William Respess

Interview conducted by

Mark Jones, PhD

May 9, 1997

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William Respess

Dr. William Larry Respess, Ph.D., J.D., Esq. has been a Senior Vice President, General Counsel and Secretary of Nanogen Inc. since April 2004. Dr. Respess served as Senior Vice President and General Counsel of Graviton Incorporated from 2000 to 2002. From 1988 to 2000, Dr. Respess served as Senior Vice President and General Counsel of Ligand Pharmaceuticals Incorporated. He also held the positions of Vice President and General Counsel of Gen-Probe Incorporated from 1986 to 1988 and Vice President and General Counsel of Hybritech Incorporated and Partner at Lyon & Lyon LLP, a leading intellectual property law firm from 1983 to 1986. Dr. Respess joined Nanogen in April 2004 and has more than three decades of biotechnology experience in intellectual property, licensing and general corporate law. He served as Vice President and General Counsel of Applied Molecular Evolution, Inc. from July 2002 to 2004. He served as Law Clerk and Technical Advisor to the Honorable J. Lindsay Almond, Jr. on the United States Court of Customs and Patent Appeals. Dr. Respess serves as Director of Nautilus Biotech. He has been Director of Applied Molecular Evolution, Inc. since September 2002. He serves as a member of the American Intellectual Property Law Association and has been a frequent Lecturer on intellectual property and licensing law. He studied PhD in Organic Chemistry from Massachusetts Institute of Technology and a BS degree in Chemistry from Virginia Military Institute. Dr. Respess studied JD from George Washington University.

Source: Bloomberg Businessweek

THE SAN DIEGO TECHNOLOGY ARCHIVE

INTERVIEWEE: **William Respess**

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JONES: Did you have any training in the life sciences?

RESPESS: I have a Ph.D. in chemistry, organic chemistry, but that's as close to training in the life sciences as I pretend to, apart from on the job training.

JONES: After you got your Ph.D., you attended law school?

RESPESS: Correct. Well, you want a more complete biography? I was an air force officer and I worked in a chemistry laboratory in the Air Force at Wright Patterson Air Force Base, called the Air Force materials laboratory, and then after that, I went to law school at George Washington University in Washington, D.C., in their evening program, and I worked for Phillips Petroleum Company's patent department in the daytime, and after finishing law school, I became a law clerk on the old U.S. Board of Customs and Patent Appeals, and that is now the United States Court for the Federal Circuit, by virtue of some reorganization of the federal courts, and after that tenure, I went up to Lyon & Lyon, a patent law firm in Los Angeles, where I stayed until 1983. I left in 1983 to become general counsel at Hybritech, and sometime around 1980, I began legal work, mostly patent work and transactional work for Hybritech in private practice, and they asked me to be general counsel, and so, in '83, I did that. So, that's how I came to be in the biotech business in sort of a shorthand way, I guess.

JONES: Right, and Lyon & Lyon specializes in patent law?

RESPESS: Right. Lyon & Lyon, my first introduction to biotechnology patent law, if you will -- there was a partner at Lyon & Lyon named Tom Kiley, and he was recommended by a firm on the East Coast, which probably regrets having done that, to Bob Swanson, who was the founder of Genentech, with Herb Boyer, and so Tom Kiley and I worked on the early Genentech patent applications in making

recombinant products. Tom was actually counsel to Hybritech, and he left Lyon & Lyon to become general counsel of Genentech, and I sort of inherited Hybritech from him, when it was a very small company located at rented facilities from the La Jolla Cancer Research Foundation, I think that's called the Burnham Institute now, so I guess I was I lucky.

JONES: This was '79, '80?

RESPESS: It was 1980 when I first, I'm pretty sure it was early 1980 when I first became involved with Hybritech. I remember meeting Howard Greene and Ted Birndorf at an early meeting. That was before Tom Adams came, so it was some time before Tom Adams. If you know exactly when Tom Adams came there, I became involved with them a few months before that. That's my recollection.

JONES: And what kind of work were you doing for Hybritech at that time?

RESPESS: Very little, when I first got on board. I came down to see them to be introduced. Tom Kiley and I came down when he left, and we just sort of had an introduction, you know, Here I am to help you if you need help.' But I never received any, as my recollection, I don't remember receiving any requests to do anything for them until Tom Adams came, which is how I peg it as being somewhere not too long before Tom Adams came along.

JONES: And this was the TANDEM?

RESPESS: The TANDEM assay patent application. He called me and introduced himself, this is my recollection, and said that he thought Hybritech had made an invention and he wanted me to come down and see him. And I came down and I met him and Gary David and Bob Wang, and some others, and we talked about the TANDEM assay. And so we shortly thereafter filed a patent application on that.

JONES: Hybritech was founded on non-proprietary technology. This was the first patent?

