

Intellectual Property Issues in State & Local Procurement:

An Overview & Comparison of Representative State Terms & Conditions

I. Business Risks – Generally

A. Examples:

1. Substantial prior and independent investment
2. Competitive advantage
3. Compromise of proprietary content
4. Commercial vendor and other supplier license limitations
5. “Worst-case” liability concerns – IP indemnity, system liability

II. Strategies to Mitigate/Minimize Business Risk

A. Require state agency to contract directly for required third party hardware and software

1. Reduces liability in connection with any limitation of liability provision tied to contract value or fees paid
2. Minimizes risk arising from failure of such third party products (including obligations under product warranties)

III. Willingness/Ability of States & Localities To Negotiate

A. Some states are willing to negotiate, some are not. One state’s “standard terms and conditions” are suggestions honored “in the breach” (if at all) while in some states, e.g., California, the standard terms are virtually written in stone.

B. Ownership of Intellectual Property Developed/Used/Delivered

1. Some states are willing to allow contractors to retain ownership; if it is a major system, however, most states almost certainly will want ownership. If ownership is to be conceded, press for:
 - a) Acknowledgement that intangible IP (e.g., know-how) is not subject to the ownership provision.
 - b) Nothing in contract should prevent contractor from selling similar services elsewhere. States should not have a problem with this
 - c) Include list of specific deliverables as an exhibit to the contract. This limits the scope of what is being transferred and reduces the

likelihood of disagreement. As stated above, many states will insist on owning all work product but likely will agree to exclude contractor internal and administrative communications.

- d) Seek gratuity-free license from state back to contractor to sell/market its product. States are usually amenable to providing a limited, free-of-charge, license for marketing and demonstration purposes. The right to actually re-sell deliverables is often rejected by the states.

C. Confidentiality Provision

1. In many cases, Contractor will negotiate heavily with state to modify the IP provision, but in the confidentiality provision, the state could use language to the effect that everything the contractor produces is confidential or, even worse, that everything used or developed is the confidential property of the state. Be wary of this as such clauses have become increasingly common.

D. Pre-Existing IP

1. Be alert to "Sunshine" Laws or Public Records Acts do not allow IP to become part of the public record. Some states (such as Florida) have broad Public Records statutes with limited exceptions.
 - a) If properly legended, state must go back to contractor to redact sensitive items.
2. Examples:
 - a) California: "State agrees to take all reasonable steps to insure that such proprietary data are not disclosed to others, without prior written consent of the Contractor, subject to the California Public Records Act." [GSPD-401IT, Art. 38 (Protection of Proprietary Software and Other Proprietary Data), (a)]
 - b) Massachusetts: "The Commonwealth will take no affirmative steps to disclose [contractor's proprietary] information to third parties, and, if required to do so under the Commonwealth's Public Records Law, M.G.L. c. 66, § 10, or by legal process, will promptly notify the Contractor of the imminent disclosure so that the Contractor can take steps to defend itself against such disclosure." [Massachusetts Standard Intellectual Property Language, Commonwealth of Massachusetts Website and Software Development Agreement Procedures, Sec. 3(A)]

IV. The Issue of Ownership: Three Major Regimes

A. State Demanding Ownership of All Materials Created under Contract with no specified exemptions

1. States demand that any materials created under the contract are the sole property of the state. States will often tell contractors that under no situation

should pre-existing IP be delivered and, in some cases, will include a provision in the contract requiring contractors to warrant that no pre-existing IP will be delivered.

2. Example:

a) Arizona: “Any materials, including reports, computer programs and other deliverables, created under this Contract are the sole property of the State. The Contractor is not entitled to a patent or copyright on those materials and may not transfer the patent or copyright to anyone else. The Contractor shall not use or release these materials without the prior written consent of the State.” (Emphasis added.) [State of Arizona Uniform Terms and Conditions, v.7, Sec. 3.7]

3. Caveat: Contractors should be wary of committing to any large-scale project under this regulatory regime, unless such terms can be varied by negotiation.

B. State Owns All IP Developed Under Contract and Deliverable but specifically exempts Pre-Existing IP

1. State owns all IP developed specifically for the state under the contract; any pre-existing IP remains under contractor ownership with license to state. Contractors need to ensure that the state’s limited rights in any pre-existing IP that is delivered precludes the state from using such IP for any purpose other than internally for purposes of the contract.

2. Examples:

a) Florida: “A product is ‘existing’ if it is a tangible or intangible licensed product that exists before Contract work begins (the Contractor shall bear the burden of proving that a product existed before work began). A product is ‘custom’ if it is any product, preliminary or final that is created under a Task Order for the Customer by the Contractor or its personnel. . . . For existing software products that are normally commercially distributed on a license basis by the Contractor or other independent software proprietary owner (ISPO), whether or not embedded in, delivered, or operating in conjunction with hardware or a custom product, title shall remain with the Contractor or ISPO. . . . For custom products, effective upon creation the Contractor hereby conveys to the Customer the sole and exclusive rights, title and interest in the product, including all trademark and copyrights, and the Contractor shall take all necessary and appropriate steps to ensure that the products are protected against unauthorized copying, reproduction, or marketing through the Contractor or its employees, subcontractors, or agents.” (Emphasis added.) [State of Florida’s proposed IT Consulting Services Contract Terms and Conditions, Section 5.09(a)]

b) Massachusetts: “Contractor will retain all right, title and interest in and to all Property developed by it, i) for clients other than the Commonwealth, and ii) for internal purposes and not yet delivered to

any client prior to the Effective Date, including all copyright, patent, trade secret, trademark and other intellectual property rights created by the Contractor in connection with such work. . . . In conformance with the Commonwealth's Standard Terms and Conditions, on the date on which the Commonwealth reimburses Contractor for a deliverable accepted by the Commonwealth under the terms of this Statement of Work, all of the Contractor's right, title and interest in all Property developed by the Contractor under the terms of this Statement of Work solely for purposes of creating the deliverables described in section ____ of this Statement of Work shall pass to and vest in the Commonwealth, including all copyright, patent, trade secret, trademark and other intellectual property rights created by Contractor in connection with such work and any causes of action relating to or based upon such work." (Emphasis added.) [Massachusetts Standard Intellectual Property Language, Commonwealth of Massachusetts Website and Software Development Agreement Procedures, Sec. 3(A), (B)]

- c) New York: "[T]itle to all existing product(s), whether or not embedded in, delivered, or operating in conjunction with hardware or custom products, shall remain with contractor or third-party proprietary owner, as applicable, who retains all rights, title and interest (including patent, trademark, copyright and other intellectual property rights). . . . Effective upon creation, contractor hereby conveys, assigns and transfers to the State the sole and exclusive rights, title and interest (including ownership and all intellectual property rights) in custom product(s), whether in preliminary or final form (including any upgrades, enhancements or modifications thereto)." [New York State Department of Taxation and Finance – Standard Procurement Contract Terms and Conditions, Sec. 6.0(B)(3)(b)(i), (iii)]
- d) North Carolina: "Subject only to the rights granted to State hereunder, Vendor retains all right, title and interest in and to the Software and all copies of the Software, including without limitation all modifications, enhancements, upgrades and new versions with respect to any of the foregoing, all patent rights, copyrights and trade secret rights embodying any of the foregoing, and all know-how, concepts, inventions and ideas related to the foregoing. . . . The parties acknowledge and agree that the State shall own all right, title and interest in and to the copyright in any and all software, technical information, specifications, drawings, records, documentation, data and other work products first originated and prepared by the Vendor for delivery to the State." (Emphasis added.) [North Carolina Information Technology Procurement Office, Supplemental Terms and Conditions for Software and Services, Art. 4 and 14]

- 3. Caveat: The pre-existing IP exception may be more or less ineffectual, since many states ask for rep that no pre-existing materials will be used in the execution of the contract. See IV.A.1 above.

