

Dartmouth Entrepreneurial Network

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Your First Licensing Deal: The Ins and Outs of Licensing Agreements

by Billie Munro Audia, Zermatt Legal Group



After 22 months of perfecting your product, minimal income and pounding the pavement, Big Company AZTEC is interested in licensing your product. They confirm by email that they will *“handle manufacturing, marketing, and distribution and pay a sales royalty if you sign the AZTEC standard licensing agreement.”*

Is this your big break? All you need to do is sign their license, sit back and collect royalty checks, correct? The reality will depend largely on what kind of company Aztec really is, the terms of the licensing agreement, and, of course, on AZTEC (and your) execution.

This article is the first in a two-part series on licensing agreements, written to help you decipher licensing terminology and recognize a few of the “red flags” common in big company licensing agreements.

The License Grant Provision

The license grant provision is one of the most critical in any licensing agreement and it is commonly called the “Grant of Rights” or “Licensed Rights”. This provision specifies the rights, which you (the licensor) are granting to the licensee concerning your product. It generally includes a list of what the licensee may (and may not) do with the product, for how long and in what geographic location(s). The scope of the license grant may be as broad or as narrow as the parties determine.

Red Flag Tip: The following terms are license grant red flags: perpetual, exclusive, irrevocable, and global.

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Perpetual means always and forever, oftentimes including after the agreement terminates, which is a long time to be tied to a new business partner. A better business strategy may be to strike "perpetual" and opt for time bound licensing periods with incentives to extend the term (e.g., "if licensee achieves XYZ milestones within ABC timeframe, the license will be extended for an additional two-year term"). This allows you to see how AZTEC performs against an objective metric before you commit to them for the long-term.

Exclusive means AZTEC will be your one and only licensee, so you may not license the product to others even if AZTEC sits on it for a decade. In addition, some exclusivity provisions may prohibit the licensor (you) from distributing or selling the product. While this may work for your business model if you charge an appropriate, up-front premium fee, in most cases it is best to either strike "exclusive" from the grant language or time bound the exclusivity period.

Irrevocable means that whatever AZTEC does, you may not revoke their license to manufacture or sell the product. For example, this could prove to be damaging to your product's reputation if they are manufacturing it carelessly and it also leaves you little leverage to force them to change. It is generally best to strike "irrevocable" from the license grant.

Global means all territorial locations. While this may be fine in certain circumstances, if this is your first deal with a particular licensee, a more strategic business approach may be to first see how they do with North America rights and then consider extending the license to other territories.

IP-related terms in the License Grant. The language used in the license grant provision should "match" the type of intellectual property (IP) you are licensing. License grant language specific to patent-protected products usually includes the right to "make", "use" and/or "sell". For example, if you are licensing rights to a patented pharmaceutical, you would license the right to manufacture and sell a product that uses your patented pharmaceutical to a drug company. License grant language specific to copyright-protected works usually includes the right to "reproduce, transmit, distribute and prepare derivative works." For example, if you are licensing your source code to a software company, you may license the right to reproduce and distribute your code embedded in their software. These rights

may be carved up geographically as well. So if you are licensing rights to reproduce and transmit your company's catalog of music videos, you could license the UK rights to Kensington On-Demand Portal and the North America rights to Hanover Cable.

Red Flag Tip: Watch out for license grant language that allows the licensee to "make improvements to" or "create derivatives of" the licensed product. If such an arrangement works for your business model, then it is advisable to include a broad, royalty-free, "grant back" provision, which will allow you to use, manufacture and sell the licensee-made improvements or derivatives at no cost.

Excluded Rights. In addition to specifying what the licensee may do, the license grant may also describe which rights are excluded. This may be done with a catch-all provision (e.g., "AZTEC may only exploit the rights specified herein") or with narrow exclusionary language (e.g., "AZTEC may not distribute the product in Japan"). Together with your business lawyer, consider what is best for your business, keeping in mind any rights you may have already licensed to others and those you want to retain.

Retained Rights. The license grant may also state which rights the licensor retains. In most cases, the licensor will want to keep some rights to the product, including ownership of the IP. So you may want to consider including language similar to: "licensor is and shall remain the sole and exclusive owner of all intellectual property rights to the product."

Red Flag Tip: License grant language that "transfers" or "assigns" IP to the licensee essentially creates what is tantamount to the licensee owning your IP. So watch out for language that transfers or assigns the IP to the licensee and consider striking it from the license grant.

Hopefully this overview of licensing grant language and related red flags will be helpful when you negotiate your first licensing agreement with Big Company. The second article in this series will guide you through additional licensing terms, such as marketing and royalties. Please do not consider the content of this article as legal advice and always consult with legal counsel before signing any agreements.

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DEN^{AND} THE CITY



Spring Update

■ Boston



■ Potomac



■ Seattle



■ New York



■ DEN Boston by Meagan Nichols T'06

DEN Boston hosted its third marquee event “The Story of a Repeat Web Entrepreneur: An Evening with Steve Hafner D'91, Co-Founder of Orbitz & Kayak” under the leadership of Jason Gracilieri D'99, TH'99, TH'00 and Matt Nichols T'06 on April 30th at the Charles Hotel in Cambridge, MA. On July 30th, the group is planning an Entrepreneur Showcase and networking event. Alumni interested in presenting should see our website for business plan submission requirements and contact the DEN Boston Steering Committee at startup@denboston.org. For more information on DEN Boston and to sign-up to receive emails from us, please visit www.denboston.org.

■ DEN Potomac by Katya Kovalskaia TH'02

On June 26th the DEN Potomac presents “From Employee to Employer”—an evening of networking for entrepreneurs, VC/PE professionals, and professional service providers with special guest Wayne Bardsley D'70, Founder and President of Government Scientific Source, Inc. This event kicks off a series of events featuring successful Dartmouth alums sharing their stories and how they launched their businesses regionally. It all begins at 6:30 pm and will be followed by plenty of networking at 8:00 pm. Logistics are as follows: June 26th, 6:30 pm, Tragara Ristorante, 4935 Cordell Avenue, Bethesda, MD 20814, 301.951.4935, www.tragara.com. Please RSVP to Katya Kovalskaia TH'02 at katyaakh@hotmail.com. We hope to see you there!

