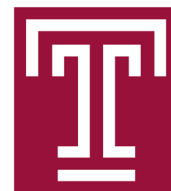


Partnering with U.S. Research Organizations for SME Technology Firms



Temple University



The goal of this chapter is to guide small and medium-sized innovation-based foreign companies, including startups, interested in entering and scaling in the U.S. market by developing Research & Development (R&D) activities with a local research university or a federal agency. Innovation-based means a company with a strong competitive advantage based on its technology, innovation, patents, and usually with long sales cycles; a good example is in the life sciences industry.

This chapter is designed to illustrate how U.S. universities and federal laboratories can be partners to collaborate with and can provide launch pads to test the U.S. market before any market entry decision/investment.

Establish R&D Partnerships with a U.S. University

We define research organizations as universities and other research institutions “whose primary goal is to conduct fundamental research, industrial research, or experimental development and to disseminate their results by way of teaching, publication, or technology transfer”.⁵⁷ Establishing a research partnership with either a research university or another research institution, usually associated with a local university, is very similar in this context. Universities tend to be larger than other research institutions.



The U.S. is the world leader in research institutions, with 151 out of 1,002 research universities globally, according to the 2021 QS World University Ranking.⁵⁸ Their population sizes vary from thousands to 70,000 or more students. With infrastructure such as hospitals, equipment, laboratories, land, and more, U.S. research universities are training grounds for innovators and talent through educational programs and technology transfer activities

that are open to foreign investors. Moreover, many US research universities host incubators and accelerator programs, as well as Small Business Development Centers (SBDCs) that help coalesce access to market, industry stakeholders, mentors, and capital in a specific ecosystem. Some universities even have dedicated soft-landing programs to attract and retain foreign innovators and companies.

⁵⁷ <http://www.innoviscop.com/en/definitions/research-organisation>

⁵⁸ Source: <https://www.topuniversities.com/university-rankings/world-university-rankings/2021>

By nature, at the heart of their local ecosystems, universities offer a more neutral place for business development and commercialization activities, therefore can be a great entry point to source first projects and clients. As a tech company, the right research organization can be a great launching pad to enter the U.S. market.

Types of Partnerships

There are multiple ways to collaborate with a university and research organization in general, from licensing one of its technologies also called “tech transfer”; contracting some of its faculty/researchers to do some specific research for you, called “sponsored research” or to endorse your solution as “Key Opinion Leaders”; to working on a specific project or grant where you both provide part of the technology and experts defined “co-development” that could lead to shared IP; and to selling your product or service as a supplier.

The first most natural way of working with a U.S. university to validate or enhance your technology, is first via a **(1) Sponsored Research Agreement**. The first step for such agreement is to identify an appropriate investigator which is the term used in U.S. academia for the primary researcher. Couple of ways are possible, the tech transfer office or head of the targeted department can assist you to find the right scientist, professor, or faculty who will act as your “Principal Investigator” or PI for your research.

Then, the second step is to propose a non-confidential conversation to gauge their interest and ability. If a good alignment is established, the parties need to establish confidentiality, i.e., via a Non-Disclosure Agreement (NDA), to protect your Intellectual Property (IP) as well as the investigator’s.

The third step is to develop a Statement of Work and establish a budget. The last step is to submit this work through the university’s normal grant, budget, and contract processes, i.e., via the office of the Vice President for Research, the Center for Innovation, etc. These contracts typically have an option to license the product of the research if new inventions are developed.

Second, Universities are often the source of mentors and consultants, typically **(2) Key Opinion Leaders** (KOLs), to guide the company’s entry into the US market. These contracts are between the companies and the individuals and can be a simple **Consulting Representation Agreement** with an hourly fee; however, the university will insist that no intellectual property leak out via these agreements.

On occasion universities have core facilities and laboratories, with unique capabilities, services, and equipment, and can offer access to them via a simple **(3) service agreement**. Although quicker to deploy, these contracts preclude any “innovation” by the investigator as that activity would be performed under a Sponsored Research Agreement. Some service

agreements can include soft landing programs, with training, office or laboratory space, and sometimes a temporary work authorization/immigration pathway.

Universities also have portfolios of technologies available for **(4) licensing** that may fit with your company's R&D and pipeline plans. Those are licensed from the technology transfer office via a well-established process, usually presented in detail on the university's website.

