



COUNSEL TO GREAT COMPANIES



CMU Lead Connects Workshop

A Tale of Two Startups

IT WAS THE BEST OF BUSINESS PLANS
IT WAS THE WORST OF BUSINESS PLANS*

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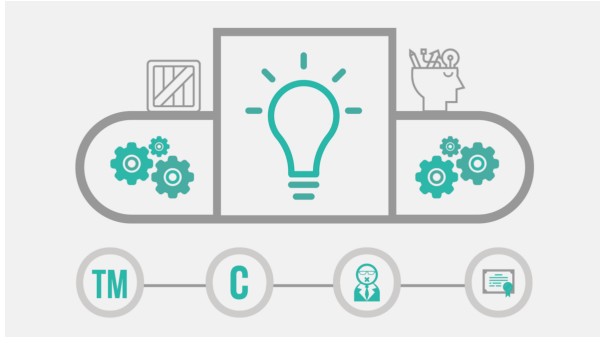
Perkins Coie LLP

* 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 *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

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TRADEMARKS

TRADE SECRETS

Be sure to...

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?

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