This book material is being distributed free of charge as a PDF file without DRM protection by Cold Spring Harbor Laboratory Press. For more information about this book, please visit www.bioagreements.com. © 2014 Edward Klees and H. Robert Horvitz. All rights reserved.

Contents

Acknowedgments, xi Disclaimer, xiii

1 Introduction, 1

2 Issues to Consider When Negotiating a Consulting Agreement, 9

- A. Define What You Want in the Contract, 10
- B. The Contract Is a Legal Agreement—Make Sure It Is Right, 11
 - 1. Read the Contract, 11
 - 2. The Words Mean What They Say, 11
 - If Something Is Unclear, It Might Be Wrong—or Wrongly Interpreted Later, 12
 - 4. Legalisms, 13
 - 5. If It Is Not in the Contract, You Might Not Get It, 14
- C. Do Not Assume You Have to Sign a Contract as Is, 14
- D. Protect All Intellectual Property, 15
- E. Review University Policies, 16
 - 1. Time Commitment, 16
 - 2. Disclosure of Laboratory Results, 17
 - 3. Use of University Resources, 17
 - 4. Involvement of Postdoctoral Researchers and Students, 17
 - 5. Conduct of Research, 17
 - 6. "Significant Financial Interest," 17
 - 7. Employment by Company, 18
 - 8. Multiple Relationships with Company, 18
 - 9. Use of Name or University Letterhead, 18
 - 10. Consulting during a Sabbatical, 19

ii / Contents

3 What Constitutes Consulting?, 21

- A. Service on an Advisory Board, 22
- B. Conduct of Research, 22
- C. Meetings with Investors, 23
- D. Serving as a Company Director or Officer, 24
- E. Advising Venture Capital Funds, 26
- F. "Expert Network" and Hedge Fund Consulting, 26
- G. Expert Witness Services—Litigation, 28
- H. Company Seminars, Speeches, Symposia—CDAs, 29
- I. A Note about CDAs Linked to Consulting Agreements, 31
- J. A Final Word Concerning Chapter 3, 32

4 Scope of Services, 33

5 Cash Compensation, 37

- A. Retainer, 37
- B. Consulting Fee, 38
- C. Travel Time, 39
- D. Expenses, 39
- E. Taxes on Retainers and Consulting Fees, 40
- F. Deferral of Compensation Income through Retirement Savings, 41

6 Shares, Stock Options, and Taxes, 43

- A. Shares and Options Generally, 43
- B. Vesting, 51
- C. Acceleration Events, 51
- D. Antidilution Rights, 54
- E. Registration Rights, 55
- F. Some Thoughts about Taxes, 56
 - 1. Introduction: Caveats, 56
 - 2. Overview, 57
 - 3. Tax Risks, 60
 - 4. Ordinary Income (Loss) versus Capital Gain (Loss), 61
 - 5. Section 83(b) Election for Restricted Stock, 62
 - 6. Gifts and Estate Planning, 68

- G. Fair Market Value, 68
- H. Royalty Interest, 68
- I. Interest in a VC Firm, 69
- J. Liquidation Preferences and Participating and Nonparticipating Preferred Stock, 69
- K. Conclusion, 74

7 Confidentiality Obligations, 75

- A. Confidential Information in Your Possession, 75
- B. Company Confidential Information, 77
 - 1. Obligation to Keep Confidential, 77
 - 2. Definition of Confidential Information, 79
 - 3. Exceptions to the Definition of Confidential Information, 81
 - 4. Access to Your Manuscripts, 82

8 IP Rights, 85

- A. Ownership Rights, 86
- B. "No Infringement" Covenant, 88
- C. "Works for Hire" and "Moral Rights," 89
- D. Power of Attorney, 90
- E. List of Existing Inventions, 91
- 9 Noncompetition, 93
- 10 Time Commitment, 95
- 11 Term and Termination, 97
- 12 Multiple Relationships with One Company, 99
- 13 Start-Up Issues, 101
- 14 Other Clauses, 103
 - A. Indemnity, 103
 - B. Governing Law; Legal Remedies, 107
 - C. Use of Consultant's Name, 109
 - D. Consulting for Affiliated Companies; Assignment, 110
 - E. Survival, 113

iv / Contents

- F. Independent Contractors, 113
- G. Representations and Warranties—Your Guarantees, 114

15 Use of Consulting Entity, 117

16 Conclusion, 119

Attachment A: Basic Consulting Agreement, 121

Glossary, 127

Notes, 131

Index, 137