

Patent Demands & Startup Companies:  
The View from the Venture Capital Community

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This paper presents the results of a study conducted on the topic of patent demands against venture-backed startups. The study was conducted through the National Venture Capital Association in the fall of 2013. The NCVA asked its member VCs to respond to a survey that I had prepared. The VCs were also asked to forward a variant of that survey to their portfolio companies.

The paper details responses from more than 200 venture capitalists and their portfolio companies. Results include quantitative information on the frequency of patent demands, whether the demands came from those whose core business involves licensing or litigation patents, dollars spent in response to demands, whether the demands were timed in relation to funding, and information about which sectors are experiencing the demands.

Results also include the respondent's views on whether patent demands are a significant problem in their sector, whether venture capitalists consider the possibility of selling patents in determining whether to invest in a company, and whether venture capitalists would be deterred by patent demands against a company they were considering adding to their portfolio. Finally, the paper provides qualitative information on the effects of patent demands on the lives of venture-backed startup companies—documenting both the human and the economic costs of patent demands.