

MASS HIGH TECH

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Painkiller gain

Investors pump funds into pain management innovation

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With some existing painkillers causing addiction and other problems for patients and drug makers, venture capitalists have raised their bets on New England startups developing new treatments to alleviate pain.

The multibillion-dollar market for anti-pain medication has attracted some of the most savvy life sciences investors in the country, including Boston-area venture capital firms Polaris Venture Partners and SV Life Sciences. And drug giants themselves, such as Eli Lilly & Co. and Pfizer Inc., have placed wagers on pain-management firms in Massachusetts.

The surge in investment has given rise to new anti-pain companies in the region and puts financial power behind potential treatments that could reduce extreme aches and pains without harmful side effects.

"There's a lot of venture capital going into this area, and we're seeing a huge increase in the amount of interest in this from the pharmaceutical industry," said Russell Herndon, president and CEO of Hydra Biosciences Inc., a Cambridge developer of treatments for pain and other medical conditions.

New England firms developing anti-pain technologies raised \$98.5 million in private capital through the first three quarters of 2007 — a total that surpasses investments in such firms during each of the previous four years, according to the Money Tree Report from PricewaterhouseCoopers and the National Venture Capital Association, based on data provided by Thomson Financial.

Hydra turned its anti-pain technology — developed with venture capital from Polaris and Indianapolis-based Eli Lilly — into a lucrative asset with its recent \$195 million drug-development deal struck in July 2007 with Pfizer.

Hydra's Herndon said the firm's technology, which regulates pain receptors in cells, drew two final drug-development offers from global pharmaceutical firms before his board went with Pfizer. What's more, the firm's anti-pain molecules attracted the offers before entering human clinical trials.

Polaris, which led Hydra's first round of financing in 2002, also co-led an initial \$15 million round of financing earlier this year for Boston's Solace Pharmaceuticals Inc. Solace, a more recent entrant to the pain-management field, was formed last year in part because of the demand by large drug firms for new ways to treat pain.



KATHY CHAPMAN

Hydra Biosciences attracted three drug development suitors for its anti-pain molecules, said CEO Russell Herndon.

"(Drug) companies would like to find new treatments in this space that have new mechanisms of action that get around some of the drawbacks of (addictive) opioids," said Kevin Bitterman, a principal at Polaris, who led the firm's investment in Solace.

Scott Henry, a pharmaceutical analyst for Oppenheimer & Co. Inc. in Boston, said the estimated U.S. market for prescription painkillers is \$20 billion and poised for growth due to demand from the aging baby boomer generation. Drug companies are also interested in new anti-pain treatments, Henry said, because of the failure of blockbuster drugs such as New Jersey-based Merck & Co. Inc.'s Vioxx.

Merck recently agreed to shell out a reported \$4.9 billion to settle lawsuits stemming from side effects of Vioxx, which treats pain and inflammation from arthritis. Vioxx was pulled from the market in September 2004, leaving an opening for small drug developers to fill the void in the anti-pain market.

That's not lost on Waltham's Logical Therapeutics Inc.

Logical closed a \$30 million Series B round earlier

this year to advance the development of an anti-pain compound it hopes will serve as a safer alternative to Vioxx. It also moved from Pittsburgh to the Boston suburbs this year after Boston venture capital firm SV Life Sciences led its second round of venture financing.

NeurAxon Inc. is another developer of anti-pain technology to raise big venture dollars and open shop in the Bay State this year. The Waltham startup, which relocated its headquarters here from Canada, raised a \$32 million Series B round of venture capital in August. The firm expects to use the capital to fund a Phase 2 clinical trial of a new treatment for migraines, according to the company.

"I think if you've ever had a family member with chronic pain, it's pretty tough," said Jean George, a general partner at Advanced Technology Ventures, a Waltham venture capital firm that invested in Hydra.

She said that with high demand for new drugs for pain, several startups in the anti-pain field would likely bring returns for investors.