The mission of **KUIC** is to bring innovation to the marketplace for the benefit of society and the university.

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**KU Innovation and Collaboration**

*kuic@ku.edu*

**Lawrence Campus**

2029 Becker Drive, Suite 142  
Lawrence, KS 66047  
P: 785-864-6401

**KU Medical Center Campus**

Mailing Address:  
University of Kansas Medical Center Research Institute, Inc.  
Attention: KUIC  
3901 Rainbow Blvd.  
Mailstop 1039  
Kansas City, KS 66160

Physical Address:  
Bioscience & Technology Business Center  
2008 West 39th Avenue  
Room 2031  
Kansas City, KS 66103

P: 913-588-5721  
F: 913-588-8214
The KUIC Startup Guide is intended as a quick reference tool for KU & KUMC faculty, students and staff inventors interested in starting a company based on their IP which may be owned by the university. Where can you go for help? This guide summarizes the many resources available to the KU & KUMC inventors and the policies that are most relevant.

This guide was assembled in July 2014. The policies and practices may be revised from time to time. Inventors should refer to the universities policies for current guidelines on intellectual property, conflict of interest and other issues. Additional information may be found on the KU Innovation and Collaboration website: kuic.ku.edu or by contacting our office at 785-864-6401.
PROTECT

The innovations and discoveries you create at KU have the potential to change the world, but the first step is protecting your intellectual property.

KUIC will review disclosures dealing with patentable material, copyrights, software, tangible property, utility patents, biological materials, and more.

While the process can be time-intensive, we won’t inhibit your ability to publish or disclose your idea once we file for intellectual property protection.

TYPES OF INTELLECTUAL PROPERTY

Copyright
Copyright is a form of legal protection provided by the United States to the authors of “original works of authorship” giving them exclusive rights to it, and to be credited and paid for its use. This protection includes literary, dramatic, musical, artistic, and certain other intellectual works and is available to both published and unpublished works.

Patent
A patent provides the right to exclude others from making, using, selling, offering for sale, or importing the patented invention for the term of the patent, which is usually 20 years from the filing date. Patent approval can be a long and costly process. An invention must be described in sufficient detail to the Patent Office to teach someone in the field of the invention to make and use the invention just by reading the description. Applications for a patent will publish and be subject to a lengthy review process that is subject to public inspection. To get a patent, an exclusionary right, the inventor must successfully demonstrate that the innovation is new, useful, and not obvious.

Trademark
Simply stated, a trademark is a brand name. A trademark or service mark can include any word, name, symbol, device, or any combination that identifies the goods or services of the owner of the mark.

Software
Protecting intellectual property is vital for software developers. This protection can take a few different forms; copyright, patent, trademark and trade secrets. Patents, copyrights and trade secrets protect the code itself. Trademarks protect the unique name or symbols associated with the software.

RECORD KEEPING

Your lab notebook is the foundation for a permanent record detailing what was done during the course of a project and what inventions were made and when. These records are a critical element in the patenting process, providing evidence of first-to-invent. While ‘first-to-invent’ status has been subjugated to ‘first-to-file’, it still plays a vital role during court proceedings, if necessary.

Good record keeping should be consistent and complete throughout your research, detailing what was done, the purpose for the work, and the findings.

Records should include dates, all raw data and results of each experiment, as well as the protocols and designs, including descriptions of the calculations, equipment used and any output (charts, photos, etc.). Write down conclusions and the next steps, including plans for future work.
A witness should sign and date each notebook page within one week. The witness should not be directly involved with the work, but they should understand the work being studied.

PUBLIC DISCLOSURE AND PATENT BARS

What constitutes a public disclosure?
Under patent law, a public disclosure is any non-confidential communication of an idea or invention. Public disclosures may include the following: conventional academic printed and online publications, abstracts, master’s theses, Ph.D. dissertations, open thesis defenses, presentations, poster sessions, department and campus seminars, information posted online and publicly available abstracts of funded grant proposals.

To prevent public disclosure, grant proposal abstracts should be high-level and not describe the invention. Grant applications typically are not made public, although grant final reports can be available to the public and would be considered a public disclosure.

Not all disclosures result in the loss of potential patent rights. In order for a disclosure to bar the patenting of any invention it has to be “enabling.” This means that the disclosure has to provide enough of a description of the invention for a person “of ordinary skill in the art” to practice it.

In the U.S., an inventor’s public disclosure of their own work made less than one year prior to their patent filing date will not count as prior art. This is referred to as a grace period for the inventor’s own disclosure. Note: the time window between an inventor’s public disclosure and patent application filing date allows others to publish similar work or work that builds off your own work. These intervening publications may prevent or hinder patentability of your invention.

If your public disclosure was made more than one year before your patent filing date, it is considered prior art and may prevent you from obtaining a patent.

