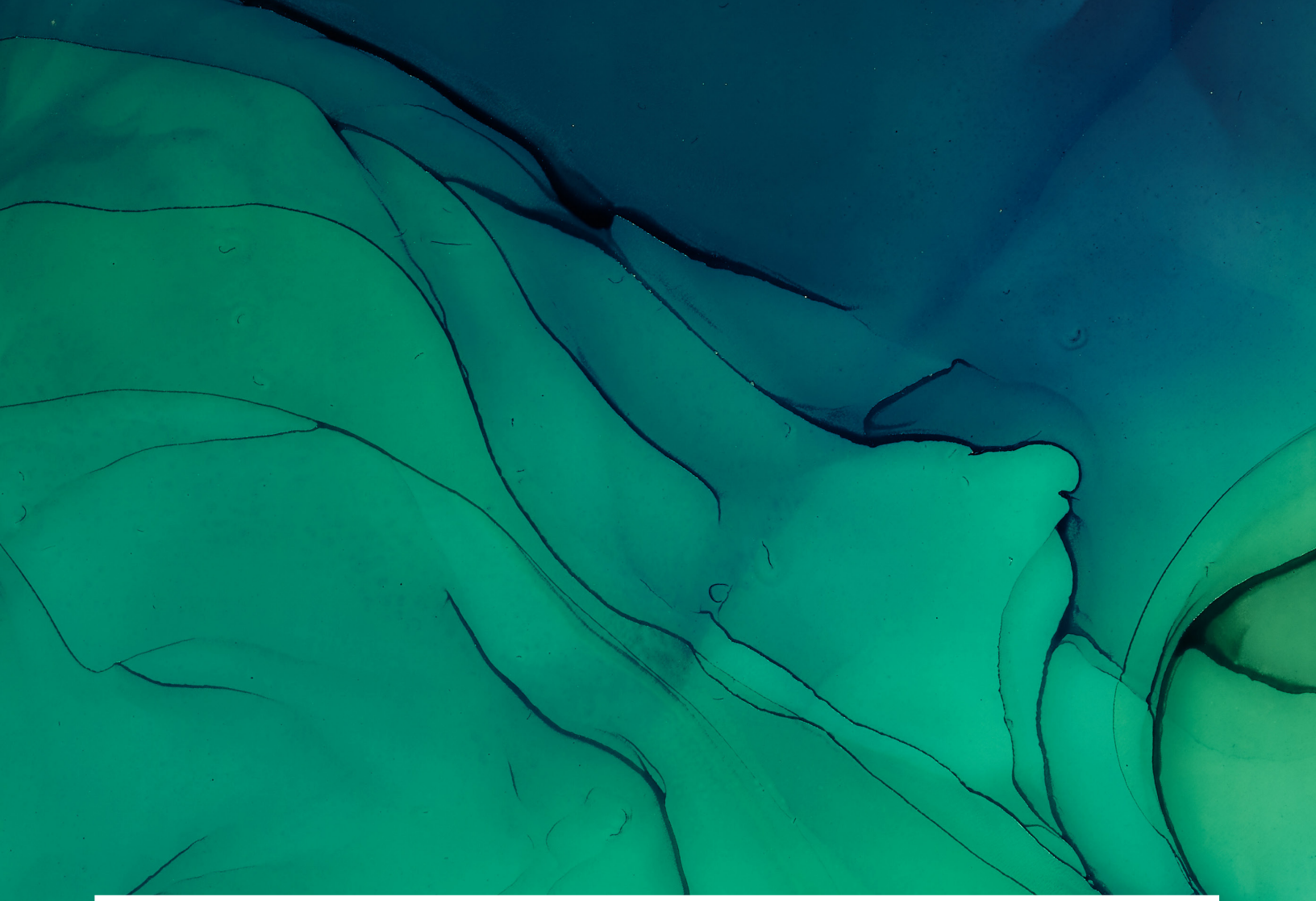

# LIFE SCIENCES INDUSTRY

2025 Market Update

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# LIFE SCIENCES LANDSCAPE: 2025 INDUSTRY UPDATE

## IMPACT OF THE ONE BIG BEAUTIFUL BILL ACT ON THE LIFE SCIENCES INDUSTRY

*By Kate A. Belinski, Maria Tripplaar, and Katlyn E. Koegel*

On July 4, 2025, President Trump signed the One Big Beautiful Bill Act (OBBBA) into law. The act extends several provisions of the Tax Cuts and Jobs Act, expands Health Savings Account (HSA) eligibility, and creates new childcare credits. It also includes provisions that will have a broad impact on the life sciences industry. OBBBA sharply impacts the Medicaid framework, restores domestic research and development (R&D) deductions, and expands the Orphan Drug Exception.

