

Medicis agrees to acquire Inamed in deal valued at \$2.8B

By HOLLAND JOHNSON

Medical Device Daily Associate Managing Editor

Prescription skin medication maker **Medicis** (Scottsdale, Arizona) surprised some analysts yesterday when it reported its plan to purchase breast implant maker **Inamed** (Santa Barbara, California) for nearly \$2.8 billion.

The companies said during a conference call that this merger agreement would create a global leader in breast and facial aesthetics products and therapeutic dermatological medicine markets, with annual revenue in excess of \$700 million, operations in more than 12 countries, businesses in more than 60 countries and about 1,500 employees.

The companies noted that the combined entity would have a "broad, well-established, portfolio of complementary products in the facial aesthetics, breast aesthetics and

See Medicis Page 6

Report from Europe

Pearsalls cites progress for artificial disc trial patients

A Medical Device Daily Staff Report

In an early clinical results report, **Pearsalls** (Taunton, UK) said it was seeing good progress for nine patients implanted with its cervical disc at the **Royal Orthopaedic Hospital** (Birmingham, UK).

The Pearsalls Cervical Disc – also known as the neodisc – is a composite of an elastomeric core encapsulated by a textile structure, and is designed to mimic the biomechanical properties of the natural disc.

The surgeries were performed by Andre Jackowski, MD, a co-inventor of the device.

Jackowski said, "The first four patients have now passed their six-month evaluation. Their original symptoms have been cured, and significant improvement has been noted in all scores measured." He added, "All nine patients are progressing extremely well and are highly satisfied with their results."

Artificial disc replacements are expected to be the most successful product class in recent medical device his-

See Europe, Page 8

Frost & Sullivan Executive Summit

On partnerships and M&A, timing, fit are of importance

By JIM STOMMEN

Medical Device Daily Executive Editor

SAN FRANCISCO – Driving shareholder value for those who hold stock in large public companies takes many forms, with strategic investments, partnerships and mergers/acquisitions looming large among them.

Different companies take different approaches, said members of a panel during last week's **Frost & Sullivan Medical Devices Executive Summit** at the Hyatt at Fisherman's Wharf.

For instance, Paul Smit, senior vice president, strategy and business development for **Philips Medical Systems** (Best, the Netherlands/Andover, Massachusetts), said, "Our culture is to go with an alliance first, or a joint venture." He said Philips looks at mergers and acquisitions as "the last and most difficult path to building value."

See Frost & Sullivan, Page 7

Report from Canada

Use of magnetic 'bandages' is research target of professor

By DAVID KOSUB

Medical Device Daily Contributing Writer


VICTORIA, British Columbia – A Swiss-born pharmaceutical professor at the **University of British Columbia** (UBC; Vancouver) has won a grant from the **Canadian Institutes of Health Research** (Ottawa, Ontario) to explore the use of what he called magnetic "bandages" to treat diabetic leg ulcers, cancerous tumors and rheumatoid arthritis.

Urs Hafeli, PhD, told *Medical Device Daily* that he believes the bandages could replace the use of chemotherapy in the treatment of some cancers.

"The problem with chemotherapy is that it goes everywhere in your body. It's very potent and for sure will kill the tumor. But very often the drug goes to other organs that are healthy and also does damage to those organs."

About the size of the human fingernail, the magnetic bandage operates on the same principle as the larger therapeutic superconducting magnets that have been used to

See Canada, Page 5

INSIDE: NEW REPORT OUTLINES THE SLOW U.S. ADOPTION RATE ON EMRS2 **THOMSON**
MEDASSETS AND UPMC MEDICAL CENTER EXPAND THEIR RELATIONSHIP ...3 

New report outlines the slow U.S. adoption rate on EMRs

By **CHRISTOPHER DELPORTE**

Medical Device Daily Washington Editor

A recent study shows that less than a third of the nation's hospital emergency and outpatient departments use electronic medical records, and even fewer doctors' offices do.

According to a report released last week by the **Centers for Disease Control and Prevention's** (CDC; Atlanta) **National Center for Health Statistics** (NCHS; Hyattsville, Maryland), about 31% of hospital emergency departments, 29% of outpatient departments, and 17% of doctors' offices have electronic medical records to support patient care.

The report was compiled from annual ambulatory medical care surveys conducted by NCHS from 2001 to 2003. But Catharine Burt, lead author of the study, said the results "weren't getting much attention," so the agency decided to package them together to track trends in the adoption of electronic medical records (EMRs), also known as electronic health records, or EHRs.

"The purpose of this particular article was to draw attention to this, and put all out information in one place," Burt told *Medical Device Daily*.

The use of electronic records in healthcare lags far behind the computerization of information in other sectors of the economy, which is not much of a surprise to healthcare professionals.

It also has been the subject of much recent media and political attention. Last year, President George Bush called for the majority of Americans to have electronic health records within 10 years and appointed David Brailer, MD, as the national coordinator for health information technology.

In healthcare, billing applications were the first to be computerized. Electronic billing systems are used in three-quarters of physician office practices, but computerization

of clinical records has been much slower.

"I would have thought that more than 30% of emergency departments would have electronic medical records," Burt explained when asked what surprised her most about the report's findings. "I think the virtues of EMRs have been touted for quite a while, and to find out that only a third of hospitals are using them is kind of amazing."

She said that the cost of the systems undoubtedly has been a barrier to their adoption, especially by smaller physician practices.

"Electronic medical records and computerized systems offer opportunities to improve the quality of medical care in all settings as healthcare providers learn the potential of these systems and how to use them," Burt said.

