

Leaving Intellectual Property Rights On the Table



Jaipat S. Jain

Partner

Lazare Potter Giacovas & Kranjac LLP

(212) 784-2418

jjain@lpgk.com

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I. Problem



PROBLEM

Developers Often Leave Work-Product IP Rights on the Table. Why?

- Classic illustration of who makes first draft of application development agreement?
- Function of competition among developers, a classic demand-supply problem?
- Does it matter that the customer
 - is more sophisticated, or
 - in a more sophisticated marketplace?
- Is this changing?
- **Practical experiences**

PROBLEM

Contracts Generally; Focus

1. Preamble, Recitals
 2. Defined Terms
 - 3. Operative Terms**
 4. Representations and Warranties
 5. Covenants
 6. Conditions
 - 7. Intellectual Properties**
 8. Indemnification, Termination, Remedies
 9. Miscellaneous
 10. Exhibits and Schedules
- 

PROBLEM

**Developers' often disproportionate focus on business terms
ignores IP on the table**



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II. Discussion



DISCUSSION

Who Has Title to IP in Work Product



Default rules favor developer

- Copyright – author, unless
 - work made for hire, or
 - assigned by contract (likely by a developer)
- Patent – inventor, unless
 - Express, or implied-in-fact (“hired to invent”) contract, or
 - Assigned

DISCUSSION

Customer's Position

- We paid for the work, the IP is ours
 - We hired you to make the IP, its ours
 - **It's a product of our trade secrets, its ours**
 - We can't let competitors have any version of it
 - We need it to keep our systems running, now and after you are gone
 - **All work-product is ours**
-

DISCUSSION

Contracts To Reverse Default Rules

- Customer has a strong position and uses a combination of:
 - work made for hire agreements (employees, and certain types of independent contractors)
 - hired to invent agreements
 - Pre-invention and post-invention assignment agreements
 - **Application development agreements**
-

III. Notes on How Not To Leave IP On The Table

How Not to Leave IP on the Table

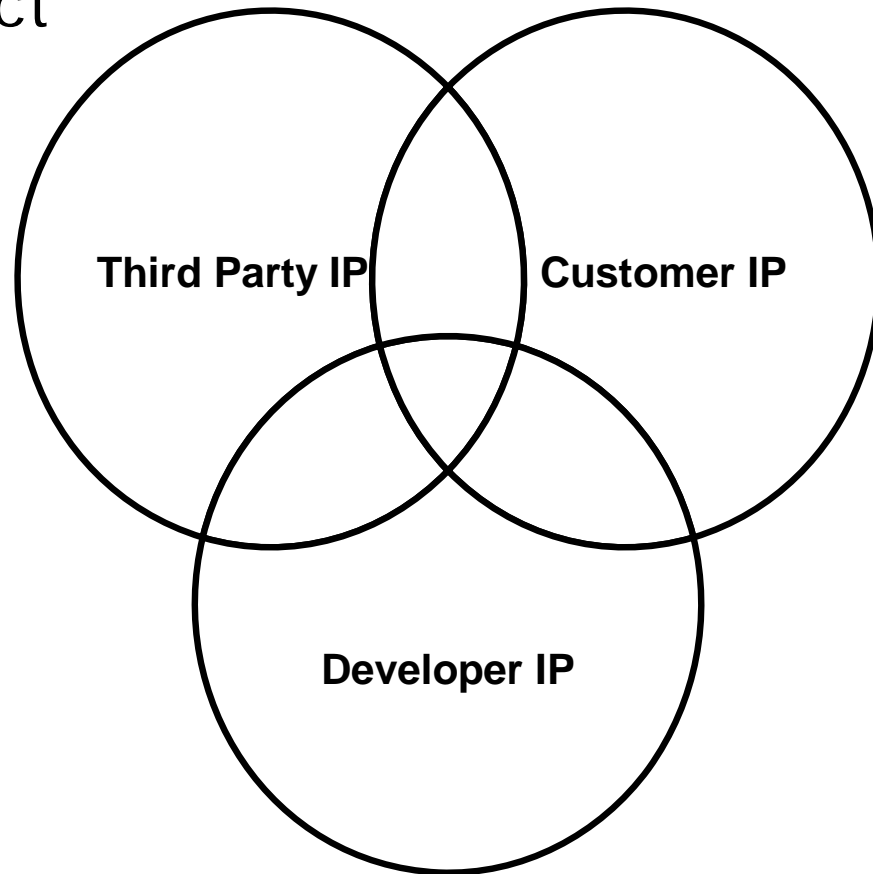
Developer's Action Items

- Isolate different intellectual properties involved
 - Negotiate ownership/ licensing terms for each
 - Focus, among other things, on defined terms
-

