

Entrepreneurship and Intellectual Property

March 2021

prepared by: Gary Grube



public company employee



founded



IP partner



public company employee



founded



IP partner



acquirer



IP partner



IP partner



Safety Network



founded

Thoughts on Entrepreneurship Keys to Success

#1 – the People – build a team that cares

#2 - Define your niche – theme, product, channel, capability, capacity

#3 – Decide and Act – adapt, course corrections better than hopeless hesitations

#4 – Do the Right Thing – integrity, customer engagement, community, associates

Focus by Phase

Early Stage

- Pitch the idea 100 times (the feedback will improve your plan)
- File ten inventions provisionally to stake out an early date
- Get a proof of concept done with a lighthouse customer

Mid Stage

- Build a V 1.0 for those who will pay to demonstrate market demand
- Expand development and IP program
- Update board for scale knowledge and connections

Later Stage

- Scale up everything
- Redefine founder roles
- Update board for IPO / acquisition

Patent Strategy – Own It

- Patents grant a “negative right” to preclude others from making, selling, or using a claimed invention
- Patent applications rarely look like an engineering spec since patents disclose just enough to explain the concept to those skilled in the art while supporting the claims
- Patent value from:
 - market premium through exclusivity
 - royalty from others to use your IP
 - as an asset (usually a NPV of future use of portfolio by others)

So....

- Own industry-direction IP
 - cover as many broad concepts as possible around the entire product-market space not just what you productized or plan to on your roadmap

But.....NewCo IP program Funding Dilemma

- IP program budget while early stage is tricky when in the red. Irony is the early broad ideas can be the most valuable
- Early stage investors generally have a low understanding of the IP game
- Early sales always influences investment decision
- IP value can lead valuation contribution of sales, but IP cash flow contribution lags far behind

Why a NewCo invests in a Patent Portfolio

A market-relevant pending/issued patent value is \$100k-\$1M, while cost is \$25k in near term, so 4-40X ROI.

IP Portfolio Value Proposition up to 40X - can be 50% of the company valuation

IF: competing in "Blue IP Ocean" (available IP)

IF: find the novelty gold (unique and valuable to industry)

IF: raise money for budgeted IP program and stick to a 5-7 yr campaign

IP Portfolio 40X ROI when "Gatekeeper"

IF: file ahead of others

IF: file a LOT of inventions (e.g., 100+) around industry directions

IF: industry sales begins to read on IP (sales breathes life into the patents)

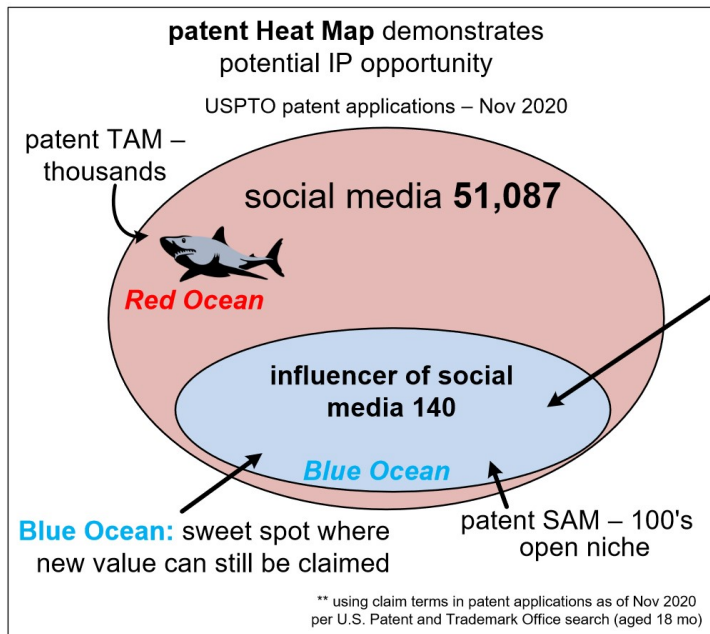
Why the NewCo CEO co-invests in the product side AND the IP side of the business:

The future of the business or a future acquirer will really be the one to monetize the IP portfolio.

The future value of a liquidity event creates a present value of the IP portfolio.

NewCo management must invest now to create that future value.

Example of “Defining Your Niche”



no clear leaders so far:

- IBM 15
- FB 3
- Vity 3
- Microsoft 3
- Samsung 0
- Google 0
- Apple 0
- Amazon 0