biomarker Development	115	115
3.6.3.8.12	Bioinformatics Services	116	
3.7	Biomarkers and Proteomics	117	
3.7.1	Scientific Background	118	
3.7.2	Applying Proteomics to Biomarker Discovery	118	
3.7.2.1	Challenges Facing Biomarker Developers	119	
3.7.3	Limitations of Proteomic Approaches to Biomarker Discovery	121	121
3.7.4	Validation of Biomarkers Using LC-MS/MS Systems	121	
3.7.5	Use of Mass Spectrometry in Biomarker Discovery	122	
3.7.5.1	Multiple Reaction Monitoring Assays (MRMs)	123	
3.7.5.2	Gel-Based Approaches	123	
3.7.5.3	Non-Gel-Based Approaches	123	
3.7.5.4	SELDI-TOF MS	123	
3.7.5.5	SELDI and Prognosis	124	
3.7.5.6	SELDI and Treatment Monitoring	124	
3.7.5.7	Limitations of Mass Spectroscopy	125	
3.7.6	Partnerships for Developing Proteomic Biomarkers	126	
3.7.7	Proteomics in Developing a New Cancer Marker	127	
3.7.7.1	Translating Proteomic Oncology Discoveries to the Clinic: Development of Analytical Reference Materials, Reagents, Data, and Technology Assessment and Validation	127	127
3.7.7.2	Challenges of Discovering and Validating Clinical Protein Biomarkers	128	128
3.7.7.3	Importance of Proteomics in Biomarker Discovery	128	
3.8	Toxicogenomics	128	
3.8.1	Toxicogenomics Concerns in Drug Safety Data	129	
3.8.2	Toxicogenomics and Prioritization of Drug Candidates	129	
3.8.3	Genomic Biomarkers for Drug-Induced Nephrotoxicity	130	
3.8.4	Use of Biomarkers of Drug-Induced Cardiotoxicity	130	
3.8.5	Use of Biomarkers of Drug-Induced Hepatotoxicity	130	
3.8.6	Transgenic Biomarkers for Adverse Drug-Drug Interactions	130	130
3.8.7	Challenges to Toxicogenomics	130	
3.8.8	The Future Use of Toxicogenomics in Drug Discovery	131	
4.	Market for Biomarkers in Drug Development	132	
4.1	C-KIT (CD117) Expression	136	
4.2	CCR5 -Chemokine C-C Motif Receptor	136	
4.3	CYP2C19 Variants	136	
4.4	CYP2C9 Variants	137	
4.5	CYP2D6 Variants	137	
4.6	CYP2D6 Variants with Alternate Context	137	
4.7	Clinical Biomarkers	138	
4.8	Targeting Kidney Toxicity	138	
4.8.1	Proximal and Distal Tubular Injury (Alpha-GST and Pi-GST)	139	139

4.8.2	Collecting Duct and Loop of Henle Injury (RPA-1 and RPA-2)	139
4.8.3	Glomerular Injury (Collagen IV)	139
4.8.4	KIM-1	140
4.9	Targeting Hepatotoxicity	140
4.9.1	Breast Cancer	141
4.9.2	Colorectal Cancer	142
4.9.3	Prostate Cancer	142
4.9.4	Cystic Fibrosis	142
4.10	Biomarker Application in Oncology Clinical Development	142
4.10.1	Specific Example of Companion Biomarkers in Clinical Oncology	148
4.10.2	Integration of a Companion Diagnostic Strategy into Oncology Drug Development	148
4.10.2.1	Lilly to Co-Develop Companion IVDs for Cancer Drugs	148
4.10.2.2	Galena Biopharma and Leica Biosystems Announced a Partnership to Develop a Companion Diagnostic for HER2 Screening in Women with Breast Cancer	149
4.10.2.3	bioMérieux and Ipsen Sign Theranostics Agreement to Develop Companion Test for New Breast Cancer Treatment	149
4.10.2.4	Life Technologies to Partner with Bristol-Myers Squibb for Companion Diagnostics Development	149
4.10.2.5	Ventana Medical Systems and the Critical Path Institute	149
4.10.2.6	Siemens Forms New Companion Diagnostics Partnerships with ViiV Healthcare and Tocagen	149
4.10.2.7	Biomarkers in Development	150
4.10.2.8	Epigenomics' Methylation Biomarker Septin	150
4.10.2.9	Quest Diagnostics and Lab Corp Develop IL 28-B Test for Hepatitis C	150
4.10.2.10	NSLC Patients with EGFR Mutation	151
4.10.2.11	A Personalized Medicine Program for Chronic Myeloid Leukemia	151
4.10.2.12	Clariant Adopts Qiagen KRAS	151
4.11	Targeting Diabetes-Related Heart Disease	151
4.12	Key Challenges and Opportunities in Developing Targeted Therapeutics	152
5.	Imaging Biomarkers in Drug Discovery	153
5.1	Introduction	153
5.1.1	Validation of Imaging Biomarkers	153
5.1.2	Types of Imaging Used in Drug Development	153
5.1.3	Development of Imaging Technologies	154
5.2	Molecular Imaging	154
5.2.1	Use in Drug Discovery	154
5.2.2	Use in Clinical Applications	154
5.2.3	Use in Clinical Trials	154
5.2.4	Cell-Based Screening Technologies in Drug Development	154
5.2.5	Optical Biomarkers	155
5.3	Magnetic Resonance Imaging	155
5.4	Positron Emission Tomography	155
5.5	FDG-PET Patient Phase I Studies	156
5.6	Imaging Biomarkers as Study Endpoints	157
5.6.1	Oncology	157
5.6.2	Parkinson's Disease	157
5.6.3	Cardiac Disease	157
5.7	IT Solutions for Imaging Biomarkers in Biopharmaceutical R&D	159
6.	Clinical Biomarkers Improving Trial Design	160
6.1	Strategies to Improve the Measurement of Biomarkers for Drug Trials	160
6.2	Key Opportunities in Biomarker Discovery, Development and Commercialization	160
6.2.1	Contract Research Companies	160
6.3	What Strategies Help Translate Biomarkers from Preclinical to Clinical Development?	162
6.4	How Should Biomarker Data be Compared to "Traditional" Safety and Efficacy Data?	162

