

WEBINAR

Intellectual Property in MSAs



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Agenda

Types of IP in an agreement

Use of pre-existing and third-party IP

Essential Reps & Warranties

Indemnification

Confidentiality of IP

Preview of the FULL In-House Orientation Course

Why Use An MSA?

Document scope of relationship of the parties for current and future projects

Outline services provided

- Pricing models
- Invoicing details/Payment methods
- Dispute resolution
- Ownership rights

BASICS: Types of IP in an agreement

1. **Background:** IP owned by a deal partner before the agreement
2. **Foreground:** IP created within the agreement
3. **Sideground:** IP created by a partner outside the agreement
4. **Postground:** IP created after the agreement

Negotiating IP Ownership

- Identify the type of core IP you need to protect
- Flexible licensing
- Define scope of use
- Compensation for IP

Common Pitfalls

- Ambiguous definitions
- Overreach in transferring rights
- Ignoring pre-existing IP
- No provisions for improvements, future use, modifications

Example 1: Types of IP in an agreement

"The Contractor agrees that all intellectual property, including inventions, developments, and innovations conceived by the Contractor during the term of the agreement relating to any of the services under this contract, will automatically become the property of the Client upon creation."

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"The Contractor agrees that **all intellectual property**, including inventions, developments, and innovations conceived by the Contractor **during the term of the agreement** relating to any of the services under this contract, will automatically become the property of the Client upon creation."

Some problems

- Lack of Specificity
- Automatic Transfer
- Ignoring Pre-existing IP

Example 1: Types of IP in an agreement

"The Service Provider shall assign to the Client all rights, title, and interest in and to any IP developed specifically for the Client under this Agreement, excluding any pre-existing IP. The Client shall have a perpetual, worldwide, and exclusive license to use the pre-existing IP incorporated in the deliverables, solely for its internal business purposes."

Example 1: Types of IP in an agreement

"The Service Provider grants to the Client a non-exclusive, worldwide, perpetual license to use the Service Provider's pre-existing intellectual property and third-party materials, solely to the extent incorporated into the deliverables and necessary for the Client's intended use of such deliverables. The Service Provider ensures it has the right to license such pre-existing and third-party IP to the Client."

What's Better

- Clear demarcations between different types of IP
- Specifies the transferred rights
- Defines the scope of rights

BASICS: Use of pre-existing and third-party IP

- 1. Disclosure:** Be transparent about existing deals
- 2. Licensing vs Assigning:** Applying restrictions imposed by third-party agreements
- 3. Usage Rights:** Define scope of permissions
- 4. Compliance with Existing Deals:** Define responsibilities to comply

Other considerations

- Power of attorney
- Tail period
- Re-use of deliverables by service provider
- Pre-existing proprietary content of service provider

Example 2: Use of pre-existing and third-party IP

"The Service Provider may use third-party IP as needed."

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"The Service Provider may use third-party IP as needed."

Some Problems

- No mention of disclosure or licensing terms
- Lacks protection against infringement risks
- Vague permissions
- Lack of responsibility
- No reference to compliance with third-party IP obligations

Example 2: Use of pre-existing and third-party IP

"To facilitate the delivery of services under this Agreement, the Service Provider may incorporate third-party intellectual property, **provided that the Service Provider ensures all such use is compliant with the applicable licensing terms and has obtained all necessary permissions.** The Service Provider shall **indemnify** the Client against **any claims or damages** arising from the improper use of third-party intellectual property."

Best Practices When Incorporating Existing IP

- Licensing vs Assigning
- Clear scope of use
- Segregate IP rights
- Conduct through IP audits
- Indemnity clauses
- System for auditing compliance

BASICS:

Essential Reps & Warranties

1. Ownership and Right to Use
2. Non-Infringement
3. Disclosure of Limitations
4. Right to Sub-license

Example 3: Essential Reps & Warranties

"The Service Provider warrants that deliverables are their original work."

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"The Service Provider warrants that deliverables are their original work."

Some Problems

- Too Narrow
- Lacks Detail

Example 3: Essential Reps & Warranties

"The Service Provider warrants that the deliverables are original works created by the Service Provider and do not infringe on any third-party intellectual property rights. Where deliverables incorporate pre-existing materials owned by the Service Provider or third parties, the Service Provider confirms it has obtained all necessary licenses and permissions to use such materials in the deliverables and to grant the Client the rights set forth in this Agreement."

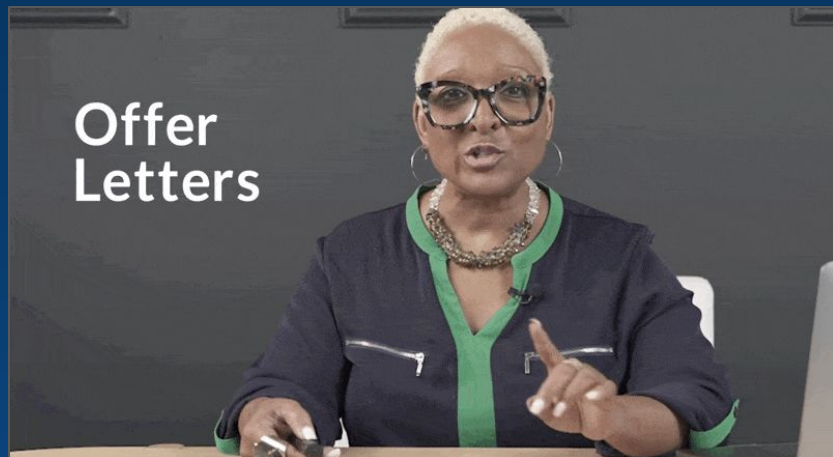
Best Practices for Reps and Warranties

- Ownership and right to use
- Noninfringement
- Disclosure of Limitations
- Right to sub-license
- Due diligence to verify ownership
- Indemnification
- IP Audits
- Policies and training for employees on third-party IP

