

Despite collaborative research environment, local biotechs face regulatory issues, lack of venture capital

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Biotech Roundtable



A highly collaborative research environment between life sciences companies, universities and trade organizations has made San Diego an attractive location for biotechnology startups and big manufacturers. Just add sunshine to the mix and some of the nation's top scientists can't help but feel lured to the coast. But what keeps companies from planting their roots in Boston, home to big-name biotech players such as **Biogen Idec** (Nasdaq: BIIB), or San Francisco, where there's a greater abundance of venture capital dollars.

"There's nowhere else on the planet where you have this density of technology clusters," Drew Senyei, a managing director of **Enterprise Partners Venture Capital**, told participants of a recent Daily Transcript roundtable discussion about biotech. "I think the opportunity for growth and this critical mass that sort of feeds on itself is really accelerating."

Rarely can scientists who work in some of the nation's larger cities navigate their areas with as much ease as they can in San Diego, according to Senyei. Scientists here are so well grouped together they can take a five-minute walk or drive a few blocks down the street to conduct their business, he said. "I think the ability to bring and cluster these resources together has been a key to its success," he said. "But I do think keeping that density and keeping the functionality of this cluster, whether it's through transportation or regulation or other measures, is really, really critical for us to maintain this edge."

And it's their collaborative efforts that make possible entities such as the San Diego Consortium for Regenerative Medicine, a joint stem cell research force involving four of the nation's pre-eminent research institutions, said Catherine "Kitty" Mackey, senior vice president of Pfizer Global Research and Development in La Jolla.

Meanwhile, combining brainpower also has made competing for National Institutes of Health funding a bit easier. "They realized if you take any one institution, they may not be able to compete with a Stanford or a UCSF, but if you put the four of them together they're unbeatable," Mackey said. Gail Naughton, dean of the College of Business Administration at San Diego State University, said despite all the collaborative efforts on the part of the local biotech industry, room still exists for improvement. "There are very, very few incentives for biotech companies to come to San Diego and stay in San Diego offered by the city and the county," she said. When they do, she noted they're forced to deal with a lengthy regulatory approval process, something Naughton said she observed first-hand while building her own San Diego biotech company, **Advanced Tissue Sciences**. Although she wanted to keep her company in California, she said the process of obtaining various permits left her disenchanted. Other cities enticed her

with offers of lower-cost services and much simpler approval processes. "There were all kinds of financial incentives out there," she said.

Senyei of Enterprise Partners said it took a year to obtain a license from the California Department of Health Services to establish a testing lab for Carlsbad's **Genoptix**, which develops assay technologies with the goal of offering a range of services to help physicians determine the best medicines for patients. During the process, he received a call from Arizona telling him the state could have it ready in a week. "There's a lot of mismatch in regulatory issues," he said. "It's these little things that kind of add up to be a real disincentive."

Pfizer's Mackey warned panel participants about the dangers of relying too much on location as a factor for future growth and innovation. "We're taking for granted San Diego's a nice place -- so we don't have to keep our eye on it," she said.

Polly Murphy, senior vice president of business and scientific services at The Scripps Research Institute, cited concerns about affordability for the area's technicians, postdocs and others "who need to work." Some of the panel's participants agreed, while others contended most big cities that attract the industry's top scientists are just as expensive. Just look at San Francisco, they said.

Roundtable participants also brought up an issue frequently discussed at recent biotech conferences: the transitioning of ideas into the marketplace. Companies equipped with a wealth of scientific knowledge often lack business knowledge, they said. Most participants agreed scientists don't always make for the best CEOs. "I think, to me, it's less of a problem because I believe in Darwinism in selection of marketplace ideas," Senyei said, to the laughter of the panel. "We do need, I think, more venture capital here." He cited some sober statistics: 10 to 12 venture capital firms are located in San Diego, compared with 120 funds in the Bay Area. "There's more opportunity to bring in capital to fund new projects," he said. Senyei proposed a more collaborative effort between philanthropic organizations, venture capitalists and academic innovators. "It think having an alignment of vectors within these groups is really important," he said.

Other roundtable participants included Sue Foster and Lance Kurata, associates of **Mintz, Levin, Cohn, Ferris, Glovsky and Popeo**; Donna Shaw, a senior licensing officer for UCSD's TechTIPS; and Ralph Mayer, president of Tech Coast Angels.

The event was moderated by Daily Transcript Executive Editor George Chamberlin