

# SEED Capital Denmark

**CASES from our pre-seed and early stage VC diary**

**DTU Patent Course**

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- Venture capital investment can be seen as a Merger & Acquisition activity (M&A)
- M&A: usually several years guarantee for loss due to IP infringement/law sue
- SCD invests in PhD generated – and patented ideas
- Any investment includes an exit (Often a M&A)

## CASE 1. **SURPRISE-SURPRISE**

- Qualifications of employees impressive
- The IP situation very positively presented
- Comprehensive patent family in the field claimed
- Patents decisive for a VC investment
- Due diligence revealed a surprise: no patents in force at all
- Conclusion: come back when you have secured your IP

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## CASE 2. **AN OTHER SIDE OF PATENTS**

- Convincing business model
- Due diligence with assesment of business model and IP within EU codified law
- The business model required agreement structures that hardly complied with EU law
- No investment made

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### CASE 3. **WHO OWNS THE RIGHTS?**

- Company bought IP from Russian inventors
- Article 8 in the Russian patent law transfers a proportional part of the value of IPR to inventors independent of the commercial value
- Even a written agreement on transferral of IP, can be challenged by employed inventors.
- The inventors' employment was modified ...

### CASE 4. **NOW, WHAT-DO-YOU-KNOW!**

- Software vendor had signed a statement on full ownership of IP of developed software
- One day, an automated update note clicks in from an unknown installation -
  - indicating that part of the code had been used by another customer
- The little whistle blower proved worth the investment

## CASE 5. **BLESSING IN DISGUISE**

- The company turned out not to have Freedom-to-Operate within a specific semiconductor field
- Another inventor claimed the rights via a patent
- A search showed, that the inventor had published a PhD thesis before priority date. Hence his patent would not survive a trial.
- The inventor was contacted and an agreement was entered

## CASE 6. **SO GOOD – or – SO BAD**

- A small company found the key to solve a technical problem within a field
- Two global players controlled 60% and 30% respectively of said field due to two more than 20 years old technologies
- The proprietary technology of the small company is now licensed to the two old – previous customers

## CASE 7. **EU PROGRAM PROJECT**

- A company owned IPR for use in mobile phones
- Another company owned IPR for use in stationary units
- Both wanted to produce a chip -  
- which of course could be used in both types of equipment
- What a mess. No investment.

## CASE 8. **DAVID and GOLIATH**

- Software company – founded 1995
- Graphical software/programming
- HP might own the IPR (patent 1978)
- However Microsoft uses a similar technology –  
so the 1995-company ventured to commercialize – since if it was sued by HP so would Microsoft be.
- Investment accepted

## CASE 9. **LOW LEVEL IPR STRATEGY**

- Company borrowed GUI (Graphical User Interface)
- Company sought inspiration from many sources
- QA process (Quality Assurance) to check if too much had been borrowed
- No documentation of QA process
- Investment accepted after oral examination of inspiration

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## CASE 10. **HIGH LEVEL IPR STRATEGY**

- No patent application submitted
- Public domain after disclosure in Esperanto
- Extensive use of Thesaurus
- Patent carpet bombing
- Use of many patent offices which are then blocked from being hired against the IPR owner
- Big multinational company with tons of money

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## CASE 11. **BACK-TRACKING**

- Employees in the start-up company received from former employer a statement that the former employer would not pursue the ownership to any IP, which the employees invent and/or develop in the future
- Investment accepted

## CASE 12. **IN THE DARK**

- Investment followed immediately after patent application filing. (Priority date)
- 12 month later an almost identical patent from a competing company is disclosed
- Investment unfortunately accepted

## CASE 13. NOT UNTIL THE INK HAS DRIED

- Two days before signing the term sheet, it turned out, that a patent which the start-up sought to buy, was licensed to the worst competitor
- No investment made
- Product was changed to work around blocking patent
- Investment accepted

## Q & A

Thank you for your attention