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## What Every Start-Up Entrepreneur Needs to Ask

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When you launch a new company, every entrepreneur needs to make decisions that set the foundation for the company; some of them will be very difficult and costly to change later. Areas that will require decisions cross many boundaries:

- What kind of corporate legal entity?
- How will you structure your operating agreement and its many very important business and legal clauses?
- Will you use cash based or accrual based accounting?
- Should you raise money? Should you take on debt?
- Should you focus on completing your product or service before you engage a customer?
- What will the company name be?
- What do you want your brand/name to stand for in the marketplace?
- How will you pay yourself?
- If you take on employees, what employee laws are applicable to you – will your employees be exempt or non-exempt?
- What are the important items to pay most attention to in the company's financial statements (profit and loss, balance sheet, and cash flow statements)?
- Where should you bank and why? Should you have more than one bank account?
- Should you raise money through an equity offering?
- How long of lease should you sign?
- What types of debt instruments make sense for your business?
- If you grow fast, how much office space will you need?
- What government, tax or other filings are applicable to your business?
- How do you balance good business practices with legal protections in your customer contracts?
- How often should you invoice your customer?
- How do you explain your target market?
- How do you find out what kind of marketing is effective? What factors should go into your pricing?
- How do you build a reference list?
- Is your collateral appropriate for your market?
- How do you find the talent you need to hire?

One key problem start-up entrepreneurs face is getting access to trusted expertise to advise them through the start up and early stages of launching and growing their business. TechFire can help—look inside to find out how!



# Licensing Government Intellectual Property to Accelerate Your Business:

## A Note from Our Chief Scientist, Dr. Elan Moritz, ETC

Did you know that the U.S. Government is eager to license federally developed technology and intellectual property? Did you know it does so at bargain rates? Does that even make sense?

If you are working in an area that could use the fruits on government research and development, and wish to get a jump on the competition without investing many years and many dollars conducting private research, you might be able get a very serious boost and acceleration from licensing government developed technologies and intellectual property.

Many government agencies have Research and Development (R&D) centers and laboratories that, as part of their normal and highly encouraged duties, obtain patent protection. These organizations literally spend billions of dollars every year in R&D. A good fraction of the investment in that intellectual property is available for licensing at very reasonable licensing rates.

The government agencies that are the prolific inventors are the Department of Defense (DOD), the Department of Commerce (DOC), and in particular its National Institute of Standards and Technology (NIST), the Department of Health and Human Services (HHS), with primary research done by National Institutes of Health [NIH] researchers, National Air and Space Administration (NASA), the Department of Energy (DOE) whose National Laboratories are home to many world class scientists and engineers, the Department of Agriculture (USDA) and the Veterans Administration (VA).

DOD garners over 400 new US patents a year. A good number of these patents are developed at research centers in (or within) close proximity to southern Maryland, in places like Naval Surface Warfare Center, Indian Head Division and Dahlgren Division, the Naval Research Laboratory in Washington, D.C., and the Naval Air Warfare Center Aircraft Division at Naval Air Station Patuxent River.

Besides DOD, DOE and HHS also garner over 400 new patents a year. DOD licenses approximately 4% of a portfolio of 10,000 active patents. (On the average 60 new inventions are licensed ever year.) In comparison, DOE licenses approximately 30% of a portfolio of 20,000 patents (of which many are new patent licenses).

Depending on arrangements, licenses may be non-exclusive. Non-exclusivity allows an agency to license to several licensees – similar to giving multiple franchises to different individuals to operate in different locations.

What is really fascinating is the VERY LOW COST OF GOVERNMENT LICENSES. Looking at FY 2009 (a year for which licensing data is available for most patent obtaining government agencies), HHS obtained on the average \$53,000 per license, while DOE obtained \$7,560 per license, NASA obtained \$960 per license, and DOD obtained \$38,000 per license.

If one compares these licensing fees to ones charged by universities and by industry, one would quickly find that universities and industry charge licensees hundreds of thousands of dollars to almost a billion dollars per license. The overall message is clear - obtaining a license to use government intellectual property is a bargain!





## The Solution

**Daniel Roche, Entrepreneur-in-Residence**

### Five Reasons to Consider Licensing Government Technologies

1. Bargain cost for licensing government intellectual property
2. Incredible savings to your own R&D budget
3. Access you can start developing to the government scientists and engineers involved in the R&D
4. Due to the improved insight you gain, licensing can put you in an advantageous position to successfully bid on Small Business Innovative Research (SBIR) announcements, as well as provide deep insight into prototyping opportunities for the product
5. Licensing inherently provides you with the legal protection to pursue developing potential products for the marketplace as well as strengthens your position when seeking investors and venture capital to grow your business

To find out more, reach out to TechFire. TechFire can assist you in understanding the US Government patenting and licensing landscape.

--Dr. Elan Moritz, ETC Chief Scientist

The list of questions in our opening article is just the beginning of the never-ending list for a start-up. As the list grows, items become broader and seemingly more urgent. Who is the expert making all these decisions? You! But wait—you're not an expert at legal, accounting, finance (different from accounting), human resources, marketing, sales, contracting, customer relations, real estate, etc. You are the person who had a great idea—you're an expert in your field, and often that field is technical (as an example, let's assume software engineering). Well, that's okay; because you're smart. You can figure it out. How hard can it be? And like software, if you make a mistake, you can just fix it later, right? (long pause with self thinking, weighing the costs and consequences of poorly designed and developed software applications, and how these bad or incomplete decisions can lead to more 'fixes' that create more problems).

Yet, you have advisors you trust. Or, at least you think you trust. They are professionals bound to some certification board, even if you haven't worked with them for very long. The fact that everyone knows you are a start-up with minimal cash resources wouldn't affect the advice they give you, would it? Would the size of the budget ever affect the design or quality of a newly engineered product, system or application? I think it would. Where are you going to find the time to locate, call, and set up meetings to

properly vet multiple qualified legal, accounting, HR or other experts to help guide you?

The solution is TechFire. TechFire is designed to provide start-up entrepreneurs with access to a full cadre of trusted advisors with experienced people who have 'been there, done that'—starting with the Entrepreneurs in Residence—who are serial entrepreneurs themselves and know the ins and outs of how to select advisors at each stage of your company's growth. TechFire can also introduce you to a network of vetted professionals who have already agreed to work with you in early stage situations, often at discounted rates.

TechFire's mission is to facilitate the collaborations you will need, when you need them. To accomplish this, TechFire will work with you to develop an action plan. We will meet with you periodically to help you accomplish your objectives by making sure you are getting access to the resources you need, when you need them. Additionally, TechFire has the relationships to potential customers at the federal, state, and local community levels, to help you get the feedback you need to build and refine your product or service. In addition, TechFire can provide an address, office, and meeting space, to give your business the professional presence your customer base expects.

