



Roles an Inventor Can Play in a Start-up Company to Provide What's Valued and Needed

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What I am Going to Talk About

- Background
- What licensees value
- Key characteristics of great technologies
- War story -- Delphi Medical Systems
- Success factors in commercialization

Experience

- Created and ran many start ups – 9 out of 10 from University technologies
- Brought many products from concept to revenues very rapidly
- Was Vice President of Global Technology for Baxter Healthcare
- Was Managing Director at Delphi Corporate – Created Delphi Medical Systems
- Over 20 years of corporate leadership roles
- Now helping companies commercialize products and grow very quickly – From start-ups to multinationals
- Licensing many technologies from universities for our clients – Even created a company to facilitate finding IP, which is a very tedious process otherwise

What Licensees Value

-- Protectability

- A good, enforceable, mutual, narrowly-defined Non Disclosure Agreement with Licensor
- Some companies like issued patents, but more and more like to influence the patent prosecution strategy
 - so provisional applications and pre-publications regular patent applications are ok
- Freedom to operate legal opinions
- No foreign disclosures
- Wide claims

What Licensees Value

-- Clarity

- Don't just provide the patent or application
- Claims are hard to understand
- Most licensees' internal champion is a business development individual, not necessarily a Ph.D
- Provide a short description of what it is
- Explain what's different
- Give some application examples
- Available fields of use
- Who licensed other fields of use

What Licensees Value

-- Competition

- Not all the best ideas are yours, so investigate other intellectual property to:
 - Protect yourself better
 - Complete your story
 - Enhance your position / control
 - Know what else is out-there
- Bundling of IP from different inventors and institutions
- License (even non-exclusively) of a blocking patent
- Describe differences with key prior art, in human terms
- Full disclosure of potential infringers
- Full disclosure of potentially blocking patents

What Licensees Value

-- Fills a market need

- Understand market, players, trends, challenges
- Obtain credible end-user feedback
- Incorporate credible end-user input in the claims
- Obtain third-party articles / papers to support need
- Understand your IP's own limitation
- They do not want "Cool-stuff-that-no-one-cares-about-but-who-knows"
- Don't lose global coverage – to keep costs down, market the IP early!

What Licensees Value -- A Good Value

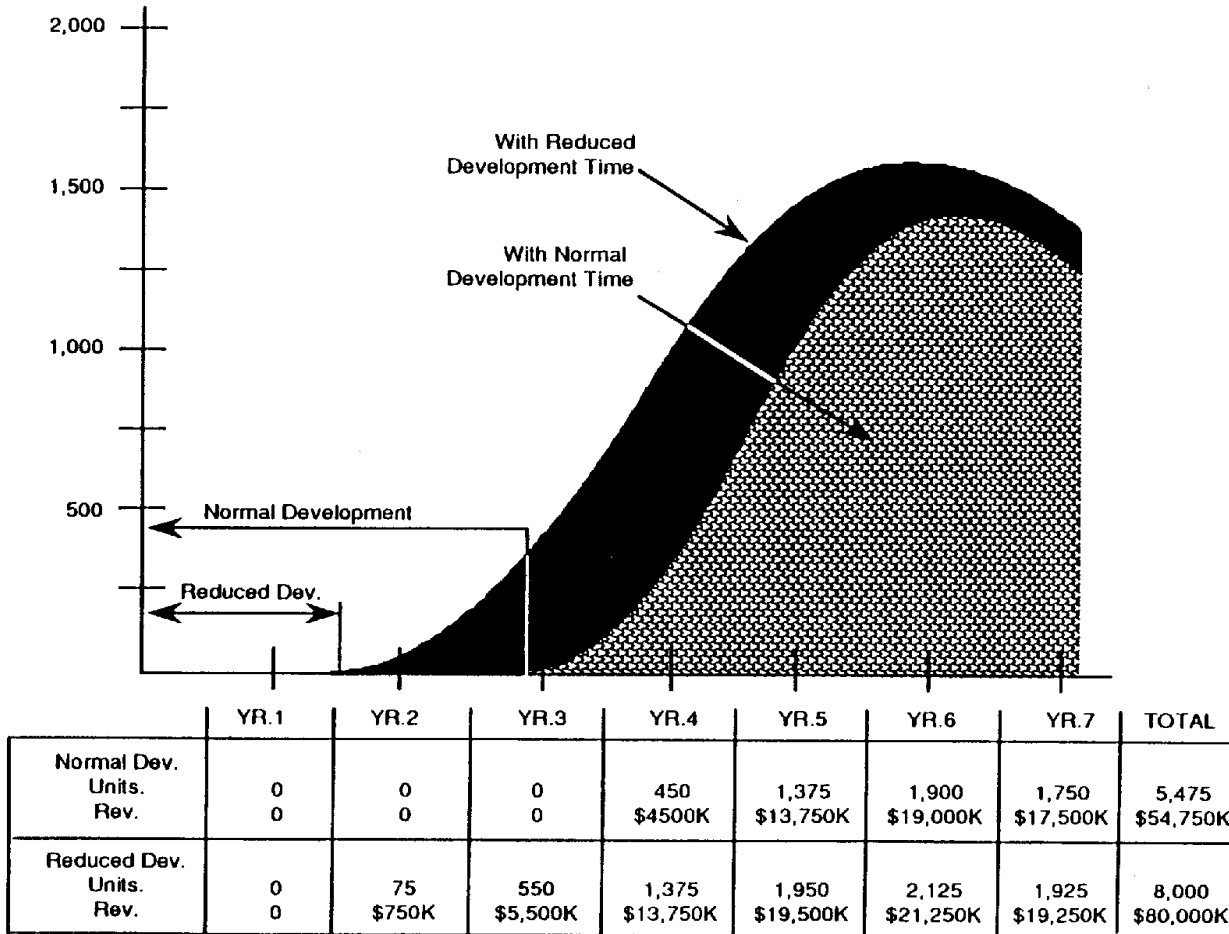
- Low risk
 - Low upfront payments
 - The earlier the license the more they will have to invest
 - Ability to sublicense in other fields of use
 - Lower royalties allow for a mark-up / motivation
 - Some proof of concept – No need to design for production
- High Return On Investments
 - Short time to revenues
 - Cost driven by time (salaries)
 - Easier to have high ROI, if small “I”!
 - Regulatory hurdles understood / met
 - Large market
 - Growth may be irrelevant

