Ownership of Joint-Venture Software

Overview of laws affecting rights in scramble to write software; protection of interests reviewed

BY GERALD E. LESTER*

The new technologies, the aggressive competition, and the rapidly accelerating growth that characterize the data processing industry have led mainframe computer manufacturers into forming new business relationships as well as reshaping old relationships to maintain a competitive position. With the advent of semiconductor technology, hardware products are rapidly being reduced in size and cost, and soon may become standardized fungible products. As a result, the focus of research and development for system enhancements and versatility is shifting to the labor-intensive software industry. To keep pace with the ever-changing demands of an increasingly sophisticated marketplace, the manufacturer is looking outside as well as inside the corporation for software sources. Outside sources include not only entrepreneurial software houses, but also independent consultants and universities. When such outside sources are utilized, exchanges of information and cooperative efforts leading to a commercial software product give rise to ownership disputes.

In this article, I will give a brief review of the antitrust and intellectual property laws which must be considered in allocating rights in a joing venture with a main frame manufacturer. In addition, the interests of each of the participants, and the ownership rights which should be acquired or reserved to satisfy such interests will be addressed. Lastly, there are example clauses which may be used in a joint-venture agreement to effect the desired allocation of rights.

LAW OF JOINT VENTURES

Antitrust

Joint ventures ostensibly come within the scope of Sections 1 and 2 of the Sherman Act (15 USC Sec. 1,2), Section 7 of the Clayton Act (15 USC Sec. 18), and Section 5 of the Federal Trade Commission Act (15 USC Sec. 45).

Insight into the application of the antitrust laws by the Justice Department may be acquired through a review of the *Antitrust Guide Concerning Research Joint Ventures;* Antitrust Division, U.S. Department of Justice (1980).

Certain characteristics of a joint venture are deemed to be more of an antitrust risk than others. More particularly, those characteristics indicating low antitrust risk are:

1. Basic research rather than applied research leading to the commercialization of a product.
2. Noncompeting participants.
3. The nature and extent of the contributions made to the venture as compared to the benefits derived from the venture by each participant.
4. Scope not exceeding that necessary to achieve the desired results of the joint research, and duration not extending beyond the point of commercialization of a product.
5. Incapability of either participant to conduct the proposed research alone.
6. Unconcentrated industry.
7. The availability of the results of the joint venture to nonparticipants.

Collateral restraints imposed by a joint-venture agreement upon venture participants are subject to scrutiny under Sections 1 and 2 of the Sherman Act. Under Section 1 of the Sherman Act, per se illegal restraints include group boycotts or concerted refusals to deal, tying arrangements, price fixing, and horizontal division of markets. Of particular interest at this time is the issue of tying arrangements involving operating system software and central processing units. In *Digidyne Corporation v. Data General Corporation,* 734 F.2d 1336 (9th Cir. 1984), reversing 529 F.Supp.801 (N.D. Cal. 1981), the Ninth Circuit ruled that Data General's practice of refusing to license its RDOS operating system software except to purchasers of its NOVA central processing units was a per se violation of the federal antitrust laws. Data General has filed a petition for a writ of certiorari, and briefs for amici curiae by other members of the computer industry are expected.

Other restraints such as nonexclusive cross-licenses under patent, copyright and trade secret rights which cover the exchange of information as necessary to collaborate in the joint effort, are closely related to the essential purpose of the joint venture and should be subject to a rule-of-reason analysis. Likewise, nonexclusive cross-licenses under patents, copyrights and confidential know-how rights which cover the technological results of the joint effort, and which are necessary for the exploitation of such results, should be subject to a rule-of-reason analysis.

Where such restraints extend beyond the scope of the research efforts and are not reasonably necessary to achieve the lawful main goal of the venture, however, the restraints may be in violation of Section 1 of the Sherman Act and Section 5 of the FTC Act. If the venture involves participants with substantial market power, Section 2 of the Sherman Act also may be violated. Restraints prohibiting either participant from independently using and

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marketing the research results, or denying access of the research results to nonparticipating competitors, would appear to be particularly suspect. See Henderson and Hornick, *Justice Department Antitrust Guide Concerning Research Joint Ventures,* Licensing Law and Business Report, Vol. 5, No. 2 (1982); *Berkey Photo, Inc. v. Eastman Kodak Co.,* 603 F. 2d 263 (CA2 1979), cert. den., 444 U.S. 1093 (1980); but see *SCM Corp. v. Xerox Corp.,* 645 F. 2d 1195, 209 USPQ 889 (CA2 1981), cert. den., 215 USPQ 96 (1982).

If a collateral restraint is used to delay or deny a participant's entry into a market, and the restraint is found not to be reasonably necessary to any lawful purpose of the venture, both Section 7 of the Clayton Act and Section 5 of the FTC Act may be violated. See *Yamaha Motor Co. v. FTC,* 657 F. 2d 971 (CA8 1981), cert. den., 102 S. Ct. 1768 (1982).

Section 7 of the Clayton Act also must be considered where the assets of one participant are acquired by the other, or where assets of each participant are held by a third party formed for the purpose of the joint venture. Assets are deemed to include anything of value including patents, copyrights, trademarks and trade secrets. An acquisition pursuant to Section 7 may include an outright assignment or an exclusive license, but is not believed to include a nonexclusive license. *United States v. Columbia Pictures Corporation,* 189 F. Supp. 153, 182 (S.D.N.Y. 1960); *United States v. Lever Brothers,* 216 F. Supp. 887 (S.D.N.Y. 1963). Such acquisitions between competitors may be deemed to have a high probability or tendency to bring about an anticompetitive effect, and thus be illegal.

Legislative Trends

In considering the antitrust aspects of a joint venture, some consideration also must be made of legislative trends. In this regard, the President signed into law on October 11 the National Cooperative Research Act of 1984. The law requires that a rule-of-reason analysis be applied to any challenge to a joint research and development venture, and that the liability of the joint venturers be limited to actual damages if the participants previously disclosed the venture to the government.

The joint-venture relationships that are addressed in this article are primarily vertical in nature, although some horizontal aspects may arise where a software vendor provides software products to the marketplace as well as services by way of the joint venture to the computer manufacturer. A further ameliorating factor is that the computer software market is highly competitive, with low entry barriers, and usually with many available substitute products. So long as each of the participants of a joint venture is substantially free to enter into similar joint ventures with other parties, and any restraints imposed on the participants are limited to those reasonably necessary to achieve the lawful purposes of the venture, no high antitrust risk is foreseen.

Trademark Law

Where two legal entities enter into a joint research and development venture, and desire to market the results of the venture under a trademark created by them jointly, the participants own the mark collectively rather than separately and may file for registration only by an application in their joint names. The joint owners may license others to use the mark subject to their control over the nature and quality of goods with which the mark is used, and may claim benefits under the related company provisions of the Lanham Act, 15 USC Section 1055. *In re Diamond Walnut Growers, Inc. and Sunsweet Growers, Inc.,* 204 USPQ 507 (PTO TTAB 1979).

In the event the trademark is owned by one of the participants, and the other participant desires to use the mark in association with the results of the venture, such other participant must acquire either an assignment of trademark rights of a license to use the trademark.