RESPESS: Correct.

JONES: And this was unusual, right? These days it would be very difficult to raise capital for a company…

RESPESS: I think that's probably true. The only company I can think of locally that might have done that was Isis Corporation, and that may have been done largely on the reputation of Stan Crooke, who had been head of research at old Smith-Kline, and maybe on the strength of his reputation, raised money in the area of, what do they call it? Hybridization, gene hybridization technology for therapeutic applications, and I don't recall that they had any proprietary technology when they started out, but they've obviously acquired some since then, but I think that's generally true, what you say there. Most companies are started on the basis of acquiring a proprietary position as opposed to, 'Here's a technology that we think will be useful, give us some money to see if we can figure out something to do with it.' But it may have been a reflection of the more go-go days of biotechnology, where people were still enthusiastic about the possibilities, when they were just beginning to be understood, and it was maybe easier to raise money on an idea, certainly easier than it would be today.

JONES: Was it the TANDEM patent that was challenged by Monoclonal Antibodies, Inc.?

RESPESS: Well, we sued them for infringement, and they challenged it as part of their defense. Yes, that's correct.

JONES: And when you were putting this together, you came and talked to the team that had invented this thing -- where do you go from there? How do they communicate the technology to you? Do you sit down in a room and they tell you...

RESPESS: Yeah. We sat down in a room. It was in a trailer, a temporary trailer pulled up in the parking lot of the La Jolla Cancer Research Foundation. I remember meeting Tom Adams and I think he sort of laid it out for me, and then I met for some time with Bob Wang, and I'm not sure who else I met with at that time. It was very likely Gary David, but I do remember meeting Bob Wang, who had some summary of the technology that was a useful explanation of the technology, how it worked and what the objectives were, and so forth. I seem to recall that. That's such a long time ago, I'm not absolutely sure.

JONES: How much do you have to know about the technology?

RESPESS: I think, fortunately, the lawyer doesn't have to know, and shouldn't be expected to know as much as the people who invented it, but my own experience --

Tom Kiley and I and another partner, a senior partner at Lyon & Lyon, had tried a case a few years before. I hadn't tried the case, but I'd been involved in a lawsuit a few years before on immunoassay technology. Abbott Laboratories sued a small company in LA for infringing its so-called 'Osria' patent, which was a patent on an immunoassay for detecting hepatitis, and so I'd had sort of an introduction, trial by ordeal, into immunoassay technology. I won't say it's trivial, obviously, because it's much too complicated, but it was relatively easy to understand how monoclonal antibodies could be used in an immunoassay based upon the fact that I had some prior acquaintance with immunoassay technology.

JONES: As you're putting this together, is there a lot of back and forth between the scientists and the lawyers?

RESPESS: There can be. It depends upon what information you need. Again, my recollection is that Bob Wang had put together a pretty extensive summary. I don't know whether it was hand written or not, but I remember that I had some documents that, I think, Bob Wang had prepared, which pretty much laid it out. There was some back and forth, and I'm sure there were some phone calls, but I don't remember that we were constantly on the phone, rewriting the thing or anything like that. It was a simpler process, maybe because it was their first patent application, maybe because Tom Adams is the kind of person who insists on that sort of thing, but I don't recall it as requiring a lot of effort on my part, except to put it in the form that a patent application would have because of a fairly extensive write-up that I'd received from Hybritech.

JONES: And after, did you do additional work for them before they asked you to come on board?

RESPESS: In the course of the next several years, between roughly early 1980 and October '83, Hybritech did a number of transactions with companies and universities and so forth, and I represented them, to some extent, in those transactions, and also we did some additional patenting things. I don't remember the extent of it, but sometime in that process, they asked me to be their general counsel, and after some considerable deliberation, because I was a partner at Lyon & Lyon, and I wasn't sure I wanted to give that up, that lifetime tenure, but ultimately I was persuaded to do that, and obviously, in retrospect, I'm quite happy that I did.

JONES: Who worked to persuade you, and how did they do that?

RESPESS: Well, there were a number of people. Ted Greene was influential, Tom Adams, and Howard Birndorf, were the three that spoke to me the most about it, but ultimately even Brook Byers on the board, and I expect you've heard of Brook by now. I met with Brook at some kind of trade meeting in Orange County, and he went to great length to explain to me how, no matter how hard I worked in private practice, there were only some many hours to the day, and the way to become a successful person, financially, was to have an equity position. I thought I was a fairly sophisticated person, but I must confess, I had never thought very much about making money by owning stock, so it was an interesting insight to companies like Hybritech. By that time, there had been some history with Genentech, and so I think I understood that, conceptually, it could be extremely profitable. I didn't go for it just for the money. I actually came to appreciate having, from the nature of my private practice, that one of the things that I enjoyed about working with a company like Hybritech, as they progressed as a company, is that you get a great deal of satisfaction out of participating in building a company like that. And I was at sort of a crossroads where I either became a litigator, or I became something else, and I don't know how familiar you are with the litigation process, but it is not a friendly game, and most lawsuits are settled before they go to trial, and usually because the attorneys on both sides have probably worn out their clients' willingness to continue spending money to fight this gargantuan battle, so I never felt as good about the outcome, even when I was on the side that thought it prevailed, as I did in a situation where you actually work proactively with people to bring about things that everyone wants to do, and that's always a better feeling, psychologically. I got more psychological reward out of it, let's put it that way.

