

# Kenneth Cohen

*Interview conducted by  
Matthew Shindell, Historian  
August 5, 2008*

SAN DIEGO TECHNOLOGY ARCHIVE



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## Kenneth Cohen



Mr. Kenneth M. Cohen, Ken serves as Senior Business Advisor at Pier Pharmaceuticals, Inc. Mr. Cohen serves as an independent advisor to companies, entrepreneurs and investors in the Life Sciences industry. Mr. Cohen Co-founded Somaxon Pharmaceuticals, Inc. and served as its President and Chief Executive Officer from August 2003 to December 31, 2007. He serves as Consultant at Adamis Pharmaceuticals Corp. Mr. Cohen served as the President and Chief Executive Officer of Synbiotics Corporation. He served as Executive Vice President and Chief Operating Officer of Canji Incorporated until February 1996. He served as Vice President of Business Affairs of Argus Pharmaceuticals, Inc. He served as Vice President of Marketing and Business Development of LifeCell Corporation. Mr. Cohen began his career at Eli Lilly and Company, where, among many different responsibilities over 10 years, where he directed business planning for the Medical Instrument Systems Division (now known as Guidant Corporation) and managed the launch of Prozac. He serves as the Chairman of Pier Pharmaceuticals, Inc. He has been a Director of Adamis Pharmaceuticals Corp. since January 13, 2011. He served as an Executive Director of Somaxon Pharmaceuticals, Inc. from August 2003 to June 11, 2008. In 1999, in recognition of his contributions to French-American business, the President of the Republic of France named him a Chevalier of the National Order of Merit. Mr. Cohen received an A.B. in Biology and Chemistry from Dartmouth College and an M.B.A. from the Wharton School of The University of Pennsylvania.

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*THE SAN DIEGO TECHNOLOGY ARCHIVE*

**INTERVIEWEE: Kenneth Cohen**

**INTERVIEWER: Matthew Shindell, Historian**

**DATE: August 5, 2008**

1 **SHINDELL:** Today is August 5, 2008. This is an interview with Ken Cohen,  
2 interviewed by Matthew Shindell. So, Ken, if you would go back as far as you'd like.  
3 You can tell us how you sort of got interested, or how you eventually came to  
4 biotech. If you want to start with your childhood, or your time in school, or whatever  
5 is important to you in this story, you know, you're welcome to start wherever you  
6 like.

7 **COHEN:** I've always had a love of and an interest in science, all through school, so  
8 when I went off to college, while I didn't know professionally what I was going to do  
9 with my life I chose to study science. So, I went to Dartmouth, studied biology and  
10 chemistry, a lot of other things. It's a liberal arts school. But, it was about halfway  
11 through college when it was really the influence of a professor. I had a chemistry  
12 professor who, when I told him that I was uncertain about a career in chemistry but  
13 was thinking more about something in business or law he encouraged me to stick  
14 with my science, and then eventually go to business school or law school. Because  
15 ultimately, with the role of technology and science, in everything from business and  
16 money to public policy, his advice was, "If you can have a foot in both camps, if you  
17 can understand all that non-science but still relate to scientists, and vice versa, then  
18 that's going to open up a lot of opportunity for you." So, I took that advice and after  
19 college I went to business school for my MBA. And then, based on recruiting and  
20 some other aspects of familiarity with a particular company, I accepted a job offer  
21 from Eli Lilly, the big Indiana based pharmaceutical company. And, I was at Eli Lilly  
22 for about ten years. I don't know how much I or anybody else in Indiana at that time  
23 really knew about biotechnology, other than the scientists who were really on top of  
24 things. But most of us, I certainly, was more in the mainstream of the traditional  
25 pharmaceutical business on the sales, and marketing, and product development, and  
26 planning side of things.

27 **SHINDELL:** Uhm-hmm. Can I ask you a question before you go on? When you were  
28 at Dartmouth, you say you started at Dartmouth in 1972?

29 **COHEN:** Yeah.

30 **SHINDELL:** And then the Wharton School in '76? How common was your story,  
31 someone with a background in science in business, going on to business school?  
32 Was that common in the pharmaceutical industry?

33 **COHEN:** No, it was pretty rare actually. I remember when I got to Wharton my class  
34 was about probably 600 people. Most people work at a job, maybe at a bank or  
35 someplace like that, in between college and business school. A small handful of us  
36 had come straight through without work in between. And interestingly, of the ten  
37 percent or so of my class at Wharton, who had not worked after college before  
38 business school, almost all of us came from science or engineering undergraduate.  
39 So, I think they had a view toward balancing out a class, but most people in business  
40 school found it quite unusual when I said I was going for an MBA following an  
41 undergraduate in biology and chemistry. I don't know if it's any more common. I  
42 know that all, of all the thousands of people I've met over the years in the  
43 pharmaceutical and biotech industry I think it's a lot more common for people to  
44 come from a science background and learn the business background later. There are  
45 some people who actually, in some organized way, have studied both. And then,  
46 there's a lot of people who just fall into a business career from any and all kinds of  
47 backgrounds and pick up some of the science along the way. I think it's another  
48 reminder, unless you're going for something highly specialized I'm not sure it really  
49 matters what we study in school. It matters that we [Laugh] go to school and learn  
50 how to read, and think, and do research.

