



# ***Cleveland Clinic Inventors Forum:***

## ***Launching the Startup***

***Steven Gullans, Ph.D.,  
Managing Director, Excel Venture  
Management***

***John Hession, Partner, Cooley LLP***

# Steve Gullans, Ph.D., Managing Director, Excel Venture Management

Cooley  
LLP

## ▶ Investor

- ▶ Co-Founder, Excel Venture Management
- ▶ BioTrove, Biocius, Tetrphase, MedNetworks, Catch.com, Pathogenetix

## ▶ Scientist

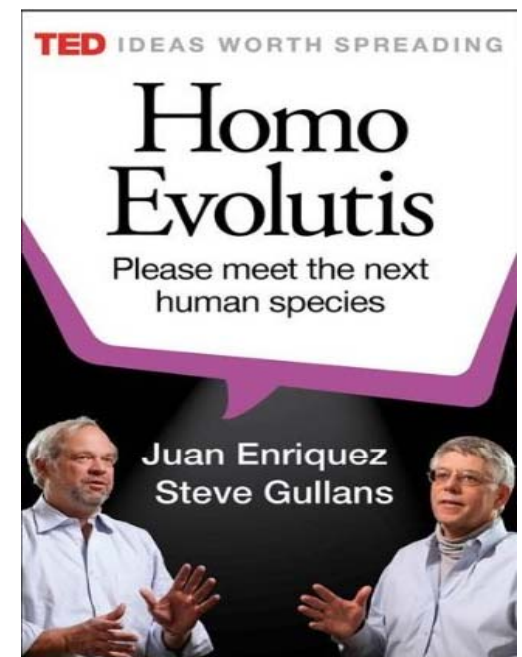
- ▶ Harvard Medical School, Brigham & Women's Hospital
- ▶ 130 scientific publications, patents

## ▶ Entrepreneur

- ▶ Co-Founder & Former CEO RxGen
- ▶ Former CSO, U.S. Genomics
- ▶ Consultant to small companies
  - ▶ (e.g. GeneOhm)

## ▶ Co-Author

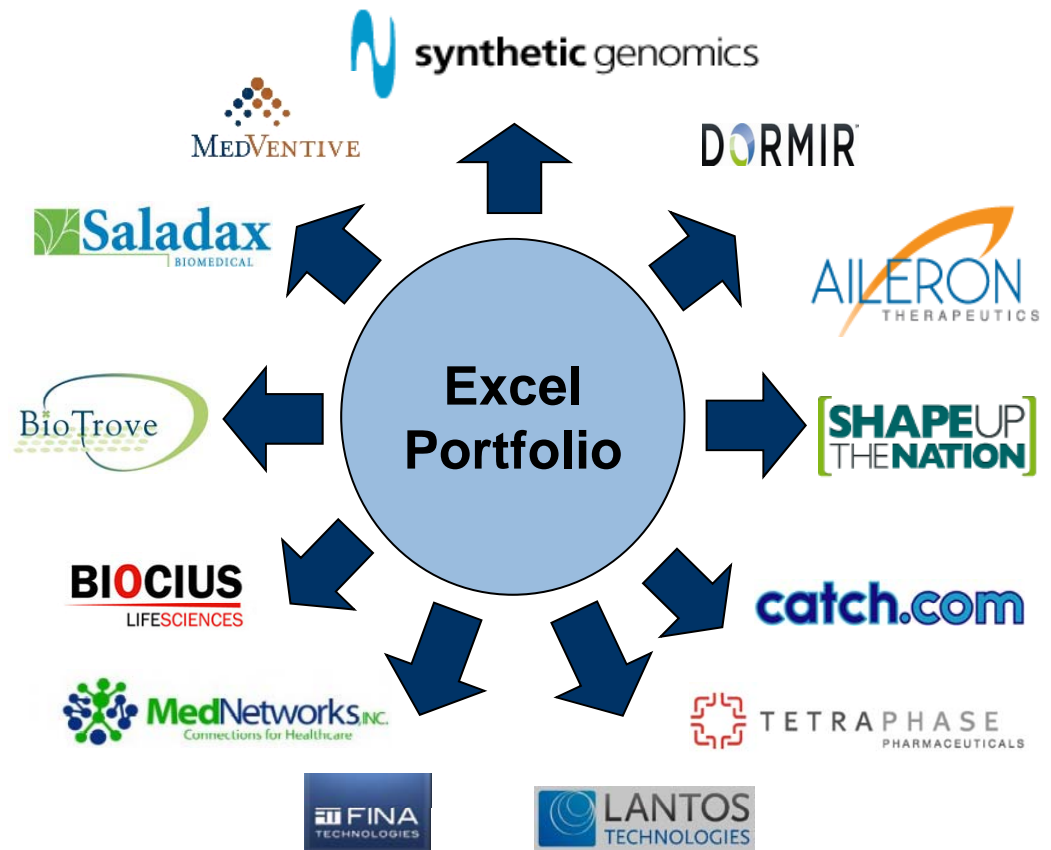
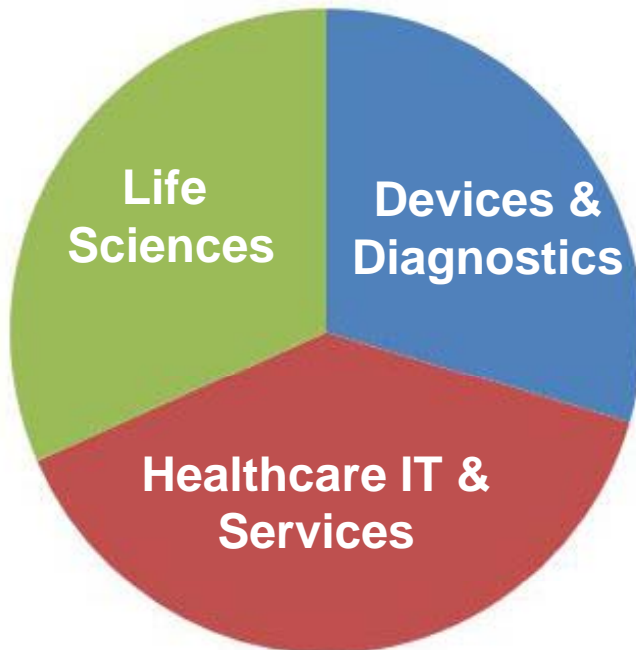
*Homo Evolutis, Please meet the next human species*