In most countries outside the U.S. there is no inventor grace period and any public disclosure prior to filing a patent application filing can prevent you from obtaining a patent. Foreign jurisdictions require “absolute” novelty. This is the standard in most of the world. Thus, as a best practice, it is always most desirable to determine whether a patent application should be filed before any public disclosure.

Types of Disclosures Qualifying as Public Disclosures

Email correspondence: Providing information to individuals outside of KU by email, letters or other correspondence without indicating that the information being provided is confidential could also constitute disclosure.

Grant proposals: Grant proposals to federal agencies are deemed publications as they are accessible under Freedom of Information Laws, but you can take active steps to ensure that information you provide under grant proposals is maintained in confidence when necessary.

The first page of the proposal should carry the following notice: “Confidential Information--Pages __ to __ of THIS PROPOSAL contain potentially patentable information” List the pages containing the confidential information and conspicuously write “CONFIDENTIAL” on each page that contains the confidential information.

Posters, Abstracts, and Proceedings

Oral disclosures: If at a formal talk, you distribute a copy of your presentation in which your invention is disclosed, it is clearly a disclosure. However, even if handouts are not provided but someone in the audience takes detailed notes that describe the invention, it would also constitute disclosure. For these reasons you need to carefully plan your oral presentations so that you do not inadvertently disclose your invention. Thus,
conference presentations, departmental
seminars, or thesis defense all present
opportunities for public disclosure.

Public Use or Sale: Distribution of research
materials and prototypes, that embody
the invention, may constitute disclosure
under certain conditions. If the materials
are provided without any restriction
on use or further distribution it may be
considered to be made available to the
public. If they are clearly provided only for
testing and/or evaluation or for research
purposes under written agreements clearly
specifying the same, it would not be
considered disclosure. A sale or an offer to
sell a research material or prototype also
constitutes disclosure and could establish a
bar date for patent purposes.

What activities do not constitute public
disclosure of an invention?
- Lab meetings attended by KU employees
  only
- Faculty meetings – as long as they are
  attended only by KU employees
- Confidential submissions for publications
  – provided that the journal has
  confidentiality agreements with reviewers -
  prior to acceptance and publication
- Unfunded government grant applications

How can you protect your innovation from
public disclosure?
Inventions can be discussed under a
confidentiality agreement. Please contact
KUIC for more information.

PATENT PROTECTION PROCESS

Assessment
From first filing to full protection, the patent
process can cost $20,000-30,000; this cost is
entirely borne by the university. Our first
step is to assess the novelty of the innovation
and the commercial potential. There are
occasions when the idea is indeed unique,
but research indicates that there is little to no
commercial value. In that case, the university
may decide not to proceed with the process,
and the inventor may assume responsibility
for the process if they desire.

First Filing
The first filing is generally a provisional patent.
The full patent process can be extensive and
costly. In the interest of time and protection, the
provisional patent makes the ‘first claim’ of the
idea, and provides the university with a full year
to file a full patent application. This provides
KUIC with the time to conduct a thorough
market survey, identify potential licensing
partners, and consult with third party experts for
validation of the novelty and commercialization
of the innovation. This research can provide
useful information allowing us to file a ‘stronger’
patent application.

Filing a Patent
Within the first calendar year of the provisional
patent filing, the university can file a complete
patent application. This application will be
reviewed by an examiner at the USPTO, who
will assess the novelty and usefulness of the
innovation. This process can take several years.

Most patent applications are rejected, and patent
attorneys will respond to objections, often
providing further documentation to the Patent
Office.

Patent applications are published by the Patent
& Trademark Office (PTO), and are published
18 months from the earliest date of filing. The
18-month period begins on the date of filing
of a provisional patent application. A regular
non-provisional patent application that follows
a provisional filing (12 month pendency) will
publish within 6 months of filing.

Examination of Patent Application
A PTO Examiner will search both the scientific
and patent literature (collectively “prior art”),
known and publicly accessible, prior to our
date of filing to determine whether the patent
application discloses and claims new and
patentable subject matter. The Examiner will look
at each claim of the patent on a claim-by-claim
basis. The most common rejection of a patent
claim is on the basis of the USC 103 (obviousness
rejection). Under USC 103, the combined
teachings of several prior art references can be combined by the Examiner to reject one or more claims. In rejecting claims, the Examiner takes the view that the combined references teach the inventive step of the applicant and render the claimed inventions “obvious” to one skilled in the scientific art being reviewed. The written result of the PTO examination is called an Office Action. Years can pass after filing before the PTO issues a first office action on an application.

**Response to Office Action**
The patent attorney, with the assistance of the inventor, responds to the examiner with arguments about why the invention is patentable. Steps 2 and 3 may be repeated. Often there are at least two office actions issued from the PTO before claims are allowed or given a final rejection.

