Legal Traps for Startup Entrepreneurs

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Legal Traps for Startup Entrepreneurs

Intellectual Property—What Is It and Why Should You Care
Basic Types of IP

• Trademarks— Your “Brand”
• Copyrights— Your Creativity
• Patents— Your Right to Keep Others Out
• Trade Secrets— Your Secret Sauce and everything else...
Who Owns a Startup’s IP?

- Founder’s Current Employer?
- Founder rather than Startup?
- Independent Contractor?
- Employee?
- The Public?
Key Tip: Trademarks

RESEARCH AND PLAN AHEAD

DON’T BE DESCRIPTIVE
Key Tips: Copyrights

REGISTER
Key Tips: Trade Secrets

PROTECT
Key Tips: Patents

BE FIRST TO FILE
What’s the Message?

• Develop a Strategic IP Plan
• Invest Wisely
• Protect and Defend
• No Short Cuts
• With IP there are no “do overs”
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Corporate Matters—
They Matter
Corporate issues

• Form the company early and maintain formalities:
  – Avoid personal liability
  – Avoid unclear ownership
  – Clarify management structure
  – Attract sophisticated investors
  – Plan ahead for Due Diligence process

• Comply with securities laws when issuing equity
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Selected Tax Issues
Choice of Entity

• Understand the differences and make an informed decision

• Pass-throughs:
  – S corporation
  – Limited liability company (tax partnership)

• C corporation
Founder’s Equity

• Disguised compensation issue

• Unvested equity – Section 83(b) election
Compensation

• Section 409A of the Internal Revenue Code

• Equity compensation
  – Stock options
  – Restricted Stock

• Other deferred compensation plans

• Treating employees as independent contractors
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