Lastly, the university has periodic **(5) spinout companies** that may be developing technologies and find synergies with the foreign company's technology. Agreements here are principally between the two companies but may involve Sponsored Research backing the inventors' laboratories. Certain universities have highly competitive equity-based accelerator programs for their spinouts, providing capital and infrastructure in exchange for equity in the venture. Over the years, some of those programs have opened to national and international entrepreneurs. However, it is always helpful to have a board member, partner, or mentor from the university you are applying to (examples are provided in the last section of this chapter).

Do's and Don'ts

Regarding the "Don'ts", first it is important to not confuse service contracts with sponsored research. With a few exceptions, universities are better used for invention and cooperation rather than service contracts.

Secondly, relying only a consulting agreement is not recommended. While it is encouraged for the investigators to participate in this type of agreements, they are not a substitute for collaborative research. Note, under a consulting agreement, your technology will be protected as in any agreements created by the university, the inventor's rights are included.

Thirdly, it is important to keep in mind and plan that it is a lengthy process. It is a multi-step process, universities need to (1) make sure that the technology is not subject to export control, (2) evaluate the ownership of your company to ensure that it is a suitable partner, (3) establish the scope of the confidentiality agreement, and then (4) develop and approve the statement of work, budget, and overall contract.

Fourthly, it is preferable not to ask for a waiver of overhead also called "indirect research costs" or "facilities and administrative costs", as it was asked to the Universities by the U.S government to not waive or reduce these negotiated rates. Their range can vary greatly from 20% to over 100%. If your budget is limited, overhead costs could be a critical element to select the right research organization.

Regarding the "Do's", it is important to reach out directly to universities in a first place to understand their processes and costs. Publications and patent searches are the greatest

ways to locate a good investigator. Moreover, university's tech transfer offices are pleased to help in identifying faculty with expertise in your company's area of interest.

Secondly, it is necessary to have a good intellectual property plan validated by U.S. experts as some aspects are unique to the United States. Universities, in general, follow the rule that ownership follows inventorship. Co-innovation is common and welcome in a university partnership, and your company will have exclusive rights via the contract to license the technology. However, it is important to keep in mind that filing for protection of certain uses and designs pre-project could inadvertently disclose-without-claiming patentable subject matter.

Thirdly, it is recommended to have a clear picture of your technology roadmap and needs to enter the U.S. market, from a regulatory perspective, e.g., technology needed to collect data for clinical trials, to a sales perspective, e.g., complementary products or services needed to answer all the needs of the end user. Those products and services are not always directly included in your solution but may be ancillary and needed for good U.S. market penetration.

In relation to negotiation, by law, any Intellectual Property (IP) generated by the university's faculty must be compensated at fair market value. This is equally true of IP created as part of sponsored research projects. Be reassured, U.S. Universities do recognize that IP from sponsored research is likely dependent on the IP that is already controlled by your company, and thus will license the new created IP to you for reasonable terms. Universities have 5 general terms that can be negotiated for transferring their IPs:



- License and yearly fees;
- 2) Royalty consideration (based on sales or income);
- 3) Milestones (may not apply but would for new IP owned by the university). For example, regulatory approval might be a milestone that would trigger a success payment;
- 4) Sublicensing fee. The company may license the technology to a third party and universities typically seek to benefit from this transaction; and
- 5) Equity. If the company has little liquidity, universities can accept some equity instead of money. This last term is not typical for IP generated from sponsored research.

Last, regarding private versus public R&D funding, it is important to understand if your potential research organization and its R&D activities are fully private or funded by local or federal governments. The latter can limit certain partnerships with foreign entities or certain types of agreements, especially around data and IP rights.

Additional university programs and resources like SBDCs, accelerators, and soft-landing programs are also available service agreement or as free service to support the local ecosystem. The following section will describe them briefly, it is another, usually easier, way to engage with a research university.