# Excel Venture Management

Cooley<sup>LLP</sup>

- ▶ Boston-based healthcare & life sciences venture fund
- ▶ \$125M, 2008 vintage
- ▶ Broadly focused, all stages



# John Hession, Founding Managing Partner, Boston Office



- ▶ **Advisor to early-stage companies: “3 Ph.D.’s & Idea”**
- ▶ **250+ VC & Angel Financings**: representing either companies or VC investors; helped raise and structure over \$1.0 Billion in venture capital, angel & strategic partner investments, ranging from \$250K to \$65 Million, 40+ financings in 2009-2010 alone
- ▶ **220+ Acquisitions**: representing Buyers & Sellers; helped negotiate, structure and diligence over \$8.0 Billion in acquisitions, ranging in size from \$4.2 Billion to \$500 K, public and private
- ▶ **200+ Strategic Alliances**: representing **ALWAYS** the small **tech company against** C.R. Bard, Apple, RIM, Medtronic, Boston Scientific, STMicroelectronics, IBM, EMC, Microsoft, AOL, Nokia, Tandem, Compaq, HP, Samsung, Allied Signal, Pratt & Whitney, GE, Lucent, Alcatel, Netegrity, Pfizer, Merck, et. al.
- ▶ **30 Public Offerings**: representing either underwriters or issuers: Clinical Data, AccelPath, Integrated Genetics, Silknet, Excel Switching, CVC Products, Netegrity, Integrated Software Systems, Tecogen, Software Developers, Presstek

***Remember This:***

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***People actually want you to  
Succeed !***

***No One in this Country wants  
an Entrepreneur to Fail***

## ***Bad News Headlines***

- ▶ **IPO market remains sluggish**
- ▶ **Acquisition marketplace also slow for emerging technologies**
- ▶ **Money is tight, especially for early-stage drug development – you must find non-dilutive capital, SBIRs, NIH Grants**
- ▶ **Evolving IP landscape**
- ▶ **Conflicts of interest policies can be challenging to investors, who have no mind set to deal with it**

## ***Good News Headlines***

- ▶ Still demand for new products & services that ***improve outcomes and lower costs***
- ▶ Revenue generating companies can succeed
- ▶ Significant inefficiencies in healthcare
- ▶ Pharma's pipelines are drying up
- ▶ Life sciences extend beyond healthcare
- ▶ Early IT companies are getting funded - less capital needed & they will benefit from healthcare reform
- ▶ "Wellness" companies are getting hot