The related companies provisions of the Lanham Act, 15 USC Sections 1055, 1127, are said to permit an owner of a mark to license his mark, provided that he controls the nature and quality of the goods or services with which the mark is used. If a licensee is to be certain that he has a right to use the mark, therefore, it is suggested that he at least require that the licensor apply for a federal registration. The right to license a trademark appears to emanate only from the Lanham Act, and the Act requires that the use of the mark be controlled by a registrant or applicant for registration. Reliance should not be placed only upon common law rights in the trademark.

From the licensor's perspective, there are other reasons for obtaining registration before granting a license. Use of a trademark by a related company enures to the benefit of the registrant or an applicant for registration. Although registration in the United States is a right resulting from trademark ownership, rather than a method of acquiring ownership, a registration is prima facie evidence of ownership and places the burden of proving otherwise on a challenger.

The licensor further should be concerned about a licensee being the first user of the trademark in association with goods resulting from the joint venture. The licensor may continue to use the mark with its regular line of goods, but find that the licensee has established through first use the exclusive right to use the mark in connection with goods resulting from the joint venture. It would be prudent for the licensor to make at least a token first use of the trademark with any goods emanating from the venture. See Hefter and Zeidman, *Preparing A Trademark License Agreement: Contractual and Antitrust Considerations,* Licensing Law And Business Report, Vol. 4, No. 1 (1981).

If the right to use the trademark is to be acquired through assignment, the trademark must be assigned together with the enterprise in which the mark is used. A trademark does not exist in gross. *United Drug Co. v. Theodore Rectanus Co.,* 248 US 90 (1918).

Patent Law

Patent rights are secured to inventors and discoverers under 35 USC Sec. 101. The courts have consistently held that the individual who actually conceived the idea, and not the employer, must be named as the inventor even though the employer expressly hired the individual to invent. The inventor in the first instance, therefore, is the owner of the patent rights in any invention which he conceives.

In a joint venture between corporations, any claims to an invention resulting from collaborative efforts may be resolved by an allocation of rights under an express agreement. A question remains, however, as to whether either corporation has any rights. An employee of one of the corporations rather than the employer may own the patent rights to the invention.

The landmark cases concerning the rights of employers and employees to inventions are *Standard Parts Company v. Peck,* 264 U.S. 52 (1924); and *United States v. Dubilier Condenser Corporation,* 289 U.S. 178 (1933). In *Dubilier,* the Supreme Court made clear that where the employee exercises his inventive faculty outside the scope of his employment, there should be no transfer of ownership of inventions to an employer merely because of the existence of an employer/employee relationship. In such cases, it is said that the "shop right" doctrine affords the appropriate degree of protection to the employer. A shop right is generally viewed as a personal and non-transferable right in the employer to use an employees' invention in the employer's regular business. If the employer as a participant in a joint venture contemplated an expansion of business based upon the end results of the venture, however, a mere shop right may not be deemed to be broad enough to permit the granting of marketing rights to support such an expansion.

The rights of an employer are far more pervasive where the purpose of the employment is to invent. In that event, there is an implied condition that legal title to any invention made by the employee shall belong to the employer. See also *Marshall v. Colgate-Palmolive-Peet Co.,* 175 F. 2d 215 (CA3 1949); *Restatement of Agency Second,* Section 397 (1938).

Assignment

The court further stated in *Dubilier* that a patent is property, and that title to a patent may pass only by assignment. The fact that legal title to a patent belongs to the inventor until assigned to another, however, does not prevent the vesting of equitable title in the party contracting the work.

In a principal/independent consultant relationship, the outcome of a case will turn on whether the principal engaged the independent consultant to invent. Where the independent consultant is engaged to invent, then as between the independent consultant and the principal, the patent belongs to the principal. *Stein v. Biocoustics, Inc.,* 178 USPQ 401 (DDC 1973). Otherwise, the patent remains the property of the independent consultant. *B.F. Gladding and Company, Inc. v. Scientific Anglers, Inc.,* 245 Fed. 2d 722 (CA6 1957).

In each of the above cases, all doubt as to ownership may be resolved by an express assignment of patent rights to the employer/principal in consideration of the right to participate in the joint venture and other benefits. Such assignments may be set forth in employee and independent consultant agreements clearly setting forth the requirement to apply inventive skills in pursuance of the object of the joint venture.

If a joint venture with a university is contemplated, it should be realized that such institutions are not secretive societies, and that the unrestricted exchange of ideas is encouraged. Indeed, every student, staff member and notable visitor to the university may have had some association with the institution's research efforts. Further, each member of the university's staff most likely has provided consultation services to many competing entities, and has to some degree incorporated concepts crystallized through collaboration with such entities into the university's research efforts. Still further, the university's research efforts probably have been partially funded under federal and state grants. Lastly, the typical university has adopted no single employee agreement form, but rather has entered into employee-specific agreements which vary dramatically as to the ownership of the creative efforts of the employee.

If a university is chosen as a joint research partner, therefore, the prudent corporation will make inquiries to discover and obviate potential title conflicts. Mere reliance on warranties and other representations in a joint research agreement with the university may prove to be a hollow assurance. A suit for breach of warranty against a university, which is a source of future technology, is not an acceptable alternative to a corporation faced with an injunction enjoining further use of a product.

Trade Secret

Trade secret protection is the legal right to prevent the unauthorized disclosure or use of a valuable secret which was obtained in breach of a confidential or contractual relationship, or with notice that a breach of confidentiality has occurred. *Rohm and Haas Co. v. Adco Chemical Co.,* 689 F. 2d 424 (CA3 1982).

As with patents, any claim to trade secrets resulting from collaborative efforts between corporations may be resolved by an allocation of rights under an express agreement. A problem arises, however, in carrying the confidentiality obligations forward to the employees of a corporation. There is a distinction between an employee who receives preexisting trade secrets from an employer, and an employee who develops a trade secret and then turns it over to the employer. In the absence of an express employer/employee agreement, an employer may not be able to restrict an employee's use or disclosure of a trade secret which the employee developed. *New Method Die & Cut-Out Company, Inc. v. Milton Bradley Company,* 289 Mass. 277 (1935); Structural Dynamics Research Corp. v. Engineering Mechanics Research Corp., 401 F. Supp. 1102, 1110-12 (E.D. Mich. 1975). Where the employer discloses a preexisting trade secret to an employee, however, the courts follow the general rule that the employee is bound by a fiduciary duty not to disclose the trade secret.

In the event that an express agreement exists, convenants not to disclose or use will be enforced to the extent that the plaintiff is able to show that the plaintiff treats the information in question as a trade secret, that the trade secret is valuable to the plaintiff and to plaintiff's competitors, and that a breach of a contractual covenant or confidential relationship has occurred. *Wexler v. Greenberg,* 160 A2d 430, 434 (Pa. 1960); *Future Craft Corporation v. Clary Corporation,* 205 Cal. App. 2d 279 (1962); *Jet Spray Cooler, Inc. v. Crampton,* 282 N.E. 2d 921 (1972).

It would appear prudent for each participant in a joint venture to include not only in the joint-venture agreement, but also in employee and independent consultant agreements, a statement that the employer/principal has committed considerable resources to the joint venture, and that the employees/consultants have been engaged to apply their inventive skills in confidence to achieve the objectives of the joint venture for the sole benefit of the employer/principal.