51 I was at Eli Lilly from 1978 until 1988. There were a couple of things that happened  
52 along the way that began to remind us that there was this incredibly exciting field  
53 called biotechnology that was likely to change the pharmaceutical industry, and  
54 there are a couple of things along the way. Of course, the first generation of great  
55 biotech companies started up in the 1970s. Being very young and not in California I  
56 didn't really know much about all of that, and even during my years at Lilly, for a  
57 while you didn't think much about it. But then, a couple of things happened. In 1980,  
58 Genentech went public and you had to be totally unaware of what was going on in  
59 the business world not to have noticed that. It was an incredibly high-profile thing.

60 And then something that struck closer to home, in 1986 Eli Lilly acquired San Diego  
61 based Hybritech. The acquisition of Hybritech by Eli Lilly, as I'm sure you've learned  
62 from a lot of the people you've talked to, had tremendous domino effects and  
63 implications here in San Diego, but it also affected a number of us in Indianapolis,  
64 Indiana. I looked at that and thought, "This is terribly exciting. The technology is  
65 nothing short of spectacular. These people are starting and building these young  
66 companies. They're going to cure cancer. They're going to get rich. All kinds of  
67 fantastic things are going to happen. Maybe I should be looking to something like  
68 that for my future?" That was 1986. So, I began to spend some time learning about  
69 the field. I started to make phone calls. I started to meet people. Just started to open  
70 my eyes to the possibilities that maybe there was another world outside a traditional  
71 major pharmaceutical company. And then . . .

72 **SHINDELL:** Did you feel like a lot of people at Eli Lilly were coming to that same  
73 conclusion? Or . . .

74 **COHEN:** No. Very few. In the 1986 to 1988 era hardly anyone at the upper-middle  
75 levels of management at Eli Lilly had ever left that company. It was rare. There were  
76 some people who'd done it. I remember someone in about 1985-86, I remember a  
77 couple of people left, one to Boston and one to San Francisco to go to biotech  
78 companies, and they kind of disappeared for a while. Very few people did it. But I  
79 was thinking about it, and I didn't know if I would ever do it. But, as I was thinking  
80 about it, I was learning about it. When I wasn't thinking about it one day I got a call  
81 from a headhunter talking to me about a company in Houston, Texas. The company  
82 was called Life Cell and they had a technology built around freezing and drying that  
83 had to do with a field that we now refer to as "tissue engineering." Can you take  
84 biological materials and use it as the basis to grow new tissue, new medical devices?  
85 And, I'll say something that I suspect most people who have made this leap will say.  
86 Had I fully appreciated how far from commercial reality this technology actually was  
87 and had I fully understood how much of our jobs were going to be about raising  
88 money [Laugh] to finance this dream rather than simply trying to develop products  
89 and build a business I don't know that I ever would have done it. It's like a lot of  
90 things. At the moment I'm getting ready to remodel my house, and if you actually  
91 think about the whole project and how hard it is, and how expensive it is, and how  
92 many things are going to go wrong, you'd never do it. So, instead you back off a little  
93 bit, you paint yourself a rosier picture of how great it's going to be, but you also – I

94 mean this is part of how I manage anything – you break it down into small digestible  
95 pieces so that while the whole job may be unimaginably complex one step at a time  
96 doesn't look so bad. So, I got this call from a headhunter and I checked out this thing  
97 in Houston, Texas, and I can't say I ever fully understood it. I can't even say that I  
98 was certain it was the right company, because I wasn't sure about the technology  
99 and everything else, but it was an exciting opportunity. I felt good about the people  
100 and it was the right time in my life. So, we took a chance. And, not long after I got  
101 there I developed significant doubts as to whether this technology was really ready  
102 to be in a company and whether we were ever going to get there. As is the case with  
103 so many of these things, if you look at where the technology was working, there  
104 wasn't much of a market yet. And, if you looked at the markets where people wanted  
105 to use the technology, it was too far off. And, we worked at it. We made some  
106 progress. We made a few deals, but we were still so far away from what we had  
107 hoped it was going to be. I thought, "This company is going to need a major  
108 restructuring and a refocusing," and I didn't leave a big company and join my first  
109 startup to have to lay people off and restructure. I wanted to build something. So, I  
110 chose to leave after about a year and a half, and move on to another company. Now,  
111 I'll tell you a very interesting postscript, which teaches us all something about the  
112 uncertainty, and the time, and the risk, and the cost of biotech.

