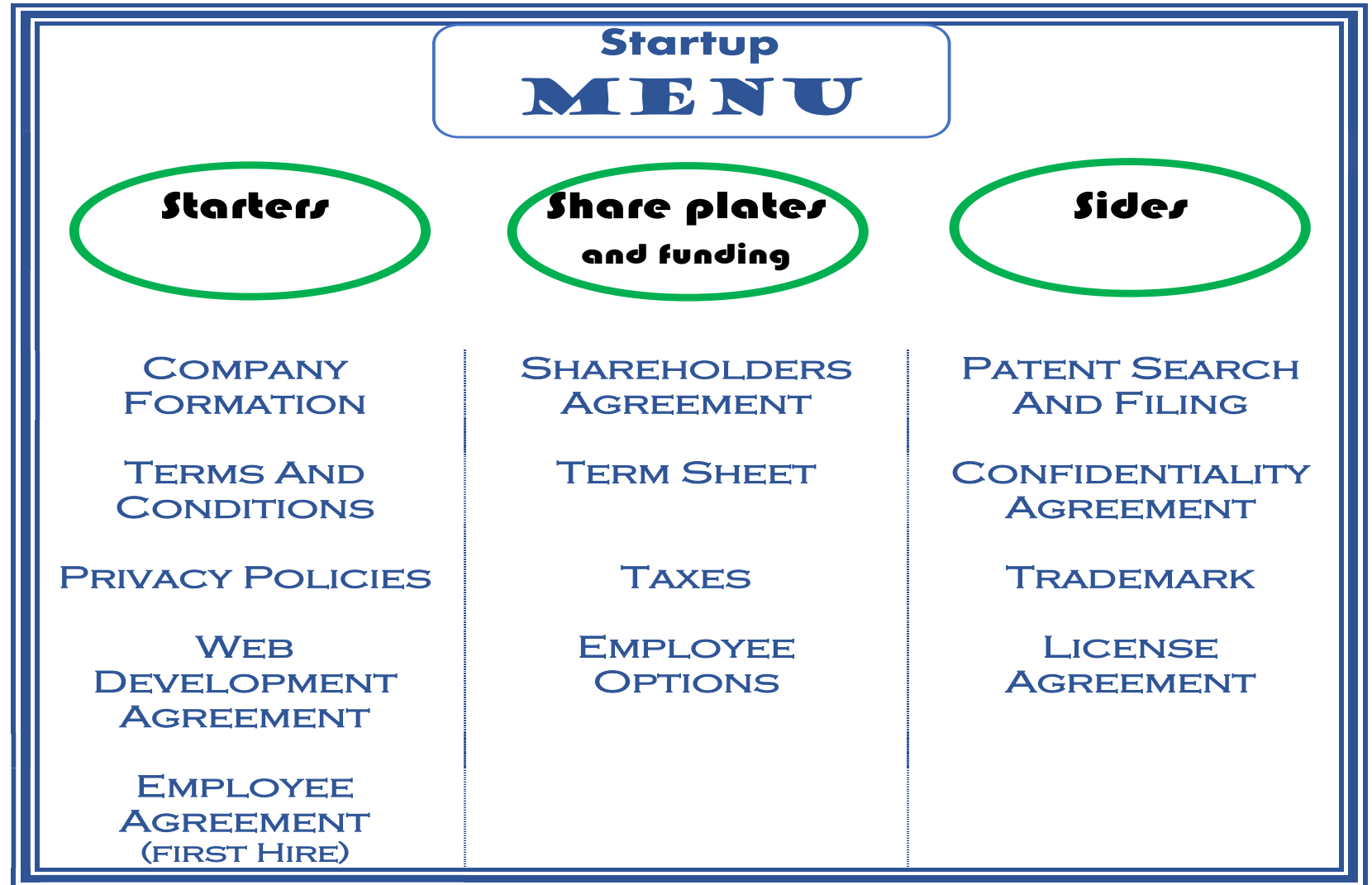


LEGALEEZ

Learn the Fundamental
Legal Language of the
Startup and Investment
World

Part 1

Startup Menu



STARTERS

Company Formation

- **Company formation procedure**

- Costs
- Time
- Importance of bylaws

- **Why is a company needed?**

- Relationship of founders (and potentially investors)

