



Stanford eCorner

Observations on the Biotech and Biomedical Devices Space

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Hennessy explains that the biotech and biomedical space are characterized by the importance of patents. Contrarily, patents are not crucial in intellectual property companies because there are often many comparable ways to do the same thing. Additionally, most IT companies spun out of a university fail because they miss the market window, not because the technology fails. For biotech companies, success is much more based on the patent and the quality of the technology, he adds.



Transcript

So, it's a very different area in the following sense; patents can mean a lot, in that space. They, generally, mean much less in the information technology space because there are multiple ways to skin the cat in the information technology space and often, one way is almost as good as another way. It's not that patents don't have a role to play, but they're probably not as valuable as the foundation of the company. I've generally found that most ventures firms think they are worth a lot and that they really need to have that patent protection there intact. In most instances, it hasn't been the critical thing. It may later on become important to protecting intellectual property of a company; particularly, as we see more and more multi-national companies we may see that the importance of patents increase in the information technology and the semi-conductor business. So, that's the first thing--patents matter. The other fundamental thing, I'd say: most companies in the information technology--sending it out through space--that's finance Stanford do not fail because the technology doesn't work. The companies coming from Stanford or spinning off other valued companies or at Berkeley or at Princeton; the talent is good enough, the concept is good enough, the technology almost always works; so what happens? You miss the market window. As somebody said, "The dog is going to eat the dog food." The wrong product, the wrong time; things like that.

The company disintegrates because it doesn't manage itself well, it doesn't spend its investments well, and it doesn't hire the right management talent, those kinds of things happen. The higher tech medical voice is completely different. Large numbers of companies fail because their technology, basically, doesn't work. They have a patent that's the key insight into some biological phenomenon, they're hoping then to capitalize on that; wrong development cycle and then FDA costs. You may even get through the development cycle, yet not get through FDA costs. So, that's a very different environment than the one we're in. Also, normally, it's hard to raise enough capital to get all the way through the process of product development and FDA trials in the biotech with bio-medical devices. So, you, naturally, have to partner with somebody. Of course, increasingly, resync partnerships in the information technology and semi-conductor world. But you can raise enough capital, maybe, it takes a hundred million dollars, but you can raise \$100 or \$150 million, raising 500 or 600 or a billion dollars for a company that may just be completely unsuccessful at the end of its FDA trials.

That's a much farther task. So, those are a few differences.