Negotiating and Drafting Software Development Agreements
League of California Cities
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Notes

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Bio Stuff and Such

- Bio: I am a senior corporate attorney for Microsoft Corporation, where I support product development, marketing and business development for the Consumer Windows and Windows Media divisions. Previously, I supported WebTV and the development and launch of Windows 95 and Windows 98. I have worked in software and hardware development environments for over 13 years, including as an attorney for Sun Microsystems, Inc., and Apple Computer, Inc., and as general counsel and business manager for Be, Inc. I graduated from Santa Clara University Law School, where I was co-founder and editor-in-chief of the *Santa Clara Computer & High-Technology Journal*.

- Disclaimer: This presentation reflects my own personal opinions and experiences. In no way should this presentation be construed as necessarily representing the position of Microsoft Corporation.

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Topics

- Types of Software Development Agreements

- Core Software Development Provisions

- Minimizing Risk

- Sample Development & License Agreement

Types of Software Devel. Agmts.

- Consulting or "Work For Hire"

- Existing Code plus:
  - ♦ New development
  - ♦ License to make changes
- New Code development plus:
  - ♦ License to make changes
  - ♦ Obligations for future development
- Technology Transfer

Core S/W Develop. Provisions

- License Grant; Ownership
- Process Provisions
- Independent Development
- No/Obligation to Market/Distribute
- Warranties/Indemnities
- Confidentiality
- Term/Termination
- Royalties/Payments
- Support

License Grant

- Scope -- worldwide, exclusive, royalty, under what intellectual property?
- Term -- perpetual, irrevocable, specific time
- Use -- use only? Use and modify, etc. for a particular purpose?
- Form -- source or object only? documentation?
- Distribution -- end users, resellers, OEMs
- Restrictions -- use restrictions; sublicense terms
- Reservation of Rights

Sample License Grant I

- DEVELOPER hereby grants to COMPANY, under all applicable intellectual property rights, a worldwide, non-exclusive, perpetual, irrevocable, royalty-free, fully paid up right and license to:

  (a) Use, copy, edit, format, modify, translate and otherwise create Derivative Technology of the source and object code versions of the Software ("Use");

(b) Reproduce, license, rent, lease, sell, broadcast, publicly display, transmit or otherwise distribute ("Distribute"), and have Distributed, to and by third parties, **source and/or** object code versions of the Software, and any Derivative Technology thereof; and

(c) Grant the rights set forth in this Section X **[or in Section X(b) only]** in the Software to third parties, including the right to license such rights to further third parties.

License Grant, definition

- "Derivative Technology" means: (i) for copyrightable or copyrighted material, any translation (including translation into other computer languages), portation, modification, correction, addition, extension, upgrade, improvement, compilation, abridgment or other form in which an existing work may be recast, transformed or adapted; (ii) for patentable or patented material, any improvement thereon; and (iii) for material which is protected by trade secret, any new material derived from such existing trade secret material, including new material which may be protected by copyright, patent and/or trade secret.

License Grant: Term

- Perpetua -l- license grant survives expiration of term
- Irrevocable
  - ♦ License grant cannot be terminated, even for cause (?? -- reconcile w/ termination)
  - ♦ Only damages for breach of license grant
- Compromises
  - ♦ Grant survives termination for X months
  - ♦ Grant survives until inventory exhausted

License Grant: Scope

- "under all applicable intellectual property rights"
  - ♦ Implied license to patents
  - ♦ Other necessary rights?
    - ▪ Publicity/privacy (specify -- do not rely on catch-all)
    - ▪ Are all intellectual property rights obtained (e.g., for music, do you have both the composition and the performance rights licensed by the rightful owners?)
  - ♦ More critical in distribution and large scale use situations

Sample License Grant II

- DEVELOPER hereby grants to COMPANY, under all applicable intellectual property rights, a worldwide, royalty-free, non-exclusive, personal, non-transferable, non-assignable, limited license to:

(a) Use the Software in source and object code form **solely for the purposes set forth in Exhibit B (the "Purpose")**;

(b) Distribute and have Distributed, to and by third parties, object code only versions of the Software and any Derivative Technology thereof created by or for COMPANY pursuant to Section X(a), **solely as part of _____ [product?] specified in Exhibit B**; and

(c) Grant the rights set forth in Section X(b) in the Software to third parties, including the right to license such rights to further third parties

License Grant: Form

- Source, object

- Tools, related code (like "engines" and "runtimes") -- ask the client

- Use exhibits to define the code

    ♦ Client should help complete exhibits

    ♦ Definition of code should be objectively complete -- e.g., use a list of the files

    ♦ Associated documentation

    ♦ **Current version only? future version(s)?**

License Grant: Distribution

- Separately, or with any product, software or service?

- In conjunction with certain types of products, software or services only (e.g., with operating system software only or as an application only)

- In conjunction with specific products, software or services only (e.g., with Windows 2000)

Reservation of Rights

- "Except as expressly granted in this Agreement, COMPANY shall have no other rights in the Software."

- Combine with No Implied License:

    ♦ "Under no circumstances will anything in this Agreement be construed as granting, by implication, estoppel or otherwise, a license to any DEVELOPER technology other than the Software."

Sample License Grant III

- "DEVELOPER is pleased to offer to COMPANY DEVELOPER's [ABC] technology -- described in the NDA between COMPANY and DEVELOPER dated [X] -- without proprietary restrictions for use into COMPANY Softwares."

