

# OOPS. I LOST OUR IP.

## *Managing IP Assets*

(revised presentation)

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# REVISIONS

This presentation is based on the one given in class, revised to clarify a few points in the “case studies.”



# ASSUMPTIONS

You work for a large enterprise

or

You create or work for a startup

*And you say to your boss . . .*

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Hi, Boss. I just lost . . .

*between \$1 and 10 billion in  
future revenues*

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Hi, Boss. I just gave . . .

*All of our assets to Mediaset*

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Hi, Boss. I just found out that

*We don't own our IP assets*

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Let's try to understand how to avoid  
these situations.

*But first, some context*

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# GOALS

I would like to contribute to your understanding that:

1. IP *law* is the center of everything now
2. Think of IP as *agreements* more than as *assets* or *legal categories*
3. Contracts are not written in an alien language
4. Law matters to more than just the lawyers
5. Lawyers are a strategic asset and not a cost center



# WHO AM I?

Attorney:

JD University of Chicago

MA Stanford University

BS Berkeley

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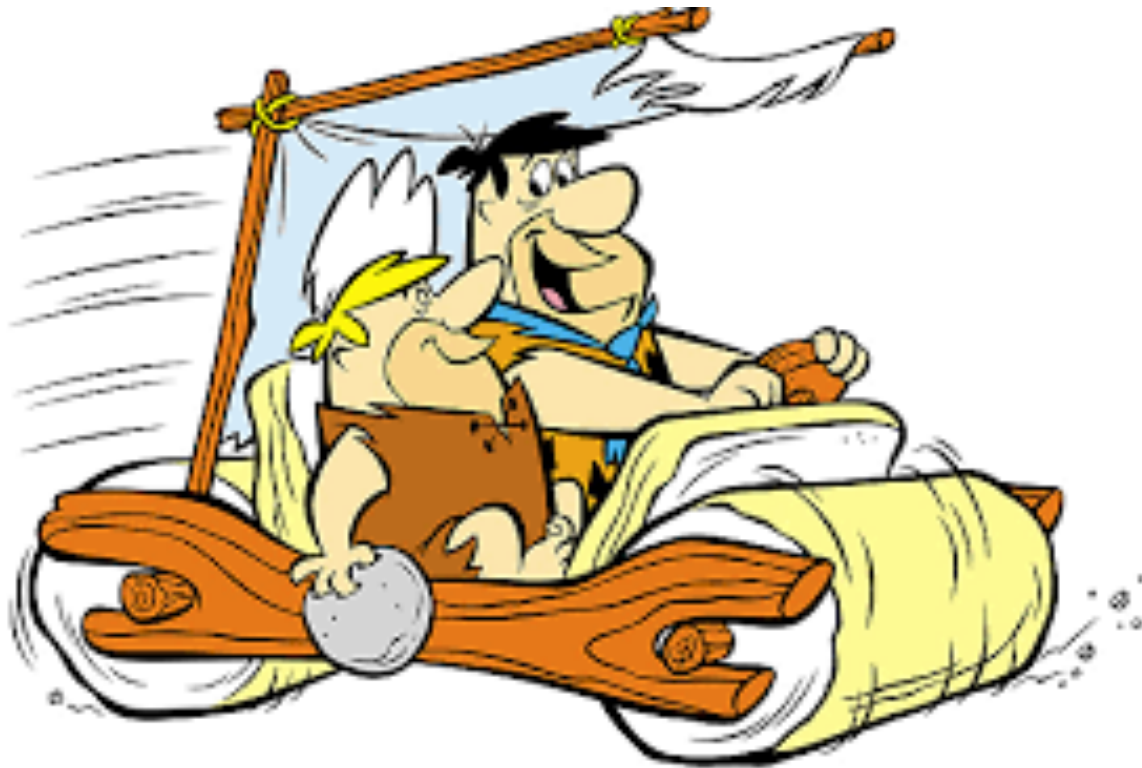


1<sup>st</sup> digital license for  
the gang!

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# 1<sup>st</sup> digital license



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Drafted & negotiated  
(almost) all of their  
content deals

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Drafted &  
negotiated 1<sup>st</sup> VR  
music deal  
(Queen's *Bohemian  
Rhapsody*)

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# CONTENTS

A Few Thoughts About IP\*

IP in All Stages

- Formation
- Scaling
- Finding & Negotiating Deals
- Supervising Deals

So What? What Can Managers Do?

*\*meaning IP assets as affected by the relevant agreements*

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# DISCLAIMERS & EXCUSES

- This presentation is not legal advice.
- Your fuel efficiency may vary.
- The names of the companies are fake (except for Stanford & Roche).
- All of these scenarios happened.
- “Yes, but . . . .”
- These are general principles of US law.
  - *The law often revolves around exceptions.*
- My dog ate my homework.



