

BUSINESS

Olympus finds market rival hard to swallow

A video camera nestling inside a transparent capsule just a few centimetres long has put Japanese imaging giant Olympus on the back foot. Launched in 2001 by Israeli start-up firm Given Imaging, the capsule is a wire-free endoscope that is simply swallowed by the patient.

Famed for its cameras, Tokyo-based Olympus is also the world's largest manufacturer of conventional endoscopes. But despite claims that it has been working on the idea since the 1990s, the company unveiled its version of the capsule endoscope in November 2004 — and the product has so far only received approval for sale in Europe.

Given Imaging's PillCam was described by its inventor, Israeli missile engineer Gavriel Iddan, in *Nature* back in 2000 (G. Iddan *et al.* *Nature* **405**, 417; 2000). It offers a significant advantage over wire endoscopes as it can provide images from the whole length of the small intestine — a notoriously long, convoluted and difficult part of the gut to image. It also largely eliminates the patient discomfort associated with conventional endoscopies.

As it passes through the digestive system, PillCam can send back pictures for up to eight hours, and doctors have found it useful for diagnosing problems such as small tumours and bleeding. Some 260,000 patients across 60 countries have already been examined with the disposable probe, its maker says.

Those numbers have been good for business. In the nine months up to September this year, PillCam's sales reached US\$62.3 million worldwide, up 45.6% from the same period in 2004.

Left standing by the Israeli company, Olympus finally brought its capsule endoscope, called the Endo Capsule, to market in Europe this October. Clinical testing is still under way in the United States and Japan, and the company needs to receive full approval before it can begin selling its probe in these markets. Industry insiders add that Japanese firm RF System is developing similar products, but its looks as though it is still several years from the market.

Olympus's late entry into the market highlights the fact that Japanese companies tend not to capitalize on their innovations quickly, say analysts. "Many large Japanese companies don't feel the importance of speed and timing," says Yoko Ishikura, a specialist in corporate strategy



YOSHIKAZU TSUNO/AFP/GETTY IMAGES

Late launch: the Endo Capsule is coming to the market several years behind its competitor.

at Hitotsubashi University in Tokyo. "They try to play a game on their own turf, and are slow to look outside."

Iddan filed his first patent on PillCam in 1994 and helped to set up Yoqneam-based Given Imaging in 1998. The company now holds nearly 40 related patents. "PillCam has been so successful over the past five years that others cannot avoid trying to imitate it," claims Yoram Ashery, one of the company's vice-presidents.

Katsuyoshi Sasagawa, deputy general manager of Olympus Medical Systems, claims that his company was looking at capsule endoscopes throughout the 1990s. But it was 2003 before it marshalled its expertise in digital cameras and endoscopy to create a competing device. Olympus plans to pitch the price of the Endo Capsule close to the US\$450 charged by Given Imaging in the United States, and says it has been careful not to touch the smaller company's patent rights.

The Japanese company also claims that its product will have an edge thanks to its expertise in digital cameras, which should help it produce high-resolution images similar to those from conventional endoscopes. The PillCam currently uses slightly lower-quality imaging technology, but Given Imaging says it is working hard to improve this. As the competition between the two heats up, the struggle for supremacy could well go to a photo finish. ■

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IN BRIEF

CANCER DEAL British biotechnology company Astex Therapeutics last week announced a deal with Swiss drug giant Novartis that is potentially worth US\$500 million. Under the agreement, Novartis will pay \$25 million to secure the global licensing rights to Astex's anticancer drug AT9311. The orally administered drug, which inhibits the cell cycle, is nearing clinical trials. Novartis has also obtained an option on the global licence for AT7519, an intravenously administered cell-cycle inhibitor, which is now in early clinical trials. Payments including fees, options and milestones could total US\$520 million, excluding royalties.

INDIAN EXPANSION Microsoft chairman Bill Gates said last week that the company will invest US\$1.7 billion and hire 3,000 workers in India over the next four years. The announcement came on the same day that the software company lost an anti-trust case in South Korea. As a result, Microsoft was fined US\$32 million and ordered to unbundle its Messenger and Media Player software from its Windows operating system. Despite the statement issued after the ruling in which the company reaffirmed its commitment to South Korea, Microsoft has previously said that losing the case could force it to withdraw Windows from the country. Microsoft's investment in India mirrors similar moves announced recently by Intel and Cisco Systems.

VACCINE MAKERS COURTED The US Securities and Exchange Commission last week revised its interpretation of an accounting rule in an effort to encourage vaccine manufacturers to take part in strategic stockpile programmes. The change allows companies making vaccines for stockpiles such as pandemic influenza and biodefence to chalk up the vaccines as sales when they are placed in the stockpiles. Until now, firms had to wait until vaccines were distributed to claim the sales. Critics have argued that this may have discouraged companies from participating because stockpile supplies, by their nature, may never be used and have a limited shelf life.