### *Prescription Drug Prices*

In addition to changes under OBBBA, the White House is evaluating prescription drug prices. In May, the President signed an executive order calling on drugmakers to cut U.S. medicine prices to match the lowest price offered in other developed nations. The order stated that if companies do not comply, the government would combat prices through new rulemaking and importing cheaper medicines. On July 31, the White House sent letters to 17 pharmaceutical companies, again urging drugmakers to provide "most-favored-nation prices" to U.S. consumers. The administration gave these companies until September 29 to make binding commitments to lower drug prices or be faced with "every tool" in the executive arsenal.

### *Medicaid*

OBBBA enacted approximately $1 trillion in Medicaid cuts and imposed additional eligibility requirements. Early estimates show these measures will potentially eliminate Medicaid coverage for up to 10.5 million people. For the life sciences industry, less coverage is likely to correlate to fewer prescriptions covered by the program and a greater need for manufacturer discounts and expanded patient assistance programs. OBBBA also established a $50 billion Rural Hospital Fund to lessen the impact of Medicaid cuts on rural hospitals. Some critics argue that this is not enough to cover the gap, and many hospitals may still close or shift resources to the already troubled 340B program. Finally, OBBBA implements a state cost-sharing provision, which could place up to 15% of Medicaid costs onto individual states, potentially straining state and local health care budgets and impacting purchasing capabilities.

### *R&D*

Consistent with the administration's efforts to bring manufacturing back to the United States, OBBBA restored the immediate deductions for domestic R&D expenditures. U.S. taxpayers may deduct 100% of such expenses for all tax years beginning in 2025. OBBBA also allows eligible small business taxpayers to retroactively expense R&D expenditures for the past three years and all other taxpayers to accelerate unamortized R&D expenditures over a 1- or 2-year period. Collectively, these changes seek to incentivize domestic research, experimentation, and development. As a result, life sciences companies that invest domestically are likely to see lower short- and mid-term operating expenses.

### *Orphan Drugs*

Regarding orphan drugs, the OBBBA amends the Inflation Reduction Act (IRA) to broaden the scope of the Orphan Drug Exclusion and delaying the date of eligibility under the Negotiations Program. Specifically, OBBBA amends the IRA to allow products with one or more orphan designations and one or more approved indications to remain exempt from

price negotiation if each indication is for a rare disease or condition. OBBBA also extends the price negotiation program to be effective on the date of non-orphan indication rather than on the date of first approval or licensing. Life sciences companies with existing orphan drugs, and those developing such drugs, may wish to reevaluate their development process and price analyses considering these changes.

### *Pharmacy Benefit Managers*

One component of the House version of OBBBA that was not ultimately enacted was Pharmacy Benefit Manager (PBM) reform. The pharmaceutical industry would benefit from PBM reform for a variety of reasons, including by eliminating spread pricing, increasing transparency in business practices, and implementing modernization requirements for federal health plans and Medicaid. However, to the relief of many large, integrated health plans, the PBM provisions were removed for primarily procedural reasons to ensure the legislative package would be able to avoid the Senate's 60-vote threshold. It's possible that Congress may yet pursue PBM reform, and we will continue to monitor future developments for potential impact on clients.

## LIFE SCIENCES PERSPECTIVE ON EMERGING U.S. PATENT REFORM EFFORTS

***By Scott D. Marty, Ph.D., and Sommer S. Zimmerman, Ph.D.***

Though largely absent from mainstream news, proposed reforms to patent law are poised to affect everything from biotech startups to major pharmaceutical R&D programs. Specifically, there are four ongoing bipartisan efforts to modernize the U.S. intellectual property (IP) system that could reshape the future of biomedical innovation in the United States. Legislators from both sides of the aisle are working collaboratively. These updates could profoundly impact the life sciences industry, where strong patent protections are critical for translating research into lifesaving therapies and diagnostics.