# RULES

1. Enjoy yourself.
2. Stay awake.
3. Ask questions.
4. Tell me to explain if you do not understand my English.

*The only stupid questions are those you do not ask.*



INTELLECTUAL PROPERTY *ASSETS*

INTELLECTUAL PROPERTY  
*CATEGORIES*

INTELLECTUAL PROPERTY *LAW*

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# IP IS AT THE CENTER

- The Uber/Waymo lawsuit is all about IP
- The takeover of RCS was about its IP assets
- Google, Facebook and everyone else make a business out of collecting and interpreting datastreams
- Datastreams are IP assets



# BASIC PRACTICAL IP PRINCIPLES

You own the IP if you create it when you:

- reduce an idea\* to a tangible medium

All transfers must be:

- In writing
  - Surprise: exchange of emails
- Not a promise to do it in the future

*(\*But you never own the idea itself.)*



# TRICK QUESTION: IS THIS TRUE?

You own the IP if you create it when  
you:

- reduce an idea to a tangible medium



# IP IS NOT REALLY . . .

Patents

Trademarks

Copyright

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# IP IS THE *WORKS* THEMSELVES. . .

- A logo and tagline
- Anything reduced to tangible medium that fits in these categories, e.g.
  - Movies, videos, images
  - Artworks
  - Written works
  - Code
- Trade secrets



# TRADEMARKS

GlobalCapital.  
Counsel to Innovators.

*Even if not registered, still could have a common law trademark.*



*See the little dot? That's probably the trademark symbol to indicate it is registered.*



*No trademark symbol.*

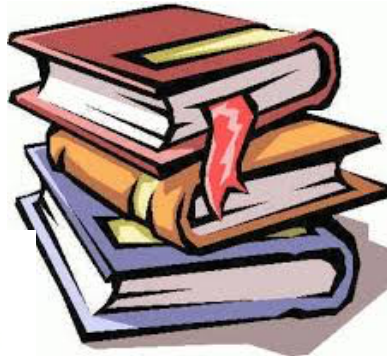
*Two trademark symbols (for the slogan and the logo).*



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# IP SUITABLE FOR COPYRIGHT REGISTRATION\*



```
for i in people.data.users:  
    response = client.api.statuses.user_timeline.get(screen_name=i.screen_name)  
    print 'Got', len(response.data), 'tweets from', i.screen_name  
    if len(response.data) != 0:  
        ldate = response.data[0]['created_at']  
        ldate2 = datetime.strptime(ldate, '%a %b %d %H:%M:%S +0000 %Y')  
        today = datetime.now()  
        howlong = (today - ldate2).days  
        if howlong < daywindow:  
            print i.screen_name, 'has tweeted in the past', daywindow,  
                totaltweets += len(response.data)  
            for j in response.data:  
                if j.entities.urls:  
                    for k in j.entities.urls:  
                        newurl = k['expanded_url']  
                        urlset.add((newurl, j.user.screen_name))  
        else:  
            print i.screen_name, 'has not tweeted in the past', daywindow
```



But not



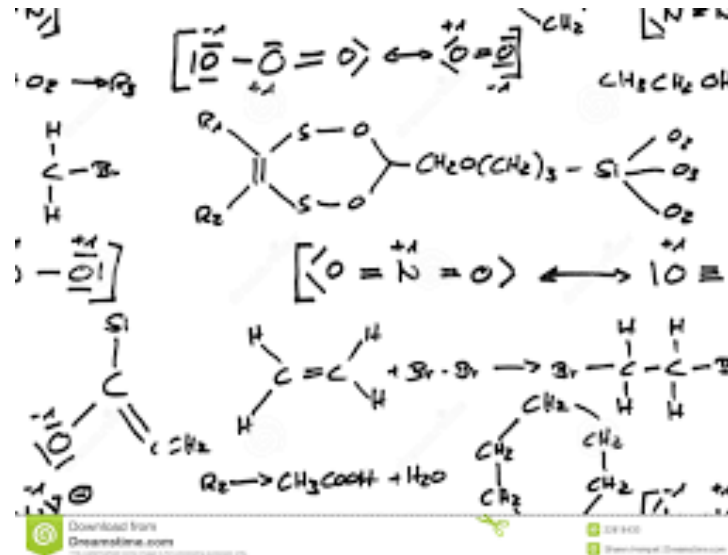
*\*which gives more protection.*

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# TRADE SECRETS

The most famous: The Coca-Cola formula\*



This image is not *really* the formula



# THINK BROADLY ABOUT IP

User-generated content

PII

Data

Datastreams

Databases

*Sui generis* data (??)