■ DEN Seattle by Dave Cohen D'02

DEN Seattle is well underway. On December 5, Madrona Venture Group offered a meeting space for what was a standing-room-only first organizational meeting. Thanks to Gregg Fairbrothers D'76 for flying out to Seattle to help get the Northwest off on the right foot.

The first official DEN Seattle event was a great success, thanks to the coordination and generosity of a handful of alumni in the Seattle area. On May 1st, roughly 50 Dartmouth alumni gathered at the Swedish Club overlooking Lake Union. Matt McIlwain D'87 moderated a candid panel of four current and former Amazon executives and Dartmouth alumni who took the room through a journey of Amazon's early years. Bill Price D'71, Steve Kessel D'87, Jeff Blackburn D'91, and Christopher Payne D'90 all generously revealed valuable successes and failures of not only Amazon, but other start-ups they have played key roles in. They shared how Amazon has continued to innovate and grow so rapidly (and profitably since 2002) and lessons learned for any entrepreneurial venture.



DEN Seattle held an informal networking event for the Big Green on Wednesday, June 18th on the patio at Nectar Lounge in the Fremont area of Seattle. The next Big Green event is in the works and will take place in the fall. With such a rich history of successful start-ups emerging from the Puget Sound area, DEN Seattle has a wealth of entrepreneurial pursuits to choose from. This long record of successful Northwest companies include: Costco, Nordstrom, Starbucks, Amazon, Boeing, and Microsoft. DEN Seattle is sure to play a key role in the next big Northwest idea.

DEN^{AND}THE CITY

Spring Update

■ Boston



■ Potomac



■ Seattle



■ New York



DEN New York by Keith White D'82

On May 28 alumni in the metropolitan New York entrepreneur space gathered to further their skill sets through analytical exercises and a pitch competition. Participants included seasoned entrepreneurs, tax accountants, attorneys, and leaders in the private equity and venture capital fields. During the evening Dartmouth alumni entrepreneurs had opportunities to pitch their ideas to potential investors, to network, and to identify opportunities to leverage resources. Successful entrepreneurs like Alejandro Crawford T'03 (Nolej.com) were in attendance, both networking and mentoring others. Herman



Group leader Jim Cornehlson D'64 working with his group of Dartmouth and Tuck alumni

Mazzard and Andrew Asnes, both D'87s won the pitch competition. Keith White D'82 kicked off the evening by describing the DEN NY effort, by explaining how this workshop fits into the overall NY program for entrepreneurs, and by introducing the group leaders. Group leaders included

Evan Azriliant D'87, Roger Baumberger D'61, Rebecca Bishop D'95, and Jim Cornehlson D'64. The workshop was led by Charles Allison D'78, Principal, Vision Consulting Associates (www.visionconsultingassociates.com/). Vision Consulting has assisted more than 60 ventures, partnerships, corporations, public and non-profit organizations in understanding, planning, and achieving their business objectives. As an entrepreneur Charles is Co-CEO of Interstate Biofuels, a project development company that is building four biodiesel production facilities in the Northeastern and Central Atlantic U.S. and consulting on various global biodiesel initiatives through a program called Poverty Reduction through Agriculture and Renewable Energy (PRARE).



Charles Allison D'78 led the DEN NYC workshop on May 28th at the Yale Club.

On June 14 alumni entrepreneurs and others attended a workshop focused on "Advancing Your Career During Difficult Times." Since mid-2007, there have been significant layoffs in the New York metropolitan area. Unfortunately, the pace of layoffs for the rest of 2008 will probably accelerate, especially in financial services, real estate, and the law. The workshop will address several questions: Is the job market hopeless? Can the entrepreneurship path offer credible alternatives under current market conditions? How can people manage their careers during difficult times? How can Dartmouth alumni exploit opportunities during this recession? How can you differentiate yourself from everyone else during a downturn? The workshop was led by Paul Bernard, an executive coach, career management consultant, and successful entrepreneur.

Alejandro Crawford T'03, has spearheaded an effort to develop a symposium role of the new agency. A new crop of creative agencies have emerged, poised to build lasting connections between brands and consumers and fully exploit the possibilities of Internet communications. The proliferation of digital platforms such as Vimeo, Flickr, Youtube, Creative Commons, etc., have empowered new media producers to build audiences and distribute their work across wide networks without the traditional role of creative agencies. This event, tentatively scheduled for October 2008, will focus on how these new platforms are challenging advertising agencies to evolve and develop new strategies for harnessing creative talent. Alejandro is a successful entrepreneur, founder of the new agency Nolej, and has spoken frequently at Tuck. Nolej Studios is a full-service creative agency that builds meaningful connections between brands and consumers. Nolej consistently harnesses the full potential of digital tools to deliver effective media campaigns. Check out their website at www.nolej.com.

Introduction to Entrepreneurship Class and Tuck First-Year Project Update

Well Rounded Nutrition

From the Classroom, To the Kitchen, To Tuck's Dining Hall, and Beyond

by Paul Schned T'09 and Dan Katz T'09

Continuing the project that was started in Professor Gregg Fairbrothers' D'76 *Introduction to Entrepreneurship* class last winter, T'09 Daniel Katz and T'09 Paul Schned teamed up with four other classmates (T'09 Sarah Albert, T'09 Natalia Berry, T'09 Jenn Blazejewski, and T'09 Brad Regier) to develop a business plan for their First-Year Project for Efficient Nutrition LLC, a platform company that aims to create and bring to market food products that combine well-rounded nutrition with ease of preparation. In May, the team incorporated Efficient Nutrition LLC in Vermont to launch their first product, Fruit Oat Nut Squares ("FONS") into the market. FONS addresses a void that the students identified in the convenient nutrition breakfast niche: a superior breakfast (or snack) option for the health-conscious, one-the-go consumer.