Where the subject matter of the joint venture comprises highly sensitive technology, the participants may consider having the individual contributors sign an addendum to the joint-venture agreement under which the contributors acknowledge and adopt the confidentiality terms and conditions of the agreement. The importance of this procedure rises dramatically in volatile industries and university relationships, where peripatetic employees and highly individualistic employee agreements are the norm rather than the exception.

Copyright

A copyright is a legal right to prevent others from copying substantial portions of an original work of authorship fixed in any tangible medium from which it can be perceived, reproduced or otherwise communicated, with or without the help of a machine, for the life of the author plus 50 years. In the case of a work made for hire, copyright protection subsists for a period of 75 years from publication, or 100 years from creation, whichever expires first. 17 USC Sections 101, 102 (a), 302 (c) (1976).

Copyright protection is premised on three essential elements: originality, authorship and fixation. Protection does not extend, however, to any idea, procedure, process, system, method of operation, concept, principal or discovery. 17 USC Section 102 (b).

Ownership of the copyrights in a work vests initially in the author of the work, or in the case of a joint work in the authors of the joint work as co-owners. No joint work results, however, unless the participants intend that their individual contributions be merged into a unitary whole. Boorstyn, *Copyright Law*, Ch. 3, Sec. 3.5 (1981).

It is a general rule that employees and independent consultants own the copyright in their own works. Where an employee creates a work within the scope of employment and under the direction and supervision of the employer, however, initial copyright ownership vests in the employer. In the case of an independent consultant, the copyright ownership shall vest in the principal if the principal specially ordered or commissioned the work, the parties by written agreement designate the work as one made for hire, and the work falls within one of the statutory categories. 17 USC Sections 101, 201. If the work falls outside the statutory categories, a written assignment of the copyright to the principal shall be required if ownership is to vest in the principal. In view of the paucity of case law dealing with the allocation of copyright rights between an employer and a consultant under the present Copyright Act, the better approach in all consultant relationships would appear to be an express grant or assignment of rights.

In order to ensure that legal rights under a copyright to a work are transferred as intended by the participants of a joint venture, the participants should review the employee and independent consultant agreements of the transferor, and supplement such agreements with written assignments if they appear defective in any manner. Corrective measures may be required where it is found that an express reservation in the employee/consultant exits, that there is an absence of any description of the scope of employment, or that a statement of intent has been included which indicates that the employer perceives the work product to be useful only in a given medium or only for a specific purpose. In the latter event, the contract may be construed to reserve to the author rights in other media or for other noncompetitive purposes. Nimmer, *Nimmer on Copyrights*, Sec. 5.03(c) at 5-26.1, Footnote 94.

In addition to the above, the joint-venture agreement itself should expressly set forth the scope of the collaborative efforts including the specific contributions expected of each participant, and expressly allocate copyright rights to any resulting work between the participants.

PARTICIPANT INTERESTS

I. Manufacturer/University Relationships

A. The Contributions Agreement:

Computer manufacturers have used both contribution relationships and traditional joint-venture relationships to avail themselves of the intellectual resources of universities. In the first, contributions of funds, hardware, licensed software and services to encourage basic research in the computer arts. Although the results of the basic research may be highly speculative, the rapidly decreasing technological lead which U.S. companies now enjoy suggests that survival depends upon continued support of basic research. In recognition of this need, Congress passed legislation which provides corporations an incentive by way of a tax deduction to contribute to basic research. See IRC Sec. 170(e) (4).

Since collaboration to some degree must occur between the parties, the contributions relationship is deemed to be closely akin to the traditional concept of a joint venture. Ownership problems arise in the contributions relationship when the manufacturer's technology is not used merely as a design tool, but rather is incorporated to some degree into the computer software evolving from the research effort. The ownership problems become particularly acute when confidential information including the manufacturer's operating software system source code and architectures become involved.

If the grant clauses of the contributions agreement are not carefully drafted, the university arguably may have implied licenses under the manufacturer's current and future improvement patents covering technology other than that licensed to the university. Further, where the university desires to make the research results available to competitors, and the manufacturer's software and other know-how is incorporated into such research results, the manufacturer may find itself competing with almost slavish copies of its own software if sufficient controls are not included in any right to sublicense that is granted to the university.

Before addressing the specific license clauses which may be used, it is necessary to place oneself in the shoes of the participants to understand their true interests. Many universities are through various research programs developing a substantial technological base, and are actively participating with commercial houses to jointly design and develop product prototypes. The prototype in this sense refers to a product concept which is sufficiently crystallized to allow a commercial house to apply its technical development resources to produce a commercially viable product.

The university interests most often expressed in entering into a joint research and development venture are the enhancement of its technology base, the continuing right to provide similar services to other parties, and the right to publish the results of their efforts. The manufacturer is interested in enhancing its own technology base, in acquiring a design prototype which through reasonable research and development efforts shall evolve into a commercially competitive product, and in jealously protecting any technology which provides a competitive edge.

Maximum Rights

The corporation thus strives to acquire maximum rights in and control over the technological advances which it has funded. The university on the other hand desires to maintain a viable state-of-the-art research and experimentation capability which may be made available to all. To the extent that the research capability continues to operate at the creative edge of the computer arts, the university shall be able to fund other research efforts through collaborative efforts with industry, and to attract a highly qualified research and teaching staff.

A further prerequisite to drafting specific license clauses is the acquiring of at least a cursory understanding of how the contributed technology shall be used. In the context of a unilateral transfer of technology under a contributions agreement, a technology diagram such as that set forth in Diagram 1 may be useful.

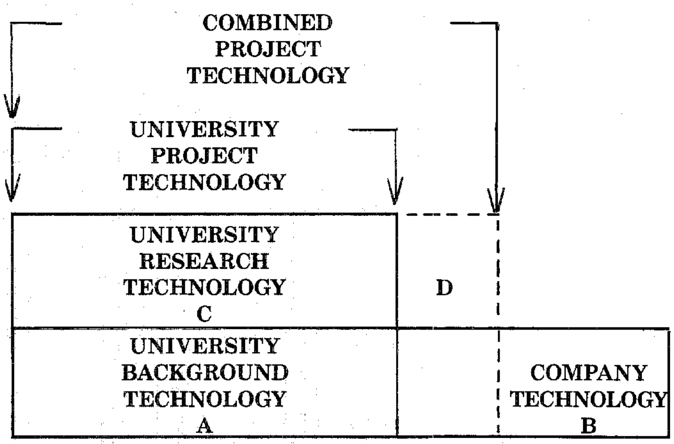

DIAGRAM 1—CONTRIBUTIONS RELATIONSHIP

Referring to Diagram 1, which depicts a first type of research project, the manufacturer may sell computer hardware and license software tools to the university in object code form only for the university's internal use ("COMPANY TECHNOLOGY"), and the university may use the tools to design computer software and enhance the university's background technology that existed prior to the immediate research under consideration ("UNIVERSITY BACKGROUND TECHNOLOGY"). The university research results easily may be controlled to comprise only the UNIVERSITY BACKGROUND TECHNOLOGY and derivatives thereof as indicated by areas A and C ("UNIVERSITY PROJECT TECHNOLOGY"). In this relationship, the university may be granted all rights, title and interests in the UNIVERSITY PROJECT TECHNOLOGY without compromising the manufacturer's rights in its COMPANY TECHNOLOGY as indicated by area B. Where the research results incorporate COMPANY TECHNOLOGY, either partially or wholly as represented by the vertical area D, however, a different approach to ownership rights must be taken. By way of example, if the manufacturer provided the university computer software source codes and design know-how, and such information were incorporated by the university into the research results which are represented in Diagram 1 as COMBINED PROJECT TECHNOLOGY, the manufacturer must seek an alternative to the vesting of title to the research results in the university.