JONES: You were at a crossroads -- is this a natural career path in a firm like Lyon & Lyon?

RESPESS: Yeah, I think so. Most law firms, most patent law firms -- well, I won't speak for all patent law firms -- a firm like Lyon & Lyon, as you grow in the firm, you can go in two directions. You can become a person who litigates extensively or exclusively, or you become someone who doesn't litigate at all, and the most visibility in firm like Lyon & Lyon, and the greatest prestige, is gained by being a litigating lawyer, the courtroom, and all that sort of stuff. And I think it's kind of hard to mix the two and be an expert at both, so, it was a crossroads for me. I'm not sure that everyone feels the same sort of, that they reach a crossroads, but that's how I looked at it.

JONES: So you decided to go to Hybritech. You had faith in the people there. Was this after they had products on the market?

RESPESS: I think they had just introduced, or were about to introduce, they had some research products on the market, OK. There were certainly those kinds of products. I'm not exactly sure when their test for, they had a test, the first application of the technology, I think was for detecting the antibodies that are produced as a result of, it was an IgE test is was it was, as I recall, the first commercial test, and I don't recall exactly authorized to be sold by the FDA, but it might very well have been coincidental with that. Again, I think I enjoyed what I was doing with them. I liked the people a lot, and then, as I said, I'd come to realize that this had some financial upside, it gave me a lot of personal satisfaction, so I was gradually persuaded that I ought to try that, and so I did.

JONES: Did you perceive much risk in the financial upside, the potential financial upside?

RESPESS: Yeah, I think I perceived a risk. I think the only thing I can say about it, the only concern I had, and this is sort of ironic in retrospect, I suppose, is that Hybritech might be acquired, and I spoke to Ted Greene, and I said, 'Well, what happens to me if Hybritech is acquired?' And he said, 'That's nothing you ever have to worry about. We're far too expensive to be acquired.' And I think I came in late '83, and I believe by the end of the next year, we were talking to Eli Lilly about being acquired, although we went through a fairly long period before that happened. I sometimes say that my seat was hardly warm when the acquisition of Hybritech became a reality. So, the only concern I really had, I recognized that there was some risk, was that Hybritech would be acquired, and I would have just given up a lucrative partnership in a major patent law firm, to come to a place where I proceeded to get the boot almost immediately. But I wasn't hurt financially, so it did happen, but in retrospect, again, it didn't hurt me financially.

JONES: Did you know about the Lilly talks prior to them sealing the deal?

RESPESS: Oh, sure. I was one of the people who had to be involved because there's a lot of due diligence that a company like Lilly would do on patents and other things that affected the legal department, so I was involved in the process.

JONES: But it wasn't common knowledge around Hybritech at the time?

RESPESS: Well, I don't, I would be, I don't know how well those kind of secrets are kept. I don't recall. I think we kept it fairly close to the vest, right. It was a well-kept secret, but maybe the people who heard the secret were smart enough to keep their mouths shut around people whom they knew would be upset if they knew what was going on.

JONES: A number of people have told me that when they were recruited to Hybritech by Brook Byers that one of the things he told them was, you know, if this doesn't work out, we have lots of companies, we'll find you a place in one of those. Did he say anything like that to you?

RESPESS: I don't recall Brook saying something like that. I think I came to realize that on my own, and I've actually told people that myself when I've tried to help recruit people, or when I've talked to people that I wasn't recruiting directly, but I was one of the people that spoke to them. My experience has been that there is a shortage. There is no shortage of companies, but there is a shortage of talented people, and that as long as your performance in a start-up company is not responsible for its failure, and you do a good job, I think that, in fact, there's a high likelihood that you would be perceived as a valuable commodity, and wouldn't have difficulty in finding another opportunity. I don't believe that the experience that people like I've had in San Diego, for example, means you're going to plucked out of relative obscurity in the biotechnology industry and given a major responsibility in a pharmaceutical company. On the other hand, I think there's a lot of lateral possibilities among the biotech companies, and I'm not interested in living in New Jersey anyway, so the fact that I'm not going to end up as the head of the legal department at Merck or Roche, or someplace like that doesn't bother me a whole lot.