The survey measured the use of systems to improve the accuracy and safety of prescription drug use. About 8% of physicians use a computerized physician order entry system, in which orders for drugs and diagnostic tests are entered electronically rather than on paper prescription pads.

In these electronic systems, the computer compares the order against standards for dosing, checks for allergies or drug interactions, and warns of potential patient problems.

The study found younger physicians, those younger than 50, were twice as likely as physicians older than 50 to use this computerized system for ordering prescriptions.

About 40% of hospital emergency departments use automated drug-dispensing systems, compared to about 18% of outpatient departments.

Many other studies have shown that automated drug-dispensing systems – which operate like vending machines where the order is written and the machine dispenses the correct drug and dosage for patients – are able to reduce medical errors.

According to the study, those kinds of automated systems were more likely to be in use in emergency departments located in metropolitan areas and those with the

See EMRs, Page 7

MEDICAL DEVICE DAILY™ (ISSN# 1541-0617) is published every business day by Thomson BioWorld®, 3525 Piedmont Road, Building Six, Suite 400, Atlanta, GA 30305. Opinions expressed are not necessarily those of this publication. Mention of products or services does not constitute endorsement. BBI® and MEDICAL DEVICE DAILY™ are trademarks of Thomson BioWorld®, a Thomson Healthcare Company. Copyright © 2005 Thomson BioWorld®. All Rights Reserved. No part of this publication may be reproduced without the written consent of Thomson BioWorld®. (GST Registration Number R128870672)

ATLANTA NEWSROOM: Executive Editor: **Jim Stommen**. Managing Editor: **Don Long**. Associate Managing Editor: **Holland Johnson**. Staff Writer: **Karen Young**. Washington Editor: **Chris Delporte**. Production Editor: **Kim Urquhart**.

BUSINESS OFFICE: Vice President/Group Publisher: **Donald R. Johnston**. Marketing Manager: **Chris Walker**. Account Representative: **Steve Roberts**.

REPRINTS: For photocopy rights or reprints, please call **Stephen Vance** at (404) 262-5511 or e-mail him at stephen.vance@thomson.com.

SUBSCRIBER INFORMATION
Please call **(800) 688-2421** to subscribe or if you have fax transmission problems. Outside U.S. and Canada, call **(404) 262-5476**. Our customer service hours are 8:30 a.m. to 6:00 p.m. EST.

EDITORIAL
Don Long, **(404) 262-5539**
Fax: **(404) 814-0759**

VP/GROUP PUBLISHER
Donald R. Johnston, **(404) 262-5439**

INTERNET
www.medicaldevicedaily.com

THOMSON
™

Grants/contracts**MedAssets and UPMC medical center expand their relationship****A Medical Device Daily Staff Report**

MedAssets (Atlanta) reported that the **University of Pittsburgh Medical Center** (UPMC; Pittsburgh) is expanding on their relationship to include supply chain and revenue cycle solutions to improve UPMC's cash from existing operations.

UPMC's annual supply spending is about \$1 billion, of which \$400 million is currently on-contract.

Specific UPMC facilities have been utilizing MedAssets Net Revenue Systems' revenue cycle management technology including chagemaster maintenance, charge capture audit, and rate modeling tools; other UPMC facilities within the system are moving to the MedAssets tool suite, it said.

"By utilizing MedAssets' enterprise-wide technology platform, including revenue cycle and supply chain tools, UPMC anticipates improved financial and operational performance," said Rob DeMichiei, CFO of UPMC. "These improvements will enhance our ability to continuously advance the level of care provided to the communities we serve."

UPMC is an integrated healthcare system.

In other award news:

- **AT&T** has won a three-year contract to provide a secure networking solution for **Image Management Systems and Support** (IMSS; Ft. Lauderdale, Florida), specializing in medical imaging systems integration. The agreement expands an existing relationship with AT&T for voice and data services. Terms were not disclosed.

IMSS provides healthcare institutions an online environment in which to store and share digital medical images and reports, improving, it said, "medical experts' abilities to consult on diagnoses or recommended treatments, regardless of location or time of day." IMSS has been serving healthcare institutions, primarily in the Southeast, and said it is "finalizing plans for facilities in Shanghai, China."

AT&T will deploy an Internet Protocol Virtual Private Network (IP VPN) and host the IMSS Web servers in its Arizona Internet Data Center (IDC), ensuring around-the-clock access to data stored there and providing business continuity capabilities. AT&T owns and operates 26 IDCs around the world.

"The ability to view, consult and respond to X-rays, computed radiography, computed tomography, MRIs, ultrasound and medical transcription is a tremendous boon to healthcare professionals," said Joseph Porges, a founder of IMSS. "AT&T won our business because of the reliability of AT&T's network and data centers, as well as the sales and customer support."

- **KineMed** (Emeryville, California), a drug development and diagnostics company, said that the **National Institute of Neurological Disorders and Stroke** (NINDS), a unit of the **National Institutes of Health** (NIH; both Bethesda, Maryland) has awarded it a Phase I Small Business Innovation Research grant to develop applications of a

KineMarker assay for myelin disorders.

The company's KineMarkers are *in vivo*, stable isotope kinetic biomarkers that measure the flux of molecules through complex and therapeutically relevant biological pathways. As part of KineMed's neurobiology initiative, company researchers have developed a biomarker that measures the synthesis of myelin, the outer covering of nerve cells that is destroyed in multiple sclerosis and other neurodegenerative diseases.