Why Licensees Should Give Importance to Time to Market

A short TTM provides the licensees:

- An increase in Return On Investment
- An improved response to market changes
- A fresher product line, leveraging the latest technologies – yours, if you hurry
- An ability to set standards
- A strengthened competitive position
- A larger market share

THE IMPORTANCE OF TIME TO MARKET



Average Impact of Late Market Release on N.E.A.T.

- Development budget over by 30%: -2.3%
- Development budget over by 50%: -3.5%
- Initial product costs over by 10%: -3.8%
- Missing features (not requirements!): -3.8%
- Short-term quality (not safety!): -14.9%
- Introduced 6 months late: -31.5%

Technologies That Make It to the Market Have:

- Strong, relevant patent protection, eventually
 - Licensee involvement will provide value
- A solution to a practical / real problem
- Multiple applications
 - More shots at success
- Bundled IP from multiple sources
 - Partner with other institutions
- Competitors notice or ally
 - Build the buzz

War Story – Delphi Medical Systems

- In 2000, Delphi Sr. Leadership engaged me for create strategic and business plans to enter a new market – Diversification from Automotive
- Medical Devices was selected because of J.T.'s vision, and synergies with Delphi Technologies
- Called 3 years later: “Plans don’t work! No revenues, No bookings, 9 employees”
- Put my consulting / hobbies on hold
- Came in for 18 months: 9-figure revenues and bookings within last 12 months, 400 employees
- What changed?

Looked Straightforward

- Very committed and talented management team
- Delphi's incredible technologies
- Great match with medical devices technologies: molding, electromechanical instrumentation, software, electronics, sensors, wireless technologies
- Purchasing power
- Low cost production
- Footprint
- Quality: a few parts per million defects
- Motivated!

Why It Hadn't Work

- Different language, values, drivers, trends in the industries
- Different speed (4 years vs. 6-18 months)
- Manufacturing priorities (lowest-cost-on-day-one vs. shortest-time-to-market, e.g. Tooling)
- Technologies / patents used same word, but very different specifications (low cost sensors)
- Volume (high vs. low)
- Selling process is very different
- Purchasing power does not matter for low volume parts
- Outsourcing to Asia has less benefits for low volume parts
- Quality as measured in PPM does not matter when volume is less than 100,000 instruments over the life of the product
- Plants not excited about complying to FDA – distraction
- Incentives were on top line, not margins

So, How We Made it Work

- Focused on very few market segments
- Trained staff in depth on these markets
- Partnered with fast suppliers, and didn't go through GSM
- Tooled for speed rather than for cost
- Licensed 1-2 technologies every month
- Acquired small medical contract manufacturer to allow for low volume production
- Provided sales training
- Developed provocative add campaign
- Partnered with FDA-compliant suppliers
- Focus on results, not planning
- Focus on gross margins, not top line
- Didn't care if I got fired

Technology is Not Everything

- Culture matters
- Marketing matters
 - Understand market needs and trends
 - Understand selling process (how, how much, to whom)
 - Optimize IP by obtaining claims that matter
 - Know to whom to market the IP
- Manufacturing matters
 - Can this be produced or is it going to be the “snowflake project”
 - Are the manufacturing costs prohibitive for the market it is intended for
- These will drive the financial business case, the regulatory strategy, the IP strategy, and provide an idea of the time-to-revenues (time-to-royalties!)
- So, involve other disciplines for input, not decisions – not everyone has a vote

Best Practices For Fast, Successful Commercialization (1 of 2)

- Protect your Intellectual Property
 - Provides unfair competitive advantage and differentiation
 - Your own
 - License in
- Focus and Finance
 - Be market-focused, and market-driven
 - Sell or license out non-core technologies
 - Outsource non-core competencies
- Surround yourself with smarter people with whom you get along
 - Employees
 - Consultants
 - Strategic Partners
 - Vendors and Suppliers

Best Practices For Fast, Successful Commercialization (2 of 2)

- Anybody can write a plan: The key is in the EXECUTION
 - Identify your critical processes and indicators: Too late to change the sales and marketing plan at the end of the year
 - Make quick decision, then re-adjust quickly
 - Experiment
- Setup strategic alliances – Be the hub of the network
- Nothing sells itself, and there should always be competition, so Marketing is critical and must be a significant budget item
 - Early on, leverage public relations, the Internet, Internet Marketing, your alliances
- Time is more important than money: It is money + market share
- Management by facts and data
 - Understand the competition
 - In God We Trust – everyone else, bring data