

TAKING THE PRIZE

DOES A COMPANY'S LIFE CHANGE AFTER NABBING AN MIP?

»There's a reason we collectively refer to our kind as the human "race." No one strives for last place, let alone second. No one willingly rides shotgun; we want to sit in the driver's seat.

Nowhere is this competitive aspect of human nature more apparent than in business, where companies fight day in and day out to dominate or maintain market share, profitability and technological advantage. It's in this spirit of celebrating competition that UCSD Connect launched its Most Innovative Products award program 14 years ago.

More than 100 nominations flew over Connect's transom this year, resulting in 16 finalists in five categories (see chart for winners). The number of nominations was down from the high-water mark of 138 last year, but far more than the dozen or so nominations received in MIP's inaugural program in 1988.

A heavyweight panel of judges — this year's included former Scripps Clinic CEO Charles Gaylord, University of California regent Peter Pruess and Fleet Science Center executive director Dr. Jeffrey Kirsch — sit through two days of back-to-back eight-minute presentations to determine finalists. The ensuing debates can get contentious.

"I don't know if there have been any punches thrown," says Rachel Barley, UCSD program coordinator, "but there have been ties when judges couldn't make a decision."

To be considered for an MIP award, products have to be sold or developed by a San Diego-based company — a change from previous years, when products from "the greater San Diego area," which included Riverside County, were allowed to compete. In addition, nominated products must have come to market in the past calendar year and generated revenue from sales. Beta products are not eligible.

Although categories have changed over the years — the MIP program no longer includes the decidedly un-techie "Entertainment and Leisure," for instance — the sheer number of nominees this year stands as a clear sign that San Diego's competitive technology landscape remains healthy, despite a national recession.

"It celebrates how innovative this town is," says Julie Meier Wright, president and CEO of the San Diego Regional Economic Development Corp., one of the 21 "distinguished judges" who evaluated this year's crop of nominees.

By Mike Drummond

THE REWARDS OF ACKNOWLEDGMENT

But what does nabbing an MIP award mean for companies? It certainly does not confer a winner with Midas status, and no companies contacted for this article could point to the obelisk and say, "That baby got us millions in venture capital funding."

Nonetheless, previous winners say the award blessed their companies with at least a patina of legitimacy. "It lent us some credibility," says Lowell J. Burnett, CEO of Quantum Magnetics, which won in 1994 and was a finalist this year. Quantum makes equipment that detects bombs and other contraband — an unfortunately timely breed of technology in our post-Sept. 11 world. "It's hard to quantify this stuff," Burnett adds. "Awards such as the MIP are part of a number of things that help with legitimacy. When you try to introduce a new product, you have a number of barriers you have to overcome. An award like this is a brick you can build on."

But for HNC Software, which has won a record four MIP awards for its line of credit card fraud-detection technology used by telecommunications and insurance industries, the windfall has been more profound. "Winning the earlier awards was a tremendous morale booster," says Jane Leonard, HNC's vice president of corporate relations. "It acknowledged the work our engineers were doing and gave them encouragement that they were on the right track."

Indeed, HNC now boasts that its software is used to protect 80 percent of credit cards in the United States and about 65 percent of cards used worldwide. Moreover, the company parlayed the local publicity into national trade-press coverage in publications such as InfoWorld, which generated job inquiries from highly qualified engineers and, in at least one instance, an offer for venture capital funding.

INNOVATION VS. VIABILITY

No one would contend that the gloss of legitimacy from winning an MIP award will ensure its survival in the marketplace; previous winners have enjoyed remarkable statistical success. While, according to the Small Business Administration, more than 60 percent of all new

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— LOWELL J. BURNETT, QUANTUM MAGNETICS' CEO AND A 1997 MIP WINNER

businesses fail within six years, fully half of the 61 companies that have earned MIP awards are still alive and intact today. And at least 19 of the previous 61 winners, including Mycogen, Pacific Communication Services Inc., XLNT and Agouron, have been acquired by or merged with other corporations, which, like assimilation by the Borg, counts as sort of surviving.