Ownership: the spectrum

- Technology Transfer
- Assignment
- Joint ownership w/ or w/o accounting
- License rights "equivalent to ownership"
- License + ownership of changes
- License + non-/exclusive license to changes
- License, no right to make changes

Ownership

- Cannot live by "work for hire" alone.
- Assignment
    - Instead of License Grant, or
    - In addition to License Grant for newly developed materials
- Clarification of Title
    - Ownership of "Derivative Technology"
- Grant Backs

Sample WFH/Assignment Clause

- The Software has been specially ordered and commissioned by COMPANY. DEVELOPER agrees that the Software is a "work made for hire" for copyright purposes, with all copyrights in the Software owned by COMPANY

- To the extent that the Software does not qualify as a work made for hire under applicable law, and to the extent that the Software includes material subject to copyright, patent, trade secret, or other proprietary right protection, DEVELOPER hereby assigns to COMPANY, all right, title and interest in and to the Software, including, but not limited to, all rights in and to any inventions and designs embodied in the Software or developed in the course of DEVELOPER's creation of the Software.

Sample Joint Ownership Clause

- "COMPANY and DEVELOPER each shall have an undivided, joint ownership interest in: (i) the Software; and (ii) any Derivative Technology of the Software created by either party during the term of development and maintenance under this Agreement. Neither party shall be obligated to pay the other any royalties or other consideration, nor account to the other for any royalties or other consideration it may receive, for any licenses, assignment, distribution or other disposition of the Software, or any Derivative Technology thereof. Any Derivative Technology made after completion of development and maintenance under this Agreement shall be owned exclusively by the creator of such Derivative Technology."

- **Couple with an assignment of underlying code**

Clarification of Title Clause

- Except as expressly licensed to COMPANY in this Agreement, DEVELOPER retains all right, title and interest in and to the Software; provided, however, that, subject to the license grant in Section _____ and DEVELOPER's ownership of the underlying Software, COMPANY shall own all right, title and interest in and to any Derivative Technology of the Software created by or for COMPANY

Process Provisions

- Reflect that completion of code is a service to be performed pursuant to an agreed upon specification and schedule
- Detail:
  - Deliverables (alpha, beta, final)
  - Specifications
  - Delivery/payment schedule
  - Acceptance/rejection of Deliverables
- Who pays for changes to the specs?

Specifications

- Should reflect client's business needs and realities
  - Versions
    - Future version(s)
    - Other operating system platforms/environments
  - Performance criteria
  - Localization
  - Portability
  - Physical media

Independent Development

- Remove any hint of exclusive relationship
- "Except as provided in Section ____ (Confidentiality) nothing in this Agreement will be construed as restricting COMPANY's ability to acquire, license, develop, manufacture or distribute for itself; or have others acquire, license, develop, manufacture or distribute for COMPANY, similar technology performing the same or similar functions as the technology contemplated by this Agreement, or to market and distribute such similar technology in addition to, or in lieu of, the technology contemplated by this Agreement."

No Obligation Clause

- Option to distribute vs. requirement
- Where no or flat-rate royalty, licensees should clarify any obligation to distribute:
  - "Notwithstanding any other provision of this Agreement, COMPANY shall have no obligation to market, sell or otherwise distribute the Software, either alone or in any COMPANY Software."
- Not usually applicable to royalty deals

Warranties

- LICENSOR: don't give them
  - If you have to provide warranties, provide exclusive remedies for breach of warranty
  - Seek remedies which you know you can meet
- LICENSEE: get all you can and then some
  - Critical to the transaction?
  - Usefulness to you?

Warranties

- Express
  - performance, meeting specs
    - lack of viruses, of accuracy or completeness of responses, of results, and of lack of negligence or lack of workmanlike effort
- Implied
  - merchantability, FFAPP, title, non-infringement
  - Quiet Enjoyment, quiet possession, "correspondence to description"

Warranty: Sample Clause I

- DEVELOPER warrants and represents that: (i) it has the full power to enter into this Agreement and make the assignments and license rights set forth herein; (ii) i has not previously and will not grant any rights in the Software to any third party that are inconsistent with the rights granted to COMPANY herein; (iii) the Software is original to DEVELOPER and does not infringe any copyright, patent, trade secret, or other proprietary right held by any third party; (iv) the Software will be created by employees of DEVELOPER within the scope of their employment and under obligation to assign inventions to DEVELOPER, or by independent contractors under written obligations to assign all rights in the Software to DEVELOPER; and (v) the Services shall be performed in a professional manner and shall be of a high grade, nature, and quality.

Warranty: Sample Disclaimer

- **THE SOFTWARE IS PROVIDED TO CONTRACTOR AS IS WITHOUT WARRANTY OFANY KIND. THE ENTIRE RISK AS TO THE RESULTS AND PERFORMANCE OF THE SOFTWARE IS ASSUMED BY CONTRACTOR. LICENSOR DISCLAIMS ALL WARRANTIES, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE AND NONINFRINGEMENT, WITH RESPECT TO THE SOFTWARE.**

Indemnity

- Primary Issues:
  - ◆ Scope
    - ▪ Title/Non-infringement only
    - ▪ Breach of warranties (including performance)
  - ◆ Costs and Expenses
  - ◆ Control/Assistance
  - ◆ Duty to correct software
  - ◆ Cap on liability
    - ▪ Issue of Consequential Damages

Indemnity: Sample Clause

- DEVELOPER shall, at its expense and COMPANY's request, defend any claim or action brought against COMPANY which, if true, would constitute a breach of a warranty by DEVELOPER in Section ___, and DEVELOPER will indemnify and hold COMPANY harmless from and against any costs, damages and fees reasonably incurred by COMPANY including but not limited to fees of attorneys and other professionals, that are attributable to such claim.

