**Message from the Chair**

**Steven M. Mayer**
Mayer & Glassman Law Corp.
Los Angeles, CA

I am delighted to report that the Young Lawyer Forum’s Fifth Annual Young Lawyer Institute was a huge success. I extend a Texas-size “THANK YOU!” to the hardworking YLF executive committee, Section leadership and staff, for their many hours spent planning another first class event.

This year’s Institute was held on April 10th in Dallas, Texas, during the Business Law Section’s annual meeting. Over 100 lawyers and law students from more than a dozen countries participated. In addition to the Institute, hundreds more Young Lawyers attended the conference and participated in other Section activities throughout the weekend.

The Institute featured an activity-filled day of seven timely and important “nuts and bolts” continuing education programming on such topics as: E-Discovery; What Every Business Lawyer Needs to Know Now; Contract Drafting and the Deal; A Different View on Credit Agreements - Representing the Borrower; A Practical Introduction to the Law of Electronic Payments; Understanding LLC Operating Agreements; Navigating Safe Harbors and Blue Skies - The abcDs of a Private Offering of Securities; and “Fun & Games”: Hot & Exciting Business Law Practices in the 21st Century. The Q&A session with the Dallas Cowboys’ General Counsel was itself worth the cost of the Institute.

Those attending also participated in a networking lunch, a welcome reception, a leadership opportunity meeting, a good-times Texas BBQ, and a high-energy evening event featuring the psychic entertainment of area-renowned fortune teller and tarot card reader, Valentina. And a special thanks to our new friends at the accounting firm Grant Thornton LLP for sponsoring our evening with Valentina, the magic 8-balls, and other great give-a-ways!

Do not feel left out if you were not there. Big projects are in the works, new subcommittees are being formed, and plans are well underway for our next meeting this August in New York and the Sixth Annual Institute next spring in Vancouver, Canada.

**The Year In Review**

I am proud to report that we successfully accomplished our goals set last year in San Francisco for the 2007-2008 bar year: (i) we created new ways to provide membership value to young lawyers unable to attend Section meetings; (ii) we formed an international young lawyers subcommittee and restructured other subcommittees to meet the needs and requests of our members world-wide; (iii) we continued to promote diversity in our membership and throughout our leadership structure; (iv) we set another attendance record for our annual Young Lawyer Institute; and (v) we continued the YLF mission of providing a soft landing for younger and newer lawyers in the Section’s committees and assisting them in finding a home in active Section work. As a result of what we accomplished and what we look forward to, the YLF begins the new year with the following leadership structure:

**Committee Chairs:**

Steven Mayer

---

**In Observations of a First Time Attendee**

Over 12,000 Young Business Lawyers Want to Hear From You!

---

**2008 Annual Meeting YLF Programming**

- Forensic Accounting 101: How It Can Help You in Litigation, Bankruptcy, Family Law and More
- The Corporate Counsel Chronicles: Real Life Stories on How to Assume, Successfully Maintain, and Possibly Someday Transition from, the Role of an In House Corporate Attorney

---

**2008 Annual Meeting YLF Programming**

- Operating Agreements
- Navigating Safe Harbors and Blue Skies - The abcDs of a Private Offering of Securities
- “Fun & Games”: Hot & Exciting Business Law Practices in the 21st Century

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**Dallas Musings**

**Get Published Now! Articles Needed!**

Over 12,000 Young Business Lawyers Want to Hear From You!

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**Subcommittee Report**

- Young Lawyer Forum Solo and Small Firm

---

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The YLF remains committed to serving as a center of gravity for business lawyers under the age of 40 or in practice for less than 10 years. The YLF will continue to provide its members with numerous opportunities for education, training, public service, networking, socializing, and leadership and business development.

The YLF offers plenty of ways to become involved even for those who cannot attend Section meetings. Many of the YLF Subcommittees were formed with the focus on providing value to young lawyers regardless of whether they attend Section meetings. This focus remains paramount in the YLF’s activities as we continue working to provide important and valuable resources to young lawyers everywhere.

I encourage you to contact me, or any of the subcommittee chairs, with any questions, comments, suggestions, or if you want to become more actively involved.

Make friends, generate business, network with lawyers from around the world, join a committee and learn something new. Your firm might even sponsor you. We look forward to hearing from you.

Steven Mayer
Mayer & Glassman Law Corp., Los Angeles
smayer@mglawcorp.com

Subcommittee Report

Young Lawyer Forum Solo and Small Firm
Aaron D. Lovaas, Las Vegas, Nevada, YLF Vice Chair, Chair, Solo and Small Firm Sub-Committee

Another year has passed and I am pleased to report that the Solo and Small Firm Sub-Committee of the YLF was once again occupying a prominent role on the Business Law Section stage. On Saturday, April 12, 2008, at the 2008 Business Law Section Spring Meeting, the YLF, and the Solo and Small Firm Sub-Committee in particular, presented Rainmaking, Retention and Referrals: The Three R's of Solo and Small Firm Client Development. You might recall that this program was first presented at the 2007 Annual Meeting in San Francisco. An updated and revamped presentation was offered in April in Dallas and was very well-received. For those of you who missed it, valuable materials from the program are available at the BLS website.

During the upcoming year, the Solo and Small Firm Subcommittee will continue to reach out to those young business law practitioners who practice on their own, or within small firms. There is a general shortage of programming within the BLS aimed at solo and small firm business law practitioners. The Sub-Committee seeks to change that by beginning to integrate those young practitioners into the Section who may then work to develop programming and resources for the solo and small firm business law practitioner on a Section-wide basis.