**Notice of Allowance**
Notice of allowance is sent when the examiner is satisfied that all claims meet the criteria. The fee to issue the patent is due three months from the notice of allowance.

**Patent is Issued**
The term of the patent begins with the earliest effective filing date of the patent application. Maintenance fees are assessed at three, seven and eleven years of the patent term to continue federal protection.

We know that your passion is research and publishing. We never want to slow you down or impede your progress. Our staff is equipped to make this process as painless and fast as possible.

Disclose an Invention, Biological Material or Software Program -- Let us help you protect your IP
Faculty, staff and student inventors and creators should submit disclosures per KU IP Policy. The purpose of these forms is to record what was invented and the circumstances under which the invention was created. This is the foundation for a patent, and should be filled out as completely as possible when something new, useful, unusual or unexpected has been obtained.

http://kuic.ku.edu/faculty/protect-your-ideas/disclose-invention-biologicalmaterial-softwareprogram

**Material Transfer Agreements**
Prior to sending or receiving tangible research material, it’s vital to both parties to have a Material Transfer Agreement that expressly states the purpose for which the material will be used, and the rights regarding any derivative materials.

The staff at KUIC will negotiate these agreements that govern the transfer of tangible research materials between two organizations. http://kuic.ku.edu/faculty/protect-your-ideas/transferring-research-materials

Sending or Receiving Material
When transferring materials into or outside of KU, a material transfer agreement (MTA) document is necessary.

**Export Controls**
Innovation and collaboration is fundamental to KU’s global outreach. U.S. and international laws governing technology transfer are complex and impact patent applications, licensing, and research agreements. We are committed to complying with all laws and regulations that govern our international activities including those foreign visitors and employees who work and participate in projects on all KU campuses. KUIC works closely with The Office of General Counsel and Export-Import control team. To ensure compliance, investigators, entrepreneurs, and future CEOs are encouraged to use their services early in project development.
LICENSING
KUIC’s main goals in any license agreement are to ensure that the technology will be developed by the licensee for public benefit, complying with federal, KU or KUMC policies, and if successful, providing a reasonable financial return to the university and the inventors of the technology.

THE TERMS:
The terms of startup licenses are flexible and take into account the financial realities of many startups as well as the particular industry in which the company will be competing.

Standard terms in a license for a KUIC startup will include: negotiated financial terms, such as annual fees and a royalty on product sales, and reimbursement of patent costs. They may also include a minority share of equity in the startup.

The non-financial terms will include:
-Degree of exclusivity: nonexclusive, exclusive, or restricted by field of use.
-Reservation of rights for the Federal government (if appropriate), and for university and other non-profit organizations for their research and education activities.
-Performance requirements to assure that the company has resources and is capably developing the technology.

Often times KUIC will work with startups to delay major financial payments until the company is able to raise significant capital.

EXAMPLES OF LICENSING AGREEMENTS
Option
A simple, limited-term agreement, which gives the first right to enter negotiation for a license to a given technology. For the duration of the Option, KUIC will not actively market the technology or seek out other potential licensees. The party receiving the option often pays a modest fee and typically assumes the responsibility for ongoing IP expenses for the duration of the option. An Option is most frequently used when a prospective licensee wants the ability to conduct due diligence on the market or technology before entering into a full license agreement.

Commercial Evaluation License
Often the diligence a prospective licensee wishes to conduct on the technology cannot be completed without access to samples or data. In this case, commercial evaluation licenses are used to grant the right to use a technology, under limited circumstance for a limited time, for evaluation.

Tangible Research Property License
IP has many forms, and inventions that are not patentable or copyrighted can still be licensed. The licensee is granted the right to use and sell the materials that were created at KU or KUMC.

License Agreement
The License Agreement can be tailored to suit many situations and typically represents a long-term partnership. Licenses can grant exclusive or non-exclusive rights, such as the right to make, use, and sell the technology, and they normally impose obligations on the licensee, such as the requirement to develop the technology into a product or service and to pay agreed-upon financial consideration.

We believe the key to success with a license is creating a partnership between KUIC and the licensee around the joint interest in seeing KU and KUMC technologies realized as commercial products and services.
The Process

1. Research
2. Invention Disclosure
3. Assessment
4. Protection
5. Marketing to find or form licensee
   - Existing Business
   - Form Startup
7. Licensing
8. Commercialization
9. Revenue
THE PROCESS

You’re interested in commercializing your discovery, but aren’t sure what to expect or where to start. KUIC is available to talk you through the steps. In the meantime, here’s a general overview to get you going with the planning process:

STEP 1: FORM THE COMPANY
Once you’ve decided to go for it, generally the first step is to legally form a company. There are several different business structures, each with its pros and cons.

