



## 801: Collaborations/Joint Development: What to Do & What Not to Do

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## Faculty Biographies

### **Karen L. Boudreau**

Karen L. Boudreau is presently director, commercial legal affairs, for Iomega Corporation in San Diego.

She has negotiated thousands of technology agreements for a variety of companies including IBM, Oracle, The GAP, Reebok, Sony Electronics, Gateway, Hasbro, and Marshalls. She is licensed to practice law in California, New York, Massachusetts, Connecticut, Maine, and the District of Columbia.

Ms. Boudreau received her JD from George Washington University's National Law Center with Honors.

### **Michael J. Cammarota**

Michael J. Cammarota is the manager of global contract development for International Business Machines Corporation's legal department, located in White Plains, New York. He provides legal advice and counsel to IBM attorneys, contract professionals, and business persons on a worldwide basis for contracts used with customers, resellers, and other third parties and manages a department of attorneys and contract professionals who are responsible for creating and updating the majority of IBM's contracts.

Prior to assuming his current position, Mr. Cammarota has held various positions in IBM's legal department. His responsibilities have included antitrust analysis, contract drafting and negotiation of all types of customer and supplier contracts, dealing with issues pertaining to employment law, intellectual property, general corporate, mergers and acquisition, and tax, and supervising outside counsel on litigation.

Mr. Cammarota received a BA from St. John's University and is a graduate of the St. John's University School of Law where he was an editor on the *Law Review*.

### **Donald E. Conant**

Donald E. Conant is director of business operations legal of Xilinx, Inc.

Prior to his position at Xilinx, Inc. he was senior counsel at Intel Corporation in Santa Clara, California. He has served as primary counsel to a variety of the core Intel Architecture business units, advising on intellectual property, antitrust, licensing, and advertising law. He has also served as the lead lawyer on several acquisitions and numerous development agreements. Prior to joining Intel, Mr. Conant was an attorney with FMC Corporation in Santa Clara, California and an associate at Wilson, Sonsini, Goodrich & Rosati in Palo Alto, California.

Mr. Conant has been on the board of directors for ACCA's San Francisco Bay Chapter for more than 10 years. He is a past president of that chapter and currently serves as co-chair of its Intellectual Property Committee.

Mr. Conant received a BA from the University of California at Berkeley and his JD from Hastings College of the Law.

### **Christopher W. Ekren**

Christopher W. Ekren is senior managing counsel with Sony Electronics Inc, the US electronics subsidiary of Sony Corporation. He is responsible for coordinating general legal services for Sony's US information technology businesses, including its \$6 billion personal computer, handheld device, consumer camera, consumer video, printer, and wireless operations based in San Diego and the Silicon Valley. In his past ten years with Sony, besides support of Sony's entry into the personal computer and various mobile network device markets, Mr. Ekren supported the launch of Sony's internet commerce and interactive television initiatives.

Prior to joining Sony, Mr. Ekren practiced technology and transactional law with the Palo Alto, California office of Heller, Ehrman, White & McAuliffe and with the Dallas firm of Hughes and Luce.

Mr. Ekren received a BA from Rice University and is a graduate of The University of Chicago Law School.

## Collaboration/Joint Development Agreements:

What to Do and What Not to Do

Karen Boudreau  
Michael Cammarota  
Don Conant  
Christopher Ekren

## When Should You Get Involved?

- Start early; don't wait for clients to come to you
- Know Thy Client – what are Company's biz objectives
- Deals can come from many sources (and people) within Company, so get plugged into as many as possible
- Educate clients in advance on contract basics, deal process, and when they should call you
- Consider using Fill-in-the-Blank questionnaires for clients to complete re proposals before 1st deal meeting
- Do not encourage "recycled" form agreements from clients; better to start with blank sheet "gives & gets"

## Who is the Business Sponsor?

- Find out on Day 1 who in Company will sign agreement
- Confirm their support
- Confirm their signature authority (need delegation?)
- Who else in Company (e.g., finance, marketing) needs to know and/or approve?
- Consult legal colleagues as needed (e.g., Tax, HR, IP)