For those of you solo and small firm business law practitioners in the YLF who have programming ideas, requests for information, or thoughts on how this sub-committee might better serve you, please don't hesitate to contact me. In the meantime, as we look to the 2009 Spring Meeting in Vancouver, B.C., the Sub-Committee is considering programming ideas that compare and contrast the large firms with solo and small firms to examine which business law services might be more adaptable to or efficiently delivered by one type of firm or another. There always seems to be some “David vs. Goliath” reference in programming titles at the
ABA meetings. Perhaps this will be the one for Vancouver. Of course, I welcome any input any YLF member may have, or any assistance you may wish to offer.

**Featured Articles**

**The Startup Lawyer**

*Eric Koester, J.D., C.P.A., Heller Ehrman LLP, Seattle, Washington*

"Capital, talent and intellectual property are the steam, steel and barbed wire of the modern age. The most important job of lawyers for early-stage technology companies is preparing their clients so that they can attract, retain and protect those three essential assets of the new economy."

--James J. Greenberger (Business Law Today, January/February 2001)

Short of forming your own startup company, providing legal counsel to a startup company could be the closest thing many business attorneys will get to being an entrepreneur. Emerging companies face unique and often intricate legal and business issues - some of which can come back to haunt a startup company if not addressed prudently and properly in the early stages of the new company. Oftentimes entrepreneurs turn to their advisors and lawyers to guide them through these early days. Admittedly, for a startup counsel, there are a multitude of issues that can and will arise while assisting startup companies. But well considered advise can put your client on the path towards building a successful business.

In this article, we will discuss (i) the unique dynamic of representing a startup company - identifying typical points where the diverging interests of the startup and entrepreneur may arise, (ii) use of a founders term sheet to assist the entrepreneur to address key issues early on in the representation, and (iii) how a startup lawyer can assist his startup clients to avoid conflicts between the founders and their former employers.

More...

**IP 101: A Primer on Copyrights, Trademarks, and Trade Secrets**

*Meredith Blake Martin, Astrachan Gunst & Thomas, P.C., Baltimore, Maryland & Washington, D.C.*

Legal protection of physical, tangible property - land and personal property - is one of the oldest and most well-defined areas of law. Protection of *intangible* property, on the other hand - including such intellectual property as musical, literary and artistic works; inventions; and symbols, names, images and designs used in commerce - is a newer, evolving body of law. Nonetheless, just as the law recognizes protection of rights in tangible property, the law recognizes an owner's bundle of rights in intangible property, prescribes certain methods for owners to secure protection of these property rights, and affords certain remedies when these rights are violated.
Generally speaking, protection of intellectual property rights falls into one of four categories, depending on the nature of the intangible property sought to be protected: copyright, trademark, trade secret, or patent.

More...

Joanna Y. Tsai, Esq., San Diego, California

The international registration (IR), which is obtained through the system known as the Madrid Protocol or the Madrid System, exemplifies and embodies a unified international trademark system whereby a trademark owner (of one member country) can seek the protection of its trademark in up to 81 member countries under the Madrid Protocol.

The Madrid Protocol has been incorporated into the USPTO website gradually but surely since 2004. Since the system is relatively new, many practitioners are not familiar with its contents and purposes. As a Madrid System in a nutshell, this international trademark system is very beneficial for trademark owner who has a brand name to protect worldwide and/or wishes to conduct its operation globally.

More...

2008 Annual Meeting YLF Programming

Forensic Accounting 101: How it Can Help You in Litigation, Bankruptcy, Family Law and More

Friday, August 8, 2008
9:45am - 10:45am
Marriott Marquis, 1535 Broadway, New York, New York

Forensic accounting and asset recovery are essential components of virtually every aspect of litigation - including nearly every commercial matter, bankruptcy litigation and family and divorce case. Understanding how to uncover and interpret buried or hidden information will place your practice in a higher league.

In this seminar, you will hear from an internationally-known asset recovery specialist and leading forensic accountant and bankruptcy trustee who will explain:

- How forensic accounting is important in litigation and other areas of the law.
- Why it is important to have a forensic accountant involved in different types of cases.
- What a forensic account can do to assist your case or client from the beginning of litigation through resolution of the case.
- How to protect a client's assets
- International asset search and recovery methods for collecting judgments.
• Freezing assets and attachment procedures nationally and internationally.

The Corporate Counsel Chronicles: Real Life Stories on How to Assume, Successfully Maintain, and Possibly Someday Transition from, the Role of an In House Corporate Attorney

Friday, August 8, 2000
9:00am - 10:30am
Marriott Marquis, 1535 Broadway, New York, New York

Don't miss this exciting opportunity to attend a roundtable discussion with four in-house corporate attorneys and one former in-house corporate attorney, who will share their real life tales of life beyond the billable hour.

This presentation is geared for attorneys whose goal is to one day practice in an in-house environment, as well as those who currently find themselves in that role, the "out-side" law firm attorneys who represent them and in-house attorneys whose goal is to one day go into private practice.

Some of the many topics to be addressed will include issues such as:

• How to best position yourself for an eventual in-house corporate counsel career;
• How to maintain that role once you have achieved it, by becoming an effective and successful member of your corporate employer; and
• Where to go once you've become a key member of your company’s team A.K.A. "Life after the Legal Department - Making the Most of In-House and other Opportunities."

Special emphasis will be placed on the fundamental differences between practice in a law firm and a corporate (profit or non-profit) organization.

Speakers: Ingrid Busson, Calyon; Kevin Andrew Clunis, Colgate-Palmolive Company; Jennifer Hilsabeck, American Nevada Company; David Martinez, A&E Television Networks; and Stephanie Cohen, Reed Smith LLP (formerly with CitiFinancial Inc.)

