

Investing in Innovation

William Link shares his experiences with and his views on the role of venture capital in the development of ophthalmic products.

BY GILLIAN McDERMOTT, EDITOR-IN-CHIEF

Behind every pharmaceutical agent and technology that succeeds (and the many that do not) are plans, money, and time. *Cataract & Refractive Surgery Today* asked a seasoned investor in the healthcare industry, William Link, PhD, to lift the veil on the often-tumultuous process of developing new ophthalmic products and bringing them to market.

HOW HE GOT STARTED

Dr. Link began as an assistant professor in the Department of Surgery at the Indiana University School of Medicine in Indianapolis. He left academia in 1977 to found and serve as the president of American Medical Optics, a division of the American Hospital Supply Corporation that was sold to Allergan, Inc. (Irvine, CA), in 1986. Dr. Link did not transition with the business but went on to found Chiron Vision and to serve as its chairman and CEO. His work with the company ended upon its sale to Bausch & Lomb (Rochester, NY) in 1997.

At this point, Dr. Link transitioned to the field of venture capital. He became a general partner at Brentwood Venture Capital (Los Angeles, CA) and then cofounded Versant Venture Management LLC (Menlo Park, CA) in 1999. He specializes in early-stage investing in medical devices.

WHAT DOES IT TAKE TO INNOVATE?

Unmet Needs

In broad terms, Dr. Link told *CRSToday* that innovation creates value and must focus at least in part on unmet needs. He explained that it is large, growing markets that attract the resources (people, time, money). In ophthalmology, that translates into conditions that affect a high number of people. Unfortunately, that can mean that areas such as corneal transplantation will not draw investors' attention, although they may eventually benefit from new applications found for products developed in other fields.

Great need, however, does not always equal innovation.

Dr. Link pointed to the tremendous evolution of cataract surgery in the 1970s and 1980s that ground to a halt when reimbursement decreased dramatically in the late 1980s. That downswing, he noted, prompted investors to look elsewhere and led to innovation in fields such as refractive surgery.

According to Dr. Link, the decision by the Centers for Medicare & Medicaid Services to allow Medicare patients to pay out of pocket for presbyopia-correcting IOLs is revitalizing the field of refractive cataract surgery. After commenting that innovation continues in refractive surgery, he noted the booming vitreoretinal field and the potential for creativity and investment in the area of glaucoma.

Venture Capital

Innovation, said Dr. Link, can be broken into three critical stages: (1) basic applied research; (2) what he calls *reduction to practice*; and (3) commercialization. *CRSToday* asked him to focus on the latter two and the role of venture capital. Naturally, he used Versant Ventures as an example. The company has three funds that it raises over time predominantly through institutional investors such as universities.

"We are entirely focused on healthcare, and we emphasize early-stage investments," he said. Geographically, Versant Ventures favors the West Coast. "Our investment strategy is that we must pursue large opportunities," he added. "We love to back experienced, high-talent management teams or help build those teams. We plan for the long-term investment path." Versant Ventures invests approximately \$8 to \$12 million each in about 70 companies, 10 of them ophthalmic. They are IntraLase Corp. (sold recently to Advanced Medical Optics, Inc. [Santa Ana, CA]), Refractivec, Inc. (Irvine, CA), AcuFocus, Inc. (Irvine, CA), WaveTec Vision Systems (Aliso Viejo, CA), Eyeonics, Inc. (Aliso Viejo, CA), Glaukos, Inc. (Aliso Viejo, CA), Neovista Inc. (Fremont, CA), Neurotech, Inc. (Lincoln, RI), Second Sight, Inc. (Sylmar, CA), and Forsight Labs, Inc. (Menlo Park, CA).

To elucidate how venture capital firms bring a technolo-

gy to market, Dr. Link shared his experience with IntraLase Corp. The first generation of the IntraLase FS laser was developed between 1995 and 1997 at the University of Michigan in Ann Arbor, and the company was founded in 1997 by Ron Kurtz, MD, and Tibor Juhasz, PhD. They raised \$1.4 million in seed money and approached Dr. Link, who was then with Brentwood Venture Capital, about investing in their company. He was not enthusiastic about the 1998 meeting based on his earlier personal experience in the laser industry but found their presentation persuasive.

"I was really excited about the possibility of the femtosecond laser's being used for an intrastromal refractive surgery, the next step beyond LASIK," he told *CRSToday*. "If I had thought I was investing in a better flap-maker, it would have been a really short meeting."

The subsequent course of events was not what they imagined. During the reduction-to-practice phase, they found in early 2000 that the intrastromal procedure did not work, despite the investment of 5 years and \$11.5 million. "Had we been public, or if it had been a project at a big corporation, it would have been deprioritized and retired," Dr. Link said. "These venture capital-backed companies are essentially outsourced research and development, and, when they are early stage like IntraLase was at the time, they have the advantage of being below the radar screen. It is really awesome in terms of being able to sustain an effort to power through the stage when a technology is not working."

Dr. Link and the rest of the team decided to refocus their efforts on developing the best device for creating LASIK flaps and corneal transplants. They raised \$95 million at the initial public offering. He attributed the company's ultimate success to "a talented team, a bit of capital, and ruthless focus."

THOUGHTS ON THE FUTURE

When asked what the next 5 to 10 years may bring to ophthalmology, Dr. Link was elusive in his reply. He played it safe by noting his anticipation of tremendous innovations in the treatment of the back of the eye for age-related macular degeneration and other retinal diseases. In more general terms, he stated that innovation in ophthalmology ultimately is tied to the patient.

"If we can't honestly add value every time [physicians] treat a patient, then we're probably not going to get paid," he said. "The market should be efficient in that way. If you come up with a less expensive, easier way to get a great outcome, [ophthalmologists] will use it." ■

William Link, PhD, may be reached at (949) 729-4500; bill@versantventures.com. He is on the boards of and/or is an investor in the 10 ophthalmic companies listed herein as invested in by Versant Ventures as well as in Advanced Medical Optics, Inc.

