A Tale of Two Startups
IT WAS THE BEST OF BUSINESS PLANS
IT WAS THE WORST OF BUSINESS PLANS*

September 16, 2019

* With apologies to Charles Dickens
Today’s Case Studies

Start Up #1: Remote Network Inspection and Updates

Start Up #2: Hand Held Telecommunications Devices
IP Hygiene
Start Up #1

- An early meeting by the founders with IP counsel
  - IP counsel was part of the “team”
- IP Audit
- Thoughtful Brand Selection with IP counsel input
- Invention disclosure, brainstorming session resulting in the early filing of an omnibus patent application
- Patent committee established
- Regular patent harvest sessions with resulting provisional patent applications submitted to the PTO
- IP Budget and planning
  - Thoughtful filing of US utility patent applications
  - Established an international IP strategy
  - Careful investment in brand protection
Start Up #2

- A meeting by the founders with IP counsel more than one year after founding
  - Very limited IP counsel interaction with management
- No IP Audit
- Brand Selection without IP counsel input
  - Subsequent IP counsel advice on Brand Selection ignored
- Invention disclosure, brainstorming session held one year after founding
  - Some rights already lost
- No IP committee established
  - Initially, *ad hoc* decisions made by CEO
  - Thereafter, unfocused mandate from the GC
  - Constantly shifting strategy
  - Unlimited budget – patent/trademark everything, everywhere; expedite everything
  - Significant expenditure to acquire third party patents
  - Distractions for vanity issues
Outcome
Start Up #1

- Hands on approach allowed best investment of time and money
  - Able to pivot gracefully as new product initiatives emerged
- Robust patent portfolio
  - Coverage strategically evolved to cover latest product initiatives
  - Significant value added by patent assets
  - Strong defensive position \textit{vis a vis} competitors
- Brand protected without issue
  - Proper use of the brand
- Start up #1 acquired by a major IT company for $400M
  - IP was an important factor in valuation
Start Up #2

- **Burdensome patent portfolio**
  - Significant expense on inventions lacking strategic significance
  - Broad, expensive, unnecessary international patent and trademark filings abandoned
  - for cost reduction due to budget shortfall and changed circumstances
- **Brand not protected**
  - One year delay from time of counsel recommendation to file for registration resulted in third party registering the brand
  - Cease and desist received from third party upon product announcement
- **Third party patents not of strategic importance**
  - Expensive to maintain
  - Difficult to resell without significant loss
- There's more to this sad story, but enough for now. On to the takeaways…
Lessons from IP*-Man

*INTELLECTUAL PROPERTY
- PATENTS
- COPYRIGHTS
- TRADEMARKS
- TRADE SECRETS
Establish IP infrastructure early:

- Select trusted counsel
  - At least listen to their advice before deciding on an action
  - Counsel’s time, although expensive by the hour, can be a bargain in the long run
- Perform an IP Audit
- Establish an IP Committee and other infrastructure
- Be careful with planning and budget
- Be thoughtful with brand selection
- Engage in regular patent harvesting
Put another way

- IP strategy/protection should not be an afterthought, it is an important early stage activity for early stage companies
- IP counsel is more than an expense; audition and find IP counsel that you trust to understand your business and your technology
- An IP program, as with a garden, requires regular tending, pruning, and harvesting
QUESTIONS?

Michael Glenn  
E-mail: MGlenn@perkinscoie.com  
Phone: (650) 838-4495