

# *Mitigating Litigation Risk in Technology Transactions*

---

December 14, 2022

## **PRESENTED BY**

Elizabeth Dillon, Associate General Counsel, Freddie Mac

Tom Knox; Partner, King & Spalding LLP

Umung Varma, Head-Corporate Counsel, Wipro

Brian White; Partner, King & Spalding LLP

Dirk Lasater; Associate, King & Spalding LLP

# Today's Speakers

---



**Elizabeth Dillon**

Associate General Counsel,  
Freddie Mac

*elizabeth\_dillon@freddiemac.com*



**Tom Knox**

Partner, King & Spalding  
Corporate Technology

*tknox@kslaw.com*

+1 703 245 1010



**Umung Varma**

Head-Corporate Counsel,  
Wipro Limited

*umung.varma@wipro.com*



**Brian White**

Partner, King & Spalding  
Trial & Global Disputes

*bwhite@kslaw.com*

+1 404 572 4739

# Agenda

---

- **Intellectual Property Provisions**

- Works Made for Hire
- Joint Ownership

- **Indemnification**

- Scope of Indemnity
- Carve Outs and Carve Ins
- Notice and Tender

- **Choice of Law/Jurisdiction**

- Differentiation of Concepts in State Law
- Enforceability of Selection (Shall v. May)

