

Managing IP Ownership in Outsourced Software Development Projects

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Managing IP Ownership is About Process

- Defining Ownership/Licensing of IP
 - We pay, we own
 - Invention Disclosures
 - Present Assignment
 - Note Special India Copyright Issues
 - Further Assurances
 - Pre-Existing Contractor IP
 - Third Party/Open Source Code
 - Specific Statements of Work
 - Development Standards/Acceptance Testing
- Controlling Contractor Employees
 - Invention Assignment Agreements
 - Confidentiality
 - Non-Competes
 - Screening and Approval
 - Key Persons
 - Exit Interviews
- Security Processes
 - Source Code Access
 - Facilities
 - IT Security
 - Anti-Virus Process
 - Business Continuity



We Pay We Own: Obtaining Rights from Contractors

- Consider Risks to Valuation Posed by Outsourced Development
- Invention Disclosure
 - Contractor will promptly disclose and provide to the Company all inventions, improvements, designs, original works of authorship, formulas, processes, computer software programs (in source and object code form), databases, mask works and trade secrets made or conceived or first reduced to practice or created, either alone or jointly with others, in the course of performing its obligations hereunder, whether or not patentable, copyrightable or protectable as trade secrets (the “**Inventions**”).
- Ownership
 - Obtain Present Assignment of all rights in the Developed Software and any “Inventions” created in the course of work
 - Contractor “hereby assigns”
 - Under Indian Copyright Act, assignments must explicitly be worldwide and perpetual, and explicitly disclaim any right to reversion for failure to exploit.
 - “Such assignment will be worldwide, perpetual, and without any right of reversion, even if Company does not exploit all or any part thereof.”
 - All copyrights are “Works Made for Hire”
 - Obtain further assurances with power of attorney
- Non-Competition
- Effect of Termination
 - Deliver Work in Progress
 - Ownership Vests in Company Even if Termination for Breach
 - Subject to Payment of Reasonable Development Costs Incurred



Pre-Existing Contractor IP

- Carefully Define Contractor's "Pre-Existing" Works, and Obtain Broadest Possible Rights
 - Joint Ownership
 - No Obligation of Accounting
 - Broad License
 - Perpetual, irrevocable, world-wide, royalty free, transferable, right and license, under all of Contractor's Intellectual Property Rights, whether existing now or in the future, to use, make, have made, offer for sale, sell, import, copy, distribute, modify, create derivative works of, perform, transmit, and display Contractor's Pre-Existing Works, in any form and media, through multiple tiers of distribution, and including rights to sublicense all or any rights granted hereunder.
- Exclusivity?



Third Party/Open Source Code

- Obtain Rep and Warranty that Contractor will not incorporate any third party or open source code without prior written consent
- If third party or open source components are to be incorporated, carefully review license terms
- Be especially careful of GPL and Copyleft issues
- Audit source code with comparison/audit tools
 - E.g., Palamida



Require Specific Project Plans/Statement of Work for Each Project

- From time to time during the term, the parties will mutually agree upon separate project plans for each project to be carried out by the Employees pursuant to this Agreement (each a “Project Plan”). Each Project Plan will include, as applicable: (i) a detailed description of and specifications for each Deliverable, (ii) a schedule of applicable milestones and delivery dates, (iii) acceptance criteria, (iv) the number and identity of Employees who will work on the project, and (v) a budget for the project. Each Project Plan will be signed by both parties, and Contractor will not perform any work under a Project Plan before the Project Plan is signed by Company. Contractor will not replace or reassign any Employee designated in a Project Plan without Company’s prior written consent.



Impose Specific Software Development Standards

- In performing Services hereunder, Contractor will, at all times, strictly comply with the most current version(s) of the development, design, programming, documentation and other related standards or specifications specified in Exhibit B, attached hereto, which are incorporated herein by reference (collectively, the “Development Standards”).



Impose Specific Acceptance Procedures

- If within thirty (30) days of delivery of any Deliverable or other deliverable item from Contractor, Company determines in good faith that such Deliverable or deliverable item does not conform to the description, specifications, or acceptance criteria specified in the applicable Project Plan, then Company may return such item to Contractor for correction or modification. Contractor shall, at its sole expense, correct, replace or modify such item and deliver the same to Company as expeditiously as possible. Failure to give Contractor notice of nonconformance within the thirty (30) day period will constitute acceptance of that deliverable item by Company.