The company and concept "Efficient Nutrition" originated from a product that was created to meet the needs of Dan Katz when he was an investment banking analyst in New York. Straight out of college and not accustomed to the extensive hours of investment banking, Dan found himself with no time to consider healthy food alternatives, grabbing whatever was around when he had a chance. Dan's father developed a product for his son that provided everything a person needs for breakfast with an innovative design and great taste. The new creation was a 3" by 3" square muffin and was dubbed FONS. The solution was so perfect that Dan has eaten one nearly every weekday for the past six years.

FONS is high in protein, fiber, and omega-3 fats, has zero trans fats, and rates low on the glycemic index. FONS' ingredients are all-natural and is designed to satiate one's appetite for an entire morning. One of the struggles that the team has dealt with over the past few months is maintaining the company's goal of excluding preservatives from the ingredient list, yet creating a long-term shelf-stable product. The have been working with food

scientists to figure out the most effective way to keep the product fresh. The team has a number of other product ideas that they plan to launch under the Efficient Nutrition umbrella that will stay true to their mission of delivering the best-value food option to the health-conscious consumer.

Over the course of the project, the team received attention from the local newspaper, *The Valley News*. A business reporter decided to follow the team's progress throughout its development stages and has to-date written two articles. The first-year team also generated a buzz within the Tuck community when it decided to test out the viability of FONS within the Byrne Cafeteria dining hall during a two week test launch in the Spring term. Sales, consumer feedback, and commentary from focus groups all confirmed a successful product. Nearly 500 were sold over eight days at \$2.50 per FONS. In an aftermarket survey, the team determined that 60% of purchases were made

by repeat customers and survey respondents ranked FONS' convenience and nutritional benefits ahead of all of the nine major breakfast categories. The team believes that the successful test launch and positive customer reviews should translate into a strong demand for FONS in the food service and retail markets.

The first-year team concluded the semester by presenting their business plan to a group of food industry operators and potential investors. Efficient Nutrition does not currently have any funding needs, but believes they will need an investment in working capital, marketing, employees, and some capital expenditures (despite outsourcing all manufacturing and packaging) to appropriately roll-out their planned regional and national

product launches. In the meantime, the six-person team is on hiatus over the summer pursuing other career paths and will determine over the coming two months whether they plan to pursue this project further next academic year.



Undergraduates Compete in The Big Green Business Plan Competition

Hosted by the Club of Dartmouth Entrepreneurs (CODE)

by Sander Duncan D'09, CODE President

"I have been judging CODE's business-plan competition for several years now, and each year, somehow, the presentations get better and better." This was the conclusion of panelist Bill Martin D'87 following the outstanding series of business pitches at this spring's Big Green Business Plan Competition, hosted by the Dartmouth Club of Entrepreneurs (CODE).

The Competition aims to spark undergraduate involvement in real aspects of entrepreneurship by having student teams submit executive summaries of their novel businesses. CODE chooses three finalists from this pool of summaries. The finalists are given 20 minutes to pitch their business or product to a panel of local venture capitalists, which this year included Bill Martin D'87, Tuck School; Phil Ferneau D'84, T'96, Borealis Ventures; and Corrie Martin D'90, Farnum Hill Ciders & Poverty Lane Orchards. The winning team received \$3,000 to support its entrepreneurial vision.

This year's pitches began with a team presenting NextFour, a website seeking to link high school students to college students (see description to the right). One of the founders, Michael Lewis D'11, is just one example from the Competition of the depth of experience evident in these entrepreneurial undergraduates. As a senior in high school, Lewis founded LetsCram.com, a social network to help students study for exams which is currently one of the top 40,000 websites on the Internet.

Another finalist was Robustas, Inc., headed by Colin Treseler D'09, which is developing an innovative system of sensors to provide exercisers with real-time feedback on their workouts in the gym (see description to the right). Treseler, a Computer Science major, is leading an extensive team of engineers and programmers to develop two models of the pioneering sensors and looks forward to developing partnerships with local gyms interested in Robustas' service.

Impressively, these two compelling and original ideas fell to a third, Todos Events, which ultimately won the panel's support and took home CODE's \$3,000 cash prize. Todos Events, founded by Jason Laster D'11 and Jack Liu D'11, creates a social network centered around an interactive event calendar that "connects every student, organization, and department with the events that matter to them." Panelist Phil Ferneau was impressed by Todos Events' well-executed presentation, noting the team had "really done their homework" to address pertinent aspects of their start-up.

CODE wishes Todos Events, along with Robustas and NextFour, the best of luck in the very near future in realizing their entrepreneurial visions. Better keep an eye on all of these guys.



NextFour.com

Robustas

Todos Events



Todos Events.com™

Everything you want to do

Snapshot

Todos Events is a community calendar of events that connects students and organizations with the events that matter to them. This community model creates a dedicated market of frequent users and reinforces growth across other campuses. As Todos grows it will connect students and clubs across colleges. The high-school and college market alone is a 4 billion dollar industry, and there are an unlimited number of other options.

ROBUSTAS



Snapshot

Robustas is a solutions and online services company for health clubs and athletic groups. We provide workout tracking solutions, electronic logs, and real time athletic feedback for health clubs and their patrons. Through outfitting workout equipment with wireless sensors, we analyze and record patron specific movements that give real time feedback as well as a permanent workout log that is accessed online by the patron.

TheNextFour.com

Snapshot

A social networking website which serves to link high school students to college students, that will offer them advice and information about applying to college. A high school student will pay a modest fee to be connected to a college student who will be helpful in mentoring the student through the steps of applying to college. The social aspect of the site will allow high school students to connect with college students with similar interests to them (sports, hometown etc.).