(decision making process – majorities – transfer of shares – distribution of dividends)

- Protection – limitation of liability
- Intellectual property assignment
- Employees
- Professionalism

Privacy Policies

- This section will be addressed by Me. Nancy Abi Karam

Terms and Conditions

(website- mobile app)

- **What are the terms and conditions**

Rules that one must agree to abide by in order to use a service

- **Importance of the terms and conditions**

- Binding

- Define the relationship between the startup and the user

- **Clarity and accessibility**

- drafted in a clear way in order for the normal user to understand it

- need to be easily accessible (not hidden)

Terms and Conditions

(website- mobile app)

- **Key points to include in terms and conditions**
 - Privacy (concerning the user data)
 - Intellectual property (ownership)
 - Payment (methods of payments and liabilities)
 - Disputes (applicable law and jurisdiction)
 - Termination (procedure for termination and consequences)

Web Development Agreement

- **Important tool for your startup**
- **Importance of the Web Development Agreement:**
 - Transfer of IP
 - Transfer of source code
 - Clearly define rights and obligations of the parties

Employment Agreement

- **What should an Employment Agreement include:**
 - Hours, vacation, leaves
 - Salary, duration
 - Scope of work
 - Non – compete clause
 - Non – solicitation clause
 - Termination clause

SHARE PLATES and funding

Shareholders Agreement

- **Purpose:** to regulate the relationship of the shareholders where such scope is not mentioned in the company documents
- **Important clauses of a shareholders' agreement:**
 - Tag along – drag along clauses
 - Share vesting
 - Investment/dividends policies
 - Restrictions on transfer of shares – preemption rights
 - Roles of founders/directors
 - Appointment of directors
 - Disputes resolution
 - Reserved matters

Term Sheet

- **Definition:** a nonbinding agreement setting forth the basic terms and conditions under which an investment will be made. A term sheet serves as a template to develop more detailed legal documents. Once the parties involved reach an agreement on the details laid out in the term sheet, a binding agreement or contract that conforms to the term sheet details is then drawn up.

Term Sheet

- **Important clauses of the Term Sheet:**
 - Tag Along – Drag Along Clauses
 - Information Rights
 - Right If First Refusal
 - Reserved Matters
 - Valuation (Pre-money/Post-money)
 - Anti-dilution Clause
 - Liquidation Preference
 - Type Of Shares Issued (Ordinary – Preferred)
 - Composition Of The Board Of Directors
 - Exclusivity

Taxes

- **Taxes paid by companies:** taxes on profits – taxes on distribution of dividends
- **Lebanon Joint-Stock Company (SAL) taxes:**
 - 15% taxes on net profits of the company
 - 10% taxes on distribution of dividends (the net profits of the company)

Employee Options

- No employee stock options in Lebanon (non-voting shares)
- Possibility through other schemes involving different entities

SIDES

Patent Search and Filing

- **Patent definition:** A patent is an exclusive right granted for an invention, which is a product or a process that provides a new way of doing something, or offers a new technical solution to a problem.
- **Purpose of patent protection:** It gives the inventor a monopoly on the use of the invention. A patent holder has the right to exclude others from making, using or selling the invention and the right to license others to make, use or sell it.

Confidentiality Agreement

- **Definition:** (or Non-Disclosure Agreement – NDA) agreement used to signify that a confidential relationship exists between the parties to avoid disclosure of sensitive corporate information, which should not be made available to the general public or to various competitors.
- **Importance of NDA:** protection of the information of the startup, can be signed between startup and potential investors, employees, contractors, or any other person exposed to such confidential information.

Trade Mark

- **Definition:** any name, symbol, figure, letter, word, or mark adopted and used by a man manufacturer or merchant in order to designate his or her goods and to distinguish them from those manufactured or sold by others.
- **Registration of trademark:** generally with the patent and trademark office. In Lebanon registration is with the ministry of economy.

