

## A Sterling firm aims to upend the patent industry — and it's using cryptocurrency to do it

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Sterling-based Loci Inc. wants to flip the table on the business of filing and approving patents by undercutting its competitors on price. That doesn't sound unusual, right?

How about if we add that Loci intends to do this by creating its own cryptocurrency?

It's OK if you've never heard that term. I'll explain how this works. Basically, Loci founder and CEO [John Wise](#) said he's built a new software platform, called InnVenn, to help lawyers, inventors and corporations research patents, ideas and concepts to ensure they're not repeating something that's been done before. InnVenn, Wise said, allows inventors to bypass lengthy, costly patent examinations and speed up their research and development by up to 80 percent.

But now comes the tricky part.

Loci will also create its own digital currency, or tokens, that it hopes will rise in value as more people use the software platform. On July 25, Loci will sell the first 30 million of 100 million tokens it plans to make available for customers to pay monthly to use the software and for companies or investors to invest in new patents and ideas.

To get tokens, customers must first purchase cryptocurrency known as "ether" (the ethereum technology on which the Loci software is based). Only then can they buy these tokens, at a base price of \$2.49 apiece, which they then use to pay Loci's monthly fee of \$249.

Imagine it this way: Amazon sells its gift cards at face value, but people often buy and sell those gift cards at a discount from one another or on the secondary market. Now imagine that Amazon only issued a finite number of gift cards, and those cards are the only way you could purchase your favorite Amazon items. As more people want and use those cards, their dollar value would rise. That is essentially what Loci intends to do with its token system.

The benefit of introducing this currency system is that it can build serious customer loyalty and raise additional funding while inducing users to keep coming back to its software platform.

Here's an example: If Apple wanted to buy up or license a series of patents on Loci's platform to help head off potential litigation on its latest creation, it would need to buy tokens from current owners of tokens in order to pay the owners of the patents, who have registered them on Loci's system. For those who use InnVenn to identify gaps in patents or find new areas that are ripe for patents, Loci would offer more tokens as a reward.

"If you are Apple and you want to create a new home pod, you can spend the \$1.8 billion on research and development and file only the patents for the things you developed in house" at a competitor site, Wise said. "Or you can buy 1,000 ideas and inventions and have the right to patent them or acquire all the [intellectually property] and be able to go in any direction possible. ... Like building an intellectual property moat."

Loci has signed on and rolled out software to 900 companies, organizations and law firms so far in hopes of undercutting competitors LexisNexis and Reuters WestLaw, which charge thousands per month. It hopes to have 6,000 paying users per month by the end of this year, or around \$1.4 million in monthly revenue. By June 2018, Wise hopes to have 50,000 to 60,000 monthly users, for about \$10 million to \$15 million per month in revenue.

Meanwhile the company plans to cash out about \$2.5 million from the first offering of 30 million tokens to help support the company and its 24 employees, and will cash out additional amounts with each offering.

But with the extra layer of these tokens, the true numbers quickly reach eye-popping totals for a relatively small company. If the value of the tokens rise to \$7.50 per pop, that means the total pool would be worth \$750 million (and if Loci had only sold 30 million at the time, its "reserves" would be worth \$562.5 million). It obviates the need for future funding rounds — Loci is currently closing a \$350,000 funding round from investors — and offers a blueprint for how companies can ditch the concept of equity investments in favor of creating its own currency systems.

Of course, the whole token system could fail. Wise argues even in that case, he still has a company with a traditional business model that will be generating revenue and building its customer base.

But Wise, who hails from a background in auto racing, doesn't expect that to happen. He said at least one large institutional investor had already shown interest in purchasing 10 million tokens, and he expects to sell out the first 30 million tokens. He also intends to set aside 10 million tokens to form a nonprofit that will help inventors in under-served companies research and patent their ideas.

While Loci won't be the first company to offer its own currency, Wise said it will be among the first from a venture-backed company with a finished product and existing sales. And he sees this type of offering, which doesn't give purchasers an equity stake, as a model that would erase the concept of venture-backed funding for startups entirely.

"This is a quantum shift in the way investments are done around the world. The biggest thing Silicon Valley has going for them is venture funding," Wise said. "This is a new way to fund idea, and in one month the entire venture system could be done."