In-House Orientation Course

5 crucial document types that you should review right away:

- NDAs
- Employment Documents
- Sales Agreements
- Master Services Agreements
- Terms of Use and Privacy Policies



<https://knowledge.lawinsider.com/in-house-orientation/>

BASICS:

Indemnification

- 1. Clear Scope:** Exactly what IP is covered?
- 2. Defense and Control:**
Indemnifying party's duties
- 3. Cost Coverage:** What is included?
- 4. Notification Requirements:** How and when?
- 5. Cooperation:** Specific responsibilities in defense of a claim

Example 4: Indemnification

"The Service Provider shall indemnify the Client against all claims relating to intellectual property infringement of the services provided under this Agreement."

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"The Service Provider shall indemnify the Client against **all claims** relating to **intellectual property infringement** of the services provided under this Agreement."

Some Problems

- Too broad- “all claims”
- Lacks specificity
- No limitations or conditions
- No procedure for handling claims
- Too narrow- doesn't deal with third-party rights

Example 4: Indemnification

"The Service Provider shall indemnify, defend, and hold harmless the Client from and against **any claims, damages, liabilities, costs, and expenses (including reasonable attorneys' fees)** arising out of any third-party claim that the intellectual property rights in the deliverables provided under this Agreement infringe on the intellectual property rights of a third party. This indemnification **is conditioned on the Client:** (a) **promptly** notifying the Service Provider in writing of the claim, (b) giving the Service Provider sole control of the defense and settlement of the claim, and (c) providing reasonable cooperation, at the Service Provider's expense, in the defense of such claims. The Service Provider will not be responsible for any settlement it does not approve in writing."

Example 4: Indemnification

"The Service Provider agrees to indemnify the Client against claims of copyright infringement made by third parties solely in relation to the textual content explicitly provided to the Client as part of the deliverables under this Agreement."

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"The Service Provider agrees to indemnify the Client against claims of **copyright infringement** made by third parties solely in relation to the **textual content** explicitly provided to the Client as part of the deliverables under this Agreement."

Some Problems

- Limited to specific IP Type
- Excludes certain deliverables
- No explicit mention of defense or cost coverage

Example 4: Indemnification

"The Service Provider shall indemnify, defend, and hold harmless the Client from and against any and all claims, damages, liabilities, costs, and expenses (including reasonable attorneys' fees) arising out of any accusation that the intellectual property in the deliverables, including but not limited to textual content, graphics, software, and data, provided under this Agreement infringes any U.S. intellectual property rights of a third party. This indemnity covers any form of intellectual property infringement including, but not limited to, copyright, patent, and trademark infringement. The Service Provider's obligations are conditional upon the Client: (a) providing prompt written notice of such claim, (b) allowing the Service Provider the exclusive right to control and direct the investigation, defense, and settlement of the claim, and (c) providing reasonable cooperation, at the Service Provider's expense, in the defense and settlement of such claim"

Best Practices

- Clear scope of what's covered
- Defense and control
- Cost coverage
- Notification requirements
 - ◆ Promptly?
- Cooperation

Common Exclusions/Considerations

- Intentional misconduct and negligence
- Prior knowledge
- Modifications
- Use beyond scope
- Caps and baskets
- Trigger events
- Mutual or unilateral
- Duration of coverage

BASICS:

Confidentiality of IP

1. **Definition of Confidential Information**
2. **Obligation of Parties**
3. **Duration of Confidentiality**
4. **Permitted Disclosures**
5. **Remedies for Breach**

Example 5: Confidentiality of IP

"The Service Provider agrees to keep confidential all information deemed confidential by the Client without unauthorized disclosure unless required by law."

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"The Service Provider agrees to keep confidential **all information deemed confidential by the Client** without unauthorized disclosure **unless required by law.**"

Some problems

- Vague definition of confidential information
- No specificity on how to handle the information during and after the relationship
- No provisions for breach consequences
- Third-party disclosures?
- “Unless required by law”

Example 5: Confidentiality of IP

"The Service Provider agrees to keep all information, including documents, data, and verbal information, disclosed by the Client or generated in connection with this Agreement, strictly confidential. This information shall not be disclosed to any employees or third parties unless such individuals have a need to know for the purpose of this Agreement and have signed confidentiality agreements that reflect the terms of this clause. The Service Provider will take all necessary measures to protect the confidentiality of the Client's information with at least the same degree of care as it uses to protect its own confidential information, but not less than a reasonable standard of care. The Service Provider must notify the Client immediately upon discovery of any unauthorized use or disclosure of the Client's confidential information and will cooperate with the Client to regain possession of the confidential information and prevent its further unauthorized use."

Best Practices

- Employee trainings and policies on the specific MSA
- NDAs for employees and subcontractors
- Audits
- Technical safeguards- encryption, access controls, incident response plan, data loss prevention tools, secure collaboration tools
- Cover affiliates, representatives, contractors, and employees when applicable
- Survival clause/duration

Thanks for attending!

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