IP ownership is crucial for healthcare startups

It has to be addressed at all stages of development; IP protection is risky and expensive, but is necessary

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It is important for companies in the healthcare space to establish IP ownership at all stages of their development, according to Dr. Todd Sherer, Executive Director, Office of Technology Transfer, Emory University.

In an online talk on “Translation of healthcare innovations: lessons learned from the US and Emory University”, organized by TechEx.in, the technology transfer hub at Venture Center, Dr. Sherer pointed out that IP protection was risky and expensive, but necessary at all stages of a company’s development.

Patent expenses, according to him, will snowball and companies have to plan for them early. They should not under-estimate the costs and process involved in obtaining patents. At the same time, trying to obtain a broad international coverage may shorten their runway. The timing for filing for patents is as important as obtaining the patents itself; filing too early may require more follow-on patents. Founders will do well to learn as much as they can about patents and constantly engage with their patent counsel.

According to Dr. Sherer, getting IP ownership wrong creates great risk, can lead to legal actions, erodes trust and greatly increases the odds of failure of the venture. While licensing to big companies, startups should file for IP protection and use CDAs (Confidential Disclosure Agreements) whenever possible. Ventures should impose strong diligence requirements and claw back clauses. They need to be credible and bold. “Do some research into pricing your deals. Don’t compare apples to oranges,” was his message to the participants.

Management teams not getting engaged in the patent protection process is one of the mistakes that he sees in startups. Dr. Sherer said all startups should evaluate the innovation ecosystem and find out all that is available for free and which they can tap into. A lot of support is available for free, it is great to have access to physical spaces, to mentors and to funding plans. “Know your ecosystem and take advantage of it, it is so much irresponsible not to do so because a lot of money is at risk,” said Dr. Sherer. Each city, State and region is unique and founders need to be aware of this.

Startups should continuously find ways to reduce risk. By the time healthcare startups get to the clinical trial stage, they have taken up a lot of time and money. Startup founders should also be aware what their killer experiment is.

According to him, knowing when to start a startup is important, as starting up too early is fraught with risk and runs into lot of challenges. Apart from finding funding at the right time, starting early puts the venture at the risk of getting stuck early. Failure is fine as it gives founders the experience, but a critical issue for them to know that they have done everything possible before realizing the venture is on the path of failure. One of the things that founders should do is to surround themselves with a good board and a great team.

Pointing out that there is a clear correlation between the level of research funding and the number of new inventions, Dr. Sherer said in the US the Federal Government had emerged as the primary funding source for research in universities. In FY21, $598 million of research awards at Emory University were from the Federal Government, which was nearly 70 percent of the total of $895 million. This ratio of Federal funding, he said, was typical of research-intensive universities across the country. Startups tend to represent 20-30 percent of the number of licences executed by technology transfer offices. Knowing when to launch a new company versus licensing to an existing company is important, he added. (EOM).