C. State Has Only "Government Purpose Rights" in IP

1. Contractor retains ownership of all materials delivered to state, whether or not they pre-existed the contract; State has only “government purpose rights” license in the IP.
2. Examples:
 - a) California: “All inventions, discoveries, intellectual property, technical communications and records originated or prepared by the Contractor pursuant to this Contract including papers, reports, charts, computer programs, and other Documentation or improvements thereto, and including Contractor’s administrative communications and records relating to this Contract (collectively, the ‘Work Product’), shall be Contractor’s exclusive property. . . . The State will have Government Purpose Rights to the Work Product as Deliverable or delivered to the State hereunder. ‘Government Purpose Rights’ are the unlimited, irrevocable, worldwide, perpetual, royalty-free, non-exclusive rights and licenses to use, modify, reproduce, perform, release, display, create derivative works from, and disclose the Work Product.” [GSPD-401IT, Art. 37 (Rights in Data), (a), (c)]
 - b) Caveat: California’s IP ownership provision contains a statement that the “provisions of this sub-section a) [pertaining to ownership of Work Product by the Contractor] may be revised in a Statement of Work.” [GSPD-401IT, Art. 37 (Rights in Data), (a)]

D. Jointly Developed Materials

1. Example:
 - a) California: “The ideas, concepts, know-how, or techniques relating to data processing, developed during the course of this Contract by the Contractor or jointly by the Contractor and the State may be used by either party without obligation of notice or accounting.” [GSPD-401IT, Art. 37 (Rights in Data), (d)]

V. Scope of Deliverables: Does it Matter?

- A. *States are often resistant to limiting the scope of the ownership provision to actual deliverables (as set forth in an exhibit).*
- B. *Contractors that agree to transfer ownership of all work product may be compromising internal and administrative communications created during performance, as well as providing the state with ownership of preliminary drafts of deliverables that did not meet internal quality standards.*

VI. Timing of Delivery – Acceptance – Passing of Title

A. Time of Transfer

1. Contractor should negotiate to be paid before it is recognized that IP is transferred – Key to protect contractors and its ability to get paid. This is

usually a significant issue in negotiations as states realize that work product (including code) not paid for will not be delivered. Contractors who concede this issue may find themselves in a position of having to pursue difficult *quantum meruit* or unjust enrichment claims.

2. Examples of timing provisions:

- a) Arizona: Contractor must notify the state within 30 days of the creation of any IP. [State of Arizona Uniform Terms and Conditions, v.7, Sec. 3.8]
- b) Florida: Exclusive rights and title to custom IP is transferred upon creation. (Florida may negotiate this) [[State of Florida's proposed IT Consulting Services Contract Terms and Conditions, Section 5.09(a)]

VII. Documentation of Rights and Ownership

A. Prior to Award

1. Examples:

- a) Arizona: "Contractor, on behalf of itself and any subcontractor (s), agrees to execute any and all document(s) necessary to assure ownership of the Intellectual Property vests in the State and shall take no affirmative actions that might have the effect of vesting all or part of the Intellectual Property in any entity other than the State." [State of Arizona Uniform Terms and Conditions, v.7, Sec. 3.8]
- b) New York: "Contractor hereby agrees to take all necessary and appropriate steps to ensure such transfer and that the custom product(s) are protected against unauthorized copying, reproduction and marketing by or through contractor, its agents, partners, employees, or subcontractors." [New York State Department of Taxation and Finance – Standard Procurement Contract Terms and Conditions, Sec. 6.0(B)(3)(b)(iii)]

B. During Performance

1. Example:

- a) Massachusetts: "Contractor hereby assigns to the Commonwealth, as of the date on which the Commonwealth reimburses Contractor for such deliverables, all intellectual property rights that it may now or hereafter possess in the Commonwealth Property related to such deliverable and all derivative works thereof. The Contractor also agrees to execute all documents and take all actions that may be necessary to confirm such rights, including providing any code used exclusively to develop such deliverables for the Commonwealth and the documentation for such code." [Massachusetts Standard Intellectual Property Language, Commonwealth of Massachusetts]

VIII. Permitted Uses by Public Purchaser

A. Other Agencies within State

1. Examples:

- a) California: “Government Purpose Rights’ also include the right to release or disclose the Work Product outside the State for any State government purpose and to authorize recipients to use, modify, reproduce, perform, release, display, create derivative works from, and disclose the Work Product for any State government purpose. Such recipients of the Work Product may include, without limitation, State Contractors, California local governments, the U.S. federal government, and the State and local governments of other states. ‘Government Purpose Rights’ do not include any rights to use, modify, reproduce, perform, release, display, create derivative works from, or disclose the Work Product for any commercial purpose.” [GSPD-401IT, Art. 37 (Rights in Data), (c)]
- b) Florida: “In the alternative to taking exclusive ownership and title to such products, the Customer may elect to take a non-exclusive license to use, execute, reproduce, display, perform, and distribute the product. . . . Licenses may be transferred or combined for use at an alternative or consolidated site not originally specified in the license, including transfers between agencies. Contractor approval is not required for such transfers, but Licensee shall give prior written notice to the Contractor.” [State of Florida’s proposed IT Consulting Services Contract Terms and Conditions, Section 5.09(a)]
- c) Idaho: “Within the United States, a Software or program license may be transferred to another location within the State’s organization upon written notice to Contractor without additional costs. All other transfers, including a Software or program license outside the United States, shall be permitted only with Contractor’s prior written consent which consent shall not be unreasonably withheld and shall be subject to Contractor’s standard transfer fee in effect at the time of the transfer.” [State of Idaho Hardware and Software Terms and Conditions, Sec. 4(D)(1)]

B. Use by Other States

1. Example:

- a) California: See provision in Section VIII.A.1.a, above.

C. Use by Federal Agencies

1. Example:

- a) California: See provision in Section VIII.A.1.a, above.

D. Use for Commercial purposes

1. Examples:

- a) Florida: “Outsourcers, facilities management, service bureaus, or other services retained by Licensee shall have the right to use the product to maintain Licensee’s operations, including data processing, provided that (1) Licensee gives notice to the Contractor of such third party, site of intended use of the product, and means of access, (2) the third party has executed, or agrees to execute, the product manufacturer’s standard nondisclosure or restricted use agreement, which agreement shall be accepted by the Contractor, and (3) the third party shall maintain a logical or physical partition within its computer system to restrict access to the program to that portion solely dedicated to beneficial use for Licensee. Licensee shall not be liable for any third party’s compliance or noncompliance with the terms of the nondisclosure agreement, nor shall the nondisclosure agreement create or impose any liabilities on the State or the Licensee. Any third party with whom a Licensee has a relationship for a State function or business activity shall have the temporary right to use product (e.g., Java applets), provided that such use shall be limited to the period during which the third party is using the product for the function or activity.” [State of Florida’s proposed IT Consulting Services Contract Terms and Conditions, Section 5.09(b)(6)]
- b) Montana: “The State shall have a royalty-free, nonexclusive, and irrevocable right to reproduce, publish or otherwise use and authorize others to use, copyrightable property created under the contract.” [State of Montana Standard Terms and Conditions, Intellectual Property]
- c) New York: (applicable to pre-existing IP only) “Effective upon acceptance of existing product(s), the State shall be granted a non-exclusive, perpetual, paid-up license to use, execute, reproduce, display, perform, modify, adapt and distribute existing product(s) (or existing product(s) as modified or adapted by contractor, third-party proprietary owner, or the State, as the case may be). The State shall use existing product(s) solely for its business operations and purposes. The State agrees to reproduce the copyright notice and any other legend of ownership on any copies authorized by this provision.” [New York State Department of Taxation and Finance – Standard Procurement Contract Terms and Conditions, Sec. 6.0(B)(3)(b)(i)]
- d) Pennsylvania: “The above provisions shall not preclude the Department from developing material, including software, similar to that furnished to the Department in the course of providing services under this Contract.” [Commonwealth of Pennsylvania Standard Contract for Enterprise Resource Planning and Related Information

Technology Services between Commonwealth of Pennsylvania,
Department of _____ and [Contractor], Art. 39(d)]