- COMPANY shall: (i) provide DEVELOPER reasonably prompt notice in writing of any such claim or action and permit DEVELOPER, through counsel mutually acceptable to COMPANY and DEVELOPER, to answer and defend such claim or action; and (ii) provide DEVELOPER information, assistance and authority, at DEVELOPER's expense, to help DEVELOPER to defend such claim or action. DEVELOPER will not be responsible for any settlement made by COMPANY without Licensor's written permission, which permission will not be unreasonably withheld or delayed.

- COMPANY shall have the right to employ separate counsel and participate in the defense of any claim or action. DEVELOPER shall reimburse COMPANY upon demand for any payments made or loss suffered by it at any time after the date hereof, based upon the judgment of any court of competent jurisdiction or pursuant to a bona

fide compromise or settlement of claims, demands, or actions, in respect to any damages related to any claim or action under this Section ___.

- Should the Software or portion thereof be held to constitute an infringement and use as contemplated by this Agreement be enjoined or be threatened to be enjoined, DEVELOPER shall notify COMPANY and immediately, at DEVELOPER's expense: (i) procure for COMPANY the right to continue use of the Software as licensed; or (ii) replace or modify the Software with a version that is non-infringing, provided that the replacement or modified version meets the Specifications to COMPANY's satisfaction. If (i) or (ii) are not available to DEVELOPER, in addition to any damages or expenses reimbursed under Section ___ (Indemnity), DEVELOPER shall refund to COMPANY all amounts paid to DEVELOPER by COMPANY under this Agreement.

- Exclusive remedy for breach of the warranty

- "DEVELOPER's obligations under Section X shall be COMPANY's exclusive remedy and DEVELOPER's sole obligation to COMPANY for any breach of any warranty obligation by DEVELOPER under Section Z or otherwise under this Agreement."

Confidentiality

- Terms/existence of the agreement
- Marketing/business info
- DEVELOPER personnel -- no cherry picking?
- Source code

Term/Termination

- Term of license grant is most important
  - Perpetual/irrevocable?
  - For a period of X years?
- Ability to terminate is especially necessary for:
  - Royalty-bearing licenses
  - Where there is an obligation to ship
  - Failure to deliver/develop

Royalties/Payments

- Type
  - Development fees
  - Paid up/flat-rate royalties
  - Per copy/download
    - Yearly/Lifetime Caps

- ▪ Minimum Royalties
    - ♦ Maintenance/support fees
- Form -- Cash/Barter/Marketing

Support

- Often a separate agreement
- Covers:
    - ♦ Updates, bug-fixes, enhancements
    - ♦ On-site maintenance
    - ♦ Turnaround time or problems, errors
    - ♦ Special/critical support issues (e.g., a 911 system)

Source Code Escrows

- Just say "NO!"
- If you need (and can really use) source, get it -- an escrow is worthless.
- Alternatives to escrows:
    - ♦ Access to source at DEVELOPER's site
    - ♦ Source held by law dept.

Minimizing Risk

- Minimize Software Risk
    - ♦ Source code vs. good maintenance
    - ♦ Reliable vendor, good code
- Minimize transaction risk
    - ♦ Good specs/schedule/procedures
- Minimize Legal Risk
    - ♦ Clear and concise contract
    - ♦ Code does not infringe
    - ♦ Other proprietary rights

Negotiation Considerations

- Understand greater client goal
- Identify legal risk tradeoffs which can help achieve business goals
- Understand all risks, not just legal

- Help identify walk-away point in advance

- Research alternatives

- Appreciate all aspects of the deal

DEVELOPMENT & LICENSE AGREEMENT

This Development & License Agreement (the "Agreement") is entered into and effective as of _____ 199__ (the "Effective Date") by and between **LICENSEE, INC.**, a _____ corporation located at _____ ("Licensee") and **DEVELOPER COMPANY**, a _____ corporation located at _____("Developer").

Recitals

Pursuant to the terms of this Agreement, Developer wishes to design and develop for, and license or assign ownership to, Licensee _____.

Agreement

1.   DEFINITIONS

1.1.   "Changes" means modifications, extensions, translations or other Derivative Technology of software created through Use of the software.

1.2.   "Confidential Information" means: (i) any trade secrets relating to either party's product plans, designs, costs, prices and names, finances, marketing plans, business opportunities, personnel, research development or know-how; and (ii) the terms, conditions and existence of this Agreement. "Confidential Information" shall not include information that: (i) is or becomes generally known or available by publication, commercial use or otherwise through no fault of the receiving party; (ii) is known and has been reduced to tangible form by the receiving party at the time of disclosure and is not subject to restriction; (iii) is independently developed or learned by the receiving party; (iv) is lawfully obtained from a third party that has the right to make such disclosure; or (v) is made generally available by the disclosing party without restriction on disclosure.

1.3.   "Deliverables" means the _____ **[insert here and in the exhibit the description of the deliverables; e.g., alpha, beta, etc. for s/w, prototypes, etc. for h/w]**, as more fully described in the Specifications.

