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UF Invention Disclosure Form Shortened

Disclosing inventions just got easier at the University of Florida.

UF's Office of Technology Licensing has downsized the invention disclosure form from 12 to four pages, reducing the amount of information faculty members are to submit when disclosing an invention.

"Over the last four years, we've continually streamlined the technology transfer and commercialization process in order to make it more user friendly," said Jane Muir, associate director of the technology licensing office. "Several people said the old disclosure form was too long and cumbersome, so we fixed it."

University rules require faculty members to fill out invention disclosure forms whenever they develop a technology or process that has patenting and licensing potential. Most federal research grants also carry that requirement.

The previous form required faculty to submit information in areas that many were unfamiliar with, such as the marketability of their invention. The new form eliminates most of these requirements, focusing almost entirely on the invention itself.

Muir said UF's technology licensing staff relies on the disclosure forms for everything from information for patent lawyers to marketing campaigns. The technology licensing office receives over 200 of the forms annually, she said.

Faculty can download the new form at: http://rgp.ufl.edu/otl/doc/invdisform.doc ◆

Researcher or Entrepreneur? The Difference is a Business Plan

By G. Kip Culler

While the process of licensing new technologies is well established in university environments, it seems more and more researchers are opting to start new ventures to reap higher rewards. Bringing new technology to market via a start-up can lead to far better return on research in the form of significant stock positions plus consulting fees, compared to technology licensing fees that can pale in comparison. But attracting investors and partners who can help bring a new business to life requires first and foremost a sharp business plan.

R&D. Once a new technology is ready for market applications, previous success factors such as technical expertise and a collegial research environment shift to an emphasis on bringing the new technology to market. Developing a compelling business plan can bridge the gap between research and investor, which is a first step towards forming a start-up around the new technology. Even to pursue traditional licensing to a large entity, a smart business plan can "paint the picture" in familiar senior management terms to a potential licensee.

There may be no better time than the present. The publicity of fortunes made during the Internet frenzy fueled a population growth of investors who are still in place—countless angel investors, retired executives, and traditional investors such as venture capitalists, financiers, and corporate venture groups. Now that Internet euphoria has worn off, many are seeking new technology alternatives. All investors are not alike, and the pathway to top investors and partners begins with a compelling business plan.

Business Plan. Since research and development skills are different from entrepreneurial business skills, researchers are seeking specialized tools and professionals to create their business plans. Assuming that the technology is valuable and a start-up is viable, the quality and number of investors and partners attracted are likely to be reflected by the quality of the business plan.

In preparing a plan, it is critical to understand the readers' perspectives. A few things on investors' demand lists are: a qualified management team, sensible business model, large and growing markets, a unique and protectable product or service, and financials that demonstrate a return on investment.

A key factor that differentiates top entrepreneurs—who are often also investors—is an understanding of how to "sell the story" of the concept in a business plan. These plans "speak the venture language" and convincingly demonstrate

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why a start-up or new concept should be funded. This approach differs from a hard to follow technology dissertation or a boilerplate, staff-prepared document.

More specifically, here are a few guiding principles used to craft a convincing R&D business plan:

- Make it clear and translate the technology. If potential investors can't understand it or it takes inordinate time to decipher jargon, they won't invest in it.
- Focus on applications and benefits. In contrast to published works that provide technical details and marvel at esoteric research findings, investors want to know the basics of the technology, how it will be used, and most importantly what benefits it provides to whom.
- Demonstrate a market. Agreed, market research can be sparse for cutting edge technologies; however, there are almost always universes of potential customers that can be quantified to some degree.
- Provide a business model. State why markets will buy it and how value will be created, sustained, and grown.
- Put financials in the format expected. Financials should summarize basics and follow standard income statement and balance sheet formats in contrast to providing a salary, expense, and equipment budget. Unlike grant reviewers, investors aren't interested in open-ended funding of research. More importantly, the numbers have to be viable, i.e., show a path to profitability.
- Create enthusiasm in presenting the plan. If you use techniques that make a strong business case and create buzz at the same time, there is a much better chance of receiving a more enthusiastic response.
- Target the right people. Once the right technology and a compelling business plan is in place, it's then a matter of putting it in the right hands at the right time. The right hands mean those who would see value in your proposition and who can provide the right resources to you.

Start-up Business. A strong business plan will have already profiled the elements of the start-up—both looking inward (operations) and outward (markets). It should represent a snapshot of how the start-up will look in months and years ahead.

Once launched, prior emphasis on research will now be joined by a focus on management skills, marketing and sales, operations, financial, legal, and other disciplines. Timing is also important—the ability to change as market forces change is paramount.

When stakes are high, entrepreneurial researchers need the best tools available to attract investors and partners, and they need more than technical, legal, and boilerplate documentation to "sell the story." And now may be the best time to launch.