# *Why be an Entrepreneur?*

*An innovator addressing an unmet need in the market despite having limited resources*

- ▶ **Autonomy**
- ▶ **Enjoyment of building something**
- ▶ **Interest in changing the world**
- ▶ **Potential for financial security**

# Five Symptoms of “Founder-itis”

- ▶ I have a great invention
- ▶ Everyone needs it
- ▶ It’s patentable !!! *{So there must be a market}*
- ▶ Investors are certain to give me money
- ▶ I have everything it takes to build a Big Company

Arrogance = *Great Vision, Lousy Hearing*

- ▶ **The A-Team**
- ▶ **Address an unmet need**
- ▶ **Provide a validated solution**
- ▶ **IP is King**
- ▶ **The ABC\$ of Entrepreneurship**
- ▶ **Surround yourself with honest, market-intelligent advisers: from advisory board to lawyers**

**Number 1 Question: Who cares and who will pay for it?**

***Will it save someone money?***

***Will it be reimbursed?***

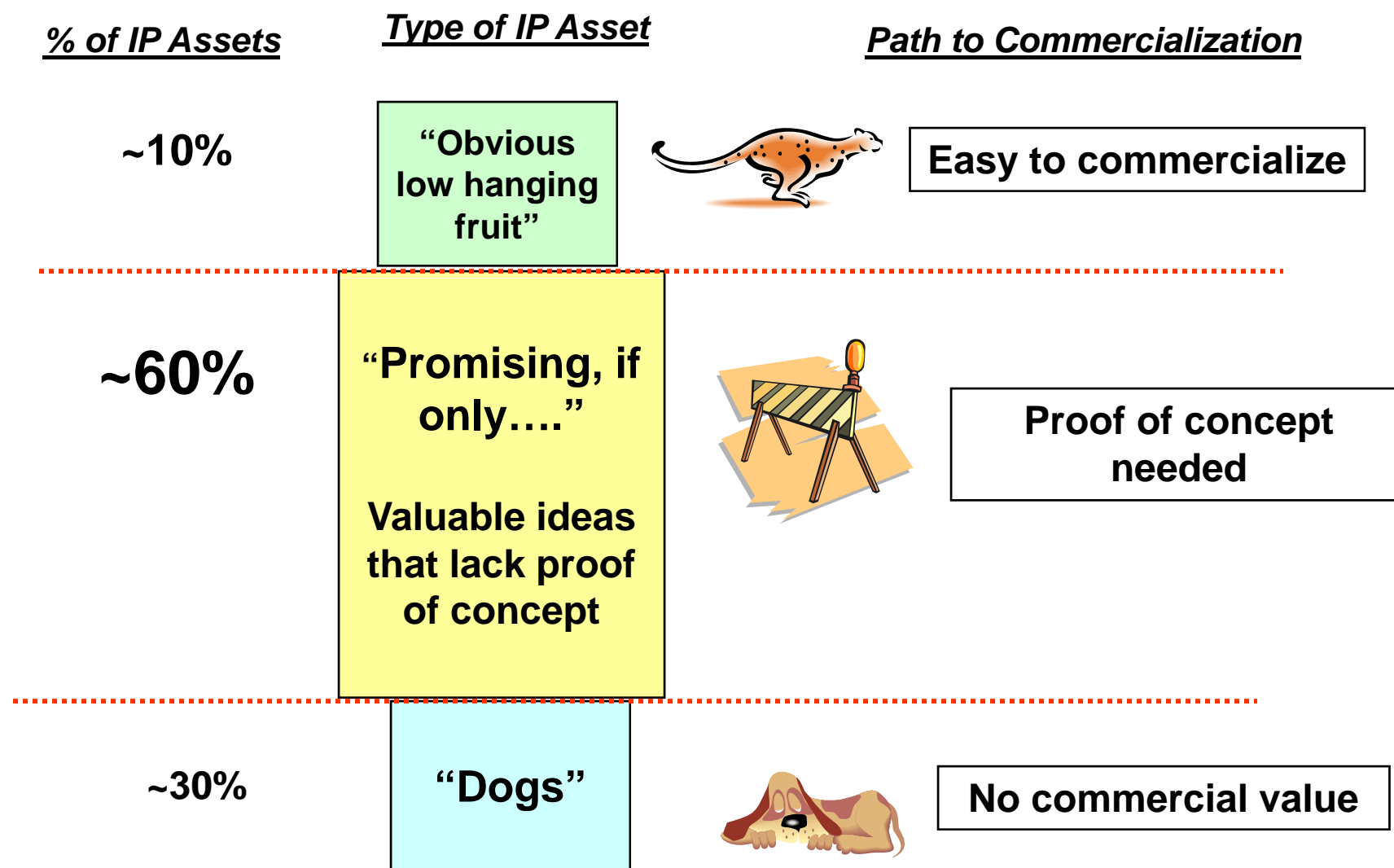
***Will it displace existing options?***

