**Jawbone (company)**

<https://en.wikipedia.org/wiki/Jawbone_(company)>

**Jawbone** was an American privately held [wearable technology](https://en.wikipedia.org/wiki/Wearable_technology) company headquartered in [San Francisco, California](https://en.wikipedia.org/wiki/San_Francisco,_California). Since June 19, 2017, it has been undergoing [liquidation](https://en.wikipedia.org/wiki/Liquidation) via an [assignment for the benefit of creditors](https://en.wikipedia.org/wiki/General_assignment#The_United_States).[[1]](https://en.wikipedia.org/wiki/Jawbone_(company)#cite_note-1) It developed and sold wristbands and portable audio devices and [Bluetooth](https://en.wikipedia.org/wiki/Bluetooth) headsets. Jawbone marketed its wearable products as part of the [Internet of things](https://en.wikipedia.org/wiki/Internet_of_things).[[2]](https://en.wikipedia.org/wiki/Jawbone_(company)#cite_note-Wired_5.14.13-2)[[3]](https://en.wikipedia.org/wiki/Jawbone_(company)#cite_note-Fast_Co_Nov_2013-3)[[4]](https://en.wikipedia.org/wiki/Jawbone_(company)#cite_note-MIT_Tech_Review_Nov_2013-4)

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| **Jawbone** |
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| **Industry** | [Consumer electronics](https://en.wikipedia.org/wiki/Consumer_electronics) |
| **Founded** | December 1, 1999 (As Aliph) |
| **Founder** | [Alexander Asseily](https://en.wikipedia.org/wiki/Alexander_Asseily) and Hosain Rahman |
| **Fate** | Undergoing liquidation |
| **Headquarters** | [San Francisco](https://en.wikipedia.org/wiki/San_Francisco), [California](https://en.wikipedia.org/wiki/California)  ,  [U.S.](https://en.wikipedia.org/wiki/United_States_of_America) |
| **Key people** | Hosain Rahman (CEO) [Yves Behar](https://en.wikipedia.org/wiki/Yves_Behar) (Designer) |
| **Products** | show  **Products list** |
| **Services** | show  **Services list** |
| **Website** | [www.jawbone.com](http://www.jawbone.com/) |

**Failed Startups: Jawbone**

[](https://www.forbes.com/sites/maryjuetten/)

**[Mary Juetten](https://www.forbes.com/sites/maryjuetten/)**

Former Contributor

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Long is the list of Silicon Valley startups that have begun their lives as the next big thing, their ideas as the wave of the future, only to have that ingenuity fail to meet any actual success. Translating ideas into reality is hard, the process of manufacturing technological devices harder still, and gauging what the public wants and capturing a share of the available market can seem nearly impossible to those in the midst of trying to accomplish just that. Hitting that particular mark and achieving every objective that you need for early, sustained success can be akin to a magic trick.



Fitness tracker on the hand of a man.

 GETTY

Jawbone was, or is, a company with an interesting journey through the startup landscape as it tried to accomplish this trick. The company entered the public sphere as a maker of wireless technology, selling Bluetooth headsets and wireless speakers under the stewardship of CEO Hosain Rahman. It was a curious case among startups, an unusually long-gestating but soon-to-be-successful unicorn, its birth and rise [chronicled by Fortune in 2015](http://fortune.com/2015/01/22/jawbone/) in a familiar hagiography that accompanies many an entrepreneur on their way up.

This particular celebration of the company was on the occasion of the launch of its newest product, the UP3 fitness tracker band.  The UP3 represented an expansion of the company’s ambition, as Jawbone seemed to be on solid footing; the company was raising money at a $3 billion valuation from some of the biggest venture capital firms in Silicon Valley.

As we’ve seen throughout recent years (and [throughout this series](https://www.forbes.com/sites/maryjuetten/2019/01/24/failed-startups-shyp/)), appearances can be deceiving when it comes to startups. The same Fortune profile lauding the company’s rise notes that Jawbone “continues to scramble for cash and struggles to ship a quality product on time.” And the company’s investment into the UP3 proved to be a poor bet; iterations of the product encountered various problems, and users often ran up against the limitations of the device as well as its high price. It also faced stiff competition from Fitbit, who was by then offering similar products at a lesser price, and Apple, who offered some of the same tracking measures in the Apple Watch, in addition to being the globe-bestriding technological colossus that can destroy the fortunes of an ambitious startup with their latest product launch.

