

# Case study on IPR in the IT sourcing industries : an example of a global contract

**Dalian – 23 June 2010**

Benoit Van Asbroeck

Bird & Bird Brussels

[benoit.van.asbroeck@twobirds.com](mailto:benoit.van.asbroeck@twobirds.com)



# Case study

- ▼ Customer (C): financial institution
  - ▼ Customer has always been working up until now with a proprietary software (SW)
    - proves to be unsuitable on a long term basis
- ▼ Execution of a consultancy agreement with an IT service provider
  - ▼ Definition of C's need
  - ▼ Drafting of a RFP
  - ▼ Drafting of a questionnaire
- ▼ After analysis of the offers, C opted for a multi vendors IT solution based on packaged softwares solutions i.e.
  - ▼ One existing banking suite (+Oracle database)
  - ▼ One reporting software



# Case study

- ▼ All packaged SW had to be partly customised to match C's needs
- ▼ One new module had to be developed and will be part of the banking suite available to other clients
- ▼ One new module shall remain specific for C
- ▼ An interface between the banking suite and the reporting SW has to be developed



# Case study

- ▼ Necessity of 3 agreements:
  - ▼ License to use the packaged SW
  - ▼ Maintenance of the packaged SW
  - ▼ Services agreement in order to develop and maintain the *Ad hoc* software(s) and specific IT services (customisation)
- ▼ Specific points of attention
  - ▼ Licence of the to be developed modules
  - ▼ Maintenance of the to be developed modules
- ▼ Integrator  $\neq$  Licensor of the SW (one single contract?)



# Step 1 : License to use the packaged SW

- ▼ The packaged SW is copyright protected (copyright act and computer program act)
- ▼ Layers of IPR
  - ▼ Packaged SW
    - Publisher (Presumption of assignment in favor of employer vs Free lance developer)
  - ▼ Customisation
    - Contractor (here publisher of the packaged SW)
    - C (Specific term or if performed by C)
  - ▼ Maintenance (Modifications)
    - Contractor (Publisher)
    - C (If C performs the maintenance; it can be assigned to publisher by specific terms)
  - ▼ Data
    - Right holders
  - ▼ Risk of co-ownership or derived artwork (see infra)



# Step 1 : License to use the packaged SW

- ▼ Copyright: Specific points of attention
  - ▼ Co-ownership of Copyright
    - ▼ Indivisible copyright
      - ▼ Management of co-ownership may be contractually agreed
      - ▼ Consent of co-owner (or Court authorization) required to exploit
      - ▼ No consent of co-owners to for copyright enforcement
    - ▼ Individual contributions
      - ▼ Each co-owner can personally exploit the work (without prejudice to the common work)
      - ▼ Unless agreed otherwise, co-owners may not exploit their work with new contributors
  - ▼ Derived work
    - ▼ Depends on a pre existing work (Adapation)
    - ▼ Consent of the author of the first work required
    - ▼ Coyright belongs solely to the author of the derived work
  - ▼ French case-law « *Prince Igor* », (Paris Court of Appeal, 8 June1971)



# Step 1 : License to use the packaged SW

## ▼ IPR Status

### ▼ Licensor grants a license to C

- ▼ Non assignable
- ▼ Non exclusive
- ▼ Right to use the modules of the packaged SW + new versions delivered in accordance with the maintenance agreement
- ▼ C may not grant any access to third parties (C's clients, affiliated companies, outsourcing compliant)
- ▼ Licence granted for a specific price (One shot/ leased license) (duration)
- ▼ C may (not) modify the source code for its own use (Impact on IPR and maintenance)
- ▼ Escrow of the source code

- ▼ Licensor guarantees that the packaged SW does not infringe third party IPR / contain any open source component (unless specifically listed)  
(Limits of such warranties – continuity of the operation) (see infra)



# Step 2: Maintenance of the packaged SW

- ▼ Scope
  - ▼ Maintenance of the packaged SW object of the license agreement (Quid code modifications and *Ad hoc* modules)
  - ▼ How many versions of the SW are maintained (Impact of related SW e.g. Oracle database)
- ▼ Maintenance for a determined price : annual fee consisting in a percentage of the licence fee ( e.g. 15%)
- ▼ Duration (Impact on license agreement)
- ▼ Double object:
  - ▼ Corrective maintenance
  - ▼ Evolutive maintenance