# *Intellectual Property is Still King*

- ▶ **Document everything properly**
- ▶ **Beware of public disclosure – “The Publish or Perish” Syndrome can result in peril for a business idea**
- ▶ **Contact Tech Transfer Office (TTO) early**
- ▶ **Compare to existing patent databases**
- ▶ **Try to determine if it has value**
- ▶ **Trade secret vs. patent protection**
- ▶ **Patenting rules have changed recently**
  - ▶ **Obviousness**
  - ▶ **Ability to challenge**

***Most patents are claims, . . . not companies***

# Most IP in Academia is Unproven



\*Based on interviews with Technology Transfer Managers

- ▶ **Early Invention Disclosure is Critical**
  - ▶ **Work with The Innovations Office**
  - ▶ **Develop an Integrated “IP & Business Strategy,” not just “claims processing”**
- ▶ **Avoid the Publish or Perish Syndrome if you want to build a Business**
  - ▶ **You will Perish if your disclosure becomes “Prior Art” – the natural collision between protection and publication**

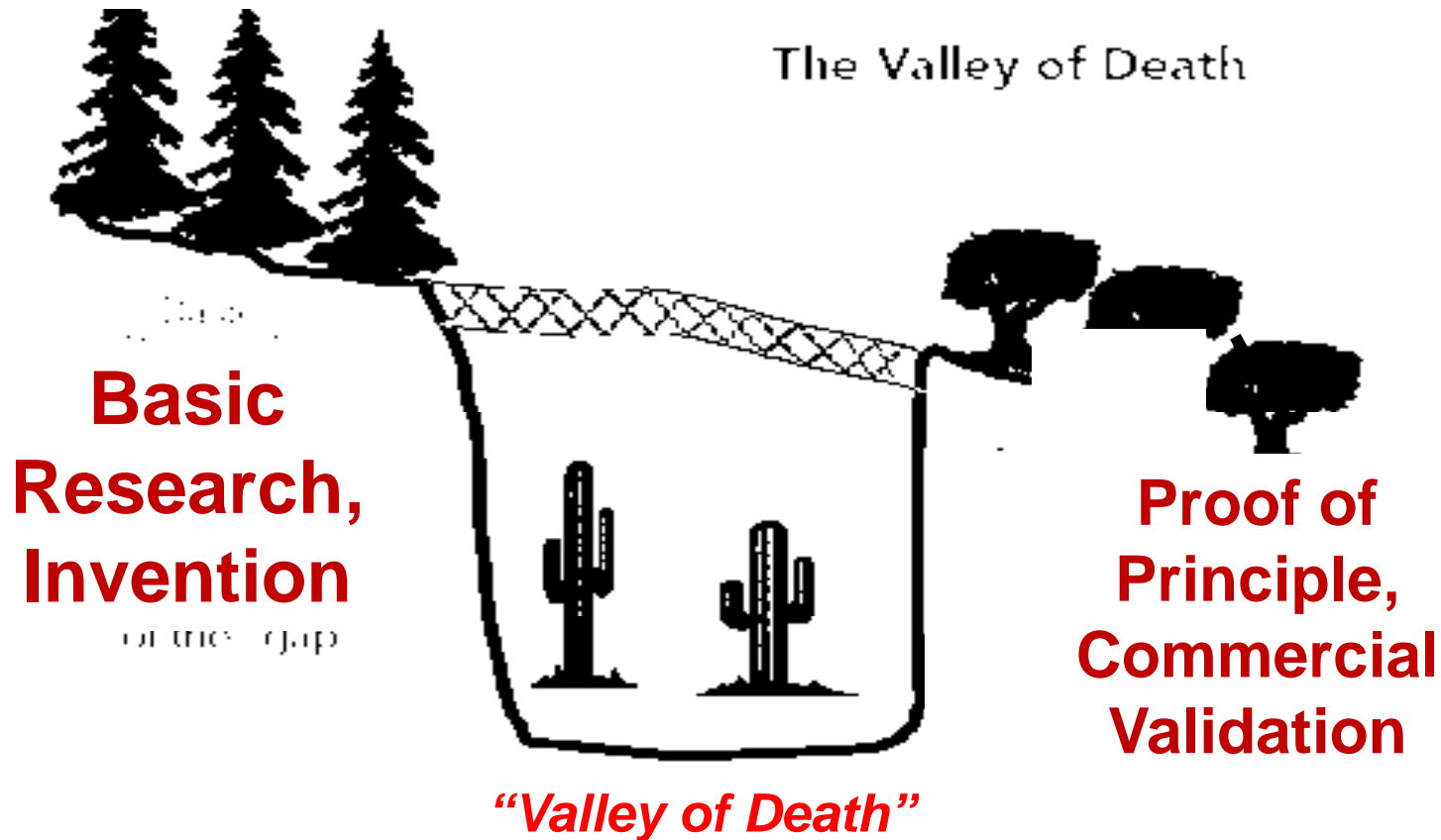
# *What can you do now?*

## **Laying a foundation for the future**

- ▶ **Build a network**
  - ▶ Attend corporate oriented conferences
- ▶ ***Learn to sell***
- ▶ **Become an expert in something**
- ▶ **Disease focus**
- ▶ **Read Nature Biotechnology etc.**
- ▶ **Become familiar with patents in your field**
  - ▶ [www.uspto.gov](http://www.uspto.gov) & Google patents
- ▶ **Meet great lawyers & VCs with better networks**
- ▶ **Understand the competitive landscape**

# The Commercialization Gap

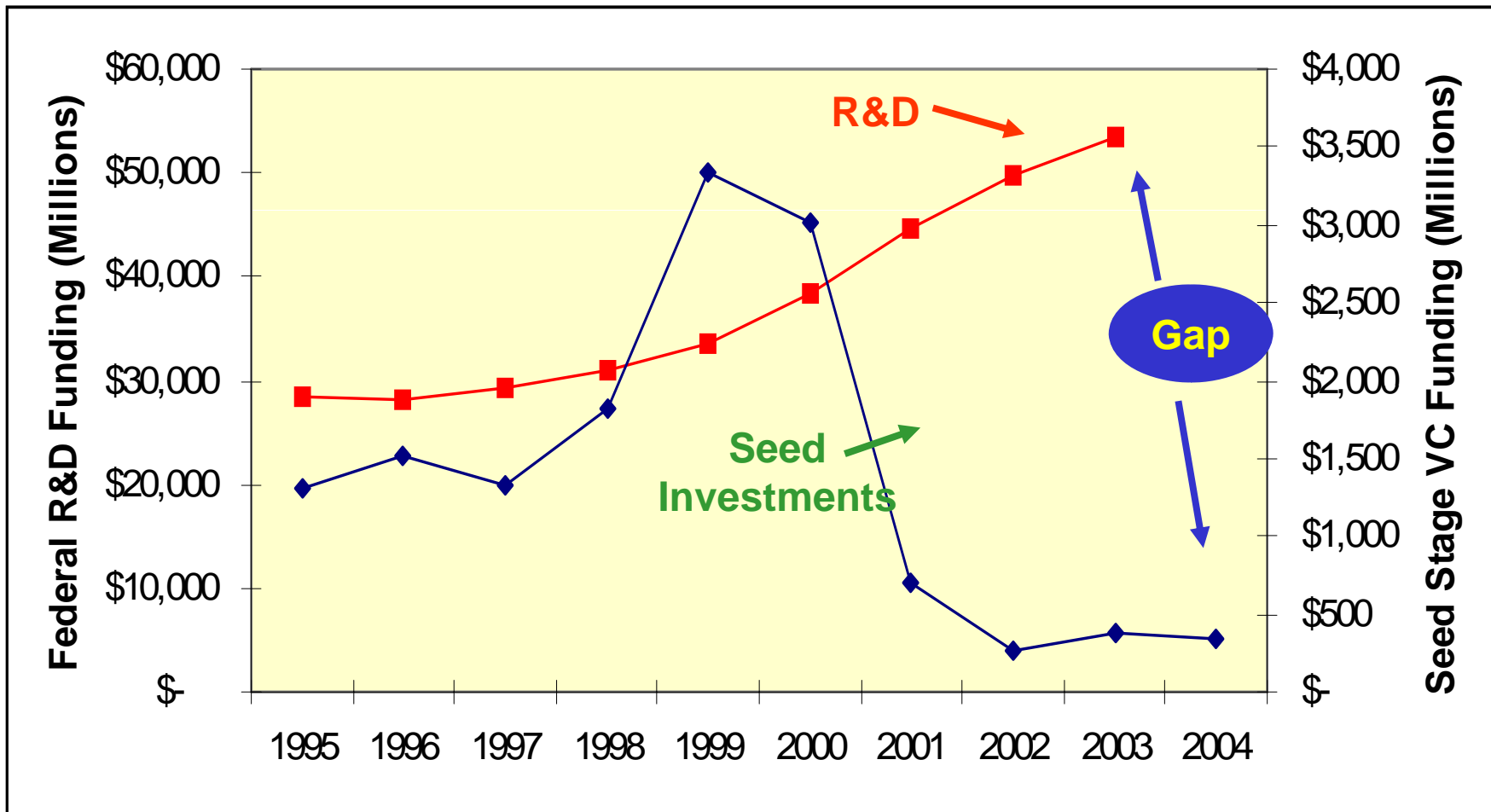
*Highly promising medical advances do not reach patients because of failures in the commercialization process*