The reality of Jawbone’s decline began to appear in 2016, as the company stopped making and then selling their fitness trackers before eventually selling off their remaining inventory to a reseller. Soon thereafter, Jawbone discontinued its relationship with its outside customer service agency after they were unable to pay for their services, [according to Business Insider](https://www.businessinsider.com/jawbone-cuts-ties-with-customer-service-agency-2016-9), failing to replace it with customer service of any kind and [angering its remaining customers in the process](https://www.usatoday.com/story/tech/talkingtech/2017/07/10/jawbone-out-business-leaves-customers-hanging/461159001/).  Additional reporting from the website states that Jawbone was looking to shift to wearables to measure health information, but was unable to get the devices to work properly.

And while likely not a contributing factor to the company’s ultimate decline, Jawbone’s fortunes were further complicated by a lawsuit against Fitbit, accusing their competitor of pilfering both employees and trade secrets from Jawbone. While the matter was [initially decided in favor of Fitbit](https://www.usatoday.com/story/tech/news/2016/08/24/judge-clears-fitbit-over-jawbone-trade-secrets/89249334/), the issue was revived when [federal prosecutors indicted current and former Fitbit employees for possession of stolen trade secrets](https://www.theverge.com/circuitbreaker/2018/6/15/17467820/fitbit-employees-charged-stolen-jawbone-trade-secrets-jawbone).

Jawbone’s end is unlike that of others that have reached the end of their financial runway. In reporting on the company’s liquidation, [The Verge](https://www.theverge.com/2017/7/6/15931080/jawbone-going-out-of-business-report) notes that Rahman has already begun work on Jawbone Health Hub (since renamed Jawbone Health) to provide “health-related products and services” and service existing Jawbone devices, and brought many former Jawbone employees with him. While little can be gleaned about the new venture from [its website](https://jawbonehealth.co/), in a [wide-ranging interview with Recode’s Kara Swisher](https://www.recode.net/2018/9/26/17904022/jawbone-health-hosain-rahman-wearables-healthcare-salesforce-kara-swisher-decode-podcast), Rahman touches on the mistakes and failures of his previous venture.

Startups of any kind are a challenge, and startups wherein hardware is involved are particularly challenging. And yet for all of the risks, there were no glaringly unwise mistakes on the road to failure that can be seen in many of the other stories of startups that failed. It took sixteen years before the missteps of the UP3, and while the company was never making money, it produced quality products that furthered its growth and valuation and fueled investor confidence. Rather, it seems that a big bet on a product that didn’t work as intended, couldn’t be fixed as easily as software, and faced strong competition was too great a gamble for a startup with too little margin for mistakes. #onwards

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# Jawbone's demise a case of 'death by overfunding' in Silicon Valley

By [Heather Somerville](https://www.reuters.com/journalists/heather-somerville)

7 MIN READ

SAN FRANCISCO (Reuters) - Consumer electronics company Jawbone had more than enough money to take on Fitbit and other health-tracking devices in the “wearables” market.

FILE PHOTO: Hosain Rahman, CEO and co-founder of Jawbone, speaks during the Samsung keynote with Jawbone products displayed in the background at the International Consumer Electronics show (CES) in Las Vegas, Nevada January 5, 2015. REUTERS/Rick Wilking

That may have ended up being its biggest problem.

Top-tier venture capital firms Sequoia, Andreessen Horowitz, Khosla Ventures and Kleiner Perkins Caufield & Byers, and then a sovereign wealth fund, invested hundreds of millions of dollars in Jawbone, lifting its valuation to $3.2 billion in 2014.

Ultimately, all that money couldn’t save San Francisco-based Jawbone, which began liquidating proceedings in June after its fitness-tracker product failed to take off. It now ranks as the second largest failure among venture-backed companies, based on total funding raised, according to the research firm CB Insights.

Jawbone’s fall after raising more than $900 million provides a stark example of how the flood of cash pouring into Silicon Valley can have the perverse effect of sustaining companies that have no future, technology executives and financiers say.

The irony is Jawbone could have been a suitable acquisition target some years ago, these people say, had it just kept its valuation lower by raising less money from venture capital and sovereign wealth funds.

