

Fraud Case Against Puls Technologies Headed to Trial

Multimillion-dollar startup and founder Itai Hirsch alleged to have defrauded early shareholder; plaintiff seeks to subpoena future investors

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Attorney Robert Tauler

Court judge indicated at a Nov. 30 hearing that subpoenas to investors in Puls Technologies would likely go forward in a case dealing with alleged early stage fraud. The underlying lawsuit accuses Puls Technologies Inc., of San Francisco, and its CEO Itai Hirsch of defrauding an early-stage shareholder out of millions of dollars, equivalent to a 5 percent stake in the company. The court also recently ruled that the lawsuit would go to trial, denying Puls’ and Hirsch’s attempt at summary judgment.

Court papers allege that Hirsch was holding secret funding

talks with [Sequoia Capital](#) that were not disclosed to the plaintiff. The fraud claim alleges that the plaintiff was dismissed from the company under false pretenses just weeks before Puls (then known as Cellsavers and based in San Diego) announced \$3 million in funding in December 2015, the lawsuit states. Altogether, Puls has now raised over \$90 million in funding, with \$50 million just this year coming from [multiple sources, including Samsung and Temasek](#), a holding company owned by the government of Singapore — thus dramatically increasing the value of the plaintiff’s stock, according to the claim.

“It is important that early stage employees who are promised equity obtain full discovery of what was told to future investors about them,” said [Robert Tauler](#), the plaintiff’s Los Angeles attorney. “A lot of startups are financed in the shadows, and individuals who claim they are owed equity are entitled to know about all deals that impact their investment.”

According to the lawsuit, Hirsch kept the funding deal under wraps so that he could keep the plaintiff’s promised equity for himself and his new investors, while taking advantage of the plaintiff’s work — which was crucial in justifying the start-up’s valuation. Though a gamble, work-for-stock deals are not an unusual arrangement in the start-up world, with the potential of owning a valuable equity stake in a successful company.

“We are not sure at this time what Plaintiff’s stock is worth today, because valuations in start ups tend to fluctuate,” said Tauler, of Tauler Smith LLP. “Experts will be engaged to make this determination.”

Puls provides in-home repair and installation for electronic devices and smart homes, like a Lyft for technicians. It was recently named one of LinkedIn’s top start-ups to watch.

About Tauler Smith LLP

Tauler Smith LLP specializes in high-stakes commercial litigation representing both plaintiffs and defendants in a variety of areas, including business disputes, false advertising, the foreign corrupt practices act, and unfair competition.

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