Sole Proprietorship: A sole proprietorship is the most basic type of business to establish. You alone own the company and are responsible for its assets and liabilities.

Limited Liability Company (LLC): An LLC is designed to provide the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership.

Limited Liability Partnership (LLP): A partnership in which all partners (depending on the jurisdiction) have limited liabilities, one partner is not responsible or liable for another partner’s misconduct or negligence.

Non-profit 501(c): A tax-exempt nonprofit organization in the United States.

C-corporation: Refers to any corporation that is taxed separately from its owners.

S-corporation: An S corporation is similar to a C corporation but the corporation’s income or losses are divided among and passed through to its shareholders. They must then report the income or loss on their individual income tax returns.

STEP 2: ADD PEOPLE
A great idea needs people to make it successful. You don’t have to hire full-time staff, which most startups can’t afford, but you will need help. Identify key team members – ideally whose skills and experience complement yours – and the roles they will play in moving your discovery along.

These people can be any of the following:
Employees
Directors
Scientific advisors
Research collaborators
Consultants
Business partners

Faculty considering commercialization often ask, “Would I have to leave my job at KU?” The answer is no. Although both KU and another company can’t simultaneously employ you, you can have a non-employee role at the company as a collaborative researcher, board director, shareholder, and/or consultant. Some faculty even take a sabbatical to dedicate themselves to the start-up for a few months while it gets off the ground.

STEP 3: THROW IN IDEAS
You have a company and people, now you need something to sell – likely one of your discoveries made in your role at KU. So the next step will be to get a license from KU that gives your company the rights to commercialize the intellectual property (IP) around that discovery.

To avoid a conflict of interest, you will need to identify someone at the company who is not a KU employee to take responsibility for negotiating with KUIC.
STEP 4: WRITE A PLAN
What is the company’s ultimate destination and how will it get there? These are the questions you will answer in a business plan. The value of a business plan isn’t so much in its mere existence as it is in the process of writing it. Expect a well-written business plan to take weeks or months to complete.

The process will involve researching the market, articulating the value proposition of the product, interviewing prospective customers and partners, talking to thought leaders in the field, putting together budgets and timelines, and identifying the main risks along with strategies for mitigating those risks.

You can find free business plan templates at www.SBA.gov and www.SCORE.org

STEP 5: MOVE IT ALONG
You have a vehicle (the company), traveling companions (the people), a purpose (the ideas), and a roadmap (the business plan) – you’re ready for your road trip!

Oh wait, now you need to put some gas in the tank. As they say, money makes the world go around and start-ups are no exception.

Funding: Passion Doesn’t Keep the Lights On
It has been said that investors invest in people, not ideas. While that’s true, the second part of the sentence is often forgotten. Investors invest in people…with plans.

Whether you’re looking for angel investors, venture capital, or traditional loans, we can show you how to present your business plan – capital requirements, cash flow projections and market potential.

Seasoned investors aren’t gamblers; they like to back companies with a plan. We can work with you to help present your business in the best possible light.

Self-Funding
Traditionally this has meant using personal funds, credit cards and contributions from friends and family. While this route can help an entrepreneur retain his or her equity, often these funds run out as businesses are undercapitalized.

Angel Investors
These early investors are often not just a great source of funding, but also of mentorship as they tend to have deep expertise in certain areas. It’s a benefit to both the investor and entrepreneur when this ‘smart money’ is involved.

Venture Capital
When a new venture needs more than a couple of million dollars, venture capitalists are often the best source. While VC firms generally require considerable equity, their expertise and deep pockets can bring the necessary momentum for many companies to make it to the next level.

Grants
Funds are available from either government (federal or state) grants and/or foundations. Government entities want jobs and foundations eagerly invest in ventures whose outcomes can positively impact their missions.

STEP 6: LASTLY
You’ll know you’re well on your way to your destination when your company is landing customers, getting regulatory approvals, obtaining partnerships with major industry players, and/or focusing less on research & development and more on sales & marketing.

Although KUIC can’t guarantee your success, we can give you the best possible shot at it.
DECISIONS

Company Name: This should be unique, memorable, and clear of other existing businesses in similar market spaces; online tools can help find available names.

State of Incorporation: A business can incorporate in any state, and generally do so in the state in which they are headquartered. However, a few states such as Delaware and Nevada do offer specific financial benefits to companies incorporated there.

Corporate Structure: Many startups begin as LLCs, but growth companies may choose a C-corp.

List of Founders/Members

Mailing Address: A headquarters may start in a residence, but typically soon moves to a separate office space when operations begin. Post office boxes are generally not sufficient. KU has incubators such as the Bioscience & Technology Business Center located on the KU & KUMC campuses.

Website: A must in today’s modern world - secure a domain name and expand the website to be your marketing tool.