1.4.   "Derivative Technology" means: (i) for copyrightable or copyrighted material, any translation (including translation into other computer languages), portation, modification, correction, addition, extension, upgrade, improvement, compilation, abridgment or other form in which an existing work may be recast, transformed or adapted; (ii) for patentable or patented material, any improvement thereon; and (iii) for material which is protected by trade secret, any new material derived from such existing trade secret material, including new material which may be protected by copyright, patent and/or trade secret.

1.5. "Distribute" means to reproduce, license, rent, lease, sell, broadcast, publicly display, perform, transmit or otherwise distribute.

1.6. "Error(s)" means defect(s) in a Deliverable which prevent it from performing in accordance with the Specifications and/or a Severity Level 1, 2 or 3 error, as such errors are defined in Exhibit B.

1.7. "Independent Contractor" means a third party temp, company or other entity under written agreement with a party to develop, complete, or assist with the development or completion of the services or other obligations under this Agreement, where such written agreement is consistent with the terms and conditions of this Agreement including, but not limited to, Sections 4 and 6. **[optional section depending upon source rights.]**

1.8. "Product" means _____, as more fully described in the Specifications.

1.9. "Schedule" means the schedule(s) for completion of the Services, as set forth in the Specifications.

1.10. "Services" means the design and development of the Product in accordance with the Specifications and delivery of the Deliverables.

1.11. "Specifications" means the specifications for the Services, attached to this Agreement as Exhibit A.

1.12. "Use" means to use, copy, edit, format, modify, port, translate and otherwise create Derivative Technology of software.

2. DEVELOPMENT

2.1. **Services.** Developer shall perform the Services in accordance with the Schedule and pursuant to the Specifications. Developer is not obligated to perform any Services, and Licensee has not contracted for any Services, unless and until Exhibit A is executed by both parties and attached hereto.

2.2. Acceptance.

(a) For software code Deliverables, Licensee shall evaluate the beta and final version of each Deliverable and shall submit a written acceptance or rejection to Developer within ten (10) business days after Licensee' s receipt of the engineering prototype and beta versions and thirty (30) days after receipt of the final version of the Deliverable. Acceptance shall be in writing, and Licensee shall not unreasonably withhold its acceptance. If Licensee identifies Errors in each Deliverable prior to acceptance, then Developer shall correct such Errors within fourteen (14) days following receipt of notice thereof during acceptance testing for the Prototype and Beta versions of each Deliverable and within the time specified in Exhibit B with respect to Errors discovered during acceptance testing for the Final Version of each Deliverable.

(b) For documentation or report Deliverables, if any, Licensee shall evaluate each version of such Deliverable. In the event that it requires corrections, Licensee

shall specify the corrections needed and Developer shall deliver an amended version of such documentation within five (5) business days.

(c) If Developer fails to deliver any Deliverable within the dates specified in the Schedule and if any Errors discovered before acceptance cannot be eliminated in the correction period specified in the Specifications then Licensee may, at its option: (i) retain the Deliverable (including any applicable documentation) with rights as set forth in Section 4, and pay to Developer for all outstanding payment milestones for which Licensee has accepted corresponding Deliverables, with no further development and license fee to be paid to Developer thereafter; (ii) extend the correction period; or (iii) suspend its performance and/or terminate this Agreement for cause pursuant to Section 10.3, provided, however, that Licensee need not provide Developer the cure period specified in Section 10.3.

2.3. **Design Review & Specifications Changes.** Developer understands that there may be additions, deletions or other changes which may affect the Specifications at any time during the term of this Agreement. Upon notice of any such changes by Licensee, Developer and Licensee shall work together to make any necessary changes to the Specifications, and Developer shall alter the Services in order to accommodate any such changes to the Specifications.

3. PAYMENT FOR SERVICES

Licensee shall pay Developer for the Services as set forth in the applicable Schedule provided that: (i) Developer has completed the milestones and delivered the Deliverables; and (ii) Licensee has accepted the Deliverables. Such payments will be due net thirty (30) days from the later of (i) Licensee's acceptance of the Deliverable associated with any payment milestone or (ii) Licensee's receipt of Developer invoice associated with any payment milestone.

4. RIGHTS

[sample exclusive source license; Licensee owns derivatives subject to license]

4.1. **Exclusive Source and Object Distribution License.** Developer hereby grants to Licensee an exclusive (except as provided in Section 4.2), perpetual, irrevocable, royalty-free, fully paid up, worldwide right and license to:

(a) Use and make Changes of the source and object code versions of the Product;

(b) Distribute and have Distributed, to and by third parties, partial or complete source and/or object code versions of the Product and any Derivative Technology thereof; and

(c) Grant the rights set forth in this Section 4.1 in the Product to third parties, including the right to license such rights to further third parties.

The foregoing license grants include a license under any current and future patents owned or licensable by Developer to the extent necessary: (i) to exercise any license right granted herein; and (ii) to combine the Product or Derivative Technology thereof with any hardware and software.

4.2. **Ownership.** Except as expressly licensed to Licensee in this Agreement, Developer retains all right, title and interest in and to the Product; provided, however, that subject to the license grant in Section 4.1 and Developer's ownership of the underlying Product, Licensee shall own all right, title and interest in and to any Derivative Technology of the Product created by or for Licensee.

[sample non-exclusive source license w/ Licensee owns derivatives subject to license]

4.1. **Non-Exclusive Source and Object Distribution License.** Developer hereby grants to Licensee a nonexclusive, perpetual, irrevocable, royalty-free, fully paid up, worldwide right and license to:

(a) Use, copy, edit, format, modify, translate and create Derivative Technology of the source and object code versions of the Product;

(b) Distribute and have Distributed, to and by third parties, source and/or object code versions of the Product, and any Derivative Technology thereof; and

(c) Grant the rights set forth in this Section 4.1 in the Product to third parties, including the right to license such rights to further third parties.

