

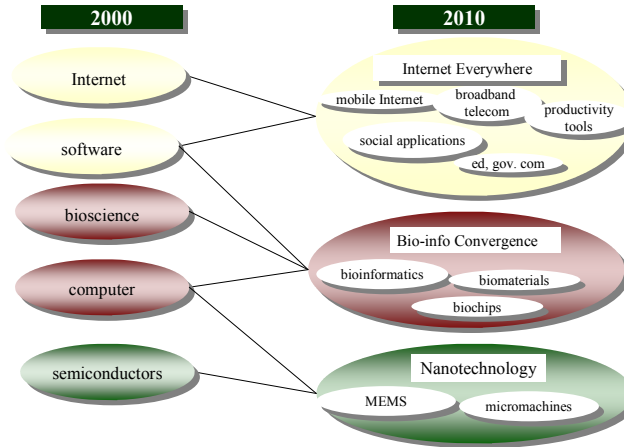
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Legal Issues from Silicon Valley

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Update from Silicon Valley / USA
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Prologue International, LLC

My background:
14 years in e-Business

- 1994: launched web development company in Lithuania.
- 1999: started AudioBasket in San Francisco, grew it to 60 people, raised \$26 M., shrunk company to 30 people. Company now owned by Corbis.
- 2002-present: ran incubators, consulted to small companies. Included 2 years as CEO of the US Market Access Center.
- Wharton undergraduate, UC Berkeley MBA
- I am not a lawyer



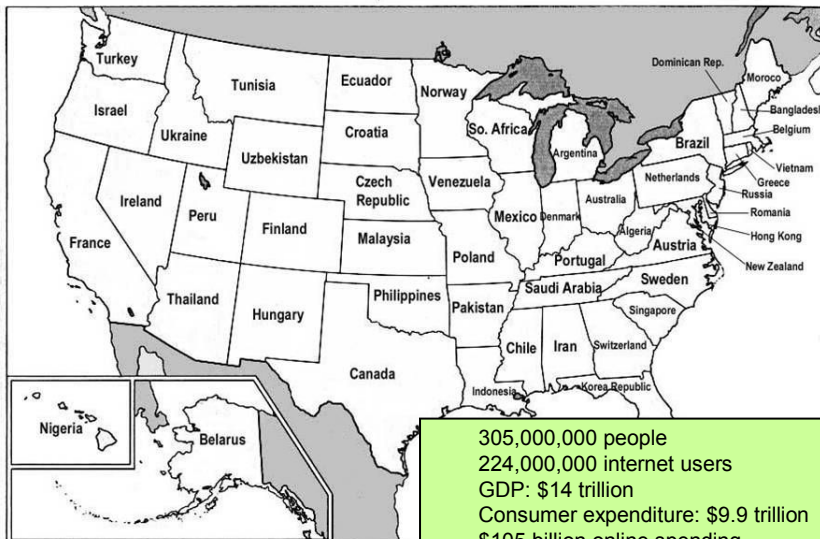


1. **Security:** E-tailers bear the financial burden of fraud and pay a 4% “card not present fee”. Credit Card Fair Free Act is pending legislation. TJ Maxx Example.
2. **Privacy:** The Federal Trade Commission (FTC) is proposing laws that would limit the collection of consumer data.
3. **Federal vs. State law:** Federal law don't pre-empt state laws unless they state this specifically. Usually. 30 states of Data Security and Privacy laws. 20 don't. **Hint: Look to NY and CA.**
4. **Patent Trolls:** Companies acquire vague, broadly defined process patent and defendants settle to avoid trial. Example: *Computer-based system for Ordering Goods and Services Via the Internet*. Most defendants settle to avoid legal fees. Patent reform bill passed by Congress in 2007 is currently stalled in the Senate.
5. **Sales Tax:** Online-only retailers do not collect sales tax. You only pay sales tax if you have a “nexus” in the state where you sell (“*The Amazon Advantage*”). Congress is considering a “Sales Tax Fairness and Simplification Act”. New York (NY) just passed a state budget that requires online retailers to start collecting NY state sales tax if their affiliates operate in the state of NY (“*The Amazon Tax*”)

US is a big market:

US states analogized to another country's GDP

* Sources: *The Big Picture*, *World Economic Fact Book*



305,000,000 people
224,000,000 internet users
GDP: \$14 trillion
Consumer expenditure: \$9.9 trillion
\$105 billion online spending
\$15 billion in pet food sales

<http://www.usmarketaccess.com/free-questionnaire.html>

US companies find the following to be the main issues when doing business with Europe:

1. US companies perceive that laws are not always standardized across the EU. If they are standardized, they are often implemented differently in different countries.
2. Data protection and consumer protection laws are much more stringent in Europe. This makes it difficult for some US companies to expand their business models into Europe.
3. There are many more legal formalities in Europe than in the US. For example, contracts are much longer, more formal, and require more signatures.
4. In Europe a lot of things are “in the statute” and cannot be negotiated in a contract. In the US, there are fewer statutory constraints so most points can be negotiated contractually.
5. Companies feel that laws related to new ways of doing business (i.e. crawling data on the internet) are constantly changing. They don't always know where they can find the latest information.

Examples of Lexelerator contributions by US lawyers and digerati:

- The role of different US government agencies in regulating the internet
- Links to the top tech blogs coming out of Silicon Valley
- Access to top US law firms and their white papers on topics such as “How to enter the US market”, and “new rulings on stock option grant pricing”
- US law on what constitutes a digital signature
- US court case rulings on responsibility for third party content (i.e. Napster, Doe vs. MySpace)
- Copyright issues related to digital music distribution
- Trademark law as applied to domain names, meta-tags, hyperlinks and framing
- Details of US Spam laws in the CAN-SPAM act

and more...

Thank you and see you at:
www.lexelerator.eu