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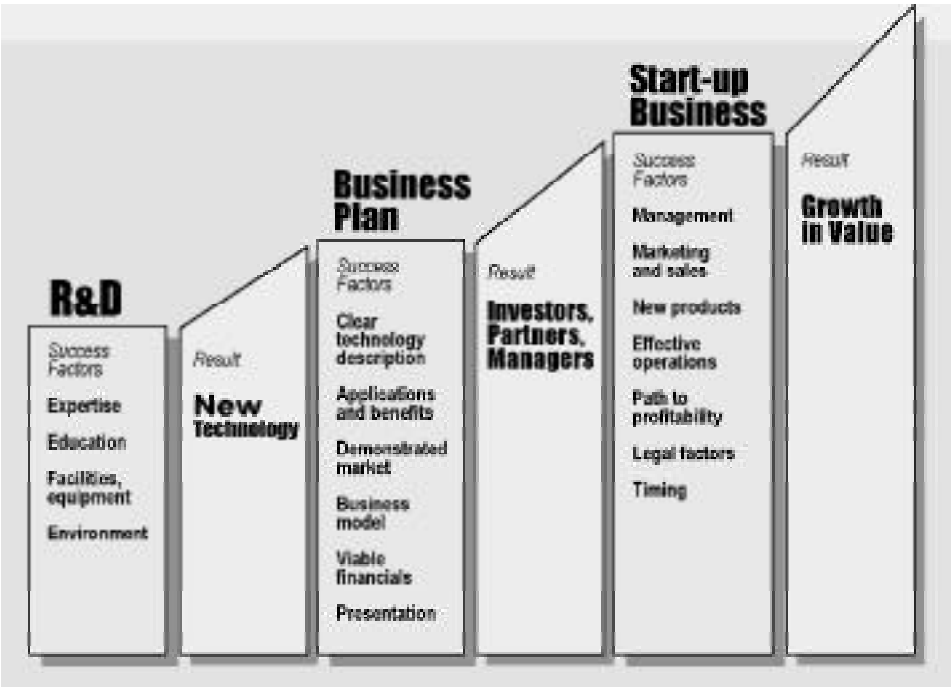

Bootcamp for Startups: A Report from the Heart of Silicon Valley

Despite the current climate for initial public offerings of technology companies, certain business fundamentals remain true today as they did then for starting a business. Six hundred people showed up in Mountain View to hear advice from venture capitalists, successful and unsuccessful entrepreneurs, and more than 850 kept their names on the waiting list. The event was a "Bootcamp for Startups," organized by Garage.com. Named after the storied humble first headquarters of Hewlett Packard, Garage.com uses database and web technology as well as experts to match

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serious but perhaps less well-connected entrepreneurs with "angels," sophisticated investors who like to help startups, both with money and experience-based advice. The motto of the conference: "Start up. Kick butt. Cash out."

The founder of Garage.com is Guy Kawasaki, who first achieved fame as "chief evangelist" for Apple Computer, and has since written several best-selling books, including "How to Drive Your Competition Crazy," and "Rules for Revolutionaries." Garage.com is backed by an all-star list of Silicon Valley midwives to startups, including Venture Law Group, which takes equity in startups in lieu of fees, formal venture capital companies, savvy banks, insurance, executive search and consulting firms, representing most of the elements needed for success.

The advice at the conference was plentiful and varied, but most of it can be summed up in the pithy answer one founder, PricewaterhouseCoopers, gave to a would-be entrepreneur from Russia. We'll look at each one of these points in more detail below, interspersing comments drawn from Kawasaki's Rules and from many of the panelists:

The three most important things to do when starting a business are:

1. Solve a big problem. Enter a market that is big, preferably at least $1 billion worldwide now, or that will be soon.
2. Develop a product/service that is easy to understand and has a clear revenue model.
3. Hire a good team around you, with complementary skill sets.

Solve a Big Problem.

Your technology may be based on elegant science or have taken a considerable intellectual effort. Unfortunately that doesn't mean it solves a problem for a specific, identifiable customer. Ideally, you should be able to deliver an order of magnitude improvement over current solutions to a problem facing your target customers. (Don't try to sell a product that is merely less bad!) By the way, the billion dollar threshold may seem like it's a few orders of magnitude beyond what you were imagining your business to be. But consider: the effort involved in starting (but not running) a business is independent of size, so why not aim high? (If your market is smaller, consider qualified angels instead of formal venture capital firms.)

Markets don't have to be "hot." Serial entrepreneur (and former perpetual graduate student) Joe Costello said, "if customers in any setting aren't happy, ask why not. You may unearth a huge opportunity."

Plan now for change in environment, competition, technology, etc. Rather than trying to make the product perfect for a market today, calculate the trajectories of market and technology, listen carefully to your customers and "build in the means to change on the fly," Kawasaki said.

The most frustrating mistake made by entrepreneurs for VC Steve Jurvetson, of Draper Fisher Jurvetson, is "when you sense there's a great idea, a great opportunity, but the team is inflexible." He might have said, when the entrepreneur is inflexible. Garage.com itself was conceived when Venture Law Group founder Craig Johnson improved on Kawasaki's initial business proposal to him. There's a fine line between sticking to your vision against the odds, and being unrealistic.

