

Internet Patents Corp
Form DEF 14A
April 03, 2014

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

INTERNET PATENTS CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

April 18, 2014

Dear Stockholder:

This year's annual meeting of stockholders will be held on May 30, 2014, at 9:00 a.m. local time, at 101 Parkshore Dr., Folsom CA 95630. You are cordially invited to attend.

The Notice of Annual Meeting of Stockholders and a Proxy Statement, which describe the formal business to be conducted at the meeting, follow this letter.

After reading the Proxy Statement, please promptly mark, sign and return the enclosed proxy card in the postage-paid envelope to assure that your shares will be represented. Your shares cannot be voted unless you date, sign, and return the enclosed proxy card or attend the annual meeting in person. Regardless of the number of shares you own, your careful consideration of, and vote on, the matters before our stockholders are important.

A copy of Internet Patents Corporation's ("IPC") Annual Report to Stockholders is also enclosed for your information. At the annual meeting we will review IPC's activities over the past year and our plans for the future. The Board of Directors and management look forward to seeing you at the annual meeting.

Very truly yours,

Hussein A. Enan
Chairman of the Board and
Chief Executive Officer

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD MAY 30, 2014

TO THE STOCKHOLDERS:

Please take notice that the annual meeting of the stockholders of Internet Patents Corporation, a Delaware corporation (“IPC” or the “Company”), will be held on May 30, 2014, at 9:00 am local time, at 101 Parkshore Dr., Folsom CA 95630 for the following purposes:

1. To elect one Class III director to hold office for a three year term and until his successor is elected and qualified;
2. Holding an advisory vote on executive compensation;
3. To consider and ratify the appointment of Ernst & Young LLP as IPC’s independent registered public accounting firm for the year ending December 31, 2014; and
4. To transact such other business as may properly be considered at the annual meeting.

Stockholders of record at the close of business on April 4, 2014 are entitled to notice of, and to vote at, this meeting and any adjournment or postponement. For ten days prior to the meeting, a complete list of stockholders entitled to vote at the meeting will be available for examination by any stockholder, for any purpose relating to the meeting, during ordinary business hours at IPC’s principal offices located at 101 Parkshore Dr., Folsom CA 95630.

By Order of the Board of Directors,

L. Eric Loewe

Senior Vice President, Secretary and

General Counsel

Folsom, California

April 18, 2014

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING:

THE PROXY STATEMENT AND ANNUAL REPORT ON FORM 10-K TO STOCKHOLDERS ARE AVAILABLE

AT: <http://ir.internetpatentscorporation.net>

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

The accompanying proxy is solicited by the Board of Directors of Internet Patents Corporation, a Delaware corporation (“IPC” or the “Company”), for use at its annual meeting of stockholders to be held on May 30, 2014, or any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. The date of this Proxy Statement is April 18, 2014, the approximate date on which this Proxy Statement and the accompanying form of proxy were first sent or given to stockholders.

SOLICITATION AND VOTING OF PROXIES

The cost of soliciting proxies will be borne by IPC. In addition to soliciting stockholders by mail, IPC will request banks and brokers, and other custodians, nominees and fiduciaries, to solicit their customers who have stock of IPC registered in the names of such persons and will reimburse them for their reasonable, out-of-pocket costs. IPC may use the services of its officers, directors and others to solicit proxies, personally or by telephone, without additional compensation. In addition, IPC has retained American Stock Transfer & Trust Co., a registrar and transfer agent firm, for assistance in connection with the annual meeting at no additional cost except for reasonable out-of-pocket expenses.

On April 4, 2014, there were 7,751,952 shares of IPC’s common stock outstanding, all of which are entitled to vote with respect to all matters to be acted upon at the annual meeting. Each stockholder of record as of that date is entitled to one vote for each share of Common Stock held by him or her. IPC’s bylaws provide that a majority of all of the shares of the stock entitled to vote, whether present in person or represented by proxy, shall constitute a quorum for the transaction of business at the meeting. Votes for and against, abstentions and “broker non-votes” will each be counted as present for purposes of determining the presence of a quorum.