Other University Programs and Resources

Incubation and Hosting in a U.S. University

U.S. universities have developed programs that can be open to foreign students, entrepreneurs, or companies. Those programs are diverse and can be difficult to identify, from innovation centers with labs or spaces designed to host brainstorming sessions⁵⁹, to co-working spaces with shared office space, to highly competitive equity-based accelerators providing funding in exchange of equity and infrastructure, and to selective turnkey soft-landing program providing visa, training, and permanent office for few years. Those programs can be an easier way to start working with the university of your choice and lower your cost of market entry. Local Economic Development Organizations (EDOs), the local bi-national Chambers of Commerce, e.g., the French American chamber of commerce, and the Asian American chamber of commerce, or the local Small Business Development Center (SBDC) of your targeted area can identify if a program is available to you.

Below find a small list of programs (non-exhaustive):

1. Temple University, Small Business Development Center, Go Global Accelerator coordinating the national university-based European Network of Research and Innovation Center and Hubs (ENRICH in the USA)
2. UC Berkeley, Sutardja Center Entrepreneurship and Technology (SCET)
3. University of Texas Austin, Global Innovation Lab (GIL)
4. George Mason University, Mason Enterprise Center Business Center (MECP)
5. Purdue University, Burton D. Morgan Center for Entrepreneurship (BMCE)
6. UMass, Boston, Venture Development Center (VDC)
7. Georgia Tech Soft Landing programs at the Enterprise Innovation Institute (EI2).
8. Maryland Soft Landing Program
9. Automation Alley (Oakland County, MI)

⁵⁹ <https://www.igi-global.com/dictionary/knowledge-in-science-and-technology-parks/91918>

Small Business Development Centers in Universities⁶⁰

The SBDCs are funded in part by the Small Business Administration (\$129.5M in 2019), the states, and host organizations. The 950 centers, employing +3,000 full-time counselors, are found in universities, colleges, state economic development agencies, and private sector organizations.⁶¹ Their mission is to help start and grow small businesses via different training and services, including no cost face-to-face business consulting. Leveraging a university based SBDC will give you an easier access to its faculty and tech transfer office. It will also provide services such as support for procurement, i.e., selling your products to the university and local governments, and for grant writing, e.g., SBIR and STTR. SBDCs are organized by networks, usually on the State level. Therefore, it will open doors across the State you chose to launch your U.S. activities.

To [qualify for SBDC services](#), you just need a physical address in the United States and a U.S. phone number, as well as to qualify as a Small Business (for your U.S. activities) following the standard defined by the Small Business Administration (SBA). You do not need to have a legal entity nor a specific visa.

As Research is heavily funded by the Federal government, most if the U.S. Research universities are collaborating and receiving funding from the U.S. federal agencies. As a foreign company, you can also work directly with them.

How to Partner with U.S. Federal Agencies

National agencies such as the National Institutes of Health (NIH) can provide funding via grants and calls for small businesses⁶², i.e., the [Small Business Innovation Research \(SBIR\)](#) and Small Business Technology Transfer (STTR) programs. However, most of them are for U.S. entities owned in majority by U.S. citizens or permanent residents. Fortunately, as with academia, there are different ways to collaborate with U.S. federal agencies.

Benefits

⁶⁰ U.S. Small Business Administration, Strategic Plan, Fiscal Years 2022–2026

⁶¹ SBDCGlobal.com

⁶² The definition of small business varies a lot in the United States, the revenue (ranging from \$1 million to over \$40 million), the employment (from 100 to over 1,500 employees) and the industry are considered – for more information : <https://www.census.gov/library/stories/2021/01/what-is-a-small-business.html#:~:text=lt%20defines%20small%20business%20by,of%20%2416.5%20million%20or%20less.r>

The advantages of working with a federal agency is access to the thought leaders in your research field. Also, one of agencies' main mandates is to ensure that the tax dollars invested in R&D will see commercialization to improve the life of all Americans in the United States and abroad. Therefore, they have well established and transparent processes. Terms and costs are the same for all companies, R&D collaboration with a federal lab can be time and budget savings compare to negotiating IP terms with a U.S. university with higher overhead. However, depending on the federal agency, investigators may or may not be allowed to consult with private companies, e.g., as a KOL or as shareholder. Depending on the agency and the investigator chosen, the main drivers to collaborate with private companies may vary from scientific discoveries, publications, fast commercialization, and access to unique technology or new data owned by the company. For example, the NIH has more fundamental and early-phase research compared to the Department of Defense (DoD) more focused on applications, therefore collaborating with their investigators can differ greatly. The agency's tech transfer office will be able to direct you to potential investigators eager to collaborate with private companies. They are your main entry point, their contact information are easily accessible online and are compiled by the Federal Laboratory Consortium (FLC) for Technology Transfer presented below, followed by an example on how to collaborate with the NIH as a foreign entity.