7.	Biomarkers as Surrogate Endpoints	164	
7.1	What is a Surrogate Endpoint?	164	
7.2	Benefits and Drawbacks of Surrogate Endpoints	164	
7.2.1	Benefits	164	
7.2.2	Drawbacks	164	
7.3	Improving the Efficacy of Clinical Surrogate End Points Using Biomarkers	164	
7.4	Surrogate Endpoint Validation	165	
7.5	Effective Use of Surrogates	165	
7.5.1	FDG-PET as a Surrogate Endpoint in Oncology Studies	165	
7.6	Conclusions	165	
8.	Market Size, Collaborations and Future Directions for Companion Diagnostics in Drug Development	166	
8.1	Strategies to Improve the Measurement of Biomarkers for Drug Trials	166	
8.1.1	Key Opportunities in Biomarker Discovery, Development and Commercialization	166	166
8.1.2	The Rationale Behind Biomarker Strategy	166	
8.1.3	New Development Strategies and their Implications for Deal Making	167	
8.1.4	How Biomarkers are being Used to Reduce Attrition in Development	168	
8.1.5	Combined Therapeutics and Diagnostics Biomarker Business Makes Sense	168	
8.1.6	Use of Biomarkers In House or Partner with a Diagnostics Company	168	
8.2	What is the Best Balance of Resources to have the Most Efficient Pathway to Develop Biomarkers?	168	
8.3	Current and Future Trends in Drug Development	169	
8.4	Future Role of Biomarkers in Healthcare	169	
8.5	What are the Current Organizational Obstacles in Biomarker Implementation?	170	
9.	Regulatory Issues for Biomarkers in Drug Development	171	
9.1	Introduction	171	
9.1.1	Role of Regulatory Agencies in Development of Biomarkers	172	
9.2	FDA Perspective of Biomarkers in Clinical Trials	173	
9.2.1	FDA as a Gatekeeper of Companion Biomarkers	173	
9.2.2	FDA Criteria for a Valid Biomarker	173	
9.2.3	FDA Product Submission and Review Process	174	
9.2.4	FDA Pipeline for Biomarker Tests	175	
9.2.5	Adaptive Clinical Trial Design	175	
9.2.6	Orphan Drug Act and Biomarkers: Options and Opportunities	175	
9.3	Role of StaRT-PCR™ in Increasing Value of Pharmacogenomic Data	176	176
9.4	Supporting IND, NDA and BLA Submissions	177	
9.5	Performance Characteristics of Biomarker Tools	179	
9.6	Biomarker Initiative and VGDs	181	
9.7	Biomarker Qualification Pilot Process at the FDA	181	
9.7.1	Introduction	181	
9.7.2	Biomarker's Validity	182	
9.7.3	Biomarker Qualification Process Map	182	
9.7.4	Biomarker Qualification Pilot Process	183	
9.7.5	The Pipeline Problem	184	
9.7.6	FDA Critical Path	185	
9.7.6.1	Challenge and Opportunity on the Critical Path to New Medical Products	186	186
9.7.6.2	The NIH Roadmap	187	
9.7.6.3	Predictive Safety Testing Consortium	187	
9.7.6.4	FDA Risk-Based Approach	187	
9.7.6.5	Examples of Drugs being Held up Due to Lack of Compliance with FDA Directives	187	187
9.7.7	Negotiating the Critical Path	187	
9.7.8	Technical Dimensions Along the Critical Path	188	
9.7.9	Product Development Toolkit	189	
9.7.10	Tools for Assessing Safety	190	

9.7.11	Tools for Demonstrating Medical Utility	192	
9.7.12	Tools for Manufacturing	195	
9.7.13	Orphan Products Grant Program	196	
9.7.14	Slowdown in New Medical Products	196	
9.7.15	Factors Contributing to the Decline in New Product Applications	199	
9.7.16	Factors that Cause Unnecessary Delays in New Product Approvals	201	
9.7.17	Reducing Avoidable Delays in Time to Approval	202	
9.7.18	Reducing Delays in Medical Device Reviews	203	
9.7.19	Reducing Delays in Animal Drug Reviews	204	
9.7.20	Quality Systems Approach to Medical Product Review	204	
9.7.20.1	Instituting Quality Systems in Review of New Drugs and Biologics	205	
9.7.20.2	Implementing of the Common Technical Document (CTD) and the Electronic CTD	205	
9.7.20.3	Implementing Medical Device Quality Initiatives	206	
9.7.21	Case Study: Nephrotoxicity Biomarkers	206	
9.7.22	Role of the FDA	206	
9.8	CMS Regulatory Responsibilities	207	
9.9	Role of National Institute of Standards and Technology in Validation of Biomarkers	208	
9.10	Biomarkers and FDA's Voluntary Genomic Data Submission	208	
9.11	Federal Health Oncology Biomarker Qualification Initiative	210	
9.12	Orphan Drug Act and Pharmacogenomics: Options and Opportunities	211	
9.13	Post-Market Covigilance Programs	212	
9.14	Technology Options, Potential Diagnostic Partners and Regulatory Hurdles	212	
9.15	What Regulatory Guidance is Needed for Companion Biomarkers?	213	
9.16	U.S. Patent and Trademark Office (USPTO)	215	
9.17	IRB Approval in Clinical Trials	215	
9.18	Reimbursement and Value Creation	215	
9.19	FDA Guidance Document on Co-Development	215	
9.20	What is the Future Role of PBM's in Laboratory Services	215	
9.21	FDA Guidance Document on Co-Development	216	
10.	Business Decisions Using Companion Biomarkers in Drug Development	217	
10.1	Advantages of a Pharmacogenomic Assessment of Biomarkers to Determine Clinical Dose	217	
10.2	Key Opportunities in Biomarker Discovery, Development and Commercialization	217	
10.3	What are the Current Obstacles in Biomarker Implementation in Clinical Medicine?	218	
10.4	How do Business Strategies, such as Those Relating to Acquisition, Drive Biomarker Strategies?	219	
10.5	What is the Right Balance Between Using External Partnerships and Developing Internal Infrastructure?	219	
10.6	How might Novel Biomarker Development Lead to Acquisition Strategies and their Implications for Deal Making?	219	
10.7	Which Types of Biomarkers should be Developed at Various Stages in the Drug Pipeline?	219	
10.8	What Strategies Help Translate Biomarkers from Preclinical to Clinical Development?	219	
10.9	In what Class of Drugs is the Value of Using Biomarkers in Decision Making the Highest?	220	
10.10	Increased Clinical Trial Costs in Targeted Phase I Trials	221	
10.11	How can Big Pharma Co-Develop Biomarkers in a Cost-Sharing Model for Regulatory Acceptance?	221	
10.12	How are Biomarkers being Used to Reduce the Attrition Rate in Drug Development?	221	
10.13	How is ROI Measured Using Biomarkers in Drug Development?	221	
10.14	How might Organizational Structures Limit the Use of Biomarkers in Drug Development and how should R&D Organizations Address this Problem?	221	
10.15	How to Maximize Business Development through Biomarker Strategies	222	
10.16	What is the Best Type of Business Model for Developing Biomarkers?	222	
10.17	What are Organizational Impediments Limiting the Use of Biomarkers in Drug Development?	222	
10.18	What are Internal Capabilities for Novel Biomarker Development and Application?	222	
10.19	How can Key Biomarker Technical Expertise be Applied Across a Complex and Highly-Stratified R&D Value Chain?	223	
10.20	At what Stage of Drug Development have Biomarkers Provided the Most Benefit?	223	