Kawasaki noted that new technologies will face barriers such as inertia, complexity, resistance from the distributors or vendors you'll have to depend on, and price. You will need either to plan how you will break down those barriers, or find allies who will help you. If a bandwagon is rolling, try to jump on, and let it knock down barriers for you. Be especially nice and attentive to your very first customers (in fact, let them sample the product, if possible), because they can turn into unpaid, even paying, evangelists for you.

Can You Explain the Product and How You Will Make Money in Eight Floors?

Many would-be entrepreneurs don't know how to make money! You may announce a price for a product, but if you don't know how much it costs to manufacture and market, or who will sell it for you, then you're less than half-way home. Or consider other revenue models; you may make more money from consumables or after-market service than from the initial sale itself.

If you want funding from busy venture capitalists who may see three thousand business plans a year (funding twenty), you had better clarify your thinking, distill it to its essence and rehearse, so that you can explain it in 30 seconds—the time it takes an elevator to travel a few floors. The audience was surprised to learn that VCs prefer a crisp two or three-page executive summary of a business plan to the plan itself. However, all of them added that the summary just buys you 45 minutes to present in person, plus a few minutes for questions—and then, the more you know, the better. (Most VCs ignore the five-year projections many books and software packages advise you to produce because they will produce their own financial models.) Julie Constantin of Constantin Partners said, "I like to see the entrepreneur go through the business plan process. The exercise is important." It helps you to understand the balance of elements required to create a business. (A solid 20 page plan is plenty.)

Michael Frank of Advanced Technology Ventures said the most common error made by entrepreneurs is not to talk to customers early enough, "to understand what the real problem is." Costello said, "You must learn to think like your customer ASAP. You must build your company around your customer so that it fits him like a glove." The most valuable paragraph in your summary is the quote from a credible customer saying you understand my problem, and if you build it, I will buy it.

Businesses are Built by Teams

When asked to rank order team, market and technology, the venture capitalists and angels at the conference were split. Some said the size of the market came first: Costello said, "A C team in an A market gives you much more room for error." Mike Levinthal of Mayfield Ventures said, "We can always fix the team."

Others said the quality of the team was paramount: Shanda Bahles, El Dorado Ventures, said, "A great team is going to find the market." Several people repeated variations of the truism, "'A' people hire As and a few Bs. 'B' people hire Cs and a few Ds."

What makes a great team? At a minimum, one needs or will soon need a CEO who can inspire others, a marketer and a technologist, all of whom can execute. Levinthal: "We're often approached by just one person, and we like the ones who recognize what they can't do." Jurvetson: "We like self-confident people, self-confident enough to be humble." Bahles: "People who are passionate, with

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a relevant background and the ability to pitch the idea."

If the founder has the interest of the venture at heart, then he will accept that his role may change as the company grows. While it is hard to find people who will share your vision without crushing it, it is essential to be "open to new people," says Frank, and to the new ideas they will bring which they will, if they're good enough. One way to tell if there's a good cultural and workstyle match, beyond the resume, is to check references thoroughly and meet the best candidates multiple times in different settings. Finally, Steve Bochner of Wilson Sonsini said, "Share the wealth" [with the team].

If you're not ready to commit to hiring people, Frank advised, " Dip your toe. Get advisers with the right industry and functional expertise."

What About the Technology?

Note well: none of the speakers put technology first. Mike Hildreth, head of Ernst & Young's entrepreneurial services practice, said, "The biggest mistake we see is entrepreneurs trying to get it perfect. Go, go, go! [To market.] Get real-world feedback!" Jurvetson noted that if the technology is truly revolutionary, it usually will underperform at first, "but then, suddenly, the underbelly of the market opens up."

Angel Audrey MacLean, once featured on the cover of Forbes Magazine, looks for "real technologies under the deal, and a defensible competitive advantage" in other words, protected by patents; "but I'm not interested in funding R&D projects." (Asked about protecting one's idea from theft, MacLean said, "Unless you have patent protection, you don't have protection.") Frank said, "I want the team to obsess on marketing, sales, execution, and time to market. We can deal with competition later."

What About the Money?

Despite the economic downturn there is plenty of money still available, the problem is getting to it. Angels may be better sources for entrepreneurs at such early stages that market size or technical risk is not clear, or when the venture needs from half to two million dollars. That's below the efficiency threshold for formal VCs, which have pools of capital many times larger than they did just five years ago, but hardly any more partners and more work triaging current portfolio companies. The best angels or venture catalysts will connect you to the VCs at the appropriate stage. And in a change from earlier years, the salaries paid to founders with relevant experience are comparable to what they could earn in established companies.

A new company is not always the best way for your invention to reach market, nor is working round-the-clock to beat deadlines or jumping through hoops to mollify investors the lifestyle for all. But if it is, then your institution will be able to help you secure rights to your invention, and may be able to help you begin to build the network you'll need to follow your IPO or company sale dream. ◆

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For more information contact our office or visit our website:

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