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THIS MONTH'S MEETING

TUESDAY,
FEBRUARY 12, 2008

WPI, WORCESTER
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NETWORKING: 5:30 – 6:30 P.M.
MEETING: 6:30 – 9:00 P.M.

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Start-Up Finances, Soup to Nuts

What's a start-up business worth? How can it find funding and then scale up operations? And once the business succeeds, how can an entrepreneur develop a viable exit strategy? Four experts will answer these questions at the February 12th meeting of the WPI Venture Forum.

Any entrepreneur in the start-up phase of their business or dreaming about their future will find valuable knowledge and contacts through the evening's presentations.

Alan Cody, Managing Director in the Boston office of Duff & Phelps, LLC, will address the topic of **valuation**. Part of the Financial Reporting Practice, Cody has more than 20 years of experience in business valuation, mergers and acquisitions, corporate financial strategy, transaction due diligence analysis, and technology commercialization planning and valuation in a wide and diverse field of industries. He holds an AB from Cornell University, SM in Management from MIT and is a CFA Charterholder.

Presenter John Hession will discuss start-up **funding**. Managing partner of the Boston office of Cooley Godward Kronish, he is a partner in the Venture Capital Financing and Emerging Companies practice groups and a member of their Business department. Attorney Hession represents emerging-growth companies, principally in the medical device, software, life sciences, telecommunications and electronic commerce fields, as well as angels and venture



Top row (from left) ALAN CODY, JOHN HESSION, below (from left) JEFF BENTLEY, GREG ERMAN.

capital funds in the investment process in these sectors.

He has participated in, structured and negotiated more than 200 venture and angel financings, 30 public offerings, more than 125 strategic alliances involving technology transfers, and over 150 acquisitions ranging in size from \$1 million to \$4.2 billion. Hession has won several awards during his twenty-five-year career in the legal profession. Voted by *Digital Industry* in May 2001 as "one of Boston's best VC

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LETTER FROM A COMMITTEE CHAIR

Experience the Circle of Life

A few years back, my child's favorite movie was Disney's "Lion King." It opens with a stirring sequence where animals come from near and far to celebrate the birth of the lion cub who will someday become their king, as the moving lyrics of the song "Circle of Life" play in the background.



It would be nice if the birth of every great idea was heralded with as much fanfare – think how easy it would be to launch your venture if your future employees, customers, and VCs beat a path to your door when you completed your business plan! Instead, most entrepreneurs must make their way along a path full of obstacles and difficult choices. The February 12th meeting of the WPI Venture Forum will examine the life cycle of a start-up, drawing on the experience of experts who will try to help you navigate your way from launch to exit. We hope you will join us.

Then, on February 27th, the WPI Venture Forum will continue a fine tradition by holding a networking event, in conjunction with Massachusetts Biomedical Initiatives, in their new space at Gateway Park. Worcester's Gateway Park redevelopment project is turning

a former industrial brownfield into an 11-acre, mixed-use, life sciences-based park. Housed in the project's first building, MBI's space includes modern laboratories and support facilities. This is an excellent opportunity to get a behind-the-scenes look at this new cutting-edge facility, while at the same time enjoying an excellent chance to network with

fellow members and guests. I extend a sincere thanks to Kevin O'Sullivan and MBI for yet again hosting us.

I look forward to seeing you at both of our February events.

Sincerely,

Patrick R. Jones, Esq.

Chair, WPI Venture Forum

Senior Legal Counsel, FMR Corp.

SAVE THE DATE!

Networking Event at Massachusetts Biomedical Initiatives

WPI Gateway Park
60 Prescott St., Worcester, Mass.

Wednesday Feb. 27 5:30 - 7:30 pm

Free Event – Refreshments & Tours

Registration required visit
www.wpiventureforum.org

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Patent Applications Can't Be Obvious

The US Supreme Court decision last fall in *KSR Int'l v. Teleflex Inc.* (KSR) made it easier for the US Patent & Trademark Office (USPTO) to reject patent applications for improved devices, compositions or processes, stating that "the results of ordinary innovation are not the subject of exclusive rights under the patent laws" (*KSR Int'l v. Teleflex Inc.*, 127 S. Ct. 1727, 82 USPQ2d 1385, 1400 (2007)). Future patent applications should be prepared to combat new obviousness rejections in the USPTO as well as in the courts.

An invention must be both novel and non-obvious to be protected by a US patent. An invention is novel if it is not the same as what is already described and disclosed in the prior art. An invention is non-obvious if the differences between the claimed invention as a whole and the prior art at the time the invention was made would not have made

the invention obvious to one of ordinary skill in the pertinent art.

In practice, meeting the novelty requirement is relatively simple: if no single piece of prior art, such as a patent or a technical publication, discloses each of the elements of the claimed invention, the innovation is novel. Obviousness rejections are based on the combined teachings of two or more prior art references. The Supreme Court's KSR decision held that a rigid requirement for an explicit suggestion or motivation to modify or combine the prior art references was erroneous.