**Source:** Between Invention and Innovation: An Analysis of Early-Stage Technology Development, ATP –NIST, Lewis Branscomb, Kennedy School of Government, Harvard Univ., November 2002. <http://www.atp.nist.gov/eao/gcr02-841/gcr02-841.pdf>

# Seed Stage Capital: The Reality

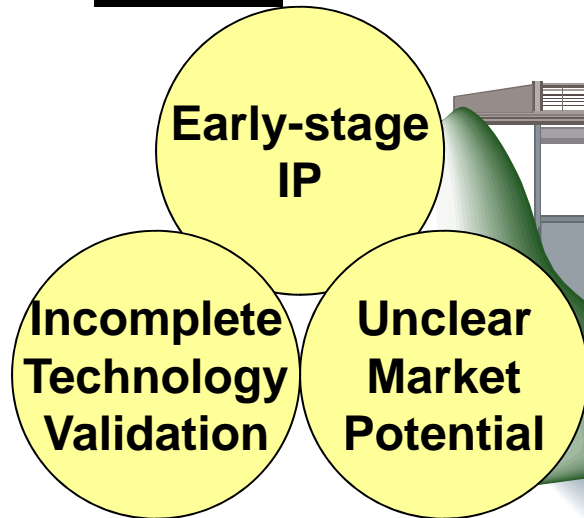
## Federal Funds for Research and Development vs. Seed Stage VC Funding



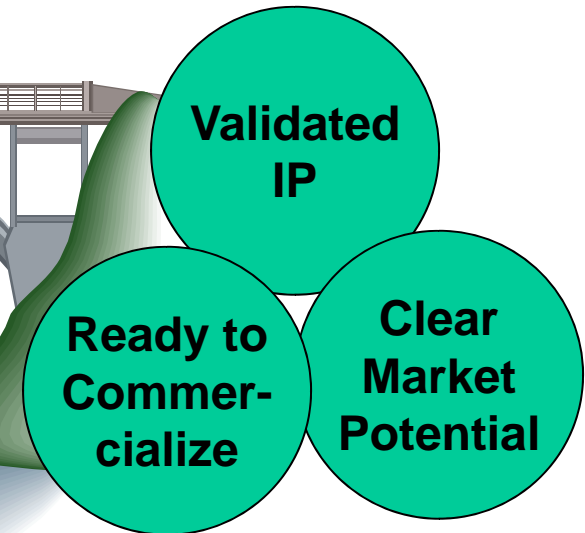
Sources: National Science Foundation and PWC Money Tree

