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FROM THE FOUNDRY,  
AN INCUBATOR  
FOCUSED ON  
OPHTHALMOLOGY

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# IN VIVO

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# From The Foundry, an Incubator Focused on Ophthalmology

Two years ago, executives from venture capital firm Morgenthaler Ventures and medical device incubator The Foundry flew across the country to talk to officials from the Naval Research Laboratories (NRL) in Washington, DC. “The NRL has a silicon foundry that was doing interesting work in producing a silicon matrix that could be implanted in the retina to restore vision for those who had lost their sight,” recalls Robin Bellas, a partner at Morgenthaler.

The idea was to launch a company from The Foundry, to be called Percept, but Morgenthaler and The Foundry decided ultimately not to do so, says Bellas, because due diligence on the project revealed that there was already a company doing very much the same thing, a CA-based company called **Second Sight LLC**, which had been founded by, among others, serial entrepreneur extraordinaire Alfred Mann.

The Foundry executives never licensed the NRL technology, but in the course of their due diligence, they met Eugene de Juan, MD, a leading ophthalmologist and serial entrepreneur, who was running The Doheny Retina Institute at the **University of Southern California**. In fact, de Juan was one of the founders of Second Sight—just one of a number of ophthalmology companies he had founded over the years. (One recent de Juan company, InnoRx was recently sold to **SurModics Inc.** for \$42 million.)

Earlier this year, Gene de Juan was recruited to come to the **University of California at San Francisco (UCSF)**. “When we learned that Gene was coming north, we got together with him,” says Mark Deems, the Foundry’s CTO. The result: a new incubator, focused on ophthalmology, called **ForSight Labs**, modeled on The Foundry. The incubator will be run by de Juan and backed by The Foundry and three venture capital firms, Versant Ventures, Split Rock Partners and Morgenthaler. They will provide financing much in the way they currently fund companies that come out of The Foundry.

Launched this October, ForSight is already deep in development on its first company. Sight officials won’t say what the company is called or what area, specifically, it has targeted, but among the areas that the new incubator will focus on, says Gene de Juan: presbyopia, glaucoma, cataracts,

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dry eye, wet and dry AMD (age-related macular degeneration), injectable intra-ocular lenses (IOLs), improved drug delivery to the eye, and diabetic retinopathy.

For Gene de Juan, the launch of ForSight offers a formal structure to continue the work in product development that he has been doing for years. During the course of a career at some of the country's most prestigious ophthalmology institutions, including Duke and Johns Hopkins as well as USC, de Juan has developed over 100 products and founded five companies, including Second Sight, InnoRx, and NeoVista Inc., an Innovation Factory company.

de Juan says that it was his interest in product development during the time he spent at USC that led him to conclude that "it was more efficient for me to come to the Bay area," where company creation abounds and venture capital flows. As noted, ForSight isn't de Juan's first experience with an incubator—he's had a close relationship with The Innovation Factory for years. "I looked carefully at all of the models for start-ups that I could find and it seemed to me that the Foundry model was the one that was most conducive to the rapid development of new therapies," he says. "I liked the way they were funded and the team they had assembled."

de Juan, who will split his time between UCSF where he'll focus on research into retinal disease and ForSight, says ForSight's projects will come both from his own research and work done by others. "I'm pretty creative," he says. "But we're also looking pretty intently outside. I see this as a real resource that my colleagues in ophthalmology can use to drive the best and most promising new technology to market." (de Juan himself holds nearly 50 patents in ophthalmology.)

For executives at The Foundry, an ophthalmology incubator is both familiar and unfamiliar territory. Foundry CEO Hanson Gifford notes that "we've been looking at the opportunity in ophthalmology for a while and were even gotten close to doing something a couple of times," but never did. One issue for The Foundry was that though company officials appreciated the potential of ophthalmology, they didn't have much operating experience—The Foundry was launched primarily to focus on cardiovascular devices and minimally-invasive technologies, though it has evolved beyond those categories. "In our discussions with Gene over the years, we were really impressed and eager to work with him, and we thought he could bring the insights and expertise we didn't have," Gifford notes. ForSight board member and Versant partner Bill Link, an ophthalmic device entrepreneur and investor, will also be a resource for ForSight.