IX. Permitted Uses by Contractor/Developer

A. Pre-Existing or "Background" Works

1. Examples:

a) California: "All inventions, discoveries, intellectual property, technical communications and records originated or prepared by the Contractor pursuant to this Contract including papers, reports, charts, computer programs, and other Documentation or improvements thereto, and including Contractor's administrative communications and records relating to this Contract (collectively, the "Work Product"), shall be Contractor's exclusive property. . . . The State will have Government Purpose Rights to the Work Product as Deliverable or delivered to the State hereunder. "Government Purpose Rights" are the unlimited, irrevocable, worldwide, perpetual, royalty-free, non-exclusive rights and licenses to use, modify, reproduce, perform, release, display, create derivative works from, and disclose the Work Product." [GSPD-401IT, Art. 37 (Rights in Data), (a), (c)]

b) Florida: "A product is 'existing' if it is a tangible or intangible licensed product that exists before Contract work begins (the Contractor shall bear the burden of proving that a product existed before work began). A product is 'custom' if it is any product, preliminary or final that is created under a Task Order for the Customer by the Contractor or its personnel. . . . For existing software products that are normally commercially distributed on a license basis by the Contractor or other independent software proprietary owner (ISPO), whether or not embedded in, delivered, or operating in conjunction with hardware or a custom product, title shall remain with the Contractor or ISPO. . . . For custom products, effective upon creation the Contractor hereby conveys to the Customer the sole and exclusive rights, title and interest in the product, including all trademark and copyrights, and the Contractor shall take all necessary and appropriate steps to ensure that the products are protected against unauthorized copying, reproduction, or marketing through the Contractor or its employees, subcontractors, or agents." [State of Florida's proposed IT Consulting Services Contract Terms and Conditions, Section 5.09(a)]

c) Massachusetts: "Contractor will retain all right, title and interest in and to all Property developed by it, i) for clients other than the Commonwealth, and ii) for internal purposes and not yet delivered to any client prior to the Effective Date, including all copyright, patent, trade secret, trademark and other intellectual property rights created by the Contractor in connection with such work (hereinafter the 'Contractor Property'). The Commonwealth acknowledges that its possession, installation or use of Contractor's Property will not transfer to it any title to such property." [Massachusetts Standard Intellectual Property Language,

Commonwealth of Massachusetts Website and Software Development
Agreement Procedures, Sec. 3(A)]

B. Acquired Knowledge or "Residuals"

1. Examples:

- a) California: "This Contract shall not preclude the Contractor from developing materials outside this Contract that are competitive, irrespective of their similarity to materials which might be delivered to the State pursuant to this Contract." [GSPD-401IT, Art. 37 (Rights in Data), (e)]
- b) Florida: "[T]he Contractor may otherwise use any related or underlying general knowledge, skills, ideas, concepts, techniques and experience developed under the Contract." [State of Florida's proposed IT Consulting Services Contract Terms and Conditions, Section 5.09(a)]
- c) New York: "Nothing herein shall preclude the contractor from otherwise using the related or underlying general knowledge, skills, ideas, concepts, techniques and experience developed in performing this contract in the course of contractor's business." [New York State Department of Taxation and Finance – Standard Procurement Contract Terms and Conditions, Sec. 6.0(B)(3)(b)(iii)]

C. Derivative Works

1. Example:

- a) California: "If Contractor creates derivative works of Pre-Existing Materials, the elements of such derivative works created pursuant to this Contract constitute Work Product, but other elements do not." [GSPD-401IT, Art. 37 (Rights in Data), (b)]

X. Specific Subcontract and Vendor Concerns

A. Embedded Software or Hardware

1. Examples:

- a) California: “State agrees that all material appropriately marked or identified in writing as proprietary, and furnished hereunder are provided for State’s exclusive use for the purposes of this Contract only. All such proprietary data shall remain the property of the Contractor. State agrees to take all reasonable steps to insure that such proprietary data are not disclosed to others, without prior written consent of the Contractor, subject to the California Public Records Act.” [GSPD-401IT, Art. 38 (Protection of Proprietary Software and Other Proprietary Data), (a)]
- b) Florida: “For existing hardware products, title to a hardware product shall pass to the Customer upon written acceptance. For existing software products that are normally commercially distributed on a license basis by the Contractor or other independent software proprietary owner (ISPO), whether or not embedded in, delivered, or operating in conjunction with hardware or a custom product, title shall remain with the Contractor or ISPO. Effective upon acceptance, such product shall be licensed to the Customer in accordance with the Contractor or ISPO’s standard licensed agreement, provided, however, that the license agreement shall, at a minimum, (1) grant the Customer a non-exclusive perpetual license to use, execute, reproduce, display, perform, adapt (unless the Contractor demonstrates to the Customer before execution of a Task Order that adaptation will violate existing agreements or law) and distribute the product to authorized users up to the license capacity identified in the Task Order with all license rights necessary to effect the Customer’s stated purpose, and (2) recognize the Customer as the licensee. Where these rights are not otherwise covered by the ISPO’s standard license agreement, the Contractor shall obtain these rights at its sole expense. The Customer shall reproduce all copyright notices and any other legend of ownership on any copies authorized under this paragraph.” [State of Florida’s proposed IT Consulting Services Contract Terms and Conditions, Section 5.09(a)]
- c) New York: “[T]itle to all existing product(s), whether or not embedded in, delivered, or operating in conjunction with hardware or custom products, shall remain with contractor or third-party proprietary owner, as applicable, who retains all rights, title and interest (including patent, trademark, copyright and other intellectual property rights). Effective upon acceptance of existing product(s), the State shall be granted a non-exclusive, perpetual, paid-up license to use, execute, reproduce, display, perform, modify, adapt and distribute existing product(s) (or existing product(s) as modified or adapted by contractor, third-party proprietary owner, or the State, as the case may be). The State shall use existing product(s) solely for its business operations and purposes. The State agrees to reproduce the copyright notice and any other legend of ownership on any copies authorized by this provision.” [New York State Department of Taxation and Finance – Standard Procurement Contract Terms and Conditions, Sec. 6.0(B)(3)(b)(i)]

B. Treatment of Commercial Software

1. Examples:

- a) Florida: “If either the product manufacturer/developer or the Contractor offers source code or source code escrow to any other commercial customer, or if either entity seeks bankruptcy protection, then the Contractor shall either (1) provide Licensee with source code for the product, (2) place the source code in a third-party escrow arrangement with a designated escrow agent, which shall be identified to the Department, and which shall be directed to release the deposited source code in accordance with a standard escrow agreement acceptable to the Department, or (3) certify to the Department that the product manufacturer/developer has named the State, acting by and through the Department, and the Licensee, as named beneficiaries of an established escrow arrangement with its designated escrow agent, which shall be identified to the Department and Licensee, and which shall be directed to release the deposited source code in accordance with the terms of escrow.” [State of Florida’s proposed IT Consulting Services Contract Terms and Conditions, Section 5.09(b)(8)]
- b) New York: See provision in Section X.A.1.c, above. Also: “If contractor is furnishing existing third-party software product(s) as a program deliverable under the contract, and the third party proprietary owner of existing software product(s) offers source code or source code escrow to other commercial customers, then contractor shall ensure that the source code or source code escrow , as the case may be, is made available to the State on terms at least as favorable as those offered to third-party proprietary owner’s other commercial customers. If such third party proprietary owner(s) do not offer source code to other commercial customers, then contractor shall, at its own expense, obtain software maintenance services for the State for such product(s) in accordance with requirements defined by the State.” [New York State Department of Taxation and Finance – Standard Procurement Contract Terms and Conditions, Sec. 6.0(B)(3)(c)(ii)]
- c) California: [Definition] "'Commercial Software' means software developed or regularly used that: (i) has been sold, leased, or licensed to the general public; (ii) has been offered for sale, lease, or license to the general public; (iii) has not been offered, sold, leased, or licensed to the public but will be available for commercial sale, lease, or license in time to satisfy the delivery requirements of this Contract; or (iv) satisfies a criterion expressed in (i), (ii), or (iii) above and would require only minor modifications to meet the requirements of this Contact." [GSPD-401IT, Art. 1 (Definitions), (f)]

C. Commercial Hardware

1. Examples:

- a) Florida: See provision in Section X.A.1.b, above.
- b) New York: See provision in Section X.A.1.c, above.