David Fineman, president and CEO of KineMed, said, "[our] proprietary assay technologies reveal new understandings of pathogenesis, and we look forward to developing both a preclinical and clinical kinetic biomarker test in multiple sclerosis and other disorders of demyelination which may enhance the efficiency of drug development and also guide clinical decision making and alternate treatment strategies. This new grant is in addition to over \$5 million dollars previously awarded in the areas of prostate cancer, osteoarthritis, toxicology and chronic lymphocytic leukemia."

- **DMS Imaging** (Minneapolis), a member of the DMS Health Group, reported signing a three-year agreement with **VHA** (Irving, Texas), which serves more than 2,200 healthcare organizations nationwide. DMS Imaging will provide VHA members with mobile shared services imaging and interim rentals of mobile imaging products. The agreement includes MRI, computed tomography (CT), positron emission tomography (PET), PET/CT, nuclear medicine and ultrasound services.

DMS Interim Solutions places rental MRI, PET, CT and PET/CT systems during times of construction, scheduling backlog or other situations during which a temporary imaging system is needed.

DMS MedSource Partners provides an option for on-site permanently installed diagnostic imaging equipment. ■

RegeneRx to trade on Amex

RegeneRx (Bethesda, Maryland) said that its stock would begin trading on the American Stock Exchange (Amex) on March 28 under the symbol RGN. The company's shares will continue to be traded on the OTC Bulletin Board until that time.

"We're pleased to be listed on the American Stock Exchange, as it should increase the company's visibility on Wall Street and provide greater trading liquidity for institutional investors," said J.J. Finkelstein, president and CEO. "The fact that we have significantly increased stockholder equity and have a higher market capitalization, both of which are required for listing on the Amex, are milestones we're pleased to have attained."

RegeneRx is a biopharmaceutical company developing TB4 as a platform technology for the treatment of acute and chronic wounds and for a variety of human diseases involving tissue and organ repair under an exclusive worldwide license from the **National Institutes of Health** (Bethesda, Maryland). ■

*Deals roundup***Trinity completes RDI deal; Healthpoint buys Alphatec****A Medical Device Daily Staff Report**

Trinity Biotech (Dublin, Ireland) reported that it has completed the acquisition of **Research Diagnostics** (RDI; Flanders, New Jersey). The company acquired RDI for \$4.2 million in cash.

RDI provides a range of immunodiagnostic products to research facilities, pharmaceutical companies, reference laboratories, diagnostic manufacturers, and universities worldwide. The range of products provided by RDI is similar to that provided by **Fitzgerald Industries International**, a company acquired by Trinity in April 2004. Specifically the line includes monoclonal and polyclonal antibodies, antigens, proteins, enzymes and immunochemicals employed in the areas of cancer, cardiac, fertility and infectious disease diagnosis.

The operations of RDI will be integrated with those of Fitzgeralds in the coming months, and the combined entity will operate on a stand-alone basis within the Trinity group.

"We are delighted to be deploying our cash resources to this earnings accretive acquisition," said Ronan O'Caioimh, Trinity Biotech CEO. "RDI is a natural fit with our existing operations in Fitzgerald in that it is particularly strong in supplying product to research facilities worldwide whereas Fitzgerald's focus is on diagnostic manufacturers."

Trinity develops diagnostic products for the clinical laboratory and point-of-care segments of the diagnostic market.

HealthpointCapital Partners (New York) reported the purchase of **Alphatec Manufacturing** (Carlsbad, California), a company that produces a line of spinal fusion products. Terms of the transaction were not disclosed.

"Spine is the largest and fastest-growing element of the orthopedic device industry," said John Foster, Healthpoint Capital chairman and CEO. "This acquisition provides capital to accelerate Alphatec's growth. Substantial funding will allow for expanded manufacturing capacity, inventories, infrastructure and staffing in all functions."

Foster has become the chairman and CEO of Alphatec. Shunshiro Yoshimi, the founder of Alphatec, will remain involved in the company. Alphatec has about 100 employees.

In other dealmaking activity:

- **PhotoMedex** (Montgomeryville, Pennsylvania) and **ProCyte** (Redmond, Washington) reported that following ProCyte's shareholder meeting, the companies have shareholder approval to complete their merger in a stock-for-stock transaction.

At a reconvened special meeting of shareholders last Friday, ProCyte shareholders voted to approve the merger agreement and the merger between the two companies. The measure was passed by a vote of 11,121,900 shares in favor of the merger. This represents about 70.3% of ProCyte's 15,822,516 shares of common stock outstanding as of the record date.

Previously, on March 3, at a special meeting of PhotoMedex stockholders, the merger agreement and merger were approved, including the issuance of PhotoMedex shares as consideration for ProCyte shares.

PhotoMedex will issue 0.6622 shares of its common stock in exchange for each outstanding share of ProCyte common stock. PhotoMedex expects to issue roughly 10.5 million shares of common stock. The combined company will operate under the name PhotoMedex and will trade on the Nasdaq National Market under the symbol PHMD. The combined company will be headquartered in Montgomeryville and will have operations in Carlsbad, California, and Redmond, Washington.

The companies first disclosed the roughly \$24.4 million deal in December (*Medical Device Daily*, Dec. 3, 2004).

ProCyte develops products based on its GHK and AHK Copper Peptide technology for skin health, hair care and wound care.

PhotoMedex provides contract medical procedures to hospitals, surgi-centers and physicians' offices, offering products and services across multiple specialty areas, including dermatology, urology, gynecology, orthopedics, and other surgical specialties. It bills itself as a leader in the development of medical laser products and services.