- **Arbitration Clauses**

- Arbitration vs. Litigation
- Arbitration Myths
- Common Pitfalls

- **Other Terms**

- **Conclusion/Q&A**

# Intellectual Property Provisions

---

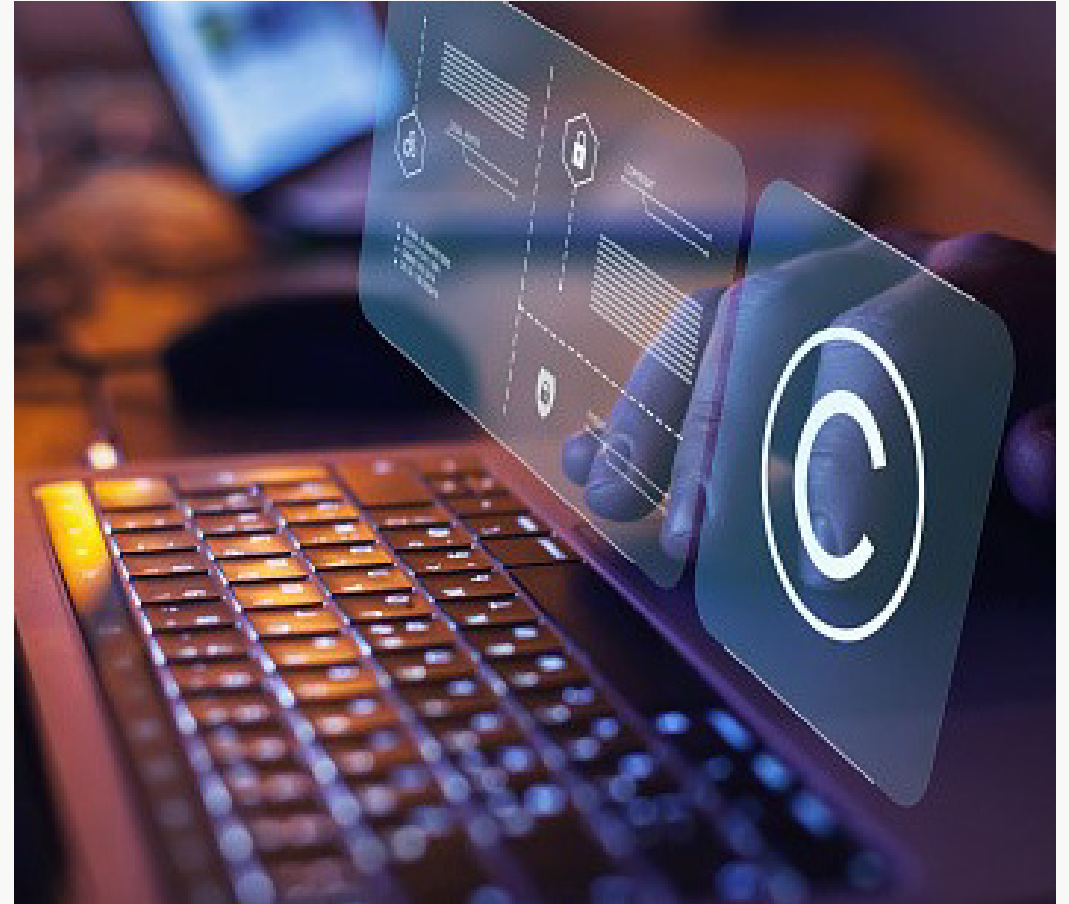


# Works Made for Hire

---

The Copyright Act identifies two ways a work may be a work made for hire:

- Created by an employee within the scope of the employee's employment; or
- (i) Specially commissioned (ii) in a written agreement and (iii) falls into one of nine specific categories. (17 U.S.C. § 101.)



# Works Made for Hire

---

## 9 Categories of Works Made for Hire (17 U.S.C. § 101(2))

- (1) Contribution to collective work;
- (2) Part of a motion picture or audiovisual work;
- (3) Translation;
- (4) Supplementary work;
- (5) Compilation;
- (6) Instructional text;
- (7) Test;
- (8) Answer material for a test; or
- (9) Atlas.

### Question:

Which, if any of these, applies to software?

# Works Made for Hire

---

Contributions to website development and computer system development may qualify as a contribution to a collective work:

- *Stanacard, LLC v. Rubard, LLC*, 2016 WL 462508 (S.D.N.Y. Feb. 3, 2016).
- *IXL, Inc. v. AdOutlet.com, Inc.*, 2001 WL 315219 (N.D. Ill. Mar. 29, 2001).

Contributions can also be a compilation:

- *Logicom Inclusive, Inc. v. W.P. Stewart & Co.*, No. 04 CIV. 0604 (CSH) (S.D.N.Y. Aug. 10, 2004).

Software “shall be the property [of Customer]” insufficient language to convey ownership.

- *Pro. Portable X-Ray, Inc. v. Nelson*, 301 F.Supp.3d 943, 949 (D. Minn. 2018).
- *Saxon v. Blann*, 968 F.2d 676, 680 (8th Cir. 1992) (holding that transferring “ownership rights” was not a written statement transferring copyright ownership).

# Works Made for Hire

---

## EXAMPLE LANGUAGE:

- All Work Product shall be considered “work made for hire” (as such term is defined in 17 U.S.C. §101) and shall be the sole and exclusive property of Customer.
- **To the extent any Work Product is not considered work made for hire, Consultant hereby irrevocably assigns and agrees to assign** to Customer all right, title and interest worldwide in and to the Work Product (whether currently existing or conceived, created or otherwise developed later), including, without limitation, all intellectual and proprietary rights related thereto, effective immediately upon the inception, conception, creation or development thereof.
- **To the extent that any Work Product is not assignable or Consultant retains any right, title or interest in and to any Work Product, Consultant hereby grants to Customer a perpetual, irrevocable, fully paid-up, royalty-free, transferable, sublicensable (through multiple levels of sublicensees), exclusive, worldwide right and license** to use, reproduce, distribute, display and perform (whether publicly or otherwise), prepare derivative works of and otherwise modify, make, sell, offer to sell, import and otherwise use and exploit (and have others exercise such rights on behalf of Customer) such Work Product, in any form or media (now known or later developed).

# Joint Ownership

---

## Joint Ownership Disfavored by Many Practitioners

A “joint work” is a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole. 17 U.S.C. § 101.

Presumption turns on intention of each party. See *Oliver v. Johanson*, 357 F.Supp.3d 758, 774 (W.D. Ark. 2018); *Nimmer on Copyright* § 6.03.