Federal Laboratory Consortium for Technology Transfer (FLC)

The [Federal Laboratory Consortium for Technology Transfer](#) (FLC) is the nationwide network of over 300 U.S. federal laboratories, agencies, and research centers. FLC promotes, facilitates, and educates about the process of technology transfer i.e., taking technologies out of the federal laboratories into the marketplace. FLC is the one-stop resource center that provides you with the tools to identify the right laboratory resources or technology you are looking for in addition to best practice strategies, training, and case studies.⁶³ FLC has two main tools to identify and connect with the right lab. First their **FLCBusiness** database that includes (1) technologies available for licensing, (2) laboratory facilities and equipment, (3) funding opportunities, and (4) special programs. Second, [FLC Technology Locator](#) personalized search assistance is a simple application form where you can present your technological request/problems and the results you are looking for.

Example of Collaboration with the NIH⁶⁴

⁶³ Source: <https://federallabs.org/>

⁶⁴ The next sections is a sum up of the transcript of the public videos done by Michael Salgaller, Supervisory Invention Development and Marketing Specialist at National Institutes of Health/National Cancer Institute. To watch the full video – link: https://www.youtube.com/watch?v=Zj5_DFdTjgk&t=1371s. If you are interested in collaborating with the Department of

The NIH is the largest basic biomedical research institute in the world - investing about \$41.7⁶⁵ billion annually. It has manifold missions that ranges from creating technologies that can be developed and commercialized to attracting additional resources to obtain a return on the public investment. NIH is composed of 27 Institutes and Centers, each with a specific research agenda, often focusing on particular diseases, e.g., the National Cancer Institute, or body systems, e.g., the National Eye Institute, or covering areas of unmet medical needs, e.g. National Institute of Child Health and Human Development. If you are seeking to build a partnership with the NIH, the Technology Transfer Center is there to redirect you to the relevant Institute or Center by conducting a need assessment.



As a foreign business, you can work with the NIH under license, as collaborators or partners, without needing a U.S. office or footprint nor do you need to have the United States in your go-to-market strategy. It will guide you in further developing your ideas, while the IP involved remains yours. Agreements are often addressing technology or knowledge gaps within your company. All the agreements are public and available as online templates. You can also collaborate with NIH's clinicians to develop state-of-the-art therapeutic treatments, diagnostics, and preventative measures. Generally, the NIH will provide you with indirect support and will spend money on your behalf.

To cooperate effectively with the NIH, there is a need for ideas exchange and common effort. In exchange, this collaboration will grant you access to unique reagents and resources, hundreds of tools available on a cost basis, and world-renowned thought leaders. Your company will also have the possibility to leverage access to the NIH's scientific and regulatory

Defense, we invite you to watch also the video done by Barry Datlof, Chief, Business Development & Commercialization, Medical Tech Transfer, U.S. Army Medical Research and Development Command –
link: <https://www.youtube.com/watch?v=67CX7OewyY&t=57s>

⁶⁵ This amount reflects the sum of discretionary budget authority of \$40.3 billion received by NIH in FY 2020 under the “Further Consolidated Appropriations Act, 2020”, Public Law (P.L.) 116-94, which includes \$80 million for Superfund Research activities. The total also includes \$1.23 billion derived from PHS Evaluation financing and mandatory budget authority of \$150 million for special type 1 diabetes research. The allocation of \$225 million to NIH per P.L. 116-94 from Nonrecurring Expenses Fund is excluded. Details regarding appropriations or budget requests are available from the Office of Budget.
<https://www.nih.gov/about-nih/what-we-do/budget>

expertise. The NIH will also support you in the FDA regulation pathway by engaging with regulatory experts.

On the licensing side, the NIH takes zero upfront equity and often takes zero equity throughout the whole process. Moreover, unlike other research organizations, the licensing agreement's terms will be based on what the regulations call "fair value for the public dollar." When working with a major university research institute the overhead or indirect cost rate can be 70 to 100% or greater. However, by working with the NIH those costs are non-existent, and even if milestone payments and royalties are sometimes requested, they are overall reasonable.