### *Reinstating Effective Remedies for IP Theft in the Biotech Sector*

The RESTORE Patent Rights Act, introduced February 25 of this year, seeks to reverse the consequences of the Supreme Court's 2006 *eBay v. MercExchange* decision, which significantly limited the ability of patent holders to obtain injunctions against infringers.

In the life sciences, where product development can span a decade and cost billions, an inability to enforce patent exclusivity can be devastating. The current system allows competitors to exploit patented discoveries and erode market share before a final legal resolution is reached. Although only one sentence long, the RESTORE Act would reenable courts to grant injunctions more readily, helping life sciences innovators protect the integrity and commercial viability of their discoveries.

### *Restoring Patent Eligibility for Biotechnology and Diagnostics*

The Patent Eligibility Restoration Act (PERA), introduced May 1, addresses a major concern in the life sciences community: legal uncertainty around what innovations are considered patentable. This uncertainty stems from a series of U.S. Supreme Court decisions, including *Mayo*, *Myriad*, and *Alice*, which have led to the exclusion of key biotechnologies, medical diagnostics, and even some AI-driven tools from patent protection.

This has created a chilling effect on investment. Without confidence in patent eligibility, investors hesitate to fund risky but potentially transformative science. The proposed PERA would restore clarity, establishing consistent and inclusive standards for what constitutes patent-eligible subject matter, which would be a crucial step toward reinvigorating innovation in genomics, precision medicine, and digital health technologies.

### *Reducing Litigation Pressure on Life Sciences Startups*

The PREVAIL Act, also introduced May 1, tackles the burden of redundant legal challenges to patent validity, which has become a growing concern for smaller life sciences companies. Under the current system, a patent can be attacked in both federal courts and the Patent Trial and Appeal Board (PTAB). This can lead to duplicative litigation, costing companies time and capital.

PREVAIL could streamline these proceedings and reduce legal costs, freeing up resources for clinical trials, regulatory submissions, and R&D, which are all essential for advancing medical innovation and bringing new therapies to patients.

### *Limiting Enforceability of Disclaimed Life Sciences Patent*

Unfortunately, not all of the proposed reforms may be favorable for the life sciences sector. The Eliminating Thickets to Increase Competition (ETHIC) Act, introduced May 8, seeks to limit the number of patents that can be asserted in a single infringement action against a generic or biosimilar drug manufacturer to one patent per "Patent Group." A "Patent Group," as defined by the act, refers to two or more commonly owned patents or patent applications that are connected via a terminal disclaimer. Importantly, the effect would be to link terminally disclaimed patents together such that the validity of the entire patent family would rise or fall based on a single family member. It is worth noting that this is precisely what the USPTO attempted to do in 2024 with its proposed rule on terminal disclaimers, which was later withdrawn after significant public backlash.

Proponents assert that the ETHIC Act would "reward innovation" and "reduce patent complexity and potential anticompetitive practices." It is unclear, however, how a reform that discourages continuation practice and thereby increases patent prosecution costs and complexity could be viewed as rewarding to life sciences innovators.

### *Conclusion*

For the life sciences sector, where IP is often a company's most valuable asset, many of these reforms could provide the legal certainty and enforcement power necessary to support innovation. By restoring robust patent rights, simplifying litigation, deterring foreign interference, and modernizing laws to reflect technological change, Congress has a chance to reignite U.S. leadership in life sciences.

Reforms such as the ETHIC Act may promote very different goals. In practice, the ETHIC Act would create many of the same issues that led to the withdrawal of the USPTO's proposed rule regarding terminal disclaimers; namely, creating legal uncertainty and decreasing confidence in the patent system.

If alternative reforms such as the RESTORE Act, PERA, and the PREVAIL Act are successful, this new framework will ensure that researchers, clinicians, and inventors can continue turning scientific insights into real-world solutions without fear of losing their competitive edge before reaching the market. However, with Senator Thom Tillis, one of the driving forces behind the PERA and PREVAIL Acts, recently announcing that he will not run for reelection, the future of these efforts remains uncertain.