10.21	What Companies are the Most Innovative in Development of Biomarkers?	223
10.22	Best Values for Biomarkers in Drug Development and in Diagnostics	223
10.23	Companion Biomarkers can Increase Value in an Associated Drug	224
10.24	What is the Role of Governmental Agencies in Driving the Adoption of CDx?	224
10.25	What is the Role of the Insurance Industry in Driving the Adoption?	224
10.26	What is the Role of the Pharma Industry in Driving the Adoption of PGx?	224
10.27	What is the Role of the Diagnostic Industry in Driving the Adoption of PGx?	225
11.	Company Profiles	226
11.1	Abbott Laboratories	226
11.2	Accelrys	229
11.3	Affymetrix	230
11.4	Agilent Technologies	233
11.5	Almac Diagnostics	236
11.6	Amgen	236
11.7	Ananomouse	238
11.8	Applied Maths	238
11.9	Ariadne Genomics	239
11.10	ArrayIt (Integrated Media Holdings)	239
11.11	AstraZeneca PLC	239
11.12	AutoGenomics, Inc.	241
11.13	Axontologic	241
11.14	Beckman Coulter (now part of Danaher)	241
11.15	Becton, Dickinson and Company (BD)	244
11.16	Bender MedSystems (Affymetrix)	245
11.17	Bioalma	246
11.18	BioAnalytics Group	246
11.19	Biocartis	246
11.20	Biocept Laboratories	247
11.21	BioChain, Inc.	248
11.22	BioData	248
11.23	BioDiscovery	248
11.24	Biodesix	248
11.25	BioForce Nanosciences	249
11.26	BioGenex	250
11.27	Bioinformatics Solutions, Inc.	250
11.28	Biomax Informatics	250
11.29	bioMérieux	250
11.30	Biomind	251
11.31	Bio-Rad Laboratories, Inc.	251
11.32	BioSystems International (BSI)	252
11.33	Biotrin (DiaSorin)	253
11.34	BioWisdom (Instem Scientific Limited)	253
11.35	Bristol-Myers Squibb Company	253
11.36	Caliper Life Sciences (A PerkinElmer Company)	255
11.37	Caprion Proteomics	258
11.38	Carestream Health	259
11.39	Celera	259
11.40	Cepheid	262
11.41	Chang Bioscience	264
11.42	Clontech Laboratories	264
11.43	CombiMatrix Diagnostics	264
11.44	Compugen	266
11.45	Correlogic Systems, Inc. (Vermillion, Inc.)	268
11.46	Covance	268
11.47	Cybrdi	268

11.48	Cytogen Corporation (now EUSA Pharma)	268
11.49	Dako A/S (Agilent Technologies)	269
11.50	Decodon	270
11.51	Definiens	270
11.52	DiagnoSwiss	271
11.53	Discerna	271
11.54	DNAStar	272
11.55	DNATools	272
11.56	Eidogen-Sertanty	272
11.57	Electric Genetics Corporation	272
11.58	Eli Lilly and Company	273
11.59	Entelos	274
11.60	ePitope Informatics	274
11.61	Eurogentec	274
11.62	Exiqon A/S	275
11.63	Forensic Bioinformatics	275
11.64	Fujitsu	275
11.65	Future Diagnostics	276
11.66	Gene Codes	276
11.67	Genedata	276
11.68	GeneGo	276
11.69	Gene Network Sciences	277
11.70	Geneva Bioinformatics	277
11.71	Genomatica	277
11.72	Genomic Solutions	277
11.73	Genomining	278
11.74	GE Healthcare	278
11.75	GeneStudio, Inc.	278
11.76	Genomatix Software	279
11.77	GenomeQuest, Inc.	279
11.78	Genus BioSystems	279
11.79	Genzyme (Sanofi-Aventis)	279
11.80	Geospiza	279
11.81	GlaxoSmithKline PLC	280
11.82	Golden Helix	280
11.83	Grace Bio-Labs	280
11.84	Gyros AB	281
11.85	HealthCare IT	281
11.86	Hologic Gen-Probe	281
11.87	High Throughput Genomics	286
11.88	Human Genome Sciences (GSK)	286
11.89	Illumina, Inc.	287
11.90	Imgenex Corp.	288
11.91	Imaxia	288
11.92	INCOGEN, Inc.	288
11.93	Incyte	289
11.94	InforSense	289
11.95	Ingenuity Systems	289
11.96	InPharmix	290
11.97	Insightful Corporation	290
11.98	Integromics, S.L.	290
11.99	IBM	290
11.100	IO Informatics	292
11.101	Ipsen	292
11.102	Jerini AG	292
11.103	Johnson & Johnson	292

11.104	Koada Technology	293	
11.105	KOOPrime	293	
11.106	Life Technologies Corporation	294	
11.107	LINCO Research	296	
11.108	Luminex	296	
11.109	Marligen Biosciences	297	
11.110	Matrix Science	298	
11.111	MDS, Inc. (Nordion, Inc.)	298	
11.112	Merck & Co., Inc.	298	
11.113	Merck KGaA	299	
11.114	Meso Scale Discovery	300	
11.115	Metabolon	300	
11.116	Microbionix	300	
11.117	MicroDiscovery	301	
11.118	Millennium Pharmaceuticals	301	
11.119	Millipore	301	
11.120	MiraiBio	303	
11.121	Molecular Connections	303	
11.122	MolMine AS	303	
11.123	Molsoft	304	
11.124	Monogram Biosciences (Labcorp)	304	
11.125	MTR Scientific	305	
11.126	Multimetrix	305	
11.127	Nanogen, Inc.	306	
11.128	Nanosphere	306	
11.129	NetGenics	307	
11.130	NextGen Sciences	307	
11.131	NimbleGen Systems	307	
11.132	Nonlinear Dynamics	307	
11.133	Novartis	308	
11.134	Nuvera Biosciences	309	
11.135	Ocimum Biosolutions	309	
11.136	OmniViz	309	
11.137	One Lambda (Thermo Fisher's Specialty Diagnostics Segment)	309	
11.138	Oracle	310	
11.139	OriGene Technologies, Inc.	311	
11.140	Ore Pharmaceuticals, Inc. (Ore Holdings, Inc.)	312	
11.141	Orla Protein Technologies Ltd.	313	
11.142	Osmetech PLC (Genmark Diagnostics)	313	
11.143	Oxonica	313	
11.144	PamGene BV	314	
11.145	Panomics	314	
11.146	Partek, Inc.	314	
11.147	Pepscan Therapeutics	315	
11.148	Perbio Science	315	
11.149	Perlegen Sciences	315	
11.150	Pfizer	315	
11.151	PharmaSeq, Inc.	316	
11.152	Pierce Biotechnology	316	
11.153	Platypus Technologies, LLC	316	
11.154	Predictive Patterns Software	317	
11.155	Proceryon Biosciences	317	
11.156	Protagen AG	317	
11.157	ProteinOne	318	
11.158	Proteome Sciences	318	
11.159	Pub Gene, Inc.	318	