- **NovaMed** (Chicago) has acquired a 51% interest in the **Cataract Specialty Surgical Center** (Berkley, Michigan), an ambulatory surgery center. This acquisition represents NovaMed's first acquisition in Michigan, the company said.

"This acquisition provides us with the opportunity to enter the metropolitan Detroit market in partnership with three highly respected local ophthalmologists," said NovaMed Chairman, President and CEO Stephen Winjum.

NovaMed operates ambulatory surgery centers in partnership with physicians. With this acquisition, NovaMed now has ownership interests in 26 surgery centers located in 14 states.

- **MIV Therapeutics** (Vancouver, British Columbia), a developer of biocompatible coatings and drug delivery technologies, reported that it has executed an agreement to acquire **SagaX Medical Technologies** (Herzliya, Israel), a company developing embolic-protection technology for stroke patients.

SagaX, a privately held company, is developing the Aortic Embolic Protection Device (AEPD) and other related devices at its research and development center in Herzliya. The AEPD filters the blood in the aorta capturing embolic particles that originate in the heart and are released during heart surgery and other invasive cardiology procedures. This filtration is designed to prevent the embolic particles from traveling upstream in the direction of the patient's brain.

"With the addition of SagaX, MIV Therapeutics will be favorably poised to enter the growing and lucrative field of endovascular interventional products, a critical area of medical procedures that includes advanced neuro-interventional clinical applications," said Alan Lindsay, chairman, president and CEO of MIVT.

See Deals, Page 9

Canada

Continued from Page 1

treat cancer. Both rely on digital fluoroscopy systems to track the path of the microspheres.

With this strategy, Hafeli proposes pursuit of a two-fold treatment: First, tiny magnetic particles or microspheres containing cancer-fighting drugs or radioactive materials are injected into the patient's bloodstream. Then, the magnetic bandage is placed over an open wound or above a tumor to draw the microspheres directly to the area of the body to be treated. Drugs are then slowly released from the microspheres.

"We need to make sure the magnet is above the tumor," Hafeli says. "So first we do imaging to see where the tumor is, and we put a magnet over it. We then inject the particles, stop them and concentrate them in the tumor and from there irradiate or treat the tumor."

Such a system has been used in the labs of **FeRx** (San Diego) and with remarkable initial results, says Hafeli. In one trial, 32 patients suffering from liver disease were injected with radiolabeled magnetic microspheres, which were tracked to the disease site using digital fluoroscopy. What X-rays revealed was a significant uptake of microspheres and cancer fighting drug directly into the tumor.

Unfortunately, Hafeli notes, FeRx folded about a year ago, and the clinical effects on the patients were never made public (*Medical Device Daily*, May 4, 2004).

"But the results were quite good," he adds. "X-rays show the microspheres ended up in the area of the liver they were targeting."

Made of materials ranging from polymers like gelatin and albumin to glass, the microspheres are about 1 micron in size, or about 1/25,400 of an inch – thus small enough to travel through capillary blood vessels, pulled along by a large external magnetic force.

"They have to be a little bit smaller than the red blood cells because you don't want to clog the capillaries," says Hafeli.

Use of polymers in the human body is not new; surgeons have been using polymeric sutures for at least two decades. And like polymeric sutures, microspheres are biodegradable and eventually disappear from the body.

"You can use what people normally call these 'slow-release' applications, or you could actually chemically bind the drug to your microspheres. Its enzymatic action breaks off the drug, and then the drug is free to do the treatment."

Hafeli believes those with diabetes could be the first to benefit from his magnetic bandage.

Diabetics often suffer from open leg wounds or ulcers that fail to heal after three or four months, thereby putting them at risk for infection – or much worse. About 5,000 people in Canada, for example, have their legs amputated each year as a result of diabetic leg ulcers. In the U.S. the figure runs closer to 80,000 a year.

Another application for microspheres, says Hafeli, co-

Canada's Martin unveils \$222M in new health research funding

A *Medical Device Daily* Staff Report

Canadian Prime Minister Paul Martin, accompanied by Ujjal Dosanjh, minister of health, and Dr. Alan Bernstein, president of the **Canadian Institutes of Health Research** (CIHR; Ottawa, Ontario), last week reported the issuance of more than \$222 million in new government grants for 571 health research projects.

Martin unveiled the new funding during a press conference at the **University of Calgary** (Calgary, Alberta).

"By enabling our researchers to stay at the cutting edge in their fields, we are strengthening our country's position as a leader in building an innovative and cost-effective healthcare system," said Martin. "Their work will contribute to strengthening the research and training environment for young Canadians in all regions of the country."

Dosanjh said that the funding "allows researchers to build the knowledge we need to maintain our reputation throughout the world as an exceptional place to live, work and learn. I congratulate these researchers and wish them well in carrying out their projects."

The 571 research projects will be carried out over periods of one to five years, with the CIHR saying they "exemplify [a] comprehensive, problem-based approach to funding health research."

Of the 571 research projects announced, 58 will be conducted in the province of Alberta at the University of Calgary, the **University of Alberta** and the **University of Lethbridge** (Lethbridge, Alberta).

uld be in the field of gene therapy. Some genetic researchers already are using small magnetic particles to attract genes to human cells and, he says, doing it "faster, much more efficiently and with much less material" than conventional gene therapy.

"The results in cell culture experiments are very nice, very clear. It's just great," he says.

