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Investing in Intelligence

Spy Agencies Seek Innovation Through Venture-Capital Firm

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WASHINGTON -- The Federal Bureau of Investigation and the Pentagon's Defense Intelligence Agency are beginning to invest in start-up companies, following U.S. intelligence agencies in using taxpayer money to spur development of high-technology products and services by U.S. entrepreneurs.

The investments go through a venture-capital firm called In-Q-Tel, established by the Central Intelligence Agency in 1999 to tap into Silicon Valley and other high-tech centers. In-Q-Tel has invested \$130 million alongside private investors, backing more than 80 companies developing technologies such as real-time translation software and digital mapping.

The Army and the National Aeronautics and Space Administration are setting up similar venture-capital arms. The Army is focused on new batteries to provide mobile energy sources for operating in battlefields. NASA is looking to develop nanotechnology, robotics and more-powerful computers.


FBI and DIA officials say they hope to match the success of the CIA, which has deployed roughly 100 new technologies through its In-Q-Tel partnership for its analysts and spies.

The DIA, the Pentagon's principal body for gathering and analyzing human intelligence, made its first investment through In-Q-Tel in June, says a spokesman, purchasing technology from Endeca Technologies Inc., a Cambridge, Mass., firm working on computer search engines. The DIA has established an "interface center" through which it will integrate In-Q-Tel's technologies into its intelligence operations as well as other arms of the Pentagon, such as Special Operations Command. A spokesman says the DIA is particularly focusing on wireless communications, sensors and foreign-language translation.

FBI and DIA officials say they hope joint investments with other agencies through In-Q-Tel will foster more compatibility among U.S. spy agencies. They were criticized after the Sept. 11, 2001, terrorist attacks for antiquated communications and computer systems that undermined their ability to process large quantities of information. The commission investigating the attacks cited failures of information-sharing as a big reason for the success of the al Qaeda hijackers.

"Through In-Q-Tel, the FBI has been able to review new, cutting-edge technologies that have not yet

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In-Q-Tel is bringing the government closer to Silicon Valley. Skip Speaks, chief executive of Rosum Corp., a Redwood City, Calif., telecommunications firm, says that for two decades he didn't do any business with the government, largely because of the red tape involved. But in late 2002, Rosum accepted venture CIA funding from In-Q-Tel to help finance technologies, including ways to track people or vehicles in areas such as valleys that traditional radio or telephony signals rarely reach.

Rosum says its relationship with In-Q-Tel has given the company unique access to other potential government clients, unusual for a start-up. Other investors include **Walt Disney Co.**'s venture-capital arm, Steamboat Ventures LLC, and **Motorola Inc.**

A recent In-Q-Tel success is real-time language-translation software produced by a Los Angeles technology company, Language Weaver. CIA analysts and spies use the software in Iraq and Afghanistan to translate Arabic into English. In-Q-Tel technicians use Language Weaver to translate commentary from the Arabic-language al-Jazeera television network.

The three-year-old Language Weaver project is a "way of multiplying the effectiveness of translators, which are in rare supply," says Donald Kerr, who served as the CIA's deputy director for Science and Technology for four years -- ending last month -- and now leads the agency that runs U.S. spy satellites.

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