11.160	Qiagen	319	
11.161	Radix BioSolutions	323	
11.162	Randox Laboratories Ltd.	323	
11.163	RayBiotech	323	
11.164	Redasoft324		
11.165	RedStorm Scientific	324	
11.166	Reel Two (Surechem, Inc.)	324	
11.167	Rescentris	324	
11.168	Roche	324	
11.169	Rosetta Biosoftware	326	
11.170	Rules-Based Medicine (Myriad Genetics, Inc.)	326	
11.171	SAS	327	
11.172	Schleicher & Schuell BioScience	327	
11.173	SciTegic	327	
11.174	Semantx Life Sciences	327	
11.175	Sequenom	327	
11.176	Siemens Healthcare Diagnostics	328	
11.177	Sigma-Aldrich	330	
11.178	Silicon Genetics	331	
11.179	Singulex	331	
11.180	Softberry, Inc.	331	
11.181	SoftGenetics	331	
11.182	SomaLogic	331	
11.183	Spotfire	332	
11.184	SPSS	332	
11.185	Strand Life Sciences	333	
11.186	Stratagene	333	
11.187	SuperBioChips Laboratories	333	
11.188	SurroMed	333	
11.189	Sun Microsystems	333	
11.190	Sygnis Pharma AG	334	
11.191	Techne Corporation	334	
11.192	Tepnel Life Sciences (Hologic Gen-Probe)	335	
11.193	Teranode	335	
11.194	Textco BioSoftware	336	
11.195	TG Services, Inc.	336	
11.196	Thermo Fisher Scientific	336	
11.197	Third Wave Technologies	337	
11.198	Thomson Reuters	337	
11.199	TIBCO Software, Inc.	338	
11.200	TimeLogic	338	
11.201	TriStar Technology Group	338	
11.202	Tyrian Diagnostics (formerly Proteome Systems)	338	
11.203	VBC-Genomics Bioscience Research GmbH (Phadia Multiplexing Diagnostics GmbH)	339	
11.204	Ventana Medical Systems	339	
11.205	ViaLogy	339	
11.206	Wyeth	339	
11.207	Zeptosens	340	
11.208	Zeus Scientific	340	
11.209	Zyagen	340	

Appendix 1: FDA Guidance for Industry: Pharmacogenomic Data Submission	341
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Appendix 1.1: Introduction	341
Appendix 1.2: Background	341
Appendix 1.3: Submission Policy	342
Appendix 1.3.1: General Principles	342

Appendix 1.3.2: Specific Uses of Pharmacogenomic Data in Drug Development and Labeling	343
Appendix 1.3.3: Benefits of Voluntary Submissions to Sponsors and FDA	344
Appendix 1.4: Submission of Pharmacogenomic Data	345
Appendix 1.4.1: Submission of Pharmacogenomic Data during the IND Phase	345
Appendix 1.4.2: Submission of Pharmacogenomic Data to a New NDA, BLA, or Supplement	346
Appendix 1.4.3: Submission to a Previously Approved NDA or BLA	347
Appendix 1.4.4: Compliance with 21 CFR Part 58	347
Appendix 1.4.5: Submission of Voluntary Genomic Data from Application-Independent Research	348
Appendix 1.5: Format and Content of a VGDS	348
Appendix 1.6: Process for Submitting Pharmacogenomic Data	349
Appendix 1.7: Agency Review of VGDSs	349
Glossary	351
Appendix 2: Guidance for Industry and Food and Drug Administration Staff— <i>In Vitro</i> Companion Diagnostic Devices	352
Appendix 2.1: Introduction	352
Appendix 2.2: Background	352
Appendix 2.3: Definition and Use of an IVD Companion Diagnostic Device	353
Appendix 2.4: Review and Approval of IVD Companion Diagnostic Devices and Therapeutic Products	354
Appendix 2.4.1: Novel Therapeutic Products	354
Appendix 2.4.2: Approval of a Therapeutic Product without an Approved IVD Companion Diagnostic Device	354
Appendix 2.4.3: General Policies	355
Appendix 2.5: Labeling	355
Appendix 2.5.1: Therapeutic Product Labeling	355
Appendix 2.5.2: IVD Companion Diagnostic Device Labeling	356
Appendix 2.6: Investigational Use	357

INDEX OF FIGURES

Figure 2.1: Drug Discovery and Development Paradigm	30
Figure 2.2: Paradigm of Drug Discovery and Development Illustrating the Central and Essential Role of Biomarkers in Screening	34
Figure 2.3: Functional Genomic Process for Drug Development	35
Figure 2.4: Reimbursement for Diagnostics in Healthcare Decision Making: Percentage Influence on Healthcare Decision Making	39
Figure 2.5: Reimbursement for Diagnostics in Healthcare Decision Making: Percentage of Healthcare Spending	39
Figure 2.6: Market Growth and Evolution of Companion Biomarkers	40
Figure 2.7: Medical Product Development Models	41
Figure 2.8: Segmentation of the Biomarker Development Market	42
Figure 2.9: Global Pharmaceutical Drug Sales, 2004-2018	47
Figure 2.10: Worldwide Generic Pharmaceutical Drug Market, 2003-2018	49
Figure 2.11: Worldwide OTC Pharmaceutical Drug Market, 2003-2018	50
Figure 2.12: Worldwide Biopharmaceutical Drug Market, 2003-2018	51
Figure 2.13: Number of Compounds by Clinical Trial Phase, 2012	55
Figure 2.14: Biomarkers Market Drivers	69
Figure 2.15: Challenges in the Biomarkers Space	70
Figure 2.16: FDA Co-Developed Products	75
Figure 3.1: Worldwide Microarray Market Size, 2004-2018	84
Figure 3.2: Informatics Applications Along the Drug Discovery Value Chain	103
Figure 3.3: Bioinformatics Software Flow Chart	104
Figure 3.4: Growth of GenBank, 1982-2012	104
Figure 3.5: Role of Bioinformatics in the Drug Discovery Value Chain	115
Figure 3.6: Challenges in the Study or Utilization of Proteomic Biomarkers	119
Figure 3.7: Challenges in the Study or Utilization of Companion Diagnostic Biomarkers	120

Figure 3.8: Top Unmet Needs in Products in the Biomarkers Space	121
Figure 4.1: Companion Biomarker Market Size, 2008-2018	133
Figure 4.2: Growth and Evolution of the Biomarker Space	134
Figure 4.3: Revenue Forecast Projections for Global Biomarker Markets by Segments, 2005-2012	135
Figure 4.4: Biomarker Discovery by Therapeutic Area	135
Figure 4.5: Kidney Biomarker Paradigm	139
Figure 4.6: Hepatic Biomarker Paradigm	141
Figure 9.1: IPRG Biomarker Qualification Process	183
Figure 9.2: Critical Path for Drug Development	197
Figure 9.3: Path for R&D Product Development	197
Figure 9.4: Dimensions of the Critical Path	198
Figure 9.5: FDA Interactions During Drug Development	198
Figure 9.6: Problem Resolution During the FDA Review Process	199
Figure 9.7: VGDS Process Flow	209
Figure 10.1: Discovery, Validation and Use of Biomarkers	220