But this greatest excitement is reserved for the potential use of microspheres and magnetic bandages to treat cancers, especially those nearest the body surface, such as skin cancer.

"For the ones where we have relatively good access to the tumor – where we are within reach of the magnetic field from the outside – I think this technology would be a good choice. It should work," says Hafeli.

One challenge the technology faces is developing microspheres that are sufficiently magnetic to be attracted by the magnetic bandage.

Hafeli's work at UBC will involve a multi-disciplinary science team, with its main task being to seek out "the perfect

See Canada, Page 6

Medicis

Continued from Page 1

therapeutic dermatological markets, and innovative surgical devices for the treatment of morbid obesity.”

Under the terms of the transaction, approved by both companies’ boards of directors, Inamed stockholders will receive 1.4205 shares of Medicis common stock and \$30 in cash for each share of Inamed common stock.

Based on Medicis’ closing price on March 18, and the number of Inamed shares outstanding, the merger consideration represents about \$75 in value per Inamed share.

Jonah Shacknai, current chairman, president and CEO of Medicis, will become chairman and CEO of the combined companies, and Nick Teti, currently Inamed’s chairman, president and CEO, will assume the post of vice chairman of the board.

In addition to Teti, three other Inamed representatives will join the current eight-member Medicis board.

“This transaction, which we believe to be transformational, will create a company with a global growth platform an incredibly strong financial position and greater resources for increased research and development, which is, of course, the mother’s milk of all business,” said Shacknai during the call. “Joining forces with Inamed gives us the ability to offer our primary customers – plastic surgeons, cosmetic surgeons and dermatologists – a broader array of complementary, highly effective products to meet the needs of their patients.”

Shacknai noted that the combined product portfolio of the companies would include “well-known brands” in the dermatological market and in the facial aesthetics market “including in the future, and very importantly, reloxin, a Botulinum toxin type A.”

He also pointed out that Inamed brings “the world’s leading breast augmentation products” to the table, as well as the Lap-Band system for the treatment of morbid obesity.

Teti said that he believes this business combination “will greatly improve our already strong position” in the breast aesthetics market.

While the company will be based in Scottsdale, Medicis said it would retain a “strong presence” in Santa Barbara and Fremont, California, and international locations, including Arklow, Ireland, and San Jose, Costa Rica.

While the companies were upbeat about the pending merger, some analysts questioned whether the deal would be as valuable if the FDA rejects Inamed’s bid to have the 12-year-old ban on silicone breast implants overturned.

“If Inamed does not win approval of silicone breast implants in the U.S., this could be a negative,” David Maris, a **Banc of America** (New York) analyst, said in an investor note.

Thousands of women said they suffered a range of conditions caused by the silicone implants, including autoimmune diseases such as lupus and rheumatoid arthritis, leading to a slew of lawsuits and recalls of the products

made by several manufacturers.

Inamed last week disclosed that the Securities and Exchange Commission has begun a formal private investigation related to one style of its silicone gel-filled breast implants.

The transaction, which is expected to close by the end of calendar 2005, is still subject to the approval by Medicis and Inamed stockholders, regulatory approvals and customary closing conditions.

Shacknai noted that the pending merger is about growth, and as such, he said employees would have “significant opportunities” in the combined companies. He also noted that since both businesses are large and complementary, “we anticipate very limited impact on our work forces.”

Deutsche Bank Securities is serving as financial advisor and Latham & Watkins as legal counsel to Medicis. JPMorgan is serving as financial advisor and Morrison & Foerster as legal counsel to Inamed.

Medicis has branded prescription products in a number of therapeutic categories, including acne, eczema, fungal infections, psoriasis, rosacea, seborrheic dermatitis and skin and skin-structure infections. ■

Canada

Continued from Page 5

particle” to produce a more magnetic microsphere, he says.

A second problem is balancing the toxicity of drugs with the number of microspheres injected into a patient’s blood stream.

“You have to use very active drugs, because you don’t want to inject huge amounts of these microspheres. There is always the danger that you will clog capillaries if there are too many of these particles.”

Doctors using microspheres and magnetic bandages would also be limited to treating local disease; they would not be effective in treating metastases. That’s because magnetic forces tend to fall off relatively rapidly with distance, so that a cancer that is very deep in the body would be beyond the scope of the magnetic bandage.

Hafeli has tested the use of microspheres and magnetic bandages with good results using rabbit models. More extensive animal studies, and eventually human studies, are likely to follow, but the technology is not expected to be available in hospitals for at least a few more years.

While Hafeli is still one of only a few scientists in the world exploring the use of magnetic microspheres and magnetic bandages, he sees a growing interest in their potential uses. “The group that is working with magnetic bandages is expanding around the world.”

Hafeli says he laughed when a reporter asked him recently if his ideas conjured up the movie classic, *Fantastic Voyage*. But the association actually is no laughing matter, he acknowledges, since it “really is the stuff of science fiction.” ■

Frost & Sullivan

Continued from Page 1

Brad Harlow, senior consulting advisor for **Guidant CRM** (Santa Clara, California), took a different tack, saying that, for Guidant, an alliance usually is “an interim play.” Acquisition, he declared, offers “the greatest value for shareholders.”

While characterizing M&A as “very risky,” Joseph DeVivo, president and CEO of **RITA Medical Systems** (Mountain View, California), said such activity is “the essence of our business.”

Calling M&A opportunities “the lifeblood of the medical device industry,” he said that “people want to build a technology and get out or build an organization and get out.”