Anything else????

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# WHAT ABOUT ORAL INFORMATION?

“Confidential Information” means all information, regardless of the form in which it is communicated or maintained (*whether oral, written, electronic or visual*), which is disclosed to Counterparty, [. . .].

*Is it IP? It's not been reduced to a tangible medium.*

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# WHAT ABOUT KNOW-HOW?

**Know-how** is a term for practical knowledge on how to accomplish something, as opposed to "**know-what**" (facts), "**know-why**" (science), or "**know-who**" (communication).

**Know-how** is often tacit knowledge, *which means that it is difficult to transfer to another person by means of writing it down or verbalising it*



All of these are Intellectual Property

They are IP *assets*

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# THESE ARE LEGAL CATEGORIES

Patents

Trademarks

Copyright

Trade Secrets

*They are forms of protection of IP, but  
nonetheless still (considered) IP*

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# FOR A TRANSACTIONAL LAWYER, IP IN THE WORKPLACE IS ALL ABOUT . . .

What you do with IP assets through  
*agreements*

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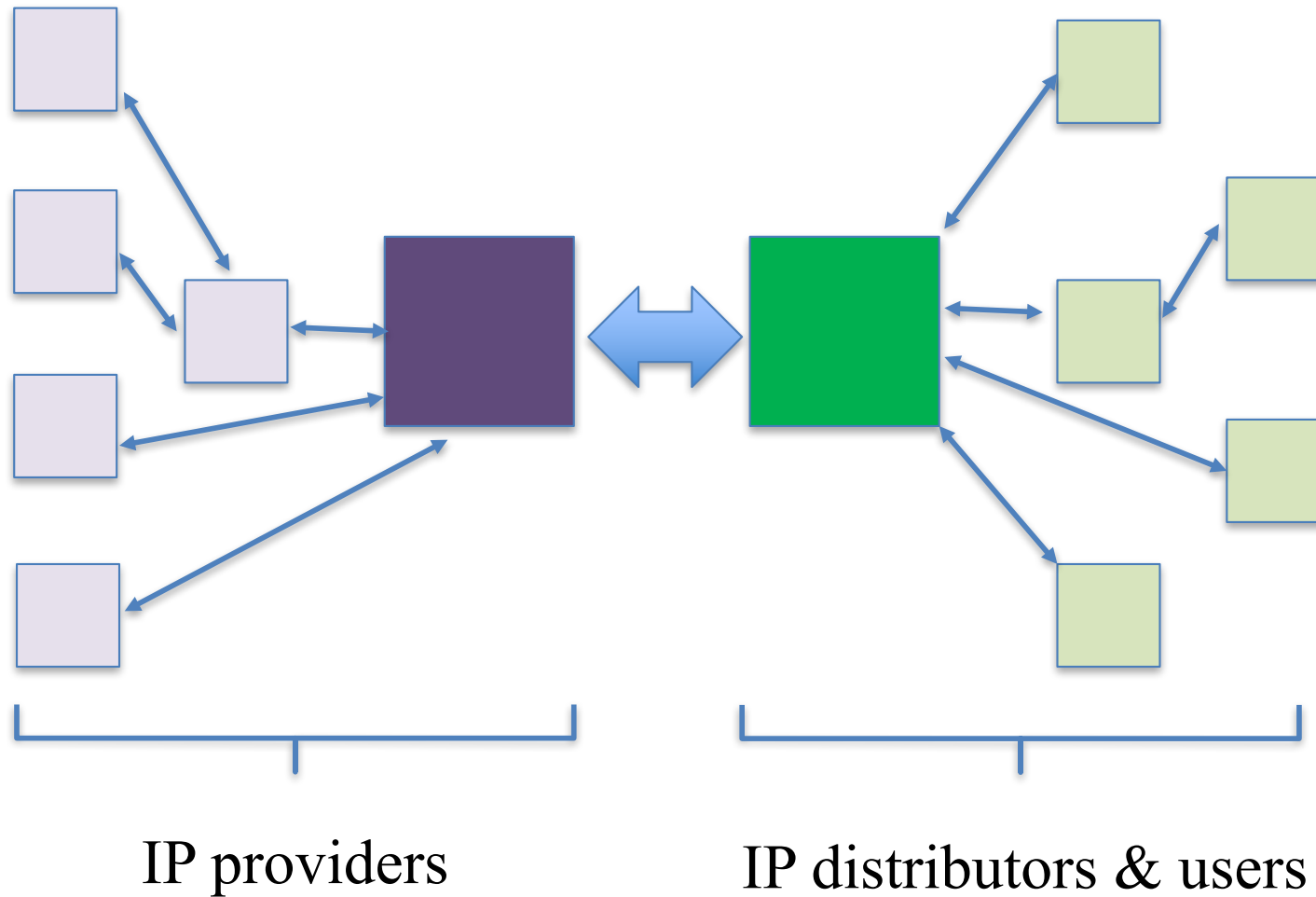
# AGREEMENTS AS LINKS TO TRANSFER IP RIGHTS

Agreements assert who has rights in certain IP and what another party can do with certain of those rights under certain circumstances.