The foregoing license grants include a license under any current and future patents owned or licensable by Developer to the extent necessary: (i) to exercise any license right granted herein; and (ii) to combine the Product or Derivative Technology thereof with any hardware and software.

4.2. **Ownership.** Except as expressly licensed to Licensee in this Agreement, Developer retains all right, title and interest in and to the Product; provided, however, that, subject to the license grant in Section 4.1 and Developer's ownership of the underlying Product, Licensee shall own all right, title and interest in and to any Derivative Technology of the Product created by or for Licensee.

[sample non-exclusive object code license; Licensee owns derivatives subject to license]

4.1. **Object Code Use and Distribution License.** Developer hereby grants to Licensee a perpetual, nonexclusive, worldwide, irrevocable, royalty-free license: (i) to make, use, reproduce, modify, translate, and create Derivative Technology of the Product in object code form only; (ii) to Distribute and have Distributed, the Product and/or Derivative Technology thereof in object code form; and (iii) to sublicense the rights in the foregoing parts (i) and (ii) to third parties, including the right to grant further sublicenses to third parties. The foregoing license grants include a license under any current and future patents owned or licensable by Developer to the extent

necessary: (i) to exercise any license right granted herein; and (ii) to combine the Product or Derivative Technology thereof with any hardware and software.

4.2. **Ownership.** Except as expressly licensed to Licensee in this Agreement, Developer retains all right, title and interest in and to the Product; provided, however, that, subject to the license grant in Section 4.1 and Developer's ownership of the underlying Product, Licensee shall own all right, title and interest in and to any Derivative Technology of the Product created by or for Licensee.

[sample joint ownership, w/o accounting]

4.1. **Joint Ownership.** Licensee and Developer each shall have an undivided, joint ownership interest in: (i) the Product; and (ii) any Derivative Technology of the Product created by either party during the term of development and maintenance under this Agreement. Neither party shall be obligated to pay the other any royalties or other consideration, nor account to the other for any royalties or other consideration it may receive, for any licenses, assignment, sale, lease or other distribution of the Product, or any Derivative Technology thereof. Any Derivative Technology made after completion of development and maintenance under this Agreement shall be owned exclusively by the creator of such Derivative Technology.

4.2. **Assignment.** To enable Licensee to have the joint ownership rights set forth in Section 4.1, Developer hereby assigns to Licensee all necessary right, title and interest in and to: (i) the Product; and (ii) any pre-existing code, technology or other proprietary rights of Developer to the extent contained in the Product ("Developer Technology"). Such assignments include, without limitation, the following:

(a) Any copyrights that Developer may possess or acquire in the Product or Developer Technology and all copyrights and equivalent rights in the Product or Developer Technology throughout the world, including all renewals and extensions of such rights that may be secured under the laws now or hereafter in force and effect in the United States of America or in any other country or countries;

(b) All rights in and to any inventions, ideas, designs, concepts, techniques, discoveries, or improvements, whether or not patentable, embodied in the Product or Developer Technology or developed in the course of Developer's creation of the Product, including but not limited to all trade secrets, utility and design patent rights and equivalent rights in and to such inventions and designs throughout the world regardless of whether or not legal protection for the Product or Developer Technology is sought;

(c) The right to prepare Derivative Technology with full rights to authorize others to do the same;

(d) Copies of any documents, magnetically or optically encoded media, or other materials created by Developer under this Agreement; and

(e) The right to sue for infringements of the Product or Developer Technology which may occur before the date of this Agreement, and to collect and retain damages from any such infringements.

4.3. **Assignment/Waiver of Moral Rights.** Developer hereby irrevocably transfers and assigns to Licensee any and all "moral rights" that Developer may have in the Product, Developer Technology and Derivative Technology thereof. Developer also hereby forever waives and agrees never to assert any and all "moral rights" it may have in the Product, Developer Technology and Derivative Technology, even after termination of the Services.

4.4. **Assistance.** Developer shall execute and deliver such instruments and take such other action as may be requested by Licensee to perfect or protect Licensee's rights in the Product and to carry out the assignments contemplated in this Section 4, and assist Licensee and its nominees in every proper way to secure, maintain, protect and defend for Licensee's own benefit all such rights in the Product in any and all countries. Developer shall cooperate with Licensee in the filing and prosecution of any copyright or patent applications that Licensee may elect to file on the Product or inventions and designs relating to the Product.

[sample work for hire w/ a simple back-up assignment (use joint ownership clause for more detailed assignment]

4.1. **Work Made For Hire.** The Product has been specially ordered and commissioned by Licensee. Developer agrees that the Product is a "work made for hire" for copyright purposes, with all copyrights in the Product owned by Licensee.

4.2. **Assignment.** To the extent that the Product does not qualify as a work made for hire under applicable law, and to the extent that the Product includes material subject to copyright, patent, trade secret, or other proprietary right protection, Developer hereby assigns to Licensee, its successors and assigns, all right, title and interest in and to the Product, including, but not limited to, all rights in and to any inventions and designs embodied in the Product or developed in the course of Developer's creation of the Product. The foregoing assignment includes a license under any current and future patents owned or licensable by Developer to the extent necessary to combine the Product or Derivative Technology thereof with any hardware and software.