113 Life Cell, which clearly was not working, where I left after a year and a half, just a few  
114 months ago, here in 2008, based on a product that derived from something related  
115 to what we were doing way back in 1988, Life Cell was just acquired for almost \$2  
116 billion. [Laugh] I'd like to say I had that vision and I hung on all these years, but no I  
117 didn't. It took the company more than twenty years to get there. Many ups and  
118 downs along the way. Multiple generations of investors completely wiped out so the  
119 new money could come in and reset the terms. And, and that's the way it often goes.  
120 There aren't many rapid successes, and the successes that we do see take a long, long  
121 time, and cost a lot of money, and there are many episodes of failure along the way  
122 to, to that success. So, I joined another company called Argus Pharmaceuticals,  
123 which in terms of technology it was doing some interesting things in cancer and  
124 infectious disease and drug delivery. In terms of the business structure it was rather  
125 unusual. The University of Texas system, which operates the well-known MD  
126 Anderson Cancer Center, had chosen to license technology to a new venture and  
127 keep an equity interest in the company. That was a very unusual relationship, the  
128 University of Texas actually put somebody on the company's Board of Directors and

129 we had a very broad and interesting and worthwhile relationship with both MD  
130 Anderson and the university system. That company moved a couple of products into  
131 clinical development. We partnered with one of the larger biotech companies. And  
132 eventually, recognizing that we still weren't big enough to go it alone, we merged the  
133 company with two other smaller biotechnology companies, with the hope that we  
134 could gain more bulk so we could do product development and finance it all. And,  
135 that happened in 1995. And, it was about the time that we were merging Argus that I  
136 again, approached through a headhunter, was offered a position in San Diego. Now, I  
137 knew a lot about San Diego because I knew people that had been with Hybritech. I  
138 knew that it was a major biotech center. I knew that it was a beautiful and wonderful  
139 place to live. And, it just made a lot of sense. The company was Canji, which had a  
140 very exciting technology and a strong intellectual property position around using  
141 tumor-suppressor genes as gene therapy in cancer. Once again, a technology that, in  
142 retrospect, was farther from commercial application than we all hoped it would be,  
143 but we did have something we believed could be put into humans within a year or  
144 so, and things were moving reasonably well according to plan when our strategic  
145 partners at Schering-Plough decided that they liked this technology so much that  
146 they'd rather not be a minority partner. They'd rather own and control the entire  
147 thing. So, considerably earlier than what anyone had ever expected we had a very  
148 successful business outcome for the company when Schering-Plough bought all of  
149 Canji in 1996. As is usually the case, the bright scientists all got significant incentives  
150 to stay with Schering-Plough and those of us on the business side of the company  
151 left. And, at that time I decided to do something really quite different, which  
152 reminds us that biotechnology is one word but it means a lot of different things.  
153 Biotechnology isn't really an industry so much as it is a family of technologies in a  
154 certain field of science. Biotechnology is applicable to pharmaceuticals, to  
155 diagnostics, to agriculture, to medical devices. It goes a lot of different directions. I  
156 joined a company called Synbiotics, which had started as a pure technology venture  
157 in monoclonal antibodies. It ended up a specialty product developer and marketer in  
158 the veterinary industry, primarily with diagnostic tests for animals. And, unlike most  
159 biotechs, which are entirely research driven and spend most of their life in the  
160 development stage, Cymbiotics was a fully-integrated commercially-operating  
161 company. We did research, product development, manufacturing, and sales and  
162 marketing. So, while it was a small company it was a pretty interesting, and exciting,  
163 and complex company, and a great challenge. It also gave me my first chance to do  
164 this in the CEO role. I had previously been a chief operating officer, or VP of some

165 sort, and we grew the company significantly. We did a lot of international expansion  
166 through acquisitions, a lot of domestic expansion through acquisitions, but we,  
167 largely based on the distribution structure of that industry, really hit a ceiling that  
168 limited our growth. So, we reached a point where strategically we decided that  
169 taking the risks and investing for aggressive growth began to take the backseat to  
170 getting the company to run more efficiently to generate more profit and cash flow.  
171 So, once it went from a growth company to a small niche no bigger, cash-flow  
172 company, that was a logical time for, for me to move on and do something else. I  
173 spent a couple of years consulting, looking around, talking to people, networking,  
174 which is always a lot of fun. Let me mention an aside. I believe, based on the people  
175 I've known, very few people wake up one day and say, "Ah hah, I have an idea. I'm  
176 going to start a company." I think there are a lot more people like myself, who have  
177 a range of interests, like to do a lot of different things, and one particular project  
178 based on circumstances begins to generate a certain amount of momentum. I think  
179 it's more likely to end up as an accidental entrepreneur or CEO than it is to, to set  
180 out prospectively to create something like this. But, by this time I had developed a  
181 very strong interest in something that we tend to lump in with biotechnology, but it  
182 isn't truly a biotechnology business, and that's the specialty pharmaceutical field.  
183 Businesses that look to trying to deemphasize early-stage research and instead  
184 emphasize later-stage product development and commercialization, but also look  
185 toward areas where a small company really has a chance of getting a product to  
186 market and even marketing it on its own. I think in San Diego, Dura  
187 Pharmaceuticals, a great success of the 1990s, comes to mind. It's a company that  
188 would acquire products or ideas from very large companies. They were too small for  
189 the big companies, but pretty big for a small company. And, they built a good  
190 business out of that. And, a number of other people have gone this road. I developed  
191 a strong interest in that field because I love science but I also love the sales and  
192 marketing. So, in 2003, again brainstorming with a few friends, looking at various  
193 ideas, we came across a physician in New York City, not a researcher but a regular  
194 clinical practice, real-world doctor, who had rather accidentally stumbled across an  
195 idea, and based on the encouragement from an acquaintance of his filed a couple of  
196 patents and we, through our network, got an introduction to this physician, spent  
197 some time getting to know each other, and ultimately that resulted in a business  
198 plan and a business deal, and the creation of Somaxon Pharmaceuticals. Somaxon  
199 went into business to take a very old marketed drug that's used for depression but  
200 repurpose that drug through a different dosage, a different product form, and a

