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A small truck races along the cobbled streets of the 14th-century English university town of Cambridge. Its cargo is unusually delicate: a still-beating atrial appendage, a worn-out part removed during a heart bypass operation at a local hospital.

Its destination is [Pharmagene](#), a drug-discovery and testing laboratory based in the city of Royston, about 20 miles away. There, scientists are on call 24 hours a day, 7 days a week, ready to immediately test tissue for reactions to chemical, biological, or drug compounds.

Bioinformatics is the new alchemy of the pharmaceutical industry, and Pharmagene is one of the many small European firms that can supply this and other new technologies to the big pharmaceutical companies. Big pharma will in turn use those technologies to develop new drugs, save lives, and of course, make money.

CONTINENTAL SHIFT

Indeed, big drug companies need small biotech firms to survive. Currently, the average wonder drug, whether it reduces blood pressure or increases sex drive (or both), costs \$20 million a year for ten years to develop. On average, the drug companies manage to bring one new drug to market per year. If they are to survive and prosper, however, they need to produce about five per year. So big pharma looks to the new biotech startups to help them speed up this process. And small biotech firms in European countries like Germany, Ireland, and the United Kingdom are determined to provide the technology.

There are nearly 1,200 biotech startups in Europe, employing over 4,000 people and investing some \$2.3 billion in research each year, according to a recent report by the consultancy [Ernst & Young](#). The United States, in comparison, has nearly 1,300 biotech startups, employs 157,000 people, and spends \$8.3 billion on research. So Europe is small by U.S. standards, and some three to five years behind, according to most analysts' estimates. But don't overlook Europe's prospects. Much of its new technology now in development will be ready for prime time in the next three years.

"We're on the verge of some big successes in Europe," says Dr. Christopher Evans, founder of [Merlin Ventures](#), a biotech venture-capital fund based in London (see "[U.K. Biotech's Magician](#)"). "By 2003, we'll see some very innovative science being brought to market."

But selling itself might be different. England's biotech industry hasn't produced a winner in years, despite an abundance of hype. Moreover, it's had its share of scandals. In 1998, the flagship biotech company [British Biotech](#) was accused of misleading investors about the effectiveness of its cancer treatment drug. This prompted investigations by England's houses of Parliament, the London Stock Exchange, and the U.S. Food and Drug Administration and brought about the near collapse of biotech stocks on European markets. "After 2003, the bullshit has to stop," Dr. Evans warns. "The hype will be over and investors will want to get their money out of companies that have been running at a loss."

Despite British Biotech's antics, many promising companies, like the U.K. drug-delivery firm [PowderJect Pharmaceuticals](#) (London: PJP), the French gene-therapy company [Transgene](#), and the Swedish oral-surgery technology provider [Biora](#) have given the sector a new lease on life. In 1999, the sector recovered modestly when European biotech startups raised \$380 million from private placement and another \$300 million from IPOs. If this generation of biotech companies is to succeed, it will need to

SEARCH

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RED HERRING'S GLOBAL VC 100

**The Global 100 VC Winners**

For the first time and after many weeks of evaluation, Red Herring is proud to announce the following 100 VC firms from around the Globe have won the 2009 Global VC 100. [Click here](#) to find out who the lucky winners are.

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Red Herring is busy searching for the top 100 global venture capital firms. The 200 finalists have been announced. Please [click here](#) to see the best 200 performers from over 30 nations.

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**Red Herring 100 Europe, Berlin, Germany**

The Red Herring 100 is a mark of distinction and prestige. Only 200 companies are chosen as finalists from across Europe. The 100 Winners have been announced. [Click here](#) to see the lucky winners.

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[Gmail BETA, See You Lata](#)

Google's gmail loses its "BETA" label.

[Bada Bing, Bada Boom?](#)

Microsoft's Bing.com gets some traction in online search, according to the numbers in from ComScore.

[Calpers to Pump up PE Stake](#)

The nation's largest pension fund is mulling a 40 percent increase in its private equity investments.

[Peripheral Madness](#)

The living room is a jungle of plastic and wires – I say enough already.

[Wii Storage Ups Strong Bad Sales](#)

One company is feeling the love because of Nintendo's Wii storage solution: Telltale's Strong Bad.

[Amazon Sells Xbox Live Games](#)

No more leftover points—buy XBLA games off Amazon.

[GDC 09 Keynote: What About Wii?](#)

Satoru Itawa's keynote touched on both systems, but it seems like the Wii got the short end of the stick.

[Steam Vaporizes DRM and Piracy](#)

Steam's added anti-piracy measure does away with DRM.

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