Dallas Musings

Aaron D. Lovaas, YLF Vice Chair and Chair of the YLF Solo and Small Firm Subcommittee

There are times when you arrive in a city to which you have never been and feel immediately welcomed, at ease, and at home. There are other times when your travel experience is so nightmarish that you wish you had never boarded the plane. It seems that, thanks to the now infamous MD-80 safety inspections by American Airlines, Dallas's role as the host city for the 2008 Business Law Section Spring Meeting took on some attributes of both.
For those of us who were lucky enough to at least arrive on the day we were supposed to and stay for the entire meeting, we all knew or at least knew of at least one other who was not so lucky. I encountered many CLE programs where one or more speaker phones occupied the speakers' table due to the travel snafus that wreaked havoc through DFW for a number of days. Not unexpectedly, however, the presence of a voice, rather than a physical body, made the programming this year no less informative, interesting or valuable. Indeed, American Airlines may have done all of us, at least those of us involved in the programming, somewhat of a favor by reminding us of the value of improvising, thinking on our feet, and making the best of less than ideal situations.

More...

Observations of a First Time Attendee

Kristan Lehtinen, Las Vegas, Nevada

Prior to attending the ABA Business Section Meeting in Dallas this spring, I had no idea of the breadth of CLE seminars, networking events, and the balanced social aspect of the Meeting. Throughout the Meeting I was amazed at the whirlwind of lectures and activities occurring concurrently. My only regret was not being able to be two (2) places, or perhaps even three (3) places at once. One of my favorite aspects of the Meeting included my attendance at the Institute for the Young Business Lawyer. The Institute was extremely well organized and included pertinent seminars and information I am now actively using in my own practice. The ability to attend lectures such a Contract Drafting and the Deal; A Different View on Credit Agreements - Representing the Borrower; and Understanding LLC Operating Agreements directly impacted the positive development of my business law skills and the subsequently provided increased benefits to our clients at Lovaas & Lehtinen, P.C. The existence of materials I consistently refer to following the Institute, and my attendance at the same is a valued part of my ongoing legal education.

More...

Get Published Now! Articles Needed!

Over 12,000 Young Business Lawyers Want to Hear From You!

There are over 400,000 ABA members of which more than 57,000 are Business Law Section members, in addition to the general public, that will have access to your article through high ranking search engine results. Your article will also be memorialized on the ABA website. The Young Lawyer Forum is collecting articles for future newsletters which are circulated to our members worldwide. Please send your submissions to Tracy A. Cinocca at TracyCinocca@aim.com.

Articles should be 1500 words or less, and on any topic of interest.
to young lawyers. From short scholarly articles, to practice tips, reviews/summaries of a Section program, life in the trenches, interesting pro bono projects, humorous looks at life and the law, or even how you balance work and personal life. We appreciate your help in making this newsletter a success.
The Startup Lawyer

By Eric Koester, J.D. C.P.A.
Heller Ehrman LLP
Seattle, Washington

PRE-COMPANY PERIOD: WORKING WITH FOUNDERS AND PROMOTERS

“Capital, talent and intellectual property are the steam, steel and barbed wire of the modern age. The most important job of lawyers for early-stage technology companies is preparing their clients so that they can attract, retain and protect those three essential assets of the new economy.”

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Short of forming your own startup company, providing legal counsel to a startup company could be the closest thing many business attorneys will get to being an entrepreneur. Emerging companies face unique and often intricate legal and business issues – some of which can come back to haunt a startup company if not addressed prudently and properly in the early stages of the new company. Oftentimes entrepreneurs turn to their advisors and lawyers to guide them through these early days. Admittedly, for a startup counsel, there are a multitude of issues that can and will arise while assisting startup companies. But well considered advice can put your client on the path towards building a successful business.

In this article, we will discuss (i) the unique dynamic of representing a startup company – identifying typical points where the diverging interests of the startup and entrepreneur may arise, (ii) use of a founders term sheet to assist the entrepreneur to address key issues early on in the representation, and (iii) how a startup lawyer can assist his startup clients to avoid conflicts between the founders and their former employers.

WHO IS THE CLIENT? THE ENTREPRENEUR AND THE AS-YET-FORMED COMPANY

Imagine this typical startup engagement scenario: An entrepreneur walks into your office with a business plan and asks you to represent her. She’s developed a unique technology, is ready to file a provisional patent, and has some investors interested in putting in seed money to fund her idea. Now she’s come to you for your astute legal advice. There’s no company… yet. But the plan is to form one and help her grow. So who will you be representing – the entrepreneur or her soon-to-be company?

The short answer is you represent the soon-to-be company. But, practically speaking, your advice about the company and how best to structure the company for the stockholders and management (which right now could just be the entrepreneur) will directly impact the entrepreneur. The lawyer is ultimately responsible to the best interests of the company, who is the client.

And while this seems fairly straightforward and clean to the startup lawyer, it isn’t always quite as clear to the entrepreneur or the founders. To the entrepreneur, they may believe that they are the company or at least the company is “theirs.” And you can see why an entrepreneur may believe that – the entrepreneur or founder is the only one you’re meeting with and you are advising her how to start her business. So, in her eyes, you are representing her and...
her business, right? The end result may be that, to a new entrepreneur, the company-founder line is somewhat blurred as the founder truly is fully engulfed in the business-building process.