201 different usage, essentially make an old drug new. The old usage of the drug was  
202 depression. The new usage was insomnia. We formed Somaxon in 2003. By end of  
203 2004 we had favorable Phase II data. By the end of 2005 we had taken the company  
204 public. In 2006 and 2007 we delivered four successful Phase III trials. I left that  
205 company at the end of 2007 as it began to move into a different phase of its life, but  
206 their product, which is an insomnia drug based on this older drug, is now pending at  
207 the FDA. So, if all goes well, we could see a commercial product in 2009. It's a very  
208 interesting debate. There are some people that will say, "Repurposing an old drug is  
209 not very innovative. What's innovative is recombining DNA, and inventing a new  
210 protein, or a new molecule of some sort, and having a research platform, and doing  
211 something completely new." And, I disagree completely. Innovation is about solving  
212 problems with an approach that works significantly better or more cost effectively,  
213 or some other way has advantages over what was done before. If you can find a forty-  
214 five-year-old drug that is already known to be safe in people, but by somehow doing  
215 something to it, adapting it to solve a huge problem that is still a medical need that  
216 for many people is not met, anytime you solve a problem that benefits patients and  
217 offers the potential to do more good than harm, or do a lot of good and do it less  
218 expensively or with less risk, you're innovating. I don't think repurposing an old  
219 drug for a new use is any less spectacular in innovation than recombining DNA,  
220 which if you don't mind a digression, reminds me of another experience that shaped  
221 my interest in biotechnology.

222 During my career at Eli Lilly, in 1983, I was a district sales manager for the launch of  
223 a new drug. The new drug was recombinant human insulin, developed by Genentech  
224 in collaboration with Eli Lilly. Up until 1983, all insulin used in diabetics was sourced  
225 from animals, primarily cattle or swine. We had human insulin that was identical to  
226 the human insulin that your body makes, but it was done with recombinant DNA  
227 and manufactured in bacteria. So technologically it's miraculous. Yet, when we took  
228 recombinant human insulin to market the doctors were not that terribly excited  
229 about it. What the doctors asked for, which we really did not have, is, is there any  
230 evidence that this insulin is any better than traditional animal insulin and is it going  
231 to be more expensive? And, of course, at the time it was launched it was more  
232 expensive. It was the long-term supply issue that ultimately made human insulin  
233 preferable to animal insulin. Over the years, recombinant human insulin became  
234 much cheaper than insulin from pigs. But, the doctors weren't swept away by the  
235 technology because, clinically, in patients, at the time the product came to market,

236 there really was no evidence that it would do anything that you couldn't already  
237 accomplish with the older product. So, it's important that, biotechnology is often  
238 accompanied by tremendous arrogance that this is the best way to do everything.  
239 [Laugh] Maybe it is. Maybe it isn't. It depends on the application. So, that kind of  
240 brings us to the present day.

241 **SHINDELL:** Yes. So, if you don't mind I will ask you some more sort of targeted  
242 questions now that we have the sort of story of how you got to this point. Let's see.  
243 So, let me ask you about sort of your string of experiences here. You started at a large  
244 pharmaceutical company and moved then to the biotech industry from sort of  
245 company to company. I wonder if you noticed a difference in say the, the culture of  
246 these companies, the big pharmaceutical company, maybe, versus the small biotech,  
247 if there was a noticeable difference that you noticed when you got there?