A proper obviousness analysis determines the scope and content of the prior art, the differences between the claimed invention and the prior art, and the level of the ordinary skill in the pertinent art, before reaching a legal conclusion on obviousness. Other secondary

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by

ROGER P. ZIMMERMAN,
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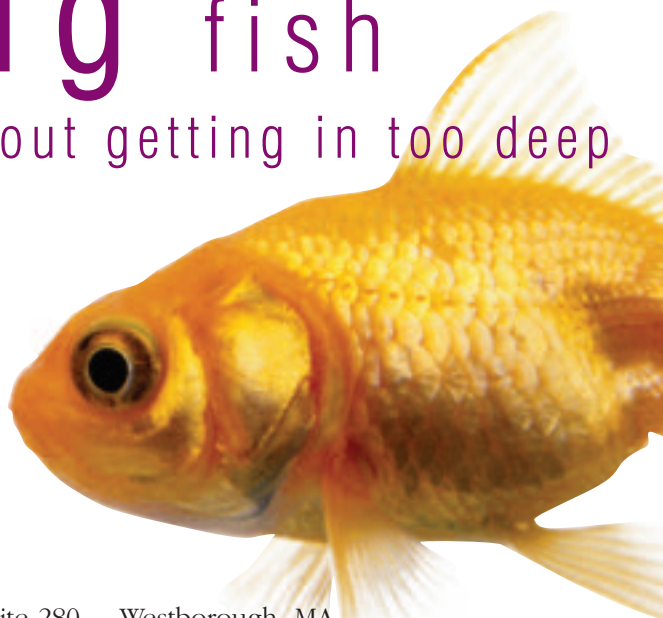
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A LOOK AT JANUARY'S MEETING

It's Not Easy



Audience members take advantage of the extended networking break.



Panelist Barry Horwitz responds to a comment from Recycline's John Lively as panelist Joseph Steig listens.

by

KERRI POLLARD SCHRAY, PHD



Keynote speaker Karina Funk addresses green technology investment issues.

For the first time in its history, the WPI Venture Forum presentations on January 8 focused on areas relating to green technology. The keynote address, spotlight on entrepreneurs and the case study each brought unique approaches and perspectives to “being green.”

Karina Funk, CFA, an equity research partner at Winslow Management Company, LLC, delivered the keynote address. Winslow Management, an asset management firm founded in 1983 that focuses on an environmentally responsible investment strategy, is a pioneer in green investment strategy, having a quarter-century of experience investing in clean energy, resource efficiency, and health and wellness. Funk gave an overview of the green market, describing activities in green investing from a historical and political perspective. Additionally, she presented some examples and thoughtful considerations when selecting green investment winners.

The first “green bubble,” promoted by the first solar collectors backed by the Carter administration in the 1970s, produced green companies that ultimately either failed or

generated losses. Although alternative energy sources found support during the oil crises, political and economic changes meant diminished interest in the sector. The success of “alternative” or “green” energy historically rises and falls with the price of oil. In 2001, when oil was at historic lows, it was difficult to find a dozen funds investing in green technology. The combined total of investments in that sphere was just under \$250 million.

Today, that number has soared. The market offers many profitable green companies with workable energy solutions. Investment levels reflect improvements in green technology and corporate successes. Dozens of investment companies have invested in green. In 2007, looking only at firms that have led at least ten green tech investments, total investment was more than \$1.5 billion.

Top performing sectors in environmental market investments in 2007 were solar, wind, biofuels, geothermal, and efficiency, Funk noted. While there is a real concern about climate change and the need for green-minded technology, much work is still needed to convert scientific predictions into

Being Green



Recycline's Director of Operations John Lively.

practical guidance with some financial success. When good policy interacts with technology innovation, however, costs go down and performance and efficiency improve, Funk said, citing sales of new energy-conscious refrigerators.

Ms. Funk left WPI Venture Forum audience members with tips and considerations for pursuing green investments. When selecting investments, look for these winning characteristics:

- demonstrated technology;
- high quality management team;
- annual growth rate approximating 20 percent;
- visible path to profitability; and
- an economical solution to today's environmental and/or wellness problems.

Funk also noted that near-term markets will not typically require a change in consumer behavior. When investing, she cautioned, keep in mind that such universal factors as supply and demand, pricing, trade relations, safety issues, politics and climate will continue to affect markets.

Case Presenter:

Recycline, Inc.

Recycline, Inc. was born out of two visions: a father's and son's dreams to create a redesigned toothbrush and a recyclable consumer products company. In 1997, their visions combined to create the PRESERVE® toothbrush. Today, Recycline has expanded its product line to about a dozen products for personal care, tableware, and kitchen/food storage.

