

Entrepreneurship

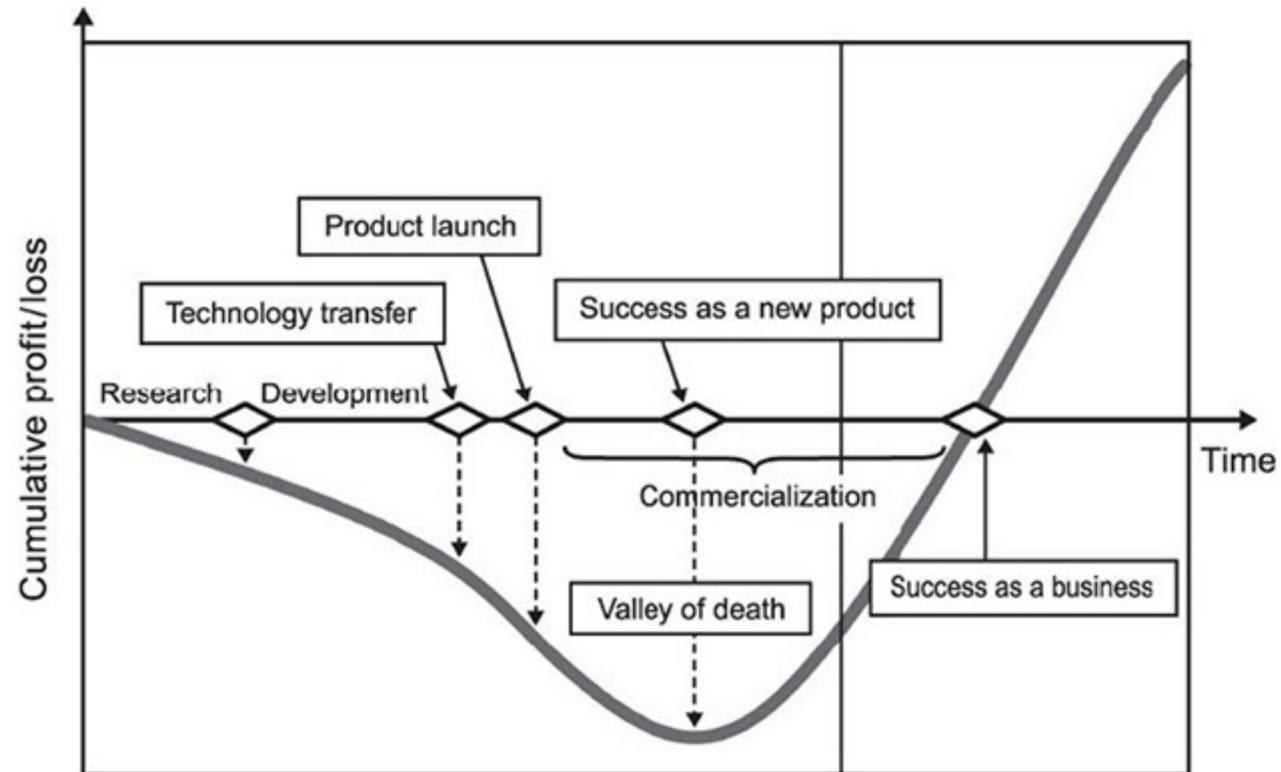
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The University of Texas
Rio Grande Valley™

Process Outline

- Idea → Product → Scale → Exit
- 6 out of 7 fail. You want to fail fast.
- A lawyer and an accountant early is much cheaper than later.
- Accredited investors, securities laws, private placement.
- Series A Preferred Stock, Common Stock, "Debt is cheaper than equity"
- CEOs job is raising money (sales, debt, fundraising)
- Selling shares vs selling a product. Investors vs customers.

Valley of Death



Feasibility Assessment

Customer discovery is key. Quicker and more informative than a market study.

Manufacturing and distribution costs?

Patentability breadth and international viability?

Competition, market trends, market size and likely penetration?

Likely partners?

Bootstrapping

Pre-launch funding (friends, family, fools)

Getting started:

- Space (use business incubators).
- Corporate documents.
- Legal structures: LLC, C-corp, S-corp, LLP, LLLP. Choose Delaware, Nevada, local state. Register as a foreign entity locally.
- Compliance.
- Tax issues, available tax credits. (Special taxation of Intellectual Property requires legal assistance).
- Budgets must be appropriate for level of risk and stage of development.

Team Building

The founding team is what investors really invest in because ideas are abundant but execution is what matters.

Partnering.

Advisory board recruitment/make-up.

Leadership.

University interest/role.

Conflict of interest.

Other legal issues.

Money Issues

Angels versus VCs.

Valuation issues.

Equity allocations, liquidation, common vs preferred stock, convertible notes, warrants, options.

Pro forma: balance sheet, cash flow, headcount, profit and loss.

Investment schedules/tranches.

Milestones.

Alternatives.

The University Stake.

Intellectual Property

- Patents
- Trademarks
- Copyrights
- Trade Secrets
- Licenses

Patents

Patentable: New, useful, non-obvious process, machine, article of manufacture, or composition of matter.

Not patentable: mathematics, artistic works, anything with prior art.

Utility patent (aka invention): 20 years + 20 year extension.

Design patent: 14 years, no maintenance fees.

Patents are a set of rights, not the freedom to operate.

<http://www.uspto.gov/inventors/assessment/>

Copyrights

Copyrightable: Original works of authorship, literary, dramatic, musical, artistic works, software, architecture, collections.

Not copyrightable: Facts, ideas, names (including band names), systems, methods of operation, things that have utility like recipes, clothing designs, mathematics, titles, slogans, logos.

Duration: 70 years after death.

Automatic copyright is free. Registered copyright is \$35.

Fair Use, First Sale, Work for hire

Trademarks

Brands, logos, names, signatures, shapes, packaging, color combinations, smells, sounds, movements, or combinations that can distinguish goods and services.

Unlimited duration if renewed correctly. Lost after 5 years if unused.

Attorney search shows due diligence and good faith.

Good will asset on a balance sheet.

Trade Secrets

Formula, practice, process, design, instrument, pattern, or compilation of information, not widely known, and grants a competitive/economic advantage.

Effort must be made to maintain its secrecy.

Unlimited duration.

Misappropriation (e.g., industrial espionage) does not invalidate secrecy.

Poaching employees is legal.

Reverse engineering is legal and patentable.

Often the most valuable part of a patent license.

Licenses

Exclusive or non-exclusive?

Geographic and industry scope?

Royalties? Taxes?

Audit rights and compliance?

Inventory and expiration dates?

Who owns improvements?

Who pays to prosecute infringers?

Who pays renewal fees?

Resources

Lean Startup (free book): talkingtohumans.com

Kauffman Foundation FastTrac, available at UTRGV: fasttrac.org

Gust Launch: gust.com

Angel List: angel.co

Legal tutorials: startupcompanylawyer.com

Essay on raising money by Y Combinator: paulgraham.com/fr.html

UTRGV Small Business Development Center: utrgv.edu/sbdc

UTRGV Center for Entrepreneurship and Commercialization: ecc@utrgv.edu

Texas Secretary of State SOSDirect

USPTO Trademark search TESS