The following clauses provide such an alternative. More particularly they address a dichotomy between confidential and nonconfidential COMPANY TECHNOLOGY, and provide for the enhancement of the UNIVERSITY BACKGROUND TECHNOLOGY while controlling the extent to which COMPANY TECHNOLOGY may be carried forward by the university to third parties.

It is to be understood that the license clauses presented herein purposely include repetitions and extended language to provide a language base. The language base in turn may be adapted primarily through deletions to satisfy specific project requirements.

Under a Definition Section:

1. ABC PROJECT shall mean ______________________________

2. COMPANY PROPRIETARY INFORMATION shall mean COMPANY proprietary information which is disclosed to UNIVERSITY under this Agreement, and which is descriptive of COMPANY'S hardware and software computer products including related technical experience, know-how, show-how, and documentation. COMPANY PROPRIETARY INFORMATION shall include but not be limited to all whole or partial copies and derivatives of the foregoing occurring in any form including application and user manuals, system and program manuals, operating procedures, design specifications, test and diagnostic information, and COMPANY'S computer software programs as identified in Exhibit A to this Agreement and occurring in any form including but not limited to source code or object code recorded on magnetic media or in printed form. COMPANY PROPRIETARY INFORMATION further shall include drawings, logic circuit schematics, parts and wiring lists, physical layouts, logic flow diagrams, and maintenance, repair, manufacturing and servicing documentation.

3. COMPANY CONFIDENTIAL INFORMATION shall mean the source codes and logic architectures of the computer software programs identified in Exhibit A, the COMPANY documents identifed in Exhibit B to this Agreement, and all other COMPANY PROPRIETARY INFORMATION (including all whole or partial copies, versions or derivatives thereof occurring in any form) which is proprietary and confidential, or proprietary and secret to COMPANY.

4. PROJECT TECHNOLOGY shall mean technology either owned by UNIVERSITY, or acquired under a third party license by UNIVERSITY, and technology created only pursuant to research and experimentation conducted as part of the ABC PROJECT. PROJECT TECHNOLOGY shall not include COMPANY PROPRIETARY INFORMATION donated, licensed or otherwise made available to UNIVERSITY under this Agreement.

5. TERM shall mean the term of this Agreement commencing on the effective date first above written, and continuing ________ years thereafter.

Under a License Grant Section:

6.1 COMPANY agrees to grant and hereby grants to UNIVERSITY a royalty free, personal, nonexclusive and nontransferable license to use without right to sublicense the use of COMPANY PROPRIETARY INFORMATION disclosed to UNIVERSITY under this Agreement, provided that such use is only for internal UNIVERSITY purposes directly related to the ABC PROJECT, only during the TERM of this Agreement, and only in strict confidence subject to the terms of Article ________ below.

6.1.1 For purposes of this Article 6.1, the term "use" shall include within the scope of its meaning the rights to install, operate, copy, reproduce, correct, modify, revise, adapt, translate, extend, enhance and prepare derivative works solely for purposes pursuant to and within the scope of the ABC PROJECT, but shall not include the rights to disclose, sublicense, lease, sell or otherwise distribute or make available to others in any form, and shall not include the rights to decompile, deassemble or otherwise reverse engineer COMPANY computer software programs provided in any form to UNIVERSITY under this Agreement.

6.2 Subject to the conditional rights, title and licenses granted to UNIVERSITY under this Article 6, all rights, title and interests including patent, copyright, trade secret and trademark rights in COMPANY'S computer software programs, documentation, and computer equipments as respectively identified in Exhibits A, B and C to this Agreement, and to all other COMPANY PROPRIETARY INFORMATION, are and shall remain vested in DIGITAL to the exclusion of UNIVERSITY.

COMMENT: The following Article 6.3 is drafted to reasonably preclude any claim of joint inventorship to innovations created pursuant to the research effort. It is recognized that discourse shall occur between the parties during the research effort.

6.3 All rights, title and interests including patent, copyright and trade secret rights in PROJECT TECHNOLOGY which is created solely and independently by either UNIVERSITY or COMPANY, or jointly by UNIVERSITY and COMPANY, and which is created in direct pursuance of the ABC PROJECT under this Agreement, but which is separate and distinct from COMPANY PROPRIETARY INFORMATION, shall vest in and be assigned to the UNIVERSITY.

6.3.1 This Article 6.3 does not and shall not be deemed to grant to UNIVERSITY any right or license in any of COMPANY'S worldwide hardware and software product and process patent rights, patents, copyrights, copyright rights, trade secret rights, trade secrets, trademarks, trademark rights, and other COMPANY author and inventor rights in existence on or before the effective date of this Agreement as first above written, or arising thereafter out of any efforts independent of ABC PROJECT efforts under this Agreement.

COMMENT: The above clause is added to preclude any claim of implied rights in COMPANY technology which is independent of the ABC PROJECT.

6.4 In the event that any technology created solely by either UNIVERSITY or COMPANY, or jointly by UNIVERSITY and COMPANY, and in direct pursuance of the ABC PROJECT under this Agreement, includes COMPANY PROPRIETARY INFORMATION but exists separate and distinct from any COMPANY CONFIDENTIAL INFORMATION, COMPANY agrees to grant and hereby grants to UNIVERSITY a royalty free, worldwide and nonexclusive license to use and sublicense (without right to further sublicense) the use of such nonconfidential COMPANY PROPRIETARY INFORMATION following TERM, provided that such nonconfidential COMPANY PROPRIETARY INFORMATION is sublicensed only to the extent that it is modified during TERM and fully incorporated into the PROJECT TECHNOLOGY.

COMMENT: The above proviso is used to preclude the possibility of a university sublicensee superficially modifying the manufacturer's nonconfidential information including software, and then directly competing with the manufacturer in the marketplace.

6.4.1 For purposes of this Article 6.4, the term "use" shall include within the scope of its meaning the rights to copy, reproduce, translate, correct, modify, revise, adapt, extend, enhance, and prepare derivative works, but shall not include the right to sublicense the use of such nonconfidential COMPANY PROPRIETARY INFORMATION separate from the PROJECT TECHNOLOGY.

6.4.2 This Article 6.4 does not and shall not be deemed to grant to UNIVERSITY any license under any of COMPANY'S worldwide hardware and software product and process patent rights, patents, copyright rights, copyrights, trade secrets, trade secret rights, trademarks, trademark rights, and other COMPANY author and inventor rights which are in existence as of the effective date of this Agreement as first above written, or which arise thereafter out of any efforts independent of ABC PROJECT efforts under this Agreement, and which are enforceable by COMPANY against usage other than the use of the nonconfidential COMPANY PROPRIETARY INFORMATION in accordance with this Article 6.4. This waiver of right to bring infringement actions does not extend to modifications made to COMPANY PROPRIETARY INFORMATION after TERM, or to combinations comprised in part of COMPANY PROPRIETARY INFORMATION.

COMMENT: The last sentence of Article 6.4.2 above allows the manufacturer to continue to exercise some control over the manner in which the university sublicenses the manufacturer's technology.