## How to Measure Success

- Make sure the business goals for the project are clearly identified; signing a contract may not always equal success.
- Trust your nose; the best agreement in the world will not save an ill-conceived partnership or “unfair” deal
- Before negotiating, agree on “going in”, “fallback” and “walk” positions on major contract terms with clients
- Track and report to management number and type of contracts closed as well as those “on the horizon”
- Assure existence of contract tracking system for key dates and expiration (e.g., make sure Company gets what it bargained for)

## Responsibilities and Obligations of the Parties

- Who Will Do What? Written and mutually agreed upon specific deliverables and timelines are essential.
- Who Contributes What? Money, IP, people, etc.
- Do we need any Third Parties?
- Will subcontractors be needed?
- Will third party intellectual property be needed?
- Is procurement of supplies or material needed?
- Can one party bind the other to third parties?

## Corporate Issues

- What Corporate Form Will This Take?  
Contractual Arrangement or Legal Entity?  
Whether a Contract or Legal Entity, be Aware of  
“Gap Filler” Provisions Impact.
- Impact of Existing Cross Licenses and IP Arrangements
- Tax Considerations
- Fiduciary Considerations
- What Happens to the Employees?

## How Will We Manage This? What About Changes?

- How are decisions made? The importance of following the agreed process.
- Recordkeeping regarding IP; patent prosecution; who is responsible & pays.
- Change order procedures and documentation processes.
- Clean room considerations based on potential parallel development.

## IP and Confidential Information

- Who Owns or has Rights to what IP?
  - Patents
  - Copyrights
  - Trade Secrets
  - Other
- How Will the Rights be Enforced?
  - Who will prosecute
  - Who will enforce
  - Will there be royalty obligations to or from others
- What About Confidential Information?
  - Do you really need it? Do you really want to show it? What are you giving/getting?
  - What information is not confidential
    - "Residual Knowledge" rights may be essential
  - Beware the potential impact of being exposed to confidential information
    - Den-Tal-Ez, Inc. v. Siemens Capital Corp., 389 Pa.Super. 219, 566 A.2d 1214 (1989) (Defendant enjoined from acquiring competitor of plaintiff)
    - Disney case illustrates risk of accepting confidential information (\$240,000,000+)

## How do we Get out of This?

- Everyone wants to talk about the marriage, but few want to dwell on potential for divorce
- Breach
  - Cure rights
  - Exceptions for injunctive relief
- Convenience
  - Under what circumstances
    - Amount of notice, change in business circumstances
  - For free or do you pay to get out
- Expiration
  - How long should it last
    - Are you holding hands or are you handcuffed?
- What obligations will survive
  - Confidentiality
  - Any limitations on future freedom of action?

## How Will This Affect other Agreements?

- Sales Agreements
  - What do each party's present sales agreements say and will this affect them?
  - Will you want the right to continue to sell?
  - Will the customer agreements impact your exit strategy if the joint venture ends?
- Distribution or Resale Agreements
  - How are your distributors going to react?
  - What do the present distributor or resale agreements of each party say?
  - Will you assign over source of supply or shut it down entirely?
- Manufacturing Agreements
  - Each parties present manufacturing Agreement
  - Manufacturing Agreements for this Project
- What happens to agreements this entity enters into?



## How Do We Want to Document This?

- NDA
  - Earlier is better
  - Make sure you have a copy of it
- LOI/MOU
  - Binding/non-binding
  - If binding then it's a contract
  - Get started and cap payment
  - Negotiation in Good Faith Clause
- Term Sheet
- Contract
- Settlement (Wind Down) Agreement

## Legal Issues

### **Consider your position in light of the specifics of this Agreement**

- Indemnification
  - Mutual
  - Less than Mutual
- Warranty
  - For items or services provided
  - For output of this Agreement
- Limitation on Liability
  - What is Limited
  - How is it Limited
  - What is not limited
- Governing Law
  - U.S., which state or Foreign
  - Venue
- Dispute Resolution
  - Mediation
  - Arbitration

**JOINT DEVELOPMENT AGREEMENT**

**Agreement No.** \_\_\_\_\_

This Joint Development Agreement ("Agreement") is between ABC , a \_\_\_\_\_ corporation, with an address at \_\_\_\_\_ ("ABC"), and XYZ, a \_\_\_\_\_ corporation, with an address at \_\_\_\_\_ ("XYZ").