JONES: At Hybritech, were you involved in the in-licensing, and out-licensing, and all that kind of stuff?

RESPESS: Sure. Howard Birndorf, in the early days -- when I say early days, I mean even before and after I left -- Hybritech had business development responsibilities and I worked with Howard a lot, and then on some of the major transactions, generally speaking, with David Hale, to develop the contracts, and so forth, that would be involved in collaborative research with companies that we did at that time, J&J was already done, but Toyo Soda in Japan, and some of the other transactions that we did.

JONES: And how was it working with the Hybritech team? Howard Birndorf, for instance, just a few years earlier, was lab tech with no experience in any of this kind of stuff?

RESPESS: Well, Howard is a very bright guy, and gifted, and I think that that was a niche that, in my view, was one that Howard just naturally fitted. I think he was probably not well-suited for, in the long-term at any rate, to be a career researcher, and I think his track record is adequate. He doesn't need my endorsement to validate that. He's proven to be very effective at sniffing out technologies, and so forth. One of Howard's endearing qualities is that he's very persistent, and by having someone like that, who has a nose for these sort of things, and also has the quality of being persistent, deals get done, and I think that's one of his really great talents. At Hybritech, the major transactions that I was involved in, however, were handled by David Hale. It's not uncommon in a company like Hybritech that the CEO deals more directly with the major transactions, and the second level of transaction is handled by the business or corporate development people, so Hybritech was on exception in that regard. So, I worked a lot with Howard, I worked a lot with David, depending on what the particular transaction was.

JONES: Do you remember particular projects that were crucial, or particularly significant for the growth of the company?

RESPESS: Well, yeah, there would be some of those, and, let me see if I can think back to that particular period of time. One of the things that, and this has changed over the years, but the traditional wisdom, or conventional wisdom, I don't think it's changed that much, is that, as these companies evolve, it takes enormous amounts of capital to develop pharmaceutical products. You need to constantly reinforce in the mind of the investment community, even before you go public, that you're a winner, and that they should invest in your company at some appropriate time, depending on what their investment objectives are, and what normally happens is, you get some seed money, and then you use that money to develop some proof of principle, and then when you do that, you get some additional financing. One of the things that was always considered important then, and maybe to a lesser extent is till important today, is you get some collaborative arrangement with a corporate partner as a validation of your technology and so forth, the notion being that major pharmaceutical companies would not invest with these companies if there wasn't some belief on their part that the technology was conceptually sound, even though it

may not have born all the fruits yet, and so forth. So, companies tend to go through a series of these transactions, and Hybritech was no exception. In the early days, one was done with Johnson & Johnson, and later there was one done with a Japanese company, and for some reason, I'm drawing a blank here. And later with Toyo Soda, another Japanese company, and that kind of a process evolves before and after you take the company public. The more deals you do that suggest that you're a winner, you like to put out press releases, it's one way of keeping the company in the news, so to speak, where the investors see that the company's making progress, and you hope, therefore, to stimulate interest in the company's stock, otherwise it sort of languishes, and if there's no interest in it, then of course, there's no place, it doesn't go up in value, so to speak.

JONES: Do you recall in discussions about, you which deals to pursue, or whether to pursue a deal, whether the primarily goal was this, establishing credibility, even more than getting the money?

RESPESS: I don't know that it was ever that establishing the marketplace identification was ever the primary reason, but it was more often than not, more than a trivial reason. We didn't do, as far as I was concerned, bad business deals just to keep the company's name out there, and there was always a legitimate business objective that was being pursued, but that was always, it was a necessity to do that. I think every company would have liked to have been able to raise all of the money it needed to develop all of its technology, and keep it all for itself, but that's just unrealistic. As a result, this is one of the things that you have to do, and the only thing that I can say that's market-driven about it is, you might very well do it earlier in the development than you would otherwise like, because you don't have enough money to bring it, to maximize its value before you license it out. The more improvements you make to the technology, the closer you have, the closer you are to a product, for example, the more you can sell it for, because there's less risk, obviously, to the person who picks up the technology and take sit the rest of the way, or pays you to develop it the rest of the way, which is more common. So, that is a compromise -- how much do we spend on this technology before we try to find a partner. But that's as far as I can recall, the only significant decision that was made that was motivated by the market for the technology and how investors might perceive it down the road.

JONES: When the Monoclonal Antibodies, Inc. Suit came along, did that sort of change your working routine?

