

STARTING UP A STARTUP:

Critical (& Practical) Actions
for Italian Startups

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This presentation applies to all startups, but especially those coming from outside the US.

The focus of this presentation is on Italian startups wanting to go to Silicon Valley (or elsewhere in the US) but can be applied to those of you leaving France, Germany, wherever.

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Remember! This presentation is not legal advice.
Just insights from experience. If you need legal
help, find a lawyer.

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Starting Up: Actions to Take.

1. **The Context:** Take risks. Get known.
2. **Articulating The Value Proposition:** You Are not the Next Facebook.
3. **Intellectual Property:** Get it in writing.
4. **Early Stage Management Structure & Tools:** Keep It Lean & Nimble.
5. **US/Italian Differences:** Build Confidence and *be* Italian.



Part 1. The Context--A Culture of Risk.

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It's not Archeology. Don't Worry about Breaking Things.

Dig faster. Use different tools. Build tools for others to dig.

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Semper Gumby. Always Be Flexible.



Prepare to Respond to Risks.



JDI Strategy. Get into the Market. Now.

Lean Startups & MVP

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Not *Why* but **Y**. Then $(X-Y)+Z$.

Fire the first team member that asks why . . .

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Part 2. Articulating the Value Proposition.

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VCs Are Transparent on What They Want . . .

Study their websites.

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Mixed Marriages of Money & Startups.

If a Lean Startup then angels.

A fund early or late in funding cycle. Series B+ experience.

In your space or *interested* in your space. (At least someone on their team who knows.)

International if you will be international.

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Your Are *not* the Next Facebook.

Facebook itself was not the next Facebook.

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Technology Does Not Matter (Much).

FB platform is not rocket science.
Optimal Solution=scalable for now.

Most tech can be replicated by
others.



The Team Matters the Most.

Startup & sector experience. Missing people are OK.

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Team before Technology. Before *Everything*.



You Must Create Many Value Propositions Many
Times.

Capital. Users. Partners. Team.

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One Value Proposition is: “We Will Generate Value
for our Investors *because . . .*”

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... Someone needs our market presence. *Now.*
And here is how we will respond & make money.

Audience. Revenue. Platform.

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Biz Plans Are on Life Support.

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MindShare & Pitch Deck Are What Matter.

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Build the Buzz.

No one can do business with you if they do not know that you exist.

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Market Validation Helps.

MVP & Lean Startups.

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Your pitch deck gets you attention . . .

The Ecosystem gets you the meeting with the VC.

If a VC' s “network” does not know you, then the VC probably doesn't want to know you.

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... But your GTM gets you the money.

How will you spend my money to build your value?

Your slides on “Go To Market” actions are what investors want to see. Then you’ll need “technical appendices” to explain your actions to achieve your milestones.



10 Questions/20 Slides.

What we do

Why it matters: Why do users need it?

Who we are and why we can do it

Financials

How we do it

How we make money or build traffic

Who else is doing it and how we differ

Milestones & Metrics

What money we need

Why would someone invest in it or buy it?

How we'll use the money

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Financials Are not Real . . .

. . . but they should be reasonable and support the valuation.

Never have 5,874.42

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Ask for What You Can Use x 1.5 years.

It must be more than what you *need*.

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Italian Startups Are Not Clear on VC Funding

1. They ask for too little.
2. They think that VCs will be interested in 3-5 years.
3. They try to get to break-even too soon.



Get (More) Money When You Don't Need It.

1. Your valuation is healthier.
2. You have more control of the terms.
3. VCs will probably *not* be interested in 3-5 years.



How Can You Break Even When You Have ~ Zero Revenue?

1. Losing money is an investment in market presence.
2. Break even starves the startup of investment capital.
3. Very few successful scaleups have *not* lost money for quite a few years. The same is true of new initiatives of major corporations (e.g., Fiat and the Alfa Romeo introduction into the US).

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Never Say that You Will Be Worth 3x in 5 Years

1. VCs target 30x in 3-5 years.
2. They might accept 10x.



Part 3.

5 Types of Early Stage Intellectual *Capital*.

1. Your Name(s)
2. What's "behind the curtain."
3. What people see & use."
4. Data from Users.
5. Data you acquire.



Build Your Name(s)

Trademark *and use* your company name,
names of products/services.



Your Own Name Matters.

Remember “Be? VCs funded Steve Jobs *not* his companies.

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Beintoo

Jobrapido

Mangatar

Glossom

Marco Magnocavallo

Recognize These Names?

Timbuktu Labs

D-orbit

Searcheze

Maurizio Rossi

Vivocha

Anna Gervasoni



2nd Type: What's Behind the Curtain

Your underlying platform, programming, design, features & functionality.

