Budget boost for UK biotech

On March 9, the UK government announced a budget that includes several schemes to help biotechnology firms, among others. Starting in April, a new series of tax breaks will help alleviate R&D costs in nonprofitable companies by 24%. Tax breaks for R&D had been called for by the UK's BioIndustry Association (*Nat. Biotechnol.* **17**, 215). According to the UK Chancellor of the Exchequer, Gordon Brown, the scheme will give "cash help, even before profits," amounting to £150 million (US$240M) a year to high-technology firms until the end of this parliamentary session (2002 at the latest). The chancellor also announced a new corporation tax starting rate of 10% for companies making profits of less than £50,000. The new rate is down from the previous 20% and is lower than that in both Japan and the US. The government also announced a new £20 million a year venture capital fund for large companies to invest in small high-technology firms.

Pharmanex wins round two

Overturning a 1998 FDA ruling, a Salt Lake City, UT, judge has ruled that Pharmanex's Cholestin is a dietary supplement, not a drug, and is therefore not subject to FDA approval and regulation. Cholestin is a cholesterol-reducing compound made from red rice yeast, a traditional Chinese medical remedy that is also one of the active ingredients in Merck's (Whitehouse Station, NJ) cholesterol-lowering drug, Mevacor. Last year, FDA deemed Cholestin a drug, demanded its removal from market, and banned import of its active ingredient from China. FDA's action and current ruling is the first legal challenge to the 1994 Dietary Supplement Health and Education Act, which loosely distinguishes drugs and dietary supplements (*Nat. Biotechnol.* **16**, 728), and allows unprecedented claims to be made about the ability of a food or dietary supplement to affect the body's "structure and/or function." FDA, which is reviewing the decision, declined comment.

Gilead acquires NeXstar

In March, Gilead Sciences (Foster City, CA) announced the takeover of NeXstar Pharmaceuticals (Boulder, CO) in a deal worth about $550 million. Gilead will exchange 0.425 share of Gilead stock for each of NeXstar's, giving NeXstar shareholders a $208 million cash premium, as well as access to an experienced management team. "NeXstar has been without a CEO [since August], and this puts them in very capable hands with the Gilead management," says John Sonnier, analyst at Vector Securities (Deerfield, IL).

For Gilead, the acquisition expands its research focus from antivirals into other infectious diseases and oncology. Gilead gains NeXstar's antifungal, Ambisome, and the cancer therapy DaunoXome (both on the market) and three candidates in development, including the antibacterial, MiKasome. "NeXstar has annual sales of over 100 million dollars in product revenues and Ambisome is gaining market share very rapidly in the US," says Edward Hemmelgarn, analyst and president of Shaker Investments (Shaker Heights, OH). Moreover, Gilead is acquiring a competency in the form of NeXstar's European sales and marketing infrastructure—about 140 people in the EU. Gilead also gains NeXstar's combinatorial chemistry capability. NeXstar had historically spent about $20 million a year on the program and had planned to spin off that part of the company (*Nat. Biotechnol.* **16**, 898, 1998). Although Sonnier thinks Gilead will keep the program, "I don't think they'll spend 20 million dollars a year on it."

Swiss ban xenotransplants

The Swiss Federal Council (Bundesrat) ruled in March to ban xenotransplantation from animals to humans, except in clinical research. The move is intended to appease green lobbyists, who have been calling for a moratorium. However, the partial ban permits what is technically not yet possible, thus allowing research to continue: Clinical trials of whole-organ xenotransplantation are allowed, although researchers in Switzerland think this will not be technically possible for at least another 10 years. The transplantation of tissue and cells as an individual treatment is allowed, providing there is no risk of infection for the population and there is proof of therapeutic benefit. Switzerland is the first country in the world to explicitly prohibit xenotransplantation; the partial ban will be effective until 2002, when a full law regulating xenotransplantation is passed.

Research collaborations

Company 1	Company 2	$ millions	Details
Amgen (Thousand Oaks, CA)	Praecis Pharmaceuticals (Cambridge, MA)	100	A deal to develop and commercialize Abarelix, an antagonist that inhibits the action of gonadotropin-releasing hormone. Amgen will provide $100 million in 1999 for development and clinical trials of the hormonal therapy drug, for the treatment of such diseases as prostate cancer.
Neurocrine Biosciences (San Diego, CA)	Wyeth-Ayerst Laboratories (Madison, NJ)	78	A research, development, and commercialization deal whereby Neurocrine will develop Wyeth-Ayerst compounds for neurological disorders in exchange for $78 million in the form of supply chemical libraries for screening, three to five years of R&D funding, and royalties on sales.
ImmunoGen (Norwood, MA)	SmithKline Beecham (London)	45	An agreement to develop and commercialize ImmunoGen's tumor-activated prodrug. ImmunoGen could receive up to $40 million in up-front cash and milestone payments plus a $5 million equity investment. SB will have global commercialization rights to product except in Far-East territories.
Diversa (San Diego, CA)	Novartis Agribusiness (Research Triangle Park, NC)	12.5	A multiyear, multiproject R&D alliance to develop products for crop enhancement and improved agronomic performance. Diversa will discover and optimize genes and gene pathways for transgenic crops in exchange for up-front payments of $12.5 million plus research, milestone, licensing, and royalty payments. Novartis will have marketing rights to products.
Exelixis Pharmaceuticals (S. San Francisco, CA)	Pharmacia & UpJohn (Bridgewater, NJ)	*	A five-year research collaboration focusing on Alzheimer's and metabolic disorders, including diabetes and obesity. Exelixis will identify for small-molecule drug targets for undisclosed up-front payments, equity investments, milestones, and royalties. P&U has rights to select targets for further development.

*Financial detail not disclosed