Yet as a startup lawyer, you do represent the company and should be clear to make such a distinction at the first signs of any potential misunderstanding. You can be certain that in the course of this representation, points do arise where what’s good for the founders may not always be good for the company. The lawyer should be aware of this dynamic and diligently be on the lookout for conflicts on the horizon. Below are a couple of frequent examples of these diverging interests to watch for:

- **Founders Stock.** Should founders’ stock be subject to restrictions such as vesting, transfer limitations, or other restrictions on the equity? On one hand, the founders would prefer to own their stock free and clear of any restrictions, but in some cases, it is in the company’s interest to impose restrictions to ensure the stock is closely held or as a retention and incentive tool.

- **Former Employers.** The transition from outside employment into the startup is often times a gradual process, with the entrepreneur sometimes maintaining his or her role at another company during the early days of developing their business idea or forming the company. These “fluid” employment situations by some founders can cause issues to arise between the startup and the current/former employers of founders. In these cases, it is important for a startup lawyer to be careful about getting too entangled in these issues and be perceived as representing the founder. This is discussed further in this article.

- **Equity Financings.** In the context of an equity financing, one of the consequences for the founder is dilution of his or her interests. This means that the founders’ and company’s interests can diverge in this context – what may be the best investment or choice for the company, could dilute the entrepreneur’s equity holdings. In addition, once investors are brought into the company, where differences exist between the founders and the investors, a lawyer could be asked to “take sides” in the dispute. Some diplomacy here can go a long way to recognize the benefits to both the company, the founders, and its investors.

Early on, be certain to draw proper boundaries in the representation and educate the client why this is important. In the event a dispute ever arise between a founder and the company, the attorney will be required to work for the company’s interest only. In such a case, it can be in everyone’s favor to have previously addressed this possibility and encouraged the founder to retain separate counsel to make certain that he or she has an attorney they are already comfortable with. Of course, this is usually clearly described in the engagement agreement, but the reality is that these details are often overlooked (and perhaps not understood), so be sure to speak with a new entrepreneur about the representation in advance.

**FOUNDERS TERM SHEET: HELPING THE ENTREPRENEUR WITH CHOICES AHEAD**

A new entrepreneur once said, “Wow, I didn’t realize I’d have to decide so many things before I even really have a company.” And the truth is, he was right. In the earliest days of
forming a company, the founders will face a myriad of choices and decision, many of which involve concepts that such founder has not comes across before and have implications down the road. Which state should we incorporate in? S-corporation or C-corporation or LLC? Founders contributions of cash or IP? Stock vesting? Salaries and benefits? Deferring compensation? Job titles? Stock or Options or both? For the lawyer, guiding a new entrepreneur through the process can be a challenge.

As a result, a startup lawyer should consider creating a “Founders Term Sheet” with the client. What often happens is a lawyer will ask a few questions, draft agreements, dump stacks of draft formation, employment and other agreements in front of a founder with brackets or blanks, and tell the entrepreneur to wade through them and give any questions. This can be quite overwhelming and you’ll be left with a founder cross-eyed on legal documents. Instead, consider beginning the process with an agreed to “term sheet.” This document is a way to get all of the issues and decision points on the table up-front, instead of tackling things in an ad hoc manner as they come up. This process saves time and frustration for both the lawyer and the client, and has the added benefit of saving money (smaller bills) for the client.

To help founders navigate these issues in a clear and time-efficient manner, the founders should discuss key items using checklist or questionnaire, and can finalize a “term sheet” before the attorney begins drafting corporate agreements. Exhibit A provides a sample of a founders term sheet.

**A CLEAN BREAK: ADVISING FOUNDERS DEPARTING FROM THEIR FORMER EMPLOYER**

A surefire way to make life difficult for a new startup is to draw the ire of the former employers of the founders. To see just what can go wrong, read the story of Torrent Technologies below and you’ll quickly recognize why helpful counsel for founders leaving a their prior employers can prevent heartache down the road.

**Torrent Technologies**

Travis Pine and his co-founder Theresa Johnston started Torrent Technologies after each left National Flood Services (NFS). Torrent was featured in the Seattle Post-Intelligencer because NFS, the former employer of over half of Torrent’s employees as well as Torrent’s largest competitor, filed suit against its former employees and their new company just two months after they’d incorporated. According to the P-I, NFS alleged that “the two former NFS vice presidents violated non-compete agreements, stole trade secrets, solicited NFS employees and interfered with customers” and the lawsuit “described the conduct of Pine and Johnston as “willful, extreme and egregious.””

Despite the mounting legal challenges, Torrent was still able to raise $3.3 million in its Series A round with the lawsuit outstanding, but not without its share of headaches in assuring potential investors that the lawsuit would not affect the company. Torrent finally settled the lawsuit in late 2006.

For many new entrepreneurs, the process of hatching their new venture will begin while still working a “day job,” and oftentimes this business could be in a similar field as their current
employer or leverage the experience from that position. While this approach may allow the entrepreneur to keep a stream of income coming in and utilize their relevant background, it should also raise red flags in discussions with an entrepreneur.

In this case, the entrepreneur and the lawyer should become familiar with the employment-related agreements of all the founders of the new company. To mitigate these risks, the founders should take steps to (i) limit the risk of a claim by former employers that the founder misappropriated (or can’t help but misappropriate) the technology, or confidential or proprietary information from their previous employers, and (ii) not breach any employment-related agreements with previous employers. Encourage the founders to be overly cautious, in particular if there is any potential overlap or future competition between the startup and the former employer.

The lawyer’s role as company counsel in this context is to ensure that the founder can launch the new company without the undue threat of legal action by these previous employers. Again, this showcases the delicate balance, representing the company without taking on representation individually of the founders.

What are some steps you can take to limit potential problems:

- **Avoid Overlaps.** If at all possible, put a hold on all legal formation actions (including the incorporation of the new entity and issuance of founders’ stock) until the founder has formally terminated employment with his current employer.