**WHEREAS**, ABC and XYZ would like to work together to attempt to develop \_\_\_\_\_ (collectively "Prototypes"); and

**WHEREAS**, ABC is willing to work on designing and developing \_\_\_\_\_ for such Prototypes; and

**WHEREAS**, XYZ is willing to work on developing \_\_\_\_\_ for the Prototypes;

**NOW, THEREFORE**, for good and valuable consideration as stated herein, ABC and XYZ agree as follows:

**1.0 Statement of Work**

- 1.1 The scope of work to be performed by the parties is as set forth in Appendix A.
- 1.2 The parties agree to jointly prepare quarterly status reports, and a final report summarizing the work performed pursuant to this Agreement. The format and contents of the reports will be as agreed upon by the Technical Coordinators identified in Article 2.0 below.

**2.0 Technical Coordinators**

\_\_\_\_\_, for ABC, and \_\_\_\_\_, for XYZ, are the Technical Coordinators for this Agreement. Each Technical Coordinator will be responsible for exchanging information with the other party, coordinating any visits and arranging all other matters pertinent to this Agreement. Either party may change its Technical Coordinator by giving written notice to the other party.

**3.0 Costs and Expenses**

Each party will bear its own costs and expenses in connection with this Agreement; provided, however, at any time during the term of this Agreement, XYZ may request ABC to \_\_\_\_\_ for XYZ \_\_\_\_\_ prototypes at a price to be agreed upon by the parties.

#### **4.0 Copyrights**

Each party hereby grants to the other party an irrevocable, nonexclusive, worldwide, and fully paid-up license for any copyrightable materials furnished or developed by the other party under this Agreement. This license includes the right to use, execute, display, reproduce, perform, disclose, prepare derivative works from, and distribute and transmit (internally and externally) such copyrightable materials and derivative works therefrom, and to sublicense others to do any or all of the foregoing, subject to the confidentiality provisions of Article 7.0 below. This Article does not grant a license to any invention or know-how contained in such copyrightable materials.

#### **5.0 Inventions**

5.1 "Invention" means any idea, design, concept, technique, invention, discovery or improvement, whether or not patentable, conceived or first reduced to practice solely by one or more employees of a party hereto ("Sole Invention"), or jointly by one or more of the employees of one party with one or more employees of the other party ("Joint Invention"), in the performance of work under this Agreement.

5.2 Each party shall promptly provide to the other party a written description of any Invention. The other party agrees to delay making public, by publication or otherwise, until the earlier of (1) the first filing of a patent application claiming the Invention by the owning party, or (2) six months after the date the Invention is disclosed to the other party, any Invention for which the disclosing party has decided, or is in the process of deciding, to seek patent protection.

5.3 Any Sole Invention shall be the property of the inventing party. Any Joint Invention shall be jointly owned, title to all patents issued thereon shall be joint, all expenses (including those related to preparation, prosecution and maintenance) shall be jointly shared (except as provided below), and each party shall have the right to license third parties thereunder without accounting to the other party. Where one party elects not to share equally in the expenses for a Joint Invention, the other party shall have the right to seek or maintain such protection for such Joint Invention at its own expense, and shall have full control over its preparation, prosecution and maintenance, even though title to any issuing patent will be joint.

#### **6.0 Term and Termination**

6.1 The term of this Agreement ("Term") will begin on the date this Agreement is signed by the last signatory ("Effective Date"), and end \_\_\_\_\_, 200\_\_. Either party may terminate this Agreement with thirty (30) days' written notice to the other party.

6.2 If this Agreement is terminated early, each party shall return to the other party all Confidential Information of the other party, as defined in Article 7.0 below. In addition,

upon request, each party will return to the other party any unused parts and other materials provided by the other party.

## **7.0 Confidentiality**

7.1 Except as may be provided in this Article 7.0 and Article 5.2, any information provided by either party under this Agreement will be considered nonconfidential.

7.2 "ABC Confidential Information" means \_\_\_\_\_. "XYZ Confidential Information" means \_\_\_\_\_.

