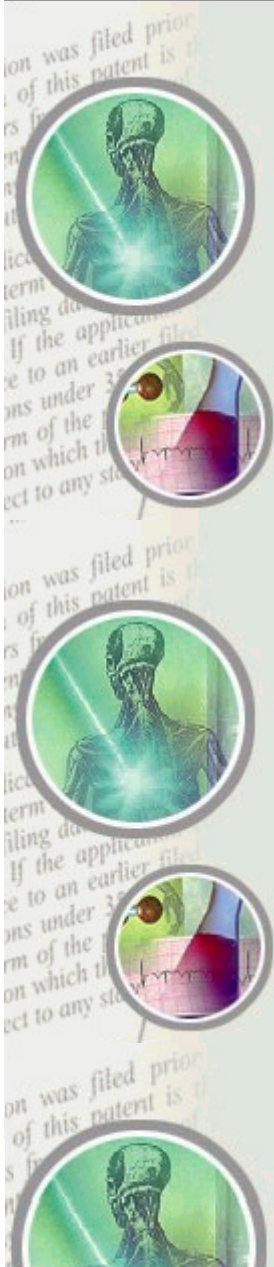


Intellectual Property and Early Stage Investment – a New Landscape?

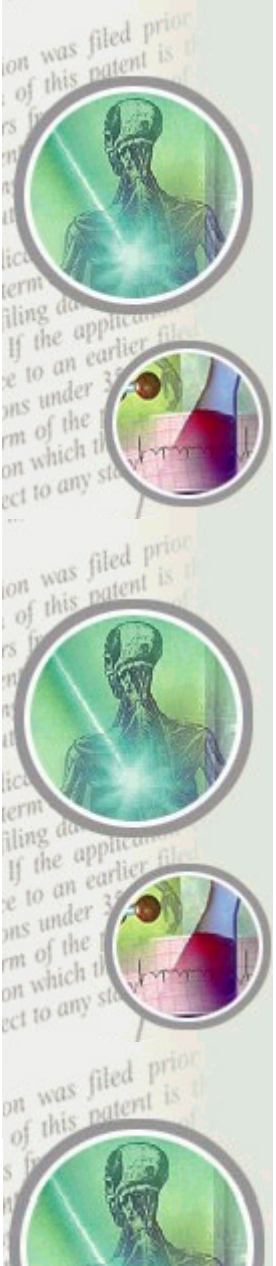


Personal

- Early-stage VC industry since 1994, primarily life sciences since 1997
- Founded/CEO of four VC-backed companies
- Worked closely with academic startups
- Currently with Center for Innovative Ventures (startup group) with Partners HealthCare

Partners HealthCare

- Located in Boston, is an integrated health system founded by Brigham and Women's Hospital and Massachusetts General Hospital in 1994 (teaching affiliates of Harvard Medical School)
- www.partners.org



ACTIVITY VOLUME: FY2002–FY2006

| | FY '02 | FY '03 | FY '04 | FY '05 | FY '06 |
|--|-----------------|-----------------|-----------------|------------------|------------------|
| AGREEMENT ACTIVITY⁽¹⁾ | | | | | |
| Clinical Research Agreements ⁽²⁾ | 266 | 324 | 436 | 932 | 1315 |
| Sponsored Research Agreements | 76 | 80 | 91 | 108 | 104 |
| Licenses and Options ⁽³⁾ | 65 | 131 | 172 | 182 | 179 |
| Material Transfer Agreements | 469 | 539 | 678 | 623 | 675 |
| Confidentiality Agreements | 267 | 319 | 374 | 340 | 302 |
| Consulting Agreements | 201 | 279 | 386 | 417 | 696 |
| Misc. ⁽⁴⁾ | 46 | 82 | 120 | 113 | 108 |
| PATENT ACTIVITY | | | | | |
| Invention Disclosures ⁽⁵⁾ | 277 | 297 | 317 | 352 | 449 |
| New U.S. Patent Filings | 145 | 151 | 153 | 149 | 172 |
| Patents Issued (U.S.) | 91 | 114 | 99 | 82 | 78 |
| FISCAL ACTIVITY | | | | | |
| License & Option Fees | \$6.95M | \$4.92M | \$6.48M | \$6.57M | \$5.72M |
| Maintenance Fees, Milestone Events, and Other | \$0.93M | \$1.69M | \$2.54M | \$1.11M | \$252.86M |
| Royalties | \$30.86M | \$45.54M | \$63.34M | \$94.07M | \$69.24M |
| Total License Income (in Millions) | \$38.74M | \$52.15M | \$72.36M | \$101.75M | \$327.82M |

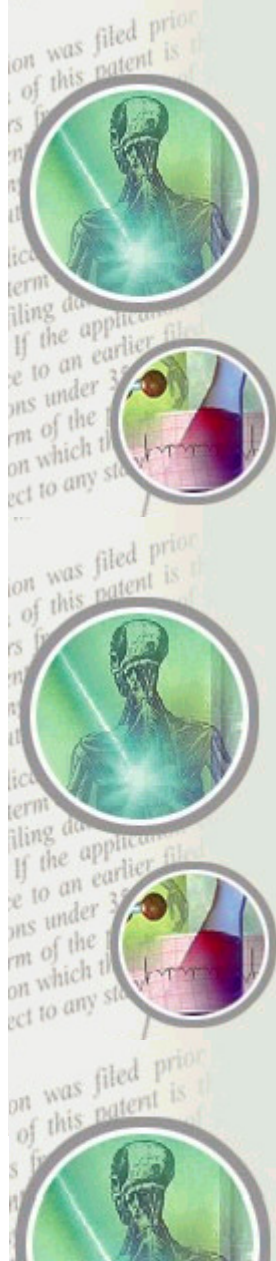
⁽¹⁾ Includes signed agreements; excludes amendments.

⁽²⁾ Does not include MoLean Hospital and DFPC clinical research agreements. As of FY2005, includes the following clinical research agreements: clinical trial, confidentiality, and other.

⁽³⁾ Includes MoLean Hospital licenses/options.

⁽⁴⁾ Gifts, interinstitutional agreements, service and other agreements.

⁽⁵⁾ Excludes MoLean Hospital Invention Disclosures.





- IP is A key component of startup, but not THE key
- At start, look for fundamental claims (composition of matter, family of devices, etc.)
- Once company formed, start to build fence around fundamental patents
- IP budgets limited, both for protection and freedom to operate analysis
- Certain technology spaces difficult to invest in at all due to crowded patent landscape
- An uncertain climate is worse than a bad climate



- Increased uncertainty around patent viability (issued and in process) for some time – more difficult to invest
- Less of an issue for fundamental patents, but need to revisit protection strategy
- Review business models for existing investments – do we really own what we bought?
- Potential for increased freedom to operate, but startups highly unlikely to litigate to create space
- The earlier stage the investment, the greater the potential impact
- However, not seeing any effect so far