## 第2步：软件包的维护

### Step 2: Maintenance of the packaged SW

- ▼ 纠错性维护 Corrective maintenance
  - ▼ 修复系统缺陷 Repair of bugs
  - ▼ 从合同角度定义系统缺陷，例如出错导致软件没有实现合同规定的产品规格说明所要求的功能（违反知识产权等同于错误 – 新的非侵权的代码） Contractual definition of a bug i.e. error following which the software does not produce the result expected in regard of the contractual specifications (Breach of IPR assimilated to bug – New non infringing code)
  - ▼ 系统缺陷的分类，根据严重程度（例如划分为1-4类），合同规定的执行和修复时间（变通方案）（立即执行 vs. 修复时限） Classification of bugs according their seriousness (i.e. classification from 1 to 4) and the contractual time period for action and repair (workaround) (Immediate action vs. repair deadline)



## 第2步：软件包的维护

### Step 2: Maintenance of the packaged SW

#### ▼ 演化性维护维护 Evolutive maintenance

- ▼ 为客户提供软件包的新版本（旧版本的状态？） Delivery to C of the new versions of the packaged SW (status of old versions?)
- ▼ 伴随技术，功能和/及监管的演进升级的软件包新版本 New version of the package software following technical, functional and/or regulatory evolutions
- ▼ 在协议中规定作为银行业信息技术专家的软件供应商应该了解银行业的监管演变并且适时（法律时限）修订软件的重要性  
(Importance to stipulate that SP, in its quality of specialist of IT banking, shall be aware of regulatory evolutions relating to the banking world and procures to modify the SW in due time (legal deadlines))



## 第3步：服务协议

### Step 3: Services agreement

- ▼ 服务协议范围包括许可协议或维护协议没有涵盖的软件供应商为客户提供的  
所有服务。This agreement provides for all the services performed by SP to  
C which are not covered by the license agreement or the maintenance  
agreement
- 根据软件包不能满足的客户的特定需要进行软件包的特定开发， =开发一个  
特殊软件（½客户定制）（缺陷，维护和缺乏临界质量） = 开发一个新模  
块（如果还有后续销售可向客户收费）  
Specific Developments of the packaged SW in accordance with C's specific  
needs which are not covered by the packaged SW  
= Development of an *Ad hoc* software (½ tailor made) (Pitfalls, maintenance  
and absence of critical mass)  
= Development of a New module (Fee for C in case of further sales)
- Maintenance of the Specific Developments (≠ New module and  
customisation of the existing modules) (≠ specific reusable developments)
- Services can be performed by the licensor of the packaged SW, an  
authorised integrator (license to use and modify the source codes) and /or  
C



# Step 3: Services agreement

- ▼ IPR Status of the Specific Developments
  - ▼ Reminder : C has no rights on the package software
  - ▼ To whom belong the Specific Developments?
    - ▼ Co-ownership between C and SP? Not practical and dangerous
    - ▼ Ownership by C
      - ▼ Provide for an automatic progressive assignment of IPR to C
      - ▼ Upstream, SP must guarantee that it holds all relevant IPR/ that any IPR held by third parties have been transferred to it : employees/ consultants/ free-lance etc..
      - ▼ Concomitant grant of license to SP autorising it to exploit and market the Specific Developments (remuneration)
      - ▼ C refrains from selling the Specific Developments to third parties (remuneration)
      - ▼ Drawbacks of ownership by C (Cost and absence of critical mass)



# Step 3: Services agreement

- ▼ To whom belong the Reusable Developments?
  - ▼ SP (Cost, critical mass, maintenance)
  - ▼ (alternative) Provide for an ownership by C and a simultaneous concomitant grant of license to use and to market to SP ( included in price)



# Transversal clauses

- ▼ General liability and liability for breach of IPR
  - ▼ A cap is acceptable for general liability issues but not for breach of IPR
  - ▼ Financial damages, besides their dissuasive character, are not efficient
  - ▼ The wrongdoer should be bound to rewrite the disputed code or to acquire a license
  - ▼ Workaround should be implemented in the meantime
  - ▼ Other tools
    - ▼ scope reduction (exclusion of indirect damages, financial loss, loss of data)
    - ▼ insurance



# Transversal clauses

- ▼ Need for upstream process which will limit in practice possible IPR breaches
- ▼ Security
  - ▼ Roll out of logging SW
  - ▼ Need to know rule
  - ▼ Security SW technology
- ▼ Confidentiality
  - ▼ Need to know rule
  - ▼ Improve awareness of employees and contractors



*“Things don't change. You change your way of looking,  
that's all.”*

THANK YOU FOR YOUR ATTENTION