- **Duty of Loyalty.** Traditionally, an employee has a contractual ‘duty of loyalty’ to his or her employer. Therefore, while the founder is still employed, advise him not to breach the duty of loyalty to his employer by taking actions that could be deemed to conflict with loyalty to the employer. For example, the founder should not solicit other employees to leave, should continue to be diligent about work duties, and should not inappropriately take or gain access to any protected information.

- **Employment-related Restrictions.** Here, the devil truly is in the detail. As early as possible, have all founders provide their current (and recent) employment-related agreements (offer letters, employment agreements, confidentiality agreements, invention assignment, non-competition agreements, stock issuances, stock option agreements, etc.). The lawyer should assist the founders in identifying key restrictive covenants in the areas of non-competition, non-solicitation, confidentiality, etc. A startup counsel can offer helpful legal advise on areas such as:
  - scope of “confidential information”
  - scope of any non-competition provisions
  - customer and former employee non-solicitation clauses
  - limitations of invention assignment
Understanding each of these limitations can be crucial to laying out the formation plan for the business over the first months and years.

- **Intellectual Property.** For many startup companies, intellectual property is one of the most important assets in the company—and oftentimes that IP will have been developed prior to forming the company. As a result, issues surrounding intellectual property can quickly arise as an entrepreneur leaves a prior employer. The startup lawyer should understand the intellectual property (“IP”) each member of the founding team plans to contribute to the new company. For that technology, the lawyer should be certain that the founders understand the risks of IP misappropriation claims and the “work-made-for-hire” doctrine. Evaluate whether a previous employer could have an ownership claim to any technology being contributed to or developed for the new venture, whether under the “work-made-for-hire” doctrine or otherwise. If you suspect any “IP overlap,” get an IP specialist involved and perform a full risk analysis.

**CONCLUSION**

The earliest days of representing a startup can be extremely rewarding for a business attorney. This time in a company’s lifecycle sets the stage for future events. However, there are numerous issues that may arise in these times. Awareness of conflicts and obstacles in the representation can keep the startup lawyer focused on providing value for the company and the entrepreneur.
**EXHIBIT A**

**MEMORANDUM OF TERMS FOR FORMATION DOCUMENTS OF [COMPANY], INC.**

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Legal protection of physical, tangible property – land and personal property – is one of the oldest and most well-defined areas of law. Protection of intangible property, on the other hand – including such intellectual property as musical, literary and artistic works; inventions; and symbols, names, images and designs used in commerce – is a newer, evolving body of law. Nonetheless, just as the law recognizes protection of rights in tangible property, the law recognizes an owner’s bundle of rights in intangible property, prescribes certain methods for owners to secure protection of these property rights, and affords certain remedies when these rights are violated.

Generally speaking, protection of intellectual property rights falls into one of four categories, depending on the nature of the intangible property sought to be protected: copyright, trademark, trade secret, or patent.

Copyright protects creative expressions such as books, movies, music, paintings, photographs, and software, and essentially gives the owner certain exclusive rights to control reproduction and adaptation of the work for a certain period of time. Trademarks protect particular words or designs which identify a source of goods or services. The law governing trade secrets protects non-public information concerning the commercial practices or proprietary knowledge of a business, and makes disclosure of this information illegal under certain circumstances. Patents (which are not addressed in detail in this article due to the specialized nature of this practice area) protect works, such as inventions, which are new, useful and non-obvious.

COPYRIGHT
The Basics

Under U.S. law, and in particular the Copyright Act of 1976, copyright is a form of protection provided to the authors of original works, including literary, dramatic, musical, artistic, and certain other intellectual works. Copyright protection is available to both published and unpublished works, and covers artistic expressions such as novels, software code, art, photographs and music. Copyright protection begins as soon as an original work is fixed in a tangible medium. The term of copyright protection generally runs from the moment of creation through 70 years after the author’s death.

Copyright is the property of the author who created the work in most cases. If the work was made for hire, that is, during the course of employment, the employer (rather than the author) owns the copyright absent some other agreement between the parties. As a practical matter, therefore, most employment and/or independent contractor agreements should address rights to intellectual property created while performing a job or during the course of employment.

Copyright ownership creates five specific rights in a work: the rights of reproduction, modification, publication, performance, and public display. The copyright owner can license any
or all of these rights to a third party, for example, for use on websites, screenplays, or commercials.

These rights, however, are subject to certain limitations, such as the fair use doctrine, which is set forth in the Copyright Act. The fair use doctrine, the most common limitation on the rights of a copyright owner, essentially grants someone other than the owner a limited privilege to use the copyrighted material in a reasonable manner, without the consent of the copyright owner. Typically, courts consider four factors to determine whether use of copyrighted materials falls within the “fair use” exception: the purpose and character of the use; the nature of the copyrighted work; the amount and substantiality of the portion used; and the economic impact of the use on the market.

Copyright Registration

Registration with the United States Copyright Office is recommended, but not necessary for copyright protection. The registration process is relatively straightforward and inexpensive, and affords certain additional protections for the copyright holder if completed in a timely manner (i.e., within three months or before an infringement occurs). The owner of a registered copyright, as opposed to an unregistered copyright, who prevails in an infringement action may recover statutory damages and attorney’s fees (under certain circumstances). If the copyright is not timely registered, the owner may still sue for infringement but must prove actual damages (often a difficult task), and is not entitled to recover statutory damages.

Infringement and Other Copyright Violations

In order to prove copyright infringement, the plaintiff must establish two elements: (i) that the alleged infringer had access to the copyrighted work and (ii) substantial similarity between the works. All infringement actions must be brought in federal court, and remedies may include injunctive relief, actual damages, and profits from the infringer.