To conclude, as a tech foreign company, partnering with U.S. federal agency or U.S. Universities is a strategic way to validate your technology for the U.S. market, to become "local", develop trust, and to keep or develop your competitive edge on the global scale. Licensing and co-developing intellectual property in the United States facilitate the creation of pathways for U.S. funding from grants to investment. Some federal agencies like the NIH, the DoD, National Science Foundation (NSF), as well as U.S. Research organizations, and research universities go to U.S. and some international conferences, which could give your company the opportunity to engage with them directly.⁶⁶

Financing Your U.S. Launch

The top U.S. industry is Healthcare with 17.7 percent of its GDP in 2022⁶⁷. The United States ranks the highest in overall healthcare expenditure in the world as of 2019, and its health industry contains more than 784,500 companies.⁶⁸ The second U.S. industry is Technology with 10.5% of its GDP in 2022⁶⁹. It includes Consumer Electronics, Internet Content & Information, Entertainment, FinTech, and more, and accounts for about 35% of the total world market in 2022, driven by Amazon, Apple, Google, Facebook, and Microsoft, and

⁶⁶ To name a few: [Consumer Electronics Show \(CES\)](#), Las Vegas, [South By Southwest \(SXSW\)](#), Austin, [JP Morgan Healthcare Conference](#), San Francisco, [RSA Convention](#), San Francisco, [Photonics West](#), San Francisco, [BIO International Convention](#), rotates East and West Coast, [National Retail Federation \(NRF\)](#) Retail Big Show, New York, [SelectUSA Investment Summit](#), Washington DC, [Association of University Technology Manager \(AUTM\)](#), Washington DC

⁶⁷ Source: Zippia - TECH INDUSTRY STATISTICS [2023]: THE STATE OF THE U.S. TECH INDUSTRY by Jack Flynn – Jun. 29, 2023 - <https://www.zippia.com/advice/tech-industry-statistics/>

⁶⁸ The top players are McKesson, UnitedHealth Group, CVSHealth, AmerisourceBergen, and CardinalHealth. Source: The State of Healthcare Industry – Statistics for 2022 by Smiljanic Stasha - March 5, 2022 - <https://policyadvice.net/insurance/insights/healthcare-statistics/>

⁶⁹ Source: Zippia - TECH INDUSTRY STATISTICS [2022]: THE STATE OF THE U.S. TECH INDUSTRY by Jack Flynn - Jun. 29, 2023 - <https://www.zippia.com/advice/tech-industry-statistics/>

585,000+ other tech companies⁷⁰. Therefore, for an innovation-driven company also called “tech company”, the United States remains one of the top destinations to become a global market leader, faster. The right combination of the size and somewhat homogeneous market, in addition to top market leaders and research stakeholders, makes this market unavoidable in most industries. In this section, insights will be given on how to find ways to support your U.S. launch by leveraging existing local, international, and U.S. ecosystems to find the first financing.

Help From Your Home Country and Bi-National Programs

Before starting to look at U.S. “incentives”, foreign entrepreneurs, and companies should research incentives available in their home country.

First, you should consider the **small grants programs** supporting **(1) mobility and training** usually more focused on young professionals, researchers, new entrepreneurs, **(2) trade/export** programs, and **(3) research collaboration**. While those programs are usually limited in time and funding, they can cover a couple from few thousand dollars for travel expenses to hundreds of thousands for salaries and research collaboration.



These programs do change often, the best way to identify them is to reach out to your economic development agencies (regional and national ones), local chamber of commerce, trade organization or cluster, local incubator(s), and research universities. Those programs can be competitive, and some of their requirements (duration, reporting, ...) may be cumbersome. Your home country may also have training or “accelerator” programs in your home country or in the United States. They are at no or little cost to prepare you to enter the U.S. and even to meet potential investors. A few examples are listed below to illustrate the different programs:

- **Training funded programs**, i.e. The [French International Program \(VIE\)](#) comes with tax incentives and with subsidies to cover part of the salary of the trainee in the United States.