Panel moderator Kevin Wasserstein, a principal with **Versant Ventures** (Menlo Park, California), one of the leading med-tech investment firms, asked the panel members to “talk about the baby steps of getting to M&A.”

Harlow said one major need for large companies is to have a “wallpaper strategy” in terms of intellectual property (IP). “They have to have enough IP to have ‘weapons of mass destruction’ against competitors” in the spaces where they operate. He said a company needs to answer whether its technology is good enough to compete or whether a technology it might license from a smaller company is better.

“If their technology is better,” he said, “we can give them the clinical support they need. They usually will gain speed to market.”

From Philips’ perspective, Smit said, “we use minority investments to get into a business we feel we need to be in, but want to be in” on an all-out basis.

Harlow said that he represents the perspective of “a lot of small firms” with which Guidant does “a lot of distribu-

tion deals.” In such instances, he said, “being able to work together is paramount.”

He said that in such cases, “you want to make sure the respective CEOs have regular contact,” because, he noted, “at some point, you’ll have a contract problem, and if the CEOs have a relationship, you can get past that” more easily.

Another suggestion: “Have a clear vision and make sure everyone is aware of it. Stay clear on your vision all the way through.”

Noting that it’s important for a company’s top execs to know what its core competencies are, Harlow said, “You need a very clear vision on your own market sector.”

Smit said that when Philips does look at a company as a possible acquisition target, “we like it to be complementary to what we do. We look at companies that serve the same customers as we do, but with a different technology.”

He added: “We also look to get management [of the company to be acquired] on board; we try to get them to sign contracts” to stay on after the acquisition is completed.

“We’d like you to be part of our future, so if your goal is to get out, then we’re not interested” in making a deal, he said.

For DeVivo, one key to making acquisitions work is, “make sure you know what you’re acquiring.” If, for instance, “you’re buying a large, established business, then culture is very important.”

Harlow interjected: “style matching is particularly important if you’re buying distribution,” but said it has “zero value if you’re buying technology.” However, he said, “the more unique your product or process, the higher the value of the company.”

As for timing, DeVivo said, “don’t tie yourself to a specific timeline,” while Wasserstein added: “One factor is how close you are to accretion.” ■

EMRs

Continued from Page 2

highest volume of patients. For outpatient departments, medical school affiliation also was associated with use of automated drug systems.

Burt said the results contained in this report provide a good baseline for what the actual current state of EMR usage is in the U.S.

“When Dr. Brailer’s report came out this summer after a big push by the Department of Health and Human Services, nowhere in it did they mention our statistics,” Burt said. “They mentioned a lot of statistics from web-based surveys, but those aren’t necessarily nationally representative.”

She said web-based surveys are inherently biased toward respondents who already are comfortable with technology and automation.

“Also, a lot of the surveys only go to large practices and don’t sample individual solo parashioners or group practi-

tioners,” Burt added.

Burt said the results of the 2004 survey are currently being compiled and reported later in the year. She said the new numbers undoubtedly would reflect a growth in usage.

“Certainly since last summer there has been a push,” she said. “Medical associations are encouraging doctors to use them, and the cost is coming down some from \$20,000 [per system] to about \$10,000.”

Brailer has said that the government must create incentives for healthcare providers to adopt electronic medical records in addition to enacting compatibility standards.

“While national adoption rates for health information technology are slowly climbing, we are seeing a widening gap between larger hospitals and physician groups and their smaller counterparts,” Brailer said recently. “Physicians and providers face many barriers to adopting health information tools.” ■

Europe

Continued from Page 1

tory. While first-generation lumbar devices have begun commercialization in the U.S. market, many feel cervical applications could offer an even larger opportunity.

"We are extremely pleased that our device is performing so well," said Lawson Lyon, managing director of Pearsalls. "We are on track as planned, to apply to the FDA to begin clinical trials in the U.S."

Jackowski will be presenting his full clinical results, including independent range of motion analysis, at the annual meeting of the **Spine Arthroplasty Society** (North Palm Beach, Florida) in New York in May.

Pearsalls said that the neodisc is the first of a series of products enabled by Pearsalls' platform technology, focused on engineered matrices of fibers positioned with computer-controlled "embroidery" that encourage the propagation of biological tissue. Future products include an artificial lumbar disc and a family of non-fusion devices developed from the same core technology.

Pearsalls is privately owned by **AMI Holdings**, a portfolio company of **RoundTable Healthcare Partners** (Lake Forest, Illinois).

BMC in marketing pact with Mavand

American Bio Medica (ABMC; Kinderhook, New York) reported a distribution agreement from **Mavand Solutions** to exclusively market and sell ABMC's product line across Europe, with the exception of the UK and Ireland. Mavand's distribution rights in these countries is non-exclusive, and it is not permitted to sell ABMC products in Spain or Portugal, as ABMC currently has authorized distributors for these countries. Mavand is a diagnostic system vendor for the European market.

Stan Cipkowski, CEO of American Bio Medica, said the agreement should be "a profitable endeavor for both ABMC and Mavand... The principals at Mavand are the same people we have worked so successfully with on our Rapid Reader project, which is an integral part of road side testing pilots in several countries. Our partnership with Mavand will ensure that our European endeavors are successful."

ABMC is a developer of immunoassay diagnostic test kits, including some of the world's most effective point-of-collection tests for drugs of abuse. ABMC's Rapid Drug Screen, Rapid One, Rapid TEC and RDS InCup products test for the presence or absence of drugs of abuse in urine, while OralStat tests for the presence or absence of drugs of abuse in oral fluids.

