TCPInnovationsLtd
SCIENCE INTO TECHNOLOGY
Publications

Published January 15th, 2010

David Grainger
TCP Innovations

David Grainger is an academic in the Department of Medicine, Cambridge University, researching mechanisms underpinning chronic inflammatory diseases. He is also a leading consultant to the pharmaceutical industry through TCP Innovations Ltd, and is the Chief Scientific Officer of Funxional Therapeutics Ltd, a Cambridge-based biotechnology company he founded in 2005, which develops novel anti-inflammatory drugs. He delivers his often iconoclastic opinions on recent trends in life sciences industries through the Drug Baron blog.

A penny for your thoughts – how much value does an idea have today?

I remember very well a meeting in the mid 1990s when a venture capital partner told me that "a good idea is worth a million'. He didn't specify whether his *bon mot* was denominated in pounds, dollars or euros, but as an inventor of early stage technologies it was music to my ears. Perhaps more importantly, he didn't specify if this was a pre- or post-money valuation. I suspect it was the latter – what he really meant was that backing a good idea with a million dollars to see whether it had potential was a good bet. But even still, it definitely suggested that in the 1990s a good idea was worth *something*.

Move forward a decade and the situation has changed dramatically. Today, a good idea, without considerable commercial work-up and proof-of-principle data, is worth so close to nothing that it isn't worth arguing about the few cents. Even a well-considered plan, and an array of impressive supporting data, is worth little. No-one is paying a million for any idea, no matter how good, in 2009.

What has changed? And is it worth being an inventor at all these days?

Of course, lots of things have changed. The most obvious is the simple law of supply and demand. A decade ago, most Universities had not bought into this idea of attempting to monetize early stage intellectual property. They were still stuck in the 70s and 80s, when Universities worked on academic projects that scarcely even doffed a cap at commercial applications. Back then, Universities were seen as the source of blue skies thinking that might change the landscape over long periods of time, but not as sources of specific technological advances with direct commercial applications. That was what industry did.

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First in America, and then in Europe, though, a few groundbreaking academics broke the mould. University discoveries like restriction enzymes, gene cloning and biotechnology, and more recently PCR, were catapulted into commercial success through the formation of spin-out companies driven by visionary academics. Initially, these highly visible successes drove a bubble in the market for ideas: every technology investor wanted a piece of ideas like this, yet the number of commerce-savvy academics was tiny. Voracious demand and limited supply lay the foundations for the "good idea is worth a million" concept.

As prices climbed, and the number of attractive deals multiplied (attractive to the original owners of the technology, anyway – much of what was acquired in this period never came close to market, or a profit for the acquirers), so Universities formulated a response. Technology Transfer professionals mushroomed, as every institution geared up to exploit the pot of gold, locked away in the musty research volumes of their prized academics.

It didn't take long for a tipping point to come: the dot com bust starved technology investing of capital just as the technology transfer supply pipes were turned on to full volume. Ideas came pouring out of institutions, revered and mediocre alike, and the result was predictable enough… prices crashed.

Unlike other bubble markets (like UK house prices, eggs and mining tools in the Californian goldrush and so on), the bubble market in ideas was much less visible. The details of such private transactions are often not made public, and worse still the licenses and acquisitions were often financed using fiendishly complex agreements with royalties, milestones and other delayed considerations that made it almost impossible to assess the 'sale value'. As a result, the University tech transfer professionals have been just as slow to recognize the crash that has occurred as they had previously been to see the potential in selling academic intellectual property in the first place.

They often don't see that by facilitating the sale of intellectual property, removing the barrier (and even the stigma) associated with an academic selling ideas to industry, the glut they have created is a major cause of the crash in prices. Worse still, because tech transfer professionals are relatively non-selective, offering for sale good ideas and bad dressed up in the same 'one page teaser' format, the average quality of what is available has declined rapidly. And the prospective purchaser has a near impossible task wading through the knee-deep piles of 'one page teasers' to find the one idea in ten thousand that might actually have commercial value. Almost all such investors have withdrawn from the market altogether, leaving university tech transfer professionals lined up like desperate men at a singles party almost entirely lacking in girls.

