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Europe’s missing biotech bridge: Why IP ownership matters more than capital access

Europe’s biotechnology challenge is not only whether it can fund innovation. It is whether it can continue to originate and control the foundational IP positions from which future biotech value is created. Paul Calvo of Sterne Kessler explains.

Europe's biotech challenge is bigger than a funding gap

Europe's biotechnology sector is often described as suffering from a shortage of capital. That diagnosis is only partially correct.

The deeper problem is that Europe has become weaker at two critical stages of value creation.

First, it lacks sufficient specialist capital to consistently support companies through the earliest translational years, when scientific discoveries are transformed into investable assets.

Second, it lacks the late-stage market depth needed to keep successful companies, listings, and commercialisation decisions anchored in Europe as larger financing requirements emerge.

Those weaknesses matter because biotech value is not determined solely by scientific innovation. It is determined by who controls the intellectual property, data, know-how, and strategic options that ultimately emerge from that innovation.

The question facing Europe is therefore not simply whether it can fund biotechnology. It is whether it can continue to originate and control the foundational IP positions from which future biotech value is created.

At the same time Europe faces this challenge, China has rapidly emerged as a major exporter of early-stage biopharma assets. Multiple industry reports show record levels of cross-border licensing activity involving Chinese biotechnology companies, with many transactions occurring at preclinical or Phase I stages.

These assets increasingly span some of the industry's most sought-after modalities, including antibody-drug conjugates (ADCs), bispecific antibodies, cell therapies, RNA therapeutics, and metabolic disease programmes.

The result is a profound shift in how global biotech innovation is financed and owned.

China has built the bridge Europe is struggling to maintain

Every successful biotech ecosystem requires a mechanism for carrying promising science through the years before clinical proof of concept.

Those years are critically important. They are when patent strategies are established, foundational datasets are generated, platform technologies mature, and investors begin shaping the commercialisation narrative that will define future value.

Historically, Europe produced a large number of scientific breakthroughs but often struggled to finance these early translational stages at scale. In recent years, many investors have gravitated toward later-stage opportunities with stronger datasets and shorter timelines to value inflection.

China has moved in the opposite direction.

Chinese biotechnology companies increasingly perform the translational work necessary to transform early science into assets that global pharmaceutical companies and investors can underwrite.

Increasingly, they are not simply discovering molecules. They are creating licensable packages that include patents, preclinical data, development plans, manufacturing knowledge, and commercialisation potential.

This distinction is important. China is not merely exporting scientific discoveries. It is exporting partially de-risked innovation.

For individual investors, the appeal is obvious. Acquiring access to a validated asset can reduce risk and shorten development timelines. Yet what may make sense at the transaction level can create unintended consequences at the ecosystem level.

If European capital increasingly purchases externally developed assets instead of financing its own early-stage innovation, Europe risks becoming a buyer of innovation rather than an owner of it.

Why ownership matters more than access

The distinction between access and ownership is often overlooked during periods of abundant licensing activity.

An in-licensed asset can provide significant economic opportunity. It can create shareholder value, support product development, and generate attractive returns.

But ownership and access are not the same thing.

Foundational patent estates are where long-term leverage is created. They establish the framework from which follow-on inventions, platform extensions, manufacturing innovations, regulatory strategies, and future licensing opportunities emerge.

The entities that control those foundational assets frequently retain strategic advantages long after initial licensing transactions have closed.

This is especially relevant in technology-dense areas such as ADCs, radiopharmaceuticals, cell therapies, and next-generation biologics.

When the originating portfolio controls the underlying construct, platform architecture, or core development framework, downstream participants may ultimately own only a narrower layer of exclusivity. That may still be valuable, but it is rarely equivalent to controlling the platform itself.

As China’s role in global biotech licensing expands, investors and management teams should increasingly ask not merely whether an asset is attractive, but whether the ownership position created by the transaction is sufficient to support long-term value creation.

The US remains the ultimate reference market

Even as innovation becomes more global, the US remains the most important commercial market for many biotechnology companies.

For high-value therapeutics, particularly biologics and specialty medicines, US commercial potential continues to shape financing decisions, licensing structures, valuation models, and exit strategies.

As a result, the quality of an IP position is often judged less by where it originated and more by how effectively it can support commercialisation and exclusivity in the US.

That reality has important implications for European companies and investors.

Too often, patent portfolios are treated as filing exercises rather than strategic assets. Yet sophisticated investors increasingly evaluate whether patent estates can support future financing rounds, withstand competitive challenges, provide meaningful freedom-to-operate advantages, and survive diligence by potential acquirers.

A strong portfolio is no longer defined simply by the number of patents it contains. It is defined by its ability to create durable exclusivity in the market that ultimately matters most.

For many biotechnology companies, that market remains the US.

Europe's strategic choice

Europe does not need to reject China-originated innovation. Nor should it.

Many of the most attractive biotechnology opportunities in the coming decade will emerge from increasingly global innovation networks. Cross-border licensing has become an essential component of the industry and will remain so.

The challenge for Europe is different.

Europe must ensure that dependence on external innovation does not gradually replace the creation of its own foundational IP assets.

If specialist capital continues to retreat from the earliest translational stages while investors increasingly prefer externally de-risked opportunities, Europe could find itself participating in value creation without controlling the assets that ultimately generate that value.

The risk is not simply losing companies. It is losing ownership.

The most successful biotechnology ecosystems of the next decade will not necessarily be those that discover the most science. They will be those that consistently transform scientific discoveries into strategic IP positions, finance those positions through critical inflection points, and retain sufficient control to capture long-term value.

Europe still possesses the scientific talent to compete at that level.

The question is whether it will continue to build the bridge that allows it to own the innovation it creates.

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