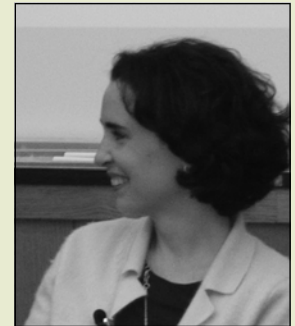
CODE would like to acknowledge and thank its alumni sponsor: Michael Gonnerman D'65. Thanks Mike!

Spring Founders' Forum

Start-ups and Family—Can you Do Both?

According to Wikipedia, an “entrepreneur” is a person who has possession over a new enterprise or venture and assumes full accountability for the inherent risks and the outcome. So, how do entrepreneurs successfully start and run businesses, assume the associated risks, reap the financial and personal rewards without damaging their family values and life priorities?

On April 7th at Tuck School, Jaimee and Tim Healy D’91, T’02 of EnerNOC and Jason D’90 and Lisa D’90 Kable of The Artemis Woman talked candidly and fielded questions about running a company, having kids, carving out time for your spouse, managing a home, working from a home office (tip: you need a door), how to outsource and when, understanding your DNA, setting expectations, and the flexibility that is needed from day one. Tim, Jaimee, Lisa, and Jason gave the audience an inside look at how they think about and approach their families and businesses on a day-to-day basis. It’s a journey that’s a roller coaster ride. You get on, you strap in, and you experience a lot of ups and downs, twists and turns, and it’s okay that you don’t do it all perfectly.” Lisa said.



Lisa Kable D’90
Co-Founder and Managing Partner, Artemis Woman



Tim Healy D’91, T’02
Co-Founder and CEO,
EnerNOC

Founders’ Forums are sponsored by the Portman Entrepreneurial Leadership Fund and are brought to you by the DEN, the Tuck Center for Private Equity and Entrepreneurship, the Club of Dartmouth Entrepreneurs (CODE), and the Tuck Student Entrepreneurship Club. To learn more about Founders’ Forums, please visit www.den.dartmouth.edu/news.

<p>“My entrepreneurial goals included creating a job to support a family life in the Upper Valley.</p>	<p>“With 3 kids running around, home is like a start-up environment—it’s happening at my house every night. I like it!”</p>	<p>“We’re building a culture that allows families, moms, and dads to accomplish what they need to at work and at home.”</p>	<p>“The start-up world is unpredictable, but it’s creative, rewarding, and it gives you more control.”</p>
<p>“At the dinner table you talk about hockey games, soccer practice, and the business.”</p>	<p>“Every day is triage, work, family, and home.”</p>	<p>“It’s important to know your DNA.”</p>	



Lisa Kable D’90



Jason Kable D’90



Jaimee Healy



Tim Healy D’91, T’02

From Taco Tuesday, To the Classroom, To the Business Plan

- Our Story -

by Mike Adair T'09



We are a natural food company named Red's All Natural and our first products are BURRITOS! The company has evolved from many ideas and research into one great idea positioned in a large and growing market. Business school is the platform where we are launching this venture. There are tremendous resources and support at Tuck that we hope to leverage in helping us grow.

Our product and our story evolved in an unusual yet interesting way. I discovered through many years of living alone that there is a tremendous need in the food market for healthy, convenient, tasty, fun products. I lived by myself or with roommates for more than ten years before I got married. I traveled much of the time and when I was home I never felt like going to the grocery store and cooking a meal for myself! I hated filling up my fridge with perishable foods only to have them go bad within a few days.

I am very active in sports and outdoor activities and am always looking for a good source of energy. All I wanted was something that I could quickly microwave or pop in the oven that would fill me up, taste good, but also be healthy. I would love to be able to come out of a grocery store and be able fill my freezer with lots of great tasty meals that are filling and high quality.

I spent countless hours opening and closing fridge and freezer doors seeking for the answer to my problems. For many years I was looking for an answer to my problem. . .

This need, combined with an unbelievable wife as a cooking inspiration, is why we have started Red's All Natural. Eventually during my early days of business school during our infamous "Taco Tuesday" night ritual, it all came together. As I sat there with my wife Paige, I thought why can't we take this family recipe and make it available for everyone to enjoy?

Eight months later we have made a lot of progress. We have improved and evolved the product through lots of feedback and research to make it more marketable.

We have developed a logo, a marketing strategy, and we are in the process of developing a sustainable

and exciting business distributing our burritos throughout every grocery store in the country!

I am spending my summer internship between my first- and second-year at Tuck working on Red's All Natural. If you have any questions or comments, feel free to contact me at mike@redsallnatural.com or my cell is 206.999.9475.

Eventually during my early days of business school, during our infamous "Taco Tuesday" night ritual, it all came together.

People

~ **Tony Florence D'92, T'97** joined New Enterprise Associates in April 2008. At NEA, Tony will play a key role in the firm's growth-stage information technology investing activities out of their Chevy Chase offices.



Prior to NEA, Tony was a managing director at Morgan Stanley, where he had worked for more than 15 years.

He was Head of East Coast Technology Banking, and was a member of the North American Management Committee for Investment Banking.

~ **Gregg Rubin D'08** will join Polaris Venture Partners this summer as an associate in their Boston office after receiving his BA from the Big Green earlier this month. At Polaris,

Gregg will focus primarily on later stage growth equity investments and buyout opportunities across all industries.



At Dartmouth, Gregg was a double major in Economics and Asian and Middle Eastern Languages and Literatures in Chinese and Hebrew where he received Citations of Excellence in Chinese language courses and was awarded the Pray Prize for Excellence in Modern Chinese Language Scholarship.

~ **Gerry Peters D'81** recently joined the law firm of Sheehan Phinney Bass + Green in Manchester, NH where Gerry will work as patent agent representing inventors in patent matters before the U.S. Patent and Trademark Office. Prior to joining SPhB+G, Gerry was at the Dartmouth Regional Technology Center (DRTC) in Lebanon, NH, where he took advantage of some of DEN's resources available to Dartmouth alumni, including auditing the Introduction to Entrepreneurship course last winter. Gerry may have occasion to use his Japanese-language fluency as he perfects his patent skills under the tutelage of experienced patent attorney Peter Nieves, who is a frequent guest lecturer in the Introduction to Entrepreneurship course at Tuck School.