D. *Warranty*

- 1. Issue may be whether a prime vendor is obligated to provide a warranty greater than extended by a commercial software supplier.
- 2. Examples:

- a) California:

(1) Warranty Provision: "Contractor warrants that (i) Deliverables furnished hereunder will be free, at the time of delivery, of harmful code (i.e. computer viruses, worms, trap doors, time bombs, disabling code, or any similar malicious mechanism designed to interfere with the intended operation of, or cause damage to, computers, data, or software); and (ii) will not infringe or violate any U.S. Intellectual Property Right. Without limiting the generality of the foregoing, if the State believes that harmful code may be present in any Commercial Software delivered hereunder, Contractor will, upon the State's request, provide a master copy of the software for comparison and correction." [GSPD-401IT, Art. 18 (Warranty), (b)]

(2) Pass-Through Provision: "Unless otherwise specified in the Statement of Work: (i) Contractor does not warrant that any software provided hereunder is error-free or that it will run without immaterial interruption. (ii) Contractor does not warrant and will have no responsibility for a claim to the extent that it arises directly from (A) a modification made by the State, unless such modification is approved or directed by Contractor, (B) use of software in combination with or on products other than as specified by Contractor, or (C) misuse by the State. (iii) Where Contractor resells hardware or software it purchased from a third party, and such third party offers additional or more advantageous warranties than those set forth herein, Contractor will pass through any such warranties to the State and will reasonably cooperate in enforcing them. Such warranty pass-through will be supplemental to, and not relieve Contractor from, Contractor's warranty obligations set forth above." [GSPD-401IT, Art. 18 (Warranty), (c)]

- b) Florida:

(1) Warranty of No Hardstop/Passive License Monitoring: "Unless the Department and Customer are specifically and conspicuously advised to the contrary in writing at the time of order and before product acceptance, the Contractor hereby warrants and

represents that Services do not and will not contain any computer code that would disable the product or upgrades or impair in any way operation based on the elapsing of time, exceeding an authorized number of copies, advancement to a particular date or other numeral, or other similar self-destruct mechanisms (sometimes called "time bombs," "time locks," or "drop dead" devices) or that would permit the Contractor to access the product to cause such disablement or impairment (sometimes called a "trap door" device). The Contractor agrees that upon an alleged breach of this provision, the Department shall not have an adequate remedy at law, including monetary damages, and that the Department shall be entitled to seek a temporary restraining order, injunction, or other form of equitable relief against the continuance of such breach, in addition to any other remedies to which the Department shall be entitled." [State of Florida's proposed IT Consulting Services Contract Terms and Conditions, Section 5.35]

c) New York:

(1) Pass-Through Provision: "Where contractor, third-party proprietary owner or manufacturer generally offers additional or more advantageous warranties than set forth below, contractor shall offer or pass through any such warranties to the Department. In the case of third-party proprietary owner or manufacturer's warranty coverage, such coverage shall be supplemental to, and not relieve the contractor from, contractor's warranty obligations." [New York State Department of Taxation and Finance – Standard Procurement Contract Terms and Conditions, Sec. 6.0(B)(4)(a)]

(2) Warranty Provision: "The contractor warrants that each program deliverable furnished by or through contractor, and, where specified by contractor, program deliverables performing as a system, shall perform in substantial compliance with the functional requirements, detail design specifications and performance standards applicable thereto, as set forth in the applicable Detail Design and/or Statement of Work. This warranty shall apply for a specified period (to be defined in the contract) from the date of [Department of Taxation and Finance ("DTF")] acceptance of the program deliverable or system, as the case maybe [sic]. If a breach of this warranty occurs, contractor shall repair or replace the problem at no additional cost or expense to DTF." [New York State Department of Taxation and Finance – Standard Procurement Contract Terms and Conditions, Sec. 6.0(B)(4)(d)]

(3) Virus Warranty Provision: "Contractor warrants that all software furnished by or through contractor contains no known viruses. Contractor is not responsible for viruses introduced at the Department's site by the Department or its employees." [New

York State Department of Taxation and Finance – Standard Procurement Contract Terms and Conditions, Sec. 6.0(B)(4)(h)]

(4) No Disabling Code Warranty Provision: "Contractor warrants that all software furnished by or through contractor shall not contain disabling code planted by contractor or third-party proprietary owner that will activate upon a predetermined date or that can be remotely activated by contractor or third-party proprietary owner without the Department's prior written consent." [New York State Department of Taxation and Finance – Standard Procurement Contract Terms and Conditions, Sec. 6.0(B)(4)(i)]

d) North Carolina:

(1) Pass-Through Warranty Provision: "Notwithstanding anything in this Contract or Exhibit hereto to the contrary, Vendor shall assign warranties for any Deliverable supplied by a third party to the State." [North Carolina Information Technology Procurement Office, Supplemental Terms and Conditions for Software and Services, Sec. 11]

(2) Warranty Provision: "Vendor warrants to the best of its knowledge that: (i) The licensed Software and associated materials do not infringe any intellectual property rights of any third party; (ii) There are no actual or threatened actions arising from, or alleged under, any intellectual property rights of any third party; (iii) The licensed Software and associated materials do not contain any surreptitious programming codes, viruses, Trojan Horses, "back doors" or other means to facilitate or allow unauthorized access to the State's information systems; [and] (iv.) The licensed Software and associated materials do not contain any timer, counter, lock or similar device (other than security features specifically approved by Customer in the Specifications) that inhibits or in any way limits the Software's ability to operate." [North Carolina Information Technology Procurement Office, Supplemental Terms and Conditions for Software and Services, Sec. 11(b)]

XI. Administrative Issues

A. Notice and Accounting (Patent)

1. Examples:

- a) California: See provision in Section IV.D.1.a, above.
- b) Florida: “The Customer shall reproduce all copyright notices and any other legend of ownership on any copies authorized under this paragraph.” [State of Florida’s proposed IT Consulting Services Contract Terms and Conditions, Section 5.09(a)]
- c) New York: “The State agrees to reproduce the copyright notice and any other legend of ownership on any copies authorized by this provision.” [New York State Department of Taxation and Finance – Standard Procurement Contract Terms and Conditions, Sec. 6.0(B)(3)(b)(i)]

B. Perfection and Preservation of Rights (Legends)

- 1. Examples: See provisions immediately above.

C. Notice or Consent to Disclosure to Third Parties

- 1. Examples:
 - a) Florida: See provision in Section VIII.D.1.a, above.
 - b) Idaho: “The rights granted herein are restricted for use solely by State. State may not authorize or allow the use or marketing of the Software/Programs by a third party, and may not assign or transfer the Software or programs to a third party, without the prior written consent of Contractor. The new end user must agree in writing to Contractor’s terms and conditions respecting ownership, use and confidentiality of Software and information and to payment of any scheduled fees.” [State of Idaho Hardware and Software Terms and Conditions, Sec. 4(D)(2)]
 - c) Massachusetts: See provision in Section III.D.2.b, above.

XII. IP Indemnity Issues

A. Scope of Indemnity – Limitation of Loss

- 1. Examples:
 - a) California: “Contractor will indemnify, defend, and save harmless the State, its officers, agents, and employees, from any and all third party claims, costs (including without limitation reasonable attorneys’ fees), and losses for infringement or violation of any U.S. Intellectual Property Right by any product or service provided hereunder. With respect to claims arising from computer Hardware or Software manufactured by a third party and sold by Contractor as a reseller, Contractor will pass through to the State such indemnity rights as it receives from such third party (‘Third Party Obligation’) and will cooperate in enforcing them; provided that if the third party

manufacturer fails to honor the Third Party Obligation, Contractor will provide the State with indemnity protection equal to that called for by the Third Party Obligation, but in no event greater than that called for in the first sentence of this Section 36a). The provisions of the preceding sentence apply only to third party computer Hardware or Software sold as a distinct unit and accepted by the State.” [GSPD-401IT, Art. 39 (Patent, Copyright and Trade Secret Indemnity), (a)]

