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Emory deal flow hits trouble spot

Atlanta Business Chronicle - by [Urvaksh Karkaria](#) Staff Writer

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Emory University's technology deal flow has nose-dived roughly 50 percent in the past year.

The institution, which focuses primarily on life sciences research, is fingering the swooning economy as the culprit behind the free-fall, which has shuttered the IPO market, spooked investors and reduced the number of new university technologies that get licensed.

When technology transfers slow, the university's licensing revenue can get dented, while potentially life-saving technologies and drugs never make it to the bedside.

Last year Emory did about 45 licensing deals — this year the school's banking on doing 25.

"We're very concerned about what's going to happen to our technology pipeline," said Todd Sherer, Emory's commercialization chief.

Even as the university struggles to find corporate homes for its promising discoveries, some of its recently created startups could get choked off by battered investors in no mood to add to their red ink by making risky bioscience bets.

"If the economy continues like this for another 12 to 36 months, that could have real consequences on the ability of our existing companies to find follow-on funding," Sherer said. "They are going to have to be frugal and reduce their burn rate so that they can preserve cash in this downturn."

Traditionally, a startup with promising technology that hit its performance targets and had a good leadership team, was assured of several rounds of financing, said Lee Herron, vice president of commercialization at the **Georgia Research Alliance**. Today, there are no such guarantees.

Feeling the pinch

Emory isn't alone in its predicament. **Vanderbilt University** in Nashville, Tenn., is suffering a deceleration in deal flow too.

"We're seeing a general economic tightening in our business," said Chris McKinney, Vanderbilt's chief commercialization officer. "It's harder to pull deals together, just because firms are more reluctant to pull the trigger [and license new research]. There's a greater risk-sensitivity than we used to see."

Investing in life science companies requires massive infusions of cash — and patience.

In a comatose financial market, venture capitalists and other investors have little appetite for such risky business.

They are more reluctant to fund new technologies when the initial public offering (IPO) market — which allows VCs to cash out of their investments by taking their companies public — remains bolted.

"If there are few good exits, then you're spending your capital and your time focusing on the companies that you've got, to get them to an exit," said Thomas Callaway, managing director at **Georgia Venture Partners**.

"Once your companies have exited, then you can think about [doing new deals]."

Second-quarter 2008 was the first time in about three decades where there wasn't a venture capital-backed IPO in the United States, Herron noted.

Emory has, for the past year, unsuccessfully shopped a potential drug compound that could help treat cancer and anti-inflammatory diseases. Sherer isn't optimistic it will find a



Byron E. Small

Todd Sherer: "We're very concerned about what's going to happen to our technology pipeline."

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buyer for the next six to 12 months, either.

“It’s pretty early, pre-clinical trial stage technology,” he said. “It’s the kind of technology two years ago, I think we probably would have venture funding by now.”

License it or lose it

Universities publish their research in peer-reviewed journals to get future funding. Published research must be patented before it becomes part of the public domain and loses commercial value. A company is unlikely to invest in commercializing technology without the exclusivity offered by strong patent protection.

Patenting, however, is an expensive proposition — and not likely to be shouldered by an institution unless the probability of its licensing is high.

“In a situation like the one we are currently seeing, where less technology gets pushed out to industry, then more innovation is left in the universities’ hands for a longer period of time,” Sherer said. “Tough decisions have to be made regarding which technologies we can afford to continue to invest in.”

The cost of doing nothing, however, might be even greater.

“You’re really altering the future when you don’t pursue the technology and abandon the patents,” Sherer said. “The real impact is on society because the flow of innovative new health-related products is stifled.”

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