~ **Meagan Nichols T'06** recently joined Cambridge Associates as a private equity consultant. At Cambridge, Meagan is responsible for advising foundations, endowments, and private families on investments in global private equity, including buyouts, venture capital, private real estate, oil and gas, and other private real

CAMBRIDGE ASSOCIATES LLC

assets. Cambridge Associates is a global investment consulting firm dedicated to providing institutional investors with proactive, unbiased advice grounded in intensive and independent research. Previously, Meagan was at Morgan Stanley, Goldman Sachs, and at a Silicon Valley start-up called myCFO where she ran the firm's trading and custody groups as well as built the firm's venture capital monitoring business. Meagan currently sits on the board of DEN Boston and on the Boston Steering Committee for The Women's Association of Venture and Equity ("WAVE").

~ **Shawn Card T'05** recently founded Palatine Capital, a search fund based in the Washington, DC created to identify, acquire, and add value to privately held service, distribution and light manufacturing businesses in the lower and middle markets. Palatine actively seeks profitable companies with



recurring revenues of between \$5-30 million, positive and stable cash flows, solid mid-management teams and sustainable competitive positions in growing industries. Palatine fosters a culture of collaboration, responsibility, and execution. Moreover, Palatine provides a unique option for business owners looking to obtain liquidity from their companies on flexible terms. Shawn is currently seeking to increase the investor base and pipeline of deal flow for the firm. At Palatine, Shawn leads the firm's acquisition and sourcing activities. Prior to founding Palatine, Shawn was at Allied Capital and PricewaterhouseCoopers.

DEN Spotlight



In 2006, Christine (Shaw) Naylor D'94 co-founded a premium organic baby food company, Petite Palate. After Dartmouth, Christine followed her passion for the culinary arts all the way to San Francisco and attended the California Culinary Academy. "I was always intrigued by the power of food on the health of the human body. San Francisco was the perfect place for me, as it was the heartbeat of the organic movement."

After receiving her Culinary Arts degree from the Academy in 1999, Christine settled on the East Coast and started a family. Finding quickly that her first child, raised on jarred baby food, pasta, and other "beige" foods had become a picky eater, Christine started to change her outlook on feeding infants. Learning from her experiences as both a chef and a mom, Christine only fed her second child her own homemade baby food comprised of the best organic ingredients she could find and she made sure to serve him foods the whole family eats. "I fed him lamb at 7 months!" She said.

Christine knew she was onto something when friends started asking her to make some for their babies, but it took an old friend and Cordon

Bleu graduate, Lisa Beels, who had the very same idea and motivation to turn their recipes into a start-up company.

After realizing there were little alternatives to bland, jarred, processed baby foods on the market, Christine and Lisa saw an opportunity for a gourmet baby food alternative that was flash-frozen (retaining all of the nutrients and flavors) and Petite Palate was born.



Co-founders and their little inspirations. From left: Christine Naylor, Henry Naylor, Dane Beels, and Lisa Beels.

With two culinary degrees under their belts, Christine and Lisa selected and perfected their first six flavors and launched in March 2008. The response has been "amazing and immediate" and the company is looking forward to a national launch in 2009.



“Petite Palate started out as a great idea between two moms. . . .”

“It took two years of focus groups and research to come up with the flavors and packaging,” Naylor says. Petite Palate is packaged in beautifully designed, brightly colored 4 oz. paper cups with a freezer friendly shape. They are organic with no added sugar.

Through the launch process, Christine and Lisa contacted the DEN and from there a mentor in Lisa Kable D’90, co-founder of Artemis Woman. “Lisa has incredible knowledge of how to make a start-up successful,” Christine says “and most importantly, she’s ‘been there’ and has made us feel we have a friend in the rollercoaster world of entrepreneurship.”

“Our advisory board has been a very important part of our growth process. When we start to steer off the road, they gently put us right back on,” Naylor says of their hand picked advisory board consisting of food industry experts, lawyers, and marketing professionals.

“The constant pressure to raise capital is something every start-up bumps into and you just find ways to fit it in,” says Christine. The company is in its third angel investment round.

Petite Palate can currently be found in over 20 high-end retail locations in New York and Connecticut; including Zabar’s, Grace’s Marketplace, Jubilee Market, Whole Foods

[NYC], Rowayton Market [Rowayton, CT], Palmer’s Market [Darien, CT], and the end of Summer 2008 will reach consumers nationwide via Amazon.com’s grocery site, AmazonGrocery.

“Petite Palate started out as a great idea between two moms. Watching it blossom and grow has been an incredible experience. Not unlike having a baby!” Christine said.

To learn more about Petite Palate, please visit www.petitepalate.com.



Petite Palate’s Premier Line:
Spinach Potato Puree, Puree of Garnet Yams, Lentil Trio, Banana Peach Blend, Split Pea Stew, and Apple Pear Blend.



Dartmouth
Entrepreneurial
Network

Young Alumni
Update



Brett Martin D'04 is a Fulbright Scholar studying strategic measurement at the Università Bocconi in Milan.

Brett is currently interviewing VCs and entrepreneurs for his research project.

If you are a VC or an entrepreneur willing to give 15 minutes to Brett's research, please email b04@alum.dartmouth.org.

Thanks!

The Entrepreneurial Scorecard Strategy Framework for Start-ups

by Brett Martin D'04

My name is Brett Martin D'04 and I am a Fulbright Scholar at the Università Bocconi in Milan. In addition to eating focaccia and being bad at soccer, I have created a model of strategic measurement for new ventures. Life is good, here is how I got here.

After graduating Dartmouth in 2004 with a degree in Economics and Psychology, I joined Thomas Weisel Partners in New York as Equity Research Associate. After three years of predicting winners and losers, it became obvious to me that financial metrics are only a piece of the puzzle. To provide my clients with insight, I identified and tracked a variety of non-financial metrics that were leading indicators of success.