License Agreement

- **License agreement:** An agreement entered into by the contractual owner of a property or activity giving permission to another to use that property or engage in an activity in relation to that property. The property involved in a licensing agreement can be real, personal or intellectual. Almost always, there will be some consideration exchanged between the licensor and the licensee.
- **Important clauses of a license agreement:**
 - IP rights clause (retention of IP by licensor)
 - Consideration clause (royalties (percentage of sales or profits) and licensing fees)
 - limitation of liability of licensor
 - Obligations of the parties (duty to report infringement – non-compete – etc...)
 - Term and termination clause
 - Exclusive / Non-exclusive

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Part 2

- Online presence and online activity of startups require the knowledge/ to take into consideration the/ of Lebanese legal framework applicable in the matter
- Application of general law to electronic activity
- Existence of a draft law (enacted in 2004) on electronic communications and transactions that shall soon be adopted by the Lebanese parliament



Electronic commerce

Protection of software

Privacy issues and protection of
personal data

Electronic commerce



Startup= Service
Provider

Information
Society Service

User = Recipient
of the Service

What is an Information Society Service?

- **A wide range of online economic activities**
 - Selling goods online
 - Services representing an economic activity and remunerated or not by those who receive them (ex: offering online information or commercial communications, providing tools allowing for search, access and retrieval of data)

- **Service provider:** any natural or legal person providing an information society service – the Startup
- **Recipient of the service:** any natural or legal person who for professional ends or otherwise, uses an information society service, in particular for the purposes of seeking information or making it accessible – the user

General Information to be Provided by Startups Operating Online


Startups shall render easily, directly and permanently accessible to internet users the following information:

- Name of the Startup
- Address of the Startup
- Details of the Startup, email address, telephone number
- Number of registration of the Startup at the Commercial Register

Conclusion of an Electronic Contract

- The online **offer** of the startup shall include at least the following information:
 - Different steps to be followed to conclude the contract
 - Whether or not the concluded contract will be filed by the startup and accessible to users
 - The means for correcting errors committed by the user prior to placing of an order
 - The languages of the contract

- Double click principle: Electronic **acceptance** of an offer requires the acceptant to confirm the offer twice:
 - The first time at the beginning of the process
 - The second time after reviewing the terms of the contract

- Once the user places his order through technological means  the Startup has to acknowledge the receipt of the client's order without undue delay and by electronic means
- The contract is deemed to be formed when the acceptance of the online offer is **received** by the startup

Protection of Software (the application)

Copyright Law

- There is a distinction between **ideas** and **expressions**: an idea cannot be copyrighted, the expression of an idea can be
- However, this distinction is not easily applicable to the protection of software → limited protection of software in copyright law
- Why?

- Because copyright does not seem to protect the most valuable aspect of software: **The algorithm**

- Algorithms are generally thought to be the ideas expressed in a program → not copyrightable

Trade Secrecy

- It is the right given to companies to keep certain kinds of information secret
- What is claimed as a trade secret typically must:
 - Have novelty
 - Represent an economic investment to the claimant
 - Have involved some effort in development
 - The company must show that it made some effort to keep the information a secret

- Software can meet these requirements:

Companies try to keep software secret by using nondisclosure clauses in contracts of employment

- However, limited protection of software in trade secrecy for many reasons:
 - Non effectiveness of nondisclosure clauses (leaving employee)
 - Impossibility to keep software secret (in order to be licensed and used, some form of software has to be revealed)

Patent Protection

- A patent claim must satisfy a **2-step test** before a patent can be granted:
 - The claim must fall within the category of **permissible subject matter**
 - The claim must have **utility, novelty and be non obvious**