Accounting/Finance System: It is important to comply with all relevant federal, local and state tax requirements. Keep tax records for a minimum of three years.

Employer Identification Number (EIN): An EIN (also known as a Federal Tax Identification number) is obtained from the IRS and is required for opening bank accounts and processing payroll.

Dun & Bradstreet D-U-N-S® Number: This free unique identifier for each business location is necessary to receive government grants or contracts such as Small Business Innovative Research grants (SBIRs).

Sales Tax Permit: From state of company headquarters.

Business License: From city/county; grants the right to conduct business in that jurisdiction.

Business Insurance: To protect the business. Licenses from KUIC require proof of insurance.

Federal Drug Manufacture Permit: If applicable, from the Food and Drug Administration (FDA).

Company Logo/Branding Materials: Can be developed after the company is established, but should be in place prior to web or product launches, including trademarks on the company name and logo.

OTHER DOCUMENTS YOU WILL NEED TO CONSIDER:

Operating/Partnership Agreements (LLCs): These agreements, while technically optional in many states, are important as they protect the company from certain state laws that apply by default to LLCs without such agreements, and help avoid or resolve conflicts between members by memorializing in writing the company’s daily operations and member roles.
**Corporate Bylaws (C or S Corps):** Typical bylaws include the company’s name, objective, members, officers, meetings, executive board and committees.

**Employment Agreements:** Often overlooked at the start, these are helpful when dealing with disagreements or conflicts between founders and early employees. These agreements should discuss roles and responsibilities, titles, compensation, any equity and vesting terms, duration of employment, grounds for termination, any applicable non-complete clauses, confidentiality of company information, work product ownership and dispute resolution.

**Non-Disclosure Agreements:** Most licenses require KU or KUIC confidential information (such as patent applications) to be protected if shared with investors or potential new management team members.

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**PITFALLS**

New company formation is a high risk proposition. While many startups are successful, others are not. Some problems we see frequently are:

- **Inexperienced Management** - A strong, experienced, cohesive team is required for a successful startup company. Problems can arise if founders or other members of the team do not have enough startup and business experience or if founders, new management, and investors are not on the same page.

- **Lack of Funding** - A startup needs sufficient capital to overcome challenges, reach milestones, and progress to the next phase of development. To attract investors the company must have a sound business plan and management team.

- **Technology Does Not Meet Commercial Need** - Sometimes science is innovative and exciting but does not meet a critical commercial need, or current solutions are a better option than the new technology.

- **Timing** - The company may miss the market, even when there is a commercial need. This can be due to the market not being ready for a product, it could be too costly, too early or an unrecognized need. It can also be too late to the market and the need has been met with another technology.

- **Marginal Niche** - The target market may be smaller than expected and the company may not be able to meet financial requirements.

- **Bad Luck** - Sometimes events outside of the entrepreneur’s control can happen and have a negative impact.

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**OBLIGATION TO SPONSORS**

Inventors need to take care in disclosing all inventions and related sponsors, including all companies whose funding or materials helped lead to the invention. Sponsored research agreements specify what rights a sponsor has in any IP developed as a result of the sponsored research. Typically, federal funding of research leading to an invention will not impose significant impediments on commercializing the invention via a startup. Funding or materials provided by other entities may result in license rights to those specific entities, limiting the license rights available for a startup. Corporate sponsors are typically granted rights to negotiate a license for any IP arising from sponsored research, but these agreements vary widely. The staff member responsible for the invention reviews the agreements listed on the invention disclosure to identify any restrictions.
KU INTELLECTUAL PROPERTY POLICY

Intellectual Property Policy
The purpose of the intellectual property policy is to foster the creation and dissemination of knowledge. It serves to provide certainty in individual and institutional rights associated with ownership and the distribution of benefits that may be derived from the creation of intellectual property. The policy applies to all full or part-time employees, including student employees, creating intellectual property related to the scope of their employment while under contract with the University. It also applies to student academic creations, whether the student is an employee or not. For the most current policy information please visit: www.policy.ku.edu/provost/intellectual-property-policy.

Kansas Board of Regents Policy

RESEARCH POLICY AND REGULATIONS
Commitment of Time, Conflict of Interest, consulting, and other employment
The purpose is to describe the responsibility for reporting individual significant financial interests and the institutional responsibility for evaluating disclosed interests and managing potential individual financial conflicts of interest.

This applies to all University of Kansas faculty, all other unclassified academic and professional staff, and anyone serving as project director or principal investigator or any other person, regardless of title or position, who is responsible for the design, conduct, or reporting of research conducted under the auspices of the University, which may include, for example, collaborators or consultants. Please visit www.policy.ku.edu/provost/commitment-of-time-conflict-of-interest for the policy in its entirety.

