

# Technology Marathon 2022

Our Technology Marathon is an annual series of tailored webinars focused on hot topics, trends, and key developments in the technology industry that are of essential importance to our friends and clients. Now in its 12th year, our expansive curriculum kicks off in May and continues into June.

Key Considerations for  
Managing IT  
Development Teams  
Overseas

For more information:

<https://www.morganlewis.com/events/technology-marathon>

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# TECHNOLOGY MARATHON

**Key Consideration for Managing IT  
Development Teams Overseas**

Anastasia Dergacheva | Ksenia Andreeva

**24 May 2022 | 12:00-1:00 pm ET**



# Presenters



**Ksenia Andreeva,**  
Partner, Commercial  
Business Transactions  
& Intellectual Property



**Anastasia Dergacheva,**  
Partner, Commercial  
Business Transactions  
& Intellectual Property

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# Common Mistakes

- 1 *"We know these people and we trust them. Let's not overcomplicate the documentation, please?"*
- 2 *"We pay to develop the software so whatever our employees and contractors develop is ours anyway, right?"*
- 3 *"We work together as one team, and it does not matter who takes the credit."*
- 4 *"We don't care where our developers are located as long as they do their job. It's their responsibility to figure out their taxes, visas, licenses, etc."*



# Documenting Software Development



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# Employees vs Independent Contractors

Criteria	Employees	Independent Contractors
Work for Hire Rules	Apply to employees, but internal processes should be documented	Local law advice required: in some countries there is no 'work for hire' concept
Contract	Employment contract subject to local employment laws	Independent contractor agreement enables more flexible arrangements
Remuneration	Payment terms subject to local employment laws. Does not usually depend on actual results	More flexible options are allowed, remuneration may depend on the actual results
Remedies for breach	Limited liability, unilateral termination may be difficult in certain countries, higher risk of complaints	Customary contractual liability, indemnities and termination clauses



# Internal Measures



"Work for hire" rules such as internal policies, procedures and agreements with employees and individual contractors (if applicable)



Control over development of IP by employees (employees' reporting, mandatory use of task managers and corporate repositories, etc.)



Internal awareness programs to make sure that employees are informed about internal rules and their responsibilities



Track record and inventory of all intellectual property developed or otherwise acquired, owned and used by a company

# Agile vs Waterwall Development

## Agile:

- provides high development flexibility and adaptive to continuously changing plans and needs
- importantly high role of the project manager to allocate the tasks and supervise ongoing development
- customary transactional structures are to be adjusted: close attention shall be given to client-developer task management (meetings, use of task management software), terms of payment (including adjustments), ownership over the intermediary product, terms of acceptance

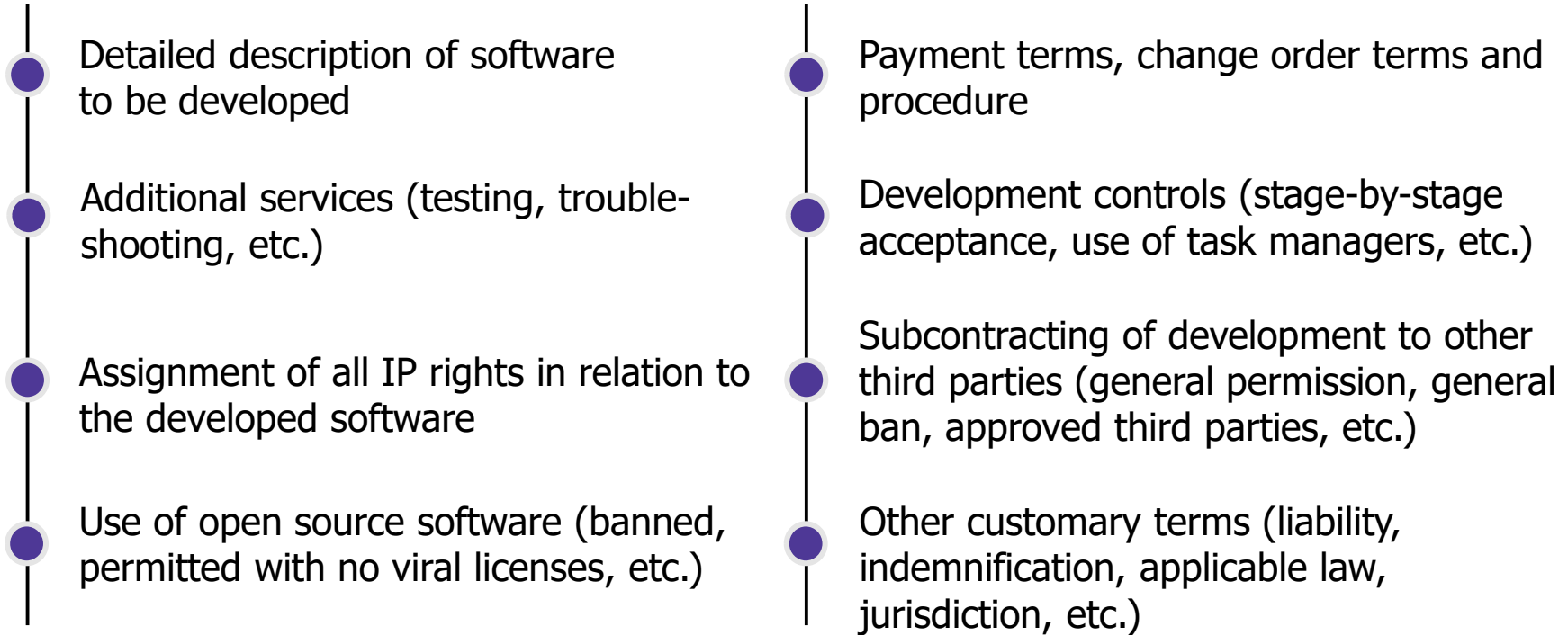
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## Waterfall:

- better works for well-defined projects due to the linear structure, which makes the progress easy to track
- less flexible to changing plans, especially for long-term development projects
- ensures more transparent allocation of roles and responsibilities across the developer/development teams
- works well with customary transactional structures (step-by-step acceptance and payments, customary warranties and indemnities)



# Third-Party Development Agreements



# Transactional Impact

## Info requested for a legal DD:

- Inventory of all IP owned and used by a company
- Copies of all agreements with employees and contractors, that govern development of IP for a company, including all related documents such as SoW, Acceptance Certificates, etc.
- Confirmation that all and any remuneration were paid to all employees and contractors (including all invoices and payment instructions)
- Copies of all assignment and license agreements to confirm lawful use of IP, etc.

## Transactional impact:

- Missing or fragmented documentation is a red flag for IP-driven transactions
- Risks may affect purchase price
- Prospective buyer (investor) will likely request extensive transactional protections: broader warranties, broad IP indemnity, increased liability caps
- Some risks may be addressed through condition precedents (e.g., confirmatory assignment agreements with contractors)



# Intellectual Property Protection Mechanisms



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# Basics of Software Protection Worldwide

- Menu of options include copyright, patents and know-how (trade secrets)
- Software is protected as **copyrights** - copyrights usually do not require registration, but in certain cases registration with PTO may provide additional protection or enable access to local benefits
- Certain features of software may be **patentable**
- Being kept confidential, certain parts of software may be additionally protected as **know-how (trade secrets)**
- Technical protection of software is important as well

# Copyright vs Patent Protection vs Know-How Rules

Criteria	Copyright	Patent	Know-How
What can be protected?	How human expression authored computer-readable code	Useful, novel, and non-obvious method, device, or system	Any commercially sensitive information
How to implement?	No specific implementation required	Time-consuming and rather expensive patent application procedure	Internal rules and controls
Measures to retain protection?	No payments; control over disposal of rights is required	Payment of patent fees	No payments; only legal, organizational and technical confidentiality measures required
For how long is protected?	Almost perpetual	Term of protection is limited; there are mechanisms for extending the patent term	As long as the information remains confidential



# Local Law Issues to Consider



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# Employment Law Considerations

- **Local presence:** either a subsidiary or a branch is likely required as it may be difficult if not impossible to comply with local labor requirements without local presence
- **Independent contractor model at risk:** pay attention to working hours, tools and equipment, vacations and benefits. Higher degree of control entails higher risk
- **Termination:** restricted or limited in many jurisdictions. Consider short term/project based employment contracts where possible
- **Mind related regulations:** health & safety, accounting, recordkeeping, privacy, etc.

# Privacy Issues: What's Important?



Roles in terms of data processing  
(controller, processor, joint-controllers)



Processing purposes and legal grounds  
for data processing



Sensitivity of processed personal data  
(special categories of personal data,  
biometric data, communications, etc.)



Confidentiality and security obligations,  
TOMs to be implemented (encryption,  
role-based access model, etc.)



"Adequacy" of a recipient country  
and appropriate transfer mechanisms  
(DPAs, SCCs, etc.)



Security and incident management,  
reporting and liaising with regulators  
(notifications, registrations, etc.)