# Indemnification

---



# Scope of Indemnity

---



## Nexus Phrases:

- “Caused by,” “resulting from,” “solely resulting from” or “arising from or related to”.
- Customers prefer broad, expansive language to ensure coverage for any conceivable claim.

## Coverage of Claims

- Defend, Indemnify and Hold Harmless
- Direct v. Third-party Claims
- Subject Matter of Coverage (e.g., Infringement, Breach of Contract)

# Scope of Indemnity

---

## EXAMPLE LANGUAGE:

Consultant will **defend, indemnify and hold harmless** Customer, its affiliates, and their respective directors, officers, and employees against all settlement amounts approved by Consultant and any liabilities, damages, losses, costs, fees (including legal fees), and expenses in connection with any **direct or third-party** claim or legal proceeding to the extent **arising from or related to**:

- (i) Consultant's breach of warranty, negligence, willful misconduct, fraud, misrepresentation, or violation of applicable laws;
- (ii) any property damage, personal injury, or death related to Consultant's performance of the Services;
- (iii) any breach of Confidentiality; Publicity; Privacy and Security or applicable data protection laws; or
- (iv) any allegation that use of the Services or Deliverables infringes or misappropriates any third party's rights, including Intellectual Property Rights.

# Carve Outs and Carve Ins

---

## EXAMPLE LANGUAGE:

The Indemnification obligation in this Section will not apply to the extent the underlying allegation arises from:

- Modifications to the Services or Deliverables not authorized or made by Consultant;
- Combinations of the Services or Deliverables with other products, services, software or methods not required for Customer's use of the Services or Deliverables; or
- Compliance with designs or instructions provided by Customer in writing.



# Carve Outs and Carve Ins

---

## EXAMPLE LANGUAGE:

The Indemnification obligation in this Section will not apply to the extent the underlying allegation arises **solely** from **(and would not exist but for)**:

- Modifications to the Services or Deliverables not authorized or made by Consultant; or
- Combinations of the Services or Deliverables with other products, services, software or methods not required for Customer's use of the Services or Deliverables.



# Notice and Tender

---

Parties often contest the timing of the tender of defense:

- The Indemnified Party shall deliver to the Indemnifying Party a written notice advising of a Claim **(provided that any delay in notification will not relieve the Indemnifying Party of its indemnity obligations except to the extent that such delay results in a material prejudice to the Indemnifying Party's ability to defend such Claim) ...**

Without the carve in, indemnity may be waived if notice is delayed.

Take note of step-in rights/requirements to tender the defense

Supplier must be solvent enough to support indemnification obligations.

**Tip:** Ensure that suppliers are required to maintain sufficient insurance coverage to support an indemnity obligation, and to carve indemnity obligations from any cap on liability.

# Choice of Law/Jurisdiction

---



# Differentiation of Concepts in State Law

---

## Various Concepts Diverge Widely Depending on the Jurisdiction

- Gross Negligence
- Force Majeure
- Statute of Limitations
- Merger Clauses
- Incorporation of Treaties and Uniform Laws (CISG/UCITA)



# Enforceability of Selection

---



Exclude Conflicts of Laws Analysis?

Shall, May, or Exclusive

- Does shall *always* mean shall?

Nexus/Relationship to Action/Parties

- NY (NY UCC § 1-1301; N.Y. Gen. Oblig. Law § 5-1402.)
- DE (Del. Code Ann. tit. 6 § 2708.)

State v. Federal Court

- “Courts of the State of Florida”

# Arbitration Clauses



# Arbitration vs. Litigation

---

## ARBITRATION PROS

One-stop Shopping

(e.g., where IP rights are registered in multiple jurisdictions)

Availability of Specialist Arbitrators

Confidentiality

(or not)

Limited Discovery

Easy Enforcement

(domestically & internationally)

Limited Right to Challenge/Appeal

## ARBITRATION CONS

Consolidation can be tricky in multi-party disputes.

