factor to consider: whether they will be helped or hindered by jumping into bed with the drug companies.

Some argue that the best way to ensure market success is to link the diagnostic test to a specific drug treatment. But big pharmaceutical companies have been reluctant to collaborate with the diagnostics companies — fearing, according to some observers, that markets for their drugs could only be shrunk by effective tests.

But now major drug companies are showing more interest. Last May, for example, Pfizer invested $25 million in a diagnostic test developed by Monogram Biosciences of San Francisco to identify patients who are likely to respond favourably to their next-generation HIV blocker drug. Others, including Eli Lilly and Merck, have partnered with diagnostic companies to develop tests that can identify patients who will benefit from their therapies.

"Having a relationship with pharma certainly creates a tremendous opportunity for a diagnostic company," says Aggarwal, whose company is also partnering with Pfizer. "There is a significant market opportunity for us to predict outcomes for post-biopsy prostate cancer. But the real goal is to link our diagnostic test to a therapeutic intervention."

"There is no reason to do the test, or have an insurer pay for it, if the doctor doesn't take its advice."
— Lee Newcomer

And according to Peter Keeling, whose London-based consultancy firm, Diaceutics, specializes in liaison between pharmaceutical and diagnostics companies, the latter group do need such links. He says that Genomic Health's model is too expensive to serve as a role model for most other diagnostics firms.

Randy Scott, chief executive of Genomic Health, says that the company will work with pharmaceutical partners, but doesn't want to be reliant on them. "It's more critical right now to develop a strong independent diagnostics industry, doing high-quality pharmacogenomics work, and then to work our way back to the early stages of drug development," he says.

But according to Carlson, only a handful of tests are in the pipeline that have enough evidence behind them to affect clinical decision-making. He says that the diagnostics industry is caught in a catch-22 situation: their products cannot generate the revenues to pay for the testing that would prove their utility. "Although few doubt that these technologies will make a difference over time," he says, "the industry is now in the trough between hype and hope." ■

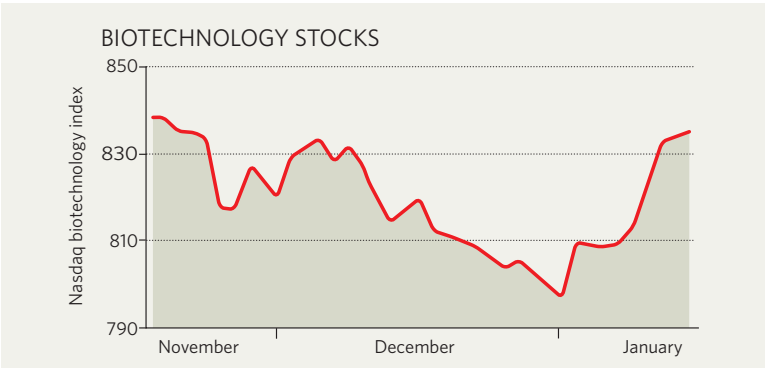
IN BRIEF

DRUG DRAW European regulators are approving new drugs just as quickly, on average, as the US Food and Drug Administration (FDA), according to an assessment by the Tufts Center for the Study of Drug Development in Boston, Massachusetts. Tufts analysed the period from 2000 to 2005 and found that of 71 new drugs approved by both the European Medicines Agency and the FDA, the average times to approval were 15.8 months and 15.7 months, respectively. The FDA approved most of the products — 47 of them — more quickly than the European regulator, but its approval times were much more variable.

WOOD RECYCLING A Japanese company will next month start operations of a ¥4-billion (US$33-million) facility to produce ethanol from scrap timber. The plant will consume up to 50,000 tonnes of timber in its first year, generating about 2 megawatts of electricity and 1,400 tonnes of bioethanol for use as an additive to petrol. It has been built by Bio Ethanol Japan Kansai in Osaka, based partly on technology developed by Celunol in Massachusetts. Corn and sugar cane have traditionally been the main feedstocks for ethanol plants.

STALLING TACTIC The US Federal Trade Commission (FTC) says that pharmaceutical companies are successfully making use of a new tactic aimed at delaying the introduction of cheaper, generic drugs. The commission told a US Senate committee on 17 January that 14 patent litigation settlements between drug firms and generic companies in the fiscal year ending 30 September included 'pay-for-delay' agreements. In these, a generic competitor is paid by the maker of the patented drug to delay introduction of a copycat drug. The previous year, the FTC had counted three such agreements, and there were none the year before that.

MARKET WATCH



SOURCE: NASDAQ

This week, Wood Mackenzie, an Edinburgh-based research and consulting firm, reviews recent trends in biotechnology stocks.

The Nasdaq Biotechnology Index fell steadily as 2006 drew to a close, but rebounded in early January to its mid-November levels.

Downturns in individual stocks were precipitated by poor data from clinical trials. Shares in Illinois-based Neopharma, for example, plunged by two-thirds on 8 December after news that its oncology therapy cintredekin had not shown a survival benefit in aggressive brain tumours. On the same day, Nuvelo of California met a similar fate, with its stock losing four-fifths of its value when its anti-clotting candidate, alfimeprase, failed to help patients with poor peripheral circulation in two trials. That could also jeopardize Nuvelo's lucrative co-development agreement with Bayer in Germany.

Later gains were bolstered by the announcement of partnership and licensing deals. Shares in Epix Pharmaceuticals of Massachusetts rose by 30% in mid-December, after news of its drug development collaboration with GlaxoSmithKline on a potential treatment for Alzheimer's disease.

And Seattle Genetics climbed by 34% in early January, after licensing commercial rights to its early-stage anticancer monoclonal antibody, SGN-40, to Californian industry leader, Genentech.

Overall, the index is emerging from an indifferent 2006: it made impressive gains at first to end February up by 21%, its high point for the year, only to slide by mid-July to 12% below where it started the year. A subsequent recovery took it to an anaemic 1% gain for all of 2006, underperforming other, broader market indices. ■