

Spotlight

ON
Law

Lessons a lawyer learned from seeking investors in the 'crowd'

BY JIM HAMMERAND
STAFF WRITER

Inventors have a new tool in the ownership battle with investors, and it's helping an IP attorney at Minneapolis law firm Patterson Thunte Christensen Pedersen launch his company.

Patent attorney and CEO of QFO Labs Inc. Brad Pedersen is using crowd-funding website Kickstarter to sell pre-orders of his company's NanoQ quadcopter and Mimix controller, a one-handed tilt-to-fly stick that works like a Nintendo Wii controller.

Kickstarter lets inventors go to the masses instead of a handful of investors to fund their projects.

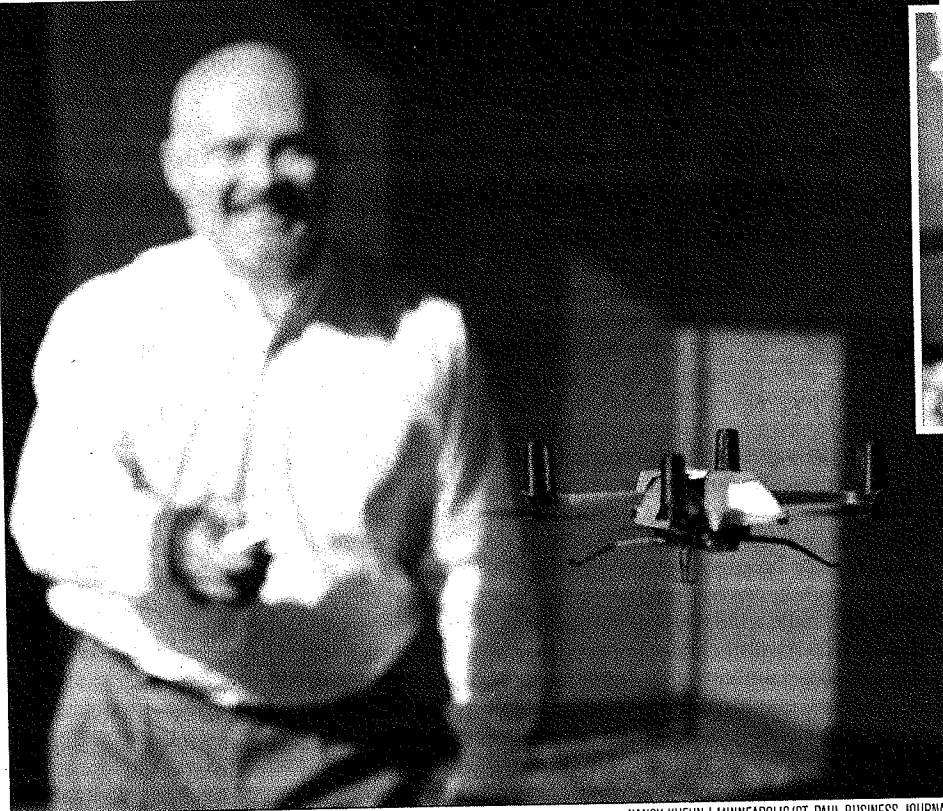
"Cash is king, and the investors always go 'Look, I've got the cash and you've just got the idea, so you're nowhere. I need to take 50 percent of your company,'" Pedersen said. "Now the inventors have a little bit to fire back with."

The three-man company asked supporters to pledge \$230,000 by Nov. 13, and have raised about \$50,000 from nearly 400 backers as of the end of October. They'll pursue angel investors in 2013, no matter how much they raise from Kickstarter.

Without Kickstarter, QFO Labs would still be out raising money from bigger investors who would likely demand an equity stake, Pedersen said. The company also would miss out on feedback from people who have already lined up to buy the product after viewing the prototype.

"There's nothing like customer feedback. There's no substitute for it," he said.