Export Controls
www.research.ku.edu/export_controls_regulations

Individual Financial Conflict of Interest Policy
www.policy.ku.edu/chancellor/individual-conflict-of-interest

REVENUE SHARING POLICY
KU & KUMC
To describe the protocol for distributing revenue as a result of technology transfer. In accordance with the Regents’ intellectual property policy, the distribution formula will be applied when any revenue is obtained by or on behalf of the University of Kansas from the development or assignment of any patent or from royalties, license fees or other charges based on any patent or copyrightable software. Revenue sharing shall begin only after costs are recouped. For more information on the KU revenue sharing policy visit: www.policy.ku.edu/research/technology-transfer.
OTHER KU INFORMATION
KU Indirect Cost Rates
www.research.ku.edu/facilities_administration_fa_rate_agreements_industry_campus
KUMC Indirect Cost Rates
www.kumc.edu/Documents/ri/spa/FacilitiesAdminCostsv3.pdf

FEDERAL LAWS AND REGULATIONS
Bayh-Dole Act
KU, like other research universities, is governed by the Bayh-Dole law (P.L. 96-517 and 98-620 as amended) which sets out the disposition of inventions made with Federal assistance.

The law provides that nonprofit organizations and small businesses may elect to retain title to inventions conceived or first actually reduced to practice in the performance of work under a funding agreement. The University must disclose each subject invention in a timely manner and comply with other regulatory actions. In addition, we must grant the U.S. government a royalty free license for governmental purposes, give preference to U.S. manufacturers, give preference to small businesses and share royalties with inventors. We must periodically report our licensing activity to the government.
OPPORTUNITIES

Affiliate Status for Scientists employed at KU Startups at BTBC
www.policy.ku.edu/research/adjunct-researcher-appointments

Proof of Concept Funding
KU has established a proof-of-concept fund to invest in innovation that requires funding to mature technology so it is ready for license in 12-18 months.

Applicants are required to clearly indicate the economic potential of their technology and identify companies that would be suitable partners to develop a commercial product. Preference is given to applications that have a monetary or in-kind match from industry partners.

This fund supports research and development in all areas of innovation and technology including electronics, software, communications, life sciences and engineering.

ACCELERATING PROMISING INNOVATION

Venture Fund- Setting the State for Success - Under Development
The KUIC Venture Fund will supply financing and intellectual capital to companies with promising, early-stage technologies, to help prepare them for future investment.

Fund Management
Capital will be generated from designated contributions to the KU Endowment. Management of the analysis and investment process will be administered by KU Innovation and Collaboration (KUIC).

Opportunity Sourcing
The fund will be open to KU faculty, students, staff and companies located in any of the Bioscience and Technology Business Center incubators.

Funding Cycle Frequency
Awards will be available throughout the calendar year.

Governance and Project Selection
The Venture Fund will be disbursed through the President of KUIC, on the advice of an expert advisory group. The advisory group will be comprised of alumni and friends of the University who are business, financial, scientific, and technology professionals and are selected based on their expertise in assessing and building early-stage companies. The committee’s role will not be fiduciary.

Venture Philanthropic Function
The fund is a giving opportunity, where donors and grantors, by pooling funds and expertise, can create a flow of viable and investable deals out of otherwise pre-commercial ideas. While the fund operates at too early a stage to target commercial returns, it aims to use practical venture disciplines to vet opportunities, provide returns to the fund to enable sustainability and create more mature investable opportunities.

Eligibility
The Venture Fund is intended to provide sufficient financing and other assistance to allow companies to become investment-ready and competitive. Specifically, the company has the
opportunity to prove the technology is functional and that the market is willing to buy the product offered at the price reflected in the company’s projections.

Terms of Award
The standard funding term for an investment will be 12 to 18 months. Investments will be in the range of $20,000 to $200,000 with funds disbursed on successful completion of agreed upon milestones. Deal terms can be structured in several ways. The most common structure will be some form of term debt, possibly convertible.

Kansas Economic Development Funds - Growing Kansas
The great State of Kansas supports public universities and the businesses and technologies that are forged here.

PARTNERS IN PROGRESS
If you’re ready to build your business in Kansas, business and community development assistance programs can help. Business and community development assistance staff can assist entrepreneurs in identifying programs and incentives to help start, strengthen, and grow their businesses.

PROGRAMS INCLUDE
Community Development Block Grant Program
Kansas Downtown Redevelopment Act
  www.kansascommerce.com/index.aspx?NID=120
Kansas PRIDE
Rural Opportunity Zones (ROZ)

OTHER RESOURCES
NetWork Kansas
  http://www.networkkansas.com/about
Kansas Small Business Development Center
  http://www.jccc.edu/ksbdc/

FOR MORE INFORMATION
Contact Susan NeuPoth Cadoret
Assistance Manager, Kansas Commerce
1000 S.W. Jackson St., Suite 100
Topeka, KS 66612-1354
(785) 296-7198
scadoret@kansascommerce.com
www.kansascommerce.com
INCUBATE - FINDING THE RIGHT SPACE TO GROW

KUIC can help you find the right start-up incubator to meet your business requirements and surround you with peers, resources and mentors that share your passion.