RESPESS: Well, it had an impact on my life, obviously, but most of the work was done by the outside law firm, my old law firm, Lyon & Lyon, so I was involved in several ways, one, I wanted to be kept up, be involved enough to know what was going on. My recollection is that even at that time, I had a junior attorney working for me, I think it was Ronnie Sherman who was there at that time, and she liaised with outside attorneys, in terms of facilitating doing discovery in response to discovery requests that were made to us by Monoclonal Antibodies's attorneys, and then, of course, I had to be witness in the trial, because I was involved in obtaining the patent that was ultimately used to sue Monoclonal Antibodies, and so forth. So, it had a significant impact on my life, and I remember, I was out of town, I think I was out of town, when the news came that we had lost at the District Court, so I don't think I was a very happy camper at that time, but I recall that the board was very supportive, particularly Tom Perkins, who had a lot more experience than the management did, actually, in terms of the rough and tumble of business, and was not at all, I'm sure he was disappointed, but not dismayed, and we obviously felt just justified to spend additional money on appeal, and that turned out to work in our favor, so it's had its up and downs, and impact on my life, but I believe that sometimes inside attorneys muck around too much in lawsuits that are handled by outside counsel, having been a litigating attorney myself, I think I had a better appreciation than most about how complex and difficult that is, and that you can't be a dilettante in the litigation arena, and if you pick the appropriate outside counsel in whom you have confidence, I don't think you should spend a lot of time second guessing what they do, and I know that there are some naturally economies that you want to realize, but I don't think that that's the place you want to save money, either, in the sense that you go through strict cost accounting of what the risk/benefit ratio is. Once you've made the decision to sue, it is not entirely out of your control, how much you're going to spend, but you have to be prepared to spend a lot of money, and again, I think that most inside counsel probably fret more about the budget than they should, and if that's their concern, they probably shouldn't have gotten into the lawsuit in the first place. Anyway, that's easy to say when things turn out right. Had it turned out badly, in the final analysis, I'm not sure how I would have felt about it, but I did not spend a lot of my personal time on it, at least on a daily basis, or on subsequent ones that like Hybritech pursued, including an anti-trust suit against Abbott Laboratories.

JONES: Well, these are potentially big problems for small companies. How much of Hybritech's strategic planning involved these kinds of contingencies?

RESPESS: Well, we talked a lot about it within the management group. I think, well, once the so- called TANDEM patent issued, we deliberated a lot about how we would like to deal with that patent. Should we keep it all to ourselves, and use it maybe a s a business tool in some niche areas to exclusively license some people, let's say, or work with a partner, or should we make the technology available generally, and therefore avoid, maybe avoid, the necessity of having to litigate? And we ultimately decided that we would make the TANDEM patent available to anyone who was willing to pay a certain amount for it. We actually wrote letters to companies, and so forth, and with one or two exceptions, as I recall, there were no takers for that license. DuPont was the major exception, and we did a somewhat, we did something of a deal with American Dade, which I think was a division of, not American, American something or other. And American Dade developed monoclonal antibody based products on a special format. We offered licenses to people like Abbott Laboratories and others, and they didn't take the license, so, sooner or later, you have to make a decision on whether you're going to allow people to infringe your patent if you have one, or put it at risk and sue them, and the most advanced company, and the one who portrayed itself as being a Hybritech-like company, was Monoclonal Antibodies, Inc., and so, we felt we had no choice once the decision was made that we had to enforce the patent, to go after Monoclonal Antibodies, Inc.

JONES: Who was principally involved in these deliberations? You, David Hale, Ted Greene?

RESPESS: And the board. It was discussed by the board.

JONES: This was '84, '85, it was getting close to…

RESPESS: I think it was '84. I came to Hybritech in '83, so it couldn't have been in '83, it had to be '84 or '85, and then Hybritech was acquired in '86 as I recall so, it had to be around '84, when we sued Monoclonal Antibodies, Inc., I believe.

JONES: So, the Lilly deal gets signed, and then what happens? What happens to you?

RESPESS: Like everyone else in the senior management at Hybritech, I agreed to stay on for some period of time. I told Lilly's management that I didn't feel that I had a

long-term interest in Hybritech, and they were a very understanding company. I think they were a fine company to deal with, but I had gone from being the chief legal officer in a small company to another attorney, although I was still general counsel at Hybritech, in a large company, and I would not have left my partnership at Lyon & Lyon to become what I had become. And I told them that if there came a time in the course of this period of time where I agreed to stay on, where they wanted to bring on one of their people, I would feel, I would not be upset. I felt that I had other opportunities that I could pursue, including going back into private practice, if not with my old firm, then with another firm. And during, I think about eight or nine months after the acquisition of Hybritech, they decided to bring on, they wanted to bring on one of their young attorneys named Kevin O'Malley, who had been in one of the other subsidiary companies, does CardioPacemaker Inc. Ring a bell? Anyway, I think that was the name of the company. They had a company that made cardiac pacemakers, I think in Minnesota, and they decided to bring him on to Hybritech as general counsel, and there was a transition period in which he came in and I stayed in for a period of time to help in the transition, and because we had become involved in a lawsuit against Abbott Laboratories for violation of anti-trust laws by Abbott, and also because we were considering suing Abbott for infringing the so-called TANDEM patent, and another patent as it related to one of their little rapid diagnostic tests that competed with Hybritech's ICON product. I stayed on for a period of time, which was about three or four months, I think. And I left and became general counsel at Gen-Probe, because Howard Birndorf and Tom Adams had left about a year before and started that company with David Kohne.