Blue arrows in the next slide are the agreements.



# IP & AGREEMENTS AS LINKS



# YOUR IP AGREEMENTS\*

Assignment agreements

Independent Contractor/Employment  
Agreements

License agreements

Terms of Use/EULAs/T&Cs/Terms of Service

Distribution agreements

SaaS

Tech Development Agreements

NDA's

LOIs/MOUs

*\*Red highlighting indicates the **only** agreements that permanently transfer IP rights*

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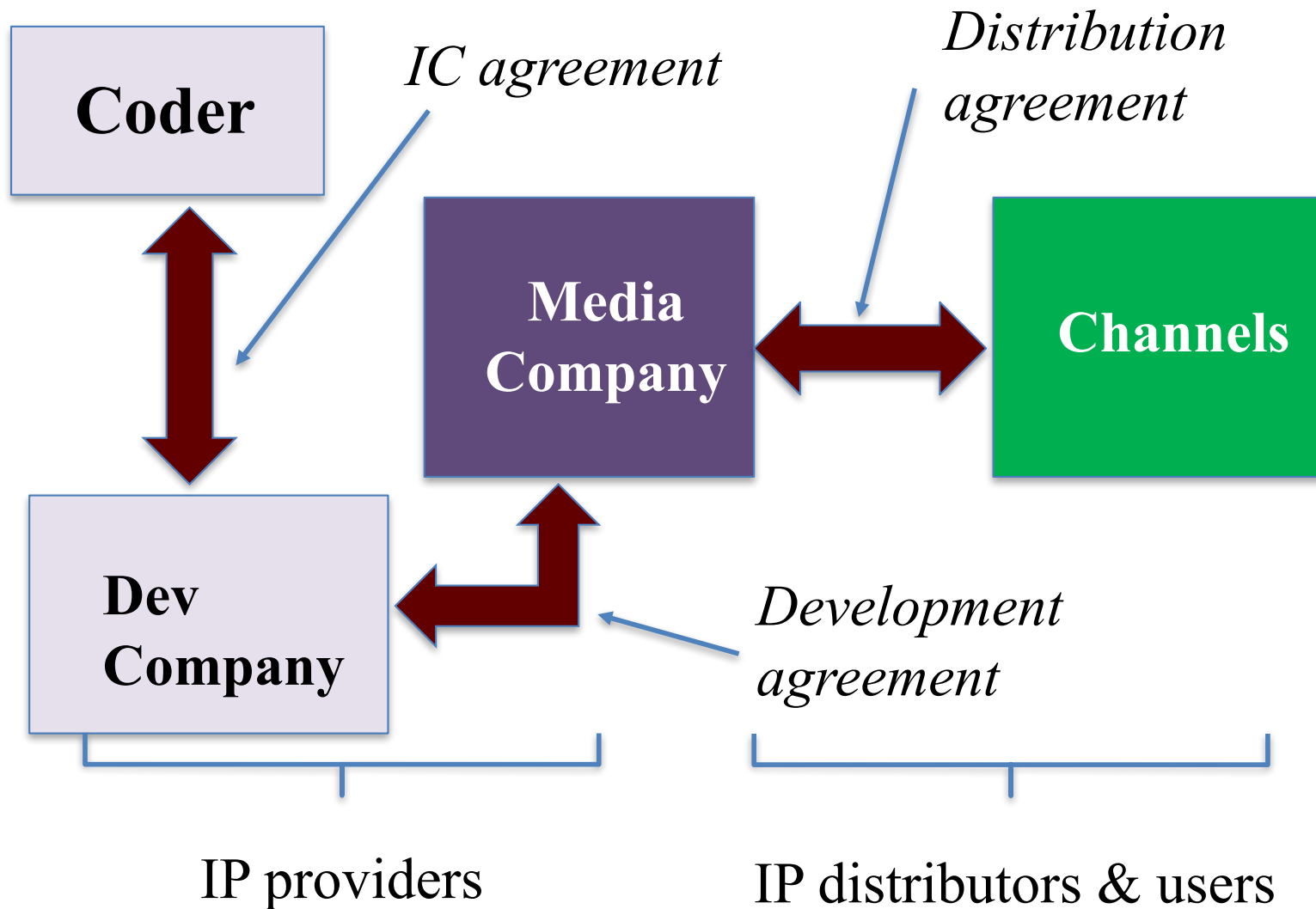
# AGREEMENTS ON THE LEFT SIDE (IP DEVELOPMENT)

The IP has to be created by someone, who has to give rights—in writing—to someone else.