Most incubators are sponsored by economic development organizations, partially subsidizing the costs and increasing the ancillary services offered to entrepreneurs. These services can range from professional services, connections to education and funding resources and even regulatory compliance and IP management.

**Bioscience & Technology Business Center -** [www.btbcku.com/](http://www.btbcku.com/)

The Bioscience & Technology Business Center (BTBC) is a unique partnership among the City of Lawrence, Douglas County, Kansas Department of Commerce, University of Kansas, and the Lawrence Chamber of Commerce to support the bioscience and technology industries in northeastern Kansas. By establishing a modern infrastructure of talent, facilities, and business support services, the BTBC provides tenant companies with the tools to form and grow successful companies. As a result, the BTBC tenant companies can build technology businesses that bring wealth and jobs to the local community.

**KU Catalyst -** [www.kucatalyst.org](http://www.kucatalyst.org)

The Catalyst is open to all students at KU; it provides resource access that is critical to startup launch success. Students will have access to office space, mentoring, education, prototyping and access to capital.

**STATE RESOURCES - TAX CREDITS**

State Small Business Credit Initiative

The Kansas Capital Multiplier Loan and Venture Funds are programs that provide matching funds through a partner network to eligible businesses in communities across Kansas. Funding is provided through the United States Treasury via the State Small Business Credit Initiative (SSBCI). For more information on the Kansas Capital Multiplier Loan Fund and the Kansas Capital Multiplier Venture Fund visit: [www.NetWorkKansas.com](http://www.NetWorkKansas.com).
<table>
<thead>
<tr>
<th>C-Corp</th>
<th>S-Corp</th>
<th>LLC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Double Taxation</td>
<td>Federal Corporate tax brackets depending on net income, state and some local corporate tax.</td>
<td>Pass-through</td>
</tr>
<tr>
<td></td>
<td>The profit is taxed to the corporation when earned and then is taxed to the shareholders when distributed as dividends (qualified lower dividend rate.)</td>
<td>Ordinary income tax on wages (including SS and Medicare), but no FICA tax for SS or Medicare for distributions; wages must be reasonable.</td>
</tr>
<tr>
<td>File a state, pay fee, and provide articles of incorporation. Requires holding an initial meeting of directors and shareholders, adoption of bylaws, and recording of minutes; issuance of shares of stock to shareholders; creation of a stock ledger; creation of a corporate book; filing of annual reports; and holding annual and special meetings for shareholders.</td>
<td>File with a state, pay fee, and provide articles of incorporation. Required election of subchapter S with the IRS; drafting of bylaws; holding an initial meeting, adopting bylaws, electing directors, and recording of minutes; creation of a stock ledger; creation of a corporate book; filing of annual reports; and holding annual and special meetings of shareholders.</td>
<td>File with a state, pay fee, and provide articles of organization and entity classification elections with the IRS (minimal formalities), operation agreement not necessary, but recommended.</td>
</tr>
<tr>
<td>Survives individual shareholder's depth or bankruptcy.</td>
<td>Survives individual shareholder’s depth or bankruptcy.</td>
<td>Membership interest of the decedent ends and only economic interests survive (unless otherwise state in the operation agreement). Single member LLC dissolves with the death of the sole-member.</td>
</tr>
<tr>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Two classes: Common stocks and preferred stocks</td>
<td>On class, but can be voting and non-voting stocks.</td>
<td>Units of membership, but LLC cannot issue stocks.</td>
</tr>
<tr>
<td>Shareholders: Anyone</td>
<td>Shareholders</td>
<td>Anyone (nonresident aliens, corporations, trusts, partnerships, other LLCs, etc.)</td>
</tr>
<tr>
<td>Yes</td>
<td>Not practicable (limitation on number of shareholders)</td>
<td>No</td>
</tr>
<tr>
<td>Growing profitable companies seeking outside investors</td>
<td>Growth companies that may go public in the future, but not there yet, seek to take advantage of tax benefits.</td>
<td>Mostly small companies that do not desire the complexity of formalities of C-corps and S-corps.</td>
</tr>
<tr>
<td>Flexible profit sharing</td>
<td>Profit sharing based on percent ownership.</td>
<td>Flexible profit sharing.</td>
</tr>
</tbody>
</table>
Business Description: The current and future state of the industry, especially in regard to the opportunities for a business.

