

FLORIDA ATLANTIC UNIVERSITY
DIVISION OF RESEARCH



2020

Startup Guide

OFFICE OF TECHNOLOGY DEVELOPMENT

Office of Technology Development
777 Glades Road
Boca Raton, FL 33431

Phone: 561-297-0673

Email: techdevelop@fau.edu

Facebook @FAUTechDevelop

Twitter @FAUTechDevelop

LinkedIn: [linkedin.com/company/fau-office-of-technology-development/](https://www.linkedin.com/company/fau-office-of-technology-development/)

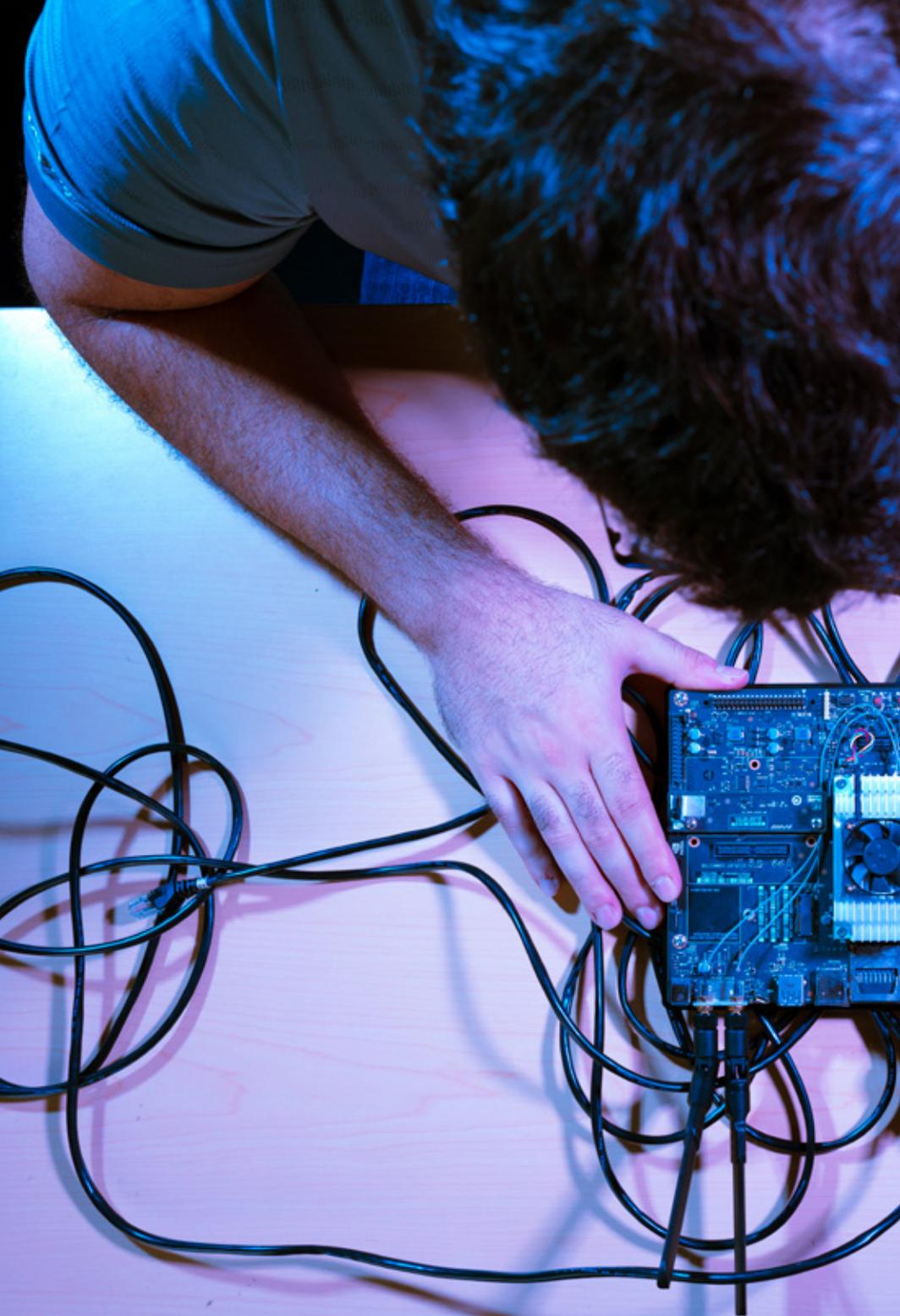
Website: fau.edu/research/technology-development

