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Kyorin Pays \$21M For ActivX To Be U.S.-Based Research Center

By Jennifer Boggs
Staff Writer

ActivX Biosciences Inc. was acquired by Tokyo-based Kyorin Pharmaceutical Co. Ltd. in a \$21 million deal that will set up ActivX as a U.S.-based research center.

With the completion of the acquisition, initially signed Dec. 1, the La Jolla, Calif.-based company became a wholly owned subsidiary of Kyorin, though the companies have been collaborating on drug discovery efforts since May 2002.

"We plan to continue expanding our technology and using that with Kyorin programs worldwide," said John Kozarich, chairman and president of ActivX and chief scientific adviser for Kyorin. He added that Kyorin will support financially ActivX's internal programs, as well.

As Kyorin's U.S. drug discovery and development center, Kozarich said Kyorin "will be supporting us, at least initially, at our current levels – funding to pay for our employees and staff – and any additional money brought in through collaborations will allow us to grow beyond that."

ActivX has about 32 employees. Following the acquisition agreement, CEO James Schoeneck and the company's chief financial officer, J.C. MacRae, both left the company.

ActivX uses its activity-based proteomics technology to discover drugs and drug targets by analyzing families of proteins. The company first began working with Kyorin after signing a three-year agreement in 2002 for use of ActivX's technology to identify and optimize drug candidates for Type II diabetes. Both companies extended the collaboration in January 2004 to compounds for treating metabolic diseases. (See *BioWorld Today*, June 5, 2002.)

"Our goal is to set up a successful U.S.-based research institute," Kozarich said. "Many Japanese companies have set up in the U.S. with mixed results,

and a number have closed. And I think one of the issues has been that many institutes are set up in an insulated manner."

Rather than building its own research facility, Kyorin opted to purchase an existing biotech company and focus on other collaborations, Kozarich said. "This dynamic adds to the success and makes for a unique Japanese-based venture," he said.

He said Kyorin is a "relatively small company," though he estimated it reports about \$700 million in annual sales from its products. Among Kyorin's products in development are Norfloxacin (a quinolone antibiotic licensed to Whitehouse Station, N.J.-based Merck & Co. Inc.) and Gatifloxacin (a second quinolone antibiotic licensed to New York-based Bristol-Myers Squibb Co.).

Kozarich added that Kyorin encourages collaborations between ActivX and other companies. ActivX has an ongoing partnership, announced in June 2003, with Pfizer Inc., of New York, to analyze specific protein activities for one of Pfizer's compounds. In April, ActivX entered an agreement with Gilead Sciences Inc., of Foster City, Calif., to further characterize the activity of certain research compounds.

"Kyorin has actually been very positive about us continuing the [collaboration] aspect of our business," Kozarich told *BioWorld Today*. "So we'll be providing them with our technology and also using collaborations to help expand that technology and bring in additional revenues."

ActivX has several preclinical programs, though its program with Kyorin for Type II diabetes is "moving along quite nicely," Kozarich said, adding that "we're shooting for an [investigational new drug application] filing."

The company has other programs in development with Kyorin, as well as its own products in the initial drug discovery process.

ActivX's biggest advantage is its technology, Kozarich said. He described the activity-based proteomics and its various platforms as "based on chemical probes to functionally analyze major families of proteins, with pharmaceutical interests."

The technology allows researchers a chemical tool to go into any tissue in any species and identify protein families, such as kinases and serine hydrolase, and determine whether a compound will work against certain drug targets.

"It allows us to address critical questions of drug selectivity because we can analyze tissues in the presence and absence of a specific drug to find out if that drug

is specific for the intended target or has off-target activities," he said. "By doing that, we can hopefully sort out potential issues of toxicities before we get too far along on the development path."

ActivX was founded in April 2000 by then-Chief Operating Officer Robert Hillman; Benjamin Cravatt, of the Scripps Research Institute in La Jolla; and Jeffrey Smith, associate professor and associate scientific director for technological advancement at the Cancer Research Center of the Burnham Institute in La Jolla. ■