*Media companies almost never create their own IP. They contract with someone else to make it or they license it (usually “Work-for-Hire” agreements—a form of independent contractor agreements).*



# THE 1<sup>ST</sup> HALF: TECH DEVELOPMENT



# AGREEMENTS ON THE RIGHT SIDE (IP DISTRIBUTION)

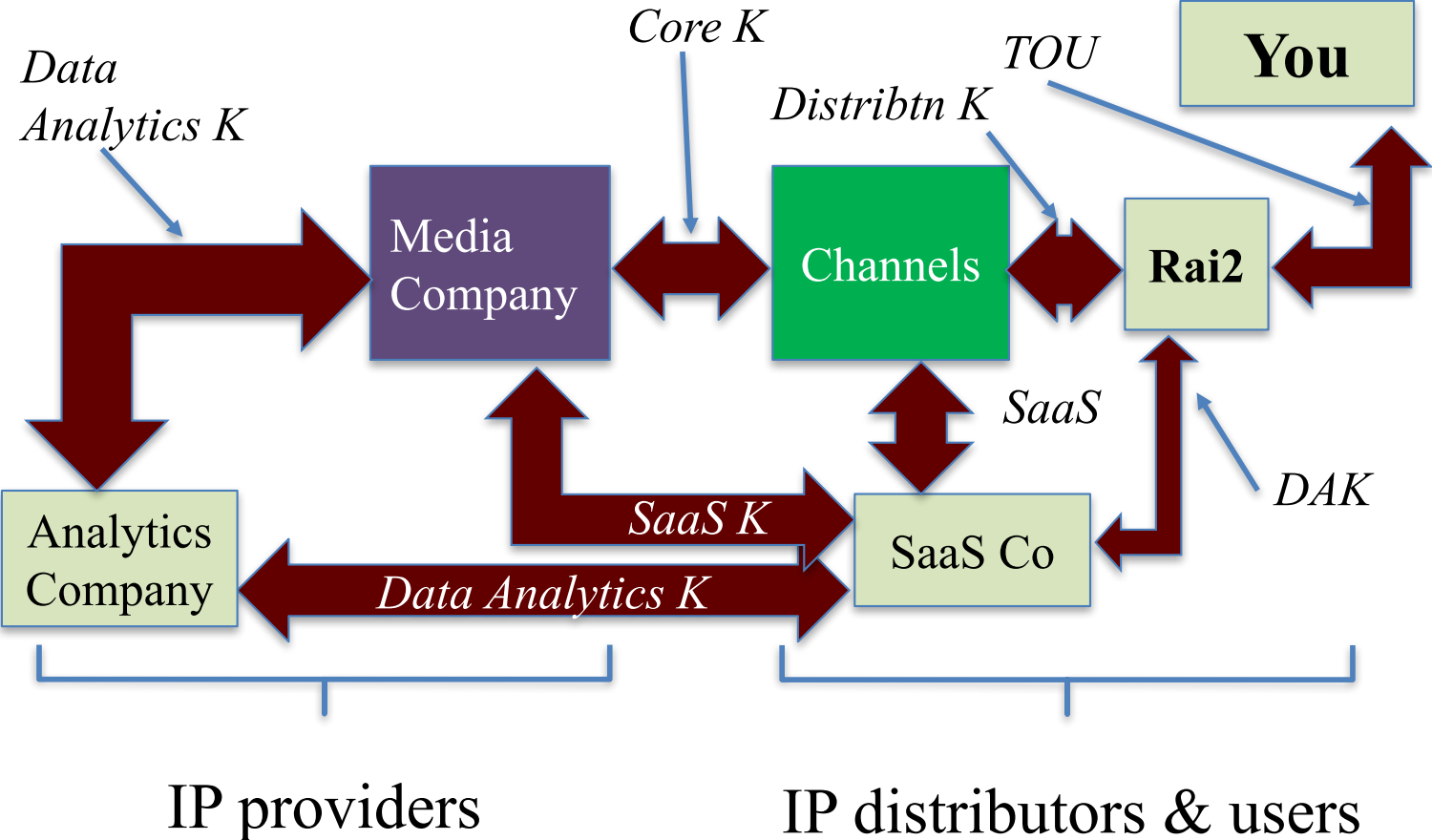
IP has to be distributed and hosted by someone, who has to receive rights—in from someone else. Data has its own path.