A dozen companies, or 20 percent of previous MIP award winners, are missing in action. Some of those have been spectacular flameouts that burned investors. Particularly brutal was the 1995 winner pool, in which three of the five winners perished. Four months after earning its MIP award in 1995, Gensia, a biotech firm that churned through more than \$100 million trying to develop a heart attack prevention drug, failed to earn federal approval for its product, which fared no better than placebos in clinical tests. The company merged with Sicor, becoming Gensia-Sicor. Gensia was dropped from the name, and all vestiges of the original company are gone. Sicor specializes in making and selling generic injectable drugs.

Azron, which won an MIP award that year for electronic medical record-keeping technology, vanished. Type in its former Web address today and it redirects users to a site that offers a way to hide pornographic material on computers. And TriTeal Corp., which won the MIP award for its operating system that allowed computer users on various systems to interact through one common interface, failed to capture paying customers. Despite an initial public offering the year after winning the award, TriTeal's revenues soon fell off the charts. Shareholder lawsuits, bankruptcy and dissolution quickly followed.

Steve Tomlin, a partner with Avalon Ventures and one of the MIP judges this year, put the failures — and successes — in perspective.

“This is for most innovative product, not most viable business,” Tomlin says. “But the award does offer some validation, and it can get a business badly needed recognition.”

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THE FATE OF THE WINNERS

	WINNER	CURRENT STATE
1988 Biotechnology/Biomedical General Business High-tech Electronics	<ul style="list-style-type: none"> • Mycogen Corp. • Athens Corp. • Cymer Laser Technologies 	<ul style="list-style-type: none"> ✓ Acquired by Dow in 1998 ✓ Acquired by Integrated Process Equipment; later merged with Speedfam ✓ Still alive
1989 Biotechnology/Biomedical General Business High-tech Electronics	<ul style="list-style-type: none"> • Pyxis Corp. • Quantum Materials • ComStream Corp. 	<ul style="list-style-type: none"> ✓ Alive and kicking ✗ Missing in action ✓ Acquired by Spar Aerospace
1990 Biotechnology/Biomedical	<ul style="list-style-type: none"> • Stratagene 	<ul style="list-style-type: none"> ✓ Still around

THE FATE OF THE WINNERS CONT.

	WINNER	CURRENT STATE
1990 High-tech Electronics Software	<ul style="list-style-type: none"> • Biomagnetic Technologies • HNC Inc. 	<ul style="list-style-type: none"> ✓ Merged with Neuromag ✓ Still keeping it real
1991 Biotechnology/Biomedical General Business High-tech Electronics Software Techno-Genesis Award	<ul style="list-style-type: none"> • Stratagene • American Innovision • Proxima Corp. • HNC • WD-40 	<ul style="list-style-type: none"> ✓ Still alive ✓ Acquired by Oncor Instrument Systems in 1992 ✓ Merged with InFocus Corp. ✓ Still keeping it real ✓ Still sliding along
1992 Biotechnology/Biomedical General Business High-tech Electronics Software Techno-Genesis Award	<ul style="list-style-type: none"> • Biosite Diagnostics • VORAD Safety Systems • Applied Digital Access • Impact Associates Inc. • General Atomics 	<ul style="list-style-type: none"> ✓ Still pumping (goes by Biosite now) ✓ Merged with Eaton ✓ Acquired by Dynatech Corp. in 1999 ✗ Crashed ✓ Flying high
1993 Biotechnology/Biomedical General Business High-tech Electronics Software	<ul style="list-style-type: none"> • Laser Diagnostic Technologies • Gamma-Metrics Inc. • Qualcomm • HNC 	<ul style="list-style-type: none"> ✓ Still seeing the light ✓ Acquired by Thermo Electron ✓ Like we need we tell you ... ✓ Still alive
1994 Environmental Technologies General Business High-tech Electronics Life Sciences Software	<ul style="list-style-type: none"> • Malek Inc. • Strain Monitor Systems Inc. • Quantum Magnetics • Science Applications International Corp. • Tudor Publishing 	<ul style="list-style-type: none"> ✗ Missing in action ✓ Still alive ✓ Going strong ✓ Thriving ✓ Still alive, under the name EdVision
1995 Biotechnology/Biomedical Environmental Technologies General Business Software High-tech Electronics	<ul style="list-style-type: none"> • Gensia Inc. • San Diego Gas & Electric • Azron • TriTeal Corp. • Pacific Communication Services Inc. 	<ul style="list-style-type: none"> ✗ Assimilated by Sico ✓ Full of energy ✗ Pushing up daisies ✗ Missing in action ✓ Acquired by Cirrus Logic
1996 Entertainment and Leisure General Business High-tech Electronics	<ul style="list-style-type: none"> • Gryphon Software Corp. • SCS Corp. • Andataco 	<ul style="list-style-type: none"> ✗ Missing in action ✓ Still alive ✓ Acquired by nStor, but a company official says "All vestiges of Andataco are pretty much gone now?"
1996 Life Sciences Software	<ul style="list-style-type: none"> • Mycogen • Aptex Software Inc. 	<ul style="list-style-type: none"> ✓ Acquired by Dow ✓ Acquired by HNC