4.3. **Assignment/Waiver of Moral Rights.** Developer hereby irrevocably transfers and assigns to Licensee any and all "moral rights" that Developer may have in the Product and Derivative Technology thereof. Developer also hereby forever waives and agrees never to assert any and all "moral rights" it may have in the Product and Derivative Technology, even after termination of the Services.

4.4. **Assistance.** At Licensee's expense, Developer shall execute and deliver such instruments and take such other action as may be requested by Licensee to perfect or protect Licensee's rights in the Product and to carry out the assignments effected by this Section 4.

[straight up assignment]

4.1. **Assignment.** Developer hereby assigns to Licensee all necessary right, title and interest in and to: (i) the Product; and (ii) any pre-existing code, technology or other proprietary rights of Developer to the extent contained in the Product ("Developer Technology"). Such assignments include, without limitation, the following:

(a) Any copyrights that Developer may possess or acquire in the Product or Developer Technology and all copyrights and equivalent rights in the Product or Developer Technology throughout the world, including all renewals and extensions of such rights that may be secured under the laws now or hereafter in force and effect in the United States of America or in any other country or countries;

(b) All rights in and to any inventions, ideas, designs, concepts, techniques, discoveries, or improvements, whether or not patentable, embodied in the Product or Developer Technology or developed in the course of Developer's creation of the Product, including but not limited to all trade secrets, utility and design patent rights and equivalent rights in and to such inventions and designs throughout the world regardless of whether or not legal protection for the Product or Developer Technology is sought;

(c) The right to prepare Derivative Technology with exclusive rights to authorize others to do the same;

(d) Copies of any documents, magnetically or optically encoded media, or other materials created by Developer under this Agreement; and

(e) The right to sue for infringements of the Product or Developer Technology which may occur before the date of this Agreement, and to collect and retain damages from any such infringements.

4.2. **Assignment/Waiver of Moral Rights.** Developer hereby irrevocably transfers and assigns to Licensee any and all "moral rights" that Developer may have in the Product, Developer Technology and Derivative Technology thereof. Developer also hereby forever waives and agrees never to assert any and all "moral rights" it may have in the Product, Developer Technology and Derivative Technology, even after termination of the Services.

4.3. **Assistance.** Developer shall execute and deliver such instruments and take such other action as may be requested by Licensee to perfect or protect Licensee's rights in the Product and to carry out the assignments effected by this Section 4, and assist Licensee and its nominees in every proper way to secure, maintain, protect and defend for Licensee's own benefit all such rights in the Product in any and all countries. Developer shall cooperate with Licensee in the filing and prosecution of any copyright or patent applications that Licensee may elect to file on the Product or inventions and designs relating to the Product.

5. OTHER TERMS

5.1. **Right of First Refusal.** For a period of _____ months after the Effective Date, Developer will: (i) keep Licensee informed on its new technology developments in the area of _____; and (ii) if Developer commences to license such technology to a third party, Developer will provide Licensee with written notice of its intent and offer Licensee the first right of refusal to negotiate an arrangement to market the technology in question. Licensee will have 14 days to respond in writing. If Licensee accepts Developer invitation to discuss licensing of this technology, Licensee and Developer will enter into exclusive, good faith negotiations, but if the parties fail to reach a written agreement in 90 days after the commencement of such negotiations, either party shall have the right to discontinue negotiations without any further obligations.

5.2. **Press Releases.** The parties will cooperate with each other on press releases and similar communications regarding the non-confidential subject matter of this Agreement. The content, timing and necessity of all such communications will be agreed upon in writing by both parties.

5.3. **Correction of Errors.** For a period of _____ days following Licensee's final acceptance of the Deliverables and at no further charge to Licensee, Developer will fix all Errors found in the Deliverables in accordance with the severity schedule set forth in Exhibit B. After such _____ day period, Developer will fix all errors or bugs found in the Deliverables at an hourly rate of $_____.

6. NO OBLIGATION/INDEPENDENT DEVELOPMENT

Notwithstanding any other provision of this Agreement, Licensee shall have no obligation to market, sell or otherwise distribute the Product, either alone or in any Licensee product. Except as provided in Section 7, nothing in this Agreement will be construed as restricting Licensee's ability to acquire, license, develop, manufacture or distribute for itself, or have others acquire, license, develop, manufacture or distribute for Licensee, similar technology performing the same or similar functions as the technology contemplated by this Agreement, or to market and distribute such similar technology in addition to, or in lieu of, the technology contemplated by this Agreement.

7. CONFIDENTIALITY

7.1. Each party shall protect the other's Confidential Information from unauthorized dissemination and use with the same degree of care that such party uses to protect its own like information. Neither party will use the other's Confidential Information for purposes other than those necessary to directly further the purposes of this Agreement. Neither party will disclose to third parties the other's Confidential Information without the prior written consent of the other party. Except as expressly provided in this Agreement, no ownership or license rights is granted in any Confidential Information.

7.2. The parties' obligations of confidentiality under this Agreement shall not be construed to limit either party's right to independently develop or acquire products without use of the other party's Confidential Information. Further, either party shall

be free to use for any purpose the residuals resulting from access to or work with such Confidential Information, provided that such party shall maintain the confidentiality of the Confidential Information as provided herein. The term "residuals" means information in non-tangible form, which may be retained by persons who have had access to the Confidential Information, including ideas, concepts, know-how or techniques contained therein. Neither party shall have any obligation to limit or restrict the assignment of such persons or to pay royalties for any work resulting from the use of residuals. However, the foregoing shall not be deemed to grant to either party a license under the other party's copyrights or patents.