This guide was created by the Office of Technology Development at Florida Atlantic University and is based in part on similar handbooks created by Stanford University, Yale University and University of Florida. It has been updated and modified to reflect the specific policies and procedures of Florida Atlantic University.

© 2020 Florida Atlantic University. All rights reserved.

TABLE OF CONTENTS

Introduction _____	5
Technology Transfer Overview for Startups _____	6
Launching a Startup _____	10
Commercialization & Economic Development at FAU	
Office of Technology Development _____	12
FAU Tech Runway _____	13
Office of Corporate Engagement _____	13
FAU Wave _____	13
Adams Center for Entrepreneurship _____	14
Florida SBDC at FAU _____	14
Research Park at FAU _____	14
Intellectual Property Licensing Terms for Startups ____	15
Frequently Asked Questions _____	18
FAU Policies, Conflict of Interest and Conflict of Commitment _____	21



Introduction

Florida Atlantic University (FAU) is a place where research and development of innovative ideas is strongly encouraged. Faculty, staff and students have access to a wide variety of opportunities and resources to foster unique collaborations and explore entrepreneurial endeavors. This network of support is intended to set you up for success, no matter where your ideas take you.

The Office of Technology Development (OTD) manages intellectual property created by faculty, staff and students at FAU. The mission of the office is to obtain legal protection for intellectual property arising from FAU innovations (e.g. patents, copyrights, trademarks), and to commercialize those innovations through license agreements with existing companies or start-ups.

Whether OTD grants an intellectual property license to an existing company or a start-up, the goal remains the same — to maximize the chances of successfully commercializing the innovation while prioritizing FAU's missions of research and education. This goal is the shared responsibility of the university and the company.

This guide is designed for faculty, staff and students interested in launching a startup company based on intellectual property that is owned by FAU. It provides a broad overview of topics relevant to startups and offers information on various resources available to FAU entrepreneurs.

FAU's policies and procedures related to startups may be revised from time to time. Individuals are expected to take responsibility for knowing and following FAU's policies on intellectual property, conflicts of interest and related matters. The FAU website is the best source for current information on these matters. Additional information may be obtained by contacting OTD at techdevelop@fau.edu.



Technology Transfer Overview for Startups

Technology transfer is the process by which innovations are transformed into commercial products that can benefit the general public. The technology transfer process at FAU can be conceptualized as a continuous cycle wherein innovations created through university research are developed into licensed products.

Highlighted in this section are the steps in FAU's technology transfer process that are particularly relevant to entrepreneurs starting a new company based on FAU intellectual property.

1. Research

Observations and experiments during research activities often lead to the development of intellectual property such as patentable inventions or copyrightable works. Often multiple researchers — including students, post-docs and research staff — contribute to the creation of an innovation and are joint inventors or authors.

2. Disclosure

A written notice of the development of intellectual property — either an invention disclosure or a works disclosure — is submitted to OTD and starts the technology transfer process. The disclosure is a confidential document that fully describes all aspects of the innovation, including critical solutions it provides and competitive advantages it possesses.

3. Protection

OTD determines an appropriate method of legal protection for the innovation and evaluates the likelihood of success of securing such protection. If a patent application is filed, it may take several years and tens of thousands of dollars to obtain an issued patent. Other common forms of intellectual property protection include copyrights and trademarks. Unique biological materials and software can often be successfully licensed without formal intellectual property protection.

4. Assessment

OTD assesses the commercial potential of the innovation based generally on the need in the marketplace, competition and potential costs and revenues to a commercializing entity. This assessment guides the licensing strategy.

If the researchers are contemplating starting a company based on the innovation, it is helpful to inform OTD of these plans during the assessment stage. OTD will take this into consideration when evaluating the innovation and developing a strategy for intellectual property protection, marketing and licensing.

