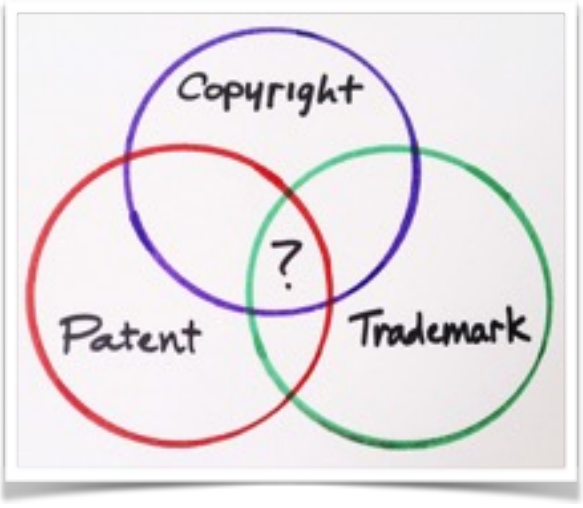
IP OWNERSHIP

VOLUME 4

"I paid you your standard rate as requested... why shouldn't I own all of the IP in the service deliverable?"

IP Ownership sounds like it should be pretty straight forward. The Customer says, I paid for the service, I paid the rate you quoted, so I should own the work. To fully appreciate the Consultant's challenge with the above statement however you need to understand two related facts: 1) how IT consulting work is typically performed; and 2) how the US copyright law works.

First, when a consultant provides services they leverage a lot a previous work, while some code is brand new, and certainly the arrangement of the program code changes to make the custom work new, they inevitably use many of the pieces of program code that they used in earlier consulting Projects, so the overall work is never new from the ground up. Compounding this fact is the strong likelihood that Customers often selected their consulting vendor: i) because of their familiarity with the specific application program package; ii) or maybe because of their subject matter familiarity; iii) perhaps the software application vendor recommended them, or iv) the Consultant did a similar Project for a customer in your same line of business. So the vendor is selected based on this very same familiarity, then they are asked by the customer to do similar tasks and they will be using the same pieces of code, the same application program package, and the requirements of the market/industry are driven by common business issues and regulatory requirements. When you add all that together with the vendor's QA training and experience and it will inevitably will push them to approach the issue in the same way. As a result of all those factors, the program code that they develop to address that issue will start to look very similar.



Second, under US Copyright law all one party needs to do to create a presumption of copying is to establish: (i) the works are substantially similar in a meaningful way (i.e. not totally copied but meaningful portions work appear the same) ; and (ii) that the party that did the second work had access to the earlier work. Once the Customer demonstrates those 2 simple facts, the Consultant then must be able to prove that he did not copy, which in practice is an extremely difficult task, particularly if a Consultant specializes in that market segment(e.g. identity management software).

The challenge is that Customer's select their Consultant based upon their prior experience with the application software package and performing similar Projects, yet when they demand exclusive ownership of the work (" Work For Hire"), that creates a presumption under US Copyright law that the Consultant copied that work the next time they do similar Projects for others.

Software Patents are more common than in past years, but unlike Copyright that automatically attaches upon creation, the author must go through an expensive and protracted claim draft, file and review process. At the end of the Patent claim process, the invention must be viewed as new, useful and unobvious in order for a Patent to issue. As a practical matter, the vast majority of software relies on Copyright, given the cost and procedures associated with pursuing a software patent. Patent protection is just not practical for most software developments, and therefore not the focus of this article.

There are ways to help strike a fair balance where the Customer owns the work but that the Consultant is not burdened with the presumption that they violated the Customer's copyright, but that is beyond the scope of this paper. From a Customer's perspective the contract must balance a Customer's need to utilize experienced and specialized consulting personnel and yet still receive the competitive advantage they are looking to achieve through the Project investment. From a Consultant's perspective the contract must achieve all that while still allowing that specialized Consultant to perform independent work in the future. When a contract proactively defines the a fair balance that reflects a thorough understanding of the parties competing need that sends a positive message about the skill and professionalism of the Consultant, and it also instills a level of Customer confidence that helps promote Customer loyalty.

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Take advantage of a 30-minute free consultation to review a SaaS agreement, highlight anything important and/or provide the extra assurance of adequate protection. Users may be surprised at the errors and/or omissions that occur within most standard SaaS license agreements.

About John O'Brien

John O'Brien is an Attorney at Law with 30+ years of legal technology experience. John helps companies of all sizes develop, negotiate and modify consulting contracts, licenses, SOWs HR agreements and other business related financial transactions. John specializes in software subscription models, financial based cloud offerings, and capacity on demand offerings all built around a client's IT consumption patterns and budgetary constraints. He has helped software developers transition their business from the on-premise end user license model to a hosted SaaS environment; and represented clients in many inbound SaaS negotiations. Please contact John for a free consultation if you or the organization you work for is tired of trying to develop, negotiate and/or modify contracts and agreements of any type. John can be reached at (732) 219-6641 or email Johnpobrienesq@verizon.net.