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Emergent Technologies Inc. strikes deal with Merck division

Focus is on RNA technology

BY CHRISTOPHER CALNAN / ABJ STAFF

In a move that its CEO called "pivotal," life science investment firm Emergent Technologies Inc. has reached a development agreement with a division of one of the largest drug makers in the world.

Austin-based Emergent Technologies has signed an evaluation and research collaboration agreement with Sirna Therapeutics — a division of Merck Sharp and Dohme Corp., which is part of New Jersey-based Merck & Co. Inc. (NYSE: MRK) — to identify technologies for the delivery of small interfering RNAs. The deal is a departure for both companies, although less so for Emergent, which has always operated with a hybrid venture capital model. The firm manages the companies in which it also invests capital.

Instead of developing and marketing products to potential buyers, Emergent's deal with Sirna Therapeutics will enable it to develop products with a need and a buyer already identified before the development process starts. The agreement restructures the process so the firm will share the risk with Sirna, Emergent CEO Thomas Harlan said.

"They end up co-developing the idea, and we end up with a product that manufacturers need and is marketed by the partner," he said. "We're trying to get to the point where we only take on the development risk. We have clear marching orders, as far as what we need to deliver up front."

Sirna is working on small interfering RNAs, or siRNA. RNA interference is a system within living cells that helps control which genes are active and how active they are. Specifically designed small interfering RNA molecules are central to RNAi. In 2006, the Nobel Prize for physiology or medicine was awarded for RNAi work on how genes are controlled within living cells.

Emergent Vice President Gregory Pogue said siRNA is a paradigm-shifting technology that could change how human diseases are treated.

"This technology can advance the science of human health care and lead to the development of new therapeutics," he said.

Sirna Therapeutics parent company Merck posted $27.4 billion in revenue last year.

Austin has a relatively small bioscience community that fosters a collaborative spirit, and any connection with Merck would have far-reaching benefits for the entire region, said Dr. Evan Melrose, founding managing director of Austin-based PTV Sciences.

Emergent, which was founded in 1989, employs 35 workers. The firm has more than $40 million in investment funds under management and 18 companies in its portfolio.

In 2007, Emergent closed on a $27 million Fund IV dedicated to commercializing activity in the University of Texas System. Companies financed by the fund include Mimetic Solutions LLC, Beacon Sciences LLC and Aeon-Clad Coatings LLC.

Ron Kessler, president of Austin-based consulting firm Ron Kessler Group LLC, said the Merck deal with Emergent could open a pipeline between Big 12 research universities and the pharmaceutical industry. "Emergent has developed a process of innovation by straddling the gap between what's in the laboratory and the marketplace," he said.

Last year, the Texas Healthcare & Bioscience Institute completed a report that found the life sciences sector in all regions of the state — except Central Texas — grew faster than the U.S. average from 2003 to 2008.

Harlan plans to do more deals such as the Sirna agreement after the company becomes more established in the market.

"This is clearly where we're trying to head as a company," he said. "We're now an investment company delivering to specific market needs. It's a very pivotal shift, and it's a better economic model."