

JULY 14-20, 2006

MASS HIGH TECH

THE JOURNAL OF NEW ENGLAND TECHNOLOGY

c. 18,334

SOFTWARE

Waltham startup plans to deep-six software pirates

BY CHRISTOPHER CALNAN
STAFF WRITER

Serial entrepreneur **David Pensak** is making a second career out of developing security software — something his bosses at DuPont weren't much interested in 20 years ago.

Pensak's latest venture, **V.i. Laboratories Inc.**, is a Waltham-based company that produces anti-tampering and anti-piracy technology for software makers. It's a startup he founded in Waltham while winding down a 30-year career at **DuPont**, where was the Delaware

V.I. LABORATORIES INC.
www.vilabs.com

Business: Security software maker
Location: Waltham
Founded: 2002
Employees: 13
CEO: Joseph Noonan

Pensak's system leaves the program almost entirely encrypted after installation, decrypting just 1 percent of the total program while it's running. Such a system is a tampering deterrent because it leaves just 1 percent of a program exposed should it crash or come under attack, Pensak said.

V.i. Laboratories is Pensak's third technology company, but his first in the software space.

"Software is becoming an even bigger part of our

world," he said, "and there's a lot of money involved."

But anti-piracy software is still a niche market and the increased popularity of on-demand software may shrink it further, said **Ray Wagner**, a research vice president for **Gartner Research**.

He said the market is so fragmented that there is no single dominant player. Virginia-based **Cloakware Inc.** is a notable competitor, Wagner said.

"We're not talking (about it becoming) a billion-dollar industry anytime soon," he said.

V.i. Laboratories received between \$2 million and \$5 million (Pensak would not disclose an exact amount) in venture capital last month in a Series A funding led by **Rockford Capital**, a Delaware-based private equity group. Chief Executive Officer **Joseph Noonan** said the company is on track to reach profitability by mid-2007, and plans to consider additional funding at the end of 2007.

Pensak began developing network security software in the 1980s while at DuPont. His supervisors weren't interested, so he started his first company, **Raptor Systems**, while at DuPont.

Raptor produced commercial Internet firewalls and was acquired for \$250 million in 1998 by **Axent Technologies**, in turn purchased by **Symantec Corp.**

Pensak then started Lexington-based **Authentica**, acquired by **EMC Corp.** in February for an undisclosed amount. He retired from DuPont in 2004.

Noonan, who was a vice president at Authentica, said

"Software is becoming an even bigger part of our world, and there's a lot of money involved."



David Pensak
Founder of
V.i. Laboratories Inc.

the company has 13 employees but plans to grow that to 20 by the end of 2006.

"We're in this for the long haul," Noonan said. "We expect to make the company very big, very fast."

About 20 percent of the software sold in the United States is pirated, said **Jenny Blank**, director of enforcement for the Washington D.C.-based **Business Software Alliance**. Any software that's popular is susceptible to piracy, she said.

Worldwide, 35 percent of the packaged software installed on PCs in 2005 was illegal and contributed to an estimated \$34 billion in losses, according to a 2005 BSA report.

V.i. Laboratories beta tested its product last year with four companies, and now counts three software makers as customers, though Pensak said the customer deals prevent him from disclosing the names of the companies.

ccaln@masshightech.com | 617-241-4337