5. Marketing

OTD is committed to broadly marketing all innovations to appropriate companies that may be interested commercialization. With the researchers' input, OTD creates a marketing overview of the innovation, identifies potential licensees that have the expertise, resources and business networks to bring the innovation to market, and contacts those companies to generate interest and gauge commercial potential.

To ensure fair and open access to potential licensees, OTD markets FAU innovations, including those with startup interest. Broad marketing helps the university find companies who may be interested in developing the innovation and helps to mitigate and manage conflicts of interest if the innovation is licensed to a startup. The marketing period typically lasts one to three months before OTD selects a licensee (if there is any commercial interest at all). Sometimes entrepreneurial researchers receive valuable industry feedback and begin to establish relationships with potential partners during this stage.

6. Licensing

To choose the best licensee, OTD evaluates which company is in the best position to develop the innovation and bring it to market. To assess the commitment of potential licensees, OTD asks companies to provide a business plan with details about how they intend to develop and market the innovation. This plan should make the case that the company and its leadership are the best choice for commercializing the innovation.

When FAU faculty, staff or students are involved in a startup company, licensing to that company can raise concerns about conflicts of commitment and conflicts of interest. The university needs to maintain an arm's-length relationship in all its business transactions (including license negotiations). The final license agreement must fall within the normal range of terms and conditions of similar licenses to non-FAU-associated companies. OTD cannot conclude any agreements until the appropriate conflict of interest reviews and approvals are completed.

7. Commercialization

Most university innovations are very early stage and require further research and development efforts. The licensee typically makes significant business investments of time and funding to commercialize the product or service. These steps may include regulatory approvals, sales and marketing, technical support and training, and other activities. The licensee will be expected to meet commercialization milestones described in the license.

It is fairly common for licensees, particularly early stage ventures, to evolve their strategy and development plans as the company grows, faces technical challenges, and recognizes new market opportunities. OTD can work with licensees to amend and renegotiate license agreements in response to these changes if the request and reasons to renegotiate are reasonable.



8. Royalties

Royalties received by the university from licensees are distributed semi-annually to individual inventors or authors, departments and colleges. All inventors or authors, including those who are involved with the startup, will receive their individual share of royalties as outlined in the FAU Intellectual Property Policy.

9. Reinvestment

Royalties that are shared throughout the university collectively foster the creation of the next generation of research and innovation at FAU.



Launching a Startup

OTD realizes that most innovations that are created at FAU are very early stage and require a significant financial investment to commercialize. Launching a successful startup based on a FAU innovation requires commitment, dedication and perseverance. Many companies fail even if the core innovation is promising. Components of a successful startup include a compelling concept, strong market opportunity, competitive advantage, sound business plan, sufficient financing to execute the business plan, and an experienced management team.

Every startup follows its own unique path, but there are some common steps that many entrepreneurs follow in order to get a new business up and running. Highlighted in this section are several steps in the startup creation process that are particularly relevant to entrepreneurs starting a new company based on FAU intellectual property.

1. Communication

Contact OTD early in the process to discuss your innovation, how to obtain intellectual property protection, and your plans for forming a startup.

2. Protection

Work with OTD and its outside legal counsel to obtain the appropriate type of legal protection (e.g. patent, copyright, trademark) for your innovation before publicly disclosing it outside of FAU.

3. Networking

Utilize the commercialization and economic development resources available to you through FAU to educate yourself on all aspects of startup formation and build relationships with experienced entrepreneurs and investors.

4. Planning

Develop a business plan to demonstrate your understanding of the startup's market potential, competition and funding needs and define your path for growing the company.

5. Negotiating

Designate a representative of the startup to negotiate an intellectual property license with OTD.

6. Funding

Meet with venture capitalists, angel investors and other sources to raise the funds necessary to commercialize the innovation.



Commercialization & Economic Development at FAU

Over the years, FAU has developed a commercialization ecosystem that moves research discoveries from the lab to the market, fostering economic growth and promoting life-changing innovations in South Florida and beyond. Featured in this section are the prominent components of this ecosystem, with contact information for each of them.