JONES: Right, and why did pick Gen-Probe? Did you have other opportunities in particular that you were...

RESPESS: Yes. I had a number of other opportunities. I think it's fairly obvious, it should be fairly obvious, intuitively obvious almost, as to why I went to Gen-Probe. I had come again to a logical palace, a crossroads, in my career, OK, by virtue of the acquisition by Lilly, and having let Lilly know that I was interested in staying long-term, and then, in effect, saying, 'OK, we're ready to replace you with someone.,' and they were willing to give me an appropriate settlement, a severance, if you will, I'll say, not settlement, but severance, which I was happy to receive, so Tom...so anyway, Tom and Howard had actually, they knew that when Lilly acquired Hybritech that I probably wouldn't want to stay long-term, and they asked me to consider Gen-Probe, and I did, and at the appropriate time, I left Hybritech and moved over to Gen-Probe.

JONES: And again, you had stock options, this is part of the deal?

RESPESS: No, in those days, we were doing something called restricted stock -- junior common. No, junior common had come to an end by that time, and I believe I purchased restricted, so-called restricted common stock, and not stock options. Stock options became fairly common in biotech later. In the early days of companies, when you can justify a low price for the common stock, people tend to buy it outright at a few cents a share, rather than have an option at a few cents a share, because there are financial reasons, well, there are tax reasons to do it that way.

JONES: But you had a piece of Gen-Probe.

RESPESS: I had a piece of Gen-Probe, yeah.

JONES: And, so you're doing basically the same kind of work there?

RESPESS: Yeah. Very little changed in terms of the overall responsibilities. I did become, I think the only difference that I can think of then was I became Corporate Secretary of Gen- Probe, whereas at Hybritech, I had not been. Tim Wollaeger had been Corporate Secretary there. He had been at Hybritech longer. He came earlier than I did. It didn't even occur to me that that was something I might do, or even have an interest in, so I never considered trying to do a place coup and take over that responsibility from Tim.

JONES: And you hadn't thought about this going to Gen-Probe?

RESPESS: Well, that's something to talk about. Gen-Probe had a much less, much smaller, less...it was a much smaller company than Hybritech was when I came, and the management group wasn't as deep. And we talked about it, I don't remember how we came up with it, we talked about it and I agreed to be Corporate Secretary, but being Corporate Secretary is not a very time-consuming thing in a private company. It becomes more important when the company goes public, and at that time, Gen-Probe was a private company, and so I didn't mind. I was probably interested in the responsibility, and I certainly didn't mind taking it on, and it's not a huge effort in any event, as long as the company is private. It's only when the company goes public and you have public shareholders, and you're filing SEC reports, and so forth, that the Corporate Secretary function becomes much of a responsibility at all, frankly.

JONES: Did the patent position of the Gen-Probe technology -- was this basically the same kind of deal as at Hybritech? Or were there particular problems there that you ran into?

RESPESS: Well, there were some, I don't remember all the problems, it's still too long ago. There was more of the traditional underpinning at Gen-Probe that you alluded to when we first started discussing. Gen-Probe had at least an inchoate patent position. When Tom and Howard formed a partnership first with Dave Kohne, and then started the company, Dave had some patent applications that related to DNA hybridization, RNA hybridization for detecting, diagnosing microorganisms, and so forth. And that technology, I don't think had been patented when I came to Gen-Probe. It was being handled by Lyon & Lyon outside, Lyon & Lyon also represented Gen-Probe before I came to Gen-Probe, so I wasn't disappointed with that, and they continued to prosecute that case, Doug Olsen and Brad Duft, and ultimately obtained a patent on it. I know that there has since developed a dispute involving the University of California as to who owned that technology, but that dispute wasn't something that I had any reason, at that time, to believe would have existed. It emerged after I left Gen-Probe, so I don't have any information about that, except what I hear through the grapevine, so to speak, about the basis of what UC's claim might have been, but, as far as I was concerned at any rate, Gen-Probe had an intellectual property basis that I was impressed with, and I think they had some, Dave Kohne was a brilliant scientist and there were some very, very bright people working under him, and I was, that played into my calculus. The investors and the board was made up of some people I had known from Hybritech, like Brook Byers. That was reassuring, Kleiner- Perkins having had a very successful track record picking winners. I had great respect for Tom and Howard Birndorf from my Hybritech days. It was a chance to be an equity player again in a start-up company at a very early stage of its development, so I was quite, I didn't have as much internal turmoil over making the decision to join Gen-Probe as I did at Hybritech. I wasn't giving up anything that I wanted that I particularly cherished professionally, in view of the changes at Hybritech, although again, I have great respect for Eli Lilly, I didn't have same trauma about giving up my partnership and lifetime tenure as I said before. So it was an easy decision to make, and I made it quite easily, actually.