Business Model: A startup company’s business model concentrates on key issues of customer discovery (who will buy?), customer validation (is your product what they want?) and generating revenue.

Business Plan: A business plan is a written description of a business’s future, a strategic document that describes what the business plans to do and how it plans to do it.

Competitive Analysis: The purpose of the competitive analysis is to determine the strengths and weaknesses of the competitors within the market space of a startup.

Conflict of Interest: Refer to the information at http://research.ku.edu/conflict_of_interest.

Consideration: Exchange of value in a legal contract. In the context of a technology license, this value often takes the form of the grant of license transferred from the Licensor, and money, e.g. fees and royalties transferred from the Licensee.

Design and Development Plan: The purpose of the design and development plan section is to provide the reader with a description of the products design, chart its development within the context of production, marketing and sales. All regulatory steps should be clearly defined, as well as the strategies to achieve key milestones.

Diligence: Efforts towards development of a product or service.

Executive Summary: Sets forth high-level information about the business, the problem(s) to be solved, the magnitude of the market and how the business intends on generating sales.

Field of Use: Field of use could be unrestricted, or could be limited to human or veterinary applications.

Financial Plan: A critical component of business plan illustrating projected company growth, financial management and resource allocation.

Financing: The seeking of funds to support a startup company. Financing generally takes different forms depending on the stage of the company, from personal capital or loans, to government grants, angel investor and venture capital funding, and public share offerings.

Indemnification: To protect someone by promising to pay for the cost of future damage, loss or injury.

Intellectual Property (IP): A work or invention that is the result of creativity, such as a manuscript or a design to which one has rights and may apply for a patent, copyright, trademark, etc.

Invention Disclosure Form: A form which innovators can disclose potentially patentable technologies to the KUIC office.

License: A permission to use, generally used to refer to an agreement between a licensor and licensee to grant permission to use a technology.

Licensing Associate: Licensing associates evaluate technologies that are disclosed to KUIC and then develop a licensing strategy for the particular technology. Each associate is responsible for a portfolio of dockets from “cradle to grave.” The associates each have an area of technical expertise.

Licensor: The individual or entity granting a License.

License Scope: The extent of the rights granted in a license. For example, license scope could include the geographic region in which a license is granted and whether the license is to use a product or also to make that product.

Market Analysis: Comprised of a definition of the target market(s), a clear profile of potential customers and how the company can be positioned to enter the market.
Operations and Management Plan: Describes how a business will function on a continuing basis and highlights the logistics of the organization such as the various responsibilities of the management team.

Outside Activity: Any work, advice or service for an entity other than KU that may potentially result in a conflict of interest. Below are examples.
- Participation in any business enterprise as owner, partner, officer, supervisor, manager, or in any capacity with management responsibilities.
- Consulting (as defined in Policy)
- Conducting external research that would not ordinarily be conducted as part of the employee’s duties with the university.
- Service on an advisory council or scientific advisory board of a company or organization other than a state or federal agency.
- For faculty and exempt employees, any other employment with or service to an outside entity where compensation in the form of money, services, goods or other consideration of value is received.

Stopgap Provisional Application: A provisional patent application filed prior to completion of a technology assessment.

Sublicense: A license between a licensee and a third party, granting that third party the use of some or all of the licensee’s rights under the initial license.

U.S. Non-Provisional Application: A U.S. patent application that is examined by the U.S. Patent and Trademark Office.

Warranty: A written statement promising the good condition of a product and its suitability for a particular purpose.

PCT Application: An international patent application filed under the Patent Cooperation Treaty that can be used to file nationalized applications after 30 to 31 months in various countries and territories.

 Provisional Application: A confidential, time limited patent application that is unexamined, must first meet sufficient written description under patent law.

SBIR: The Small Business Innovation Research (SBIR) program is a United States Government program, coordinated by the Small Business Administration, in which 2.5 percent of the total extramural research budgets of all federal agencies with such budgets in excess of $100 million are reserved for contracts or grants to small businesses.

STTR: The Small Business Technology Transfer (STTR) program uses a similar approach to the SBIR program to expand public/private sector partnerships between small businesses and nonprofit U.S. research institutions and is currently funded at 0.3 percent of the relevant agencies’ extramural research budgets.
KU Innovation and Collaboration

kuic@ku.edu

Lawrence Campus
2029 Becker Drive, Suite 142
Lawrence, KS 66047
P: 785-864-6401

KU Medical Center Campus

Mailing Address: University of Kansas Medical Center Research Institute, Inc.
Attention: KUIC
3901 Rainbow Blvd.
Mailstop 1039
Kansas City, KS 66160

Physical Address: Bioscience & Technology Business Center
2008 West 39th Avenue
Room 2031
Kansas City, KS 66103

P: 913-588-5721
F: 913-588-8214