248 **COHEN:** Yeah, the cultural difference is impossible not to notice. Now, before I  
249 generalize I should say that every individual biotech company is likely to have a  
250 unique culture, but there are certain generalities that I've certainly found to be true  
251 in between an extremely large resource-rich company and a hungry startup. The,  
252 the large company has a certain comfort. It's been in business for a hundred years. It  
253 fully expects to be in business another hundred years. No matter what you do all  
254 day, or even if you don't do anything all day, the company still has armies of people  
255 making product, selling product, collecting money from customers. There's a certain  
256 sense that it's a machine that's running and it will always run. And, if you choose to  
257 take a two or three week vacation, sure you'll have a lot of work on your desk when  
258 you get back but it never occurs to you that the company might cease to operate.  
259 [Laugh] It never occurs to you that the company might actually run out of resources.  
260 You go to a small company and the first thing that hits you is, "Wow, there's no  
261 depth on the bench. It's just a handful of us. If I don't show up for work and do A  
262 and B it doesn't get done and it matters that it doesn't get done." So, I think there's a  
263 focus and a sense of urgency, and a sense of making a difference that's much, much  
264 harder to feel in a large company. There's a, to varying degrees there's a certain fear  
265 in a small company. You can cease to exist. A few wrong moves, a few bad turns in  
266 the environment and it might not be there anymore. It takes vast amounts of  
267 financing to run these companies and there will be times when you need the money  
268 and the markets just aren't prepared to invest it. And, large companies go through  
269 periods where they tighten their belts, but not because they're really going to run

270 out of cash, but because they have an earnings target, or they just want to adjust a  
271 trend. But, the sense of urgency and the sense that I personally am doing something  
272 that really makes the difference, the other thing that hits you is you look around you  
273 and the people are just really young. When you work for a Fortune 100 company  
274 generally the people running it, when you're early in your career, the people running  
275 it are usually fifteen or twenty years older than you. There aren't many people that  
276 get to be CEO of a large pharmaceutical company before age fifty-something.  
277 Whereas, you go to these little companies and "Hey, it's all a bunch of young guys  
278 like me." I was thirty-three when I went to my first startup and I was far from being  
279 the youngest person there. [Laugh]

280 **SHINDELL:** Uhm-hmm. Was that disorienting for you to step into this different  
281 culture after ten years at Eli Lilly?

282 **COHEN:** Yeah. It's disorienting. It's a little bit scary. But, it's so exciting. I won't say  
283 that I absolutely love small companies better than big ones, but a very large  
284 company is not going to ask me to run it. And, a small company gives you  
285 opportunity and responsibility, and lets you take risks. It wasn't just that most of the  
286 people in the company were young as or younger than I. The Board of Directors was  
287 largely young as or even younger than I. There's a youth and a comfort with risk.  
288 Initially, the risk is rather shocking when you look at the company's bank balance,  
289 when you look at how few people you have to do, when you look at how big your  
290 technological challenges are. But, after a time you get comfortable with it. After a  
291 time I ceased to feel how risky it was. If I felt we were doing something worthwhile  
292 my confidence in the people, my confidence in myself, our ability to raise capital is  
293 something that I ceased to question. So, after a year or two of this I really stopped  
294 worrying about whether the company was going to be around. But, it is, it's, you also  
295 realize that if you want something done there's nobody to do it. And, I don't mean  
296 the big stuff, like what you're going to do in your laboratory, or writing a business  
297 plan, or trying to go out and find a partner for a project. I mean, a lot of the routine  
298 stuff that you never thought about. For example, the light bulb in your office goes  
299 out. At Eli Lilly you filled out a form, you submitted [Laugh] it to an assistant, and  
300 sometime in the middle of the night a guy in a gray jumpsuit came into your office  
301 and changed a light bulb. You didn't worry about it. In a small company, when the  
302 light bulb above your desk burns out, you or someone else [Laugh] has to drive over  
303 to the store and buy a package of light bulbs and bring them back and screw them in

304 yourself. You learn how to run the office equipment. At Eli Lilly, in 1988 when I left,  
305 only the first-line market research analysts and financial analysts routinely were  
306 using computers. Middle management and senior management did not have  
307 desktop computers. I had just gotten one and was barely learning how to use it. In a  
308 small company I had to get one immediately and learn to use it and write a business  
309 plan. So, it's doing things yourself, but you don't want to get sucked into spending  
310 all your valuable time doing mundane chores. So, you end up working more.

311 **SHINDELL:** Uhm-hmm. And, you noticed the cultural difference, what, what about  
312 the people who would not leave Eli Lilly for a, for a biotech, or who did not realize  
313 that there was anything exciting in biotech? I'm wondering, I guess, how did Eli Lilly  
314 as a whole view Hybritech at the time that it acquired it? I mean, what, what was it  
315 that finally influenced it to buy Hybritech and also, you know, what was its general  
316 attitude towards biotech startups and what they meant to the business that they  
317 were doing?