*Media companies will contract with distributors, e.g.,  
Disney will cut a deal with ABC TV stations, Mediaset,  
Canal +, etc.*

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# THE OTHER HALF: IP DISTRIBUTION (INCLUDING SAAS)



# THE BASIC QUESTIONS

When trying to figure out IP in agreements, ask:

1. Who are the owners of any rights in the IP?
2. Through what actions or agreements do they own those rights?
3. What rights do they have?
4. What can be done with those rights, based on agreements?



# IP ISSUES IN ALL STAGES

Formation

Scaling

Finding & Negotiating Deals

Supervising Deals

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# WHEN YOU FORM A COMPANY

Hi, Boss. Good news and bad news.

*The bad news: Lilla just left the company.*

*The good news: She signed her assignment agreement.*

“I agree to assign all my rights [. . .].”

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# OOPS . . .

Her assignment was a promise to assign it in the future, rather than *now*. Not valid.

*-Stanford v. Roche*

*The assignment language must say*

*“I assign [. . .].”*

Stanford will (probably) lose between \$1-10 *billion* in future revenue.



# ANSWER THE QUESTIONS: FAILED IP ASSIGNMENT AGREEMENT

1. Who are the owners of any rights in the IP?  
*Lilla still owns the IP because her assignment was not valid.*
2. Through what actions or agreements do they own those rights?  
*We don't know and it's not relevant.*
3. What rights do they have?  
*Lilla owns them all, as far as we know.*
4. What can be done with those rights, based on agreements?  
*She can do whatever she wants.*



# FORMATION (#2): LLC TO C CORP

Hi, Boss.

*Our C corp does not own the IP.  
It's still in the LLC.*

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## FORMATION (#2—CONT'D)

Founders create an LLC.

The LLC creates and acquires IP.

VCs want to invest.

Founders create a C corp.

Founders contribute IP to it (in writing).

*What's wrong with this picture?*

Founders did not have any IP to contribute. The LLC still had it.

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# ANSWER THE QUESTIONS: THE LLC NEVER GOT THE IP

1. Who are the owners of any rights in the IP? *The people who created the IP (they never contributed it into the LLC).*
2. Through what actions or agreements do they own those rights? *We don't know and it's not relevant.*
3. What rights do they have? *The members own them all, as far as we know.*
4. What can be done with those rights, based on agreements? *They can do whatever they want (probably contribute it into the C corp now).*



# ANSWER THE QUESTIONS: THE LLC NEVER GOT THE IP

1. Who are the owners of any rights in the IP? *The people who created the IP (they never contributed it into the LLC).*
2. Through what actions or agreements do they own those rights? *We don't know and it's not relevant.*
3. What rights do they have? *The members own them all, as far as we know.*
4. What can be done with those rights, based on agreements? *They can do whatever they want (probably contribute it into the C corp now).*



# IP IN SCALING UP

Hi, Boss,

*We have to pay \$250,000 in penalties*

*And*

*you might go to jail.*

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# FLAWED IC AGREEMENT

An Italian startup signed an independent contractor agreement with an individual in California.

Under California law, independent contractor agreements with work-for-hire language violate labor & employment laws *if* (1) one party resides in California and (2) the IC is an individual.



# THE QUESTIONS DO NOT APPLY

I included this “case study” to show that the lawyers should make clear that they *know* the law in the relevant jurisdiction—and not just Tech law (because the relevant statute was in the labor & employment section)



# SCALING UP: DISCUSSING A DEAL(#2)

Hi, Boss,

*I've signed the five page NDA and we gave them trade secrets and software code, as they requested.*

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## DISCUSSING A DEAL (#2 CONT'D)

What is the purpose of the disclosure?

- If it's just introductory discussions then why show code or trade secrets?

Be clear on the purpose of the discussions.

Trade secrets should be handled in a specific section of any NDA.



# THE QUESTIONS DO NOT APPLY

I included this “case study” on NDAs because this is one of the most common errors: showing too much information at the beginning. Pay attention to what you think should be revealed and how and *then* talk to your lawyer.



# USING DIGITAL IP FROM THE WEB (#3)

Hi, Boss . . .

*Because I found these images on the web, they must be free for us to use however we want.*

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# WEB IMAGES: ASSIGNMENT? (#3 CONT'D)

Absent a written agreement granting rights, you have no rights in the use unless you can argue “Fair Use.”



