

Top Traps for Entrepreneurs

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Illustrative Example

Andre Proneur is starting up a new technology company, **STARTMEUP SOFTWARE INC.**

Genesis of the Business

While a software engineer for Largesoft, Andre develops the business plan for Startmeup and the designs for Startmeup's first product.

- Can Largesoft claim ownership to the business plan or the product design?
- Is Andre prohibited from starting the business because of a non-compete provision in his Largesoft employment agreement?
- Will Andre's activities for Startmeup result in the disclosure of Largesoft's trade secrets or otherwise violate any confidentiality provisions of his employment agreement?

DOC# 3

Formation of Corporation

Andre formally incorporates Startmeup Software Inc. to pursue his business idea.

- Did Andre transfer the technology and intellectual property that he created prior to formation (i.e., the business plan and product design) to Startmeup?
 - ▶ Thorough description of assets
 - ▶ Consideration
 - ▶ Further assurances

DOC# 4

Job Offers

Startmeup offers the job of Chief Technology Officer to Andre's former Largesoft colleague, Angie Neer.

- Is Startmeup prohibited from hiring Angie because of a non-solicitation or no-hire provision in Andre's agreement with Largesoft?
- Is Angie prohibited from working for Startmeup because of a non-competition clause?
- Will Angie "taint" Startmeup's development efforts?

DOC# 5

Employees

Angie accepts the offer and begins to work for Startmeup.

- Did Angie sign an employee agreement that protects Startmeup's technology and intellectual property?
 - ▶ Ownership of inventions and related intellectual property
 - ▶ Confidentiality
 - ▶ Non-competition and non-solicitation
 - ▶ Disclosure of prior inventions
 - ▶ No conflicting obligations
 - ▶ Further assurances

DOC# 6

Outside Consultants

Startmeup contracts with Connie Sultan, an independent software developer, to write software code for a component of the Startmeup product.

- Did Connie sign an independent contractor agreement that protects Startmeup's technology and intellectual property?
 - ▶ Assignment of created technology and related intellectual property
 - ▶ Assignment or license of pre-existing technology and related intellectual property
 - ▶ Confidentiality and noncompete
 - ▶ Further assurances

DOC# 7

In-Bound Licenses

Startmeup contracts with VendorSoft to incorporate VendorSoft's software product into Startmeup's product.

- Does the agreement with VendorSoft give Startmeup sufficient rights to the VendorSoft product?
 - ▶ Scope of license grant
 - ▶ Financial terms
 - ▶ Term and termination
 - ▶ Miscellaneous

DOC# 8

Out-Bound Licenses

Startmeup licenses a portion of its technology to ABC Corp. to bring in some much needed cash.

- What is the scope of the license grant?
- What are the financial terms?
- What additional obligations have been assumed by Startmeup (support, maintenance)?

DOC# 9

Intellectual Property Protection Strategy

During a presentation to investors, Andre states Startmeup is developing an overall strategy for the protection of its intellectual property.

- What sort of intellectual property is important?
 - ▶ Patents – technology manufacturing
 - ▶ Copyrights – software and multimedia
 - ▶ Trade Secrets – materials and manufacturing
 - ▶ Trademarks – brand and consumer product
- What are the roadblocks?
 - ▶ Statutory requirements and restrictions
 - ▶ Third party intellectual property rights

DOC# 10

Suite of Agreements

Basic agreements that can alleviate many of these issues:

- Non-Disclosure Agreements
- Employee Agreements
- Assignment Agreements
- Independent Contractor Agreements
- In-License Agreements
- Out-License Agreements
- Distribution Agreements

Questions?

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