

601 Practical Advice on Technology Development Agreements

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Faculty Biographies

Karen L. Boudreau

Karen L. Boudreau is senior staff counsel at Gateway, Inc. in San Diego, where she supports the partner management group.

Prior to joining Gateway, Ms. Boudreau was senior counsel at Sony Electronics, Inc. Before moving to San Diego, she provided legal services on a consulting basis to several companies including Reebok, Marshalls, The Gap, Cahners Business Information, Hasbro, Unum Corporation, and Alcatel Internetworking. Earlier in her career, she held positions in the law departments of Oracle and IBM.

Ms. Boudreau's pro bono work includes providing mediation services to the Better Business Bureau Autoline and evaluating grant proposals to the Maine Technology Institute seeking technology development funds to be used to support technology development in Maine.

Ms. Boudreau received a BA from the University of Maine and a JD from the George Washington University's National Law Center.

Michael Cammarota

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

Prior to assuming his current position, Mr. Cammarota 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.

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TECHNOLOGY DEVELOPMENT:



Practical Advice on Agreements
Karen L. Boudreau, Esq.
Michael J. Cammarota, Esq.
Joseph M. Gensheimer, Esq.

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Agenda

- n Introductions
- n Business Issues
 - n Know Deal Basics
 - n Pricing
 - n Leverage/Red Flags
- n Legal Issues
 - n General Issues
- n Product Performance
 - n Acceptance/Warranty
 - n Support/Risk Sharing
- n Remedies for Breach of Warranty
- n Disclaimers
- n Indemnification
- n Limitation of Liability
- n Statement of Work
- n Questions and Answers

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Business Issues

Know the Basics of the Deal

- | What is the deliverable?
 - Function/Availability
 - Off-the-Shelf/Custom
 - Seller owned/3rd party
 - Hardware/Software Rqmts
 - Install/Implement
- | Who is the Vendor?
 - Vendor's Status
 - Leverage
 - Red Flags
- | How is it to be Used?
 - Internal/Distribution
- | Term - Perpetual/Ltd.
- | What is the price?
 - Licenses
 - T&M/NTE/Fixed
 - Custom/Install
 - Maintenance/Support
 - Additional Services
 - Futures/Add-Ons
 - Payment/Currency
- | What is the Warranty?
- | What Support Req'd?

RED FLAGS AND LEVERAGE

- | New Product (not G/A)
- | Needs Ext. Custom/Mods.
- | Small # of Installations
- | Dependency on third party
- | Vendor is not established
- | Vendor legal or financial issues
- | \$\$ due up front or long before installation
- | Buyer perceives no alternative
- | Time of year/quarter
- | Size of deal vs. vendor
- | New industry/sector cust.
- | Previous relationship
- | Quality/experience of vendor's team
- | Price vs. legal terms
- | Customer commitment to transaction
- | Future revenue opportunities

Pricing

Types of Pricing

- | Time and Materials
 - by hour
 - by day
 - includes expenses
 - expenses additional
- | Not to Exceed
- | Milestones
- | Fixed

Legal Issues Source Code

- | Direct Release
- | Escrow
 - Is Request Appropriate?
 - Party to Agreement
 - Who Pays
 - Who is agent
- | Release Triggers
 - Licensor's Material Uncured Default
 - Acquisition/Change of Control
 - Potential "Poison Pill" for Vendor
 - Bankruptcy
 - Failure to Continue Support
 - Cease Carrying On Business

Legal Issues Confidentiality

- | Mutual
- | Standard for Maintaining Confidence
 - Consistent with the way Vendor treats its information
 - Standard Practice
- | Allow TP Disclosure if written agreement
- | Residuals
- | Time Period on Non-Disclosure
- | Material Must be Marked
- | Oral/Non-Tangible Confidential Information Reduced to Writing and Marked
- | Include Usual Exceptions

Other Legal Issues

- | | |
|-----------------------|---------------------------|
| Audit | Assignment |
| – By Whom | – Without Notice |
| – For/Of What | – With Notice or Approval |
| – Timeframe | – Change of Control |
| – Payment and Damages | – As a Matter of Law |
| Publicity | – Express Restrictions |
| Compliance with Law | – Penalty for Violation |
| Governing Law/Venue | – Termination |
| Insurance | – Refund |
| | Consequences for Breach |

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Product Performance Acceptance

- | Testing
 - Unit
 - System
 - Component
- | When is acceptance
 - Begin Productive Use
 - Period of Time
 - Operates within specs. for X time

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Performance Warranty

<ul style="list-style-type: none"> Product Warranty <ul style="list-style-type: none"> – 90 days - 1 year – Media only – Must meet Pub. Specs <ul style="list-style-type: none"> • w/o significant prob. • Fix w/i X time Other Warranties <ul style="list-style-type: none"> – Title – Compatibility – Configuration – Capability 	<ul style="list-style-type: none"> – Compliance w/Laws – Documentation – Response Time – Capacity – Bugs, Viruses, Time Bombs (Illicit Code) <ul style="list-style-type: none"> Remedies (See, Sharing the Risks)
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Product Performance Support