All valid proxies received before the meeting will be exercised. All shares represented by a proxy will be voted, and where a stockholder specifies by means of his or her proxy a choice with respect to any matter to be acted upon, the

shares will be voted in accordance with that specification. If no choice is indicated on the proxy, the shares will be voted as recommended by our Board of Directors. A stockholder giving a proxy has the power to revoke his or her proxy at any time before the time it is exercised by delivering to the Secretary of IPC a written instrument revoking the proxy or a duly executed proxy with a later date, or by attending the meeting and voting in person.

If a broker does not receive instructions from the beneficial owner of shares held in street name for certain types of proposals it must indicate on the proxy that it does not have authority to vote such shares (a “broker non-vote”) as to such proposals. As a result of recent changes to how brokers may vote your stock, please note that if your broker does not receive instructions from you, your broker will not be able to vote your shares in the election of directors. See each of the proposals set forth herein for additional information regarding how broker non-votes will affect the outcome of each proposal. If your shares are held in street name, we strongly encourage you to provide your broker with voting instructions and exercise your right to vote for these important proposals.

DELIVERY OF PROXY STATEMENT AND REPORT

Stockholders who have the same address and last name and do not participate in electronic delivery of proxy materials will only receive one copy of the notice and our annual report and proxy statement unless one or more of these stockholders notifies us that they wish to continue receiving individual copies.

If you wish to receive a separate notice, proxy statement or annual report at this time, please request the additional copy by contacting our transfer agent, American Stock Transfer and Trust Co, N.A. by telephone at 888-776-9962 (within the U.S.) or 718-921-8562 (outside the U.S.) or by email at info@amstock.com. If any stockholders in your household wish to receive a separate proxy statement or annual report in the future, they may contact:

Internet Patents Corporation

101 Parkshore Dr., Suite 100

Folsom, CA 95630

916-932-2860

Other stockholders who have multiple accounts in their names or who share an address with other stockholders can authorize us to discontinue mailings of multiple proxy statements and annual reports by contacting us.

INFORMATION ABOUT INTERNET PATENTS CORPORATION

General Corporate Governance Matters

Available Information

You may obtain free copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports, as well as other Corporate Governance Materials on our website at <http://ir.internetpatentscorporation.net>, or by contacting our corporate office by calling (916) 932-2860, or by sending an e-mail message to info@internetpatentscorporation.net.

We electronically file our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K with the Securities and Exchange Commission (“SEC”) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. Any materials we file with the SEC are accessible to the public at the SEC’s Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may also utilize the SEC’s Internet website, which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of the SEC website is <http://www.sec.gov>.

Results of 2014 Annual Meeting

We will announce preliminary voting results at the annual meeting and will publish final results in a Current Report on Form 8-K that we expect to file with the SEC within four business days after the 2014 annual meeting. If final voting results are not available to us in time to file a Form 8-K with the SEC within four business days after the 2014 annual meeting, we intend to file a Form 8-K to disclose preliminary voting results and, within four business days after the final results are known, we will file an additional Form 8-K with the SEC to disclose the final voting results.

Related Person Transaction Review Policies

The Audit Committee is provided authority under its charter to review and approve any related-party transactions, after reviewing each such transaction for potential conflicts of interests and other improprieties. There were no related-party transactions in the year ended December 31, 2013.

Board Structure and Role

By resolution adopted by the Company's Board of Directors on September 26, 2012, the size of the Company's board was reduced and fixed at four effective as of November 30, 2012, with one Class I director, two Class II directors and one Class III director.

Mr. Enan serves as Chief Executive Officer and Chairman of the Board of Directors. He is the founder of the Company and owns approximately 24.9% of the Company's stock. Beginning December 21, 2011, the Company began a new business in which it expects to license and otherwise enforce its portfolio of ecommerce and online insurance distribution patents. At this stage of development of this new business, the Board believes that the Company is best served by a Chairman who is involved with the Company on a full-time basis and is therefore able to bring great depth of knowledge about the Company to this role. The Board does not have a designated lead independent director.