7.3 Such Confidential Information may be disclosed by: (i) presentation; (ii) delivery; (iii) authorized access, such as to a data base; or (iv) any other express means. Confidential Information must be identified as confidential at the time of disclosure, and all material containing Confidential Information must have a restrictive marking. Any Confidential Information disclosed verbally or visually must be summarized by the disclosing party in writing and the writing provided to the receiving party within a reasonable period of time after the disclosure.

7.4 For the term of this Agreement, and for two years from the expiration or earlier termination of this Agreement, XYZ and ABC agree to limit disclosure of the other party's Confidential Information to those of its employees who have a need to know it, and each party agrees to use the same care and discretion to avoid disclosure, publication, or dissemination outside of those employees as each does with similar information of its own which it does not desire to publish, disclose or disseminate. Subject to this obligation, to the obligations of Article 5.2, and to each other's valid copyrights and patent rights, the receiving party may use the disclosing party's information for any purpose.

Each party agrees that the disclosure of its Confidential Information pursuant to this Agreement does not limit the assignment or reassignment of the other party's employees.

7.5 Disclosure of Confidential Information shall not be precluded if the disclosure is required by law, but the receiving party shall give the disclosing party reasonable notice to allow the disclosing party an opportunity to obtain a protective order. The obligations of Article 7.4 above will not apply to information that is: (a) already in the possession of the receiving party or its Subsidiaries without obligation of confidence; (b) independently developed by the receiving party or its Subsidiaries; (c) publicly available, or becomes publicly available through no fault of the receiving party or its Subsidiaries; (d) disclosed by the disclosing party without obligation of confidence; or (e) inherently disclosed by the receiving party or its Subsidiaries in the use, distribution or marketing of any present or future product or service.

- 7.6 "Subsidiary" shall mean a corporation, company, or other entity;
- i. more than 50% of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, now or hereafter, owned or controlled, directly or indirectly, by a party hereto, but such corporation, company, or other entity shall be deemed to be a Subsidiary only so long as such ownership or control exists; or
  - ii. which does not have outstanding shares or securities, as may be the case in a partnership, joint venture or unincorporated association, but more than 50% of whose ownership interest representing the right to make the decisions for such corporation, company or other entity is now or hereafter, owned or controlled, directly or indirectly, by a party hereto, but such corporation, company or other entity shall be deemed to be a Subsidiary only so long as such ownership or control exists.

## **8.0 Disclaimers and Limitation of Liability**

- 8.1 ANY MATERIALS, COMPONENT PARTS, DESIGNS, SPECIFICATIONS, KNOW-HOW, PROCEDURES, PROCESSES, PROTOTYPES, INFORMATION, INVENTIONS AND WORK PERFORMED UNDER THIS AGREEMENT BY EITHER PARTY, ARE PROVIDED "AS IS", WITHOUT WARRANTY OF ANY KIND, EXPRESS OR IMPLIED. EACH PARTY SPECIFICALLY DISCLAIMS THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND ANY WARRANTY OF NONINFRINGEMENT OF PATENTS, COPYRIGHTS, OR ANY OTHER INTELLECTUAL PROPERTY RIGHT.
- 8.2 EACH PARTY ALSO SPECIFICALLY DISCLAIMS ANY WARRANTY REGARDING COMPLETION OF THE WORK UNDER ANY STATEMENT OF WORK, OR THAT ANY PROTOTYPE(S) WHICH MAY BE DEVELOPED PURSUANT TO THIS AGREEMENT WILL MEET ANY DEVELOPMENT OBJECTIVES, OR ANY REQUIREMENTS OF EITHER PARTY.
- 8.3 Except for claims arising out of Article 7.0, neither party will be liable for any consequential damages, lost profits, lost savings, loss of anticipated revenue, or any exemplary, punitive, special or indirect damages, even if advised of their possibility.

## **9.0 General Provisions**

- 9.1 Each party is an independent contractor. Neither party is, nor will claim to be, a legal representative, partner, franchisee, agent or employee of the other. Neither party will assume or create obligations for the other. Each party is responsible for the direction and compensation of its employees.
- 9.2 Except as otherwise provided herein, this Agreement does not confer any rights to use in advertising, publicity or other marketing activities any name, trade name, trademark, or

other designation of either party hereto, including any contraction, abbreviation, or simulation of any of the foregoing, without prior written agreement, and each party agrees not to use or refer to this Agreement or its terms in any such activities without the express written approval of the other party.