TRADEMARKS

The Basics

Trademarks and service marks are words, symbols or names used in commerce to identify a source goods or services, and to distinguish certain goods or services from those made or provided by others. In addition to names or words, marks may also include abbreviations, acronyms, slogans, colors, symbols, designs, sound combinations, product shapes and product containers (known as trade dress).

The federal statute governing trademarks is the Trademark Act of 1946, or the Lanham Act, and defines a trademark as follows:

The term “trademark” includes any word, name, symbol or device or any combination thereof used by a person, or in which a person has a bona fide intention to use in commerce and applies to register on the principal register applied by this Act, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

15 U.S.C. § 1127. When a trademark identifies a service, rather than a good, it is called a “service mark.”

In a nutshell, begin protecting a trademark by taking at least the following steps: select a mark that is eligible for protection, register the mark federally, and aggressively police the mark to stop infringers from stealing goodwill.

Trademark Registration
Although federal registration of a trademark is not required for protection of the mark, registration with the U.S. Patent and Trademark Office allows a registrant to take advantage of uniform laws applicable to trademarks, and may allow for enhanced damages in the event of infringement. State registration is also available in some jurisdictions, but these registrations generally do not create rights for trademark owners, as does federal registration, but merely provide notice of the registrant’s claim to ownership of the trademark. (Note that mere use of the mark in commerce, without registration, may only provide trademark rights in the geographic area of its use.)

Federal registration gives notice that the owner of the mark claims exclusive rights to use the mark in association with products and services identical or substantially similar to those of the mark’s owner. Before a mark can be registered, however, it must meet certain requirements. The mark must be inherently distinctive, and can be readily registered if it is arbitrary, fanciful or suggestive. On the other hand, a mark which is merely descriptive cannot be registered absent a showing of “secondary meaning,” which can be established where consumers have come to think of the word not as descriptive of certain goods or services but as the source of a particular product.

Protecting Trademarks after Registration

When using a registered trademark, designate the mark as such by use of the ® symbol. This is one of the most basics acts the owner of a mark can take to put others on notice that the trademark is protected. Failure to use this designation may result in the trademark owner’s loss of the right to receive treble infringement damages. (For unregistered marks, or marks for which an application to register has been filed but registration has not been granted, use the ™ symbol for trademarks, or the SM symbol for service marks.)

Similarly, failure to police use of a mark may lead to loss of trademark rights. Accordingly, the mark owner should police use of similar marks through a reporting service, and send cease and desist letters when similar use is reported.

Trademark Violations

Violation of a trademark owner’s rights comes in two basic flavors: dilution or infringement. Dilution occurs when a famous mark is used by an advertiser even though there never will be any possibility of confusion, mistake or deception because the owners of the two marks do not compete.

Trademark infringement occurs when consumers are “likely to be confused” as to source of goods, or affiliation between a senior and junior user of a trademark. To determine whether there is likelihood of confusion sufficient to constitute infringement, courts consider and balance an array of factors (which may vary slightly among the federal circuits): the strength of the owner’s mark; the similarity of the marks; the similarity of the goods; the relationship between the parties’ channels of trade; the relationship between the parties’ advertising; the classes and sophistication of prospective purchasers; evidence of actual confusion; and the defendant’s intent in adopting the mark as its own.

Remedies for trademark infringement may include injunctive relief, monetary relief in the form of defendant’s profits and damages sustained by the plaintiff, plus the costs of the action; reasonable attorney’s fees in exceptional cases; corrective advertising; and impoundment and destruction of infringing articles. Also, the Lanham Act permits treble damages where the infringement was willful.

Again, fair use may be a defense to trademark infringement claims, provided the mark is used in a descriptive sense and not as a trademark.
TRADE SECRETS
The Basics

A “trade secret” is information that is valuable to its owner, not generally known, and which has been kept secret by the owner. Unlike copyrights, trademarks and patents, trade secrets are protected only under state law. Most states have adopted the Uniform Trade Secrets Act (“UTSA”), which defines trade secrets as information, including a formula, pattern, compilation, program, device, method, technique, or process that (i) derives independent economic value from not being generally known and (ii) is the subject of reasonable efforts to maintain secrecy. Trade secrets may include customer lists, designs, instructional methods, company processes, or formulas.

Six factors are relevant to determine whether material is a trade secret: the extent to which the information is known outside of the claimant’s business; the extent to which the information is known by the claimant’s employees; the extent of measures taken by the claimant to guard the secrecy of the information; the value of the information to the claimant and the claimant’s competitors; the amount of money expended in developing the information; and the ease with which the information could be acquired by others. Information which is generally known will not be eligible for protection as a trade secret.

Protection of Trade Secrets

Since the very definition of trade secret is dependent on the secrecy of the information, there is no formal registration process. Rather, trade secret protection attaches automatically when information of value to the owner is kept secret. The owner of a trade secret has the right to keep others from misappropriating and using the trade secret.

Although registration is not available, there are still steps which owners must take to protect trade secrets. Most importantly, the owner must make reasonable efforts to maintain secrecy. Such efforts may include limiting Internet access to and/or transmission of materials considered to be trade secrets, keeping this information in a secure environment, limiting access to information which is considered to be a trade secret, and using confidentiality agreements with employees, contractors, vendors and/or other business partners who may have access to trade secrets.