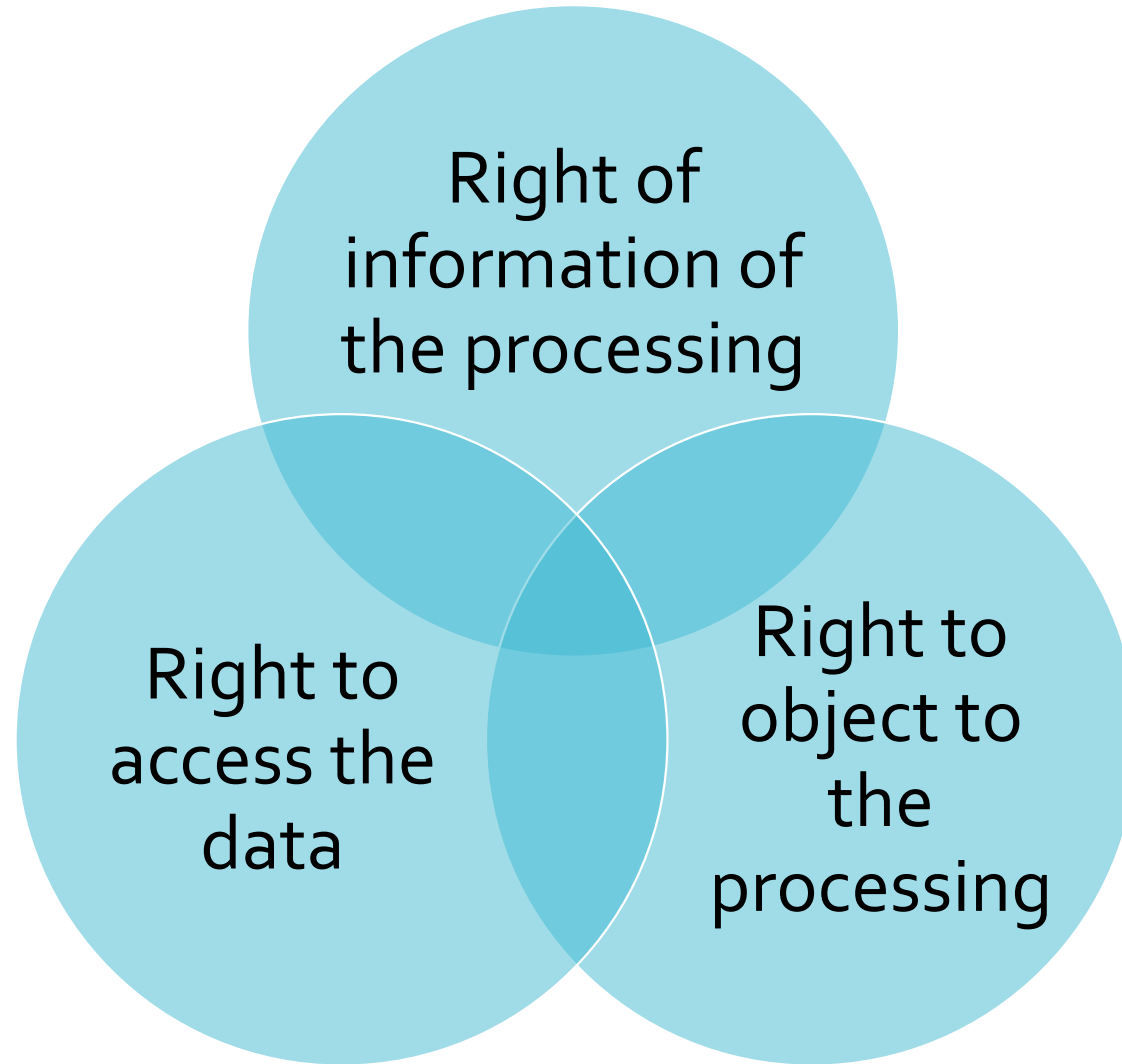
Concerning software, difficulty to pass this first step test because granting a monopoly on the use of software invention could lead to a monopoly on the use of an algorithm, which is prohibited in patent law as **non permissible subject matter**

Privacy Policies

- Emergence of a new type of information i.e. **transaction generated information** → Startups, as processors of personal data shall abide by a series of regulations
- **Principles related to data quality in processing:** Personal data must be:
 - processed fairly and lawfully (i.e. data subject shall give his **consent** to the processing)
 - collected for specified, explicit and legitimate purposes
 - adequate and relevant to the purposes for which they are collected and/or processed

- Startups must notify the supervisory authority before carrying out automatic processing operation
- Startups must mention in their terms of use that they have notified the above mentioned authority to inform users about it

Data Subject's Rights Regarding Processing



QUESTIONS AND ANSWERS

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Thank You