318 **COHEN:** I should point out that when I worked at Eli Lilly I was not part of the part  
319 of the company who was looking at investing in biotechnology, although my last job  
320 at Lilly had a lot of parallels to that. I was head of business development for the  
321 group that made investments in or acquisitions of startup medical device companies.  
322 And, I think a lot of this is really the same. I think Lilly, like all big companies, over  
323 time began to recognize that despite their size they did not own the market for  
324 interesting, important, new ideas. They were very strong in product development.  
325 They were very strong in sales and marketing. And, of course, with vast financial  
326 resources they could do a lot of things. But, most original ideas don't come from  
327 large, large organizations. Most original ideas come from individuals or small teams  
328 of people. So, the great eureka moment of invention is equally likely to happen at Eli  
329 Lilly or another large pharma company, or right here in a room like this, a few  
330 people who may not even have a company yet. It's small teams of people thinking. I  
331 can't remember who it was, but it's a well-known quote, "Invention is seeing what  
332 everyone else has seen while thinking what no one else has thought." It's a fairly  
333 random occurrence and big companies don't invent more because they're smarter.  
334 They invent more because they have more people, more teams, more people  
335 thinking about this stuff. Eli Lilly bought medical device companies because we  
336 found ideas that fit with the broader theme and a commercial infrastructure that  
337 could sell the stuff. Eli Lilly bought Hybritech because it was an early innovator in

338 biotech. Eli Lilly had previously entered a collaborative relationship with Genentech  
339 so it could get the rights to human insulin, because Lilly was the leader, one of the  
340 leaders in the world market for animal-sourced insulin, and if insulin was going to  
341 go human it had to be there. Eli Lilly went to Hybritech because it, it probably  
342 wasn't absolutely certain where it was headed, but monoclonal antibodies seemed to  
343 be an important pillar of technology long-term. They turned out to be way ahead of  
344 reality in their expectations for using antibodies to target drug delivery, although  
345 eventually that did pan out pretty well. Monoclonal antibodies for targeted cancer  
346 therapy are a big business today. I think there was also an intangible. Eli Lilly in the  
347 mid, mid 1980s, there was a risk that they were going to slip from a long-term  
348 number one-number two kind of company to a middle-of-the-pack company, and  
349 being in biotechnology probably enhanced Lilly's reputation as an innovator. And  
350 although in dollars and cents it's quite debatable whether Hybritech was a good  
351 investment, they paid a lot of money. It had a few good years but eventually it all  
352 came apart. Some would argue it was actually a very good move for Lilly, because if  
353 you look at the price-earnings ratio of Eli Lilly shares, it expanded in the aftermath  
354 of the Hybritech acquisition. And if you look at what the analysts wrote about Eli  
355 Lilly at that time, pre-Hybritech there was a certain amount of Eli Lilly as an aging  
356 beauty. After Hybritech the analysts were more likely to write, "If you believe in  
357 biotechnology, Eli Lilly may be among the better bets of the big pharmas, because of  
358 its Genentech relationship and now the Hybritech investment." So, it helped to  
359 transform the culture of Eli Lilly and the nature of the research that big pharma  
360 does, and they of course have since made many, many, many biotechnology  
361 investments and acquisitions, and they have a number of products. They still market  
362 insulin, they still sell growth hormone, and a number of other things. So, I think  
363 biotech has, in some favorable ways, helped to change the culture of large  
364 pharmaceuticals.

365 **SHINDELL:** Hmm. Now, did you have people who you kept in touch with at Eli Lilly  
366 after you left there?

367 **COHEN:** Lots of them. Most of them, today, have either gone on to biotech or  
368 retired, but sure. We, we kept touch all these years.

369 **SHINDELL:** Because, I was wondering how they reacted to your leaving the big  
370 company for the small company?

371 **COHEN:** They were all pretty surprised. I mean, I was third generation Eli Lilly and  
372 my career was going quite well. I think most people thought that I had a bright  
373 future and I believed that. And, why would I leave? It's not a question of going to do  
374 a thing that is good versus staying with a thing that's bad. Had I stayed at Lilly I  
375 suspect I still would have had a very rewarding career. But, I had a bug. I was antsy. I  
376 wanted to try something else. The people who stayed, people stay for a lot of  
377 reasons. I recently had a chance to attend a reunion. They have an alumni network  
378 and I saw a lot of people, including people I started with thirty years ago, a couple of  
379 whom were still there. And, some of it is they never got the bug to leave. The career  
380 was satisfying. A lot of it is personal stuff. Having a good job and a bright future, and  
381 a home and a family that lives in a certain place, and walking away from it to bet  
382 your livelihood on something completely untested, some of us are more comfortable  
383 with that than others. It depends a lot. If I, at the time, had had children to put  
384 through college I don't know if I would have felt the same way about taking the risk.  
385 We're all different. Again, sometimes you see an arrogance in biotech. I've met a lot  
386 of people who have this attitude suggesting that entrepreneurs are somehow  
387 intellectually and morally superior to people who spend their careers with big  
388 companies and it's nonsense. Big companies do a lot of great stuff. Yes, they drive  
389 you crazy with their systems and their bureaucracies, but that's part of how they  
390 preserve a culture and you've got to hand it to these big companies. Eli Lilly's been in  
391 business for over a hundred years. Merck's been in business for I think about a  
392 century. The fact that these companies have been business for a hundred years and  
393 they're still in business innovating and making money, okay their growth has slowed.  
394 Big Pharma has deep problems. We all know that. But, they're still around. How  
395 many of the biotech companies started in 1975 will still be around in 2075, after I'm  
396 dead and gone? I don't know. [Laugh]

397 **SHINDELL:** Let me ask you about sort of the collective experience of all of the  
398 different positions you've held at the different companies that you've worked for or  
399 helped to found. Obviously you are regarded as someone who, who knows a lot  
400 about the field if you're doing consulting and you've been a CEO. But, what is it that  
401 you learned at these different positions that made you a good CEO, that made you a  
402 guy who can answer the questions of other companies as well when they, you know,  
403 are struggling and need help?