## KEY TRENDS SHAPING LIFE SCIENCES IP LICENSING

***By Lily Wound and Harry A. Levin***

The life sciences industry continues to evolve rapidly, driven by technological advancements, shifting economic conditions, and global market dynamics. As companies navigate this complex landscape, several key trends are emerging that may have significant legal and business implications. This alert highlights four critical areas that industry participants should closely monitor when negotiating intellectual property licenses: artificial intelligence (**AI**), tariffs, financings, and manufacturing.

### *Data and Artificial Intelligence*

Data and AI continue to play an increasingly prominent role in the life sciences sector, transforming research, development, and commercialization processes. As life sciences companies continue to create, develop, adapt, and apply data and AI platforms for drug discovery and other life sciences applications, data and AI are also becoming a focal point in licensing and other commercial contracting negotiations. For example, licensors and licensees are more focused on the ownership of data and the output generated by an AI platform, particularly any data that could become a valuable asset for training AI models. In some cases, a party can consider "use restrictions" that prohibit the use of the party's data, proprietary models, and other intellectual property for training AI models by the other party. In other cases, a party may allow the use of its IP in connection with data and AI models, which may lead to further discussions about the ownership of any data, proprietary models, and other output from these models. These terms are often heavily negotiated to align with the applicable party's needs. Parties are paying close attention to how AI can be used, shared, or further developed, making it essential to address these issues in any licensing or other commercial agreements.

Additionally, any transactions that involve transferring data also need to consider the newly implemented Department of Justice (DOJ) guidance effective April 8, 2025, which restricts the transfer of sensitive personal data and U.S. government data to "countries of concern" or "covered persons." This Bulk Data Rule defines "bulk" as data exceeding defined thresholds within certain categories, including genomic data, biometric identifiers, geolocation data, personal health data, financial data, and personal identifiers; "countries of concern," such as China, Cuba, Iran, North Korea, Russia, and Venezuela; and "covered persons" as certain foreign persons that are controlled by a country of concern. Licensors and licensees are paying closer attention to the transfer of data to ensure compliance with the new Bulk Data Rule.

### *Tariffs and Cross-Border Transactions*

Globalization has made cross-border transactions a routine aspect of life sciences operations, but recent changes and uncertainty in U.S. federal policy have heightened focus on import costs. For example, recent changes in tariff policy and federal funding programs have been primary drivers of this uncertainty. When licensed materials or products are sourced from outside the United States, parties are increasingly concerned with the allocation of risks and costs associated with importation into the United States. Negotiations now frequently address which party is responsible for obtaining necessary permits and who bears the financial burden of tariffs and other import-related expenses, which may change over the course of the relationship. Parties may also want to consider each party's rights in the event of a *force majeure* and whether the tariff risk is an appropriate event of *force majeure* that should excuse performance.

### *Financings*

Capital raising remains a critical activity for emerging companies in the life sciences industry, but the environment has become more challenging. While financings are still occurring, the availability of capital has tightened due to macroeconomic pressures, including inflation, fluctuating tariffs, labor market uncertainties, and stock market volatility. These factors have led to more cautious investment behavior, particularly in early-stage companies. As a result, companies seeking funding must be prepared for more rigorous due diligence and potentially more aggressive deal terms. Licensing, collaboration, and other commercial agreements can offer alternative sources of revenue for emerging life science companies, provided that the financial, IP ownership and restrictive covenant terms, among other terms, are carefully considered, including in light of any future deal or capital raising the company may pursue.

### *Manufacturing*

Manufacturing has moved increasingly to the forefront of business and legal discussions in the life sciences industry. Previously considered a secondary issue, manufacturing is now recognized as a critical factor in bringing life sciences products to market. Sophisticated parties understand that innovative and proprietary manufacturing processes and systems are essential for success, prompting a greater focus on manufacturing-related innovation and innovation from the outset. This trend is leading to more detailed negotiations around manufacturing capabilities, quality control, and scalability.

### *Conclusion*

The life sciences industry is experiencing significant shifts in how companies approach technology, global trade, financing, and manufacturing. Staying informed about these trends and proactively addressing them in business and legal strategies will be essential for industry participants seeking to navigate the evolving and innovative landscape and achieve long-term success.

