

Creating a Business from a Platform Technology

Let's say you have developed or otherwise acquired a technology that seems broadly applicable to many applications, markets or even several industries – a *platform technology*. (Consider some particularly great examples: the integrated circuit, nucleic acid sequencing, wireless communications, immunodiagnostics, the Internet, ultrasound.) How might you go about creating a new business based upon this asset? Such a business could be a startup company or a spinout from a larger enterprise. How can you pull this off? Consider the following suggestions formed from our numerous encounters with “platform technology companies” over two decades.

Your First Decision

Vertical or horizontal business? You must decide, and you cannot do both. The classic, and by far the most common, decision is to pick a very specific vertical application and market, develop a product, and create a business based upon that product. Equity investors will nearly always favor this alternative as carrying less risk. If you take this decision you can stop reading now; I'm not talking about this case.

Instead you choose the horizontal alternative – applying your platform technology broadly to several applications and markets in sequence – either because you're convinced that your technology is really broadly applicable and accordingly more valuable or you simply don't know which is the best application(s) to pursue. Note: You can start out on this course, do a lucrative partnering deal on a single application, then decide to cash out and sell the technology to your first partner. This is certainly okay, and you need not make this choice at the outset; you can decide on the fly if this first deal is sufficiently attractive to you and your investors.

Protect Your Assets

Act quickly to protect your intellectual property, preferably with a few patents. If issued patents don't already exist, file appropriate applications as soon as feasible, as it will take several years for patents to issue. And don't forget to play some defense as well by examining the existing patent landscape to establish your freedom to operate and assess your litigation risk. Introducing your technology to a prospective partner with an issued patent or two in hand is far preferable to asking that partner to assume the risk that your technology is not protectable. So budget for the time it may take for the authorities to act.

Understand Market Potential and Partner Interests

This is often the most difficult step. You must simultaneously come to understand the opportunities presented by all (or at least most of) the potential applications, corresponding markets, and the likely commercial interests of various prospective partners. This will require some diligent research. If you cut corners on this step you will almost certainly leave money on the table or fail completely to license your technology to anyone. The first deal is always the most important because you may exhaust your resources getting to this point, so you cannot afford to fail.

The first deal need not be the most lucrative nor the one with the most powerful business partner. Your essential challenge will be to get a deal done to establish the credibility of your technology and your organization in a relatively narrow field of use. This requires (1) a commercially viable application and market and (2) an interested partner. These *two dimensions* must be addressed in tandem. It's hard work that must be done as you continue to develop and refine your technology.

Demonstrate Efficacy

There is effectively a *third dimension* that must be addressed. You must validate your technology in some target application by demonstrating conclusively that it works. This requirement is more important, and more urgent, than picking the greatest market opportunity or most impressive partner. You must first of all choose an application for which your technology presents a proven, important, effective solution. Nothing speaks louder or more convincingly than a successful demonstration. Negotiating with a prospective partner before this milestone is reached is essentially fruitless.

Craft Your Message

Once you have selected a target application and demonstrated efficacy you should be prepared to approach as many relevant and potentially interested prospects as possible. My preference is to have available (before you need it) a brief written overview or description of the commercial opportunity that is designed to whet the appetite of every prospective partner. This two-to-three page non-confidential document should be expertly prepared with the mission of enticing an initial dialog. Consider this content:

- A very brief summary of the offering and the technology
- A more detailed recitation of the technology's attributes and proof of concept
- A list of the available benefits in use for a specific application
- An overview of the available market for the target application
- A concise summary of the presented opportunity

Contact Prospective Commercial Partners

Now, with your ducks in a row, you can contact the prospects identified early on at an opportune time. Timing is the *fourth dimension* in this delicate process. Clearly, you cannot wait forever, but initiating contact with the right people at each firm to coincide with external events can make a significant difference in the outcome. Be prepared to wait a month or two after you're ready to take advantage of pending industry or corporate developments.

In summary, choose your first target for a deal by considering at once **efficacy, commercial opportunity, partner interest, and timing**. Then close a deal and move on to the next application!

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