404 **COHEN:** That's a very difficult question. Ultimately, like everything else, it's  
405 experience. Experience generally in life and experience in your particular field. I, I  
406 just signed an engagement to chair a board of a brand new company. The science is  
407 in Chicago but the company will be virtual and if we build it we'll build it here. But,  
408 they initially asked me to be CEO of the company and I said, "A, I don't want to do  
409 that right now in my life, but B, I don't think your company needs a CEO yet. All  
410 your company needs is some experienced guiding hands to make sure that you avoid  
411 fatal mistakes in the first year of the company's life." I don't think I've made any  
412 fatal mistakes in companies but I've certainly participated in [Laugh] mistakes. Most  
413 situations that I see in biotechnology or pharmaceutical businesses either are the  
414 same as or remind me of something I have seen or been through before. And, it's the  
415 benefit of that experience that hopefully teaches us to repeat some good stuff and  
416 change some bad stuff. A lot of it also is just life experience, you know. Managing  
417 expectations. Helping to tone down how much you're going to get done and how  
418 long it's going to take, and how long it's going to cost. You have to be realistic about  
419 that stuff. In any business, in any organization, you're making a bet that the people  
420 are going to be able to deal with a great deal of uncertainty and ambiguity. If you  
421 look at the biotech companies who are successful, very few succeed at what they  
422 initially set out to do. A few do. IDEC here in San Diego did really what the original  
423 vision said could be done. People doubted it, but they stuck with it. I believe  
424 Somaxon is going to succeed at the original mission to develop this insomnia drug.  
425 But, many other companies. Amgen, nothing that made Amgen a great company was  
426 on the list of the first five or ten projects they worked on when it was a startup. It's a  
427 well-known story. So, you're going to have disappointments. You're going to have  
428 failures. Can the people deal with that and adapt? There are companies that have  
429 still not really succeeded from a business point of view, but they stay alive and they  
430 live to fight another day because of the resourcefulness of the management and the  
431 ability to reinvent themselves. And, it's not a business where you ever have total  
432 control, because you're still betting on a technology and whether that will translate  
433 into a clinical benefit in patients, and you're betting on whether the regulatory  
434 authorities are going to agree with your judgment about what is a worthwhile drug  
435 to give people. So, there is a certain element of luck involved, but it isn't either  
436 you're lucky or you're not. If you're not lucky, have you done things with your  
437 management skill that enable you to survive the runs of bad luck? If you raise a lot  
438 of money, do you keep enough for a rainy day? Do you keep your options open? It's,

439 so, so there are a lot of mistakes I think you can avoid and preserve flexibility and be  
440 a little cautious and run scared.

441 **SHINDELL:** Uhm-hmm. Let me ask you about San Diego's biotech scene. In  
442 particular, you entered it in sort of the mid '90s coming here from Houston, right?  
443 So, when you first got here, and based on your experiences from then up until now,  
444 how has the San Diego biotech scene changed from that point on or has it remained  
445 fairly stable? And, what is it, do you think, that makes San Diego a profitable biotech  
446 sector or what is it that has contributed to its success? If you want to name what you  
447 think are the most important contributing factors to that.

448 **COHEN:** I don't think it's changed all that much. Which technologies get the  
449 attention, the number of companies doing various things, the number of people in  
450 those companies, all of course have grown and we have more diversity than we used  
451 to have, but at the core, I don't think it's changed that much. There's still a well-  
452 known group of people that's at the center of most of these things. We all know each  
453 other. There's a lot of us here who have done this multiple times, and there are still a  
454 few people that all of us really look up to who have been leaders in many of these  
455 companies. Interestingly, many of them still all derive from the Hybritech family  
456 tree.

457 **SHINDELL:** And who, who would those people be, by name?

458 **COHEN:** People like Ted Greene, David Hale, Cam Garner, certain investors.  
459 Although, they're not doing as much biotech today but venture funds mostly  
460 originally not from San Diego, Domain Associates, who did finally open an office  
461 here a year or two ago. Kleiner Perkins, from the Bay Area. You know, there's MPM  
462 Capital has become a big player here in recent years. But, there is really a core of  
463 people and investors. There's certain lawyers who, who have been very important in  
464 all of this. The law firms have developed the expertise in the industry to support it.  
465 The, it's all about people. This is a place where people who wanted to do this and  
466 turned out to have a knack for doing it either already lived or wanted to come and  
467 live, and that's the combination of the entrepreneurs, some of whom I've mentioned.  
468 It's also the science. This, obviously, is a spectacular community for scientific  
469 research and there does seem to be something in the rules and the regulations of  
470 how academic science can potentially be moved out of academia into a commercial  
471 environment that's helped to facilitate it. You've had organizations like CONNECT,