INDEX OF TABLES

Table 2.1: Utility of Biomarkers as Companion Diagnostics to Drug Development	26
Table 2.2: Biomarker End Points in Drug Development	28
Table 2.3: Value of Biomarkers in Phase II Clinical Trials	30
Table 2.4: Representative Companion Diagnostic Deals	31
Table 2.5: Selected Examples of Companion Diagnostics Used in Cancer Therapies	33
Table 2.6: Comparative Genome Sizes of Humans and Other Organisms	36
Table 2.7: Global Pharmaceutical Drug Sales, 2004-2018	47
Table 2.8: Worldwide Generic Pharmaceutical Drug Market, 2003-2018	48
Table 2.9: Worldwide OTC Pharmaceutical Drug Market, 2003-2018	49
Table 2.10: Worldwide Biopharmaceutical Drug Market, 2003-2018	50
Table 2.11: Threats to Pharmaceutical Industry Productivity	52
Table 2.12: Competitive Forces Governing the Pharmaceutical Industry	52
Table 2.13: Time Line for Development of Companion Diagnostics	53
Table 2.14: Leading Therapy Classes for R&D, 2012	54
Table 2.15: Global Total Pharmaceutical Industry R&D Spending, 2004-2018	56
Table 2.16: Pharmaceutical R&D Spend: Top 20 Companies and Total Market, 2011 and 2018	57
Table 2.17: Global Pharmaceutical Top Markets, 2011	57
Table 2.18: World's Top-Selling Drugs, 2011 and 2012	58
Table 2.19: Top Pharmaceutical Companies by Pharmaceutical Sales, 2011 and 2012	59
Table 2.20: Leading Therapy Classes by Global Pharmaceutical Sales, 2012	59
Table 2.21: New Molecular Entity Approvals for 2012	61
Table 2.22: Pharmaceuticals Industry Challenges	65
Table 2.23: Reasons for Developing Phase I Biomarkers	66
Table 2.24: Percentage of Non-Responders in Various Drug Classes	66
Table 2.25: High Profile Drug Withdrawals from the Marketplace	67
Table 2.26: Market Opportunities in Biomarkers	70
Table 2.27: Challenges for Market Adoption of the Various Biomarkers Tests	71
Table 2.28: Biomarkers Industry SWOT	72
Table 2.29: Stakeholders and their Expectations of Companion Diagnostics	73
Table 3.1: Worldwide Microarray Market Size, 2004-2018	84
Table 3.2: List of DNA Array Manufacturers	90
Table 3.3: U.S. qRT-PCR Market, 2007-2018	96
Table 3.4: Theranostics Technology Platforms—Timeline of Impact	98
Table 3.5: Impact of Personalized Medicine on Various Therapeutic Areas	99
Table 3.6: Hurdles in Biomarkers Development in Therapeutic Areas	100
Table 3.7: Data Source and Bioinformatic Investigations	107
Table 3.8: Drivers and Challenges of the Bioinformatics Industry	110

Table 3.9: Bioinformatics Activities, Sub-Activities and Key Players	117
Table 3.10: Concentration of Some Abundant Proteins, New Cancer Biomarkers Identified by SELDI-TOF, and Classical Cancer Biomarkers in Serum	126
Table 3.11: Device Submission Elements for the FDA	126
Table 3.12: Toxicogenomic Standards and Their Organizations	130
Table 3.13: Genomic and Proteomic Technologies	131
Table 4.1: Companion Biomarker Market Size, 2008-2018	133
Table 4.2: Kidney Biomarkers	140
Table 4.3: Herceptin Worldwide Sales, 2000-2017	143
Table 4.4: Characteristics of Different Cancer Biomarker Types and Associated Market Opportunities	143
Table 4.5: Segmentation of the Cancer Biomarker Market by Type of Cancer Biomarkers and Market Size	144
Table 4.6: Cancer Biomarker Market Estimates by Tissue of Origin	145
Table 4.7: Companies Developing New Proteomic Cancer Biomarker Technology Platforms	146
Table 4.8: Cancer Biomarkers Used to Maximize Likelihood of Response	148
Table 4.9: Biomarkers for Monitoring Therapeutic Effectiveness and Resistance	148
Table 6.1: Contract Research Companies	161
Table 8.1: Stakeholders in Biomarker Development	170
Table 9.1: Structure of the Critical Path	188
Table 9.2: Device Submission Elements for the FDA	201
Table 9.3: Factors that Cause Unnecessary Delays in New Product Approvals	201
Table 10.1 Companion Diagnostics Deals by Type	218

1. Overview

1.1 Statement of Report

The term “companion biomarker” means that a particular diagnostic test is specifically linked to a therapeutic drug either during its development or in the clinic. This linkage can be an important component of the drug development process; or alternatively, the companion biomarker can be useful in ameliorating the regulatory process for the drug, or acting as an aid to therapeutic use in the clinic. This TriMark Publications report focuses on the role of companion diagnostic tests in drug development. This report will provide an in-depth discussion and analysis of the application of companion biomarkers to drug development and targeted therapeutics, as well as their use in clinical trials and the regulatory forum. This examination emphasizes new and developing technology platforms meant to aid in development of drugs for therapeutic use, and sometimes to be available as companion tests for these drugs in the clinic.

1.2 About This Report

This report describes new biomarker technology platforms developed for the analyses of drug targets that are connected to the effectiveness of therapeutic agents in a clinical setting. The emphasis is on those companies that are actively developing and marketing new companion diagnostic tests for performing biomarker tests during drug development, as opposed to the more routine and clinically accepted companion markers that are manufactured and marketed by large diagnostic companies for routine clinical use.

This review focuses on biotech and pharmaceutical companies who have new products and procedures for drug development. Traditional diagnostic companies in the process of developing new ideas for clinical diagnostic purposes are not reviewed in any detail here. However, many pharmaceutical companies take great pains to point out that they are not diagnostic development companies, and as new drugs reach the clinic, some of the companion diagnostic tests that are used internally by pharmaceutical companies in their clinical trials and FDA applications can be turned over to diagnostic companies for further development in the clinic.

1.3 Scope of the Report

This analysis differs from TriMark’s *Personalized Medicine and Companion Diagnostics for Personalized Medicine and Cancer Therapy* reports in that it emphasizes diagnostic tests that are linked in their usage to development stage work on therapeutic agents. This study emphasizes pharmaceutical and biotech companies that are actively developing new technology platforms for performing companion biomarker diagnostics tests in the clinical trial and early drug development setting.

1.4 Objectives

The main objectives of this review are:

- Identifying viable technology drivers through a comprehensive look at platform technologies for *in vitro* diagnostic tests used as biomarkers, which are used to monitor the efficacy of therapeutic drugs.
- Obtaining a complete understanding of the new companion biomarker diagnostic tests—*i.e.*, predictive, screening, prognostic, monitoring, pharmacogenomic and theranostic—from their basic principles to their applications.
- Discovering growing market opportunities in drug development by identifying high-growth applications in different biomarker areas, with a major focus on the biggest and expanding markets in oncology (*e.g.*, biomarkers for cancer therapeutics).
- Focusing on global pharmaceutical industry development through an in-depth analysis of the major world markets for companion diagnostics, including growth forecasts.