1. Office of Technology Development

The Office of Technology Development manages intellectual property created by faculty, staff and students at FAU. It provides impartial consultation on various legal protection and commercialization strategies, and collaborates with outside attorneys and consultants to offer additional resources. The office also works closely with the Office of Sponsored Programs to structure the commercial provisions of sponsored research agreements.

Website: fau.edu/research/technology-development

2. Tech Runway

FAU Tech Runway is a South Florida public-private partnership that serves as a hub to accelerate technology development and incubate startup companies. This incubation and acceleration happens in a 28,000 square-foot collaborative working space that provides entrepreneurs with a complete ecosystem to house, educate, mentor and fund their companies from origination through venture funding. Since its inception in 2014, FAU Tech Runway has launched and served 93 startup companies, which collectively have raised more than \$95.3 million in capital, created nearly 587 jobs and generated more than \$109.9 million in sales revenue.

Website: fau.edu/techrunway

3. Office of Corporate Engagement

The Office of Corporate Engagement seeks to provide companies, from startups to international corporations, with resources and collaborative opportunities that are tailored to industry needs. The office works with companies to create customized partnership portfolios that include sponsored research agreements, IP licensing, innovative technologies, faculty expertise, access to core facilities and state-of-the-art analytical equipment, internships and student recruitment. Acting as a one-stop shop, the Office of Corporate Engagement coordinates initiatives and project across several FAU offices, including the Division of Research, FAU Foundation and the FAU Career Center.

Website: fau.edu/research/corporate-engagement

4. FAU Wave

FAU Wave is an undergraduate applied research and entrepreneurial competition challenging students across the university in an effort to catalyze solutions to real world problems. The competition provides seed funding for undergraduate students to develop proposed projects. The top three student projects take home a cash prize.

Website: fau.edu/research/fau-wave/

5. Adams Center for Entrepreneurship

The Adams Center for Entrepreneurship brings students, faculty and the community together to fuel the innovation needed to create new venture opportunities in the global marketplace. Countering traditional business programs, the center provides students with a unique academic experience by fostering revolutionary intellectual growth beyond conventional wisdom in the pursuit and creation of sustainable solutions to business and social problems. The Adams Center seeks to educate students for productive careers and citizenship by focusing on three program areas: cross-disciplinary academics, community outreach and venture creation from emerging technologies.

Website: business.fau.edu/centers/adams-center

6. Florida SBDC at FAU

The Florida SBDC at FAU is a member of the Florida SBDC Network, a statewide service network of more than 40 centers providing entrepreneurs and small businesses with the knowledge, resources and expertise to grow and succeed. As part of its service offering, the Florida SBDC at FAU provides aspiring and existing small businesses in Broward and Palm Beach counties with no-cost consulting, low-cost training and access to business data and research resources. In addition to its core service offering, the Florida SBDC at FAU also offers specialized services to qualifying companies, including capital access, market growth, government contracting, international trade, business continuation, cybersecurity, disaster planning and recovery, and more.

Website: fau.edu/research/sbdc

7. Research Park at FAU

The Research Park at FAU is home to technology companies and research-based organizations working to support the research and development activities of FAU. The 70-acre park serves as a destination for R&D companies to thrive, and works to foster economic development and broaden the economic base of Broward and Palm Beach counties. Established in 1985, the Research Park is widely regarded as South Florida's laboratory for new entrepreneurial ideas and technologies.

Website: research-park.org



Intellectual Property Licensing Terms for Startups

As part of continuing efforts to expand programs and support for FAU entrepreneurs who are interested in starting their own companies based on FAU innovations, OTD offers pre-negotiated intellectual property option and license agreements. These agreements are intended to speed up and streamline the licensing process.

An option agreement is often used to reserve rights in an innovation so a company can begin exploring funding opportunities in order to acquire the rights in question. A startup company sometimes prefers to start by taking an option to a license, rather than an outright license itself.