The Board of Directors and its committees have an active role in overseeing the management of the Company's risks. At each regularly scheduled board meeting, management presents to the Board of Directors relevant information regarding the risks associated with our current operations. In addition, each of the committees considers the risks within its areas of responsibility. The Board and the Audit Committee each receive regular reports on the status of the Company's internal controls and each reviews key operational risks periodically. The Audit Committee regularly meets in executive session without the executive officers. The Compensation Committee and the Board review senior executive officer compensation arrangements and the Company's compensation policies and practices for its non-executive employees and analyze the compensation incentives, potential risks, and factors to mitigate such potential risks. The Compensation Committee and the Board have determined that the Company's executive compensation program, as well as its compensation policies and practices for its non-executive employees, do not encourage either its senior executives or its non-executive employees to take unnecessary and excessive risks that threaten the value of the Company. Based on this review, the Compensation Committee and the Board concluded that the Company's programs, policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

Board Meetings and Committees

During the year ended December 31, 2013, the Board of Directors of IPC held eleven meetings. During that period, the Audit Committee of the Board held six meetings, the Compensation Committee of the Board held two meetings, and the Nominating Committee of the Board held one meeting. All directors attended or participated in more than 75% of the total number of meetings of the Board and any of the committees of the Board on which such director served during that period.

Audit Committee. The current members of the Audit Committee are Messrs. Orr, Corroon and Chookaszian. Mr. Orr is chairman of the committee. The Board of Directors has determined that each of the members of the Audit Committee is independent for purposes of the Nasdaq Marketplace Rules as they apply to audit committee members. The Board of Directors has also determined that Mr. Orr is an "audit committee financial expert," as defined in the rules of the SEC.

The functions of the Audit Committee include overseeing the quality of our financial reports and other financial information, retention of the independent registered public accounting firm, reviewing and approving the planned scope, proposed fee arrangements and results of IPC's annual audit, reviewing our critical accounting policies and the adequacy of our accounting and financial controls, and reviewing the independence of IPC's independent registered public accounting firm.

Compensation Committee. The current members of the Compensation Committee are Messrs. Chookaszian, Corroon and Orr. Mr. Chookaszian is chairman of the committee. The Compensation Committee reviews and determines the salary and bonus criteria of and stock option grants to all executive officers. The Board of Directors has determined

that all members of the Compensation Committee are independent for purposes of the Nasdaq Marketplace Rules.

For additional information about the Compensation Committee, see “Executive and Director Compensation” below.

Nominating Committee. The current members of the Nominating Committee are Messrs. Corroon, Chookaszian and Orr. The Board of Directors has determined that all members of the Nominating Committee are independent for purposes of the Nasdaq Marketplace Rules. Mr. Corroon currently is chairman of the committee.

The functions of the Nominating Committee include selecting, evaluating and recommending to the Board of Directors qualified candidates for election or appointment to the Board of Directors, and recommending corporate governance principles, codes of conduct and compliance mechanisms applicable to IPC.

Director Nominations

The Nominating Committee is responsible for the selection, and recommendation to the Board of Directors, of nominees for election as director. When considering the nomination of directors for election at an annual meeting, the Nominating Committee reviews the needs of the Board of Directors for various skills, background, experience and expected contributions and the qualification standards established from time to time by the Nominating Committee, and considers nominations in light of those needs. When reviewing potential nominees, including incumbents, the Nominating Committee also considers the candidate's relevant background, experience and skills and expected contributions to the Board of Directors. The Nominating Committee evaluates its selection criteria and evaluation process periodically, and may in the future include additional qualifications, such as the diversity of backgrounds of candidates. The Nominating Committee also seeks appropriate input from the Chief Executive Officer from time to time in assessing the needs of the Board of Directors for relevant background, experience and skills of its members.