The report discusses the various market trends and opportunities using biomarkers in drug development. The reader should consult other TriMark Publications reports at <http://www.trimarkpublications.com> for detailed discussions of important individual market segments related to the companion diagnostics market. TriMark provides a separate market report called *DNA Sequencing and PCR Markets*, which emphasizes the analytical methods and PCR technology platforms used in companion diagnostics. A sister report, *Pharmacogenomics for Clinical Use and in Drug Development*, on the use of companion diagnostic tests in treatment selection for patients in the diagnostic sector is recommended as a companion report to this one. The biotech sector developing new companion biomarkers for drug development is the focus of this examination.

Specialty companion diagnostics testing such as pathology screening methods and special tissue stains to examine companion cells *in situ* are mentioned, since they are often part of the overall analytical focus of companies that market companion technology platforms. However, no effort is made to quantify this older and broader market. These subjects are discussed in other TriMark Publications reports. Leading companies are discussed in-depth, with sections on the companies' histories, product lines, business and marketing analyses, and subjective commentary on the companies' market positions.

The report examines:

- Opportunities and hurdles in the development of companion biomarkers in drug discovery using proteomics and genomics.
- Secreted proteins as biomarkers.
- Adaptive design using biomarkers.
- Pharmacodynamic biomarkers identified with broad-based phenotyping as companion diagnostics.
- Tools for improving measurement, safety and validation of biomarkers in drug development.
- Filling the gap between discovery and clinically validated biomarkers.
- Enabling technologies for oncology biomarker discovery.

This analysis answers the questions:

- How can pharmaceutical companies identify which agents need to be developed with a companion diagnostic and which do not?
- Is the stratification of disease markets a reason to avoid targeted therapies and companion diagnostics?
- Which diagnostics' companies are developing biomarkers that might be potential targets for licensing or acquisition?
- What are the latest developments in the biomarker field with regard to drug development?
- What are the advantages of going the CLIA certified lab route?
- Are all companion diagnostics likely to need FDA approval in the near term?
- Which companies are utilizing cutting-edge technologies to develop, validate, and implement companion biomarkers for clinical use in the drug development and clinical trial setting?
- What impediments still exist to incorporating promising biomarkers into clinical trials?
- Which companion biomarkers show the most promise for use in drug approval?
- How can regulatory oversight drive approval and adoption of new technologies?
- Which alliances show the greatest synergy in bringing valid biomarkers to drug development?
- Which shared technologies are driving the most encouraging development?
- What is the current FDA stance on biomarkers and their potential to increase efficiency in drug development?
- How will insurance companies react to the use of biomarkers for pre-disposition and personalized medicine?
- What is the FDA's Critical Path Initiative?
- Do biomarkers really speed up the approval process?
- What stages does a biomarker need to go through for the FDA to consider it validated?
- What is the FDA viewpoint on pre-competitive cooperation on biomarker studies?
- What are the key opportunities in biomarker discovery, development and commercialization?
- What are the current obstacles in biomarker implementation?

- How do business strategies, such as those relating to acquisition, drive biomarker strategies?
- What is the right balance between using external partnerships and developing internal infrastructure?
- How might novel biomarker development lead to acquisition strategies and their implications for deal making?
- Which types of biomarkers should be developed at various stages in the drug pipeline?
- What strategies help translate biomarkers from preclinical to clinical development?
- In what class of drugs is the value of using biomarkers in decision making the highest?
- How are clinical trial costs increased by including biomarkers?
- How can Big Pharma co-develop biomarkers in a cost-sharing model for regulatory acceptance?

Key features of this report:

- Analysis of leading pharmaceutical and biotechnology companies and academic groups at the forefront of biomarker discovery, validation and utilization.
- Examination of the key trends which are currently affecting the discovery and application of biomarkers such as the development of molecular diagnostics and the application of valid, probable valid and exploratory biomarkers in drug discovery.
- Assessment of the pivotal role that biomarkers play in the development of new diagnostic devices both in conjunction with drugs as targeted therapies and in areas of unmet medical need.

1.5 Methodology

The author of this report holds a Ph.D. in biochemistry from the University of Minnesota and has had post-doctoral experience at the University of Connecticut School of Medicine. He has taught at Quinnipiac University and the Tufts School of Medicine, and has been a senior scientist at Pfizer Pharmaceutical Laboratories in drug development. He also has many decades of experience in science writing and as a medical industry analyst. He has over 30 years of experience in laboratory testing and instrument and reagent development technology as a licensed clinical laboratory director, as well as extensive experience in senior level management positions in biotech and medical service companies. The editor of this report is a Ph.D. in biochemistry from the University of Liverpool and an MBA from Oxford Brookes University with many decades of experience in science writing and as a medical industry analyst.

Company-specific information is obtained mainly from industry trade publications, academic journals, news and research articles, press releases and corporate websites, as well as annual reports for publicly-held firms. Additional sources of information include non-governmental organizations (NGOs) such as the World Health Organization (WHO) and governmental entities such as the U.S. Department of Health and Human Services (HHS), the National Institutes of Health (NIH), the Food and Drug Administration (FDA) and the Centers for Disease Control and Prevention (CDC). Where possible and practicable, the most recent data available have been used.

Some of the statistical information was taken from Biotechnology Associates' databases and from TriMark's private data stores. The information in this study was obtained from sources that we believe to be reliable, but we do not guarantee the accuracy, adequacy or completeness of any information or omission or for the results obtained by the use of such information. Key information from the business literature was used as a basis to conduct dialogue with and obtain expert opinion from market professionals regarding commercial potential and market sizes. Senior managers from major company players were interviewed for part of the information in this report.

Primary Sources

TriMark collects information from hundreds of Database Tables and many comprehensive multi-client research projects, as well as Sector Snapshots that it publishes annually. TriMark extracts relevant data and analytics from its research as part of this data collection.

Secondary Sources

TriMark uses research publications, journals, magazines, newspapers, newsletters, industry reports, investment research reports, trade and industry association reports, government-affiliated trade releases and other published information as part of its secondary research materials. The information is then analyzed and translated by the Industry Research Group into a TriMark study. The Editorial Group reviews the complete package with product and market forecasts, critical industry trends, threats and opportunities, competitive strategies and market share determinations.