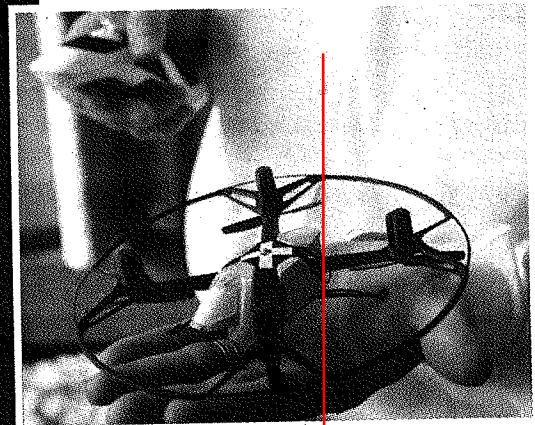
Kickstarter has its challenges. QFO Labs and other startups must have prototypes, not just



Attorney Brad Pedersen and his business partners are seeking investors for their NanoQ quadcopter through crowd-funding website Kickstarter.

renderings, to raise money. Kickstarter also forbids sales of multiple-unit packages, which would have helped QFO Labs raise more money with two- and four-pack NanoQ dogfighting sets.

QFO Labs now knows it should have spent more time talking up the project with bloggers and reporters before launching, a decision that's a never-ending dilemma for many startups.



A one-handed, tilt-to-fly controller maneuvers the NanoQ quadcopter.

QFO LABS INC.

Business: Remote control NanoQ quadcopter developer

Founded: 2011

Partners: CEO Brad Pedersen, President and Chief Operating Officer Jim Fairman and Chief Technical Officer John Condon

Web: qfolabs.com

Kickstarter page: kck.st/OmuE2T

"Which comes first, the product and the money or the publicity to get people interested in it? ... Sometimes you just have to say we're going to do it," Pedersen said.

jhammerand@bizjournals.com | (612) 288-2138

Lessons a lawyer learned from an innovation ahead of its time

BY JIM HAMMERAND
STAFF WRITER

When Chris Holt, a patent attorney at Minneapolis law firm Westman, Champlin & Kelly and the inventor of PatentCore, first filed to protect his invention, the data he needed was in short supply.

He wanted to use public filings to compile online reports on the U.S. Patent and Trademark Office's patent examiners that show average response times, how many patents they've approved or denied and their reasons for rejections.

"It's about making the system more transparent and efficient ... [to deliver] better patents sooner for less money," Holt said, explaining that arming inventors and lawyers with that information can help them deal with their examiner during the approval process.

Clients of the subscription-based PatentCore include Seagate Technology, Intel Corp. and several Minneapolis law firms.

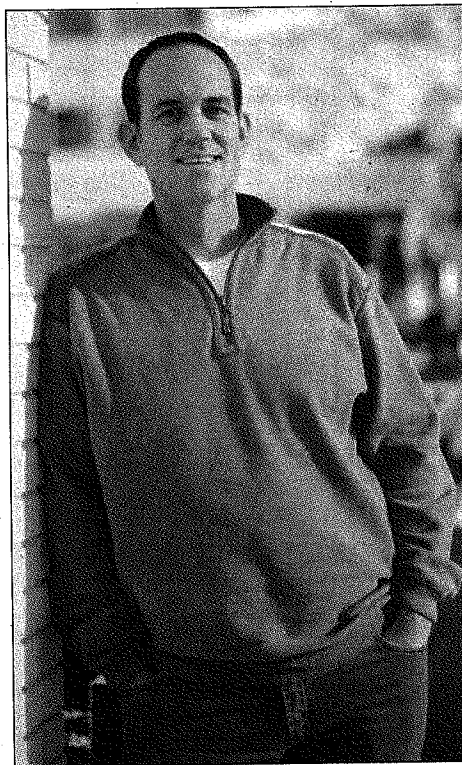
Patent examiners also are curious about how they stack up against their colleagues; one in four clicks on the product's website comes from inside the patent office, Holt said.

"It's very natural for me to think of examiners as batters with a batting average," said Holt, a baseball fan with a keen interest in sabermetrics, statistical analysis most recently popularized by the film adaptation of Michael Lewis' book, "Moneyball."

