

## Completing Your Contract Arsenal - NDAs, Employee and Consultant Agreements

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This is the final installment in a three article series of legal issues a start up developer should be aware of, long before they even consider looking at a developer/publisher contract. The first, Initial Legal Issues, dealt with ownership, corporate forms and starting a company. The second, Just what are these games made of...legally speaking? examined the different types of Intellectual Properties (IP) that comprise a game and how they are established. Now, we will take a look at some other basic contracts every rookie developer should have: the employee/consultant agreements and Non Disclosure Agreements (NDAs). These basic agreements protect the IP that form the core assets of your development company.

### **Employee/Consultant Agreements**

The employee/consultant agreement assures that everything that is developed by those working on your game is the property of the company. It also should contain an acknowledgment of any trade secrets your company may have such as design, play, concept or even the identity of your industry contacts. These contracts can be as tight or restrictive as your "corporate philosophy" dictates. Obviously, most start up studios do not want the onerous type of atmosphere that many "game factories" demand. But remember, no matter how open source you want to be about your IP, if it is not protected, you will not be able to sell it.

Here is a list of topics and a basic description of what they are and why they are included in agreements of this type:

- Introduction - This introductory section identifies the company and the employee or consultant and the date the agreement is being entered into.
- Definitions - Sets out specific meaning of the important terms on the agreement. These terms are capitalized here and will be capitalized throughout the agreement to identify them as defined terms.
- Information, works, and trade secrets - Sets specific rules and procedure for employees/consultants who deal with the companies intellectual property including restrictions on use and dissemination to third parties.

- Customers and Employees of Company - Restricts the ability of the employee/consultant to seek to employ fellow employees or deal with customers for a period of time after the employment or consultancy is terminated.
- Intellectual Property of Company - Identifies all IP created by the employee as being owned by the company. Major corporations often include any new IP or inventions that a full time employee has while employed, even if they are completely unrelated to the company's projects. With consultants, the scope of IP ownership by the company is limited to the work done for the company. In either case, the employee/consultant agrees to assign all rights in this work to the company and also obligates the employee/consultant to execute whatever documents are necessary to ensure that the company's ownership of these rights is secure and exclusive.
- Your secrets and rights - This section relates to any IP that the employee/consultant has or develops outside of the agreement and to which they retain full rights. This section often refers to an addendum to the contract where the specific independent IP that is not the company's is set out in detail.
- Third party rights and property - Here the employee/consultant acknowledges that they have the full rights to all the IP they bring to the company and that their execution of this agreement does not violate any other agreements they may have with prior employers. They also agree that they will not violate any third party IP rights during their period of employment or consultancy.
- Co-operation with Company - Requires the employee/consultant to cooperate with the company in maintaining and enforcing its IP rights including everything from the execution of documents to testifying in court proceedings.
- Records creation and retention - Sets out the documentation and records requirements to be followed by the employee/consultant in

conjunction with the work being done for the company. There is nothing worse than having a lead programmer leave your project and being left with undocumented spaghetti code that only they understand.

- Arbitration or litigation of disputes - Arbitration clauses usually are included to avoid costly employment discrimination suits from employees. This section should include any jurisdiction and venue provisions, essential to making sure that any virtual team members must proceed against the company where the company is, instead of where they are. Also a sentence regarding the awarding of attorney's fees to the prevailing party in any arbitration or litigation is often included here.

- Entire agreement - Often referred to as an "incorporation clause," this common contract provision states that the written agreement is the entire agreement and none of the prior verbal or written statements or promises made by or to anyone have any binding effect once the contract is signed. This provision also usually requires any modifications to the agreement be in writing signed by all parties.

- Signature - Signatures and dating of the execution of the contract by both the company and the employee or consultant.

Of course you may or may not want to have some of these more restrictive provisions in your agreement. But they can be easily modified to accommodate your particular situation. For example, you may want to have a very open policy regarding any work done that is not directly included in your project or allow your team to retain some of the IP rights to tools and technology they develop. In addition, since everyone involved in game development must keep a portfolio of some sort, carving out exceptions for such limited uses of company IP is probably appropriate in most cases.

The bottom line here is that you must have some sort of agreement for your employees and consultants that deals with these IP ownership issues, conclusively transfers all ownership of IP to the company, and sets out the responsibilities of the employee and consultant regarding the company's preservation and enforcement of these rights. And it is best to have this sort of agreement drafted specifically for your situation by a knowledgeable attorney.

### **Non Disclosure Agreements**

So, now that we have the IP identified and nicely owned by the developer how do we dare show it to anyone for fear that they will steal it from us. Enter the Non

Disclosure Agreement commonly referred to as the NDA. Most of us are familiar with technology related NDAs which accompany SDKs or technology demos. Some even accompany parties in night clubs (remember the 3Dfx NDA parties at GDC?). These NDA are required by technology companies to help control the unauthorized or premature release of their new technologies. They also are necessary to retain the "trade secret" nature of any portion of their new technology that is not covered by patent or copyright. Remember, it is essential for a trade secret to be treated as a secret by the company - NDAs do that!

NDAs have a lot of other uses as well. Any time you show your stuff to someone not already on your team such as potential team members, investors or other developers an NDA is a good idea. However, they are not generally used when presenting your game to a prospective publisher, where you would think they are most necessary. In fact, publishers will rarely sign an NDA with a developer prior to checking out a game. You see, publishers have games in process and are reviewing hundreds of games every year. If they sign an NDA with you then they run the risk that they may already have a game substantially like yours either in the works or under consideration. Of course you can ask. But don't expect much.

However, this does not mean that you should not have an NDA in your arsenal of contracts. You should. After all there are plenty of other people who you may want to have sign one. Especially as your project progresses and your need for feedback from outside of your team grows.