- b) Florida: “The Contractor shall fully indemnify, defend, and hold harmless the State and Customers from any third party suits, actions, damages, and costs of every name and description, whether brought under contract, tort, or any other cause of action, including attorneys’ fees, arising from or relating to violation or infringement of a trademark, copyright, patent, trade secret or intellectual property right. The provisions of this subparagraph shall not apply to the Customer’s misuse or modification of the Contractor’s deliverables or the Customer’s operation or utilization of the Contractor’s deliverables in a manner not contemplated by this Contract or the Task Order. The Contractor shall not be liable for any cost, expense, or compromise incurred or made by the State or Customers in an infringement action without the Contractor’s prior written consent, which shall not be unreasonably withheld.” [State of Florida’s proposed IT Consulting Services Contract Terms and Conditions, Section 5.17(2)]
- c) Massachusetts: “Pursuant to Section 11. Indemnification of the Commonwealth Terms and Conditions, the term ‘other damages’ shall include, but shall not be limited to, the reasonable costs the Commonwealth incurs to repair, return, replace or seek cover (purchase of comparable substitute commodities and services) under a Contract. ‘Other damages’ shall not include damages to the Commonwealth as a result of third party claims, provided, however, that the foregoing in no way limits the Commonwealth’s right of recovery for personal injury or property damages or patent and copyright infringement under Section 11, nor the Commonwealth’s ability to join the Contractor as a third party defendant. Further, the term ‘other damages’ shall not include, and in no event shall the Contractor be liable for, damages for the Commonwealth’s use of Contractor-provided products or services, loss of Commonwealth records, or data (or other intangible property), loss of use of equipment, lost revenue, lost savings or lost profits of the Commonwealth. In no event shall ‘other damages’ exceed the greater of \$100,000, or two times the value of the product or service (as defined in the Contract Scope of Work) that is the subject of the claim. Section 11. sets forth the entire liability under a Contract. Nothing in this section shall limit the Commonwealth’s ability to negotiate higher limitations of liability in a particular Contract, provided that any such limitation must specifically reference Section 11. of the Commonwealth Terms and Conditions.” [Commonwealth of Massachusetts Website and Software Development Agreement Procedures, Sec. VI(B)(6)]

B. Permitted Cure

1. Examples:

- a) California: “Should the Deliverables or Software, or the operation thereof, become, or in the Contractor's opinion are likely to become, the subject of a claim of infringement or violation of a U.S. Intellectual Property Right, the State shall permit the Contractor at its option and expense either to procure for the State the right to continue using the Deliverables or Software, or to replace or modify the same so that they become non-infringing. If none of these options can reasonably be taken, or if the use of such Deliverables or Software by the State shall be prevented by injunction, the Contractor agrees to take back such Deliverables or Software and make every reasonable effort to assist the State in procuring substitute Deliverables or Software. If, in the sole opinion of the State, the return of such infringing Deliverables or Software makes the retention of other Deliverables or Software acquired from the Contractor under this Contract impractical, the State shall then have the option of terminating such Contracts, or applicable portions thereof, without penalty or termination charge. The Contractor agrees to take back such Deliverables or Software and refund any sums the State has paid Contractor less any reasonable amount for use or damage.” [GSPD-401IT, Art. 39 (Patent, Copyright, and Trade Secret Indemnity), (c)]

- b) Florida: “If any product is the subject of an infringement suit, or in the Contractor’s opinion is likely to become the subject of such a suit, the Contractor may at its sole expense procure for the Customer the right to continue using the product or to modify it to become non-infringing. If the Contractor is not reasonably able to modify or otherwise secure the Customer the right to continue using the product, the Contractor shall remove the product and refund the Customer the amounts paid in excess of a reasonable rental for past use.” [State of Florida’s proposed IT Consulting Services Contract Terms and Conditions, Section 5.17(2)]

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No.	State	Provision Language
1.	ARIZONA (State of Arizona Uniform Terms and Conditions, v.7)	<p>3.7 Property of the State. Any materials, including reports, computer programs and other deliverables, created under this Contract are the sole property of the State. The Contractor is not entitled to a patent or copyright on those materials and may not transfer the patent or copyright to anyone else. The Contractor shall not use or release these materials without the prior written consent of the State.</p> <p>3.8 Ownership of Intellectual Property Any and all intellectual property, including but not limited to copyright, invention, trademark, trade name, service mark, and/or trade secrets created or conceived pursuant to or as a result of this contract and any related subcontract (“Intellectual Property”), shall be work made for hire and the State shall be considered the creator of such Intellectual Property. The agency, department, division, board or commission of the State of Arizona requesting the issuance of the contract shall own (for and on behalf of the State) the entire right, title and interest to the Intellectual Property throughout the world. Contractor shall notify the State, within thirty (30) days, of the creation of any Intellectual Property by it or its subcontractor(s). Contractor, on behalf of itself and any subcontractor (s), agrees to execute any and all document(s) necessary to assure ownership of the Intellectual Property vests in the State and shall take no affirmative actions that might have the effect of vesting all or part of the Intellectual Property in any entity other than the State. The Intellectual Property shall not be disclosed by contractor or its subcontractor(s) to any entity not the State without the express written authorization of the agency, department, division, board or commission of the State of Arizona requesting the issuance of this contract.</p>

