

# Genzyme Says FDA Will Oversee Its Factory

By ANDREW POLLACK *New York Times*

The Food and Drug Administration is preparing to fine the biotechnology giant Genzyme for recent manufacturing problems and take a greater role in overseeing operations at the company's factory in Boston, the company said Wednesday.

Genzyme's announcement indicates that federal regulators have, in effect, lost confidence in the company's ability to run its factories without supervision.

Genzyme, in a news release, said that the F.D.A.'s enforcement action would probably result in a consent decree, "under which a third party would inspect and review the factory's operations for an extended period and certify compliance with F.D.A regulations."

Last June, Genzyme was forced to shut its factory, on the banks of the Charles River in the Allston neighborhood of Boston, because of viral contamination. That caused severe shortages, which still persist, of two of Genzyme's biggest products, which are treatments for rare diseases: Cerezyme for Gaucher disease and Fabrazyme for Fabry disease. Each drug sells for tens or even hundreds of thousands of dollars a year.

Then in November, the F.D.A. said that Cerezyme, Fabrazyme and three other Genzyme drugs that are put into vials at the factory were contaminated with particles of steel, rubber or fiber.

The manufacturing problems distressed patients, and hurt Genzyme's sales and earnings. And they are threatening the legacy and tenure of Henri Termeer, who has been chief executive for a quarter of a century.

The newest setback could help the efforts by the billionaire investor Carl C. Icahn to place himself and three associates on Genzyme's board. "The case for activist involvement, including restructuring of the company and changes to top management, is now stronger than ever," Geoffrey C. Porges, biotechnology analyst at Sanford C. Bernstein & Company, wrote in a note to clients Wednesday.

But on a conference call with analysts Wednesday, Mr. Termeer said that the proxy challenge was a needless distraction. He said the company had already brought in new managers to oversee manufacturing and quality control.

The F.D.A. has entered into consent decrees with other pharmaceutical companies in the past for manufacturing issues. In 2002, Schering-Plough, which is now owned by Merck, paid \$500 million to the government for repeated failure to remedy manufacturing problems involving dozens of drugs at four factories.

Genzyme executives said the consent decree would require the company to "disgorge" a still undetermined amount of past and future profits from products made at the Allston factory.

Mr. Porges, the analyst, predicted the overall cost to the company would be \$200 million to \$300 million.

Genzyme, which had \$4.5 billion in revenue last year, said it expected shipments of Cerezyme, Fabrazyme and another drug, Myozyme, to continue uninterrupted during the F.D.A.'s enforcement action. But it suggested that shipments of Thyrogen, a drug used by people with thyroid cancer, might be slowed.

Genzyme shares fell 6 percent Wednesday to \$55.33.

## **Genzyme ready for FDA consent decree drill**

March 24, 2010 By George Miller

Consent decrees in the drug industry require that a third party be appointed to participate, oversee and review changes made to bring the facility back into GMP compliance. Genzyme has already hired Quantic Group for the Allston Landing overhaul, and the consultancy is now "integrated with every step of the process," Ron Branning, senior VP for global product quality, said during an investor call.

Quantic has 30 experts situated at Allston Landing and other Genzyme sites. Branning noted the FDA has looked favorably in the past on Quantic as a third-party overseer in consent decree actions, and he hopes the regulator may be so inclined in this case.

Branning maintains that Genzyme is "on track" with facility and process improvements that address the noncompliance matters observed by FDA inspectors in a recent visit. Most are related to fill/finish operations.

Pamela Williamson, senior VP and head of regulatory affairs and corporate quality compliance, echoed the on-track assessment. She revealed that the FDA acknowledged in a recent meeting that Genzyme has "met all of its commitments regarding Form 483 resolutions," which to date is about half of those cited. "We have solicited and sought FDA's advice on what we could do. There is nothing they have suggested that we should do differently to raise GMP compliance."

# Genzyme faces FDA intervention at Boston facility

March 24, 2010 By George Miller

Genzyme announced today that it expects several weeks of negotiations with the FDA following a consent decree that it anticipates regarding its troubled Allston Landing facility, outside Boston. A spokesperson added that, in a phone conversation with the FDA yesterday, the regulator said further action is forthcoming.

According to a Genzyme announcement, the FDA yesterday acknowledged the drugmaker's efforts to bring the facility back up to snuff. But it is nonetheless likely to impose the consent decree to ensure drugs coming from the facility are made in compliance with Good Manufacturing Practice standards. The decree will require the drugmaker to hire consultants for third-party inspection and review of the fixes.

Genzyme is unaware of any current trigger for the enforcement action, but sees it as part of the unfolding regulatory process at the troubled plant.

"This was always a possibility," CEO Henri Termer says during the call. "We are very well prepared; our new leadership has the relevant experience."

Still, the ongoing incident has irked investors, including Carl Icahn, who has lobbied for Termeer's ouster.

Leadership changes that have followed the plant's troubles include the addition of Robert Bertolini to the Genzyme board. As CFO at Schering-Plough in 2002, he helped the drug company navigate out from under a consent decree for manufacturing shortcomings. The company also made several additional executive-level hires in the manufacturing, quality, and regulatory areas.

Genzyme has struggled with facility fixes that stretch back to GMP violations cited following a fall 2008 FDA inspection. Matters got worse when the company discovered a bioreactor contaminated with Vesivirus 2117, leading to the plant's shutdown last summer for decontamination, a process that lingered into the fall.

Allston Landing is the manufacturing site for Genzyme product leaders Cerezyme, Fabrazyme and Myozyme. The company says it expects production to continue during the operations makeover, given supply limitations that followed the facility shutdown last summer.