It is quite ironic that a University with, perhaps, the world's greatest expert in a particular field should struggle precisely because it lacks an expert assessor.

There are several take home messages from this sorry tale: firstly, tech transfer professionals need to be more selective about the ideas they take on from within their own institution, work up and then promote. Institutions, for their part, need to change success metrics based on number of technologies found, and focus on the number of deals done with genuine third parties. Taking the time to evaluate potential technologies and select among them, then invest more (at least in terms of time spent understanding the commercial opportunities where the technology might be useful) in just a few will have a very positive effect: average quality will rise, and supply will fall. With a bit of luck, within five years a decent idea might be worth something again – even if the days of the "million pound idea" may never return.

The problem for tech transfer offices is usually one of access to expert assessors. It is quite ironic that a University with, perhaps, the world's greatest expert in a particular field should struggle precisely because it lacks an expert assessor. But the problem has been that the only source of technical information about the candidate technology is the inventor and his group within the University. Even if the tech transfer professional asks the inventor for help finding an external assessor (and most don't even ask) any names they get will be colleagues who think the same way as the inventor.

Worse still, almost all inventors and many tech transfer professionals think from the technology solution towards a product, rather than from a product need to a technology solution. "This is what we have – how could it be exploited commercially?" they ask.

The lack of rigorous external assessment and a technophile tendency lead to over-optimism about the value of the idea. Things that should have been passed over are given the same (or more) promotion than intrinsically more valuable opportunities. This effect can be magnified further today, with poorly structured government and local funds set up to 'develop' intellectual property from a particular institution. The risk of wasting money, energy and effort is very high, and the tide is already turning against such a funding model.

The solution lies in more rigorous assessment of early stage ideas. The lack of definitive data does not, contrary to popular opinion, preclude a proper assessment of the potential for the idea to make money. The market risk is amenable to conventional assessment even before the first experiment has been designed: assessment of every commercial concept should start at the marketplace. Why will anybody buy this product? How many will they buy? And at what price? If the concept passes muster on the market test, it is still possible to make a worthwhile guess at the technical risk posed by the development path between idea and product.

Putting the right idea in the hands of the right team is as much the challenge of successful investing as finding the 'right' idea in the first place.

Harder, but not impossible, to assess is the implementation risk. Having a plausible development plan is one thing, successfully delivering it on time and on budget is another altogether. Putting the right idea in the hands of the right team is as much the challenge of successful investing as finding the 'right' idea in the first place.

Once you have a checklist for properly qualifying a commercial opportunity for market, technical and implementation risks, it remains a considerable challenge making the actual assessment. It needs very different skillsets to estimate future markets compared to those needed to assess the technical risks in a particular field. One of the biggest advantages of involving an experienced consultancy, such as ATPbio, in this process at the earliest stage is the ability to access the bredth of skills necessary to complete such an assessment. Indeed, ATPBio now offer a customized product exactly for this purpose: TechValueProfiler is a one-stop assessment of market opportunity, technical risk, intellectual property and team capabilities which was designed to plug this 'capability gap' in tech transfer offices around the world. The principle is simple: a broad, light-touch assessment at a low enough price point to be applicable to the bulk, if not all, of the ideas emerging from an institution, allowing the technology owners to focus their limited resources and their energies on the most promising ideas.

The prize is worth the effort. The rewards to the 'ultimate investor', a term for the inventor of early stage technology which emphasizes the potential upside, are stellar for those small fraction of the ideas pool which make it to market. Getting a decent overall return on the effort and investment made in the creative process simply requires the efficient selection of the winners from the losers at the earliest possible stage. If the 'noughties' were typified by an incontinence of ideas, success in the next decade will follow the most selective technology owners – or rather those who are able to make the best selections at the lowest cost.

The market for unqualified ideas and opportunities will rightly remain rock-bottom. The challenge for all owners of early stage technologies is to properly qualify their offerings, so that quality rather than quantity becomes the benchmark, and then, once again, there will be realisable value in invention. Next years *bon mot* may very well be "any properly qualified idea is worth a million".