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<p>2.</p>	<p>CALIFORNIA (GSPD-401IT, California General Provisions – Information Technology)</p>	<p>37. RIGHTS IN WORK PRODUCT:</p> <p>a) All inventions, discoveries, intellectual property, technical communications and records originated or prepared by the Contractor pursuant to this Contract including papers, reports, charts, computer programs, and other Documentation or improvements thereto, and including Contractor’s administrative communications and records relating to this Contract (collectively, the “Work Product”), shall be Contractor’s exclusive property. The provisions of this sub-section a) may be revised in a Statement of Work.</p> <p>b) Software and other materials developed or otherwise obtained by or for Contractor or its affiliates independently of this Contract or applicable purchase order (“Pre-Existing Materials”) do not constitute Work Product. If Contractor creates derivative works of Pre-Existing Materials, the elements of such derivative works created pursuant to this Contract constitute Work Product, but other elements do not. Nothing in this Section 37 will be construed to interfere with Contractor’s or its affiliates’ ownership of Pre-Existing Materials.</p> <p>c) The State will have Government Purpose Rights to the Work Product as Deliverable or delivered to the State hereunder. “Government Purpose Rights” are the unlimited, irrevocable, worldwide, perpetual, royalty-free, non-exclusive rights and licenses to use, modify, reproduce, perform, release, display, create derivative works from, and disclose the Work Product. “Government Purpose Rights” also include the right to release or disclose the Work Product outside the State for any State government purpose and to authorize recipients to use, modify, reproduce, perform, release, display, create derivative works from, and disclose the Work Product for any State government purpose. Such recipients of the Work Product may include, without limitation, State Contractors, California local governments, the U.S. federal government, and the State and local governments of other states. “Government Purpose Rights” do not include any rights to use, modify, reproduce, perform, release, display, create derivative works from, or disclose the Work Product for any commercial purpose.</p> <p>d) The ideas, concepts, know-how, or techniques relating to data processing, developed during the course of this Contract by the Contractor or jointly by the Contractor and the State may be used by either party without obligation of notice or accounting.</p> <p>e) This Contract shall not preclude the Contractor from developing materials outside this Contract that are competitive, irrespective of their similarity to materials which might be delivered to the State pursuant to this Contract.</p>
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	CALIFORNIA (cont.)	<p>38. PROTECTION OF PROPRIETARY SOFTWARE AND OTHER PROPRIETARY DATA</p> <p>a) State agrees that all material appropriately marked or identified in writing as proprietary, and furnished hereunder are provided for State's exclusive use for the purposes of this Contract only. All such proprietary data shall remain the property of the Contractor. State agrees to take all reasonable steps to insure that such proprietary data are not disclosed to others, without prior written consent of the Contractor, subject to the California Public Records Act.</p> <p>b) The State will insure, prior to disposing of any media, that any licensed materials contained thereon have been erased or otherwise destroyed.</p> <p>c) The State agrees that it will take appropriate action by instruction, agreement or otherwise with its employees or other persons permitted access to licensed software and other proprietary data to satisfy its obligations under this Contract with respect to use, copying, modification, protection and security of proprietary software and other proprietary data.</p>
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<p>3.</p>	<p>FLORIDA (State of Florida’s proposed IT Consulting Services Contract Terms and Conditions, Section 5.09)</p>	<p>(a) Title to Deliverables</p> <p>For purposes of this section, a “product” is any deliverable furnished under the Contract, including but not limited to (1) components of the hardware environment, (2) printed materials, (3) third-party software, (4) programs and programming modifications, customizations, tools, data, modules, and components, and (5) any tangible or intangible properties embedded therein. A product is “existing” if it is a tangible or intangible licensed product that exists before Contract work begins (the Contractor shall bear the burden of proving that a product existed before work began). A product is “custom” if it is any product, preliminary or final that is created under a Task Order for the Customer by the Contractor or its personnel.</p> <p>For existing hardware products, title to a hardware product shall pass to the Customer upon written acceptance.</p> <p>For existing software products that are normally commercially distributed on a license basis by the Contractor or other independent software proprietary owner (ISPO), whether or not embedded in, delivered, or operating in conjunction with hardware or a custom product, title shall remain with the Contractor or ISPO. Effective upon acceptance, such product shall be licensed to the Customer in accordance with the Contractor or ISPO’s standard licensed agreement, provided, however, that the license agreement shall, at a minimum, (1) grant the Customer a non-exclusive perpetual license to use, execute, reproduce, display, perform, adapt (unless the Contractor demonstrates to the Customer before execution of a Task Order that adaptation will violate existing agreements or law) and distribute the product to authorized users up to the license capacity identified in the Task Order with all license rights necessary to effect the Customer's stated purpose, and (2) recognize the Customer as the licensee. Where these rights are not otherwise covered by the ISPO’s standard license agreement, the Contractor shall obtain these rights at its sole expense. The Customer shall reproduce all copyright notices and any other legend of ownership on any copies authorized under this paragraph.</p> <p>For custom products, effective upon creation the Contractor hereby conveys to the Customer the sole and exclusive rights, title and interest in the product, including all trademark and copyrights, and the Contractor shall take all necessary and appropriate steps to ensure that the products are protected against unauthorized copying, reproduction, or marketing through the Contractor or its employees, subcontractors, or agents; provided, that the Contractor may otherwise use any related or underlying general knowledge, skills, ideas, concepts, techniques and experience developed under the Contract. In the alternative to taking exclusive ownership and title to such products, the Customer may elect to take a non-exclusive license to use, execute, reproduce, display, perform, and distribute the product as described in the preceding paragraph. Additional terms of such a license are contained in the following paragraph.</p>
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<p>FLORIDA (cont.)</p>	<p>(b) Software License Grant If a Deliverable (other than pre-existing software) is acquired on a licensed basis, the following terms shall constitute the license grant.</p> <p><u>(1) Scope:</u> Customer (the "Licensee") is granted a non-exclusive perpetual license to use, execute, reproduce, display, perform, or merge the product within its business enterprise in the United States up to the maximum licensed capacity identified on the Task Order. The product may be accessed, used, executed, reproduced, displayed, or performed up to the capacity measured by the applicable licensing unit identified on the Task Order (e.g., payroll size, number of employees, CPU, MIPS, MSU, concurrent user, workstation, etc.). Licensee shall have the right to use and distribute modifications and customizations of the product to and for use by anyone otherwise licensed to use the product, provided that any modifications, however extensive, shall not diminish Licensor's proprietary title or interest. This paragraph grants no license, right, or interest in any trademark, trade name, or service mark.</p> <p><u>(2) Term:</u> The license term shall begin the date the product is accepted. Where a license involves Licensee's right to copy a previously licensed and accepted master copy, the term shall begin the date the Task Order is executed.</p> <p><u>(3) Documentation:</u> Upon request, the Contractor shall deliver to the Licensee at the Contractor's expense (1) one master electronic copy and one hard copy of product documentation or (2) one master electronic copy and hard copies of the product documentation by type of license in the following amounts, unless otherwise agreed: for individual/named user, one copy per Licensee; for concurrent users, ten copies per site; for processing capacity, ten copies per site. The master electronic copy shall be in either CD-ROM or diskette format and usable without conversion (for example, if a unit has only a 3½" disk drive, software shall be provided on 3½" diskettes). The Contractor hereby grants the Customer a perpetual license right to make, reproduce (including downloading electronic copies), and distribute, either electronically or otherwise, copies of product documentation as necessary to enjoy full use of the product in accordance with the terms of the license.</p> <p><u>(4) Technical Support and Maintenance:</u> Licensee may elect to purchase technical support and maintenance ("Maintenance"). Maintenance shall include, at a minimum, (1) providing error corrections, patches, updates, revisions, fixes, upgrades, and new releases to Licensee, and (2) Help Desk assistance accessible via toll-free or local telephone call or on-line. The Contractor shall maintain the products so as to provide Licensee with the ability to use the products in accordance with the product documentation, without significant functional downtime to ongoing operations during the Maintenance term. The Customer shall not be required to purchase Maintenance for use of the product, and the Customer's license shall not be invalidated for refusal to purchase Maintenance. The Maintenance term(s) and any renewals are independent of the Contract term or the term of the Task Order. The Customer may discontinue Maintenance at the end of any current Maintenance term upon notice to the Contractor; provided, the term shall not automatically renew. If the Customer does not initially acquire, or discontinues, Maintenance, the Customer may at any later time reinstate Maintenance without any penalties or other charges, by paying the Contractor the</p>
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<p>FLORIDA (cont.)</p>	<p>amount, if any, that would have been due under the Contract for the period that Maintenance had lapsed, or for twelve months, whichever is less.</p> <p><u>(5) Transfers:</u> Licensee’s operations may be altered, expanded, or diminished. Licenses may be transferred or combined for use at an alternative or consolidated site not originally specified in the license, including transfers between agencies. Contractor approval is not required for such transfers, but Licensee shall give prior written notice to the Contractor. There shall be no additional license or other transfer fees due, provided that (1) the maximum capacity of the consolidated machine is equal to the combined individual license capacity of all licenses running at the consolidated or transferred site (e.g., named users, seats, or MIPS) or (2) if the maximum capacity of the consolidated machine is greater than the individual license capacity being transferred, a logical or physical partition or other means of restricting access will be maintained within the computer system to restrict use and access to the product to that unit of licensed capacity solely dedicated to beneficial use for Licensee. If the maximum capacity of the consolidated machine is greater than the combined individual license capacity of all licenses running at the consolidated or transferred site, and a logical or physical partition or other means of restricting use is not available, the fees due the Contractor shall not exceed the fees otherwise payable for a single license for the upgrade capacity.</p> <p><u>(6) Restricted Use by Third Parties:</u> Outsourcers, facilities management, service bureaus, or other services retained by Licensee shall have the right to use the product to maintain Licensee’s operations, including data processing, provided that (1) Licensee gives notice to the Contractor of such third party, site of intended use of the product, and means of access, (2) the third party has executed, or agrees to execute, the product manufacturer’s standard nondisclosure or restricted use agreement, which agreement shall be accepted by the Contractor, and (3) the third party shall maintain a logical or physical partition within its computer system to restrict access to the program to that portion solely dedicated to beneficial use for Licensee. Licensee shall not be liable for any third party’s compliance or noncompliance with the terms of the nondisclosure agreement, nor shall the nondisclosure agreement create or impose any liabilities on the State or the Licensee. Any third party with whom a Licensee has a relationship for a State function or business activity shall have the temporary right to use product (e.g., Java applets), provided that such use shall be limited to the period during which the third party is using the product for the function or activity.</p> <p><u>(7) Archival Backup:</u> Licensee may use and copy the product and related documentation in connection with reproducing a reasonable number of copies for archival backup and disaster recovery procedures.</p> <p><u>(8) Source Code Escrow:</u> If either the product manufacturer/developer or the Contractor offers source code or source code escrow to any other commercial customer, or if either entity seeks bankruptcy protection, then the Contractor shall either (1) provide Licensee with source code for the product, (2) place the source code in a third-party escrow arrangement with a designated escrow agent, which shall be identified to the Department, and which shall be directed to release the deposited source code in accordance with a standard escrow agreement acceptable to the Department, or</p>
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<p>FLORIDA (cont.)</p>	<p>(3) certify to the Department that the product manufacturer/developer has named the State, acting by and through the Department, and the Licensee, as named beneficiaries of an established escrow arrangement with its designated escrow agent, which shall be identified to the Department and Licensee, and which shall be directed to release the deposited source code in accordance with the terms of escrow. Source code, as well as any corrections or enhancements, shall be updated for each new release of the product in the same manner as provided above and such updated shall be certified in writing to the Department. The Contractor shall identify the escrow agent upon commencement of the Contract term and shall certify annually that the escrow remains in effect in compliance with the terms of this paragraph. The State may release the source code to Licensees under the Contract which have licensed product or obtained services, and which may use the copy of the source code to maintain the product.</p> <p><u>(9) Confidentiality:</u> The product is a trade secret, copyrighted and propriety product. Licensee and its employees shall not disclose or otherwise distribute or reproduce any product to anyone other than as authorized under the Task Order. Licensee shall not remove or destroy any of the Contractor’s proprietary markings.</p> <p><u>(10) Restricted Use:</u> Except as expressly authorized by the terms of license, Licensee shall not: copy the product; cause or permit reverse compilation or reverse assembly of the product or any portion; or export the product in violation of any U.S. Department of Commerce export administration regulations.</p> <p><u>(11) Proof of License:</u> The Contractor shall provide to each Licensee that issues a Task Order either (1) the product developer’s certified license confirmation certificates in the name of the Licensee or (2) a written confirmation from the proprietary owner accepting the product invoice as a proof of license. The Contractor shall submit a sample certificate, or alternative confirmation, which shall be in a form acceptable to the Licensee.</p> <p><u>(12) Audit of Licensed Usage:</u> The Contractor may periodically audit, no more than annually and at its expense, use of licensed product at any site where a copy resides provided that (1) the Contractor gives Licensee at least thirty days written advance notice, (2) the audit is conducted during the Licensee’s normal business hours, (3) the audit is conducted by a State Inspector General’s office or by an independent auditor chosen by mutual agreement of the Licensee and Contractor as follows: the Contractor shall recommend a minimum of three auditing/accounting firms, from which the Licensee shall select one; in no case shall the Business Software Alliance, Software Publishers Association, or Federation Against Software Theft be recommended by the Contractor or used, directly or indirectly, to conduct audits, (4) the Contractor and Licensee shall designate a representative who shall be entitled to participate, who shall mutually agree on audit format, and who shall be entitled to copies of all reports, data, or information obtained from the audit, and (5) if the audit shows that the Licensee was not in compliance, the Licensee shall purchase additional licenses or capacities necessary to bring it into compliance and shall pay for the unlicensed capacity at the Contract price then in effect or, if none, then at the Contractor’s U.S. commercial list price. Once such additional licenses and capacities are purchased, Licensee shall be deemed to have been in compliance retroactively, and Licensee shall have no further liability of any kind for the unauthorized use of the product.</p>
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<p>FLORIDA (cont.)</p>	<p><u>(13) Bankruptcy</u>: The Contract is subject to the terms of section 365(n) of the United States Bankruptcy Code (“Code”) if the Licensor files a bankruptcy petition. Licensor’s failure to perform its continuing obligations shall constitute a material breach of the Contract excusing performance by the Licensee. Royalty payments for use of intellectual property shall be separate from and independent of payments for performance of all other obligations under the Contract (e.g., continuing development obligations, maintenance and support obligations, obligations to provide updates, indemnity obligations, etc.). Upon request, the Licensor shall furnish Licensee any intellectual property, as defined in the Code, and any embodiment of that intellectual property held by the Licensor. If Licensee must hire third-parties to perform support, maintenance, or development tasks previously performed by Licensor, the Licensee may provide intellectual property to such third-parties without violating nondisclosure or exclusivity provisions.</p> <p>(c) Source Code Copies of all program source code developed or maintained for the Customer shall be delivered to the Customer upon acceptance following Customer’s existing operating procedures. Any program changes made to correct errors, to enhance the Customer's systems, or to change the output as a result of changed requirements, shall be furnished to the Customer upon their completion. Simultaneously with delivery of the program source code the Contractor must deliver copies of all documentation and amended documentation produced by the Contractor. All documentation and amended documentation furnished to the Customer will reflect the current, amended program source code.</p> <p>(d) Pre-Existing Data All Customer data which may be included in the Deliverables shall remain the exclusive property of the Customer and may not be copied or removed by any personnel of the Contractor without express written permission of the Customer.</p>
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<p>4.</p>	<p>IDAHO (State of Idaho Hardware and Software Terms and Conditions, Sec. 4)</p>	<p>A. State agrees that any Software or technical and business information ("Information") owned by Contractor or its suppliers and furnished to State under this Agreement shall remain the property of Contractor or the supplier.</p> <p>B. All Software and information furnished to State under this Agreement:</p> <p>(1) shall be used by State only to install, operate or maintain the Product for which they were originally furnished;</p> <p>(2) shall not be reproduced or copied, in whole or in part, except as necessary for use as authorized under this Agreement; and</p> <p>(3) shall, together with any copies except one (1) copy for archival purposes containing State's business records, be returned or destroyed when no longer needed or permitted for use with the Product for which they were initially furnished; and</p> <p>C. All Software and information designated as "confidential" or "proprietary" shall be kept in confidence except for any part that:</p> <p>(1) is rightfully obtained by State free of any obligation to keep in confidence;</p> <p>(2) becomes generally known to the public through acts not attributable to State;</p> <p>(3) is independently developed by State, or</p> <p>(4) is subject to disclosure in accordance with the provisions of the Idaho Public Records Act.</p> <p>D. (1) Within the United States, a Software or program license may be transferred to another location within the State's organization upon written notice to Contractor without additional costs. All other transfers, including a Software or program license outside the United States, shall be permitted only with Contractor's prior written consent which consent shall not be unreasonably withheld and shall be subject to Contractor's standard transfer fee in effect at the time of the transfer.</p> <p>(2) The rights granted herein are restricted for use solely by State. State may not authorize or allow the use or marketing of the Software/Programs by a third party, and may not assign or transfer the Software or programs to a third party, without the prior written consent of Contractor. The new end user must agree in writing to Contractor's terms and conditions respecting ownership, use and confidentiality of Software and information and to payment of any scheduled fees.</p> <p>E. Special Products, if sought in the State's bidding documents, are being developed or modified exclusively for the State, and such Special Products, all related Data, all copyrights in Special Products and derivative works belongs exclusively to the State and are hereby transferred to the State.</p>
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<p>5.</p>	<p>MASSACHUSETTS (Massachusetts Standard Intellectual Property Language, Commonwealth of Massachusetts Website and Software Development Agreement Procedures)</p>	<p>3. <u>Title and Intellectual Property Rights</u></p> <p><i>A. Contractor Property and License</i></p> <p>Contractor will retain all right, title and interest in and to all Property developed by it, i) for clients other than the Commonwealth, and ii) for internal purposes and not yet delivered to any client prior to the Effective Date, including all copyright, patent, trade secret, trademark and other intellectual property rights created by the Contractor in connection with such work (hereinafter the “Contractor Property”). The Commonwealth acknowledges that its possession, installation or use of Contractor’s Property will not transfer to it any title to such property.</p> <p>The Commonwealth acknowledges that the Contractor Property contains or constitutes commercially valuable and proprietary trade secrets of the Contractor, the development of which involved the expenditure of substantial time and money and the use of skilled development experts. The Commonwealth acknowledges that the Contractor Property is being disclosed to the Commonwealth to be used only as expressly permitted under the terms of the license described in this section of the Statement of Work. The Commonwealth will take no affirmative steps to disclose such information to third parties, and, if required to do so under the Commonwealth’s Public Records Law, M.G.L. c. 66, § 10, or by legal process, will promptly notify the Contractor of the imminent disclosure so that the Contractor can take steps to defend itself against such disclosure.</p> <p>Except as expressly authorized herein, the Commonwealth will not copy, modify, distribute or transfer by any means, display, sublicense, rent, reverse engineer, decompile or disassemble the Contractor Property.</p> <p>Contractor grants to the Commonwealth a fully-paid, royalty-free, non-exclusive, non-transferable, worldwide, irrevocable, perpetual, assignable license to make, have made, use, reproduce, distribute, modify, publicly display, publicly perform, digitally perform, transmit and create derivative works based upon the Contractor Property, in any media now known or hereafter known, but only to the extent reasonably necessary for the Commonwealth’s exploitation of the [name product to be developed]. During the term of this Statement of Work and immediately upon any expiration or termination hereof for any reason, Contractor will provide to the Commonwealth the most current copies of any Contractor Property to which the Commonwealth has rights pursuant to the foregoing, including any related documentation.</p> <p>Notwithstanding anything contained herein to the contrary, and notwithstanding the Commonwealth’s use of the Contractor Property under the license created herein, Contractor shall have all the rights and incidents of ownership with respect to the Contractor Property, including the right to use such property for any purpose whatsoever and to grant licenses in the same to third parties.</p> <p><i>B. Commonwealth Property</i></p> <p>In conformance with the Commonwealth’s Standard Terms and Conditions, on the date on which the Commonwealth reimburses Contractor for a deliverable accepted by the Commonwealth under the terms of this Statement of Work, all</p>
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		<p>of the Contractor’s right, title and interest in all Property developed by the Contractor under the terms of this Statement of Work solely for purposes of creating the deliverables described in section ____ of this Statement of Work shall pass to and vest in the Commonwealth, including all copyright, patent, trade secret, trademark and other intellectual property rights created by Contractor in connection with such work and any causes of action relating to or based upon such work (hereinafter the “Commonwealth Property”). Contractor hereby assigns to the Commonwealth, as of the date on which the Commonwealth reimburses Contractor for such deliverables, all intellectual property rights that it may now or hereafter possess in the Commonwealth Property related to such deliverable and all derivative works thereof. The Contractor also agrees to execute all documents and take all actions that may be necessary to confirm such rights, including providing any code used exclusively to develop such deliverables for the Commonwealth and the documentation for such code. The Contractor acknowledges that there are currently and that there may be future rights that the Commonwealth may otherwise become entitled to with respect to Commonwealth property that does not <i>yet exist</i>, as well as new uses, media, means and forms of exploitation, current or future technology yet to be developed, and that the Contractor specifically intends the foregoing ownership or rights by the Commonwealth to include all such now known or unknown uses, media and forms of exploitation.</p> <p>The Contractor agrees to take such actions as may be reasonably requested by the Commonwealth to evidence the transfer of ownership of or license to intellectual property rights described in this section.</p>
6.	MONTANA (State of Montana Standard Terms and Conditions)	<p>Intellectual Property: All patents and other legal rights in or to inventions arising out of activities funded in whole or in part by the contract must be available to the State for royalty-free and nonexclusive licensing. The contractor shall notify the State in writing of any invention conceived or reduced to practice in the course of performance of the contract. The State shall have a royalty-free, nonexclusive, and irrevocable right to reproduce, publish or otherwise use and authorize others to use, copyrightable property created under the contract.</p>
7.	NEW YORK (New York State Department of Taxation and Finance – Standard Procurement Contract Terms and Conditions, Sec. 6.0(B)(3)(b))	<p>(b) Title to Program Deliverables. Unless otherwise modified in a Statement of Work, the State has the following ownership and/or license rights in program deliverables:</p> <p>(i) Existing Product(s):</p> <p>-- Hardware – if contractor is furnishing existing hardware product as a program deliverable under the contract, title and ownership thereto shall pass to the State upon acceptance; and</p> <p>-- Software and other Existing Products – title to all existing product(s), whether or not embedded in, delivered, or operating in conjunction with hardware or custom products, shall remain with contractor or third-party proprietary owner, as applicable, who retains all rights, title and interest (including patent, trademark, copyright and other intellectual property rights). Effective upon acceptance of existing product(s), the State shall be granted a non-exclusive, perpetual, paid-up license to use, execute, reproduce, display, perform, modify, adapt and distribute existing product(s) (or existing product(s) as modified or adapted by contractor, third-party proprietary owner, or the State, as the case may be). The State shall use existing product(s) solely for its business operations and purposes. The State</p>