The Nominating Committee's goal is to assemble a Board of Directors that brings to IPC a diversity of experience at policy-making levels in business and technology, and in areas that are relevant to IPC's activities. Directors should possess the highest personal and professional ethics, integrity and values and be committed to representing the long-term interests of our stockholders. They must have an inquisitive and objective outlook and mature judgment. They must also have experience in positions with a high degree of responsibility and be leaders in the companies or institutions with which they are and have been affiliated. Director candidates must have sufficient time available in the judgment of the Nominating Committee to perform all Board and committee responsibilities that will be expected of them. Members of the Board of Directors are expected to rigorously prepare for, attend and participate in all meetings of the Board of Directors and applicable committees. Other than the foregoing, there are no specific minimum criteria for director nominees, although the Nominating Committee believes that it is preferable that at least one member of the Board of Directors should meet the criteria for an "audit committee financial expert" as defined by SEC rules. Under applicable Nasdaq listing requirements, at least a majority of the members of the Board of Directors must meet the definition of "independent director" set forth in such requirements. The Nominating Committee also believes it appropriate for one or more key members of IPC's management, including the Chief Executive Officer, to serve on the Board of Directors.

The Nominating Committee will consider candidates for director proposed by directors or management, and will evaluate any such candidates against the criteria and pursuant to the policies and procedures set forth above. If the Nominating Committee believes that the Board of Directors requires additional candidates for nomination, the Nominating Committee may engage, as appropriate, a third party search firm to assist in identifying qualified candidates. All incumbent directors and nominees will be required to submit a completed directors' and officers' questionnaire as part of the nominating process. The process may also include interviews and additional background and reference checks for non-incumbent nominees, at the discretion of the Nominating Committee.

The Nominating Committee will also consider candidates for director recommended by a stockholder, provided that any such recommendation is sent in writing to General Counsel, Internet Patents Corporation, 101 Parkshore Dr., Folsom CA 95630 at least 120 days prior to the anniversary of the date definitive proxy materials were mailed to

stockholders in connection with the prior year's annual meeting of stockholders and contains the following information:

the candidate's name, age, contact information and present principal occupation or employment; and a description of the candidate's qualifications, skills, background and business experience during at least the last five years, including his or her principal occupation and employment and the name and principal business of any company or other organization where the candidate has been employed or has served as a director.

The Nominating Committee will evaluate any candidates recommended by stockholders against the same criteria and pursuant to the same policies and procedures applicable to the evaluation of candidates proposed by directors or management.

In addition, stockholders may make direct nominations of directors for election at an annual meeting, provided the advance notice requirements set forth in our Bylaws have been met. Under our Bylaws, written notice of any such nomination, including certain information and representations specified in the Bylaws, must be delivered to our principal executive offices, addressed to the General Counsel, at least 120 days prior to the anniversary of the date definitive proxy materials were mailed to stockholders in connection with the prior year's annual meeting of stockholders, except that if no annual meeting was held in the previous year or the date of the annual meeting has been advanced by more than 30 days from the date contemplated at the time of the previous year's proxy statement, such notice must be received not later than the close of business on the tenth day following the day on which the public announcement of the date of such meeting is first made.

Stockholder Communications with Directors; Director Attendance at Annual Meetings

Stockholders may communicate with any and all members of our Board of Directors by transmitting correspondence by mail or facsimile addressed to one or more directors by name (or to the Chairman, for a communication addressed to the entire Board) at the following address and phone number:

Name of the Director(s)

c/o Corporate Secretary

Internet Patents Corporation

101 Parkshore Dr., Suite 100

Folsom, CA 95630

916-932-2862

Communications from our stockholders received as indicated above will be forwarded to the indicated director or directors unless the communication is primarily commercial in nature or relates to an improper or irrelevant topic.

We do not have a policy regarding directors' attendance at annual meetings. All directors attended the 2013 Annual Meeting.