	WINNER	CURRENT STATE
1997 Entertainment and Leisure General Business High-tech Electronics Internet Life Sciences Software Telecommunications Sponsors Award	<ul style="list-style-type: none"> • Rokenbok Toy Co. • Xxsys Technologies Inc. • XLNT Inc. • PersonaLogic Inc. • Advanced Tissue Sciences • Wright Strategies Inc. • Peregrine Semiconductor • Agouron 	<ul style="list-style-type: none"> ✓ Still happily at play ✓ Still alive despite chronic vowel deficiency ✓ Acquired by Intel in 1999 ✓ Acquired by AOL in 1998 ✓ Still growing ✗ Missing in action ✓ Still alive ✓ Acquired by Warner-Lambert/Parke-Davis in 1999, which was acquired by Pfizer in 2000.
1998 Entertainment and Leisure General Business High-tech Electronics Internet since Life Sciences Software Telecommunications	<ul style="list-style-type: none"> • Select Tee Times • NEXTEC Applications Inc. • Maxwell Technologies • ATCOM/INFO • Biosite • Idec Pharmaceuticals • Orincon Technologies • USA Talks.com Inc. 	<ul style="list-style-type: none"> ✗ Forever in a sand trap ✓ Still alive ✓ Still juiced ✓ Acquired by CAIS Internet Inc., which has changed its name to Ardent Communications ✓ Still pumping ✓ Thriving ✓ Still gunning ✗ Silenced
1999 Entertainment and Leisure General Business Electronics Internet Life Sciences Software Telecommunications	<ul style="list-style-type: none"> • RaceGate.com • Ontra • University of California, Riverside • Sandpiper Networks • EyeDx • Prohold Medical Technologies • HNC • OmniVoice Technologies 	<ul style="list-style-type: none"> ✓ Acquired by Active.com ✓ Still alive ✓ Teaching on ✓ Now part of Digital Island ✗ Can't be seen ✓ Acquired by Provasis Therapeutics ✓ Still alive ✗ Not saying a word anymore
2000 Life Sciences Internet/Software/ASP Internet/Software, eCommerce Electronics General Business Telecommunications	<ul style="list-style-type: none"> • DigiRad • ChemNavigator • Inetcam • 1-Witness • ISE Research • Ensemble Communications 	<ul style="list-style-type: none"> ✓ Still alive ✓ Finding its way ✓ In the picture ✓ Still watching as DriveCam ✓ Trucking along ✓ Still together
2001 Life Sciences Hardware/Physical Device Software General Technology Telecommunications	<ul style="list-style-type: none"> • MagneVu • NurLogic Design • VelociGen • Easy Wireless • AirFiber 	

Steve Cohen
acting CEO