Argonaut amends Biotage buy

Argonaut Technologies (Redwood City, California) reported that it has amended its agreement with **Biotage** (Uppsala, Sweden) to increase the purchase price to \$21.2 million in cash and to include the sale of certain assets (excluding receivables) and the assumption of specified liabilities, including warranty service and maintenance, and accounts payable of up to \$350,000 associated with its re-

maining Process Development Products and Services.

Under the amended agreement, Biotage will also take on the employment responsibility for additional Argonaut employees associated with its Process Development Business. On Feb. 21 the company entered into a definitive agreement with Biotage under which Argonaut agreed to sell stock and certain assets of its consumables and flash chromatography business for about \$19.9 million in cash.

Argonaut said the agreement with Biotage was amended in response to "an unsolicited proposal from a third party."

The agreement is part of Argonaut's ongoing effort announced in November 2004 to evaluate and pursue strategic alternatives. Argonaut said it intends to distribute "a significant portion" of the net proceeds received in the sale to stockholders promptly after the closing of the transaction, which is subject to stockholder approval and other customary closing conditions.

Argonaut said that the stockholder meeting to approve this sale would be held during 2Q05.

Argonaut is a provider of consumables, instruments, and services designed to help the pharmaceutical industry accelerate drug development. The company's products enable faster testing of drug targets and chemical compounds available for development.

Biotage offers solutions in the areas of genetic analysis and medicinal chemistry.

Smiths' LCAD deliveries to start

Smiths Detection (Watford, UK) will begin deliveries of the latest chemical warfare agent detection equipment for UK troops, recently accepted into service by the Ministry of Defense (MoD). Smiths Detection has a contract worth some £20 million under the MoD's Lightweight Chemical Agent Detectors (LCAD) program.

Together with the Manportable Chemical Agent Detector (MCAD), also from Smiths Detection, LCAD forms a two-tier detection system to provide a real-time battlefield identification and alarm capability. MCAD entered service in 2003 under a £16 million contract, and more units have been ordered by the MoD. Both products detect chemical warfare agents and toxic industrial chemicals.

LCAD's technology combines ion mobility spectrometry with Corona discharge and thus no radioactive sources are required. Designed for continuous operation, it is a highly sensitive product, Smiths said, detecting and identifying chemical threat agents at levels that could be fatal or cause serious incapacitation.

Robert Judd, president of Smiths Detection-Military, said, "This is an important milestone, following an intensive development program by our Watford team in partnership with the Ministry of Defense. MCAD and LCAD form a very strong two-tier detection system and maintain our proud record of equipping UK troops with the most advanced battlefield identification and alarm capability."

Smiths Detection is one of four operating divisions of Smiths Group. ■

PRODUCT BRIEFS

- **Biophan Technologies** (West Henrietta, New York) reported the issuance of U.S. patent No. 6,864,418, "Nanomagnetically shielded substrate," expanding its coverage of nanomagnetic materials licensed from Nanoset (East Rochester, New York). This patent has applications in medical device technology being developed for commercial use by Biophan to protect patients having pacemakers and other similar implanted devices from potential harm due to MRI. This patent focuses on the nanoscale composition, structure, and tuning of nanomagnetic shielding materials, and the effects these design properties have on the way the shield coating performs in the complex and powerful electromagnetic fields used in MRI. These specialized properties can be engineered to provide shielding for medical devices that are tuned to protect against these MRI-related electromagnetic fields. Biophan holds the worldwide exclusive rights to all medical applications developed by Nanoset.

- **FlowMedica** (Fremont, California) said the Benephit Delta Infusion System, a new device that provides administration of physician-specified medications and other therapeutic agents directly to the renal arteries, has received 510(k) clearance from the FDA. The Benephit Delta system is designed for patients with kidney dysfunction who may benefit from targeted renal therapy (TRT), including those with congestive heart failure. TRT is an alternative to the standard delivery method of systemic intravenous infusion of medications to treat kidney dysfunction that is related to a number of conditions. The FDA previously granted 510(k) clearance to the Benephit Infusion System, which typically is used to provide TRT in conjunction with minimally invasive interventional procedures for the diagnosis or treatment of cardiovascular dis-

ease. The reduced profile, increased flexibility, and longer lengths of the Benephit Delta system allow for access through arterial sites. The system is designed to allow greater patient mobility and ease in providing therapy once the patient leaves the interventional laboratory. Both the original Benephit and new Benephit Delta systems are designed to provide TRT into both renal arteries simultaneously, using a single catheter.

Separately, FlowMedica reported the Scripps Clinic's (La Jolla, California) initiation of a physician-sponsored clinical trial of the Benephit Infusion System in patients with chronic kidney disease who are undergoing cardiovascular procedures and are at increased risk for developing radiocontrast nephropathy (RCN). In the trial, investigators will assess whether using the Benephit system to deliver medication directly to the kidneys decreases the incidence of RCN, a reaction to the contrast media used in some procedures. Scripps is currently enrolling patients with chronic kidney disease in the trial, which will have as many as 30 patients.

- **I-Flow** (Lake Forest, California) reported that a long-term study on the use of ON-Q PainBuster following breast cancer surgery was presented recently at the Society of University Surgeons annual meeting in Nashville, Tennessee. The presentation, which includes two year follow-up data on a study originally published in *The Journal of Surgical Research* in December 2003, showed the benefits of ON-Q not only in reducing acute pain after surgery, but also in helping patients have less pain with daily activities over time. The study initially showed that the use of ON-Q PainBuster following surgery for removal of axillary lymph nodes in 27 patients with breast cancer resulted in decreased pain and narcotics use immediately following the operation. Researchers tracking these patients for more than two years found that the patients who received post-surgical pain relief with ON-Q PainBuster continue to have significantly better scores when tested for shoulder function and pain with daily activities.