6.5 In the event that any technology created solely by either UNIVERSITY or COMPANY, or jointly by UNIVERSITY and COMPANY, and in direct pursuance of the ABC PROJECT under this Agreement, includes COMPANY CONFIDENTIAL INFORMATION, COMPANY agrees to grant and hereby grants to UNIVERSITY a royalty-free, personal, nontransferable and nonexclusive license to use without right to sublicense the use of such COMPANY CONFIDENTIAL INFORMATION following TERM, provided that such COMPANY CONFIDENTIAL INFORMATION is used only in strict confidence subject to the terms of Article ________ herein, only in the form in existence under this Agreement during TERM, and only as incorporated into the PROJECT TECHNOLOGY.

6.5.1 For purposes of this Article 6.5, the term "use" shall include within the scope of its meaning the rights to copy, reproduce, correct, modify, revise, adapt, translate, extend, enhance and prepare derivative works, but shall not include the rights to sell, sublicense, lease or otherwise disclose or make available to others in any form, and shall not include the right to use COMPANY CONFIDENTIAL INFORMATION separate from the PROJECT TECHNOLOGY.

6.5.2 This Article 6.5 does not and shall not be deemed to grant to UNIVERSITY any license under any of COMPANY'S worldwide hardware and software product and process patent rights, patents, copyright rights, copyrights, trade secrets, trade secret rights, trademarks, trademark rights, and other COMPANY author and inventor rights which are in existence as of the effective date of this Agreement, or which arise thereafter out of any efforts independent of ABC PROJECT efforts under this Agreement, and which are enforceable by COMPANY against usage other than the use of the COMPANY CONFIDENTIAL INFORMATION in accordance with this Article 6.5. This waiver of right to bring infringement actions does not extend to modifications made to COMPANY CONFIDENTIAL INFORMATION after TERM, or to combinations comprised in part of COMPANY CONFIDENTIAL INFORMATION.

6.6 Articles 6.2 and 6.3 shall survive the termination of this Agreement for any reason whatsoever; and Articles 6.4 and 6.5 shall survive the termination of this Agreement because of expiration of TERM only, but only so long as UNIVERSITY continues to satisfy the terms and conditions expressed therein without interruption.

B. University Manufacturer Joint Venture:

In a traditional joint venture where the parties intend to collaborate in the development of a software product prototype, the technology development model of Diagram 2 may be more appropriate. The UNIVERSITY BACKGROUND TECHNOLOGY and the COMPANY TECHNOLOGY remain as before discussed in connection with Diagram 1. As a result of the collaborative effort, research technology may be created which furthers the state-of-the-art, but which is not uniquely identifiable to the computer manufacturer's technology ("GENERIC RESEARCH TECHNOLOGY"). In adhering to the guidelines and specifications set forth by the manufacturer, a part of the research technology of necessity shall be uniquely identifiable to the manufacturer, and shall constitute the core of what the manufacturer deems to be the source of its competitive edge ("COMPANY SPECIFIC RESEARCH TECHNOLOGY"). The technology model

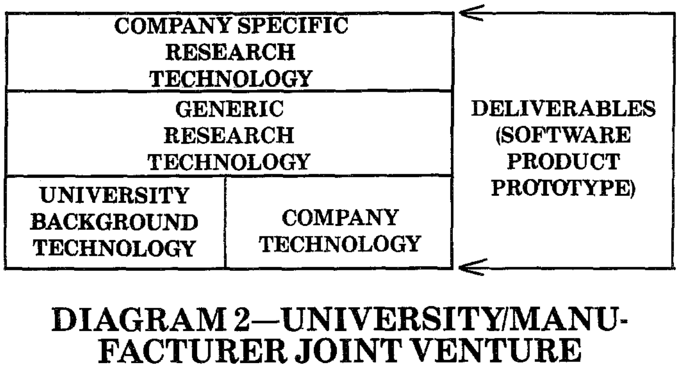

DIAGRAM 2—UNIVERSITY/MANUFACTURER JOINT VENTURE

of Diagram 2 provides a basis for succinctly setting forth the rights of the parties to the technology embodied in the software product prototype, and for deferring to the exhibits of the agreement all negotiations concerning detailed descriptions of GENERIC RESEARCH TECHNOLOGY and COMPANY SPECIFIC RESEARCH TECHNOLOGY. From the manufacturer's perspective, the COMPANY SPECIFIC RESEARCH TECHNOLOGY shall at a minimum include any technology which is confidential and proprietary to the manufacturer. Depending upon its negotiation leverage, the manufacturer shall attempt to include within the scope of the description of COMPANY SPECIFIC RESEARCH TECHNOLOGY as much of the research results as possible to protect its competitive advantage. The university, on the other hand, is interested in increasing its base of knowledge to the extent necessary to secure its position as an intellectual leader at the creative edge of the computer arts. The following agreement clauses may be considered as one of many approaches in carrying the parties' interests into effect.

Under the Definitions Section:

1. DELIVERABLES shall mean all research and experimentation prototype designs created under this Agreement; all associated know-how and show-how including documentation and software tools necessary for COMPANY to install, operate, maintain, repair, enhance and extend such experimental prototype designs; and all revisions, modifications, corrections, enhancements and extensions made by either UNIVERSITY or COMPANY to such experimental prototype designs during the TERM (as hereinafter defined) of this Agreement.

COMMENT: Key words for tax benefits are "research" and "experimentation." Use of the word "development" may suggest mere commercialization of a product.

2. COMPANY PROPRIETARY INFORMATION shall mean COMPANY SPECIFIC TECHNOLOGY as hereinafter defined, and shall mean all other COMPANY proprietary information which is disclosed or otherwise made available by COMPANY to UNIVERSITY under this Agreement, including data bases; computer software object and source codes; hardware/software product architectures; physical, functional, and operating design parameters; and know-how and show-how which is used, useful in or relates to COMPANY's hardware and software data processing system products. COMPUTER PROPRIETARY INFORMATION shall be disclosed to UNIVERSITY under this Agreement in oral, documented, written, electronic, magnetic and other corporeal forms, and shall include all whole or partial copies, derivatives or versions of the foregoing occurring in any form.

3. COMPANY SPECIFIC TECHNOLOGY shall mean that technology including know-how and show-how created under this Agreement by UNIVERSITY or COMPANY, or jointly by UNIVERSITY and COMPANY, and based upon or evolving from COMPANY PROPRIETARY INFORMATION, and that technology which the parties by mutual consent shall define as COMPANY SPECIFIC TECHNOLOGY.

COMMENT: The last phrase in the above clause is used to dramatize the fact that there will be grey area issues which shall have to be resolved by mutual consent.

4. COMPANY CONFIDENTIAL INFORMATION shall mean all or partial copies, versions or derivatives of COMPANY PROPRIETARY INFORMATION occurring in any form which is proprietary and confidential, or proprietary and secret to COMPANY.

5. UNIVERSITY BACKGROUND TECHNOLOGY shall mean that UNIVERSITY technical information including know-how and show-how related to the experimentation, research and development of ABC technology, and either owned by UNIVERSITY, or acquired by UNIVERSITY under a third party license with right to sublicense, and in the possession of UNIVERSITY, and in the form of a working prototype or reduced to a writing prior to the effective date of this Agreement as first above written. Such UNIVERSITY BACKGROUND TECHNOLOGY is specifically described and identified in Exhibit A to this Agreement.