“They are basically force-feeding capital into these companies,” said Sramana Mitra, a tech entrepreneur and consultant, and founder and CEO of startup accelerator One Million by One Million. “I expect there will be a lot more deaths by overfunding.”

The Jawbone case also underscores the risks that non-traditional startup investors such as sovereign wealth funds face as they ramp up investments in Silicon Valley. The Kuwait Investment Authority led a $165 million investment in Jawbone just last year, when its prospects had already dimmed to the point that most of its original investors were unwilling to put up new funding.

These funds, which mange funds of hundreds of billions of dollars, invested $12.7 billion in private tech companies last year, up from $2.2 billion the year before, according to CB Insights.

Startup failures are not uncommon, but a billion-dollar company that has raised huge pools of money going belly up remains a rarity. Jawbone ranks behind the solar technology company Solyndra, which became the largest failure among venture-backed companies when it filed for bankruptcy in 2011.

Other recent big-dollar failures include used car marketplace Beepi, which closed after raising about $150 million.

Some investors say failures like Jawbone won’t seriously dent startup funding in the near term. Venture capitalists last year raised $41 billion, a record.

“Everyone is trying to find a way to play in the tech economy,” said Rich Wong, a partner with Accel venture firm. “It’s inevitable” that there will be big-ticket failures.

But the Jawbone situation could give pause to investors considering nine-figure investments in unproven firms, say venture capitalists.

Since Jawbone’s “downround” last year, a number of other startups - including human resources software firm Zenefits, food subscription company HelloFresh and ride service Ola - have had their valuations slashed because of poor performance and waning investor enthusiasm, contributing to heightened caution in the startup industry over the last several months.

The quarterly number of startup financing deals continues to drop from its high in 2015, although with so much cash, investors aren’t shy to write large checks for the select companies they believe will succeed. Ride-services firm Lyft, for instance, raised $600 million in April.

Jawbone’s liquidation was first reported last week by technology news site The Information and independently confirmed by Reuters. A spokesman for Jawbone declined to comment. Co-founder and chief executive Hosain Rahman did not respond to email from Reuters, and its VC investors declined to comment.

Alex Asseily, Jawbone’s co-founder who resigned as board chairman and director in January 2015, told Reuters “it’s saddening to see Jawbone end this way.”

## LOANS FROM BLACKROCK

Jawbone launched in 1999 under the name AliphCom. It cycled through several products, including Bluetooth headsets and speakers, and in 2011 landed on stylish wearable devices to track exercise, sleep and other health data.

Along the way, Jawbone burned through more than $500 million in equity and raised more than $400 million in debt, the lion’s share from BlackRock, according data provider PitchBook Inc. But the company barely made a dent in the wearables market, with well below five percent market share, and was vastly outperformed by Fitbit, Samsung and others, according to analyst Jitesh Ubrani of International Data Corp.

Still, Jawbone raised $147 million in September 2014, bumping its valuation $3.2 billion, according to Pitchbook. In November of the following year, Jawbone laid off 15 percent of its staff amid financial troubles. By December 2015, BlackRock had marked down the company’s shares by 69 percent, according to Pitchbook.

Then, in 2016, the Kuwait Investment Authority (KIA) invested in Jawbone for the first time, leading a $165 million round that halved Jawbone’s valuation to $1.5 billion. The KIA did not respond to requests for comment.

Sovereign wealth funds from the Middle East and Asia have in recent years become far more active in investing directly in start-ups, rather than simply investing in venture capital funds.

Saudi Arabia’s Public Investment Fund and the Qatar Investment Authority, for instance, both have big stakes in Uber.

Because they have so much more money than traditional venture firms and are less experienced as tech investors, sovereign wealth funds are often called upon to co-invest or lead a risky funding round, say people who invest alongside these foreign funds.

Such large fundraising rounds can “create this artificially bloated valuation that doesn’t compute with the revenue,” Mitra said.

They can also be a false signal to investors, who often look at how much money a company has raised as a signal of its success, when “in fact, it’s the opposite,” said Rebecca Lynn, a partner at Canvas Ventures.

Jawbone tried to sell itself in 2016, but was unable to find a buyer, according to investors with knowledge of the matter. It has been sued by vendors who allege the company owes them hundreds of thousands of dollars.

Reporting by Heather Somerville; Editing by Jonathan Weber and Edward Tobin

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