## TRENDS IN DEALMAKING

### *By Ryan J. Udell*

As the page turned on 2025, optimism was high among life sciences dealmakers. Elections in the U.S. and other major economies had concluded, interest rates were poised to come in to focus, and the regulatory environment appeared to favor increased activity. And yet, that is not what happened, at least for the majority of the year to date. Why? Headwinds quickly blew in to extinguish that optimistic flame due to significant market reactions to U.S. tariff announcements, the (maybe empty) threat of most favored nation prescription drug pricing, and the velocity of changes and priority shifts within the Health and Human Services Department (HHS) and the FDA. Perhaps we should have seen this pause coming, since dealmakers despise uncertainty because it complicates revenue forecasting and valuation modeling. So, has the year so far been Dr. Jekyll or My Hyde? It's been both.

On one hand, all the drivers for a surge were in place. Acquirers have strong balance sheets—hundreds of billions of dollars of "dry powder"—and still must address the looming patent (revenue) cliff (e.g., Keytruda, Eliquis, and Darzalex/Faspro). Smaller biotechs still had many of the same systemic issues as last year, including uneven access to the capital markets and dwindling cash. And there has been less focus domestically on deal scrutiny generally. Public companies faced increasing pressure from activist investors to optimize portfolios, resulting in divestitures of slow-growing assets in favor of innovative and higher-growth franchises. So, it was natural to believe it would be a robust year for dealmaking, especially for later-stage, more "shovel-ready" assets. On the other hand, tariff policy caused significant uncertainty through the end of the first quarter and the entire second quarter. Dealmakers also needed to digest the impacts of sweeping legislative priorities, including OBBBA and wholesale reductions in force and other changes at FDA and HHS on approval timelines and regulatory predictability in general. Plus, the emergence of the Chinese innovation engine (U.S. pharma companies now license roughly a third of technologies being developed from Chinese biotechs) with the current administration's larger geopolitical and national security priorities, which caused dealmakers to reevaluate dealmaking velocity with the Chinese. Finally, stubbornly higher cost of capital also contributed to hesitation to transact.

Taking stock, we saw fewer larger strategic deals in the $1 billion to $10 billion range. For example, Sanofi acquired Blueprint Medicines for $9.1 billion, giving Sanofi a commercialized drug portfolio and an early-stage immunology pipeline. Novartis purchased Anthos Therapeutics for $3.1 billion to secure access to late-stage stroke and blood clot prevention treatments. And Eli Lilly's $2.5 billion acquisition of Scorpion Therapeutics strengthened its oncology precision medicine offerings. This makes sense given the seemingly opposing forces.

So, where does this leave us for the balance of the year? Through the end of July, M&A activity had surged to a $160 billion run rate, with approximately $32 billion of announced deal value in July alone. That is a positive short-term trend. Most of the "push-pull" risk and reward present in the first half of the year remains, so we expect to see more of the same through year-end. Dealmakers will have had time to digest and model the more dynamic landscape in which we are operating, but the macro factors that will drive deals remain. And so we anticipate an acceleration of dealmaking to close out the year, with risk-adjusted valuations reflecting the "Mr. Hyde" side of things.

Stay tuned for our report after the 2026 JP Morgan Healthcare Conference in January to see if we were right!

## CAUTIOUS OPTIMISM FOR CAPITAL MARKETS

***By Brian D. Short and Peter Jaslow***

Life sciences capital markets in 2025 have been a mixed bag—some rays of light peeking through, but still plenty of clouds for early-stage companies hoping to tap the public markets. After a long IPO drought, 2024 brought a few green shoots, with several life sciences companies testing the waters. The modest increases in 2024, as seen in a handful of IPOs—mostly by companies with later-stage assets, strong data, or a well-known management team—signaled continued momentum into 2025. However, through the first half of 2025, the broader window for IPOs and access to public capital markets remain narrow. The bar is still high, and investors are showing up more as picky partners than enthusiastic bidders. This is consistent with an increase in deal sizes, indicating investor confidence in companies with strong innovation or promising results.

Follow-on offerings have seen a bit more activity, especially for companies with clinical catalysts or positive data readouts. But for earlier-stage players, especially development-stage/pre-revenue companies, without any near-term news, the story has not changed much—the traditional path to a public raise is still challenging. Valuation compression continues, with companies facing depressed stock prices or reduced trading volumes, such that even well-positioned companies have had to get creative with structure and timing to get deals across the line.