JONES: Was the corporate culture, in a mundane sense -- going to work every day -- different at Gen-Probe than at Hybritech?

RESPESS: Yeah, I think it was. I don't know that I could put it into words, but every corporation has a different culture. In fact, there were some similar people; it didn't mean they brought with them all the same things. A corporate culture, in my view -- I don't know if everybody shares this view -- is really the sum total of the way all the people in the company interact with each other, and since that cast and characters was substantially different, even though there were some similar players, even the similar players were in different positions -- Tom Adams was now CEO, and Howard Birndorf was in a different position, and there was Dave Kohne, who was someone I had not known before, but Dave had a major role to play in the development of the corporate culture. All of the other officers except me were people who had never been at Hybritech, and it was only natural that the company would look different, and frankly, I don't think there were any great similarities between the two cultures. I don't know that any culture could be said to be good or better than another culture, if the results are good, and I'm inclined to give the benefit of the doubt to the culture as being a good culture, and if the results are bad, I don't know that the culture is always responsible for it, but maybe that was part of the problem. In this particular case, it was a different culture, but not one that was so different from Hybritech that I was turned off by it as a result of having joined it.

JONES: And you were involved with the Chugai deal?

RESPESS: I was involved in the Chugai deal where we agreed to develop diagnostic products with Chugai. I was not involved in the acquisition of Gen-Probe by Chugai. I had left by then.

JONES: And you left Gen-Probe in '87?

RESPESS: Late '88?

JONES: So, this is already after Progenx had been founded?

RESPESS: Howard Birndorf had left a year earlier as I believe, and was involved in Progenx. There were some management changes at Gen-Probe. The company's stock had been, the company was not, in my view, doing well financially, and I knew they were looking for ways to save money at Gen-Probe. And I went to Tom Bologna, and I said to Tom Bologna, 'You know, I'm a high-priced item around here. The company is certainly not on a fast-growth track, right now' -- you may recall that Gen-Probe raised money shortly before the big '87 stock market debacle. Gen-Probe's stock was

way under, as most other companies were, way under where they had been, at the time they went public, for example, and I saw the company beginning to struggle, and I didn't see any need to be a drag on the company. It was not going to be able to do a lot of things. It wasn't going to be able to raise money in the public market again, I didn't think, in any time frame that was reasonable, and I saw myself as someone that was expendable, and I was interested again, this time to a certain extent on my own volition, to move on, and I told Tom Bologna that if he wanted to make me an offer about leaving the company, I would certainly entertain it. I don't recall if he said at that particular meeting, right away, "Sure, that sounds like a good idea," but not long thereafter…

[tape ends]

…through what I will call the zaibatsu, a term that you may have heard…

JONES: No.

RESPESS: Zaibatsu, it's a Japanese term, I think, for the way that Japanese companies interact.

JONES: Keiretsu?

RESPESS: No, this is called zaibatsu. It may be subtly different, I don't know, I don't speak Japanese obviously, but, in any event, there has been a relationship, particularly among the Hybritech alumni, and it's somewhat broader than that, where people will, when companies are being started, particularly they'll ask someone who has experience in another company to sort of help them out, before they sort of build all the infrastructure, to kind of get things going, and I'd been helping Howard with some things involving Progenx, so I had some familiarity with Progenx. I'd also worked with Howard. Howard and I had been good friends by that time, since 1980. And I was interested in trying a therapeutics company, and Progenx was transitioning from a diagnostic company based on antibody technology to the company that it is today, or to the beginnings of the company that it is today, and I was interested in at least one more start-up in the therapeutic area, as opposed to the diagnostic arena, and Howard was kind enough to ask me to join Progenx as part of that transition, and I did. Again, it coincided with my personal interest of leaving, at that time, Gen-Probe, so I guess it proves the point that I was making earlier, at least to my

satisfaction, that there is this opportunity to move within the biotechnology industry as a form of job security.

JONES: When you started to think about leaving Gen-Probe, were there other things you were considering besides Ligand?

RESPESS: Yes, that's true. I did talk to some other, I'd prefer not to disclose the things I was talking about, but I talked to at least one other company here locally, and some companies outside the San Diego area, and a number of law firms had expressed an interest that if ever I decided to leave the company arena, that they would like me to be, to let them know because they would like to discuss with me the possibility of private practice, and I think I picked up the phone to talk to one or two, just to see if that invitation was still valid, and I think I was satisfied that it was, but I'd become used to and enjoyed, for the reasons I explained before, working in-house, so to speak, and so, I never really seriously focused on one of those opportunities.

