

Interview: Eugenija Sutkienė - Managing Partner, TGS Baltic, Lithuania



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Eugenija Sutkienė of TGS Baltic, a commercial law firm operating across the Baltics, discusses the services that the organization provides to the pharmaceutical and biotech industries and what sets them apart from the competition.

TGS Baltic has distinguished itself as a full-service, top-tier commercial law firm focusing specifically on the Baltic region. No firm has quite as much collective experience across the three Baltic States as yours. Could you please start by introducing the company and the main milestones to date?

The story starts out in 1991 when I was tasked with setting up and establishing a Vilnius office for the American law firm McDermott, Will & Emery. This was immediately in the aftermath of communism and the break-up of the Soviet Union and we were a foreign law firm geared towards servicing mainly multinationals that were just starting to penetrate the Lithuanian for the first time. We were able to assist them with the legal aspects of their market entry strategies so not only privatizations and acquisitions, but also accommodating a flurry of investment into production, services, banking and so on.

Healthcare and biotech happened to be one of those sectors where there were a lot of new ideas, interest and talented people in the local market and a number of the big international pharmaceutical developers started to invest in local distribution outfits and, little by little, cultivate

Lithuanian and Baltic-wide footprints. We, for our part, were well positioned to mentor them each step of the way. One of our big selling points was that we possessed the first and only Lithuanian Doctor of Law in the food regulation sector at that time, and that sort of differentiation enabled us to clinch some of the biggest and best client accounts.

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By 2003, McDermott, Will & Emery had somewhat drawn in their horns and vacated the market and former employees banded together to form our own chambers, namely Sutkiene Pilkauskas & Partners. Over the years, we have gone through a series of extensions and rebranding and nowadays are known as TGS Baltic, which is in keeping with our pan-Baltic reach and specialism. In terms of size, we now number 22 partners and more than 140 lawyers.

TGS Baltic is also notable for maintaining a dedicated life science practice. How significant is this division in terms of workload and revenue generation? And what are its capabilities?

Our life science practice possesses unique experience and capability in national and international healthcare regulation. We provide legal advice and representation to a wide range of actors involved in pharmaceuticals, biotech and clinical trials as well as to makers of products facing health-related regulation or liability. Our service offering includes handling licensing of activities, intellectual property, managing relations with regulatory authorities and negotiations with retailers, alongside all the traditional litigation and dispute resolution functions.

It's difficult to calculate the exact contribution of the life science practice to overall revenue generation because we have an in-built flexibility within the firm so that one practice will support another when working on transversal projects such as mergers and acquisitions. I would estimate maybe 10 percent of overall turnover derives from pure life sciences industry related activities, but we have many more projects over and above that that involve some sort of life sciences sector component.

Nor is it the case that our workload remains constant throughout the year. It's more a question of peaks and troughs. If the Health Ministry suddenly introduces new legislation or the regulator starts to alter the legal frameworks, then we will suddenly see a spike in activity as pharma companies scramble to align and comply with the new rules of the game. A revised law governing IVF treatment is currently in the process of being formulated, so naturally we are receiving a lot of requests on that front.

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I think it's fair to say that there has been an evolution in demand over time. Initially, when clients were first entering the market, there was a big focus on helping them set up their legal entities. The first decades were all about building businesses from scratch. Nowadays many of these clients have managed to attain well-established local footprints and their needs revolve more around regulatory compliance and high-level services in anti-trust or litigation.

What would you say is the typical profile of your clients in the life sciences sector?

In the past, we have assisted heavyweight actors such as Sicor-TEVA and BiotechPharma in relation to expanding their construction facilities as well as mentored medical centres such as Northway with regard to navigating the regulatory and tax regimes. We also assisted Canadian company Valeant to acquire pharma unit Sanitas, US company Terumo Fischer to acquire local biotech company Fermentas. Currently we are assisting our client Euroapotheica in the process of acquisition of the chain of pharmacies in Sweden and hope that this transaction will close successfully. There is long list of other success stories in our pharma chapter. Our client account network is really second to none in this region. We provide legal services to the world's largest and most innovative pharmaceutical companies, as ranked by Forbes and represent the 8 largest producers of food supplements in the Baltic States, Eastern Europe and the Nordic countries. These are companies that enjoy a combined 70 percent share of the entire Baltic food supplement market. At the same time, we also advise the 4 largest hospitals and healthcare centres in the Baltic region. Our reputation is such that big name brands will often come to us as the first port of call. There are, of course, limitations. Sometimes we will find we are not able to work with a particular company because of conflicts of interest with one or more of our existing clients, but this is very much part and parcel of being a law firm.