# Bridging the Gap: Translational Development

## What Academia Offers



## What Market Wants

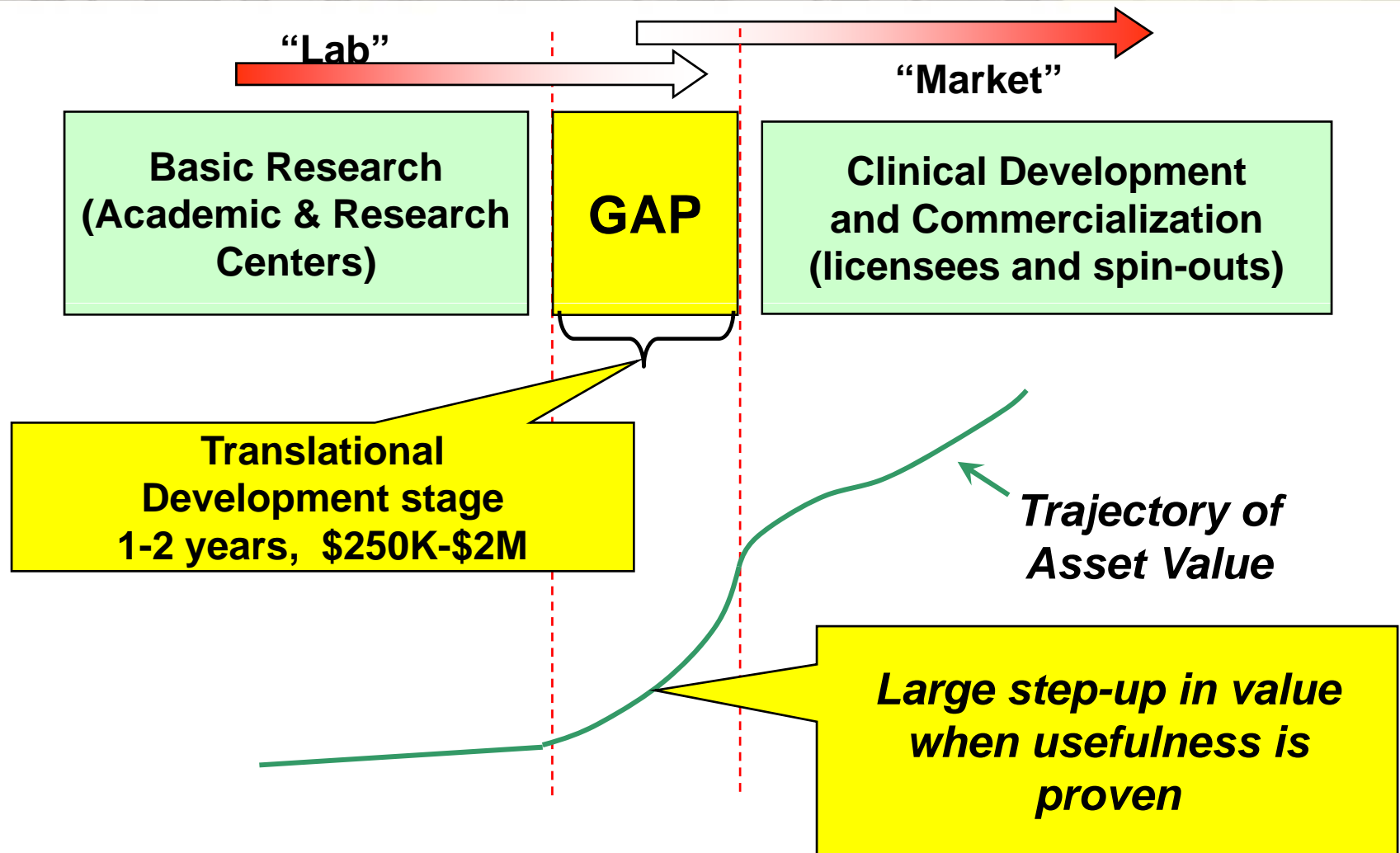


**Higher Risk,  
Unproven**

Translation from Lab to Market  
= Translational Development

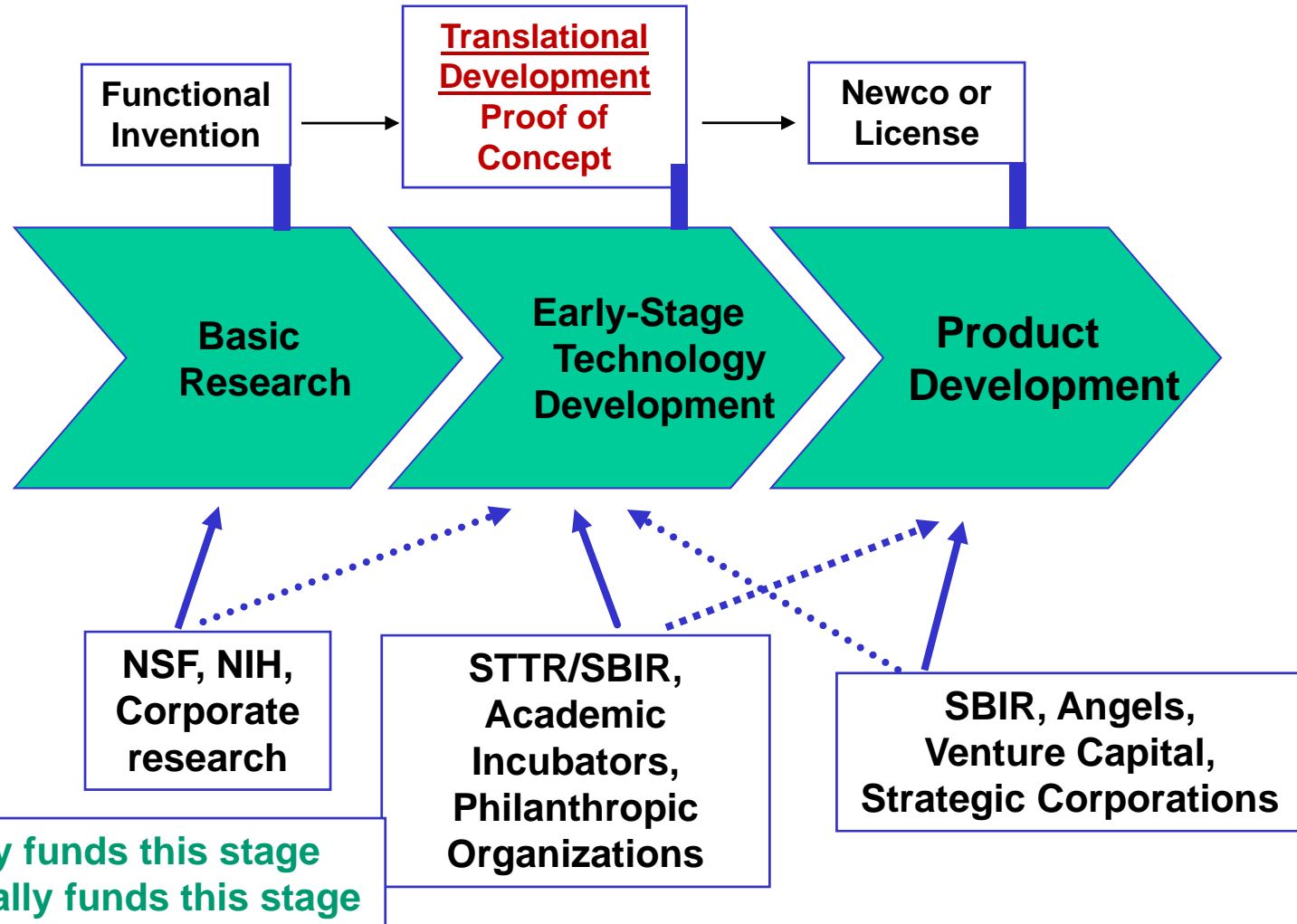
**Lower Risk,  
Proven**

# Translational Development



\*Source: Nature Biotechnology June 2003

# Funding Commercialization



Adapted from: *Between Invention and Innovation*, Lewis Branscomb

# What Investors Look For:

- **Strong “Passionate” Leader**  
*Vision and ability to attract and retain talent*
- **Team & Advisers**  
*Industry experience and expertise*
- **Rapidly Growing Market**  
*New entrants rapidly gaining market share*
- **Viable Business Model**  
*Sound growth assumptions, capital efficiency*
- **Provable Science, Protectable IP**  
*Commercial viability*
- **Examples of Customer Validation**  
*Qualified and referenceable*
- **Exit Opportunities**  
*Multiple likely acquirers*

# What I Look For: the Entrepreneur

- ▶ **Integrity, Honesty, Self Awareness**
- ▶ **Passion, Energy, Enthusiasm**
- ▶ **Leadership, Ownership of Initiative**
- ▶ **Experience or**
- ▶ **World-class understanding of the problem to be solved**
- ▶ **Intellectual rigor / objectivity**
- ▶ **Self confidence to accept coaching, without losing sense of direction – *Good Eyesight but also Good Earlobes***
- ▶ **Bias towards action (with appropriate levels of analysis)**
- ▶ **Orientation towards customers and patient problems, rather than fascination with science and technology**
- ▶ **Ability to recognize, and hire to, your own weaknesses**
- ▶ **Ability to attract world-class talent**



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# *Your Questions?*

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