Despite difficulty procuring data before the government offered bulk data downloads in 2011, Holt plugged on at the urging of business partner Joe Kelly, who is also an owner of the law firm.

"In the very beginning, it was a really crazy idea. ... My assumption was data will eventually be available, so I'll work on this stupid thing for seven years," Holt said.

Today, he's compiled terabytes of data on nearly 6.3 million patent applications to allow attorneys and intellectual property holders to track every at-bat of each patent examiner



Patent attorney Chris Holt spent years gathering information for his database that breaks down the work of patent examiners.

(there were 6,780 in 2011) through PatentCore. "We literally built a collection of many, many millions of documents," he said. "It's very messy data — and a massive amount of messy data."

The product has been marketable for a year, and while Holt now only spends about a fifth of the time he used to practicing law, he'll stay an inventor/lawyer for the time being.

"I tried to resign and the partners wouldn't let me," he said.

jhammerand@bizjournals.com | (612) 288-2138

Lessons a lawyer learned from a talking smoke detector, children

BY JIM HAMMERAND
STAFF WRITER

One night, as Brent Routman was looking at a ceiling-mounted smoke detector, he wondered who would benefit from a talking smoke detector.

The answer turned out to be children, Routman said.

"Eighty-five percent of children never wake up to smoke detectors. They sleep though them, because the sound is not meaningful or significant to a child's brain. They just ignore it," said Routman, an intellectual property lawyer at Minneapolis-based law firm Merchant & Gould.

Even if children do wake up, they often panic and make the fatal decision to hide, he said.

Routman's solution was a smoke detector that lets parents record a personalized message to wake children up and direct them safely out of the house.

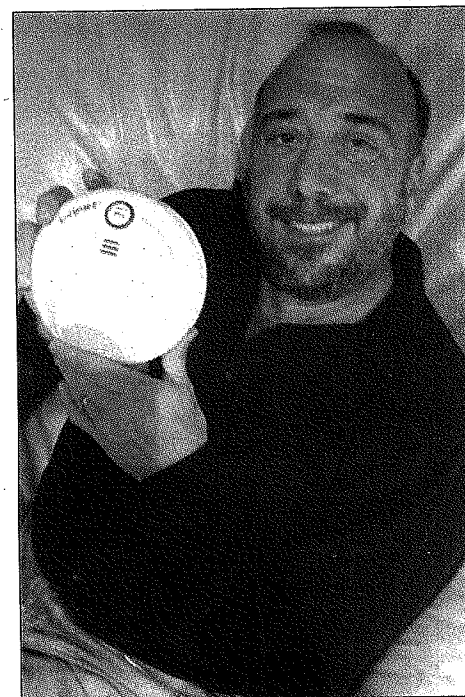
Distributors sold more than 100,000 of the talking smoke detectors for about \$35 each, he said. He's already filed a second generation of patents for devices that would use a motion sensor to shift an alarm from wake-up mode to evacuation mode when it detects movement in the room.

Routman wasn't an intellectual property lawyer when he had his smoke detector epiphany, but gained insight into an inventor's challenges.

He warned inventors to carefully evaluate licensees, their business plans and ability to execute. Agreements with licensees should include milestones and appropriate safeguards, he said.

"Patent protection is only the first step. The marketplace is the ultimate deciding factor. It's critical that products be made cost effectively and introduced into the marketplace at the right price point," he said.

He advises inventors to persevere despite obstacles, noting that he was working on his idea for more than a decade before it won an award for innovation at the 2003 Consumer



Merchant & Gould IP attorney Brent Routman created a talking smoke detector, and is working on another patent.

BRENT ROUTMAN

General counsel, Merchant & Gould in Minneapolis

Practice: Trademark, copyright, Internet and advertising law

Invention: Smoke detector with programmable messages to wake children and get them to safety

Electronics Show.

"It's a long process. ... If you continue to pursue the dream you'll make it happen."

jhammerand@bizjournals.com | (612) 288-2138