UNIVERSITY BACKGROUND TECHNOLOGY further shall mean that UNIVERSITY technical information including know-how and show-how related to the experimentation, research and development of ABC technology for which COMPANY has not funded the development or creation, but to which UNIVERSITY has acquired on or after the effective date of this Agreement either all rights, title and interests, or a license with right to sublicense it use.

COMMENT: Many universities have affiliate or associate programs funded by industry wherein all research results are shared by the industry members.

UNIVERSITY BACKGROUND TECHNOLOGY shall not include COMPANY SPECIFIC TECHNOLOGY and other COMPANY PROPRIETARY INFORMATION, or any confidential information received by UNIVERSITY from third parties without a right to grant sublicenses of any tier in full accordance with the rights assigned or otherwise granted to COMPANY under this Agreement.

COMMENT: The above clause is included to avoid the incorporation of any third-party confidential information into the DELIVERABLES which may be a basis for enjoining COMPANY against exercising its rights under the agreement.

6. GENERIC RESEARCH TECHNOLOGY shall mean that technical information including know-how and show-how wholly created under this Agreement by UNIVERSITY or COMPANY, or jointly by UNIVERSITY and COMPANY, and resulting solely from experimentation and research efforts funded by COMPANY hereunder, but specifically excluding COMPANY SPECIFIC TECHNOLOGY and other COMPANY PROPRIETARY INFORMATION.

COMMENT: This clause separates the research results of this agreement from that of the university affiliate programs.

7. UNIVERSITY PROPRIETARY INFORMATION shall mean UNIVERSITY BACKGROUND TECHNOLOGY and GENERIC RESEARCH TECHNOLOGY taken collectively.

8. UNIVERSITY CONFIDENTIAL INFORMATION shall mean all whole or partial copies, versions, and derivatives of UNIVERSITY PROPRIETARY INFORMATION in any form which are proprietary and confidential, or proprietary and secret to UNIVERSITY.

COMMENT: The above clause is included to provide a balanced bilateral effect to the definitions section. Most universities, however, are very sensitive to any inference that other than non-university information is protected in confidence.

9. CONFIDENTIAL INFORMATION shall mean UNIVERSITY CONFIDENTIAL INFORMATION and COMPANY CONFIDENTIAL INFORMATION taken collectively.

10. INTELLECTUAL PROPERTY RIGHTS shall mean:

(a) all rights, title and interests in all Letters Patent and applications for Letters Patent (including any reissue, division, continuation or continuation-in-part applications), in all Patents of Addition, Petty Patents, and Patents of Importation, in all invention certificates, and in all industrial designs, industrial models, utility models and applications for equivalent forms of protection now or hereafter filed throughout the world;

(b) all rights, title and interests in all trade secret rights or equivalent rights arising under the common law, state law, federal law and laws of foreign countries;

(c) all rights, title and interests in all trademark rights, all copyright rights, and all other literary property or author's rights, whether or not copyrightable; and all rights, title and interests in all copyrights and copyrighted interests; and

(d) all rights, title and interests in any and all know-how and show-how, whether or not patentable, copyrightable, or protectable by trade secret.

COMMENT: The above clause is very dangerous if not property limited in the license grant clause to rights in a specific technology. A mere grant "under INTELLECTUAL PROPERTY RIGHTS to use" a *technology may absolve the grantee of any infringement liability for using any combination including the licensed technology as a part.*

11. TERM shall mean the term of this agreement commencing on the effective date first above-written and expiring ________________ (______) years thereafter, unless sooner terminated or extended in accordance with the terms and conditions of Article ______ herein.

12. References to a specific Article in this Agreement shall be deemed to include within the scope of the reference all Articles depending therefrom. By way of example, a reference to Article 13.5 includes Article 13.5.1.

Under the License Grant Section:

ARTICLE 13 — LICENSE GRANTS AND TITLE RIGHTS

13.1 As between COMPANY and UNIVERSITY, and subject to the limited rights and licenses granted to COMPANY under this Article 13, UNIVERSITY is and shall remain vested with all rights, title and interests including INTELLECTUAL PROPERTY RIGHTS in UNIVERSITY BACKGROUND TECHNOLOGY, and shall be vested immediately upon creation under this Agreement with all rights, title and interests including INTELLECTUAL PROPERTY RIGHTS in GENERIC RESEARCH TECHNOLOGY.

13.2 As between COMPANY and UNIVERSITY, and except for those rights in UNIVERSITY PROPRIETARY INFORMATION which are expressly reserved by UNIVERSITY herein, all rights, title and interests including but not limited to INTELLECTUAL PROPERTY RIGHTS in any DELIVERABLES shall be vested solely in COMPANY to the complete exclusion of UNIVERSITY immediately upon creation in any form under this Agreement.

13.3 Subject to the limited rights granted to UNIVERSITY under this Article 13, all rights, title and interest including but not limited to INTELLECTUAL PROPERTY RIGHTS in COMPANY SPECIFIC TECHNOLOGY and other COMPANY PROPRIETARY INFORMATION are, shall remain, and shall be vested solely in COMPANY to the complete exclusion of UNIVERSITY whether or not created in any form under this Agreement.

13.4 COMPANY agrees to grant and hereby grants to UNIVERSITY a royalty-free, personal, nontransferable and nonexclusive license to use without right to sublicense the use of COMPANY PROPRIETARY INFORMATION, provided that such use is only for internal UNIVERSITY purposes directly related to the ABC PROJECT, only during the TERM of this Agreement, and only in strict confidence subject to the terms of Article ________ below.

13.4.1 For purposes of this Article 13.4, the term "use" shall include within the scope of its meaning the rights to install, operate, copy, reproduce, correct, modify, revise, adapt, translate, extend, enhance and prepare derivative works solely for purposes pursuant to and within the scope of the ABC PROJECT, but shall not include the rights to disclose, sublicense, lease, sell or otherwise distribute or make available to others in any form.

13.5 UNIVERSITY agrees to grant and hereby grants to COMPANY a royalty-free, nonexclusive and worldwide right to sublicense with right to further sublicense the use of GENERIC RESEARCH TECHNOLOGY and UNIVERSITY BACKGROUND TECHNOLOGY only in association with and as embodied in COMPANY products.

13.5.1 For purposes of this Article 13.5, the term "use" shall include within the scope of its meaning the rights of installation, operation, maintenance, repair, improvement, correction, modification, revision, copying, reproduction, adaptation, translation, extension, enhancement, and preparation of derivative works, and further shall include the right to sublicense to others in any form for the sole purpose of marketing either or both of GENERIC RESEARCH TECHNOLOGY and UNIVERSITY BACKGROUND TECHNOLOGY in association with and as embodied in COMPANY products for sale, license, lease, or other disposal, but not for purposes of marketing either GENERIC RESEARCH TECHNOLOGY or UNIVERSITY BACKGROUND TECHNOLOGY separate from COMPANY products.

13.6 UNIVERSITY's right to use and sublicense the use of UNIVERSITY PROPRIETARY INFORMATION shall not in any way be limited by the terms and conditions of this Agreement.

13.7 UNIVERSITY and COMPANY each upon request shall sign and shall cause their employees to sign all documents including applications for registration, applications for Letters Patent, and assignments of title in and to concepts, developments, improvements, inventions and copyrights as shall be required to bring into effect and protect the rights, title and interests granted under this Agreement.