- 9.3 All notices shall be in writing and shall be valid and sufficient if sent by: (a) registered or certified mail, return receipt required, postage prepaid; (b) by facsimile (provided the receipt of the facsimile is evidenced by a printed record of completion of transmission); or (c) by express mail or courier service providing a receipt of delivery. Notice shall be effective upon receipt. The notices shall be addressed to:

XYZ

ABC

Attn.:

Attn.:

Either party may change its address by a notice given to the other party in the manner set forth above.

- 9.4 Neither party shall be liable for any failure or delay in the performance of its obligations under this Agreement if such failure or delay is due to acts of God, acts of the other party, fire, flood, natural catastrophe, acts of any government or of any civil or military authority, national emergencies, riots, war, insurrection, strikes, or any occurrence beyond the reasonable control of such party.
- 9.5 Each party agrees to comply and to reasonably assist the other in complying with applicable U.S. federal, state and local laws, regulations and ordinances as they apply to this Agreement, including, without limitation, those laws and regulations of the U.S. Department of Commerce relating to the export or re-export of technical data or commodities. ABC acknowledges that the U.S. Export Administration Act of 1979, as amended (and its implementing regulations, as amended), prohibit the export of technical data to certain specified countries, and ABC gives its assurance that ABC will not export or re-export any such data, or give access to such data to nationals of such specified countries except as permitted by the Act.
- 9.6 Except as expressly set forth in this Agreement, no license is granted, either directly or indirectly, by implication or estoppel or otherwise, to either party under any patent, copyright or other intellectual property right of the other party.
- 9.7 Neither party may assign its rights or delegate any of its duties under this Agreement without the prior written consent of the other party. Any unauthorized assignment of this Agreement is void.

- 9.8 Except for claims arising out of Articles 5.0 or 7.0, neither party may bring an action, regardless of form, arising out of the performance of this Agreement more than one year after the cause of action has accrued.
- 9.9 Neither party relies on any promises, inducements or representations made by the other, or expectations of more business dealings, except as expressly provided in this Agreement. This Agreement accurately states the parties' agreement.
- 9.10 Each party represents that it has, or will have, in place appropriate agreements with its employees or others whose services the party may require, sufficient to enable such party to comply with all the provisions of this Agreement.
- 9.11 Each party may have similar agreements with others, and may design, develop, manufacture, acquire or market competitive products and services, and conduct its business in whatever way it chooses. Each party will independently establish prices and terms for its products and services.
- 9.12 If any provision of this Agreement is held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby so long as the intent of the parties can be preserved.
- 9.13 This Agreement is governed by the laws of the State of &&&&, without regard to the conflict of laws provisions thereof. Any proceedings to resolve disputes relating to this Agreement shall be brought only in the State of &&&&, and in a U.S. federal court if there is jurisdiction. The parties waive the right to trial by jury in any matter which arises under this Agreement. The United Nations' Convention on International Sales of Goods does not apply.
- 9.14 Any rights and obligations which by their nature survive and continue after any expiration or termination of this Agreement shall survive and continue and shall bind the parties and their successors and assigns, until such obligations are fulfilled.
- 9.15 Any amendment or modification of this Agreement shall be in writing and shall be signed by authorized representatives of the parties. No approval, consent or waiver will be enforceable unless signed by the granting party. Failure to insist on strict performance or to exercise a right when entitled does not prevent a party from doing so later for that breach, or a future breach.
- 9.16 This Agreement and Appendix A are the complete and exclusive agreement between the parties regarding the subject matter hereof and supersedes any prior oral or written communications or understandings between the parties related to the subject matter hereof.

By signing below, the parties agree to the terms of this Agreement.

XYC

ABC

\_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Name:  
Title:

Date: \_\_\_\_\_

Date: \_\_\_\_\_



**APPENDIX A**  
**STATEMENT OF WORK**

**Prototype Development Objectives**

**Responsibilities**

-

Task	XYZ Responsibility	ABC Responsibility
	♦	♦
	♦	♦
	♦	♦
	♦	♦
	♦	♦
	♦	♦
	♦	♦

**Schedules and Milestones**

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