TriMark Publications Report Research and Data Acquisition Structure

The general sequence of research and analysis activity prior to the publication of every report includes the following items:

- Completing an extensive secondary research effort on an important market sector, including gathering all relevant information from corporate reporting, publicly available databases, proprietary databases, direct meetings and personal interviews with key personnel.
- Formulating a study outline with the assigned writer, including important items:
 - Market and product segment grouping and evaluating their relative significance.
 - Key competitors' evaluations including their relative positions in the business and other relevant facts to prioritize diligence levels and assist in designing a primary research strategy.
 - End-user research to evaluate analytical significance in market estimation.
 - Supply chain research and analysis to identify any factors affecting the market.
 - New technology platforms and cutting edge applications.
- Identifying the key technology and market trends that drive or affect these markets. Assessing the regional significance for each product and market segment for proper emphasis of further regional/national primary and secondary research.
- Launching a combination of primary research activities including two levels of questionnaires, executive-direct focused, company-specific, and region-specific communications to qualified and experienced senior executives worldwide.
- Completing a confirmatory primary research assessment of the report's findings with the assistance of Expert Panel Partners from the industry being analyzed.

1.6 Executive Summary

The companion diagnostics market represented by pharmaceutical, medical device, and diagnostic companies is estimated at \$ [REDACTED] and is expected to grow by [REDACTED]% annually reaching \$ [REDACTED] by [REDACTED]. Rapid changes in drug company pipelines and research and development (R&D) investment requires that current status of drug development programs be reviewed and updated. Drug development is being significantly influenced by biomarkers and companion diagnostics. Industry experts estimate that [REDACTED]% to [REDACTED]% of Phase II clinical trials have incorporated companion biomarkers; and this number is thought to be even higher in oncology.

- [REDACTED]% of existing drug programs have a CDx test associated.
- [REDACTED]% to [REDACTED]% of drugs in Phase III have a CDx association.

Pharma and diagnostic companies are being forced to change their business models both internally and in partnerships. The regulatory agencies may need to create new structures/categories to deal with the combination of therapeutics and diagnostics.

The number of IVD licensing deals with pharmaceutical companies for companion diagnostics increased significantly during [REDACTED], with [REDACTED] deals in [REDACTED], [REDACTED] deals in [REDACTED], [REDACTED] deals reported in [REDACTED], with [REDACTED] deals in [REDACTED] and [REDACTED] in [REDACTED].

- *Drivers:* The strong appetite for companion deals was driven by increasing signals from regulators and payers, stressing the importance of biomarkers and diagnostics to improve drug performance and allow for more cost-effective allocation of tight healthcare budgets.
- *Barriers:* Companion diagnostics have had notable disappointments in which a CDx has not been adequately developed, is not needed for drug approval after all, or faces commercial hurdles. These hurdles include FDA approval of a test that is not reimbursed and the substitution of the FDA-approved CDx with another test.

In this emerging paradigm, diagnostic platform companies do not have clear guidelines to determine whether to develop a CDx. Pharma is adapting by making more systematic use of companion diagnostic programs to increase drug response rates and reduce side effects.

Diagnostic companies with strong molecular and tissue diagnostic capabilities have been active at developing tools to respond to pharma's specific needs. The pharma industry is concerned about the companion diagnostics use adversely affected by current pricing and reimbursement practices, as well as patient demographic use.

Many diagnostics partners feel they are not getting a fair share of Rx-Dx partnership values.

- *Pharma Partners:* While Big Pharma dominated, niche therapeutics specialists also showed an interest in diagnostics partnerships. Big Pharma remained dominant among the pharma partners in [REDACTED].
- *Diagnostic Partners:* In [REDACTED], larger diagnostics companies became more active partners for the pharmaceuticals industry.
- *6 Outlook:* The appetite for companion deals will remain strong because the same drivers will continue and intensify in [REDACTED] and beyond.

By [REDACTED], if drug-diagnostic co-development becomes routine, most leading pharma companies are expected to change their business model to incorporate significant in-house diagnostics capabilities. The volume of external alliances is expected to remain high, but the trend may lose momentum.

Key Findings:

- The global biomarker market is estimated to be \$[REDACTED] by [REDACTED], growing at a compounded annual growth rate (CAGR) of [REDACTED] % from [REDACTED] to [REDACTED], driven by the high demand for the biomarkers in the field of drug discovery. The markets for biomarker tools and services are expected to grow at a CAGR of [REDACTED] % and [REDACTED] %, respectively. The increasing use of biomarkers in clinical services is boosting the overall biomarker service market.
- It has been estimated that the global market for companion biomarkers was valued at \$[REDACTED] in [REDACTED]. This had increased to an estimated \$[REDACTED] in the year [REDACTED]. By the end of the forecast period, it is predicted that the market will have increased in value to \$[REDACTED] (CAGR [REDACTED] %).
- The sales of marketed companion drugs was enhanced by companion diagnostics, with six drugs achieving blockbuster status. The application of pharmacogenomics to targeted studies, in which patient populations are enriched with potential responders, can lead to cost savings of around \$[REDACTED] through the streamlining of clinical trials.
- The market for molecular diagnostics is gaining momentum, with Roche's AmpliChip P450 which was the first to receive regulatory approval to a recent FDA approval of Gen-Probe's PROGENSA[®] PCA3 assay to

determine need for repeat-prostate biopsies and FDA approval of BD Max™ MRSA test developed by BD Diagnostics. Tests for areas of high unmet need, such as certain types of cancers, cardio-vascular diseases Alzheimer's disease, and rapid-detection tests for respiratory infections are set to drive further growth in the market to [REDACTED].

- The role of biomarkers spans all aspects of drug discovery and development from target discovery and validation, lead prioritization and optimization, study of drug and disease mechanisms, toxicity profiling and proof-of-concept in preclinical studies, to use in clinical trials as secondary and surrogate endpoints.
- In [REDACTED], over [REDACTED]% of the new molecular entities (NMEs) were approved with a pharmacogenomic biomarker by the FDA, with nine premarket authorizations (PMAs) for five indications in [REDACTED].
- In terms of value, over [REDACTED]% of the sales in the companion drugs market was contributed by drugs indicated for cancer.

Oncology Companion Diagnostics

- As noted above, much of the activity in Companion Diagnostics has been focused in the area of oncology. A number of Companion Diagnostic markers have been developed for targeted therapeutics such as Herceptin (Genetech), Tarceva (OSI Pharmaceuticals/Genetech), Iressa (Astra Zeneca) and Erbitux (Imclone/Bristol Myers Squibb). Recently the wild type K-ras gene has been identified as a predictor of treatment response to Erbitux as well as Vectibex (Amgen).
- In addition, there has been considerable activity in the use of Companion Diagnostic markers to predict toxicity, efficacy and drug dosage in order to ensure hitting critical endpoints.
- The overall companion drugs market is dominated by three leading companies—Roche Laboratories, Novartis and Pfizer. Together these companies accounted for over [REDACTED]% of the companion drugs market in [REDACTED].
- There are several personalized medicine diagnostics in the market, with companion diagnostics constituting its subset. Companion diagnostics represented approximately [REDACTED]% of the personalized medicine diagnostics market in [REDACTED].
- The pipeline for companion diagnostics is robust, with most products being developed by a collaborative effort of pharmaceutical and diagnostics companies. Many start-ups diagnostic companies are also engaged in partnerships with large pharmaceutical companies for developing companion diagnostic tests.
- The U.S. was the largest market for companion diagnostics in [REDACTED], accounting for over [REDACTED]% of the total market.