⁷⁰ Source: The State of Healthcare Industry – Statistics for 2022 by Smiljanic Stasha - March 5, 2022 - <https://policyadvice.net/insurance/insights/healthcare-statistics/>

- **Mobility funded programs**, i.e., the [European Erasmus for Young Entrepreneurs Global](#) to cover up to 3 months in the United States.
- **Research Collaboration funded programs**, i.e., the [European NGI \(Next Generation Internet\) Explorer](#) supported research collaboration for about \$30,000 per project.
- **Trade funded programs**, i.e., the [European Innovation Council Overseas Trade Fairs Programs](#) select companies to participate in U.S. Trade shows such as SXSW, CES, and BIO International Convention and cover travels and booth expenses.
- **Miscellaneous free and low-cost programs**, most countries have programs to support you to enter the U.S. market, i.e., [Japan External Trade Organization \(JETRO\) Global Acceleration Hub](#), [La Idea Incubator Project](#) for entrepreneurs in Central America to directly connect with U.S.-based incubators, and the European funded [ENRICH](#) in the USA immersion programs.

In addition to your home-country mobility or innovation support programs, you may have bi-national programs assisting the collaboration between organizations from your home country and the United States. One of the most well-known is the [Israel-United States Binational Industrial Research and Development \(BIRD\) Foundation](#) which provides capital for joint industrial research and development between the United States and Israeli companies (up to \$1 millions of grants). Please note there are also U.S.-based programs focused on supporting the mobility of foreign researchers and young professionals.⁷¹

Second, foreign entrepreneurs should consider looking at their home country's **financial instruments** for securing potential investment or transactions in the United States. Those instruments are usually part of export programs. Some of them are combining grants and attractive loans, i.e., [BPI France](#) (the French Sovereign Fund) has a “Deeptech Development Assistance”, combining a grant (maximum of 50% assistance) and a Repayable Loan capped at €2 million (about \$2.2 million).

Third, foreign entrepreneurs may want to apply for your home country's **research and development (R&D) grants**. Those grants tend to be the most difficult and competitive and require some match or even equity. Most of those grants we know of \$1 to \$10+ millions require showing international scalability and can cover some R&D in the United States, e.g., 15%. It varies from funding agency. As an example, the [European Innovation Council \(EIC\) accelerator](#) offers non-dilutive grant funding of up to about \$2.75 million for innovation

⁷¹ I.e. U.S.-based programs are available such as the Fulbright Student Program or the Eisenhower Fellowship as well as international programs such as the Group Study Exchange programs made available by Rotary Clubs. Those programs tend to cover only the travel costs but open great networks that could lead to business opportunities.

development costs, and direct equity investments of up to about \$16.5 million (and even more combined with private Venture Capitalists).

Lastly, foreign entrepreneurs may want to look for **local pre-seed, seed, and venture capital (VC) money**. Based on our experience, most startups can raise half a million in average in their home country through angels, VC, and grants to support their U.S. expansion.

Introduction to the U.S. Local Investment Community

Three startup models have emerged as the most likely to succeed in raising U.S. funding:

(1) The foreign founders have been working on a business idea and want to start and grow a business directly in the United States. Therefore, they are looking to raise seed and subsequent rounds from U.S. investors. (2) The foreign founders start and build a company in their home country. They raise seedlings, supersedes, and mini-A rounds at home or in a nearby country. They establish U.S. operations, usually with a sales office lead at first, and try to scale up the operations to capitalize on U.S. traction. They raise larger U.S. Series A or B rounds to support continued U.S. R&D, growth, and expansion. (3) The foreign founders start and build a company in their home country. They raise local seeds and larger rounds. They demonstrate global traction, typically including U.S. operations. They raise growth capital rounds from later-stage home countries and U.S. VC investors. Depending on your growth strategy, the grant, loans, and visa options will vary.

U.S. Local and National Grants and Loans

As you are looking to launch in the US, please note that for U.S. federal and state governments, you are considered as a potential foreign “investor” even if you are looking for funding and local investors. It can create confusion.