# ANSWER THE QUESTIONS: IMAGES FROM THE WEB

1. Who are the owners of any rights in the IP? *What makes you think that the presence of images on the web means that they are in the public domain? Are images on a billboard in the public domain? On TV?*
2. Through what actions or agreements do they own those rights? *We don't know and it's not relevant. The creators probably did not put them where you found them, though.*
3. What rights do they have? *The creators own them all, as far as we know.*
4. What can be done with those rights, based on agreements? *They can do whatever they want.*



# NEGOTIATING A DEAL (#4)

Hi, Boss . . .

*In their independent contractor agreement, they write that they will own all the rights to our toolkit and to all derivatives.*

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# IC HIRED TO HELP DEVELOP

ICs bring their own IP—their “toolkit.”  
Who owns those tools once they have  
been used to develop a startup’s tech?

Developer works to develop a product  
(tech). Can the startup create  
deliverables with that IP?



# ANSWER THE QUESTIONS: DEVELOPER TOOLKIT

1. Who are the owners of any rights in the IP? *Depend on how the IC agreement is drafted: The IC should own his/her tools and their derivatives but it should be written (because an IC agreement is presumed to assign rights so you have to carve out certain rights).*
2. Through what actions or agreements do they own those rights? *The company might own the rights to the toolkit (or at least claim them) if the agreement does not make clear that the IC keeps them (and derivatives).*
3. What rights do they have? *The IC should own them all, but must pay attention to the agreement.*
4. What can be done with those rights, based on agreements? *If they are not “excluded” from the assignment, then either the company owns them or there is a joint license (i.e., either can use them).*



# WHEN IS A DEAL A DEAL? (#5)

Hi, Boss,

*Studio Royale is using our 200 hours of digital content because it says that the LOI is binding.*

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## DEALS (#5--CONT'D)

Studio Royale sent XYZ a signed LOI that XYZ (thought it) was negotiating.

Studio Royale thought it had a deal (even though XYZ never signed the LOI) because of the calls they had.



# THE QUESTIONS DO NOT APPLY (LOI/MOU)

I included this “case study” on LOIs/MOUs\* because there is always confusion as to whether or not it is binding. In the absence of a statement one way or the other, it can often be held to be binding—or one party can get damages for “detrimental reliance.”

\* Letter of Intent/Memorandum of Understanding

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# SUPERVISING A DEAL

Hi, Boss . . .

*They're licensing our software to others outside the US.*

*That's a violation of the terms of our license agreement with them.*

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# EXPANDED USE (#1 CONT'D)

Use depends on the grant of license provision\*:

- Licensor
- Licensee
- Grant language
- Tech being licensed
- Term
- Territory
- How to be used
- With rights & limits specified

*\*color coding to use in the next few slides*

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# LICENSE GRANT

(1) ABC Tech hereby grants a non-exclusive and non-transferrable license to XYZ for the Licensed Materials in conjunction with ABC Tech's Platform in the United States during the Term.



## LICENSE GRANT (CONT'D)

(2) This license authorizes XYZ in the normal course of XYZ's business operations and for its own internal utilization: (a) to use the Licensed Software in object code format to process its own data on the Hardware or any replacement thereof; and (b) to use, copy, modify and enhance the Licensed Software using the System Documentation.



# EXPANDED USE (#1 CONT'D)

Use depends on the grant of license provision:

- **Licensors** ABC Tech
- **Licensee** to XYZ
- **Grant language** hereby grants
- **Tech** for the Licensed Materials in conjunction with ABC Tech's Platform
- **Type of License** a non-exclusive and non-transferrable license
- **Term** (see defined terms)
- **Territory** United States
- **How to be used** internal business uses & process own data
- **With rights & limits specified**



# SUPERVISING A DEAL (#2)

Hi, Boss . . .

*They're using our methodology  
throughout the company after our  
training program*

(PO conflict)

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# PURCHASE ORDER (CONT'D)

Training firm presented methodologies in its training material (and on screen). Client captured it, converted it to software and used it.

PO (Purchase Order—usually issued after the agreement is signed) referred back to agreement terms the training firm had not read.



# ANSWER THE QUESTIONS: PURCHASE ORDER

1. Who are the owners of any rights in the IP? *The Agreement between the consulting firm and its clients should prevail as to ownership but in some jurisdictions additional terms on a purchase order can alter those terms.*
2. Through what actions or agreements do they own those rights? *The agreement. It is often wise to include in the agreement that PO will not change the terms.*
3. What rights do they have? *According to the agreement.*
4. What can be done with those rights, based on agreements? *According to the agreement.*



# SUPERVISING A DEAL (#3)

Hi, Boss . . .

*NBCUniversal now owns our  
technology—and the company*

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## SUPERVISING A DEAL (#3—CONT'D)

Startup indemnified NBC for IP infringement.