Indeed, de Juan's experience as an entrepreneur, as much as his role as physician thought leader in ophthalmology, was a critical driver in the formation of ForSight. "It made a big difference to us that Gene is very practical about the reality of getting products to market," notes Gifford. "He's spent his career in academia, but he's been able to bring projects out of there and get companies funded. That's an awfully hard transition for even the most creative academics, but Gene's made that transition repeatedly and has demonstrated that he understands both sides."

Gene de Juan himself insists that academia and entrepreneurship are really more closely connected than is often believed. While some would like to erect barriers between the two, he notes, "the truth is you can't make a therapy available to a patient unless someone can make a living selling it. That's just the practical reality." Unfortunately, he notes, "academic structures don't reward practical achievement." That's changing, he goes on, but ForSight is "the next step to ease the transition of exciting new technologies out of the universities and my colleagues' practices." If physicians sometimes see the venture and commercial worlds as alien, "they shouldn't," de Juan insists. "There need to be people who can identify and translate good ideas. We can't just talk about how cool a technology is; it has to have commercial potential."

de Juan calls his participation in ForSight, "a next step, not a departure—that's why I've kept a foot in each camp." Right now, ForSight is being run as a completely separate entity from The Foundry, though de Juan will work on ForSight out of The Foundry's offices and any ophthalmology projects The Foundry looks at will run through ForSight. About The Foundry model, de Juan says, "I'm not trying to re-invent the wheel. They've done a spectacular job, I'm just trying to follow their lead."

Hanson Gifford notes that ophthalmology is so compelling an area right now because of what he calls "the clear demographic drivers and unmet clinical need in vision loss." As people get older, eye problems, particularly presbyopia and age-related macular degeneration, become ever more pressing concerns. "There are big unmet opportunities there and we've already seen several interesting projects that could change the standard of care," he says. Indeed, Gifford notes, ForSight's goal will be the same as The Foundry's: to work only on "big, dramatic market opportunities," he says. "We'd rather do a few large projects than many smaller things."

For Gene de Juan, the key lies in patient quality of life. As people grow older, the loss of sight becomes a major problem, dramatically affecting the very fabric of their lives. "What I'm always mindful of is the severity of the disease and the fear and pain and loss of quality of life," he says. He notes that

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for a long time, people didn't fully acknowledge the quality of life issues associated with eye diseases

Indeed, if you're 75 years old and can't drive or read your mail, living longer just for the sake of living longer loses some of its appeal. That's why de Juan insists that "the market to me is the patient who is suffering," adding, "the commercial value of a new and better therapy is directly proportional to its medical or humanitarian benefit." Those situations where the clinical and commercial values don't correlate, he concludes, "don't really excite me."

Certainly, driving interest in ophthalmology as well is the growing interest in this space by larger device companies who could play a role as acquirers of companies ForSight launches. In addition to ophthalmology giants such as **Alcon Inc.**, **Advanced Medical Optics Inc.**, **Bausch & Lomb Inc.** and **Carl Zeiss AG**, device companies such as **Johnson & Johnson**, **Boston Scientific Corp.** and **Medtronic Inc.** are reported to have interest in the space. Gifford speculates that ophthalmology might also be a logical entry point for some of the pharmaceutical companies, like **Merck & Co.**, who are rumored to be interested in getting into (or back into) medical devices.

Split Rock's Allan Will (a Foundry co-founder) and Morgenthaler's Robin Bellas envision ForSight operating a lot like The Foundry. The plan currently is to launch one new company a year, through, as noted, some combination of internally developed projects and in-licensed technology. "That's very much what we do at The Foundry," says Will. And after launching a company, he goes on, "in the course of its first year, we sort through a couple of hundred technology opportunities that we might develop internally or in-license and then develop a battle plan that we take out to our colleagues in the venture world to raise a Series B round, seeking validation from the new investor, hopefully at a price that represents a step up."

Bellas notes that financing of ForSight's ophthalmology plays also should look very much like the cardiovascular and interventional plays of The Foundry. Hanson Gifford notes that, despite some technological differences—there's not much catheter-based technology in ophthalmology, for example—the product development time lines should be similar as well. "There are certainly some ophthalmology plays that have a drug component, but there are also 510(k) devices," he says. "Overall, it's pretty comparable to cardiovascular devices."

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