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VC aims to do well by doing good

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A year-old venture capital firm that invests intellectual property instead of money thinks it can do well by doing good for the region.

Phoenix IP Ventures has arrangements with two technology-based economic development nonprofits that it thinks can both make money for it and help small area companies grow.

The firm announced the agreements with Ben Franklin Technology Partners of Southeastern Pennsylvania and Innovation Philadelphia during BIO 2005, the Biotechnology Industry Organization convention held in Philadelphia last month.

Osagie Imasogie, one of Phoenix IP Ventures' three managing partners, said the company had planned to work with two economic development firms since its inception; it was just a question of which two.

"We decided that there were two that stood out in terms of being truly unique," Imasogie said.

Phoenix IP Ventures specializes in getting the rights to drug compounds that big pharmaceutical companies have given up on and giving them to small biotech companies in exchange for equity. That can be profitable for all concerned because a drug that can't generate a big-enough return to make developing it profitable for a large company may be able to provide a healthy return to a smaller business.

Phoenix IP Ventures' arrangement with Ben Franklin Technology Partners enables the company to extend its sources of intellectual property beyond pharmaceutical corporations to Pennsylvania colleges and universities. Its agreement with Innovation Philadelphia enables it to offer big pharmaceutical companies -- and other corporations -- federal tax credits for their intellectual property.

Phoenix IP Ventures' managing partners -- Imasogie, Zoltan Kerekes and Lisa Gray -- proved the company's model with GSK Ventures, a subsidiary of GlaxoSmithKline that Imasogie founded in 2000.

The three took a year to get GSK Ventures up and running. Over the next three years, they did 30 deals in which they took compounds and technology GSK had scrapped and invested

it in small companies. Today, Kerekes said, the equity they got GSK in exchange for GSK's intellectual property is worth \$150 million to \$200 million.

Imasogie, Kerekes and Gray left GSK Ventures to form Phoenix IP Ventures a year ago. Although they decided not to publicize their new firm until now, they've already done three deals, including one with ZaBeCor Pharmaceutical Co. of Philadelphia, which is using technology developed at the University of Pennsylvania. They hope to do six to eight deals a year.

Phoenix IP Ventures thinks some of the intellectual property it uses to do those deals will come from researchers at the 20 Pennsylvania schools in Ben Franklin Technology Partners' Technology Commercialization Network. Its agreement with Ben Franklin Technology Partners calls for it to split any proceeds it gets from commercializing the schools' intellectual property with the network.

Most schools in the network don't have their own technology commercialization units, so Phoenix IP Ventures can be a big help to them. Even those that do may be able to benefit from the firm's expertise. Drexel University has agreed to work with Phoenix IP Ventures and Thomas Jefferson University is considering it.

Phoenix IP Ventures' agreement with Innovation Philadelphia takes advantage of the latter's nonprofit status.

Under the agreement, corporations with intellectual property they aren't using can donate it to Innovation Philadelphia and receive federal tax credits for its value as determined by a third party. Phoenix IP Ventures will take the lead in trying to commercialize pharmaceutical and related assets; Innovation Philadelphia will work on the rest.

"For us, it is fantastic. It is another source of assets that are high quality," Imasogie said.

For Innovation Philadelphia, which will split commercialization proceeds 50-50 with Phoenix IP Ventures, it is a source of funding.

"If we're going to do sustainable economic development, we need to find ways to generate incremental income and revenue that is not public money," said Richard A. Bendis, Innovation Philadelphia's president and CEO.

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