In fall of 2006, I applied for a Fulbright grant to sharpen and apply my understanding of strategic measurement. Shortly after, I bid Wall Street farewell and sailed a 30 foot ketch from Maine to Dominica to Ft. Lauderdale. After 6,000 miles at three miles per hour, I never wanted to be on a sailboat again. I returned to New York for six months to help develop an Internet marketing program for a Viacom-backed IPTV start-up, VBS.tv, before moving to Italy in October 2007.

Now I live in Milan where, with the financial support of the Fulbright program and the guidance of professor Papadimitriou, I have created a strategy framework for start-ups called "The Entrepreneurial Scorecard." The ESC can be explained with a simple analogy: *Chefs make good entrepreneurs; bakers do not*. Only fools pour sweat, money, and dreams into the oven and hope for the best. Like great chefs who repeatedly taste and add spice as needed to their creations, successful entrepreneurs systematically measure and adjust their strategy.

While we recognize that most nascent start-ups do not have formal measurement systems, our findings indicate that 1) start-ups make frequent informal measurements and 2) guided strategy analysis can unearth valuable and applicable metrics. Accordingly, we believe that start-ups can benefit from a flexible but fact-based strategy framework. By using the ESC as a dashboard for strategic measurement, entrepreneurs can quickly assess the status of their strategy and strike the tenuous balance between creating value, securing resources, and staying afloat.

In addition to models of VC investment criteria and Balanced Scorecards, I am occasionally "dragged" by my friends to interesting places like Budapest or Romania. But mostly, I think about new businesses, read about new businesses, and talk to the people who create or fund new businesses. When I return to the States, I will start my own business to help facilitate collaboration between academia and industry.

Help! We are currently in the process of interviewing VCs and entrepreneurs in the US and Europe. If anyone reading this article fits this description and is interested in sharing their experience with a young Dartmouth alum, please contact me at b04@alum.dartmouth.org.

DEN Spotlight



Ariel Diaz D'02, TH'03, '04

It's hard to believe it's been almost a year and a half since the idea that became YouCastr first hatched in my mind on a ski trip over Winter Carnival. Since then, the company and team have come a long way, and it's been an incredible experience along the way.

The initial concept of providing alternative broadcasting commentary for sporting events has significantly expanded and evolved. Our goal is to create an interactive sports network that makes following sports more personal and social. Sports are fun because they are very social, whether we are sharing that experience at the game or at a sports bar. At YouCastr, we are making sports more social by creating opportunities for the audience to interact with each other, with features like live audio, live chat, and live polling. We are working to make sports more personal by offering unique user generated content, and live broadcasting for minor "long tail" sports, which are currently under served by traditional media.

After a successful public beta launch in February, we have consistently grown our usage, and have been adding new content and users throughout. We now have over 2,200 registered users, and almost 10,000 monthly unique visitors, just a few months after launching. It's also very exciting to see a variety of content on the site, from women's water polo, to live bowling, to sports talk shows about all sorts of topics.

At YouCastr, we are making sports more social by creating opportunities for the audience to interact with each other, with features like live audio, live chat, and live polling.

A month ago we launched our YouCastr Pro service, a professional online broadcasting service geared toward sports radio stations, colleges, and high schools. Our service is very competitively priced, starting at \$99 a month, and offers higher audio quality than traditional streaming, and is incredibly easy to use. And of course, we have a series of interactive features that make it much more fun for the audience and the broadcasters. We have signed up ESPN Boston Radio, who broadcasts daily talk shows, and Dartmouth Athletics, who will start broadcasting live sports on our site in the fall. So far, ESPN Boston's broadcasters and listeners have been extremely excited about the newfound ability to participate in often heated discussions about Boston sports.

In order to achieve our vision, we are accelerating our efforts significantly. After over a year of bootstrapping and maintaining "day jobs" all four founders are going full time on YouCastr starting in July. We will be setting up offices, hiring a full time web designer, and growing our marketing team. In addition to the five full time employees, YouCastr has two part time developers, five marketing interns, and two part-time people offering analytics and other general help.

The acceleration of our marketing and development efforts will help support our biggest priority right now: growing our user base and our content. As we push forward to meet our milestones, we will also be gearing up for a series A investment in the fall of 2008. We've had informal discussions with several VCs, and one of our angel investors is considering leading that round.

Avoiding An International Incident: The Basics of Foreign Patent Protection

by William A. Loginov D'85 Principal Attorney, Loginov & Associates, PLLC

When a new client approaches me seeking a patent on a concept, one of the first questions I usually receive is whether our U.S. patent will provide worldwide protection. The short answer is *no*—it will not provide protection in any country other than the U.S. once it is granted. However, I quickly reply with my own question: have you publically disclosed your concept yet? More on that later.

I then proceed to explain how every country or region has its own patent system, and that the concept must be independently filed in each country or region (along with the requisite filing fee) where it will be examined, granting into a local patent. Practically speaking, very few enterprises can afford to file a patent in every country on earth. The filing fees alone would add up to six figures, while the attorney fees and other handling costs could easily push that amount to close to seven figures over the life of the patent. Nor do all countries truly respect IP, making filing there a waste of time/money.

Nevertheless, many concepts may benefit by selected foreign patent protection. For example, for many enterprises, Europe is a natural candidate for filing. Japan, China, Canada and other British Commonwealth countries may also add business value from a patenting standpoint. In many cases, investors and venture capitalists may attach critical importance to the availability of foreign patent rights, looking at the broader future for the new company they wish to invest in.

For most start-up enterprises, and many well-established ones, the filing of patent protection in wide range of jurisdictions may be cost-prohibitive. Moreover, foreign filings must occur within one year of the initial U.S. filing gaining the benefit of that first U.S. filing. That is, foreign filings are treated as if they were filed on the same day as the U.S. filing.