The agreements are based on transparency and fairness, offering the exact same, very favorable terms to all FAU startups. They have been designed in consultation with attorneys, entrepreneurs and investors to be “no negotiation” deals that companies can feel comfortable signing without reservation. By reducing the time and legal expense for both parties to finalize an agreement, entrepreneurs can focus their efforts on growing their business.

While FAU’s primary mission in licensing innovations to startups is to promote the development of products or services that benefit society, FAU does seek a reasonable financial return so that it can reinvest in future education and research.

An option or license agreement will include the following non-negotiable terms:

Option

- Issue Fee: \$500
- Term: one-year term
- Field of Use: Reasonable field of use restrictions based on business plan
- Territory: Reasonable territory restrictions based on business plan
- Protection: University maintains sole responsibility and control over intellectual property rights
- Development: Achievement of diligent development milestones based on business plan

License

- Issue Fee: \$1,000
- Term: Life of the intellectual property rights
- Field of Use: Reasonable field of use restrictions based on business plan
- Territory: Reasonable territory restrictions based on business plan
- Protection: University maintains sole responsibility and control over intellectual property rights
- Legal Expenses: Full reimbursement of past and future legal expenses
- Development: Achievement of diligent development milestones based on business plan
- Milestone Payments: Set payment per milestone achieved based on business plan
- Royalty Rate: 3 percent of net sales of the licensed product(s)
- Non-Royalty Sublicense Consideration: 10 percent of payments received from sublicensee(s)
- Exit Fee: 1 percent of consideration received by licensee for a liquidation event or IPO





Frequently Asked Questions

1. How are FAU faculty, staff and students involved in the intellectual property licensing process?

In most ways, faculty, staff or student involvement in the licensing process is similar to that of any other licensee. However, OTD's relationship with these individuals becomes more complex when they want to start a company. The licensing process starts when they disclose their innovation to OTD and continues as they collaborate with the office throughout the life cycle of the innovation. OTD carefully considers their feedback and strives to keep them informed along the way. They are encouraged to recommend leads on potential licensees, to provide input for assessing technical and market feasibility, and to offer suggestions on which licensing strategy would be best to commercialize the innovation. However, in the case of a FAU startup, they do not participate in any license agreement negotiations. This approach is based on the principle that FAU faculty, staff and students cannot represent the company and the university at the same time. Therefore, their role should not include representing the potential licensee or negotiating directly with OTD.

2. How much can I tell potential investors about the innovation?

OTD understands that FAU startups will need to describe the general aspects of an innovation to potential investors in order to generate interest in their company. If the company wants to discuss the details of an innovation prior to securing intellectual property protection through OTD, a confidential disclosure agreement (CDA) can be used to facilitate open discussions and to prevent the loss of intellectual property rights. The startup's management or legal counsel typically handles these agreements for discussions of the innovation on behalf of the company. It is important to keep in mind that many investors will not sign CDAs for fear it will constrain them from pursuing related opportunities in the future.

3. When can a FAU startup request a license?

After broad marketing efforts, if the FAU startup is the best choice for commercializing the innovation, OTD will work with a representative of the company to grant a license. FAU markets its innovations because it is committed to looking for the best licensees to transfer them from FAU to the marketplace for the public benefit. The university also has a legal obligation to ensure that innovations funded by the federal government are effectively commercialized. Under FAU policy, faculty, staff and students cannot represent the company in licensing discussions due to conflicts of interest.

4. What is an option and can a startup take that instead of a license?

An option agreement is a commitment from FAU not to license an innovation to a party other than the startup. It is often used to reserve rights in an innovation while the company evaluates it, explores funding opportunities and raises the capital needed to fully license the rights in question. Option agreements include financial consideration to FAU in order to reserve those rights.

5. Are the terms of the option or license negotiable?

No, the preferred option and license terms offered to FAU startups are fixed and if not acceptable to the startup, a more detailed and extensive standard option or license agreement will have to be negotiated. Standard options and licenses typically take three to six months to negotiate at any university, and it is common for startups to incur legal fees with their outside counsel of \$10,000 to \$20,000 or more on a license negotiation, depending upon the extent of the language changes requested by the startup.

6. Will FAU assign intellectual property rights to a startup?

No, FAU does not assign intellectual property rights to startups. When appropriate, FAU may grant an exclusive license after deciding that the startup is the best candidate to commercialize the innovation.

