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Overview of Intellectual Property and Options Workshop for Entrepreneurs

Presented to the Stanford GSB
Entrepreneur Club



STANFORD
GRADUATE SCHOOL OF BUSINESS



Overview

- **Ownership of Intellectual Property**
- **Perfecting Security Interest**
- **NDA's**
- **Copyright Protection**
- **Trade Secrets**
- **Trademark Spectrum**
- **Patents**
- **Overview of Stock Options**
- **Issues for Granting Options**
- **Option Issues in Private Financings**
- **Three Things to Remember**

Ownership of Intellectual Property

- **Who owns what?**
- **Not losing rights**
 - **Non-disclosure agreements**
 - **Copyright and trade secret notices**
- **Getting ownership**
- **Recording title and perfecting security interests**



Who Owns What?

1. Patents

- inventors are owners unless they assign rights
- employee inventors and shop rights
- co-ownership of patent rights: no duty to account to other owners

2. Copyrights

- works created by employees in the scope of employment are owned by employer
- works created by consultants are owned by the consultant unless assigned in writing
- duty to account to co-owners





Who Owns What (con't)?

3. Trade Secrets

- **right only exists if measures are taken to ensure confidentiality of the information**

4. Trademarks and service marks

- **owned by the person or entity using the mark**
- **unregulated use by others can result in loss of exclusive rights to the mark**

TM



Don't Lose Your Rights

- 1. Non-disclosure agreements**
- 2. Copyright notices and registration**
- 3. Trade secret notices**



Getting Ownership

- 1. The simple case: assignment of right in an existing work or technology**
- 2. Employees and their rights**
- 3. Development work by consultants or other companies**
 - joint development agreements**



Recording Title Changes

- 1. Patents – Patent and Trademark Office**
- 2. Copyrights – Copyright Office**
- 3. Trademarks and service marks – Patent and Trademark Office**
- 4. Trade secrets**



Perfecting Security Interests

- 1. Patents – PTO or UCC-1**
- 2. Copyrights – Copyright Office**
- 3. Trademarks and service marks – UCC-1**
- 4. Trade secrets – UCC-1**
- 5. Be safe! For patents, copyrights, trademarks, and service marks, record in the federal office and record a UCC-1 in the appropriate state office!**



Non-Disclosure Agreements

- **Consider what information should be disclosed**
- **Be careful about continuing restrictions on use**



Copyright Protection

- **Copyright attaches upon creation of a work**
- **Use a copyright notice!**

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- **Copyright registration**



Trade Secrets

- **Trade secrets are very difficult to enforce without effective protection procedures**
- **Employees, consultants, and customers should sign agreements to maintain confidentiality**
- **Lapses in security**




Patents

- **Provisional applications**
- **Non-provisional applications**
- **Foreign patent protection**



Overview of Stock Options

- **A stock option is a right to purchase a specified number of shares of stock at a later date for a set price.**
- **Usually common stock.**
- **Pursuant to a stock option plan.**
- **Approvals required.**
- **Issued to employees, consultants, advisors and directors.**
 - **Must be a breathing human** 
- **Vesting, early exercise and acceleration.**
- **Period to exercise following termination.**



Key Issues for Granting Options

- **Requires Board approval to grant options**
- **Prepare Stock Option Budget**
- **There are no secrets**
- **How much is enough?**
- **Beware of idle promises**
- **If one advisor is good aren't 10 advisors great?**
- **Pricing**
- **What's the difference between an Option and a Warrant?**

Option Issues in Private Financings

- **VC's and other investors often require the Company to have a X% option pool available prior to financing.**
- **How much is enough?**
 - Option budget
 - Management Team
 - Hiring needed
 - Timing for next round



Three Things to Remember

- **Determine what intellectual property your company has**
- **Protect it!**
- **Be careful to grant options correctly**



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Mr. Jaffer focuses on intellectual property law. He has extensive experience in intellectual property counseling, technology licensing, patent and trademark prosecution, electronic commerce and internet issues, trade dress, copyrights, software protection, and related litigation. He has special experience in the following areas of technology: materials sciences, chemistry and chemical physics, lasers, spectroscopy, optical networking, semiconductors, semiconductor manufacturing processes and chemicals, and medical devices and diagnostic tests. He is a member of the American Chemical Society's Committee on Patents and Related Matters, which he chaired from 1997 to 1999. He also served as Chairman of the ACS' Division of Chemistry and the Law in 1996. He was President of the Silicon Valley Intellectual Property Law Association for 2000-2001.

- **Education**

J.D., Stanford University (Associate Editor, Stanford Law Review), 1982

Ph.D. in Physical Chemistry

Cambridge University (National Science Foundation Graduate Fellow) 1979

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- **Affiliations**

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Admitted to practice: State of California, State of Colorado

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- Allison Leopold Tilley focuses on the representation of technology companies in securities and venture capital transactions, including mergers and acquisitions, private placements, public offerings, venture funds and joint ventures. She has significant experience representing acquirers and target companies. Ms. Leopold Tilley is co-head of the Firm's Corporate Securities and Technology Section and co-head of the Southeast Asia Specialty Team.
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Office Locations

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