



The spy who funded me (and my start-up)

The CIA's venture capitalist in Silicon Valley

By Warren P. Strobel

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The average spy couldn't give two hoots about anything to do with farms—unless of course it's the "Farm" in Virginia, where the CIA trains its operatives. But when the founders of an outfit called IntegriNautics Corp. explained how they use satellites to guide tractors to plant perfect rows of crops, Gilman Louie paid rapt attention. Louie is the CIA's man in Silicon Valley, and it doesn't take much imagination to understand his interest: Miniaturized versions of the technology could help the agency find and rescue its agents or guide tiny robots to sniff out chemical weapons. "Very exciting stuff," Louie says. Later, driving down Route 101 through the heart of the California valley, his team is ebullient. Colleague Jeannie Seelbach is looking forward to briefing officials in Langley about the tractors. "I can't wait to see their reaction," she says.

The world's most powerful intelligence agency faces a digital age crisis. If it cannot tap into the new economy's bright minds and exploit its cutting-edge technology, "the Company" could become too cumbersome to spot threats to the nation before they happen. The problem is too much information. The CIA is awash in data, thanks to the Internet, but doesn't always know what it knows. (The agency was unaware, for example, that it had information on the recent Los Alamos nuclear espionage case.) Its timeworn methods of communicating with its agents, and even with the White House, are becoming antiquated. The CIA needs the tools to share information quickly and efficiently—and securely, because enemy spooks may be snooping.

So it created In-Q-Tel, a not-for-profit venture capital firm. The middle initial is a tongue-in-cheek play on "Q," the fictional gadgeteer of James Bond flicks. Its president and CEO is the boyish Louie, 39, a valley legend who's perhaps best known for developing Falcon, a popular flight simulator game. With \$62 million in federal funds, In-Q-Tel has signed 10 contracts so far. One company it funded is developing a 3-D Web browser that will let users see live versions of the sites they've visited as well as the ones they're about to search. Like a sports producer scanning TV monitors of every camera trained on a game, intelligence analysts could use the browser to zip through data. Another project, netEraser, will let the CIA surf the Web anonymously and withstand "denial of service" attacks, like the one that crippled sites such as Yahoo! in February.

Glory days. The CIA used to perch on the cutting edge of

technology. It conceived the U-2 spy plane back in 1954. For decades, when the agency or the Pentagon needed technology it hired a big defense contractor to build a fighter jet, a satellite, or a spy plane. But today, few infotech firms are interested. If companies sign up, they face stacks of paperwork plus rules that prevent them from going commercial with their handiwork. After inventing the netEraser technology, Science Applications International Corp. (SAIC) did not want to take government money to develop it, fearing Uncle Sam would want shared ownership or throw a secrecy blanket over it. Only after In-Q-Tel came online would SAIC sign on with the feds.

Another switch from the U-2 glory days is that the CIA doesn't always need supersecret gadgets no else has. The CIA is interested in microelectrical and mechanical systems, or MEMS, because a single small chip can detect and identify 600 chemicals—from explosives to narcotics—and phone home the results. The same type of chip, installed in a soda vending machine, can monitor it for temperature and other quality-control measures. Coca-Cola plans to install them. And aside from Louie and a few top aides, staffers at In-Q-Tel do not even possess security clearances. The hot new technology it funds is not only unclassified but also must have commercial uses. That way, the thinking goes, it will be tested—or "validated," in valley-speak—in the unforgiving public marketplace. That wouldn't seem to give the CIA much of a technological edge. But for spies, there's a virtue in using communication devices that don't scream, "I'm from the CIA." Says SAIC Senior Vice President Ronald Knecht: "If 10 million of your closest friends are using the same technology, then you just disappear in the noise."

For Louie, a typical day is a whirlwind of briefings and handshakes. He seeks out established companies to help back In-Q-Tel-funded ventures and crafts teams of start-ups to work on larger projects. "He's kind of like a bee, always pollinating things," says Peter Murray of MediaSnap, one of In-Q-Tel's first partners. Louie brings more than business acumen and techno savvy to the job; he gives the CIA entree to a world it has been cut off from. Predictions that the laid-back Silicon Valley would give government spooks a cool reception have proved wrong. In-Q-Tel has received 250 unsolicited proposals. "We actually had concerns, initially," Murray says. Before partnering with In-Q-

Tel has received 250 unsolicited proposals. "We actually had concerns, initially," Murray says. Before partnering with In-Q-Tel, MediaSnap checked to see if the CIA affiliation would be a problem. It wasn't.

If In-Q-Tel succeeds, it will be thanks to Louie's small team of gen X-ers. They're the kind of talent the CIA would love to attract but often can't because of the tight job market. None of Charles Hudson's peers at Stanford University, where he just graduated, even considered working for Washington. Hudson, 22, signed up after he read an article about Louie "This is cool," he says. "This is not what I associate being with the federal government." There's also low-key patriotism. Eric Kaufmann, at 34 the oldest of the crew, spent \$400 on his first visit to the CIA gift shop. "I'm like a kid in a candy store," he says.

In-Q-Tel is in danger of becoming the next trendy thing. NASA, the Pentagon, and other U.S. agencies want to copy the new public-private hybrid. The CIA's response, says a senior official, is "Go away." The reason? Let's find out if the experiment works first, the official says.

Potential stumbling blocks include Congress, which may balk at using taxpayer dollars as venture capital on projects that typically fail three times out of four. "How much leeway will they be given by their management and by the Congress to act like other VCs?" asks William Crowell, president of security firm Cylink. Success, as in an In-Q-Tel investment that creates a billion-dollar market, might be even more trouble, creating disputes over dividing the windfall.

Making it happen. But the biggest hurdle will be getting the CIA's secretive, traditionbound culture to absorb the hot new technologies that Louie & Co. develop. "Even if you come up with great solutions, the hard part is making it happen," says former CIA official Ruth David, who fought an uphill bureaucratic battle just to get In-Q-Tel off the ground.

Overworked spooks are sure to greet the new gadgets with the same dismissive attitude that Bond showed "Q." Overcoming that resistance is the job of a 14-person team of CIA mavericks, the In-Q-Tel Interface Center. With backing from CIA Director George Tenet, the group is trying to halve the agency's normal three-to-five-year deployment cycle for new technology. A controversial proposal is to eliminate competitive bidding for projects

that grow out of In-Q-Tel investments, on the grounds that Louie's team already has vetted the technology.

If all goes well, one of In-Q-Tel's first products will be the Presidential Intelligence Dissemination System, an electronic upgrade of the CIA's morning briefing to customer No. 1, the president. The system is supposed to be ready for President Clinton's successor in January. But for now, when the president raises questions after the daily session, it can take hours to get answers. "Why should the day trader have better information systems than the president of the United States?" asks Louie.

There are other plans to create an "eCIA." They include a Secure Mobile Office for U.S. spies (informally known as a CIA "station in a box"). And the agency wants to develop secure sites on the Internet to recruit agents and receive secrets from informants.

Marrying the CIA's demand for information and secrecy with Silicon Valley's gift for speed and ingenuity is no sure thing. But there's hope the two worlds can be bridged. As Louie was walking through CIA headquarters recently, someone shouted, "Chopstick!" That's Louie's online cover. The two colleagues—one from Langley, the other from the valley—had crossed paths before. They had squared off online, playing Falcon.