472 with its roots at UCSD that's had a role, but ultimately it's the people. A lot of the  
473 great companies here in San Diego are not built on science that came out of a San  
474 Diego institution. That's diversified now. I just mentioned a new company I'm  
475 working on that if we get good data and decide to build the company the science is  
476 in Chicago. Somaxon got its science from New York. There are many companies that  
477 are getting the science somewhere else, but here you have a core of people who  
478 understand research, development, manufacturing, and more and more,  
479 commercialization. We're asked all the time, "What are the things you need to do to  
480 replicate this?" I don't know if you can plan to replicate it. I think this is just a place  
481 where the right kind of people want to be to do it. Legislators and regulators are  
482 always asking, "Well, what do we need to do to our laws in South Dakota so that we  
483 could have a biotech cluster?" I just don't see large numbers of people, like these  
484 scientists or these entrepreneurs, who are ever going to want to pick up and move to  
485 South Dakota. People talk about tax policy and regulatory policy. What does your  
486 research say are the states in America that are most successful in biotech and high-  
487 tech clusters of startups? California, Minnesota, Massachusetts, New York. Right?  
488 Can you think of four states that, from a tax and regulatory [Laugh] point of view,  
489 are worse places to start or build a business? California, in dollars and sense and in  
490 regulatory policy, is a terrible place to start a company. Between the personal  
491 income tax and the corporate franchise tax, and the workmen's compensation rules  
492 and the mandated breadth of what your basic health insurance has to include,  
493 [Laugh] this is a terrible place to start a business, except that the people you need to  
494 start and build your business are here and this is where we want to live. I was  
495 approached not long ago about an extraordinary opportunity that would have  
496 required moving back to Texas. On paper, that's what I should do, [Laugh] but I  
497 don't want to move back to Texas. I want to live here, so I'm just going to put up  
498 with the, [Laugh] the disadvantages.

499 **SHINDELL:** So now let me shift to a, maybe a more personal question. How has  
500 being a part of this environment, the San Diego biotech environment, and maybe  
501 biotech in general prior to that in Houston, and you know even back in Indiana, how  
502 has that affected your life, you know, your development? Do you feel like you're a  
503 different person than you would be otherwise had you not gone into biotech?

504 **COHEN:** I don't think I'm a different person, but certainly my memories and the  
505 things that I can look to that I've been a part of are extremely satisfying. Some of it is

506 the product and what the product does. At Eli Lilly I was the product manager for  
507 the launch of a drug called Prozac. How many millions and millions of people have  
508 benefited from that product? And, I'd go so far as to say, how many tens of  
509 thousands of people are here on this earth today as a result of that drug and other  
510 drugs like it, rather than having taken their own lives, which is the most dangerous  
511 symptom and result of depression? So, I look at the products and I look at the  
512 technology and science that I've worked on and I think there's a real contribution  
513 there. But, the other part of it, I've created a lot of jobs. I mean, Somaxon down the  
514 street, forty people, good jobs, great work environment, worthwhile work, five years  
515 ago it didn't exist except on paper and in the minds of a few people. That's my  
516 parking meter.

517 **SHINDELL:** All right. Well then, I guess we can end the interview for now, since  
518 we're out of time. Thank you very much for coming in. Is there any last thing you  
519 might want to say before we end this recording?

520 **COHEN:** The last thing I'd say is we're currently in very pessimistic times for the  
521 biotech and pharmaceutical industries. Big Pharma has its well-publicized problems  
522 with pricing, patent expirations, lack of innovation. Biotech needs resources. It  
523 struggles with the FDA. We have what seems to be a decreasing willingness of the  
524 public to pay for innovation as we try to get a handle on our national healthcare  
525 costs and, and for many of us in need for universal health coverage. But, it's a  
526 business that seems to overcome ridiculous odds, and in spite of all the pessimism,  
527 and I feel some of that pessimism these days when I look at my stock prices of my  
528 biotech companies, it's a problem-solving industry and hopefully it will work its way  
529 through these difficult times and do it again.

530 **SHINDELL:** All right. Well, thank you very much.

531 **COHEN:** Thank you.

532 **END INTERVIEW**

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**The San Diego Technology Archive (SDTA)**, an initiative of the UC San Diego Library, documents the history, formation, and evolution of the companies that formed the San Diego region's high-tech cluster, beginning in 1965. The SDTA captures the vision, strategic thinking, and recollections of key technology and business founders, entrepreneurs, academics, venture capitalists, early employees, and service providers, many of whom figured prominently in the development of San Diego's dynamic technology cluster. As these individuals articulate and comment on their contributions, innovations, and entrepreneurial trajectories, a rich living history emerges about the extraordinarily synergistic academic and commercial collaborations that distinguish the San Diego technology community.