8. WARRANTIES

[sun/moon/stars warranty]

8.1. **Developer.** Developer warrants and represents that:

(a) It has the full power to enter into this Agreement and make the assignments and license rights set forth herein;

(b) It has not previously and will not grant any rights in the Deliverables to any third party that are inconsistent with the rights granted to Licensee herein;

(c) The Deliverables and Product are original to Developer and do not infringe any copyright, patent, trade secret, or other proprietary right held by any third party;

(d) The Deliverables and Product will be created by employees of Developer within the scope of their employment and under obligation to assign inventions to Developer, or by independent contractors under written obligations to assign all rights in the Deliverables and Product to Developer;

(e) The Deliverables and Product accurately manipulate, process, compare, display and calculate date or time data from, into, and between the twentieth and twenty-first centuries, including leap years; and the information technology, financial, operational, communication and other systems and processes used by Developer, its subcontractors, agents, and other third parties in connection with the Services shall not be interrupted or adversely affected by the manipulation, processing, comparison, display or calculation of dates from, into and between the twentieth and twenty-first centuries, including leap years; and

(f) The Services shall be performed in a professional manner and shall be of a high grade, nature, and quality. Developer agrees to cooperate with MICROSOFT and provide all necessary information in a prompt manner should Licensee have any inquiries regarding the Year 2000 readiness of Developer or any of the information or technology that is the subject of this Agreement.

8.2. **Licensee.** Licensee warrants and represents that it has taken the necessary steps to enter into this Agreement.

[bare bones warranty]

Developer warrants and represents that the Deliverables and Product: (i) are original to Developer and do not infringe any copyright, patent, trade secret, or other proprietary right held by any third party; and (ii) will be created by employees of Developer within the scope of their employment and under obligation to assign inventions to Developer, or by independent contractors under written obligations to assign all rights in the Deliverables and Product to Developer.

9.   INDEMNITY

9.1.   **Indemnity.**

[full blown indemnity]

(a)   Developer shall, at its expense and Licensee's request, defend any claim or action brought against Licensee, and Licensee's subsidiaries, affiliates, directors, officers, employees, agents and independent contractors, which, if true, would constitute a breach of a warranty by Developer in Section 8, and Developer will indemnify and hold Licensee harmless from and against any costs, damages and fees reasonably incurred by Licensee, including but not limited to fees of attorneys and other professionals, that are attributable to such claim. Licensee shall: (i) provide Developer reasonably prompt notice in writing of any such claim or action and permit Developer, through counsel mutually acceptable to Licensee and Developer, to answer and defend such claim or action; and (ii) provide Developer information, assistance and authority, at Developer's expense, to help Developer to defend such claim or action. Developer will not be responsible for any settlement made by Licensee without Developer's written permission, which permission will not be unreasonably withheld.

[IP only indemnity]

(a)   Developer shall, at its expense and Licensee's request, defend any claim or action brought against Licensee, and Licensee's subsidiaries, affiliates, directors, officers, employees, agents and independent contractors, to the extent it is based upon a claim that the Product and/or the Deliverables infringes or violates any patent, copyright, trademark, trade secret or other proprietary right of a third party, and Developer will indemnify and hold Licensee harmless from and against any costs, damages and fees reasonably incurred by Licensee, including but not limited to fees of attorneys and other professionals, that are attributable to such claim. Licensee shall: (i) provide Developer reasonably prompt notice in writing of any such claim or action and permit Developer, through counsel mutually acceptable to Licensee and Developer, to answer and defend such claim or action; and (ii) provide Developer information, assistance and authority, at Developer's expense, to

help Developer to defend such claim or action. Developer will not be responsible for any settlement made by Licensee without Developer's written permission, which permission will not be unreasonably withheld.

(b) Licensee shall have the right to employ separate counsel and participate in the defense of any claim or action. Developer shall reimburse Licensee upon demand for any payments made or loss suffered by it at any time after the date hereof, based upon the judgment of any court of competent jurisdiction or pursuant to a bona fide compromise or settlement of claims, demands, or actions, in respect to any damages related to any claim or action under this Section 9.

(c) Developer may not settle any claim or action under this Section 9 on Licensee's behalf without first obtaining Licensee's written permission, which permission will not be unreasonably withheld. In the event Licensee and Developer agree to settle a claim or action, Developer agrees not to publicize the settlement without first obtaining Licensee's written permission, which permission will not be unreasonably withheld.

[optional duty to correct; helpful?]

9.2.   **Duty to Correct.** Notwithstanding Section 9.1, should the Product, Deliverables or portion thereof be held to constitute an infringement and use as contemplated by this Agreement be enjoined or be threatened to be enjoined, Developer shall notify Licensee and immediately, at Developer's expense: (i) procure for Licensee the right to continue use the Product, Deliverables or portion thereof, as applicable, as licensed in this Agreement; or (ii) replace or modify the Product, Deliverables or portion thereof with a version that is non-infringing, provided that the replacement or modified version meets the Specifications to Licensee's satisfaction. If (i) or (ii) are not available to Developer, in addition to any damages or expenses reimbursed under Section 9.1, Developer shall refund to Licensee all amounts paid to Developer by Licensee under this Agreement.

[Developer wants this: Licensee does not.]

9.3.   **Exclusive Remedy.** Developer's obligations under this Section 9 shall be Licensee's exclusive remedy for any breach of any warranty by Developer under Section 8.