Alternative financing structures have started to step in to fill the gap. PIPEs (private investments in public equity) have made a modest comeback—particularly for micro- and small-cap firms looking for speed and certainty over splashy valuations. There has also been an uptick in at-the-market offerings and resurgence of equity-line-of-credit offerings, so that companies can get some access to the public markets without overly diluting their stockholder base at a time when equity may be undervalued. Many companies may need such strategies to extend their runway until there is a broader resurgence in public markets for life sciences companies. Meanwhile, convertible preferred rounds have become a go-to for crossover-stage or recently public companies aiming to raise capital without taking the full dilution hit. Other non-dilutive financing methods, such as royalty financings, may also grow.

For earlier-stage life sciences companies, the message is that flexibility is paramount. Investors have become more selective and strategic. They want data, de-risking, and a clear path to value creation. If you are thinking about public markets, be ready with a compelling story, a strong team, and a financing strategy that may need to go beyond the old playbook. It is certainly not 2021 anymore—but thoughtful, well-prepared companies can still find ways to capitalize in today's market.

The near-term outlook is generally cautious optimism. Generalist investors are peeking back into the space, and big pharma's appetite for innovation has not slowed, but it will continue to be selective. For early-stage companies, it may not be a full reopening of the equity markets—but it is no longer a hard "no," either.

## DESPITE SEC'S SOPHISTICATED METHODS OF DETECTION, INSIDER TRADING CONTINUES IN THE LIFE SCIENCES INDUSTRY

***By David L. Axelrod, April Hamlin, and Erin K. Fountaine***

Many publicly traded companies in the life sciences industry are involved in the development of new drugs, devices, diagnostics, and medicines. These drugs and other life science products are subject to the FDA regulatory approval process. Information about the progress (or lack thereof) of a drug in this process is critical material information for that company and has the potential to greatly affect the price of the company's stock. Additionally, there is a long history of mergers and acquisitions in the life sciences area. Similarly, this information can significantly impact the price of the stock for both the acquiring and acquired companies. For these reasons, the life sciences industry faces high risk of insider trading by insiders and outsiders with access to these types of information.

Being associated with investigations or even rumors of insider trading can have significant negative consequences for life sciences firms. For example, if a pharmaceutical company's employee unlawfully buys stock in the company after learning that the company has made a significant, profitable scientific discovery that is not yet public, the company may face costly and disruptive regulatory investigations. Even if the SEC does not pursue an action against the company, it might nevertheless face significant expense and disruption responding to subpoenas for documents and testimony. And in any event, private shareholder plaintiffs may seek to hold the company liable in relation to the insider trading, which could lead to even greater cost and reputational harm.

Because of the significant risk of insider trading in the life sciences industry, the SEC and DOJ have followed trading in this market closely. To police insider trading, the SEC has long taken a data-driven approach that makes use of sophisticated market monitoring tools and machine learning. These tools include the Advanced Relational Trading Enforcement Metric Investigation System (ARTEMIS), which integrates historical trading records with other sources to analyze patterns and relationships among multiple traders and market events to identify suspicious trading activity. Similarly, the SEC's Market Abuse Unit (MAU) and Center for Risk and Quantitative Analysis (CRQA) conduct advanced data analytics to generate insider trading investigation leads. The SEC also partners with the FDA to obtain nonpublic information regarding regulatory pharmaceutical approvals, which aids the SEC in identifying insider trading relating to FDA announcements.

In 2024, the SEC's enforcement activity highlighted that insider trading remains an enduring problem in the life sciences industry. For instance, on December 18, 2024, the SEC filed charges against Sai-Hong Ignatius Ou, an oncologist and clinical professor, for insider trading. The SEC alleged that Ou served as a clinical investigator for a cancer drug developed by a pharmaceutical company, Nuvalent, Inc. Upon learning of positive news regarding the drug's clinical trial, Ou purchased the company's stock ahead of the public news announcement, which increased the price of Nuvalent's stock by 60%. He agreed to disgorge more than $1.5 million in illicit profits and pay a civil penalty of an equal amount. In another case, on April 30, 2024, the SEC charged Sanjay Bhandari, Vinod Singhi, and Rakesh Jain with insider trading. The SEC alleged that Bhandari misappropriated nonpublic information about the upcoming acquisition of pharmaceutical company Zogenix, Inc., from a friend who worked there. The SEC alleged that Bhandari bought Zogenix stock ahead of the public acquisition announcement, which increased Zogenix's stock price by 66%. Bhandari also tipped an additional friend, Singhi, who tipped a third friend, Rain, and both Singhi and Rain bought stock in Zogenix pre-announcement. All three agreed to disgorgement and fines totaling approximately $163,000.

