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Interaction of the Technology Market with Industry

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Interaction of the Technology Market

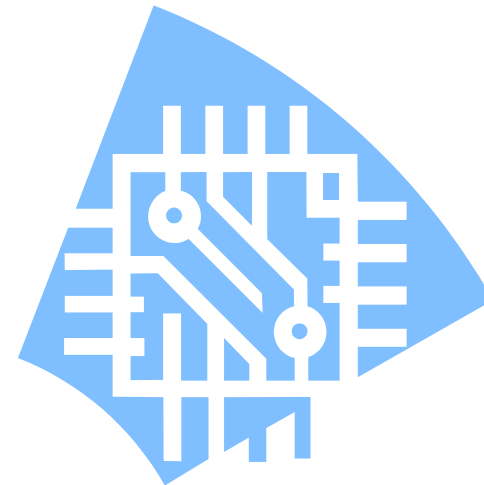
- Technology market interacts with industry through many different mechanisms
 - Implementation
 - Licensing
 - Enforcement
- In different industries, however, these mechanisms are used in very different ways.

Comparison of Two Markets

Biopharmaceuticals



Consumer Electronics



Characteristics of Biopharmaceutical Market

- Long product development cycles
- Large R & D expenditures
- Exclusivity is important
- Extensive government regulation
- High barriers to entry
- Often single piece of technology in a product
- Typically small number of substitutes
- Buyer power is typically low

Characteristics of Consumer Electronics Market

- Fast moving product cycles
 - Products quickly become obsolete
- Lower barriers to entry
- Lower profit margins
- Many different technologies include in a product
- Typically large number of substitutes
- Buyer power is typically high

Technology Market and Product Development

- Where are companies getting the technology incorporated in their products?
 - Developed In-house
 - Licensing-in
 - Through collaboration

Technology Market and Product Development

- Biopharmaceutical Market
 - Majority of technology is developed in-house
 - Pace of new product introduction is slow enough to permit this
 - Acquisition and licensing is also used
 - Smaller entities cannot often take technology to approval point
 - High barrier for entry for small entities
 - Small entities will be acquired or will license their technology out.
 - Almost always exclusive.

Technology Market and Product Development

- Biopharmaceutical Market
 - Technology often developed through collaboration with universities or by funding universities
 - Creates issues of ownership of IP and government rights in inventions
 - Less collaboration between competitors for development of technology
 - Exclusivity is too important

Technology Market and Product Development

- Consumer Electronics Market
 - Technology is developed in-house
 - But a lot of technology is licensed-in
 - Pace of technology is too fast to manage completely in-house
 - Exclusivity occurs, but not as common
 - Collaboration is often necessary because of the need for standardized technology
 - Standards setting organizations are often comprised of many different competitors
 - Often requires promise to license technology to competitors
 - Joint Development Agreements are also more common
 - Companies joining their expertise

Technology Market and Product Markets

- How are companies using their technology and IP in competition in the product marketplace?
 - Implementation
 - Licensing
 - Enforcement

Technology Market and Product Markets

- Biopharmaceutical Market
 - The IP often is the product
 - compound invented = drug sold
 - Companies are using their IP to protect their exclusivity
 - Litigation is an important and frequently used tool
 - Typically, name brand vs. generic
 - High profit margins tend to result in extensive (and expensive) litigation

Technology Market and Product Markets

- Biopharmaceutical Market
 - Licensing that allows competition is uncommon except in settlement of litigation
 - There is also less need to cross-license among competitors
 - Because of limited amount of technology in any one product
 - Licensing to generate revenue in other fields more common
 - Company sells compound for use in humans but licenses to others for veterinary use

Technology Market and Product Markets

- Consumer Electronics Market
 - IP is a piece of the product
 - Often not even the most important piece
 - Exclusivity is less common
 - Large number of substitutes and large amount of technology in a product
 - Nonexclusive licenses are frequent
 - Compete on many different features
 - Frequent cross-licensing
 - Necessary because of large amount of IP in products

Technology Market and Product Markets

- Consumer Electronics Market
 - Litigation is still frequent, but less than in biotechnology market
 - Profit margins are often lower
 - Large patent portfolios provide for ability to counter sue
 - Lot of litigation initiated by non-practicing entities
 - Licensing as a revenue generator also common

- Technology is important piece of any marketplace
- But its interaction is as varied as the markets with which it interacts.