Where do you identify the main competition coming from?

Competition is much more fierce today than in the past and comes from a variety of different angles. First there are the big-brand American or European multinational law firms that sometimes have global client accounts with the major pharmaceutical developers. Often we can coexist harmoniously with them because they don't have our depth and reach across the Baltics so find it easier to sub-contract specific tasks to us.

Another threat comes from the pharma companies themselves when they set up their own in-house legal departments in a bid to keep down costs. Nevertheless, there is still an element of harmonious coexistence. In house departments will generally be able to take care of day-to-day,

run of the mill legal functions, but will need to defer to us when it comes to real added-value services that require an insider familiarity with the complexities of the local marketplace.

A further interesting development has been the encroachment of professional services firms into territory initially reserved for the legal profession. We have noticed that companies like EY, Deloitte and PwC are no longer satisfied with delivering audit and tax advisory solutions, but have been pretty aggressive in assembling clusters of lawyers according to market industry segment and have been diversifying and expanding out their service offerings.

You mentioned that many pharma firms, including your clients, have gone into cost-containment mode as healthcare budgets become overstretched and governments demand price reductions and clawbacks. How has this affected TGS Baltic?

The upshot has been a race to the bottom in terms of price. Pharmaceutical developers are feeling the pressure, are becoming very cost conscious and their first reaction is to try and pass on the price cuts to the service industry and that includes us. There has been a real step change in the sense of client demand for competitive prices. It is not uncommon for a client to come to us requesting a service because they like our reputation and quality, but to let it be known that they have scoured around the market collecting quotes for the same service from our competitors so that they have a price comparison.

How do you go about navigating these challenges? How do you differentiate yourselves when there is such an emphasis on price?

The name of the game is specialisation. Clients don't want to pay for 20 hours learning anymore. They treat your service as a commodity and just want a practical solution to their problem as quick as possible. It is also important to remember that time is money so rapid reactions will be highly appreciated. By maintaining the depth of expertise and knowledge base that we do, TGS Baltic is very well positioned to deliver a bespoke, swift service that meets the clients' expectations.

We also go a step further with our service offering. We passionately believe that lawyers should not only be experts in law, but should be helping our clients succeed in their business objectives. We therefore always strive to keep focus on the bigger picture. Generally clients don't just need to know what the regulation or law says, but on how it applies to their business and how their business can operate most effectively within those parameters. Having had 27 years experience in this market, the lawyers of TGS Baltic are able to read our clients minds and understand their priorities and concerns. Don't forget that we actually helped create a lot of these businesses in conjunction with the clients in the early days. We are not lawyers in the conventional, traditional

sense. We apply innovative, non-standard and value-added solutions that really sing to the client and that is precisely why we enjoy so much repeat business.

Last year you were yourself awarded Market Maker for Lithuania, which means you received acclaim by CEE Legal Matters for your role in creating a modern legal market. What did this award mean to you? And what does it say about TGS Baltic's abilities to shape the local legal ecosystem?

Receiving this award was a huge honour for me. When I think just how far we have come as a nation in fostering a legal ecosystem in line with international norms. TGS Baltics very much does strive to shape the environment that we operate within. A few years ago we played a big part in the design of frameworks to regulate food supplements. Our clients were concerned that the loose regulations that had been in place were inadequate and that supplements, not being treated as pharmaceuticals, were falling through the gap. The solution was to gather together industry and the authorities and to assist them in creating a new legal basis. We would actually like to be doing more in the way of counselling the authorities on the design and revision of life science sector regulations.

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