

OHSU startup gets \$20 million

The venture capital will back research into noninvasive tests for pregnancy complications

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TED SICKINGER The Oregonian

ProteoGenix, a Portland startup spun out of the pediatrics department at Oregon Health & Science University, has bagged \$20 million in venture capital to fund further testing of diagnostic tests for pregnancy complications.

The investment is the largest announced venture round in the state this year, and one of its largest biotechnology investments ever. It comes after a year in which venture capital funding in the state declined by nearly 40 percent.

The funding's also a welcome sign for OHSU. The university's been striving to create biotech economic development since 2001, when it persuaded the state to provide \$200 million in tobacco settlement money to underwrite recruitment of scientists and build more research space.

ProteoGenix uses protein-identification technologies to find protein markers for pregnancy complications in amniotic fluid, cervical fluid and maternal serum. Sri Nagalla, one of the OHSU scientists who founded ProteoGenix, said the company was unable to speak publicly about its technology because of a related deal that's under way. But three early applications outlined on its Web site include noninvasive detection of conditions such as Down syndrome, prediction of pre-term birth and diagnosis of intra-amniotic infections.

In 2004, pharmaceutical giant Eli Lilly and Co. engaged ProteoGenix in a five-year research agreement to seek proteins that could be used to identify children at risk of delayed growth.

The \$20 million investment will underwrite research to identify additional protein markers, and clinical trials to prove the efficacy of its technology -- expected to take 18 to 24 months.

If successful, ProteoGenix expects a ready market for its technology. The company says U.S. doctors perform 2.6 million commercial tests annually to detect Down syndrome. Nationwide, 500,000 preterm births take place annually, generating billions of dollars in health care costs.

ProteoGenix has about 15 employees now and will grow to about 30 as it moves from space on OHSU's main campus to a startup incubator that the university is establishing on its west campus in Hillsboro.

Although OHSU spun off only three companies last year, university Vice President for Research Dan Dorsa said ProteoGenix's funding was a sign that some of the companies the university has cultivated are beginning to mature. He cited Artielle Immuno Therapeutics Inc. as another example.

Instead of patenting ProteoGenix's technology and retaining ownership of the intellectual property --

which can be expensive -- OHSU took an equity stake in the company and encouraged the company to seek its own portfolio of patents using outside legal counsel. Post-funding, OHSU will own 5 percent of the company.

Dorsa said ProteoGenix was a unique experience for OHSU, which had incubated the company internally, providing services and space in return for equity.

"Its a different model," he said. "I'm not sure we'd want to do that always. But with our stake in the company, we'd be able to be compensated down the road" if the company succeeds.

New Leaf Venture Partners and TPG Growth led the series B round, which also included an investment by Burrill and Co.

New Leaf is the venture affiliate of Credit Suisse First Boston, which manages a \$100 million fund of public pension money set aside by the Oregon Investment Council to finance startups in Oregon. Burrill received a \$10 million investment from that fund.

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