7. Can a startup get an option or license without being incorporated?

A startup must be legally incorporated or registered in order to execute an option or license agreement with FAU. The university must be able to sign an agreement with a legal entity, not an individual.



8. If the startup is based on an innovation jointly owned by FAU and another institution, what happens to the innovation?

Typically, OTD enters into an Inter-Institutional Agreement whereby one of the institutions will take the lead in protecting and commercializing the innovation. This way a company can negotiate a single agreement with a license to both parties' intellectual property rights.

9. If a startup needs an innovation from another institution besides FAU, but the innovation is not jointly-owned with FAU, will the company need a separate license?

Under most circumstances the company will need to negotiate separately with the other institution for a license. However, universities do sometimes package their innovations together in a single license agreement.

10. Can I continue to do research at FAU on the innovation that is the basis of a startup?

FAU always reserves the right to practice its innovations for research purposes. However, FAU employees may not be permitted to continue to develop an innovation at FAU for the benefit of a startup in which the employee has a financial interest unless the conflict of interest is appropriately managed.



FAU Policies, Conflict of Interest and Conflict of Commitment

1. Intellectual Property Policy

For new companies started by FAU faculty, staff or students based on innovations created at FAU, ownership of the underlying intellectual property rights typically belongs to the university. This ownership policy applies to all types of intellectual property, including patents, copyrights, and trademarks. FAU's Intellectual Property Policy is available for review on the OTD website.

fau.edu/research/technology-development/forms.php

2. Conflict of Interest

OTD works with FAU employees both to facilitate technology transfer and to manage the licensing process. In the case of FAU-affiliated startups, this process often raises issues regarding conflicts of interest. A conflict of interest depends on the situation and not on the character or actions of the individual. The university is concerned with whether or not an individual can separate university research from company research, provide unbiased and appropriate guidance and support to students, maintain academic integrity in research and education, and adhere to government mandated policies. A full explanation of FAU's policies and procedures for managing conflicts of interest can be found on the Department of Human Resources website.

fau.edu/hr/OEguidelines_final.php

3. Conflict of Commitment

FAU employees owe their primary professional allegiance to the university. Their primary commitment of time and intellectual energies should be to the education, research and scholarship programs of the institution. Conflicts of commitment usually involve issues of time allocation. If a situation raising issues of conflict of commitment arises, an individual should discuss the situation with his or her supervisor. More information about university policies concerning conflicts of commitment can be found on the Department of Human Resources website.

fau.edu/hr/OEguidelines_final.php

4. Consulting Agreements

Startups may hire FAU employees as consultants, however individuals should be clear about the delineation between university work and private consulting. FAU employees cannot enter into any agreement that creates obligations that conflict with FAU's Intellectual Property Policy. The university does not assert ownership of an innovation made while an employee is consulting for an outside company provided that the innovation was made without significant use of university support or the innovation is not within the scope of the individual's employment by FAU. Information on requirements for consulting activities can be found on the Department of Human Resources website.

fau.edu/hr/OEguidelines_final.php

5. Obligations to Sponsors

OTD requires the disclosure of all sponsors, including companies and non-profit foundations, whose funding or materials led to the creation of an innovation at FAU. Sponsored research agreements specify what rights a sponsor has in any intellectual property developed as a result of the sponsored research. Under most circumstances, federal funding of research leading to an innovation will not impose significant impediments on commercializing the innovation via a startup. Funding or materials provided by other entities (such as companies or non-profit foundations) may result in license rights to those entities, limiting the license rights available for a startup. Corporate sponsors are typically granted rights to negotiate a license for any intellectual property arising from sponsored research, but sponsorship agreements vary widely. Additional information on sponsored research can be found on the Office of Sponsored Programs website.

fau.edu/research/sponsored-programs/index.php



VIC
IK
Leader in
Services
Com

City



Office of Technology Development

561-297-0673

techdevelop@fau.edu

fau.edu/research/technology-development



@FAUTechDevelop



@FAUTechDevelop



FAU Office of Technology Development