

CATALYST

Connecting the Life Sciences Community

Matching Ideas with Unmet Needs

By Bari Faye Siegel

Too many scientists, inventors and technologists generate product ideas that are initially more “technically interesting” than commercially viable. That, says Joseph Scaduto, founder and CEO of Traverse Biosciences Inc., is why there will always be a seat in the startup boardroom for the business person.

“In my experience, having a partner with business acumen – the ability to deal with investors, strategic business plans, licensing partners, operations and negotiations – is the key to success for university startups.”

He may be on to something. In the past 12 months, Traverse Biosciences has secured a pre-seed financing, received two Phase I STTR awards from the National Institutes of Health, and executed an exclusive license to the relevant intellectual property from Stony Brook (“Stony Brook”).

Scaduto initiated the launch of Traverse Biosciences after more than 12 years as assistant director of business development at the Center for Biotechnology at Stony Brook. That was right out of Northwestern University, where he received his first master’s degree in biotechnology. While at Stony Brook, he earned an MBA in finance. Of creating a successful biotech startup, Scaduto says, the true challenge is “not to be so enamored with your invention that you aren’t able to take the pulse of the market, act on advice and pivot when necessary.”

“What has made Traverse Biosciences successful to date has been a solid marriage between a strong technical team, sound intellectual property and a businessperson with the requisite management and communications skills,” he says.

The Ability to Pivot...

Scaduto was working at the Center for Biotechnology at Stony Brook when he and colleagues became increasingly frustrated with a lack of startup activity in the region. Scaduto helped to create a Bioentrepreneur-in-Residence (“B-EIR”) program at the university. The EIR program concept has taken off, and many other incubators have adopted the program. Scaduto helped secure philanthropic donations and matching funds for the program, and a Board of Advisors was formed, led by Dr. Colin Goddard, former CEO of OSI Pharmaceuticals. Once there was a financial footing and recognized leadership, they released a RFP in search of “experienced people who had an appetite for building a new life science venture in the region.” “We suspected there were mid-career individuals in the local bioscience industry on Long Island who wanted to be entrepreneurs, but had houses and families to support.

The financial and career risk was simply too high,” Scaduto explains. “But, what if we provide a short financial runway to support their efforts to identify a technology, evaluate the business opportunity, secure the IP and launch a new venture?”

That’s exactly what the B-EIR program did. It offered a six- to 12-month runway for burgeoning entrepreneurs to create a company around Stony Brook technology. It also provided access to limited funding to advance the commercial development of the technology. Scaduto decided he had been bitten by the entrepreneurial bug and applied for the program himself.

“I had worked on the Stony Brook campus for over a decade, and I had developed a number of professional relationships with the research faculty,” he says. “I had a good sense of the university’s IP portfolio, and I quickly knew what I was interested in and with whom I wanted to work.”

Scaduto’s B-EIR proposal was accepted by the program’s external Board of Advisors, and he reached out to Dr. Lorne Golub, distinguished professor in the Department of Oral Biology and Pathology within the Stony Brook School of Dental Medicine, and Dr. Francis Johnson, president of Chem-Master International Inc. and professor of chemistry and pharmacology at Stony Brook, who had co-invented a novel library of drug candidates to treat chronic inflammatory conditions in humans and animals.

Together, they launched Traverse Biosciences in June 2013. Drs. Golub and Johnson developed commercially promising drug candidates that Traverse Biosciences recently licensed from the Research Foundation for the State University of New York (“RF/SUNY”). Traverse Biosciences’ lead compound is called TRB-NO224. This compound, selected from a proprietary library of novel drug candidates covered by four pending patent applications, is envisioned as the first FDA-approved, once-daily, edible prescription medication for the prevention and control of canine periodontal disease.

“I have been very fortunate to have partnered with two accomplished research scientists who are also very savvy with regards to IP and commercialization. We have been fortunate to access their networks and mine – advisors, collaborators and prospective investors. It’s not just one person, it really does take a village.”

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Before You Set Out on the Path, Know Where You Are Headed

Scaduto happened to be in the right place at the right time at Stony Brook. However, he notes: "Many technologists focus on the solution, and then try to figure out what problem it is that they are going to solve. My advice to technically driven teams is to bring someone on who can make sure you are focusing on an unmet need and help figure out how best to position your solution."

By doing just that with Traverse Biosciences, Scaduto was able to test the market. Prospective investors and strategic partners seemed tepid on the human health applications, but sat up and took notice when the concept of animal health, specifically canine periodontal disease, was put on the table. He was able to help successfully "pivot" the company. Further, the recently inked exclusive worldwide licensing agreement with Stony Brook also extends to Traverse Biosciences the exclusive option to license the human health applications of these promising drug candidates.

"No one was considering animal health when we started Traverse Biosciences. Everyone was focused on the human health applications for our lead compound," Scaduto says. "It was a rigorous process of evaluating market opportunities and engaging with strategic partners which allowed us to pivot. That's where the business expertise truly came into play." ■



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The Road to Licensing: Plenty of Potholes

Joseph Scaduto, founder and CEO of Traverse Biosciences, may have pursued an unlikely path to licensing, but his company is right where it needs to be on the roadway to the commercialization of the first prescription chewable medication for the treatment of canine periodontal disease. He recently signed an exclusive, worldwide licensing deal to commercialize the promising compound from Stony Brook. Still, he warns, there are always potholes to be aware of when considering licensing a technology.

What obstacles did you encounter during the negotiations?

In the first six months as B-EIR, Traverse Biosciences didn't even have an option to license the technology. That was a stressful time. The university was free to talk to anyone about the compounds; that meant we were investing time, effort and money while the technology was being shopped around. We were thinking through the strategic business issues, various market opportunities and potential sources of capital before securing the technology. As soon as we knew how we wanted to proceed, we formally approached the Research Foundation in the fall of 2013. We initiated negotiations and signed the exclusive option to license agreement in February of 2014.

What might you have done differently?

The truth is, investors need to know what the licensing agreement will look like in order for them to make a commitment. In fact, most times investor interest is almost certainly predicated on knowing those details. If we had those license terms in place, we could have been able to go to investors sooner with some level of confidence and tell them what the agreement will look like. At a minimum, I would try to pre-negotiate a term sheet or framework outlining the boundaries for the intended licensing agreement.

What's the one piece of advice you would give to someone looking to negotiate a licensing deal?

You need to go into it knowing that this is a partnership – a marriage. You each need to get something out of it. You can't approach it as a win-lose negotiation. Instead, you have to approach it collaboratively, and work on the premise that all parties should have an opportunity to benefit from the deal.

What Did We Learn?

At the end of the day, any licensing agreement must be the result of a collaborative process, says John Pennett, partner-in-charge of the Life Sciences Group and Technology Group at EisnerAmper. "The university needs to be assured that the company has the resources to develop the technology and the entrepreneur needs to have the framework in place to start the discussions with potential investors."