In addition, the federal Economic Espionage Act of 1996 (“EEA”), which is codified at Title 18, Chapter 90 of the U.S. Code, criminalizes the theft or attempted theft of commercial trade secrets and conspiracies to steal trade secrets. A conviction under the EEA carries penalties of up to 10 years in a federal prison, plus fines up to $250,000 for an individual and $5 million for an organization. Civil injunctive relief and restitution are also available remedies.

Misappropriation of Trade Secrets

The most common occasions of trade secret misappropriation involve industrial espionage, or individuals who have taken the trade secrets of former employers to use in a new business or on behalf of new employers. Importantly, the owners of trade secrets have recourse only against misappropriation, and may not protect trade secrets to the extent they are discovered through another’s research or engineering.

CURRENT ISSUES IN IP LAW

Recent issues in IP law involve protection of intellectual property on the Internet. Although all of the laws protecting intellectual property apply to use on the Internet, precisely how some of these laws apply remains unsettled. For example, is it permissible to use another’s trademark in for the purposes of keyword advertising using Internet search engines, or is this an infringing use? What kind of copyright protection is afforded to websites?
Although as a practical matter, the judiciary’s decisions may lag behind technology, several laws have been enacted to address IP issues relating to the Internet. For example, the Digital Millenium Copyright Act (“DCMA”), signed into law on October 28, 1998, makes illegal the circumvention of copyright protection and access control technologies, such as DVD encryption and password-access controls. The DCMA also addresses copyright infringement liability for internet service providers (“ISPs”).

Similarly, Section 1125(d) was added to the Lanham Act to fight cybersquatting. In essence, this law prohibits persons from trying to profit by registering, trafficking in, or using a domain name that is identical or likely to be confused with a distinctive trademark or the name of a living person (in bad faith). These prohibitions generally do not apply, however, when a domain name is registered for the purpose of criticism.

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While this article cannot comprehensively address all pertinent aspects of the law governing intellectual property, it should provide a framework and familiarity with basic IP principles from which, at a minimum, business lawyers can identify the nature and scope of intellectual property rights, take steps to protect the same, and monitor infringement or other violations.
INTERNATIONAL TRADEMARK SYSTEM
The Madrid Protocol –
through the United States Patent & Trademark Office (USPTO)

By Joanna Y. Tsai, Esq.

The international registration (IR), which is obtained through the system known as the Madrid Protocol or the Madrid System, exemplifies and embodies a unified international trademark system whereby a trademark owner (of one member country) can seek the protection of its trademark in up to 81 member countries under the Madrid Protocol.

The Madrid Protocol has been incorporated into the USPTO website gradually but surely since 2004. Since the system is relatively new, many practitioners are not familiar with its contents and purposes. As a Madrid System in a nutshell, this international trademark system is very beneficial for trademark owner who has a brand name to protect worldwide and/or wishes to conduct its operation globally.

(1) What is the Madrid Protocol?

Madrid Protocol is the abbreviation of the ‘Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks;’ an international treaty that allows a trademark owner to seek registration in any of the countries that have joined the Madrid Protocol by filing a single application, called an “international application.” The International Bureau of the World Intellectual Property Organization (WIPO), in Geneva, Switzerland administers the international registration system.

(2) What countries are members of the Madrid Protocol?

As of late 2007, a total of 81 countries have joined the Madrid Protocol. These countries are called “Contracting Parties.”

(3) Who can file a trademark application under the Madrid Protocol?

Any trademark owner with an application filed in or a registration issued by the USPTO and who is a national of; has a domicile in, or has a real and effective industrial or commercial establishment in the United States can submit an international application through the USPTO.

(4) What is the cost for filing an international application through the USPTO?

An international application must pay fees to the USPTO and to the International Bureau.

a) Fees for Filing an International Application

The USPTO charges a fee for certifying international applications and transmitting them to the International Bureau, called a ‘certification fee.’ The certification fee is $100 per
class, if the international application is based on a single U.S. application or registration; if the international application is based on more than one U.S. application or registration, the certification fee is $150 per class.

b) Fees to the International Bureau
The International Bureau requires payment of fees based on whether the reproduction of the mark is in black and white and/or in color, the particular Contracting parties designated in the international application and the number of classes of goods and services indicated in the international application.

(5) What is the Madrid Protocol Registration Process?

The applicant of a U.S.-based trademark application/registration to be filed under the Madrid Protocol must submit the international application through the USPTO. If the international application meets the requirement of 37 C.F.R. §7.11(a), then the USPTO will certify the application and forward it to the International Bureau of the WIPO in Geneva within 2 months.

Once the International Bureau received the application, it will determine whether the application meets the Madrid Protocol filing requirements. If the requirements are met and the fees are paid, the International Bureau will then register the mark, publish it in the WIPO Gazette of International Marks, send a certificate to the international applicant, now called ‘holder of the international registration,’ and notify the Offices of the Contracting Parties designated in the international application.

Once the International Bureau registers the mark, the International Bureau will notify each Contracting Party designated in the international registration of the request for an extension of protection to that country. Each designated Contracting Party will then examine the request for an extension of protection the same as it would a national application under its laws. If the application meets the requirements for registration of that country, then the Contracting Party will grant protection of the mark in its country.

(6) What is the duration of an international registration?

An international registration lasts for ten years from the date of registration and maybe renewed for additional 10-year periods by paying a renewal fee to the International Bureau.

(7) U.S.-Based Application

If the U.S. Application or registration that forms the basis of the international registration is abandoned, cancelled or expires, the international registration maybe cancelled.

a) Cancellation within the first 5 years
For the first 5 years, the international registration is completely dependent on the U.S. basic application or registration. This means that, during the first 5 years of the life of the
international registration, if the U.S. basic application or registration is refused, withdrawn, cancelled, or restricted, in whole or in part, then the International Bureau will cancel the international registration.

b) **Cancellation after 5 years but initiated within the first 5 years**
A refusal or cancellation of a basic application or registration after the end of the 5-year period will also result in the cancellation of the international registration, if the action that caused the refusal or cancellation began within that 5-year period.

c) Independent of U.S. application **after 5-year period**

However, after the 5-year period has ended, the international registration becomes independent of the basic application or registration.