PEOPLE IN PLACES

- Scott L'Heureux, one of the founders of **Surgical Information Systems** (SIS; Atlanta), has been promoted to president and chief operating officer. L'Heureux, who had been executive vice president of sales, succeeds the company's primary founder, Richard Jackson, who will remain as CEO. SIS provides automated intelligence across the perioperative continuum, empowering hospitals to enhance patient care and business operations.

- William Craig has been named executive vice president and CFO of **Vital Signs** (Totowa, New Jersey). He has 20 years' experience in accounting and finance and for the past year has been providing consulting services in the area of Sarbanes-Oxley compliance as well as serving as an interim CFO. Vital Signs and its subsidiaries manufacture single-use medical products for anesthesia and critical care.

Deals

Continued from Page 4

MIVT said it believes the SagaX embolic protection device will be particularly useful during invasive heart procedures such as electrophysiology, valve dilatations and valve repair through angioplasty. But the technology may also find broad preventative application during minimally invasive alternatives to open surgery, it said.

MIVT signed a letter of intent to acquire the SagaX assets last month (*MDD*, Feb 24, 2005).

- **CompView** (Beaverton, Oregon), a provider of presentation technology and group communication solutions, reported a spin-off of its portfolio of audio-visual systems for medical environments into a newly created, wholly owned subsidiary company called **CompView Medical**.

It said that CompView Medical's technology solutions would enable hospitals to convert existing operating room facilities to a state-of-the-art digital environment, faster, more easily and at less cost than any current alternatives. ■

MEDTECH INVESTING

MAY 11 & 12, 2005 ▶ RADISSON PLAZA ▶ MINNEAPOLIS, MN

VENTURE CAPITAL AND PRIVATE EQUITY INVESTING IN MEDICAL DEVICES AND HEALTHCARE TECHNOLOGIES

INDUSTRY LEADERS FROM AROUND THE NATION WILL SHARE THEIR PERSPECTIVES AND STRATEGIES ON:

- ▶ The state of investing in medical devices and healthcare technologies
- ▶ Corporate Strategy: Managing investments, acquisitions, alliances and partnering
- ▶ Strategies for launching products internationally
- ▶ Utilizing contract manufacturing/outsourcing to increase your ROI
- ▶ How the consolidation of major device companies will impact the medical device industry
- ▶ Pre-FDA approval: Challenges in funding & building early stage device companies
- ▶ Post FDA approval: Transitioning to the commercialization phase
- ▶ Post marketing clinical trials: Will you need them?

Additional Features:

MEDTECH-CONNECT COMPANY SHOWCASE

Emerging medical technology & device companies will be screened and selected to present in front of an audience filled with venture investors. This is an opportunity for companies to gain exposure and a chance for investors to find qualified investments.

WORKSHOP: DEVICE REIMBURSEMENT MASTERCLASS

Reimbursement has gone from a back-burner issue to the Top Ten list for entrepreneurs and investors. This in-depth workshop has a faculty of experts who will help you understand all aspects of reimbursement by covering issues critical to both the entrepreneur devising a strategy and the investor evaluating a business model.

IBF & Medical Alley/MNBIO co-present this conference to unite the most active investors on a NATIONAL level with those active on a regional level to discuss strategies and facilitate deal flow. Last year's 250 conference delegates included 30 representatives from major corporations, 70 represented emerging growth device companies, 80 qualified private equity investors and the remaining 70 attendees were a broad mix of industry executives. 47% of the audience attended from outside the Mid-West region with the highest concentrations from California, Massachusetts and New York.

Sponsors:

OPPENHEIMER
OPPENHEIMER WOLFF & DONNELLY LLP



PRICEWATERHOUSECOOPERS

Morgan Stanley
Private Equity
Venture Partners

RBC
Capital
Markets

alouest
THE SPECIALIZED CRO

International Business Forum
IBF
CONFERENCES

ADVISORY BOARD MEMBERS:

Jeffrey T. Barnes

General Partner
Oxford Biosciences

Andrew Cone

President
Volant Ventures

Mir Imran

President
InCube, Inc.

Thomas A. Letscher

Partner and Co-Chair
Medical Technology Group
Oppenheimer Wolff & Donnelly LLP

Jay McNeil

Senior Relationship Manager
Silicon Valley Bank

Robert J. More

General Partner
Domain Associates

Amir H. Nashat

Principal
Polaris Venture Partners

Gerald Okerman

President
Minnesota Research Fund

Michael J. Partsch

Managing Director
Accuitive Medical Ventures

Carl R. (Dick) Sommerstad

Assistant Director
Office of Development
University of Minnesota

David Stassen

Managing Director
Split Rock Partners

Shelly Wall

Vice President
Morgan Stanley Venture Partners

Ralph Weinberger

Partner, Technology Industry Group
PricewaterhouseCoopers

Presented in conjunction with:

Medical Alley

MNBIO

To register for the 4th Annual Medtech Investing Conference, please visit ww.ibfconferences.com or contact Cathy Fenn, IBF's Registrar at 516-765-9005 x 21 or cathy@ibfconferences.com. Mention this ad when registering for a \$100 discount off the regular registration fee.