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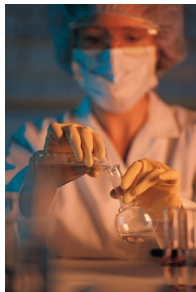
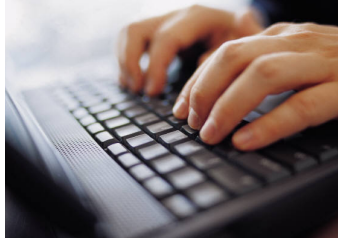


Acquire Your Core Technology.

At the beginning & in writing.

All founders, designers, programmers, advisors and others must sign assignment agreements at the beginning.





Wales Contract for Moon Dogs

The following contract is for the purpose of...

Signature of _____ Date _____

Address of _____

THE PURPOSE & SCOPE OF THE CONTRACT

1. The purpose of this contract is to provide for the care and maintenance of the Moon Dogs...

2. The scope of the contract includes the following:...

3. The contract shall be in full force and effect from the date of signing...

4. The contract shall be subject to the terms and conditions of the attached schedule...

5. The contract shall be terminated upon the death of the Moon Dogs...

6. The contract shall be subject to the laws of the State of _____.

7. The contract shall be subject to the jurisdiction of the courts of the State of _____.

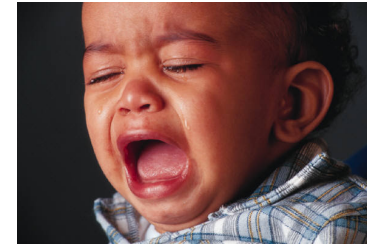
8. The contract shall be subject to the arbitration of the _____.

9. The contract shall be subject to the rules and regulations of the _____.

10. The contract shall be subject to the terms and conditions of the _____.

Signature of _____ Date _____

Signature of _____ Date _____



Assignment Agreements for (Almost) Everyone.

- Each person owns what he/she creates until rights are assigned IN WRITING.
- Assignment must be “current.” *Developer hereby assigns . . .*
- Work-for-Hire agreements=assignment.



Open Source Software is *not* in the Public
Domain & It Is *not* Free.

Make sure that your developers comply with the licenses.

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Use NDAs but Be Careful. *Stanford v. Roche*

- Should be more specific than “business purpose.”
- Should not have any assignment provisions.
- Limit to 3 to 5 years.
- Narrowly define “Confidential Information” (CI).



NDA's Are only for 2 Parties.

Party A to Party B. Party A to Party C.

Party A "CI" cannot go from B to C.



3rd Type: What People See & Use.

Your website, mobile app, features & functionality.

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Create a TOU That Serves Your Purposes.

Remember: It is a *license* not a sale.

Main points should be obvious and easy to read. Link to detailed agreement. Choose your jurisdiction.

TOU also covers use of User content (e.g., photos).



4th Type:
What Information People Give You or
Post.

Make it clear that they own what they post (in the TOU).



Create a Privacy Policy for Your Region.

EU government, EU member nations and US FTC are keeping an eye on you.

Have users create a profile.

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5th Type: Data You Acquire.

Measure everything and make sure you own it.

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Patents/Trade Secrets.

1. Patents are expensive.
2. Technology is *public*.
3. They are vulnerable to attack and expensive to defend.



Technology: Build v. Buy?

Acquire IC by alliances or acquisitions:
Get technology, traffic, team.

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Part 4. Early Stage Management Structure &
Tools: *Be Lean & Nimble.*

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Core Team. 3 CXOs.

- CEO
- CTO
- CMO/CSO

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Post-Funding: Add a CFO.

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Incomplete Team is OK: Money to Get Them.

If you need them then have them as contractors.

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Small Board. Big Advisory Board.

Post-funding, board members are not chosen by you.

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Create a Big Advisory Board Early.

- Create legitimacy with “Coat-tail Credibility.”
- Advisory Board members can create your network & links.



Never. *Ever.* Surprise. the. Board.

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Use Simple Tools.

Make sure it is a *tool*:

When all you have is a hammer then everything starts to look like a nail.



Consider the “Lean Startup Methodology.”

Build.