Some county, city, or state grants may be open to foreign entities if they have a U.S.-legal Incorporation and at least one local person, and usually some type of “match” in cash or in-kind to match the U.S. funds or grants. Most of those grants are either industry or location-specific, i.e., [Bucks Built Startup Fund](#) (\$25,000), [Delaware Encouraging Development, Growth & Expansion Grant](#) (up to \$100,000), to name a few. Note that you are usually be competing with local companies. However, few spots may be “reserved” for foreign-owned businesses, so the success rate can in fact be quite high if you are supported by the local receiving ecosystem. Also, talk to the local Economic Development agency(ies) of your targeted U.S. location as they may have tax or other incentives for you, usually related to your number of local hires (for 5 or more generally) and assets you are bringing to the region. Some states also have dedicated non-profit organizations that can act as venture capital investors providing early-stage investment as well as mentoring, grants, and access to angel networks. They focus on local economic growth; they usually require match funding working

closely with local angel investor groups, for example: Ben Franklin Technology Partners (Pennsylvania) and Maryland Entrepreneur Funding and Investments (TEDCO).

In addition, the SBA has licensed and regulates local [“Small Business Investment Companies”](#) (SBICs), privately owned companies, that invest in U.S. small businesses in the form of debt and equity. Those SBICs use their private funds, along with SBA-guaranteed funding, to invest in small businesses. Your U.S. legal entity will need some type of collaterals to qualify.

At last, federal agencies can also provide funding for innovation via grants and calls for small businesses, i.e., the well-known Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs (generally between \$50,000 and \$750,000). Those grants are most of the time reserved for businesses majority-owned by American or green card holders, so while your U.S. business may not qualify, a partner organization may apply with your support.⁷²

There is no exhaustive list of all those programs; visiting the website of the [U.S. Government State and Territory Business Resources](#) and of [SelectUSA](#) under “wide range of funding sources” is a good start.

Equity-Based Accelerators

Accelerators emerged about 15 years ago, following the trend of incubators⁷³ in the 1990s that came out of research universities supporting early-stage projects run by students, professors, and alumni.

Accelerators are assisting startups in getting initial funding, grants, and first references. Initially, accelerators meant business “launch-pads”, they would provide real estate and support startups by helping them to network as well as finding their first clients and partners. Co-working spaces for startups like We-Work, MySpace, and Runway Innovation Hub in San Francisco, which focus on the real estate and networking aspect of the business, have largely supplanted these types of soft accelerators in the last ten years.

The most successful accelerators have been those assisting startups in raising capital. As they wanted to have financial upside in the startups they backed, most of them started their seed fund and became small venture capital firms. Those are called **“equity-based accelerators”**. Examples include 500 Startups, Y Combinator, Tech Stars, Plug and Play, UC Berkeley Skydeck, DreamIT Ventures, the Yield Labs to name a few. They select startups through competition or through a curriculum, 3-month on average, to qualify the best candidate for their investments. As they became successful at investing in these local

⁷² for more information, please visit www.sbir.gov/about

⁷³ Incubators focus on early-stage ventures, accelerators focus on ventures with at least a minimum viable product.

companies, they began to compete with other sources of seed funding, putting a burden on local deal flows and inflating the valuation of these early-stage ventures. As a result, equity-based accelerators were among the first to look at out-of-state and out-of-country deals as they discovered that many startups from foreign countries are ideal candidates for mitigating capital risk. They also diversified their activities to include corporate sourcing, open innovation, digital transformation sourcing, and consulting services to accommodate their operational growth.

Equity-based accelerators are looking for specific components when selecting a startup. They will tend to select startups that can show metrics and start scaling-up, with a core experienced and qualified team, and with registered IPs. They also look for “coachable” entrepreneurs eager for directions, introductions, and coaching on U.S. market entry. Finally, they are looking for startups at seed stage with a valuation around \$5 Million.

Those equity-based accelerators come up with a standardized approach with convertible notes (debt) or SAFE, Simple Agreement For Future Equity - a convertible security, against about 5-8% of the stock at either a 15-25% discount on series A's and/or at an evaluation cap, guaranteeing a lower price per share if the evaluation is higher than the cap. To find those programs, check platforms like F6S, Gust, and [Angellist Venture](#), or check directly on the U.S. accelerators' websites or partners/affiliates' announcements.

Seed Funding by Angel Investors

Angel groups are composed of high-net-worth individuals who invest in the growth of emerging companies. To list a few: Keiretsu Forum, DC Archangels, FTP, SWAN, Sand Hill Angels, Tech Coast Angels, and U.S. Angels.