JONES: And again, this was the same kind of deal, where you got a piece of Ligand when you went in?

RESPESS: Yes.

JONES: And this is after they had figured out that Henry Niman's technology wasn't going to work, and this was after Howard had talked to Ron Evans?

RESPESS: Yes, remember that I told you that I had, well, my original experience with Progenx, the investors asked me, this was Kleiner-Perkins, asked me to look at Henry's patent portfolio. I did so. An outside patent attorney did so, and I talked to Henry Niman, and I gave him certain opinions about the patentability of his technology, and then later, when Howard began to, Progenx was a very small company, and Howard did not want to pay someone, an outside attorney, well Howard was certainly willing to pay, but I mean, Howard is a person who watches the bottom line, and was interested in getting someone to work with him in negotiating an agreement with the Salk, and in return for that, Howard allowed me to purchase some preferred stock in Progenx, which I was happy to do, and so I was glad to do that, and it gave me, and so a result, I helped him in his negotiations with the Salk. The Salk's attorney's wrote the agreements, but I helped Howard negotiate the technical parts of the agreements. By the technical parts, I mean the legal technical, the technically legal parts of the agreement with the Salk, and looked at the patent

portfolio that was being licensed from the Salk, some of that kind of stuff. So, again, I had knowledge about, I knew Howard, and I'd also been involved to a certain extent in looking at the technology, and I knew some of the people. Again, the board personnel, some of the people on the board were people I'd known from both Hybritech and Gen-Probe, so, as a result, again, I had no particular difficulty making that, even less difficulty making that transition from the one from Hybritech to Gen-Probe. So, it was an easy thing again.

JONES: OK, let me ask you just one more general question. In terms of licensing technologies from the Salk or from the university, has there been a big transformation in that? Have these kinds of institutions become more sophisticated? Because at the time Hybritech was started, people are passing around, researchers are passing around myeloma cell lines to anybody who wants it.

RESPESS: The short answer to your question is yes, things have changed, and institutions have become more sophisticated. Some have done a better job of becoming sophisticated than others.. I can recall early in the days at the University of California, when Roger, Roger, the guy who headed the patent department up at Berkeley, his name may not come to me right away, but Roger had just started up a small operation there and was out-licensing technology, and it was very important to Roger, and I don't think I'm disclosing anything that he would deny now, I believe this is something that he's told people, when you sat down with him, they were interested in getting as much money up front as they could, and they were willing to negotiate, they weren't willing to give away, but they were willing to negotiate away downstream, revenue potential in order to get up front money, because they did not want to operate that office at a loss. In other words, they wanted to bring in more revenue than it was costing them to generate these agreements because, as you know, particularly in the pharmaceutical area, arena, it takes many years to get a product to market, so they knew that they were not going to get substantial royalties, seven, eight, nine, ten years, from some of these transactions. So, the negotiations then tended to be, 'How much cash can I get up front?' In those days, they wouldn't consider equity participation, I mean that was something that they were not allowed to do. I just heard a couple of days ago that UC now is prepared to consider taking an equity position, so

JONES: I think they did, in a joint venture with Boehringer-Mannheim.

RESPESS: Could be, so my point. Yes, they've become more sophisticated. There was one time, I think, when as far as they were concerned, all technologies were equal. You went in there, you know, we get a five percent royalty, we always charge a five percent royalty, and that's it. I think that one reason to have a rule like that, or to express views like that, is because it insulates you from criticism for having done a bad deal if it doesn't work out. You know, if my company gets rich, and you guys don't make a lot of money, but all technologies are not equal. Some of them are never going to amount to much, they're only helpful in bringing products to market. Other technologies are enormously important, and so forth, and I think that now, the people who do these sorts of things are much more sophisticated than they used to be, they've been in the arena longer, they've seem, they talk to each other more, they have this association of university technology managers, there's a licensing executive society, and there's a lot of fertilization between organizations. They network each other and so forth, so I think the whole arena has become more sophisticated, and as a result, doing transactions, in my view, is somewhat easier, because you don't have to come in there and talk to a person who is absolutely obstinate about a point that as far as you're concerned makes no business sense, and no matter how much time and effort you spend, you'll never talk them into a rational business situation. On the other hand, you can't take them for a ride, either. But on balance, I consider it good for everybody, that this sophistication has evolved within the university- nonprofit arena. It's much easier to do deals and talk to people who can negotiate and reach compromises, and so forth, than it used to be.

END INTERVIEW

Recommended Citation:

Respess, William. Interview conducted by Mark Jones, May 9, 1997.
The San Diego Technology Archive (SDTA), UC San Diego Library, La Jolla, CA.

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.