Max Planck ripens its fruit

By *Steve Edelson, Executive Editor*

With interest in early-stage IP dwindling, **Max Planck Innovation GmbH** has been looking for ways to incubate its translational research for longer to boost the chances of finding takers. Last week, Max Planck unveiled the second part of its two-pronged strategy—a deal with the venture firm **Life Science Partners** to launch **DDC Ventures**, which will fund molecules to the clinic-ready stage before seeking industry partners.

The main beneficiaries could be biotech and pharma companies based in Germany, as Max Planck is hoping to keep many of its licenses local.

“As a basic research organization, our IP was often far away from the stage where it would be interesting to industry. Even our patenting went down because we knew we couldn’t commercialize targets anymore. We had to do something about it,” said Jörn Erselius, managing director of Max Planck Innovation, the technology transfer arm of the **Max Planck Society**.

Last year, Max Planck Innovation announced a two-part strategy to remedy the situation by presenting would-be corporate partners with more developed assets. The overall strategy, dubbed the Drug Development Center concept, was awarded €20 million (\$27.2 million) last fall from the **German Federal Ministry of Education and Research**.

The first step was the formation of **Lead Discovery Center GmbH** in 2008. That entity was tasked with generating lead molecules against targets identified by Max Planck researchers.

In addition, the Lead Discovery Center said it would seek to collaborate with and provide drug discovery services to other research organizations and companies. In April, for example, the center partnered with **InterMed Discovery GmbH** to screen the biotech’s natural product libraries against targets provided by the Lead Discovery Center.

But apart from such discovery service deals, the center’s phone was not ringing off the hook with companies looking to license its lead molecules. According to Erselius, the challenge was that most biotech and pharma companies were looking for compounds ready to go into the clinic, not just leads.

Hence the need for the second part of Max Planck’s strategy—DDC Ventures, a €100 million (\$136.1 million) fund that will invest in projects that emerge from Max Planck’s life science institutes. DDC Ventures will be managed by Life Science Partners (LSP), a European VC.

“As the tech transfer office, we’re not experienced with raising money,” said Erselius. “That’s the main task of LSP. We hope this will give a

structure to develop interesting projects that come out of the departments of Max Planck.”

To broaden the appeal of the fund, in addition to the conventional limited partner route, investors will have the option to buy a vehicle that will be structured to provide downside protection via a minimum bond-like return. In this case, the upside also will be capped.

“This will help build a bridge to those investors, such as pension funds, that have shied away from venture capital,” said Joachim Rothe, a general partner at LSP.

Rothe said DDC Ventures will select the most promising candidates from the Lead Discovery Center and finance their development into IND packages.

With the Lead Discovery Center feeding projects into DDC Ventures, Erselius expects that Max Planck Innovation now has a platform that can provide companies with assets sufficiently far along the development path to attract interest.

“We’re missing a bridging biotech industry, because those companies are also looking for later-stage projects,” he noted. “We have to bridge the gap ourselves. We decided to form a structure that allows us to take products into the clinic—maybe Phase I or IIa. But the Max Planck Society is only allowed to do research, so we decided to set up a fund for the further development.”

Going local

According to Erselius, the fund will “try to have more of a focus on Germany. In the past, the majority of our life science technology has been licensed outside the country—in the last 10–15 years, there’s a trend that we have more life science agreements with U.S. companies than with those in Germany. Most of our royalties come from outside Germany as well.”

Part of the reason for focusing on deals with German companies comes from the money provided by the education and research ministry. The ministry, noted Erselius, “will want to see at least some projects stay in Germany or at least in Europe.”

Apart from its geographical preferences, Rothe said DDC Ventures “will look like a biotech company with a double-digit portfolio of programs. Once pharma-grade IND packages have been created, we will then look to license or sell them to commercial partners.”

He added: “No decision has yet been made as to which areas we will focus on, but I anticipate that we will focus on three or four major therapeutic areas.”

Erselius said the areas of focus are likely to include cancer, inflammation, metabolic disease and Alzheimer’s disease (AD).

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COMPANIES AND INSTITUTIONS MENTIONED

DDC Ventures, Munich, Germany
German Federal Ministry of Education and Research, Bonn, Germany
InterMed Discovery GmbH, Dortmund, Germany
Lead Discovery Center GmbH, Dortmund, Germany
Life Science Partners, Amsterdam, the Netherlands
Max Planck Innovation GmbH, Munich, Germany
Max Planck Society, Munich, Germany