



Stanford eCorner

Story of Acquisition: Palm, US Robotics, 3Com

Jeff Hawkins, *Numenta*

October 23, 2002

Video URL: <http://ecorner.stanford.edu/videos/42/Story-of-Acquisition-Palm-US-Robotics-3Com>

Hawkins shares his story about how his initial company was continually acquired by larger companies.



Transcript

Now we started Palm as a software company cause that's what I was told what we're supposed to do because in 1992, building hardware was like really a stupid idea at least that's what people said. Software was where it was at with the internet hadn't really come about yet, so no ones really crazy about that yet. And so we started Palm as a software company. We nearly went out of business upon completing that. Our first products were done as a consortium with Casio and Tandy. It was a disaster. When the Newton came out, it was a disaster. It was really hard and were basically... Palm was going to go out of business. We had about 25 employees.

We have \$3 million left in the bank. We had really no revenue stream and one of our investors said to me he said, "Well we are complaining." He said, "Look, no one wants to invest in this PDA space and do handheld computers anymore." And he said, "Well stop complaining." He says, "You know what to do?" And I said, "Sure." I didn't know what to do but I said so. And he says, "Well go do it." All right, so that means I have to do the hardware, the software, and build everything. It's just fine. What else are you going to do? I said, "Oh, great! I have 25 people and \$3 million." So we went and did that and that's how we created that Palm Pilot. It's not that simple. There's a lot to that but pretty much that's the synopsis. That product, it was really instinct just as we are on the verge of success, really great success, that is when people decided we were the worthless. The most worthless we would ever be and no one had want to do anything with those whatsoever. They don't want to invest in the company even small amounts.

No one wanted to talk to us. They didn't want to be vendors. It was like, and we were saying this thing, we think we have this really clever product. We finally, luckily we found a company in Chicago, who had never heard of the PDA, this is US Robotics. They think they just didn't notice what was going on out here and all these companies have failed. And so they actually were interested and they initially placed some money to us and then they eventually acquired Palm. And I'll talk to them about that later why we agreed to do that. But it was the right thing to do and so we brought the Palm Pilot to market as a division of US Robotics. US Robotics was acquired by 3Com. 3Com didn't even care about Palm but that was the only thing they got out of that acquisition.

They spent \$8 billion for US Robotics, which turned out to be worth about zero and Palm was worth about, after a few years worth quite a bit.