Let's take a gander at a basic NDA -

*Confidentiality, Non-Disclosure and Non-Use Agreement*

*This agreement is made between \_\_\_\_\_ (the "Company") and \_\_\_\_\_ (the "undersigned").*

*WHEREAS The Company and the Undersigned wish to explore a business possibility and the Company and the Undersigned each wish to protect any Confidential Information which may be disclosed by each to the other. The Confidential Information concerns the concept, implementation, marketing and design of \_\_\_\_\_ and any other related ventures.*

*Definition. "Confidential Information" as used herein, whether or not reduced to writing and in any and all stages of development, shall include but shall not be limited to: all information which relates to; policies and practices; files or data; concepts; software or hardware development; specifications; documentation; lists of names; forecasts; trade secrets; techniques; product plans; marketing plans; customer information; or*

*financial or non financial information or related information which were directly or indirectly disclosed or revealed to a party by (i) the other party or any of its directors, officers, employees, agents, attorneys or representatives; or (ii) by any other means connected with a party. Confidential information shall include written information that is designated as such in writing or oral information that is confirmed promptly in writing as having been disclosed as confidential or proprietary.*

*"Confidential Material": as used herein shall be any and all tangible materials and objects which embody Confidential Information or from which Confidential Information can be read, reproduced or utilized.*

*Confidential Information does not include information, technical data or know-how which (i) is in the possession of the Receiving Party at the time of disclosure and is free from any disclosure obligations as shown by the receiving party's files and records immediately prior to the time of disclosure, (ii) prior to or after the time of disclosure becomes part of the public knowledge or literature, not as a result of any inaction or action of the receiving party, (iii) is approved by the disclosing party, in writing for release, (iv) is developed independently by the receiving party, or (v) is received from a third party not having an obligation of confidentiality.*

*Non-Disclosure of Confidential Information. Each of the parties that receives Confidential Information (the Receiving Party) from the other party (the Disclosing Party) agrees not to use such Confidential Information disclosed to it for its own use or for any purpose except to carry our discussions concerning, and the undertaking of, any business relationship between the Undersigned and the Company.*

*The Receiving Party will not disclose any Confidential Information of the Disclosing Party to third parties or to employees of the Receiving Party except those employees who are required to have information in order to carry out the discussion of the contemplated business. All employees of the Receiving Party to whom Confidential Information of the Disclosing Party have or will have prior to disclosure, sign a Non-Disclosure and Non-Use Agreement in content substantially similar to this Agreement, and the Receiving Party will promptly notify the Disclosing Party in writing of the names of each such employee upon the written request of the*

*Disclosing Party at any time. Each of the Parties agrees that it will take all reasonable measures to protect the secrecy of and avoid disclosure or use of Confidential Information of the other party in order to prevent it from falling into public domain or the possession of persons other than those persons authorized hereunder to have any such information, which measures shall include the highest degree of care that each of the parties uses to protect its own Confidential Information of a similar nature. The Receiving Party agrees to notify the Disclosing Party in writing of any misuse or misappropriation of Confidential Information of the Disclosing Party which may come to the Receiving Party's attention.*

*Return of Materials. Within ten (10) days of a written request from the Disclosing Party any materials or documents which have been furnished to the Receiving Party will be promptly returned, accompanied by all copies of such documentation, after the business possibility has been rejected or concluded.*

*No Implied Grant of Rights. Nothing in this Agreement is intended to grant any rights to either party under patent or copyright, nor shall this Agreement grant the Receiving Party any rights in or to the Disclosing Party's Confidential Information, except the limited rights to review such Confidential Information solely for the purpose of determining whether to enter into a further business relationship with the Disclosing Party.*

*Term. The foregoing commitments of the parties shall survive any termination of discussions between the parties and shall continue for a period of two(2) years following the date of this Agreement.*

*Miscellaneous. This Agreement shall be binding upon and for the benefit of the undersigned parties, their successors and assigns, provided that Confidential Information of either party may not be assigned without the prior written consent of such party. Failure to enforce any provision of this Agreement shall not constitute a waiver of any term hereof.*

*Each party understands and agrees that Confidential Information is secret and proprietary and of great value to the other. The parties further understand and agree that the relationship between them is of a confidential nature and imposes an affirmative obligation upon the each*

*party to protect, foster and respect the confidentiality of Confidential Information.*

*The parties further understand and agree that they are under no obligation to disclose or reveal anything to the each other. Each party may in its sole discretion, elect not to disclose or reveal.*

*Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of (e.g.)Florida, and shall be binding upon the parties hereto in the United States and worldwide. The federal and state courts within the United States District of the Southern District of Florida shall have exclusive jurisdiction to adjudicate any dispute arising out of the Agreement.*

*Remedies. The parties agree that the obligations of the Receiving Party provided herein are necessary and reasonable in order to protect the Disclosing Party and its business, and expressly agree that monetary damages would be inadequate to compensate the Disclosing Party for any breach by the Receding Party of it covenants and agreements set forth herein. Accordingly, the parties agree and acknowledge that any such violation or threatened violation will cause irreparable injury to the Disclosing Party and that, in addition to any other remedies that may be available in law, equity or otherwise, the Disclosing Party shall be entitled to obtain injunctive relief against the threatened breach of the Agreement or the continuation of any such breach by the Receiving Party, without the necessity of proving actual damages.*

*Signatures*

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The above NDA is set out as an example and was not specifically drafted to apply to a developer situation. But using even a basic NDA may have some advantages. For example, it may help get that private funding source you are looking at to treat your venture with a little more respect than might have been afforded otherwise. Or it might inhibit someone considering poaching your concept from doing so.

That's it for my series of articles regarding legal stuff that every rookie developer should know before looking for a publishing deal. I hope they have been of some help to you.