

ESSENTIALS FOR STARTUPS: A LEGAL TOOLKIT FOR IN-HOUSE COUNSEL

MANAGING INTELLECTUAL PROPERTY AND CONTRACT ISSUES

Polly Dinkel, *Partner*
Kelly McCarthy, *Partner*
Alisa Won, *Partner*



- Your company's IP and contracts will be of primary interest to investors, potential buyers and IPO underwriters
- Comprehensive management of your company's IP and contracts saves you time
- Facile knowledge of your company's IP and contract strengths and weaknesses gives you credibility

KEEP YOUR EYES ON THE PRIZE

INTELLECTUAL PROPERTY CONSIDERATIONS

- Patents: Novel, non-obvious inventions
- Copyrights: Original works of authorship fixed in a tangible medium
- Trademarks: Word or design (device) used to indicate the source of goods or services
- Domain Names: Actual website as well as typos, copycats, gripes

WHAT IS IN YOUR IP BASKET?

- Most IP practice is based heavily on statute
- It is wise to get assistance from counsel to assess your company's protectable IP and set up your portfolio
- There are ways to reduce legal fees and triage IP issues but expert legal guidance in the process is a must

5

- Patent law and examination trends are constantly evolving
- Specific time limits on when you can file and now America Invents Act adds new urgency
- Find good patent counsel to help you identify potentially patentable inventions and help make educated decisions on patent investment

6

- Copyright exists upon creation without registration and using a copyright notice is optional
- Early copyright registration may enable you to collect statutory damages and attorneys' fees from infringers
- Proper notice will help avoid an innocent infringement defense

7

- Put in work on the front end to determine availability and strength of a trademark
 - Weak marks are weak assets
 - Trademark disputes divert attention away from other matters
- Use and label your trademarks correctly
- Track your portfolio and important filing deadlines

8

- May not be assets a young company focuses on right away but should be evaluated
- Typically of interest sooner for companies with online retail and counterfeiting concerns
- Consider ccTLD's in key jurisdictions to avoid pop ups of copycat stores and foreign UDRP matters

9

- In a sale or financing situation, diligence will focus on IP assets
 - Registration information – Is all important IP registered and do the records reflect the correct owner and address and are all registrations current and enforceable?
 - Have past assignments been recorded? Do all of your registrations indicate that your company currently owns the IP?

10

- Does anyone hold any licenses to any of the IP and does that limit the use and/or sale of IP in any way?
 - Can the licenses be assigned?
 - Can the licenses be terminated?
 - Were the licenses drafted properly with all required statutory language?

11

- Is registration being disputed or was registration not possible in certain jurisdictions?
 - Active disputes increase uncertainty, may drive down price or require indemnification
 - Inability to register trademarks in key jurisdictions could require a name change and render current trademarks worthless

12

MANAGING IP OWNERSHIP WITH YOUR WORKFORCE

- Written assignments from employees and consultants necessary to ensure company ownership of IP
 - Employees: Written assignments critical to assign inventions
 - Contractors: Written assignments critical to assign all IP
- Consistently use form of PIIA and IC agreement containing all the essential provisions

PAYING FOR IT IS NOT ENOUGH

- Absence of executed PIAs and IC agreements can create real exposure for the company
- Potential consequences in a deal
 - Direct reduction from holdback
 - Hit to purchase price
 - Worst case: no deal
- Fixing it when it's not in writing

15

WHAT'S IN YOUR CONTRACTS?

- Startups are in a “perfect storm” for contract risk
 - More likely to use forms of other, larger party
 - Hungrier for business
 - Fast-paced environment
 - Lawyers wearing many hats
- Result: Contrast may not be fair and balanced

17

- IP Ownership: who gets the IP when you break up?
- IP indemnities, limitation of liabilities, and limitation of damages
 - Cap it!
- Exclusivity, noncompetes, and MFN
 - Are you playing favorites with a rival of a potential buyer?
 - Are you getting value for giving up rights?
- Assignment
 - Easy ask for a carveout

18

- Startups can accumulate over 100 active NDAs
- Set a specified termination date or calendar to terminate
- What does the assignment provision say?
- Nonsolicit
 - If you want it, usually has to be mutual

19

- Comprehensive knowledge of your company's IP and contract strengths and weaknesses gives you credibility
- Managing and organizing your IP and contracts keeps you efficient
- When the magic moment comes, you will save your company money

20

- Polly Dinkel pdinkel@sideman.com
- Kelly McCarthy kmccarthy@sideman.com
- Alisa Won awon@sideman.com