Poorly-drafted clauses can lead to litigation.

“Guerilla Tactics” and Rogue Arbitrators

Public policy/non-arbitrable claims

Quirks of procedural law (e.g., Statutes of Limitations)

Limited Right to Challenge/Appeal

# Special Considerations for International Arbitration

---

## The importance of the “Seat,” or “Place” of Arbitration

- Choice of law (substantive and procedural)
- Enforcement (Primary vs. Secondary jurisdictions/New York Convention)
- “International” vs. “Non-Domestic” arbitrations in the USA

## Discovery vs. Disclosure

## Major institutions

## Arbitrating with States and State-owned entities

## Choice of language (English)

# Arbitration Myths

---

## Injunctive Relief is Unavailable/Ineffective

- All the major institutions provide for emergency arbitrators and generally they move quickly.
- Arbitrators can award relief that a court cannot (sometimes) *C.E. Int'l Res. Holdings v. S.A. Minerals* (S.D.N.Y. 2012).

## There is No Right to Appeal

- Awards can be challenged for serious procedural irregularities.
- Some institutions permit parties to pursue an appeal to a panel of arbitrators (opt-in required).

## Arbitration is Always Confidential

- Privacy vs. Confidentiality
- Different Rules in Different Countries
- In the U.S., a confidential award may be made public if filed in court.



# Arbitration Common Pitfalls

---

## Carve Outs

The most frequently-litigated issue is the scope of a carve-out.

*Example:* a license agreement says that IP disputes go to litigation, but contract disputes go to arbitration:

- Licenser alleges breach, terminates, and sues for infringement.
- Is that a contract dispute or an IP dispute?
- Who decides?

# Arbitration Common Pitfalls (cont'd)

---

## Carve Outs (cont'd)

*E.g.*, a contract that says all claims go to arbitration except claims for injunctive relief.

- Party A sues for breach and seeks damages and specific performance.
- Who decides if the dispute goes to arbitration? *Henry Schein, Inc. v. Archer & White Sales, Inc.*, 202 L.Ed.2d 480, 139 S. Ct. 524 (2019).
- Who goes first – court or arbitrator?
- Is an arbitral award on liability *res judicata* in the court proceedings?
- Is a judgment from the court *res judicata* in the arbitration? Who decides?

# Arbitration Common Pitfalls (cont'd)

---

## Step Clauses/Mediation Agreements

- Should be drafted carefully.
- Avoid the potential for arbitration or litigation over compliance with the step clause.

## Common Drafting Errors

- Lack of clarity on whether the arbitration clause is binding.
- Providing for more than one possible seat (venue).
- Poor arbitrator selection process/poor choice of administrator or rules.
- Making the clause too complicated/too many bells and whistles.

# Other Terms

---

# Other Terms

---

- Seat v. Enterprise License and Scope of Access
- Intentional Ambiguity
- Private Statute of Limitations
- Attorneys' Fee Shifting
- Liquidated Damages
- Governance

# Questions?



**Elizabeth Dillon**

Associate General Counsel,  
Freddie Mac  
[elizabeth\\_dillon@freddiemac.com](mailto:elizabeth_dillon@freddiemac.com)



**Tom Knox**

Partner, King & Spalding  
Corporate Technology  
[tknox@kslaw.com](mailto:tknox@kslaw.com)  
+1 703 245 1010



**Umung Varma**

Head-Corporate Counsel,  
Wipro Limited  
[umung.varma@wipro.com](mailto:umung.varma@wipro.com)



**Brian White**

Partner, King & Spalding  
Trial & Global Disputes  
[bwhite@kslaw.com](mailto:bwhite@kslaw.com)  
+1 404 572 4739



**Dirk Lasater**

Associate, King & Spalding  
Technology Transactions  
[dlasater@kslaw.com](mailto:dlasater@kslaw.com)  
+1 703 245 1007