This is important because any public disclosure that occurs before the patent's effective filing date usually destroys any right to file abroad. This is why I always ask if there has been a public disclosure. If one avoids publically disclosing the concept—for example, putting a paper out on the web before the U.S. filing—then foreign options remain open. The details as to what constitutes a public disclosure in the U.S. and Europe are rather complex, and will be left for the subject of my next article.

Assuming that foreign rights have not been lost by a premature disclosure, and we remain within the one year grace period for foreign filing following the U.S. filing date, then a decision must be made as to how to appropriately file abroad.

For most clients, the best option is a vehicle called the Patent Cooperation Treaty or "PCT" application. Virtually all nations and regions are signatories to the PCT. It allows the door to be held open for subsequent foreign filings in the various countries and regions, giving the applicant a breathing space of about eighteen additional months before that decision and significant cash outlay must be made. Often this is enough time to determine if the invention is viable and whether investment capital will be available to undertake this process.

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During a PCT application's pendency, it will never mature into a patent itself, but it will be examined according to international standards, giving the client a better idea of whether their invention can receive a strong patent.

Currently, the cost is anywhere between \$6,000 and \$8,000 to file a PCT at prevailing exchange rates. This may be a good investment when faced with the alternative of tens of thousands in immediate cash outlays to initiate a direct foreign filing program.

In any case, foreign patent protection can be a valuable part of an enterprise's assets. The appropriate filing strategy and the countries in which to file should always be carefully planned. Likewise, the input of a patent counsel in forming the strategy is critical.



Dartmouth
Entrepreneurial
Network

Young Alumni
Update



Ara Sports
every edge counts

Ara is an innovative and dynamic sportswear company that prepares recreational and elite athletes for the modern and daily demands of their sports.

www.ara-sports.com

My Entrepreneurship Bug

Ara Sports

by PJ Scheufele D'06

My experiences since graduation have been as varied as they have been interesting. My journey has taken me through three time zones to my current location in Los Angeles.

In January of our senior year, Darnell Nance D'06 and I founded Ara Sports (www.ara-sports.com). An innovative and dynamic sportswear company, Ara's mission is to develop products that foster harmony between athletes' lives on and off the fields with intelligent, sleek design.


In the last 30 months, we have taken on two additional team members (Clara Aranovich D'07 and Julian Ward), developed and filed a patent on our first product, been a finalist in two business plan competitions and won a third, raised seed stage funding, and assembled a first class board of advisors. As of this writing, we are expecting the first 500 pairs of our inaugural product, The Cleat Guard, in the next two weeks. Once received, we will begin our fundraising efforts to prepare a launch by the end of 2008.

Along the way, I have stayed busy in a lot of different ways. After graduation, I played two years of professional soccer—one outside Belfast in Northern Ireland and one in Rochester, New York. Though great experiences, they were not as fulfilling as my business interests were becoming.

Toward the end of my second season, I started a web design and consulting company, *10:07 design+consulting* (www.1007design.com). Within a few months, I partially merged the company with a start-up design and technology company called *Havadot* (www.havadot.com). Developing a strategy to outsource high-end design and bootstrapping the business through web design clients, we decided the business model was not scaleable enough to meet our expectations and are now only doing select design.

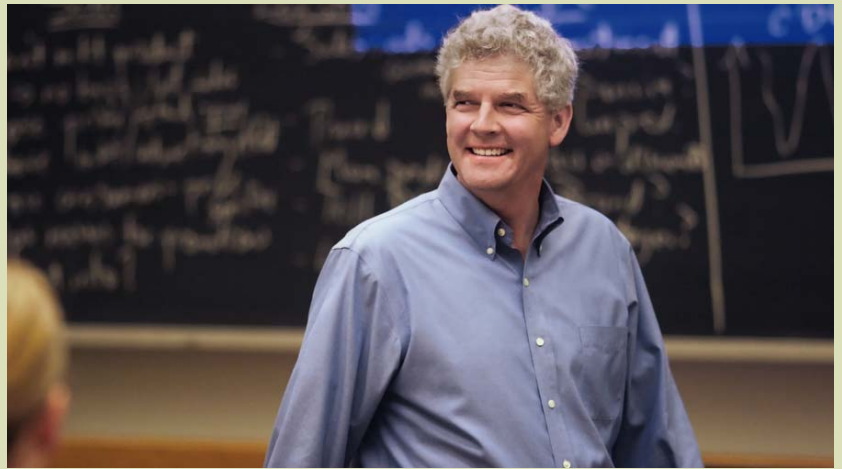
In February, I started working in business development for a group who owns a few different companies. In the last four months, we have created six new brands for a variety of consumer goods markets, which we will launch over the next year.

My main focus with the company right now is the transformation of a shopping channel we own in the United Kingdom—broadcast to 8.5 million homes on Sky TV from our studio in Santa Monica, California. Although the channel has been running for about two years, it is still very much in the start-up stages. I am working to flip the channel's branding, content, and operations. In the last month, we have re-branded the channel from its name U-Save TV to Beverly Hills TV, hoping to leverage our uniqueness as the only shopping channel in the UK broadcast from Los Angeles. We have launched the channel's first ecommerce platform (www.bhtv.la), brought in over 10,000 new products, and begun broadcasting live shows consistently. We hope to be the UK's source for designer goods at affordable prices and will increase our product offering to upwards of 30,000 products in the next two months.

The DEN gave me the bug for entrepreneurship and I have thoroughly enjoyed pursuing a start-up lifestyle since graduation. Hopefully next year I will be writing again of start-ups that have become thriving companies. 

The Real Deal

After 20 years with Tuck, Professor and Associate Dean David Pyke will leave Hanover to become dean at the University of San Diego School of Business Administration.



"*Kaizen* is Japanese for continuous improvement," says David Pyke, Tuck's associate dean for the MBA program and Benjamin Ames Kimball Professor of the Science of Administration. "You teach it and you live it." Pyke, who will leave Tuck at the end of June to become dean of the University of San Diego School of Business Administration, will be deeply missed by everyone who worked with him, precisely because of the way he approached every aspect of his life at Tuck with a dedication to *kaizen*.