No limit on remedies.

Escrow agreement included *any* breach.

NBC got sued and asked the startup to cover NBC's costs, which the startup could not afford.



# THE QUESTIONS DO NOT APPLY “HANDING OVER THE KEYS”

The lawyers probably did not pay attention to the indemnification provisions and the tremendous cost.

\* Letter of Intent/Memorandum of Understanding



# SUPERVISING A DEAL #4

Hi, Boss . . .

*You know that tech we licensed? It does not include everything that we expected.*

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## SUPERVISING A DEAL #4 (CONT'D)

The tech provider changed the description of the technology in the final draft of the agreement.

- “Platform” v. descriptions of certain components of the platform.



# THE QUESTIONS DO NOT APPLY LAST-MINUTE CHANGES

The lawyers probably did not pay double-check that the agreements were actually what the client had agreed to.



# SO WHAT?

## What can you do as a manager?

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# THE BASICS

1. Legal Hygiene.
2. It must be a written agreement.
  - But not all written documents should be binding.
3. When you're responsible for the document, know the document.
4. Use your resources.



# THE BASICS (CONT'D)

4. Understand the tech being licensed:  
Be clear in its definition.
5. The “Definitions” section is critical.
6. Pay attention to the “grant”  
provision(s).
7. Have your internal team create an  
internal term sheet.



# 1. LEGAL HYGIENE: EMAILS

Confirm the writing is binding/non-binding:

- If you agree to something in an email, make sure you clarify that it is not a binding agreement.

*“A written agreement signed by both parties. Email exchanges do not constitute a binding agreement.”*



# 1. LEGAL HYGIENE: ORAL AGREEMENTS

Confirm it is non-binding:

- If you “agree” to something in a call, make sure you clarify that your saying so is not binding.
- Start all such discussions with an email that the conversations are non-binding.



# 1. LEGAL HYGIENE: LOIs/MOUs

Confirm which parts are binding and which parts are not:

- The overall document is usually binding *if* there are obligations, e.g., NDA, no-shop, etc. Make that clear.
- Terms of the deal usually *not* binding, but only “guidance” and subject to [due diligence, final documents, etc.]



## 2. IT MUST BE A WRITTEN AGREEMENT

IP assignment (generally) requires a written and signed document.

- Except for employment (check for employment agreements)
- Emails *have* been found to be acceptable but who wants to pay for a court fight?

Assignment must be in the present tense without “I ~~agree to~~ assign [. . .].”



### 3. KNOW WHAT YOU “OWN”

When you “own” the document, know what it means

- Many managers are responsible for NDAs, without legal help. Get help to understand the document.

Understand your company’s policy on agreements and purchase orders.

- When does a PO changes the terms of an agreement?



## 4. USE YOUR RESOURCES

If you're in a big company, become friends with your in-house counsel and get some lessons.

If you're in a startup, find a lawyer friend and take him/her to dinner. Many times.



## 5. KNOW & DEFINE THE TECH

Have your techies draft a comprehensive description of the tech

- Without describing trade secrets, source code, etc.

*Then* have the lawyer review it.

Avoid words like “It.”

Make sure you have rights to bug fixes, updates, upgrades, new versions

- Or that you don’t have those rights.



## 6. KNOW THE DEFINITIONS

Agreements are driven by definitions.  
Know them.

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## 6. PAY ATTENTION TO THE GRANT SECTION(S)

Good/bad relationships will always come down to the license grant section(s)

Create your own IP term sheet:

- Licensor
- Licensee
- Grant language
- Tech being licensed
- To be used how, where and for how long
- With rights & limits specified



# 7. CREATE AN INTERNAL TERM SHEET

Create your own term sheet—internal to the company/team:

- Purpose
- What tech (inbound/outbound)
- License grant provisions (your IP term sheet)
- Other IP concerns (toolkit, etc.)
- Business terms (price, period, people)
- Legal terms (e.g., liability, indemnification)



# BONUS: IMPROVE YOUR READING SKILLS

Batman comics are easy to read.

Dante is hard to read.

They're both in Italian (or English).

Agreements are in Italian (or English).

You read Italian (or English).

Read the agreements.

*Give it a try.*

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# IN SUMMARY

1. Think of agreements not assets.
2. Transfer of *any* rights always in writing.
3. Be careful of certain “writings.”
  - LOIs, exchanges of emails
4. Know what you need to know.
5. Write out your own term sheets for license scope and other terms.
6. Understanding legal language will not damage your brain.
7. And . . .



Take a lawyer to dinner.

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# THANK YOU.

JAMES C. ROBERTS III

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