The introduction of biomarkers to drug development will help bring new medicines by:

- Identifying the right patients faster.
- Reducing the time of developing new drugs.
- Improving the ability to predict success in drug development.
- Decreasing the attrition rate among developmental candidates.
- Lowering development costs.
- Aiding in monitoring drugs during the regulatory process.
- Bringing greater efficiency to clinical trials.

More recently, biomarkers have begun to assume a greater role in drug discovery and development. The challenge for biomarkers in drug development is to improve the introduction of earlier, more robust drug safety and efficacy measurements into the drug development pipeline. TriMark sees its role in drug development as continuing to grow for the foreseeable future. The world pharmaceutical industry, driven by scientific and technological advances, new

drug discoveries, advances in therapeutic knowledge and changes in government and regulatory controls, generally is very successful. The combined global pharmaceutical markets were valued at \$ [REDACTED] in [REDACTED], up [REDACTED]% from [REDACTED]. Global pharmaceutical sales grew at a CAGR of [REDACTED]% to [REDACTED]% from [REDACTED] to [REDACTED], and for the last two years the CAGR has been ~[REDACTED]%. The pharmaceutical drug sector is projected to reach \$ [REDACTED] worldwide by [REDACTED], with a CAGR of [REDACTED]%.

Though the pharmaceutical industry remains one of the most profitable and stable industries, several variables are threats to continued growth and are causing fundamental changes in the industry structure. The accelerating cost of medical care and, in particular, the escalating cost of drugs (particularly to the elderly) has the drug industry under attack. We believe that this presents a golden opportunity for new technologies in drug development, *i.e.*, biomarkers. The use of companion diagnostic tests (*e.g.*, biomarkers) in drug development will:

- Yield safer and more efficacious drug products.
- Reduce clinical trial and development costs.
- Improve post-marketing safety profiles.
- Salvage therapies that otherwise would not be granted approval.

Biomarkers must have the following operational characteristics to be applicable to drug development programs:

- Readily available source material.
- Minimally invasive.
- Multiple sampling possible.
- Surrogacy: changes in the biomarker are linked to clinical outcomes.

Biomarkers have been used in drug development to establish:

- A minimally biologically effective dose (MBED).
- Optimal biologically effective dose (OBED).
- Selection of optimal dose and schedule for Phase II and Phase III trials.
- Make effective “go”/“no-go” decisions.

Selectivity is an important aspect of biomarker development as companions in drug development:

- Careful selection of targets for clinical trials.
- Careful and deeper analysis of toxicity screening.
- Proper patient selection for late stage trials.
- More data for the FDA.
- Possible companion diagnostic tests for patient selection and efficacy in the clinic.
- Partnering of early stage discovery companies with contract research organizations (CROs) and traditional pharma companies.

In addition, the larger pharmaceutical companies are utilizing biomarkers to look for efficacy or toxicity of their lead compounds in patient subpopulations. The classic example here is screening for HER-2/neu over expression before using the biologic therapeutic Herceptin in breast cancer therapy. Potential benefits of biomarkers as companion diagnostics:

- Streamline drug discovery programs.
- Provide a target for therapy.
- Identify potential responders to a drug.
- Identify individuals at risk for adverse events.
- Tool for monitoring response to drug therapy.

The global market for biomarkers in the form of companion diagnostics is much more of a developing market, and user segments in the clinical and drug development space are still diffuse. As such, TriMark feels that the

companion diagnostic market is still in its infancy, making it difficult to accurately predict the growth trajectory of this space. Key points noted include the following:

- An initial lag exists as awareness is generated in the clinical marketplace, followed by recruitment of early adopters who generate new applications. This drives early revenue generation in the marketplace and more interest in developing companion diagnostics for clinical trials. For companion diagnostics, this occurred in the interval of [REDACTED] to [REDACTED].
- Rapid growth as the broader market is recruited by the initial papers and due to the excitement generated by early adopters. The growth rate of the clinical user market is high as new applications are developed and vendors commercialize products aggressively. The market is beginning to fragment as drug developers begin to routinely add companion tests to their programs; this is the near term outlook for companion diagnostics.
- Despite a slowdown of the growth rate, revenues in the market keep increasing as new products are introduced in the clinic, new applications developed and new clinical trials are recruited. TriMark expects this to continue through [REDACTED] and [REDACTED] for the companion diagnostics marketplace.

Companion Biomarker Trends

- The relative contribution of therapeutic development and clinical trials using personalized medicine is small; they account for only [REDACTED]% of the total end-user applications.
- The current personalized medicine marketplace is not heavily-weighted towards therapeutic development and clinical trials.
- A large proportion of this marketplace—[REDACTED]% in total—is composed of participants that are involved with developing technologies or products for personalized medicine. The emphasis is more “upstream” in this marketplace, as opposed to more “downstream” applications—such as therapeutics development, conducting clinical trials, etc.
- The industry still does not contain enough molecular signatures which are predictive of biological outcome to create a large supply of companion biomarkers, and this remains a significant market opportunity for the market participants.

Results/Takeaways from the Market Model

This market opportunity is focused in three spaces:

- Drug development targets.
- Drug development efficacy.
- Clinical end points.

Cost per experiment is only for direct cost of the reagents/consumables and does not include salaries, other personnel costs, equipment/instrumentation, or license fees. This market model is highly conservative, and TriMark feels that it appropriately reflects the industry revenues harvested from direct sales of products into the biomarker space. Pharma companies are intensely interested in examining the role of biomarkers in:

- Early-stage drug discovery.
- Preclinical studies.
- Late-stage clinical trials of drug development.

Changes in pharma business models are reported on a regular basis. R&D expenditures, mass layoffs, and the much feared end of the “blockbuster” era are driving both the pharma and diagnostic industries to change their paradigms. New stakeholders such as PBM’s, and CLIA lab diagnostic models, which have evolved over the past few years, are

adding to the rapid rate of change in the industry. New regulatory and reimbursement models are needed to deal with the future of a more intertwined strategy between pharma and diagnostics. The question of value, and cost (of new therapeutics) will continue to be a source of debate.

The reasons for growth of companion diagnostics:

- Low drug efficacy rates in clinical practice.
- Poor drug dosing compliance among patients.
- High cost of drug development.
- Many Phase II and III Drug development failures.
- Numerous drug recalls.
- New tools and technologies enabling the move to companion diagnostics.
- Growing significance of biomarkers in clinical medicine.
- Reducing costs of genome sequencing.

Companion diagnostics combines drug and diagnostic test development. The potential for efficient drug development is great because companion diagnostics can be used to predict drug response and treatment efficacy in the clinic. In this regard, companion diagnostics dovetail with the promise of personalized medicine.

However, the advantages of companion diagnostics are only one side of the equation. They can also be seen as disruptors of the pharmaceutical market in that they could potentially restrict the size of treatable populations. Finally, to date Roche Laboratories is the leader in this space, with the largest number of successful companion diagnostics.