On April 5, 2024, the SEC secured a landmark jury verdict on its novel "shadow trading" charges against Matthew Panuwat. *See Securities and Exchange Commission v. Matthew Panuwat*, 4:21-cv-06322 (N.D. Cal. Aug. 17, 2021). The SEC alleged that Panuwat, an executive at pharmaceutical company Medivation, Inc., learned that Pfizer, Inc., would acquire Medivation. Shortly after learning of the acquisition, Panuwat purchased short-term, out-of-the-money call options in a different, peer company in the industry, Incyte Corporation. Incyte's stock price rose upon public announcement of Pfizer's acquisition of Medivation because of the likelihood that Incyte could soon also be acquired. The district court rejected Panuwat's argument that this theory improperly broadened the scope of unlawful insider trading, and a jury subsequently found Panuwat liable.

In 2025, the SEC's focus on rooting out insider trading in the life sciences industry continues. For example, on March 10, 2025, the SEC charged George N. Demos, former Vice President of Drug Safety and Pharmacovigilance at Acadia Pharmaceuticals, Inc., with insider trading. The SEC alleged that upon learning negative nonpublic information from the FDA about an Acadia drug, Demos exercised most of his vested Acadia stock options and sold his shares, avoiding loss when Acadia's share price dropped upon public announcement of the news. He agreed to disgorgement and a civil penalty in an amount to be judicially determined.

In light of the abundance of material nonpublic information, it is critically important for boards, executives, and counsel for life sciences companies to be aware of these risks and proactively ensure that their companies establish infrastructure to deter and detect insider trading. This awareness is increasingly important given the SEC's recent de-prioritization of other types of enforcement cases, including cryptocurrency and AI. The SEC's new enforcement agenda is expected to prioritize

traditional enforcement matters like insider trading. For instance, the Acting Deputy Director of the Division of Enforcement recently stated that the SEC is "going to move forward with the core enforcement agenda [it has] always moved forward with," including insider trading.

## ANTITRUST IN FLUX: WHAT'S SHAPING THE LIFE SCIENCES INDUSTRY

***By Stephen J. Kastenberg and Elizabeth P. Weissert***

Under the current administration, there have been significant shakeups at the antitrust enforcement agencies, including the FTC and the DOJ Antitrust Division, which have led to uncertainty regarding enforcement priorities. But at the same time, the agencies have reaffirmed their approach to mergers, and they continue to focus on anticompetitive activities affecting labor markets. Further, Executive Order No. 14273, "Lowering Drug Prices by Once Again Putting Americans First," signals that the administration intends to use antitrust tools to try to reduce the cost of prescription drugs in the United States.

The new FTC Chairman is Andrew N. Ferguson, who is joined by fellow Republican Commissioners Melissa Holyoak and Mark Meador. Commissioners Holyoak and Meador dissented on many Biden administration FTC actions. President Trump removed the FTC's Democratic Commissioners, Alvaro Bedoya and Rebecca Kelly Slaughter, and those firings are being challenged in court. Abigail Slater was confirmed on March 12, 2025, as Assistant Attorney General for DOJ's Antitrust Division.

In December 2023, the FTC and DOJ issued revised Merger Guidelines, which had been in place since 2010 and guide the agencies' review of mergers and acquisitions to determine compliance with federal antitrust law. Some of these changes focus on firms that might seek to use a merger to cross-market bundling their products. The new guidelines also significantly lower the market concentration thresholds at which mergers are presumed to harm competition, articulate harms that may occur when a merger combines firms that supply products with a vertical relationship to each other, and devote substantial attention to the elimination of potential competition. On February 18, 2025, Chairman Ferguson announced that the 2023 Merger Guidelines are in effect and will guide FTC's merger-review analysis. Collectively, these guideline changes would seem to enhance the likelihood of the government challenging merger activity as anticompetitive. That said, to date we have not seen such a trend from the administration.