As John Lively, Director of Operations for Recycline, Inc., explained in his presentation, Recycline's PRESERVE™ brand of recycled products are all made from 100 percent recycled plastic. The PRESERVE brand of recycled products provide practical, everyday goods using innovative, well-designed items made with green materials and packaging. Not only are the products made from recycled plastics, they are also recyclable themselves. Recycline sponsors a take-back program to return and recycle personal care products.

The company has established strategic partnerships for material sourcing, innovation, and product design, as well as marketing and co-promotion. Recycline's partners are leaders in their respective fields, and all share a concern for eco-friendly designs and products. The company's vision is to build the PRESERVE brand to be a top three green brand, and continue to expand the PRESERVE product line to bring products to every room in the consumer's home. Through their vision, Recycline hopes to lead a cultural shift, demonstrating that being green can be financially successful.

Lively came to the WPI Venture Forum seeking advice on marketing and branding issues: leveraging their first-to-market success in the face of competition from larger brands,

CONTINUED ON PAGE 7

WPI VENTURE FORUM 2008 CALENDAR OF EVENTS

February 12	Valuation, Funding, Scaling Up and Exit
February 27	Networking Event, Gateway Park Massachusetts Biomedical Initiatives
March 11	Traditional Manufacturing is High Tech Today
April 8	Marketing a High Tech Enterprise
April 17	Networking Event, Worcester Art Museum
May 13	Profits Come from People
June 10	The Five-Minute Pitch Contest

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Start-Up Finances, Soup to Nuts

CONTINUED FROM FRONT PAGE

lawyers,” and by *Boston Magazine* in October 2002 as “one of Boston’s best start-up company lawyers,” he has been nominated for the last four years by *Boston Magazine* as a “Super Lawyer” and one of the Top 100 Lawyers in Massachusetts.

Scaling up will be the subject for Jeff Bentley, CEO, CellTech Power LLC. Bentley is responsible for company management, business development and strategic relationships. He has more than 15 years of leadership experience in the fuel cell industry and 30 years of experience in the development of military and high technology products.

For 10 years, Bentley was a vice president and energy consultant for Arthur D. Little,

(now TIAX). His functional experience includes military and computer product engineering, technical sales, marketing and business development and general management. He has a BSME and MSME from the Massachusetts Institute of Technology.

Making a profitable exit will be covered by Greg Erman, a serial entrepreneur focused on commercializing technology to decentralize the delivery of healthcare. Most recently President and CEO of Renalworks Medical Corporation, Erman sold that company to Fresenius Medical Care, the leading company in its industry. Renalworks — a venture-backed firm spun-out of MGH, MIT, and

Draper Laboratories — developed an implantable medical device for the treatment of patients with chronic kidney or cardiovascular diseases.

He previously worked with Partners HealthCare on the commercialization of new medical device technologies, driving the development of many life-saving technologies including ambulatory ECG monitors and ultrasound brain cancer treatments. Earlier, Erman founded and was President and CEO of MarketSoft Corporation, an enterprise software company, for six years. He raised \$70 million in venture capital and led the firm to a prominent position in the marketing automation category. ✓

BUSINESS PLAN COMPETITIONS

GROWING NORTH OF BOSTON? ENTER THIS CONTEST

In a regional effort to attract growth-oriented new businesses, start-ups and emerging businesses located in the north of Boston or Merrimack Valley region may enter a business plan competition, with a three-page plan overview and entry forms submitted by **February 22**. Full business plans are due March 28, and semi-finalists will be announced April 16. After an interview process, the finalists will be selected April 29. The first place award is \$10,000, second place is \$6,000 and third place wins \$4,000. The public presentation of the awards will be held at Salem State College.

For more information and eligibility requirements, visit www.enterprisectr.org/bpc/home18.html. ✓

Tune in to the WPI Venture Forum Radio Show Saturdays from 5 to 7 p.m. on



Call 508.755.0058 to participate

CLEAN AND GREEN? COMPETE FOR \$200K+

The Ignite Clean Energy Competition has just fired up for 2008. There’s still time to sign up to compete or volunteer. Sponsored by the MIT Enterprise Forum’s Energy Special Interest Group, the Ignite Clean Energy (ICE) Competition began in 2004 to stimulate the growing clean energy industry. It provides start-up clean energy companies and entrepreneurs with the opportunities and resources to develop business skills, network with industry professionals and potentially attract potential investors. This year’s competition, in conjunction with the MIT business plan competition, has a cash grand prize of \$200,000, with other prizes totaling another \$200,000.

