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TECHNOLOGY CONTRACTING

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This publication provides comprehensive, invaluable information relating to transactions and agreements that technology-oriented companies enter into throughout their life cycle. Each chapter includes a discussion on the law that is relevant to negotiating and drafting particular types of agreements, and practical suggestions for drafting and negotiating clauses and provisions within the agreements. The publication includes key contracts and transactions that are of interest to technology-oriented companies.

This release features new commentary added to , Chapter 6. Intellectual Property, Computer Systems and Privacy in Financing Transactions, Mergers, and Acquisitions. It also features new sections added to Chapter 1. Confidentiality and Non-Disclosure Agreements, Chapter. 3. Employee and Independent Contractor Agreements, Chapter 9. Software/Systems Development Agreements, and Chapter 11. IT Outsourcing.

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Highlights

- **Intellectual Property, Computer Systems and Privacy in Financing Transactions, Mergers and Acquisitions—Trade Secrets—Key Issues in Evaluating the Primary IP Rights—Trade Secrets—Consider Previous Licenses or Assignments of Know-How**—This new subsection has been added to Section 6:14 to highlight the importance of taking adequate efforts to identify and manage the risks that an individual does not have the right to commercialize or use know-how or other confidential information they may have. The section illustrates the importance of managing these risks through discussion of the *7868073 Canada Ltd. v. 1841978 Ontario Inc.* decision, in which an individual licensed his expertise and know-how regarding powder-coating technology to the plaintiff to start a business venture together, and then in turn left that organization and leveraged the same know-how to begin a business with another entity, a venture that ultimately earned significant profits. The author highlights practice notes for readers, including the importance of securing a license to establish legal rights when relying on expertise of an individual or small group of individuals, as well as the importance of understanding if the expertise in question has already been licensed or assigned to another business.
- **Software/Systems Development Agreements—Why Are Development Agreements Done so Poorly?—Traditional or Waterfall Development Methodologies**—This new section (9:2.1) has been added to discuss considerations unique to traditional or waterfall development methodologies, in which development proceeds in a series of defined phases, with each phase relying on the input from a previous phase. The authors discuss the typical phases involved, as well as the advantages and disadvantages of this approach to software development. One potential disadvantage is that customers may misunderstand the development methodology they have contracted for, as well as the terms of a development and services agreement. This scenario was demonstrated in the 2004 UK decision *Peregrine Systems Limited v. Steria Limited*, in which Steria Limited contracted with Peregrine Systems Limited to develop an integrated service desk, which would allow Steria's call centre employees to remotely deal with customer requests for IT support. The parties disagreed over what specific services were to be included under various terms of the contract. One term called for Peregrine to provide £200,000 in Professional Services. Steria claimed that this meant all of Peregrine's work should have been completed for this amount. Steria ultimately terminated the contract and brought a claim for the amounts which had already been paid to Peregrine, as well as internal costs of the project, totaling nearly £500,000. Peregrine counterclaimed and was ultimately awarded £700,000. The Court found that while certain compensation amounts were set out in the contract, the language clearly indicated that these amounts were estimates, and that it was clear that Peregrine was not promising to complete all services for £200,000.
- **IT Outsourcing—Common Types of Outsourcing Arrangements—ASP Models—Software as a Service (SaaS) Outsourcing**—This new section (11:2.1) has been added to the title to discuss software as a

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service outsourcing, which has become a predominant outsourcing model. This model is similar to software development licensing (configuring and customizing a core vendor product) with the added feature that the vendor also hosts the software and provides data storage. This section reviews best practices for this model, including ensuring that the vendor has a core product, and obtaining specific representations and warranties regarding the number of customers using the SaaS service. Further, it is important to determine whether the vendor's core product will meet the customer's detailed requirements "out of the box", or if customization will be required.

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