Committee Charters and Other Corporate Governance Materials

The Board has adopted a Code of Business Conduct and Ethics that applies to all of our employees and officers and members of the Board of Directors. A copy of the Code of Business Conduct and Ethics is available on the Company's website at <http://ir.internetpatentscorporation.net>.

The Board has also adopted a written charter for each of the Audit Committee, Compensation Committee and Nominating Committee. Each charter is available on the Company's website at <http://ir.internetpatentscorporation.net>.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires IPC's executive officers, directors and persons who beneficially own more than 10% of IPC's common stock to file initial reports of ownership and reports of changes in ownership with the SEC. Such persons are required by SEC regulations to furnish IPC with copies of all Section 16(a) forms filed by such persons. Based on IPC's review of reports furnished to IPC and representations from certain reporting persons, IPC believes that all reports required under Section 16(a) during the year ended December 31, 2013 were timely filed.

EXECUTIVE AND DIRECTOR COMPENSATION

The Compensation Committee is authorized by the Board of Directors to review and approve annual performance objectives and goals relevant to compensation for the Chief Executive Officer and evaluate the performance of the Chief Executive Officer in light of these goals and objectives. In setting such objectives, the Compensation Committee is directed to consider the Company's performance and relative stockholder return, the value of similar incentive awards to chief executive officers at comparable companies, and the awards given to the Company's Chief Executive Officer in past years. The Compensation Committee is also directed to periodically review and advise the Board concerning both regional and industry wide compensation practices and trends in order to assess the adequacy and competitiveness of the Company's compensation programs for the CEO, other executive officers and directors relative to comparable companies in the Company's industry. Neither management nor the Compensation Committee engaged the services of a compensation consultant during the years ended December 31, 2013 and December 31, 2012.

Summary Compensation Information

The following table presents certain summary information concerning compensation paid or accrued by IPC for services rendered in all capacities during the years ended December 31, 2013 and December 31, 2012 for the Chief Executive Officer, the Senior Vice President, General Counsel and Secretary and the Chief Financial Officer and Chief Accounting Officer (the “Named Executive Officers”).

Executive officers other than the CEO are eligible to participate in the IPC Executive Retention and Severance Plan approved by the Board of Directors on June 14, 2004 and revised on December 22, 2008. Participants in the Plan are entitled to receive cash severance payments and health and medical benefits in the event their employment is terminated in connection with a change in control. IPC is not obligated to make any cash payments to these executives if their employment is terminated by us for cause or by the executive not for good reason. No severance or benefits are provided for any of the executive officers in the event of death or disability. A change in control does not affect the amount or timing of these cash severance payments.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Bonus	Option Awards(1)	All other Compensation(2)	Total
Hussein A. Enan <i>Chairman of the Board, Chief Executive Officer and former interim Chief Financial Officer(3)</i>	2013	\$ 300,000	\$ —	\$ —	\$ 6,602	\$ 306,602
	2012	\$ 300,000	\$ 100,000	\$ —	\$ 8,001	\$ 408,001
L. Eric Loewe <i>Senior Vice President, Secretary and General</i>	2013	\$ 218,360	\$ —	\$ —	\$ 2,597	\$ 220,957
	2012	\$ 218,360	\$ 50,000	\$ —	\$ 3,974	\$ 272,334

<i>Counsel</i> Steven J. Yasuda	2013	\$ 127,315	\$ —	\$ —	\$ 921	\$ 128,236
<i>Chief Financial Officer and Chief Accounting Officer</i>	2012	\$ 198,045	\$ 10,000	\$ —	\$ 258,571	\$ 466,616

(1) As there were no options granted during 2013 and 2012, the Company had no stock-based compensation in 2013 and 2012.

(2) Represents employer contributions to IPC's 401(k) plan and group term life benefits. For Mr. Yasuda, also includes a retention bonus of \$255,000 awarded on June 30, 2012.

(3) Mr. Enan served as interim Chief Financial Officer from October 7, 2011 through June 10, 2012.