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		<p>agrees to reproduce the copyright notice and any other legend of ownership on any copies authorized by this provision.</p> <p>(ii) Source Code for Contractor's existing software product(s) Furnished Under the Contract – Contractor shall, at no additional charge, grant to the State a non-exclusive, perpetual, paid-up license to use, execute, reproduce, display, perform, modify, adapt and distribute the source code for its own existing software product(s) furnished under the contract (as same may, from time to time, be corrected, modified, enhanced by contractor and/or State). Such license shall be effective at the time of acceptance of the particular existing software product(s). The State shall utilize the source code solely for its business operations and purposes.</p> <p>(iii) Custom Products. Effective upon creation, contractor hereby conveys, assigns and transfers to the State the sole and exclusive rights, title and interest (including ownership and all intellectual property rights) in custom product(s), whether in preliminary or final form (including any upgrades, enhancements or modifications thereto). Contractor hereby agrees to take all necessary and appropriate steps to ensure such transfer and that the custom product(s) are protected against unauthorized copying, reproduction and marketing by or through contractor, its agents, partners, employees, or subcontractors. Nothing herein shall preclude the contractor from otherwise using the related or underlying general knowledge, skills, ideas, concepts, techniques and experience developed in performing this contract in the course of contractor's business.</p>
8.	<p>NORTH CAROLINA (North Carolina Information Technology Procurement Office, Supplemental Terms and Conditions for Software and Services)</p>	<p>4) Vendor’s Retained Rights: Subject only to the rights granted to State hereunder, Vendor retains all right, title and interest in and to the Software and all copies of the Software, including without limitation all modifications, enhancements, upgrades and new versions with respect to any of the foregoing, all patent rights, copyrights and trade secret rights embodying any of the foregoing, and all know-how, concepts, inventions and ideas related to the foregoing. State shall provide Vendor with access to State's facilities, at reasonable times and upon reasonable notice, to verify State's compliance with the terms of this Agreement.</p> <p>14) State Property and Intangibles Rights: The parties acknowledge and agree that the State shall own all right, title and interest in and to the copyright in any and all software, technical information, specifications, drawings, records, documentation, data and other work products first originated and prepared by the Vendor for delivery to the State (the "Deliverables"). To the extent that any Vendor Technology is contained in any of the Deliverables, the Vendor hereby grants the State a royalty-free, fully paid, worldwide, perpetual, non-exclusive license to use such Vendor Technology in connection with the Deliverables for the State's internal business purposes. Vendor shall not acquire any right, title and interest in and to the copyrights for goods, any and all software, technical information, specifications, drawings, records, documentation, data or derivative works thereof, or other work products provided by the State to Vendor. The State hereby grants Vendor a royalty-free, fully paid, worldwide, perpetual, non-exclusive license to non-confidential Deliverables first originated and prepared by the Vendor for delivery to the State.</p>
9.	<p>PENNSYLVANIA (Commonwealth of</p>	<p>39. OWNERSHIP RIGHTS</p> <p>(a) Any ideas, concepts, know-how, techniques, documentation, data, modules, components, designs, utilities,</p>

