

Drug and Device Executives Meet at 2007 Neurotech Industry Conference

by James Cavuoto, editor

About 150 executives from the neuropharmaceutical and medical device industries met in Millbrae, CA earlier this month for the 2007 Neurotech Industry Investing and Partnering Conference, sponsored by NeuroInsights. While most of the speakers at the event were from the bio/pharma industry, several representatives from the neurotechnology device industry made presentations, including Alan Levy from Northstar Neuroscience, Frank Fischer from Neuropace, Mark Bausinger from Neuronetics, and Shawn Lunney from Cyberonics.

In a panel devoted to investing, Ellen Baron from Oxford Bioscience Partners, Nicola Campbell from Sofinnova Ventures, Matthew Perry from Biotechnology Value Fund, and Roger Quy from Technology Partners discussed the outlook for obtaining venture capital financing. While the panelists expressed general optimism for investment in CNS products, these firms were not entirely receptive to startups in the neurotechnology device industry.

Sofinnova, a firm with \$1 billion under

management that invests in early-stage startups, does not invest in device companies, Campbell said. Biotechnology Value Fund, a \$600 million hedge fund, only invests in publicly traded firms. And the panelists were hesitant to encourage investment in certain types of neurotechnology manufacturers, including neurodiagnostics, software, and complex equipment.

Quy said that Technology Partners is not funding brain fitness software firms because of the challenge of making the products interesting and marketing them to consumers. He also said that devices with a high capital cost presented problems for investors. "It's a tough business because of the 'lumpy' cash flow," he said. Baron said that neuroimaging devices represented a "tough, squishy investment."

The panelists said that it would require a change in regulatory requirements regarding clinical endpoints before other neurotechnology devices would merit investment. While products targeting disorders such as epilepsy and obesity can be gauged by counting seizures or

measuring weight loss, neuromodulation devices aimed at psychiatric disorders or other conditions with what Quy called "noisy rating scales" presented problems with FDA approval and reimbursement. One area that Quy did express interest in was coupling organic molecules with neurostimulation electrodes, in part because of the higher current densities they would allow.

Quy recommended that entrepreneurs concentrate on demonstrating proof of concept and getting their burn rate down before approaching venture capital firms for investment. Baron advised startups to get feedback from pharmaceutical firms on what they're looking for and what they're willing to pay. And Campbell advised early-stage firms to look at the competitive outlook in their industry segment. "You don't want to be first, but you don't want to be last either," she said.

In his talk, Fischer discussed Neuropace's pivotal trial for its RNS device, which involves 180 implants. And Levy spoke of Northstar's Everest stroke trial.