



Information Technology: Avoiding Liability and Increasing Value



Intellectual Property Rights in Software and Data

Rights in Software and Data Result From:

- Federal copyright law
- Federal patent law
- State trade secret law

Copyright Law

- Protects tangible embodiments of expressions
- Owner gets exclusive rights to display, perform, reproduce, create derivative works
- Ownership vests on creation
- Infringers can pay as damages
 - Reasonable royalties
 - Statutory damages
 - Attorney's fees

Patent Law


- Protects new, useful and non-obvious ideas
- Owner gets exclusive rights to make, use and sell
- Ownership is the result of administrative process
- Infringers can pay as damages
 - Reasonable royalties
 - Treble damages for willful infringement
 - Attorney's fees

Trade Secret Law

- Protects ideas
- Owner must use “reasonable steps under the circumstances” to own rights in a trade secret or confidential information
- Infringers pay reasonable royalties




Avoiding Liability for Intellectual Property Infringement



Licenses Are Contracts in Which the
Owner or Licensor of Intellectual
Property Promises Not to Sue the
Licensee for Infringement



Avoiding Liability for Infringement Means Obtaining the Right Promise From the Owner/licensor



A Well Structured License Agreement Addresses the Issues Who, What, When, Where and Why

Who Will Use the Software?

- Which members of the current and future corporate family?
- Which third parties?
 - Outsourcers
 - Other consultants (eg. Disaster recovery providers, systems integrators)
 - New affiliates
 - Successors in interest

What Will the Users of the Software Do?

- Use
- Copy
- Create derivative works
- Distribute

When Will Users of the Software Use the Software?


- During a specified term
- For a specified or indefinite period after an affiliate is divested

Where?

- At licensor's or licensor's affiliates' premises
- At outsourcer's premises
- Over the Internet
- At employee's or outsourcers' employee's homes
- At the premises of a disaster recovery provider

Why?

- Process licensee's data
- Process the data of licensee's affiliates
- Process the data of licensee's and licensee's affiliate's clients



By entering into licenses that correctly address these issues, licensees can avoid liability that arises from inadvertently entering into agreements that do not convey to the licensee sufficient rights to do what the licensee intends to do



Creating Valuable Intellectual Property Assets



Creating Value Means Taking the Steps Necessary to Preserve Intellectual Property Rights

- Copyrights should be analyzed for possible registration
- Ideas should be held in confidence and analyzed for potential patentability
- All agreements should include appropriate provisions that vest in the proper entity rights in the software

Development Agreements


- Any intellectual property rights that will not be owned by the developer must be expressly assigned to recipient of the development services
- Non-disclosure and non-use provisions should be used to preserve rights in trade secrets

Employee Agreements

- Rights in patents must be assigned
- Confidential information must be protected



Avoiding Liability for use of Personally Identifiable Information



Many Companies Collect Information From Customers or Others That Is Personally Identifiable

Numerous Laws Prohibit Various Uses of Personally Identifiable Information

- Health Information Portability and Accountability Act of 1996
- Video Privacy Protection Act of 1988
- Driver's Privacy Protection Act of 1994
- Telecommunications Act of 1996
- Gramm-Leach-Bliley Act of 1999
- Fair Credit Reporting Act
- Several acts are pending in Congress



To Avoid Liability, Identify and Comply With Applicable Laws

Agency Actions Have Restricted Sale of Personally Identifiable Information

- Toysmart.com

To Create Value in Consumer Information

- Publicize a policy for use of data
- Get the policy certified by an independent third party
- Include in the policy
 - Choice of the consumer as to whether the information can be used, sold, etc., and for what purposes
 - Providing notice of changes
 - Choice about opting in or opting out