Visit www.ignitecleanenergy.com to find out more about ICE and upcoming events. Teams must be registered through the website by 5 p.m. **February 15** to be considered competitors in ICE 2008. For further questions, contact Kimberly Onsager at konsager@mit.edu or 617-253-2971. ✓

Spotlight on Entrepreneurs

HELIOS CLIMATE SYSTEMS LLC

Don Bonelli, Founder

Product: Hydronic fireplace systems for use in US and Canada markets. Utilizes heat exchanger to produce hot water and heat for distribution throughout the home through existing in-home fireplaces, reducing heating costs as much as 30 percent. Targeting new home construction. Exclusive agreement with European company in this business since 1968.

Seeking: \$450,000 for modification and certification of systems for use in US and Canada.

Phone: 978-394-1942

Email: helios.dbonelli@mac.com

EM-TECH, LLC

Paul Czubarow, PhD, Founder

Product: Flexible, large thermoelectric generator system developed to convert waste automotive heat into electricity; can be wrapped around tailpipe. Market size \$1.5 billion. Unique technology based on precursor, IP advantage.

Seeking: \$500,000- \$750,000 to develop prototype.

Phone: 781-237-3415

Email: paul.emtech@hotmail.com, czubarow@alum.mit.edu

Patent Applications Can't Be Obvious

CONTINUED FROM PAGE 3

considerations, such as commercial success, long felt but unsolved needs, failure of others and unexpected results may be used to evaluate the circumstances of the invention.

Under new USPTO guidelines, a patent application could be rejected for obviousness if:

- a) prior art elements are combined according to known methods to yield predictable results;
- b) simple substitution of one known element for another produces predictable results;
- c) a known technique is used to improve similar devices (methods, or products) in the same way;

- d) a known technique is applied to a known device (method, or product) ready for improvement to yield predictable results;
- e) the invention chooses from a finite number of identified, predictable solutions, with a reasonable expectation of success;
- f) known work in one field may prompt variations of it predictable to one of ordinary skill in the art of it for use in either the same field or another based on design incentives or other market forces; or
- g) some teaching, suggestion, or motivation in the prior art would have led one of

ordinary skill to modify or combine prior art teachings to arrive at the claimed invention.

Patent applications should ideally provide unexpected results for combating obviousness rejections, and should be prepared with the KSR decision and the USPTO guidelines in mind.

Roger Zimmerman, one of the registered patent attorneys in the Intellectual Property group at Mirick O'Connell DeMallie & Lougee LLP, can be reached by email at rpzimmerman@modl.com. ✓

It's Not Easy Being Green

CONTINUED FROM PAGE 5

and managing the organization's commitment to meet environmental and social goals in the face of company growth.

Panelist Barry Horwitz, founder of Horwitz & Company management consultants, found very promising Recycline's product lines and their mass market entry. Although Recycline has established itself among specialty natural food store leaders, that natural specialty category remains small relative to the entire market potential. The company's recent entry into some of the larger mass market players is very encouraging, he said.

He cautioned, however, that now is the time to establish Recycline and PRESERVE brand products as *the* brand for their products in order to prevent being eclipsed by larger players who might find it easy to launch a similar product more cheaply. The company should focus on what sources of protection the company, product or technology has that will provide barriers to entry from larger players, for example, intellectual property protection, exclusive relationships with design

and/or manufacturing partners, and leveraging strategic partner relationships (such as with Stonyfield and Tom's of Maine), and further strengthen the brand.

Recycline may also want to consider alternative partnerships, such as co-branding, which could reduce costs through potential economies of scale.

Panelist Joseph Steig, a CFO and advisor to business and non-profit entrepreneurs, was also encouraged by the company's product, technology and creative approach, though he recommended Recycline clarify its branding strategy. It will be critical to tie the brand into the story of the product to establish a strong brand, rather than selling multiple products and product lines, he said. In addition, Recycline should consider the brand's generational appeal and tailor it to a particular market. The company should analyze whether



Co-moderator Andrew Goloboy, CPA

current and proposed strategic partnerships can be leveraged to strengthen the brand.

Both panelists cautioned the consumer product business is challenging for investors and new companies, and reiterated that Recycline's success will be in clarifying its branding strategy, and establishing

that Recycline can execute that strategy, acknowledging existing barriers to entry. Finally, both panelists agreed that a "green" or "recycled" standard (similar to the "Organic" seal) would be a useful tie-in to an effective branding campaign. Recycline should consider involvement toward initiating or establishing a standard consumer-recognizable label, mark or stamp for both its products and packaging.

Kerri Pollard Schray, PhD, is an intellectual property attorney with Mirick, O'Connell, DeMallie & Lougee, LLP in Westborough. She can be reached at kpschray@modl.com or at 508-898-1501. ✓



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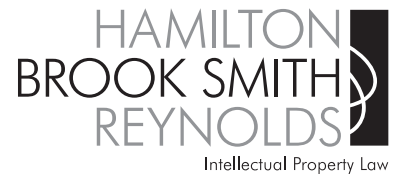
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