(8) **Request Additional Protection of the Contracting Parties**

After the mark in an international application registers, the holder of the international registration may request an extension of protection in additional countries. This is called a ‘subsequent designation’ in additional Contracting Parties.

(9) **Filing the International Application with the USPTO under Madrid Protocol**

A U.S.-based international application under the Madrid Protocol must be filed with the USPTO. This can be accomplished by either a paper application or via the internet – the USPTO trademark electronic application system (TEAS). I prefer filing the application on-line. For more information on Madrid System, please check out [www.wipo.int](http://www.wipo.int).

(10) **Ready to file a Madrid Protocol Application (IR)?**

To file under the Madrid Protocol treaty, one must own a trademark under any of its 81 member countries (preferably in the U.S.). The filing fees and costs can be determined upon a client’s decision as to how many countries he or she wishes to file under.

As with the case of a U.S. trademark application, should there be opposition(s) submitted to the International Bureau or filed against an international application or irregularities determined by the USPTO, Client will be notified and consulted with; and Client will have final say as to whether to continue retain counsel to continue the trademark prosecution.

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Dallas Musings

By: Aaron D. Lovaas
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YLF Vice Chair

There are times when you arrive in a city to which you have never been and feel immediately welcomed, at ease, and at home. There are other times when your travel experience is so nightmarish that you wish you had never boarded the plane. It seems that, thanks to the now infamous MD-80 safety inspections by American Airlines, Dallas’s role as the host city for the 2008 Business Law Section Spring Meeting took on some attributes of both.

For those of us who were lucky enough to at least arrive on the day we were supposed to and stay for the entire meeting, we all knew or at least knew of at least one other who was not so lucky. I encountered many CLE programs where one or more speaker phones occupied the speakers’ table due to the travel snafus that wreaked havoc through DFW for a number of days. Not unexpectedly, however, the presence of a voice, rather than a physical body, made the programming this year no less informative, interesting or valuable. Indeed, American Airlines may have done all of us, at least those of us involved in the programming, somewhat of a favor by reminding us of the value of improvising, thinking on our feet, and making the best of less than ideal situations.

For those of you who did not make the meeting at all due to travel woes, I am afraid you missed out. I, for one, was impressed that the Hilton Anatole in Dallas situated the designated smoking area right along side of the jogging track. And I thought Philadelphia was the City of Brotherly Love. Imagine my delight at a lovely post-CLE afternoon – cocktail in one hand; dreaded tobacco product in the other – while watching those much more dedicated than I run circles through the hotel grounds and sweat out the day’s stresses. All of us on the patio gave a wave to all of those on the track and all had a sense that the BLS was one big happy family.

Every family needs some spiritual guidance, though, so enter the fortune teller from the YLF hospitality suite. I am afraid that my patience was much shorter than the line to see her, so I did not receive any predictions of my ultimate fate (other than imbibing as described above). I did, however, see a judge or two (not from my jurisdiction) express much joy in receiving a Magic 8-Ball as a party favor that night. Perhaps their litigants should have made time for the fortune teller. At least then they might have a chance against the 8-Ball.

So, as I stroke my Gowlings logo’d room key from the Hilton Anatole and remember April fondly, let me just leave you with a few words of advice: “Always book seats on a 757.”
Observations of a First Time Attendee
by Kristan Lehtinen
Las Vegas, Nevada

Prior to attending the ABA Business Section Meeting in Dallas this spring, I had no idea of the breadth of CLE seminars, networking events, and the balanced social aspect of the Meeting. Throughout the Meeting I was amazed at the whirlwind of lectures and activities occurring concurrently. My only regret was not being able to be two (2) places, or perhaps even three (3) places at once. One of my favorite aspects of the Meeting included my attendance at the Institute for the Young Business Lawyer. The Institute was extremely well organized and included pertinent seminars and information I am now actively using in my own practice. The ability to attend lectures such as Contract Drafting and the Deal; A Different View on Credit Agreements – Representing the Borrower; and Understanding LLC Operating Agreements directly impacted the positive development of my business law skills and the subsequently provided increased benefits to our clients at Lovaas & Lehtinen, P.C. The existence of materials I consistently refer to following the Institute, and my attendance at the same is a valued part of my ongoing legal education.

As pleased as I was with the Institute for the Young Business Lawyer, it was also great to be able to attend the additional CLE lectures as part of the larger Business Law Meeting. As a member of a small firm it was very helpful to attend the lecture on the Rainmaking, Retention and Referrals – The Three R’s on Solo/Small Client Development. The Moderator, Aaron D. Lovaas, and speakers Carolyn M. Dillinger, Genie Hansen, and Jay E. Ray were knowledgeable, enthusiastic, and absolutely effective in providing relevant direction in developing a strong client base. As a Young Lawyer, this seminar definitely provided me the skills and strategies necessary to build our clientele.

On a final note, it was great to meet and network with lawyers working nationally and internationally. Many of our clients have a variety of interests both locally in Nevada, as well as countrywide and globally. The networking events certainly provided ample time to build relationships with lawyers from a vast range of business law skills, and expertise. Those relationships most positively will benefit our service to our clients as needs arise for those services or continental or international connections. I look forward to seeing you all at the next Meeting in Vancouver, Canada.