Tech blog, Singapore startup feud over tablet PC

JESSICA MINTZ - AP Technology Writer - Associated Press

About 18 months ago, a technology blogger got fed up with the industry and forged an alliance with a startup to make his dream computer. It almost worked.

The touch-screen "tablet" device will be available for pre-order Saturday — from the startup. The blogger is out of the picture, back to producing posts rather than PCs.

But this is Michael Arrington, the often caustic frontman of the TechCrunch blog, and he's determined not to let the story end there. He filed suit in federal court on Thursday, saying the $500 JooJoo tablet is the fruit of his CrunchPad project.

For its part, startup Fusion Garage says Arrington's contribution was minimal, and he didn't manage to fulfill his commitments to the project. Tired of waiting for him to come through, the startup went ahead on its own.

The story begins in July 2008, when Arrington, one of Silicon Valley's best-connected bloggers, posted a manifesto on TechCrunch.

"I'm tired of waiting — I want a dead simple and dirt cheap touch screen Web tablet to surf the Web," wrote Arrington, calling for collaborators to step forward.

The post caught the attention of Chandrasekar Rathakrishnan, the young founder of Fusion Garage, which had been working for a few months on software that might power such a tablet. Like Arrington, Rathakrishnan envisioned a system that was based on a Web browser rather than a desktop operating system such as Windows. That would allow the tablet to start up quickly and would keep hardware requirements — and thus costs — down.

In September 2008, Rathakrishnan tracked Arrington down after a conference. Arrington agreed that Fusion Garage's software might solve part of his tablet puzzle, and said he'd want to acquire Fusion Garage. Arrington said they settled on Fusion Garage owning 35 percent of a joint CrunchPad venture.

"I thought that was exciting. Here we had the guy who had a blog with a lot of reach, suggesting we're something exciting," said Rathakrishnan, now 29 years old. "I know how hard building hardware is, how much money you need for that. Having Arrington by our side (would) help us get there faster."

Between September 2008 and February 2009, the new partners worked on a prototype designed by CrunchPad's small team and a circle of consultants, running Fusion Garage's software.

From here, the stories diverge and the partnership of two scrappy entrepreneurs sours.

Rathakrishnan said in an interview that looking at the February CrunchPad prototype made him think twice about the project.

"It looks like a tablet built in 2000. It is huge, it doesn't look like it could go to market," he said. "That's when we realized this is not going to go where he thought it would go."

Rathakrishnan said Fusion Garage went back to the drawing board and designed a new prototype with a better touch screen and new software, and brought it to Arrington in April.

By Arrington's account, for the next three months Rathakrishnan worked out of TechCrunch's office. Arrington said his team was working on the hardware, talking to potential suppliers, and working directly with Rathakrishnan's team on the software and user interface. There was no formal contract in place, despite Arrington's past career as a lawyer, but he was comfortable with the arrangements worked out verbally and over e-mail.

"Did his team do most of the work? Sure. But we were paying a lot of the bills," Arrington said, estimating CrunchPad spent between $300,000 and $400,000 for parts and to help build prototypes.

CrunchPad employees also went to Singapore and Taiwan to work with Fusion Garage and the manufacturers working on the tablet, Arrington said.

Arrington had also been in touch with Ron Conway, a seasoned angel investor in the valley who made early bets on companies like Google, Facebook and Twitter.

In an interview, Conway said he put together a small group of investors ready to raise $1 million to $2 million to be used for the first manufacturing run of the CrunchPad. He said was on call all summer, just waiting for Arrington to say the product was ready to go.

Rathakrishnan remembers these months much differently. He said CrunchPad's team didn't contribute a line of code or a dollar of funding. There was never agreement on the terms of an acquisition. Rathakrishnan said he was bewildered that neither the funding nor the buyout deal Arrington promised were materializing, and so he and Fusion Garage were the ones out raising money and finding manufacturing partners.

In late November, the tablet computer was almost ready to make its debut when the project dramatically imploded. It's impossible to say now what, exactly, went down between the two sides, but Arrington wrote in a Nov. 30 post on TechCrunch that Fusion Garage and its investors had suddenly decided to dump the CrunchPad team and sell the product on their own, even though Arrington believed neither side owned rights to the product.

Rathakrishnan gave a live press conference by Web video Monday to refute

Arrington's version of the story and to introduce the JooJoo.

Since then, he's taken the device on a whirlwind tour to show it off to gadget bloggers and technology journalists. The 12.1-inch tablet-style computer boots up into a screen of shortcuts to popular Web services like Facebook and Twitter, boasts a 5-hour battery life and faithfully plays back high-definition video.

The device is reminiscent of a giant iPod Touch — something Apple Inc. itself is rumored to be working on.

While Rathakrishnan was showing off the JooJoo, Arrington's lawyers filed suit in U.S. District Court for the Northern District of California to keep Fusion Garage from ever selling it. Arrington says he doesn't think Fusion Garage has enough money to build the device; Rathakrishnan said he's on the verge of closing a round of funding not just for the JooJoo, but for follow-up devices.

The drama has cast a pall over what Rathakrishnan had hoped would be a successful launch. But the relationship with the blog, particularly now that it's turned into a high-tech divorce case, has generated far more buzz than Fusion Garage could have hoped for had it tried to build and launch such a gadget on its own.

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