Pyke joined the Tuck faculty in 1987 after receiving his MBA at Drexel University and his PhD from the University of Pennsylvania. Tuck Senior Associate Dean Bob Hansen says, "Dave Pyke has been part of the bedrock of Tuck for 20 years. He has been successful in all dimensions—research, teaching, as a dean, and as a colleague."

In the area of operations management and supply chain management, Pyke's research has been widely published, and he serves on the editorial boards of several leading journals. Pyke is also admired not only for the work he does with corporations but for bringing those lessons back to the classroom.

"Dave Pyke is passionate about teaching," says Professor Eric Johnson, who has worked with Pyke in a variety of ways over the years. "He taught me the importance of rehearsing complex explanations. He would teach out loud in the car and in his office until he had it just right! But when he delivered to the class, his energy and excitement made you feel like he was doing it for the first time. Michael Sayre T'01 says, "Dave is the real deal—not merely a theorist. He taught us skills that continue to matter on a daily basis in our careers."

Pyke became associate dean in 2002 and flourished in the role. "I love connecting the dots," he says. The function of a dean, he believes, is to provide leadership and never sit still. During his tenure, Pyke was the catalyst for numerous notable programs, including the Jonathan L. Cohen D'60, T'61 Leadership Development Program.

And Pyke is proud of his efforts to bring people together. After a brain-storming session with Professor Gregg Fairbrothers D'76, the two hatched the idea for the Dartmouth Entrepreneurial Network (DEN), which fosters entrepreneurship throughout the Dartmouth community. (Fairbrothers is now DEN's director.) Pyke relished the role of identifying gaps, bringing people together, and then, he says with a laugh, "handing off the day-to-day."

After a brain-storming session with Professor Gregg Fairbrothers D'76, the two hatched the idea for the Dartmouth Entrepreneurial Network (DEN) . . .

Pyke is as much admired, and will be equally as missed, for the manner in which he engaged in community life. From opening the doors of his home to Tuck visitors, to active involvement in the Young Life organization for adolescents, to offering advice on child rearing (Pyke and his wife, Sue, are the parents of three boys), colleagues at Tuck and the community sing his praise.

The decision to leave Tuck has been agonizing. "Tuck is a vibrant intellectual environment, and we have good friends here," Pyke says. However, with the youngest of his sons heading off to college in the fall and with family out west, he and Sue decided this was a good time for a new adventure. "I looked back about a year ago and wondered if it might be time. I feel a pull to the West."

The University of San Diego's School of Business Administration is somewhat similar to Tuck in its size and in the collegiality of the faculty. "While it may not be as highly ranked, the business school has a desire to change and grow," he says.

With the experience and accolades he garnered at Tuck, and with his passion for *kaizen*, Pyke will surely thrive. However, he will be greatly missed by one and all at Tuck. As Michael Sayre says, "Dave Pyke represents the essence of the Tuck experience. He showed us what excellence in teaching, applying an MBA, and participating in community should look like." How do you improve on that?

ASK MIKE

Q Do I need to hire an M & A specialist?

I have a great relationship with senior people at a company that I'm sure would like to buy my business. I'd love to talk to them directly, but I've heard that big companies always want to work through M&A brokers and investment bankers. Your take?

MIKE

Yes, almost any experienced buyer will insist on dealing with a professional agent. There are always a lot of technical issues that require special expertise--but even more importantly, buyers know that selling a business can be an emotional mine field for a company founder. It's best for both sides to have an objective, dispassionate umpire in the middle.

Of course, hiring a pro costs money. You'll almost certainly recover the investment through a higher net price or more attractive terms, but acquisition prices in many industries are pretty standardized. In that case, you might offer your broker a large percentage of whatever he can negotiate above the price you could negotiate on your own. It can't hurt to ask.

Q What can I use for loan collateral?

My banker says he wants collateral for a loan, but my inventory consists mostly of software, which he doesn't like, and we have no receivables because we sell everything on the web with credit cards. And we rent our office space, so there are no real estate assets. Help!

MIKE

The truth is, bankers don't want to get stuck holding any collateral that can't easily be converted into cash. They're mostly

interested in lending to businesses that are consistently profitable, with good positive cash flow and a spotless credit history.

If your business can't meet these requirements, the alternative is for you to personally guarantee the loan, and perhaps to secure the loan with personal assets, like your investment portfolio or other real estate you own.

And if your own assets aren't enough, talk to your senior managers and even your directors. It's possible some of them will help secure the loan with their own assets in return for equity or options.

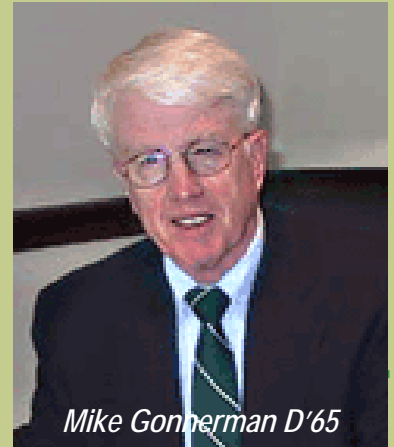
Q How do I handle paper losses on real estate?

My company owns our office building, which we carry on our books at the original purchase price. Recently, the building was reassessed for \$200,000 less than we paid for it. Do I have to update the balance sheet? If so, it will wipe out almost all of last year's profits.

MIKE

As a general rule, companies don't write down long-lived assets, like real estate, for temporary market declines (and they also don't book short-term real estate gains). But if there are signs that the value of your real estate has declined more or less permanently, you should recognize the loss as soon as it's measurable—sooner, rather than later.

Incidentally, this situation is one reason why many companies move their real estate off the balance sheet completely—for instance, by transferring title to the company's owners.



Mike Gonnerman D'65

Mike is a finance expert and a trusted advisor to technology CEOs and investors.

If you'd like advice about cash management, liquidity, equity-based transactions, or financial forecasting, send Mike a note at michael@gonnerman.com.



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