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<p>Pennsylvania Standard Contract for Enterprise Resource Planning and Related Information Technology Services between Commonwealth of Pennsylvania, Department of _____ and [Contractor])</p>	<p>interfaces, templates, subroutines, concepts, analyses, methods, algorithms, formulas, or technical information (collectively, “Residual Information”) developed by Contractor personnel (alone or jointly with the Department) in connection with service provided to the Department under this Contract shall be the exclusive property of the Department. The Department, however, understands that the use of the Residual Information allows the Contractor to more quickly and efficiently provide services for the Department and others. Accordingly, the Contractor has set the fees based upon its ability to use and provide Residual Information in the course of this and future engagements for its clients and may use and provide same.</p> <p>(b) All literary works, or other works of authorship (such as application programs, listings, programming tools, documentation, reports, drawings and similar works) (“Developed Materials”), developed under this Contract shall be treated in accordance with the following general principles:</p> <p>(i) if Developed Materials modify, improve, or enhance application software programs or other materials generally licensed by the Contractor, then such Developed Materials shall be the property of the Contractor and the irrevocable, non-exclusive, nontransferable, royalty-free license to use with a Contractor software processing unit;</p> <p>(ii) if a modification, improvement, or enhancement to application software that has not been licensed to the Commonwealth or the Department by the Contractor, then such modifications, improvements, and enhancements shall be the property of the Commonwealth, the Department, or its licensor;</p> <p>(iii) if a modification, improvement, or enhancement to application software which has been licensed to the Commonwealth or the Department by the Contractor, then such modifications, improvements, and enhancements shall be the property of the Commonwealth, the Department or its licensor; or</p> <p>(iv) if a new application program has been entirely funded by the Department and does not include any pre-existing materials, then such application software shall be the property of the Department.</p> <p>(c) The Department acknowledges that the provision of services under the Contract does not create a license for the Department to use any software generally licensed by the Contractor to end-users. If any such software is to be used in connection with the provision of services under this Contract, a separate license is necessary. Ownership of software modifications, improvements, and enhancements does not create an interest in or right to use underlying software or express a conveyance of rights or grant of license from the party owning the underlying software. It is understood, however, that if a Deliverable requires a license, that license is included in this Contract. The Department need not obtain any further right to use the Deliverable.</p> <p>(d) The above provisions shall not preclude the Department from developing material, including software, similar to that furnished to the Department in the course of providing services under this Contract.</p>
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