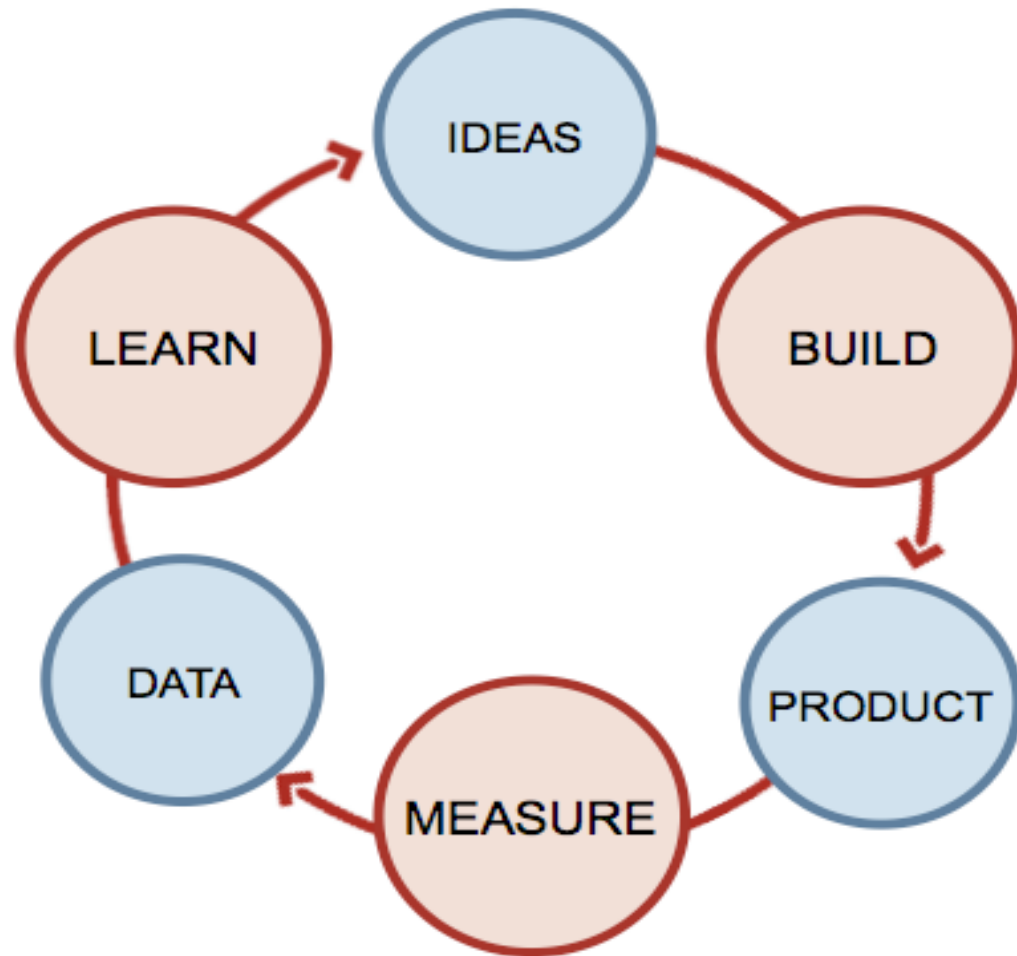
Release.

Measure.

Repeat as necessary (maximum: 3 months).

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Create Milestones for the Immediate Future.

3Q milestones for product/features release,
money/traffic, team and market penetration.

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Operating Plan=GANTT Chart

Milestones in 6 Dimensions.

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Part 5. US and Italy Compared:
Italy Can Compete.

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In the US Startup World Nobody Wears a Suit!!!



Italian Startups *Seem* to Suffer an Inferiority Complex.

- You are better educated (technical, engineering, computer science).
- You are older.
- You usually have a product in the market.
- You have 1 billion people within 5 hours of travel (and you have sold to them before).



US Is Mature. EU is *Emerging*.

- US VCs are provincial. Italians know how to sell in Germany, etc.
- Extreme competition in the US: serial entrepreneurs.
- New Italian and EU VCs need deal flow.





Fast v. Slow Decision-making.

US VCs make quick decisions.

Italians are glacial.



Example: US Incorporation Is Easy.

- Incorporation is fast and cheap: ~800€ and 30 days.
- Capital is not mandated (though advisable).
- Agreements, etc., are private documents (no need to register or file with authorities).



Where to Incorporate.

- Delaware v. California. Where are you doing business?
- Two levels of government: federal and state.
- Pay taxes at both levels.
- Federal law governs trademarks & copyright; state law governs almost all other agreements.



Early Stage Costs: <€10,000.

- €1K Corporate formation.
- €3K initial agreements (e.g., assignment agreements).
- €3K term sheet and funding matters.
- €3K outside advisors (interim CFO, etc.)

Be careful with lawyers' hourly rates. Negotiate.



Other Differences Are not Judgments.

- A US Board of Directors is *not* involved with day-to-day operations.
- People don't care about your family's connections. They care about your business connections.
- Silicon Valley is not Nirvana.
- There is huge interest in Italy & Europe in startups.



Italian € Mentality Is Wrong.

- Investors are too cautious: They want break-even 3 years early.
- Series A & B are much too low.



You discovered China.

You created the sportscars of our dreams.

You perfected pasta. *Zegna*

Prada

Dolce & Gabanna

Geox

Be Italian.

You brought modern design to furniture.

Armani

Kartell

Artemide

Hogan's

You invented sneakers.

Ferragamo

Tod's

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Thank you.

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