Angels are investing in the entrepreneur as much as the venture, value proposition, or technology/solution.

When it comes to angel investors looking to invest in foreign startups, there are a variety of reasons, situations, and contexts that create the right environment for such transactions. For examples: (1) the foreign entrepreneur is from the same country of origin as the potential investor, or a country well known by the angel, (2) the entrepreneur leverage the existing trust and social/working relationships with foreigners living in the United States i.e., via local governmental organizations, support systems or bi-national programs, such as the Indus Entrepreneurs (TiE), the European Union-funded ENRICH in the United States, the German Accelerator, the bi-national chambers, the honorary consuls, etc. More and more public success stories of foreign tech entrepreneurs help to build this “trust”. **To find angel investor groups**, you can subscribe to the Angellist Venture and visit the [Angel Capital Association's](#) directory. Once you have selected your ecosystem in the United States, you may want to ask your local [Small Business Development Center \(SBDC\)](#), Economic

Development Agency (city or State), or bi-national chamber of commerce to introduce you to the local angel network groups. Some universities or co-working spaces have monthly or weekly meetings to gather the tech and investment communities.

Early-Stage Investment Venture Capital (VC)

A U.S. institutional investor usually prefers not to take the lead on a seed or early rounds for a foreign startup. For A rounds and higher, they will also prefer investing in a U.S. entity. Foreign startups need to be aware that it is difficult for non-U.S. startups to raise early-stage funding from most U.S. VC investors without (1) existing traction from U.S. customers and business partners, and (2) U.S. operations in proximity to the U.S. VC investor, led by one or more founders or other decision-makers. Moreover, U.S. VC investors often will question why a non-U.S. startup is not looking to raise in its home market; demonstrating significant U.S. traction backed by U.S. operations is a great answer. There are several relevant databases to find venture capital, such as VCPro and Massinvestor, some great resources require a subscription, i.e., Venturedeal.com and PitchBook.com. Other way to find VC is via investment banks specialize in raising capital by creating financial instruments that can be marketed and sold to the public, including through investor roadshows. Also reputed law firms and specialized banks are great sources of introductions and are a typical approach in the Silicon Valley.

To conclude this section in a few words, as a deep tech startup/scaling-up, the easiest way to secure seed funding to explore the U.S. market is from your home country. Once you have chosen your U.S. destination, local grants, loans, and investors will be available to scale your business.

Conclusion

Although the United States remains a very attractive market, there are still challenges to market entry for innovation-based small and medium foreign companies, hence the importance of having the right support to facilitate your U.S. market entry. To this end, it is strongly suggested to consider collaborating with a local U.S. research organization or federal agency to pique the interest of American investors and gain credibility. Moreover, numerous programs exist to support and finance your entry in the U.S. market at lower cost and lower risk, especially with soft landing in university, equity-based incubators, and angel investors. But support does not only come from the United States, your home country or bi-national programs can also offer valuable support and grants. It is important to remember that the most efficient way to raise money in the United States, is to be physically here, and choosing the right U.S. ecosystem for your business is critical to plan your growth.

About Temple University

Temple University is a public university with eight campuses in Philadelphia and Ambler in Pennsylvania as well as in Rome, Italy, and Tokyo, Japan - for more information please visit www.temple.edu

As a Carnegie Classified R1 "Doctoral University with Highest Research Activity", Temple University runs a variety of research, education, and commercialization centers and institutes, including the Small Business Development Center that is the US lead on the EU funded ENRICH in the USA program coordinating a network of university-based J-1 visa soft landing programs for European (and from associated countries) innovators. For more information please visit www.fox.temple.edu/institutes-centers/small-business-development-center/ and www.enrichintheusa.com/j-1-soft-landing-program.

The Office of Technology Commercialization and Business Development has 450+ invention disclosures, more than 30 active Spinouts/Startups, and \$440+ million in outside capital to advance technologies toward product launch over the past 5 years. For more information, please visit <https://research.temple.edu>

Disclaimer

This chapter was prepared by Todd Abrams, Blandine Chantepie-Kari, and Sebastien Torre with Temple University. Views expressed in this chapter are the authors' own. Views expressed in this chapter are the author's own, not that of the International Trade Administration. This chapter does not constitute legal advice. Readers interested in investing in the United States should consult legal counsel.