Control And Audit Contractor Employee Arrangements

- Require Screening and Approval of Employees
- Require Full-Time Attention
- No work for competitors
 - “The employees will be based in the facilities of Contractor in Pune, India. Contractor will obtain Company’s prior written consent prior to assigning any Employee to work on Company projects, and prior to removing or replacing any Employee assigned to Company projects. While working on Company projects, the Employees will work full-time on Company projects identified in the Project Plans, and they will not work on projects for any other customer of Contractor. During the term of this Agreement, Contractor will not assign any Employee who has worked on Company projects to work on projects for any Contractor customer that is a competitor of Company, as determined by Company.”



Control And Audit Contractor Employee Arrangements

- Require and review signed invention assignment and confidentiality agreement from each contributor:
 - Contractor will cause each such employee to execute the Invention Assignment and Non-Disclosure Agreement attached hereto as Attachment F, and will provide to Company a copy of each signed agreement prior to assigning such employee to perform Services hereunder
- Require Access to Employees, Facilities, and Systems:
 - Contractor acknowledges and agrees that Company personnel will require and have regular access to the Employees, the work site in Pune, India, where the Employees are based, and the software, computers, and systems utilized by the Employees in providing the Services. Upon request from Company at any time, Contractor will provide Company personnel with access to the Employees and work site, and will furnish Company personnel with office space, telephones, Internet access, and access to any and all software, equipment, computers, and systems utilized by the Employees to perform the Services, so that Company employees may both collaborate with and supervise the Employees, and so that they may monitor Contractor's compliance with the terms and conditions of this Agreement.



Control And Audit Contractor Employee Arrangements

- Require Disclosure and Current Assignment of All Inventions:
 - Contractor will promptly disclose and furnish to Company any and all Deliverables and Inventions developed by Contractor and its Employees in the course of performing the Services hereunder.
 - Company shall own all right, title and interest in and to any and all Deliverables and any Inventions that are developed by Contractor in the course of performing the Services, together with all intellectual property rights therein. All such Deliverables and Inventions shall be considered “works for hire,” provided that, to the extent that any of the foregoing may not be deemed a “work for hire,” or in the event that Company may not, by operation of law or otherwise, be deemed to own any such Deliverables or Inventions, Contractor agrees to assign to Company, and to the extent permitted by applicable law does hereby assign to Company, all right, title and interest in and to such Company Work Product and Inventions and all Intellectual Property Rights embodied therein or practiced thereby. Such assignment will be worldwide, perpetual, and without any right of reversion, even if Company does not exploit all or any part thereof. Contractor shall promptly disclose to Company all Inventions made or conceived or first reduced to practice or created by Contractor, either alone or jointly with others, in the course of performing the Services.



Control And Audit Contractor Employee Arrangements

- Identify Prior Inventions and Obtain Broad License
 - **I acknowledge and agree that if I use any of my Prior Inventions in the scope of my employment, or include them in any product or service of the Company, I hereby grant to the Company a perpetual, irrevocable, nonexclusive, world-wide, royalty-free license to use, disclose, make, sell, copy, distribute, modify and create works based on, perform or display such Prior Inventions and to sublicense third parties with the same rights.**
- 5 year Confidentiality and Non-Disclosure Obligations
- 1-2 year Non-Compete
 - May not be enforceable in all jurisdictions
- Require Exit Interviews and Signed Acknowledgement
- Audit Compliance Regularly



Require Best Security Practices

- Source Code Access:
 - The parties will implement a secure VPN between the Contractor facilities and systems utilized by Employees for performing the Services and Company's facilities, such that all work done by the Employees in performing the Services is immediately available and mirrored on Company systems. Contractor will use best efforts to prevent unauthorized access to restricted areas of its servers and any databases or other material generated from or used in conjunction with the Services provided to Company. Contractor will respond immediately to remedy any known breaches of security.



Require Best Security Practices

- Physical Security at Facilities
 - Badging
 - Access Logs
- IT Security Policies
 - All Contractor Internet accessible servers shall reside behind a properly configured firewall to enforce secure access between all Internet servers and the Internet. The firewalls shall allow only specific types of data to pass from the Internet to the servers on the Internet. An intrusion detection process (“IDP”) shall be used by Contractor to scan all data that passes within the server segment and will detect, report and terminate any unauthorized activity prior to it reaching the Internet servers. Contractor's IDP shall be designed to detect, report and terminate any unauthorized activity prior to entering the firewalls.
 - Require Prompt Installation of Security Patches
- Anti-Virus Process
- Back-Up and Business Continuity Plans



Enforcement

- Arbitration vs. Litigation
- Venue
 - U.S. vs. India
 - England
- Applicable Law
- Liquidated Damages



Thank you

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