

J&J launches incubator for biotechs in San Diego

Keith Darcé – San Diego Union Tribune

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Johnson and Johnson has turned a wing of its La Jolla drug research center into an incubator for startup drug development and medical device companies, the pharmaceutical giant said Tuesday.

The move comes at a time when funding for early-stage companies in the life sciences industry has slowed to a trickle from private and public sources.

“Given the fact that the biotech sector is not doing great, we decided we would use our existing capital infrastructure to help reinvigorate the sector,” said Diego Miralles, who heads the Johnson and Johnson research center.

At the same time, another pharmaceutical company, Pfizer, is winding down an incubator that it opened in 2007 at its La Jolla research campus. The building housing the space has been put up for sale, and two of its three tenants have moved out, said company spokeswoman Lauren Starr.

Johnson and Johnson plans to recruit as many as 20 small companies to occupy 35,000 square feet of space that was left vacant when the pharmaceutical company consolidated its local operations, Miralles said.

Each of the biotechs will pay rent for their portion of the incubator, which has been named Janssen Labs at San Diego.

In return, the tenants will get their own office and laboratory space, and share access to a number of high-priced research devices that they wouldn’t be able to purchase on their own.

The arrangement will let the startups focus their limited cash on the research needed to move their products forward rather than spending it on costly capital investments, Miralles said.

It also could speed the time it takes for companies to move new drugs and devices from the research lab to clinical trials in patients.

The space is being managed by Prescience International of San Francisco, which operates two biotech incubators in the Bay Area.

The San Diego venture differs from incubators set up by other Big Pharma companies in several way: Tenants won’t be required to give Johnson and Johnson preferential rights to acquire products coming out of the lab, and their leases will run in three-month segments, short enough to abandon the space if development work doesn’t go as planned.

“There are no strings attached,” Miralles said. “We have absolutely no control over the companies. If they want to make a deal with Merck, that’s great.”

The innovative structure of Janssen Labs could provide fertile ground for growing companies, said Joe Panetta, chief executive of the San Diego industry group Biocom.

“I think Johnson and Johnson has the right idea,” he said.

While rental rates at the center likely will fall on the high end of the range for laboratory space in the region, the cost includes amenities not found at other sites, such as the bulk supply purchasing ability of Johnson and Johnson, said Greg Bisconti with the San Diego office of the real estate firm Cushman and Wakefield.

“It works great for a scientist who is spinning out of a university or an institute,” he said. Johnson and Johnson “removes a lot of the risk. It’s really good for somebody trying to do a proof of concept.”

Miralles said his company was motivated more by its increasing ties with innovative companies than by any desire to make money from the venture.

“Revenue wasn’t a consideration when it came to doing this space,” he said.

After imposing deep cuts to their own research and development efforts in recent years, most pharmaceutical companies are relying more heavily on small biotechs to fill their pipelines with promising new drug candidates.

“If the biotech industry does well, the pharmaceutical industry does well,” Miralles said.

With the region creating a new biotech company every week, on average, there should be no shortage of potential tenants for the incubator, said Camille Saltman, president and chief operating officer of Connect San Diego, a nonprofit support group for fledgling technology companies.

“This is a pretty exciting development,” she said.