

Intellectual Property Considerations in Professional Services Agreements

By Andrew Martin

No matter what the professional services entail, the agreement a customer signs with a professional services firm should address who owns the intellectual property in any work product delivered by the vendor. There are generally two types of intellectual property involved in these agreements: the IP that is developed by the vendor for the customer and the customer's own data. Businesses that do not carefully review the service agreement for IP terms run the risk of: 1) paying the vendor to build something that the vendor ends up owning; and 2) having its own data held hostage by the vendor in the event of a dispute.

Software and website development deals set up obvious IP issues. However, other professional services agreements also often entail work product in the form of written support documentation, policies and procedures, custom extensions to vendor systems, and the like. Too frequently, those agreements do not sound the IP alarm bells with either the customer or the vendor. Nevertheless, for most any agreement under which a vendor is delivering work product to the customer, it is important that ownership of that work product is specifically defined in the agreement. Many times the vendor will argue that its deliverables contain the vendor's own IP, including code snippets, functions, frameworks, and templates, so it will not grant ownership of the work product to the customer. To handle this situation, I like to use "you own what you bring, we own what we pay for you to develop" language that provides for vendor ownership of pre-existing vendor materials and allows the customer to own the remainder.

In some instances, however, the vendor will argue that its entire business model depends on its ability to use and integrate the work it does for its clients into future work for other clients. This often amounts to posturing, but sometimes the vendor has a legitimate interest in retaining rights to its work product. To handle these situations, the customer might acquiesce to the vendor's demand for IP ownership, provided the vendor agrees to provide the customer with a perpetual, fully-paid, non-revocable license to the IP in question. This will help to ensure the customer gets the full benefit of perpetual use of such work product in perpetuity.

Another area for concern in these agreements may also be ownership of customer data. If the professional services agreement includes a component of data collection and analysis on the part of the vendor, the agreement should clearly set out that all such data is owned by the customer and is not to be used by the vendor for any purposes not explicitly defined in the agreement. Aside from potential confidentiality concerns, the primary reason to set this out in the agreement is to prevent a situation where the vendor can hold the customer's data as leverage to settle a dispute between the parties. Additionally, the agreement should be clear that upon termination, *for any reason whatsoever*, all data shall be returned to the customer in a useful, electronic format.

The catch on all of this is that many of the professional services agreements that a customer is likely to see will not even address these IP issues. This means that unless the person reviewing the agreement is aware of these concerns, they likely will be overlooked in the final agreement. In those cases, IP ownership typically defaults to the author, no matter if he was paid to do the work.



About the author Andrew Martin:

As an associate attorney with extensive prior experience advising information technology start-ups, Andrew's practice focuses on finding solutions for his clients' intellectual property issues. Due to his extensive experience in the software and technology industries, Andrew understands both the practical and legal issues involved in IP licensing agreements and disputes. In addition to licensing, Andrew helps his clients find new ways to use existing technologies to assist his clients in areas such as data privacy compliance. Andrew uses his diverse background which includes founding a record label and working for a world-wide concert promoter when counseling the firm's entertainment clients.

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