



Inventor Startup Based on ISURF-Owned Technology – What to Expect . . .

Entrepreneurship is an economic development priority for Iowa State University. There are many tasks an inventor must undertake to start a company, such as identifying the business opportunity, securing intellectual property through a technology option or license, financing the startup, developing the technology, and managing conflicts of interest. The following is a guide for a startup company to access ISURF-owned technology.

Technology Option Agreement: This agreement preserves the opportunity to enter into a Technology License Agreement and provides the company with an exclusive right to use ISURF-owned intellectual property for internal purposes, such as designing and testing, evaluating the commercial opportunity, and developing the business plan.

Technology License Agreement: This agreement provides the company with certain rights to the technology. These rights include making, using, selling, and offering to sell products and/or services based on the ISURF-owned intellectual property. Additional licenses from third parties may be required to develop and sell a product or service.

Here is how you can expect to interact with ISURF when you start a company based on ISURF-owned intellectual property.



Phase I: Startup Idea & Validation

Do:

- Disclose the technology to ISURF.
- Validate your idea. Utilize a variety of Iowa State resources located at the Economic Development Core Facility, including ISURF, the Pappajohn Center for Entrepreneurship, CyBiz Lab, StartUp Factory, and EDIR. Discuss your plans and engage in activities to determine if there is a market for your proposed product or service and what it will take to generate revenue.
- Start engaging companies about the feasibility of the idea. Do not share technical information that has not been publicly disclosed/published.

In order to avoid compromising the ability to obtain patent protection, because the intellectual property is not owned by you or your company, and because customer discovery/validation will inform how you position your company and product -

Do Not:

- Name the company or product.
- Design a logo.
- Put up a website.
- Market, sell, or transfer the product or service.



Phase II: Technology Option

As soon as you have customer validation, it is time to:

- Form the company, complete with a name and logo.
- Secure the ISURF-owned intellectual property rights.
- Put up a website.
- Start talking about your company.

A Technology Option Agreement is used to secure ISURF-owned intellectual property prior to selling products or services or obtaining sales orders. This option should be entered into (signed) within 60 days of forming a legal entity. When forming your entity, keep in mind that ISURF and many investors prefer to negotiate with a C Corp vs. an LLC. ISURF offers a standard option agreement for technologies that meet the evaluation criteria found in the Technology Invention Disclosure – what to expect, Just In Time series. This option has a fixed cost of \$500 for one year. The option period may be extended with additional consideration, which may include patent cost reimbursement. For technologies that do not meet the evaluation criteria, a custom option agreement can be used and will include additional consideration. An option agreement is not required to submit an SBIR Phase I proposal, but is viewed favorably by the funding agency.



Phase III: Technology License

Prior to marketing product, selling product, obtaining orders for sale, receiving a Phase II NSF SBIR award, or receiving an STTR award, your startup will need a license to the ISURF-owned intellectual property. Technology License Agreements are required for patented or patent pending technologies, software, and/or tangible property. The startup does not need to have an option before a license, but this is the most common path. A business justification and development plan is required before negotiating the license agreement with ISURF. ISURF has several licensing models for startup companies to consider.



Phase IV: Sales & Growth

Once the Technology License Agreement is in place, the startup will be responsible for the following, for as long as the technology is being used and the license agreement is active:

- Paying patent costs.
- Submitting development reports that demonstrate progress to commercialization.
- Providing sales information, make royalty and other license-related payments.
- Other obligations contained in the license agreement.



SBIR/STTR Awards & Intellectual Property Expenses

When applying for an SBIR/STTR award, the “profit” budget category can be used for many things, including intellectual property expenses. For a Phase I award, please budget \$1,000 to use for reimbursing ISURF for expenses. For Phase II, please budget 25% of the maximum allowed profit budget to reimburse ISURF’s expenses. Also, we recommend that you keep in reserve an additional 25% in the event joint inventions occur. As a joint owner, the company is responsible for one-half of the U.S. patent costs up front, in addition to reimbursing ISURF’s costs. Foreign patent costs are solely the responsibility of the company.

Contact Information

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