For the first time in over 45 years, the FTC adopted, on October 10, 2024, extensive changes to the notification form for acquisitions subject to review by the agencies under the Hart-Scott-Rodino (HSR) Act. Notwithstanding the change in administration, these changes went into effect on February 10, 2025. They include early termination of the 30-day initial HSR waiting period, expanded scope of documents that must be submitted (including internal strategic documents), and narrative responses. The new form is estimated to take three times more time to complete than the old form.

On February 26, 2025, the FTC announced a Joint Labor Task Force, a collaboration among the FTC and the Bureau of Consumer Protection, Bureau of Economics, and Office of Policy Planning. This task force is focused on targeting unlawful business practices, including no-poach, non-solicitation, no-hire agreements, and noncompete agreements; wage-fixing agreements; and deceptive job advertising. Also this spring, the administration secured its first conviction in a wage-fixing case. In *United States v. Lopez*, Case No. 2:23-cr-00055 in U.S. District Court for the District of Nevada, Lopez, a home health agency executive, was convicted of conspiring to fix the wages for home health care nurses in Las Vegas. This success follows several notable litigation failures by the DOJ in the wage fixing/no poach arena by the Biden administration. We believe that the labor markets, and in particular wages, will remain a ripe area for either or both of governmental or private litigation activity, although we think the prior litigation failures have dampened the push several years ago to treat no-poach agreements as subject to *per se*, and criminal, liability.

The White House released Executive Order 14273 April 15, 2025, directing federal agencies to undertake a broad range of tasks aimed at reducing the costs of prescription drugs, some of which focus on the importance of robust competition, continuing a focus of the past several administrations on antitrust enforcement in the prescription drug industry. HHS is instructed to issue a report by October 12 aimed at accelerating competition for high-cost prescription drugs, including

by accelerating approval of generics and biosimilars, as well as improving the process through which prescription drugs can be reclassified as over-the-counter medications. The administration also includes a specific provision: "Combating Anti-Competitive Behavior by Prescription Drug Manufacturers." HHS is directed to conduct joint public listening sessions with the appropriate personnel from DOJ, the Department of Commerce, and the FTC, and issue a report with recommendations to reduce anticompetitive behavior from pharmaceutical manufacturers, also by October 12, 2025. These actions make clear that prescription drug manufacturers will continue to face antitrust scrutiny.

## THE FUTURE OF LIFE SCIENCES FACILITIES

***By Bart I. Mellits and Sara A. McCormick***

The life science real estate market is undergoing a period of adjustment in 2025, marked by ups and downs in different segments of the life science sector. Following the frenetic pace of recent years, the market has cooled and is recalibrating toward a more sustainable growth trajectory. A key trend is the bifurcation of the market, where high-quality, Class A assets in established innovation hubs continue to command strong interest, while secondary properties face downward pressure on rents and higher vacancy rates. This "flight to quality" is driven by tenants seeking spaces that can attract and retain top talent, with a focus on amenity-rich buildings in prime locations.

Another significant development emerging in 2025 is the strong investment in biomanufacturing facilities. A notable number of pharmaceutical companies are announcing new U.S. investments, a trend driven by strategic decisions to "near-shore" operations and strengthen supply chains. This shift is creating a robust demand for manufacturing space, which has been undersupplied in many markets. This move toward domestic production, influenced by post-pandemic federal policies, is a bright spot in a life science real estate market that has witnessed a deceleration in the construction pipeline and new lab leasing. However, many commentators have observed that this contraction of new construction is expected to restore the balance between supply and demand over the next couple of years, and, with resurgence of venture capital into this arena, we should expect an uptick in new leasing in the not-too-distant future.

Looking ahead, the sector's resilience is underpinned by strong long-term fundamentals. The demand for cutting-edge lab and research space is propelled by demographic shifts, an aging global population, and a relentless drive for innovation. Technological advancements, particularly in AI-driven drug discovery and personalized medicine, are also reshaping real estate needs, with a growing emphasis on computational labs and data centers. As the life sciences industry continues to evolve, the real estate market is adapting with it, positioning itself for continued growth and innovation well beyond 2025.

## KEY CONTACTS


**SCOTT D. MARTY, PH.D.**
*Life Sciences Industry Team Co-Leader*
martys@ballardspahr.com
678.420.9408

**RYAN J. UDELL**
*Life Sciences Industry Team Co-Leader*
udellr@ballardspahr.com
215.864.8503