COMMENT: Patent and copyright assignments by separate document may be preferred to avoid filing the entire agreement. As before stated, the manufacturer in addition may want to consider adding immediately after the signature section an acknowledgement similar to the following for signature by each member of the university staff who will be involved with the joint venture:

We, the undersigned, employees of ________________ University, have read and understand the terms and conditions set forth in the Agreement between the ________________ University and ________________ Corporation, dated ________________, 1984, and hereby concur in and adopt the terms and conditions of the Agreement including the averments of title, the assignment of copyright and invention rights, the license grants, and the confidentiality obligations expressly set forth therein.

____

____

____

____

____

____

State of ________________)
)
County of ________________)

The above subscribers to the statement of adoption came before me on this ________________ day of ________________, 1984, identified themselves to me, and signed their names in my presence.

(SEAL) ________________________________
(Notary Public)

My Commission Expires: ________________

II. Manufacturer/Vendor Joint Venture

In a joint research and development venture between a computer manufacturer and a software vendor, a relationship different from that enjoyed with a university usually arises. The vendor is highly protective of its background technology, and may attempt to withhold all software design and development tools from the manufacturer. The manufacturer on the other hand is paying the freight, and usually is not willing to allow the vendor to carry forward to others anything that it did not have prior to the joint venture. Pictorially, the joint venture may be represented by the technology profile set forth in either Diagram 2 or Diagram 3. Whether the joint venture assumes the form of Diagram 2 or Diagram 3 depends upon the negotiation leverage of the parties. Diagram 2 favors the vendor, and Diagram 3 favors the manufacturer.

As a joint venture in accordance with Diagram 2 previously has been addressed, only a joint venture as depicted in Diagram 3 shall be further considered.

Referring to Diagram 3, a traditional joint venture is presumed wherein a collaborative effort and mutual contributions of technology are required to produce a software product prototype ("DELIVERABLE"). The VENDOR BACKGROUND TECHNOLOGY may include

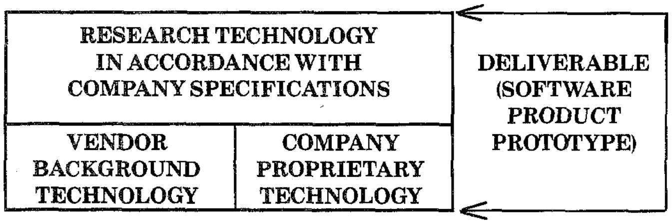

DIAGRAM 3—MANUFACTURER INDIVIDUAL CONSULTANT AGREEMENT

software design, maintenance and simulation tools as well as preexisting related product technology. The COMPANY PROPRIETARY TECHNOLOGY includes the manufacturer's design specifications as well as the manufacturer's hardware and software products used in the joint venture. For example, a prototype compatible with the manufacturer's computer hardware and operable under the manufacturer's operating software systems may be required.

The manufacturer shall seek to acquire exclusive rights in both the object code and source code forms of the DELIVERABLE, and nonexclusive rights to use the vendor's software design and maintenance tools to keep the DELIVERABLE competitive. The vendor will be allowed to reserve only the right to use the VENDOR BACKGROUND TECHNOLOGY to provide similar services to others. The manufacturer's competitive edge thereby is protected, and the vendor is not foreclosed from using its expertise for the benefit of others. The vendor is not allowed, however, to enhance that expertise at the expense of the manufacturer, and thereafter provide such enhancements at a reduced cost to third parties.

The vendor shall seek to protect its competitiveness by reserving the exclusive right to use and sublicense the use of VENDOR BACKGROUND TECHNOLOGY independent of the DELIVERABLE, and by reserving for its sole personal use at least the source codes for its software tools.

The following clauses strike a compromise to which each party may be amenable:

Under The Definitions Section:

1. SOFTWARE DEFINITION DOCUMENT shall mean the specifications including physical, functional and operating design parameters for a computer software prototype design as set forth in Exhibit A to this Agreement.

2. SOFTWARE PRODUCT shall mean a computer software prototype which is jointly designed under this Agreement by VENDOR and COMPANY, which is in substantial conformance with the design specifications as set forth in Exhibit A, and which is compatible with COMPANY's computer system operating under COMPANY's ________ operating software system, Version __________. SOFTWARE PRODUCT shall include within the scope of its meaning both the machine executable object code and machine readable source code forms of the computer software prototype, and all related documentation as more specifically identified in Exhibit B to this Agreement.

3. MAINTENANCE PRODUCTS shall mean all and any kind of information, whether or not in documentary form, which is used or useful in or relating to the design, development, installation, operation, maintenance, modification or correction of the SOFTWARE PRODUCT, including design tools, flow charts, operating procedures, operating specifications, source code and object code computer listings, execution control language, test and diagnostic information, maintenance information, design specifications, system manuals, and other know-how and show-how information in unwritten, written or printed form which is necessary to provide COMPANY with a capability to design, develop, install, operate, modify, correct, maintain and support the SOFTWARE PRODUCT. MAINTENANCE PRODUCTS shall include but not be limited to the documentation more specifically identified in Exhibit C to this Agreement.

4. TERM shall mean the term of this Agreement commencing on the effective date first above-written, and continuing thereafter until terminated by either party in accordance with Article ________ of this Agreement.

5. RESEARCH TECHNOLOGY shall mean that technology created by either VENDOR or COMPANY, or jointly by VENDOR and COMPANY, under this Agreement. RESEARCH TECHNOLOGY shall include any and all modifications, corrections, revisions, improvements, extensions, and enhancements made by either VENDOR or COMPANY, or jointly by VENDOR and COMPANY, to the SOFTWARE PRODUCT during TERM, and by COMPANY following TERM.

6. COMPANY PROPRIETARY INFORMATION shall mean ____ ________________________________.

7. COMPANY CONFIDENTIAL INFORMATION shall mean all whole or partial copies, versions or derivatives of COMPANY PROPRIETARY INFORMATION in any form which is proprietary and confidential or proprietary and secret to COMPANY, including but not limited to that information more particularly identified and described in Exhibit D to this Agreement.

8. VENDOR BACKGROUND INFORMATION shall mean that VENDOR business and technical information including know-how and show-how related to the development and marketing of computer software systems having operating characteristics and functionalities similar to those set forth in Exhibit A, and developed by VENDOR or in the possession of VENDOR and reduced or readily reduceable to a human readable writing or printing in the English language (or in source code with English language commentary fully disclosing all algorithms used) prior to the effective date of this Agreement as first-above written. VENDOR BACKGROUND INFORMATION shall include but not be limited to that information more particularly identified and described in Exhibit E to this Agreement. VENDOR BACKGROUND INFORMATION shall not include COMPANY PROPRIETARY INFORMATION.

> *COMMENT: In the event of a conflict as to ownership of technology, the above clause sets forth the type of evidence which the VENDOR must adduce.*

9. VENDOR CONFIDENTIAL INFORMATION shall mean all whole or partial copies, versions or derivatives or VENDOR BACKGROUND INFORMATION in any form which is proprietary and confidential, or proprietary and secret to VENDOR, including but not limited to that information more particularly identified and described in Exhibit F to this Agreement.