10.   TERMINATION

10.1.   **Term.** The term of this Agreement shall commence as of the Effective Date and shall continue until terminated as provided in this Section 10.

10.2.   **Termination by Licensee.**

(a) Licensee may terminate this Agreement for any reason upon thirty (30) days prior written notice.

(b)   Licensee shall have the right to cancel any Schedule with or without cause by providing Developer written notice of such cancellation. Upon receipt of such notice, Developer will discontinue all work thereunder. Except in cases of termination for cause as specified in Section 2.2 of this Agreement, Licensee will pay for all work performed by Developer up until the date of receipt of the cancellation notice. In the event of cancellation of a Schedule, upon request by Licensee, Developer agrees to turn over to Licensee all work in progress applicable to such Schedule within ten (10) days.

10.3. **Termination By Either Party For Cause.** Either party may suspend performance and/or terminate this Agreement immediately upon written notice at any time if:

(a)   The other party is in material breach of any material warranty, term, condition or covenant of this Agreement, other than those contained in Section 7, and fails to cure that breach within thirty (30) days after written notice thereof; or

(b)   The other party is in material breach of Section 7.

10.4. **Effect of Termination.** In the event of termination or expiration of this Agreement for any reason, Sections 4, 6, 7, 8, 9 and 11 shall survive termination. Neither party shall be liable to the other for damages of any sort resulting solely from terminating this Agreement in accordance with its terms. Any licenses or sublicenses already granted by Licensee under this Agreement shall not be affected by any termination of this Agreement and shall remain in full force and effect.

11.   LIMITATION OF LIABILITIES

11.1. NEITHER PARTY SHALL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR SPECIAL DAMAGES, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

11.2. THIS PROVISION HAS NO APPLICATION TO SECTIONS 7 AND 9.

12.   GENERAL

12.1. **Notices.** All notices and requests in connection with this Agreement shall be deemed given as of the day they are received either by messenger, delivery service, or in the United States of America mails, postage prepaid, certified or registered, return receipt requested, and addressed as follows:

To Developer:	To Licensee:
Developer Company	Licensee, Inc.
Phone:	Phone:
Fax:	Fax:
Copy to:	Copy to: Licensee, Inc.
Fax:	Attention: General Counsel Fax:

or to such other address as a party may designate pursuant to this notice provision.

12.2. **Independent Contractors.** Developer is an independent contractor for Licensee, and nothing in this Agreement shall be construed as creating an employer-employee relationship, a partnership, or a joint venture between the parties.

12.3. **Taxes.** In the event taxes are required to be withheld on payments made under this Agreement by any U.S. (state or federal) or foreign government, Licensee may deduct such taxes from the amount owed Developer and pay them to the appropriate taxing authority. Licensee shall in turn promptly secure and deliver to Developer an official receipt for any taxes withheld. Licensee will use reasonable efforts to minimize such taxes to the extent permissible under applicable law.

12.4. **Governing Law.** This Agreement shall be governed by the laws of the State of _____ as though entered into between _____ residents and to be performed entirely within the State of _____, and Developer consents to jurisdiction and venue in the state and federal courts sitting in the State of _____. In any action or suit to enforce any right or remedy under this Agreement or to interpret any provision of this Agreement, the prevailing party shall be entitled to recover its costs, including reasonable attorneys' fees.

12.5. **Assignment.** This Agreement shall be binding upon and inure to the benefit of each party's respective successors and lawful assigns; provided, however, that Developer may not assign this Agreement, in whole or in part, without the prior written approval of Licensee.

12.6. **Construction.** If for any reason a court of competent jurisdiction finds any provision of this Agreement, or portion thereof, to be unenforceable, that provision of the Agreement will be enforced to the maximum extent permissible so as to effect the intent of the parties, and the remainder of this Agreement will continue in full force and effect. Failure by either party to enforce any provision of this Agreement will not be deemed a waiver of future enforcement of that or any other provision. This Agreement has been negotiated by the parties and their respective counsel and will

be interpreted fairly in accordance with its terms and without any strict construction in favor of or against either party.

12.7. **Entire Agreement.** This Agreement does not constitute an offer by Licensee and it shall not be effective until signed by both parties. This Agreement constitutes the entire agreement between the parties with respect to the Services and all other subject matter hereof and merges all prior and contemporaneous communications. It shall not be modified except by a written agreement dated subsequent to the date of this Agreement and signed on behalf of Developer and Licensee by their respective duly authorized representatives.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the Effective Date written above.

LICENSEE, INC.	DEVELOPER COMPANY
By:	By:
Name (print):	Name (print):
Title:	Title:
Date:	Date:

EXHIBIT A

SPECIFICATIONS; SCHEDULE; AND DESCRIPTION OF DELIVERABLES

THE FOREGOING EXHIBIT A IS AGREED TO AND ACCEPTED BY THE PARTIES:

LICENSEE, INC.	DEVELOPER COMPANY
By:	By:
Name (print):	Name (print):
Title:	Title:
Date:	Date:

EXHIBIT B

MAINTENANCE PROBLEM SEVERITY AND RESOLUTIONS

Severity	Criteria	Time Limit
1	**Critical**: Problem which prevents or seriously impairs the performance of substantially all major functions.	24 hours
2	**Severe Impact**: Problem which prevents or seriously impairs the performance of a major function.	3 days
3	**Degraded Operation**: Problem which disables or impairs the performance of a minor function.	2 weeks