HOW NOT TO LEAVE IP ON THE TABLE

Typical Work-Product

- Typical Work-Product that involves development work solely by developer involves:
 - Customer IP
 - **Developer IP**
 - Third Party IP



HOW NOT TO LEAVE IP ON THE TABLE

Isolate Different Intellectual Properties Involved

- Developer's pre-existing IP
 - IP created for the Customer
 - Using Customer's IP
 - Without using Customer's IP
 - Unanticipated IP created during work
 - Using Customer's IP
 - Without using Customer's IP
 - Customer's modifications to Developer's work-product
 - Developer's improvements to work-product
 - Developer's future use of Customer's IP
-

HOW NOT TO LEAVE IP ON THE TABLE

Negotiate Appropriate Terms for Each

- Developer's pre-existing IP
 - Developer owns, customer gets license
 - Developer gets rights to improvements made by Customer?
- IP Created for Customer
 - Using Customer IP
 - Customer owns
 - Developer gets license?
 - Without Using Customer IP
 - Customer probably owns
 - Developer gets license

HOW NOT TO LEAVE IP ON THE TABLE

Unanticipated IP Created During Work

- By using Customer's IP
 - Customer has valid rights
- Without Using Customer's IP
 - Depends on contract terms
- **Important to work on defined terms**

HOW NOT TO LEAVE IP ON THE TABLE

Defined Terms

- Trade secrets vs. secrets of the trade
 - Former is protected
 - U.S.: statutory and common law relating to unfair competition (misuse for improper economic advantage), tort (use of improper means), contract (breach of confidentiality) and property law (misappropriation of other's property)
 - India: contracts and equitable doctrine of confidentiality
 - Latter is developer's tool-kit
 - CA Business and Professions Code Section 16600
 - Prohibits restraints on trade, unless necessary to protect trade secrets
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HOW NOT TO LEAVE IP ON THE TABLE

Defined Terms

continued

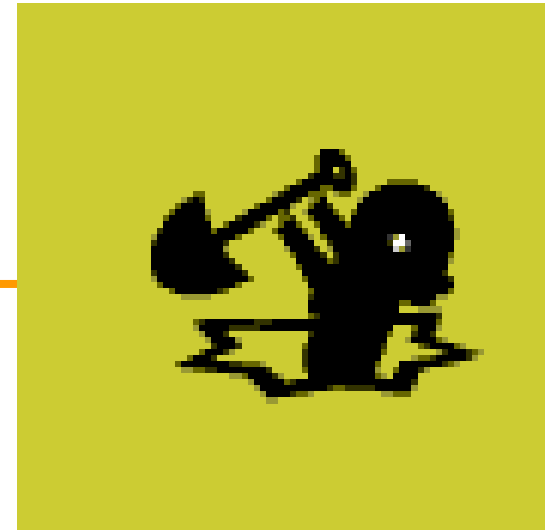
- Work-product vs. any work created
 - Overly broad definitions are the norm
 - Work created based upon customer's IP (be careful in defining "trade secrets") or
 - Developed in the course of performance of customer's work (define course of performance and scope of work)
 - CA Labor Code Sec. 2870 (applicable to employees)
 - Finally, tailor agreement to suit the circumstance
-

IV. Conclusion



Gold Mine Diggers or Stakeholders?

- Focus on neglected parts of the contract
- Own the IP
 - Individually or Jointly
 - Give a license
- Give the IP
 - Get a license-back
- Retain rights to practice your trade
 - Lawyers do it



Thank you!



Jaipat S. Jain
Partner

Lazare Potter Giacobas & Kranjac LLP
950 Third Avenue
New York City
www.lpgk.com
(212) 784-2418
jjain@lpgk.com