10. END-USER CUSTOMER(S) means an end-user of the SOFTWARE PRODUCT sublicensed by COMPANY pursuant to the terms and conditions of this Agreement, and having no right to further sublicense the SOFTWARE PRODUCT.

11. OEM CUSTOMER(S) shall mean a software distributor or other licensing intermediary sublicensed by COMPANY pursuant to the terms and conditions of this Agreement, and having a right to further sublicense the SOFTWARE PRODUCT only to END-USER CUSTOMERS pursuant to the terms and conditions of this Agreement.

12. CONFIDENTIAL INFORMATION shall mean COMPANY CONFIDENTIAL INFORMATION and VENDOR CONFIDENTIAL INFORMATION taken collectively.

13. INTELLECTUAL PROPERTY RIGHTS shall mean:

(1) all rights, title and interests in all Letters Patent and applications for Letters Patent (including any reissue, division, continuation or continuation-in-part applications), in all Patents of Addition, in all invention certificates, and in all industrial designs, industrial models, utility models and applications for equivalent forms of protection now or hereafter filed throughout the world;
(2) all rights, title and interests in all trade secret rights or equivalent rights arising under the common law, state law, federal law and laws of foreign countries;
(3) all rights, title and interests in all copyright rights, and all other literary property or author's rights, whether or not copyrightable; and all rights, title and interests in all copyrights and copyrighted interests; and
(4) all rights, title and interests in any and all know-how and show-how, whether or not patentable, copyrightable, or protectable by trade secret.

Under The License Grant Section:

14. Subject to the limited rights granted to VENDOR under this Agreement, all rights, title and interests including INTELLECTUAL

PROPERTY RIGHTS in COMPANY PROPRIETARY INFORMATION are and shall remain vested solely in COMPANY.

15. Subject to the limited rights granted to COMPANY under this Agreement, all rights, title and interests including INTELLECTUAL PROPERTY RIGHTS in VENDOR BACKGROUND INFORMATION are and shall remain vested solely in VENDOR.

16. VENDOR hereby assigns to COMPANY all of VENDORS right, title and interests including INTELLECTUAL PROPERTY RIGHTS in RESEARCH TECHNOLOGY.

16.1 VENDOR agrees to sign and to cause its employees to sign, and to assist in the preparation, filing and correction of all legal documents including applications for registration, applications for Letters Patent and assignments of title in and to concepts, developments, improvements, inventions and copyrights as shall be required to bring into effect the license grants and assignments of title made to COMPANY under this Agreement.

COMMENT: In referring to inventions, it is recommended that reference to both concepts and inventions be made since an inventi^n requires both a conception and a reduction to practice. Thus, a reference only to inventions may be construed to imply a continuing right in the VENDOR to use the concept.

17. VENDOR agrees to grant and hereby grants to COMPANY a royalty free, nonexclusive and worldwide right to use and sublicense the use of VENDOR BACKGROUND INFORMATION only as embodied in and used in association with the SOFTWARE PRODUCT.

17.1 For purposes of this Article 17, the term "use" shall include within the scope of its meaning and the rights to copy, reproduce, translate, correct, modify, revise, adapt, extend, enhance, and prepare derivative works, but shall not include the right to sublicense the use of VENDOR BACKGROUND INFORMATION separate from the SOFTWARE PRODUCT.

18. VENDOR agrees to grant and hereby grants to COMPANY a royalty free, nonexclusive and worldwide right to use MAINTENANCE PRODUCTS only for the purpose of testing, correcting, modifying, enhancing and extending the SOFTWARE PRODUCT.

18.1 Pursuant to the license grant of Article 18, COMPANY shall have the right to sublicense only to OEM CUSTOMERS without right to further sublicense. Neither COMPANY nor COMPANY's sublicensees shall have the right to sublicense to END-USER CUSTOMERS.

19. COMPANY agrees to grant and hereby grants to VENDOR a personal, nontransferable and nonexclusive license to use without right to sublicense the use of COMPANY PROPRIETARY INFORMATION and RESEARCH TECHNOLOGY only for purposes in pursuance of this Agreement, only in confidence pursuant to the terms of Article ________ below, and only during TERM.

19.1 For purposes of this Article 19, the term "use" shall include within the scope of its meaning the rights to install, operate, copy, reproduce, correct, modify, revise, adapt, translate, extend, enhance and prepare derivative works solely for purposes pursuant to and within the scope of this Agreement, but shall not include the rights to disclose, sublicense, lease, sell or otherwise distribute or make available to others in any form, and shall not include the rights to decompile, deassemble or otherwise reverse engineer COMPANY computer software programs provided in any form to VENDOR under this Agreement.

20. Articles 14, 15, 16 shall survive the termination of this Agreement for any reason whatsoever; and Articles 17 and 18 shall survive the termination of this Agreement for expiration of TERM only, but only so long as COMPANY continues to observe the conditions expressed therein without interruption.

III. Manufacturer/Individual Consultant Agreement

Computer manufacturers have long sought the services of independent consultants who have demonstrated a highly sophisticated expertise in specialized areas of the computer arts. Such consultants have been used to refine computer software concepts and designs as well as to develop software products on-site.

In the context of software ownership, great care usually is exercised by the computer manufacturer to confine the consultant's activity to the development efforts expressly set forth in the consultant's agreement, and to require an express assignment of all rights, title and interests including patent and copyright interests in any work created or developed by the consultant in pursuance of the agreement. Further, in order to incline the balance of equities in favor of the manufacturer in the event that issues of title to trade secrets, inventions and copyrights are raised, the consultant's agreement usually is drafted to highlight the facts that (1) the consultant is hired to apply his inventive skills for a specific purpose and for the sole benefit of the principal, (2) the principal has and is continuing to expend considerable resources in the development effort for which the consultant has been hired, and (3) the consultant is under a covenant to hold the manufacturer's technology, including improvements and derivatives thereof created or developed by the consultant, in confidence.

The above relationship is pictorially represented by the technology model of Diagram 3, wherein the consultant's right to continue using the general methods, processes and techniques through which his skill is made available to all clients is reserved as VENDOR BACKGROUND TECHNOLOGY. Only rarely do individual consultants have the leverage to acquire ongoing rights in the technical improvements and creations resulting from the relationship. If rights in the improvements and creations become an issue, however, then grant clauses in accordance with the technology model of Diagram 2 may be an acceptable compromise.

In all consultant agreements it is recommended that rights in any work product including patent and copyright rights be expressly allocated between the parties. In view of recent trends in several jurisdictions to more jealously protect employee proprietary interests, it may be ill advised to rely solely upon implied rights in inventions and copyrights which may flow from the use of "hired-to-invent" and "work-made-for-hire" language in an agreement.

CONCLUSION

The expectations of the participants in a joint venture may be met by any licensing attorney who has learned through experience to address the real interests of each party from that party's perspective. In order to preserve the expectations, however, the Joint-Venture Agreement must be drafted to anticipate ownership problems which may arise from the collaborative efforts of the participants. This is accomplished in part by looking beyond the participants to their employees, consultants, and other business relationships, and curing title defects which may compromise the rights granted under the Joint-Venture Agreement. Although certain of the ownership issues may be resolved by operation of law, the better approach is to expressly allocate intellectual property rights between the participants. In allocating rights, however, care must be exercised to avoid collateral restraints which extend beyond the scope of the joint venture, and which are unnecessary to achieve its lawful main purpose.