Angel funding can bring fledgling tech projects to the table

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INTELLECTUAL PROPERTY

The connection that something has with something else often defines and enhances the functions of the things involved. For instance, the most succulent turkey, on a plate by itself, will never make a Thanksgiving feast without all of the fixings alongside.


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The same thing is true in Intellectual Property. A patent, for example, may be a rather expensive dozen or so sheets of paper and ink. However, when served up with a product, a business, and competitors in a market-driven economy, it becomes a tool that can and has generated billions of dollars of revenue. The "whole" truly becomes greater than the "sum of its parts," but each of the "parts" remains a critical component.

The "part" I want to highlight here is about the early stage funding of a company and the development of the company's product and underlying IP.

The most typical scenario associated with my practice is what I will call the "University" model. University-funded research carried out by faculty/students ultimately leads to a technical advance in a particular field. This activity is a seed that germinates into an invention disclosure (ID), which gets submitted to the university's technology transfer office (e.g. the Cornell Center for Technology Enterprise and Commercialization or the Office of Technology Transfer at the University of Rochester). Tech transfer performs its various evaluations and, in a typical case, a provisional patent application is filed.

Despite the often clever and amazing technology that is described in the ID, the challenge faced by tech transfer is to identify a viable business plan and/or licensee that can help grow the seed into a successful venture. This process requires early stage money not only for continuing technical research and IP work such as freedom to operate analyses and patent portfolio development, but an impassioned management team who can tee it all up for more significant later stage funding and successful exit.

As one can easily imagine, the greatest risk of failure is also at this early stage, thus investment in the $50,000 to $1 million range, while absolutely critical, may be the hardest to come by.

The real picture, however, is one of competitive opportunity. There are numerous individual angel investors and seed funds whose purpose is to make successful early stage investments in start-up companies.

A recently formed regional early stage resource is the Seed Capital Fund of Central New York (www.SCFCNY.com). The SCF, managed by Nasir Ali out of the Syracuse Technology Garden, has 42 members and a capital pool of just over $1.5 million. The fund looks to invest between $50,000 - $250,000 in each venture it selects. SCF's first investment was recently made in a Cornell spin-out company. The company utilizes proprietary carbon nanofiber technology for scanner and image projection applications.

Anyone can make an application for consideration to pitch their endeavor to SCF (go to www.SCFCNY.com). Over the past two months, SCF has screened some two dozen applications and listened to a half-dozen presentations. Groups of the fund's members proceed with due diligence on those presentations that merit further interest.

In addition to SCF, there are various county, state, and private for-profit and not-for-profit organizations of similar ilk. The Southern Tier Opportunity Coalition (STOC) in Binghamton sponsors a not-for-profit angel funding group. Roger Williams at Cornell is involved in the NY Angel Network, which helps provide a connection between the registered angel groups throughout the state.

Despite the daily news of global economic uncertainty, we live in an environment that is mined with springboards of opportunity for business growth and success. Patents and angels are steps in the journey.

Oh, and please pass the sweet potatoes...

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