- | Scope, Nature and Times Support Provided
- | Response Time vs. Repair Time
- | Severity Levels
- | Updates, Upgrades, New Versions, New Releases
- | Remedies (See, Sharing the Risks)

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Sharing the Risks Disclaimers & Remedies

<ul style="list-style-type: none"> Warranty Disclaimers <ul style="list-style-type: none"> – Error Free Operation – Merchantability – Fitness for Purpose – Title – Infringement Triggers for Remedies <ul style="list-style-type: none"> – Notice – Opportunity to Cure – Escalation Procedure 	<ul style="list-style-type: none"> Remedies <ul style="list-style-type: none"> – Repair – Replace – Refund <ul style="list-style-type: none"> Depreciation Purchase Price Liquidated Damages – Re-Perform Services – Cost of Replacement
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Sharing the Risks Indemnification

- | Scope of Indemnification
 - Mutual
 - Personal Injury
 - Property Damage
 - Intell. Property Rights
 - | Patent
 - | Copyright
 - | Trade/Service Mark
 - | Trade Secret
 - | Other Intellectual Property or Proprietary Rights
 - Include Employee and Subcontractor Claims
- | Territory
 - Worldwide
 - U.S.
 - Berne Convention
 - Other

Sharing the Risks Remedies & Exceptions

- | Obtain License
- | Repair/Replace
 - Same or Substantially Similar Functionality
- | Terminate License & Refund as Last Resort
 - Depreciation
 - Full Amount Paid
 - Cover/Replacement
 - Liquidated Damages
- | Conditions Precedent
 - Timely Notice
 - Sole Control
 - Reasonable Cooperation
- | Exceptions
 - Not Meeting Obligations
 - Actions Likely to Prejudice Licensee
 - Improper Use/Misuse
 - Modified Products
 - Use in Combination
 - Sale to third parties

Sharing the Risks Limitation of Liability

- ┆ **Mutual**
- ┆ **Amount of Actual Damages**
 - Based on Fees Paid Under Agreement
 - ┆ For Product or Service in Question
 - ┆ Depreciation
 - Exclude Maintenance, Training or Consulting
 - ┆ Assumes no Damages for Non-revenue Bearing Use
 - Tied to Limits of Insurance
 - ┆ Primary/Co-Insurance
 - Fixed Amount
- ┆ **Consequential Damages**
 - Is it even worth asking for?
 - Exceptions

Development/Modification General

- ┆ Define Objectives/Clearly Assign Responsibilities
- ┆ State Development Tasks and Deliverables
- ┆ Timetable
 - Milestones and Project Completion Dates
 - ┆ Payment
 - ┆ Consequences
- ┆ Acceptance of Deliverables
- ┆ Project Changes
- ┆ Identification of Project Problems
- ┆ Ind. Obligation to Continue Performance
- ┆ Escalation Procedure/Path
- ┆ Cleanroom

**Development/Modification
Personnel & Non-Solicitation**

<ul style="list-style-type: none"> Personnel – Skill Set Description – Assignment – Firewalls – Assignments to Competitors – Reassignment – Key Personnel – Replacement for Cause & W/O Cause – Training – Compliance w/Rules 	<ul style="list-style-type: none"> Non-Solicitation – Necessary? – Mutual? – Direct vs. Indirect – Time Period of Restriction – End of Agreement + X – After Leave Assignment – Incl. Ind. Contractors Remedy – Liquidated Damages – Direct Prohibition
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**Development/Modification
Ownership & Pricing**

<ul style="list-style-type: none"> New Development – Works for Hire – Assignment of Rights – License – Independent Development Preexisting Materials – License – Ind. Development Derivative Works Mutual Residual Rights Further Assistance 	<ul style="list-style-type: none"> Fixed, NTE or T&M Hourly, Daily, Blended Rates Expenses inc. telephone, overhead, etc. Payment Schedule – Monthly – Advance – Holdback – Upon Delivery or Acceptance
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• • • **Outline of a Statement of Work**

- I. SCOPE AND DESCRIPTION OF PROJECT
- II. PROJECT MANAGEMENT
- III. ROLES AND RESPONSIBILITIES OF EACH PARTY
- IV. ASSUMPTIONS
- V. PRICING
 - INCENTIVES, LIQUIDATED DAMAGES HOLDBACK
- VI. STAFFING
- VII. PROJECT PLAN/TIMETABLE
- VIII. DOCUMENTATION AND PROGRAMMING
 - STANDARDS
- IX. CRITICAL MILESTONES
- X. PROJECT TIMETABLE