

In any company that you start, it is critical that you keep close control and ownership of your intellectual property. We're going to talk about the most important way to do that, right now.

Clint: As an entrepreneur, how do I protect my intellectual property?

Jason: The number one way to protect your intellectual property is to make sure everyone who works for you, whether they're an employee, a consultant, friend doing work on the side for you, has a Proprietary Information and Inventions Agreement.

The idea that this is an agreement that says "everything I've done for you belongs to the company." It also makes sure that any intellectual property these people have created in the past is not muddled up in your intellectual property.

It's a simple page, two page, three page agreement. You can get them online. You can even get them on askthetvc.com or even the Entrepreneurial Law Clinic at CU's website.

They're critical to get and have 100% compliance. As a venture capitalist, if I go into fund you and not everyone who's worked on your intellectual property has signed one of these, I'm worried that there might be some intellectual property leakage, which can have massive effects down the road.

Clint: Let's say I'm an entrepreneur and I had a co-founder a while back. It didn't really work out so well with him. They're not around anymore. I don't have one of these things signed with him. How bad is that?

Jason: Horrible. If you don't get it signed, you're probably not going to get venture funded. What I would suggest you do is the second you know it's a problem, get it addressed.

We'll talk a little later about negotiations, but one of the most important negotiating tactics is negotiate when you're weak. Do not wait until you're strong, you've been Tech Crunched and you're in the news. All that does is give leverage to your adversaries on the point you're trying to make.

The departed founder problem, get it solved as soon as you realize it's a problem.

Clint: Questions...

Student: Do I have to have mentors and advisors sign one of these agreements?

Jason: Technically, no. A lawyer would tell you maybe yes. I'm not a lawyer anymore, so the answer is no.

Assuming they're reputable, they're good people. You don't want to walk around with a piece of paper and every time you talk to somebody about their idea and say, "Sir, could you please sign this? Madam, could you please sign this?" You'll look like an idiot.

Not mentors, not advisors, but anyone who's contributed real work, absolutely.

Student: This actually happened to a friend of mine yesterday. He had a quick little project he needed done for a prototype. He tweeted out "Hey, I need someone to do this job for me. Let me know if you're available."

It turned out to be so simple that someone just did it, put it on GitHub, and said, "Hey, here you go." It wasn't necessarily an open-source project. There was no license on it. It was just something the guy just did.

What happens in that case?

Jason: What could happen in that case is one of two things. The person was cool and nothing will happen, which is probably the most likely case.

On the other hand, your friend says, "Hey, that's cool," integrates it in his code, the company raises \$10 million in venture financing, they get sold, and the guy comes back from the woodwork and says, "Where's my piece of the cut?"

At that point, it's up to the litigators to decide. That would make me extremely nervous. Unless you fill out one of these agreements, it's unclear who owns the intellectual property.

Let's say the guy said, "I'll give it to you for \$10,000" and you paid him \$10,000. It's still unclear who owns the intellectual property without signing one of these agreements. Just because you paid for it, doesn't mean you own it exclusively, which is the key here.