# Tax Considerations

- 1 What taxes would apply to our proposed set up? Are there any other contributions potentially payable in the jurisdiction?
- 2 Who shall pay these taxes? Do we need to register with local tax authorities? Would permanent establishment rules be triggered?
- 3 How intragroup transfer of funds would work in this jurisdiction? What are the transfer pricing rules in the jurisdiction?
- 4 Can we apply for any tax benefits? What formalities shall we observe to apply?

# And Let's Not Forget about Regulatory Risks



**Export control:** cross-border transfer of technology, including software, may be subject to specific export & sanctions regulations

**Licensing & certification:** in certain countries development of specific types of software or services (e.g., encryption, IT security) requires governmental authorization or compliance assessment

**Access to technology:** watch out for VPN and messenger services restrictions

**Data localization:** some countries require that certain types of information, e.g. personal information, is stored locally



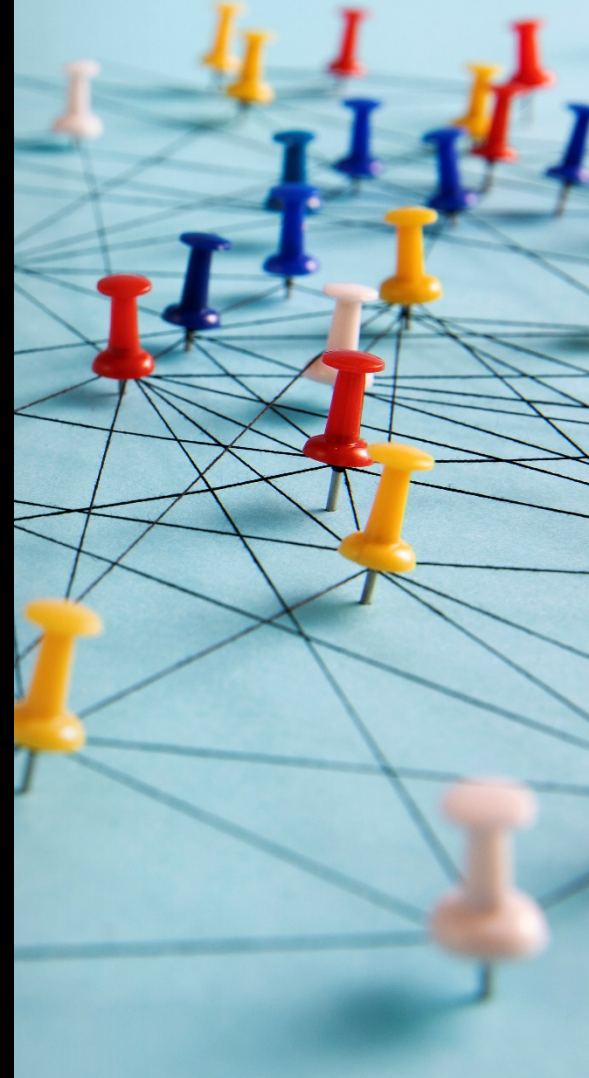
# Ukraine Conflict Resources

Our lawyers have long been trusted advisers to clients navigating the complex and quickly changing global framework of international sanctions. Because companies must closely monitor evolving government guidance to understand what changes need to be made to their global operations to maintain business continuity, we offer a centralized portal to share our insights and analyses.

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To help keep you on top of developments as they unfold, visit the website at [www.morganlewis.com/topics/ukraine-conflict](http://www.morganlewis.com/topics/ukraine-conflict)

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- Watch out for Contract Corners & Spotlight, see at <https://www.morganlewis.com/blogs/sourcingatmorganlewis>

# Biography



**Anastasia Dergacheva**

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Anastasia Dergacheva counsels major international companies across multiple industries, including telecommunications, media and entertainment, and technology.

Anastasia's practice focuses on mergers and acquisitions and technology transfer transactions, as well as licensing, outsourcing, and professional services deals. Anastasia also advises clients on various regulatory aspects of mass media, IT business, e-commerce, and data transfers.

# Biography



**Ksenia Andreeva**

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Ksenia Andreeva specializes in intellectual property (IP) matters. Ksenia advises on a wide range of transactional, regulatory, and commercial IP matters as well as disputes and enforcement of IP rights. Her clients include companies in media, technology, telecommunications, and many other industries. Ksenia has experience with licensing, franchising, and handling commercial transactions that involve IP, including complex outsourcing matters. She also assists with the IP aspects of mergers, acquisitions, and joint ventures and advises on personal data protection and related regulatory matters.

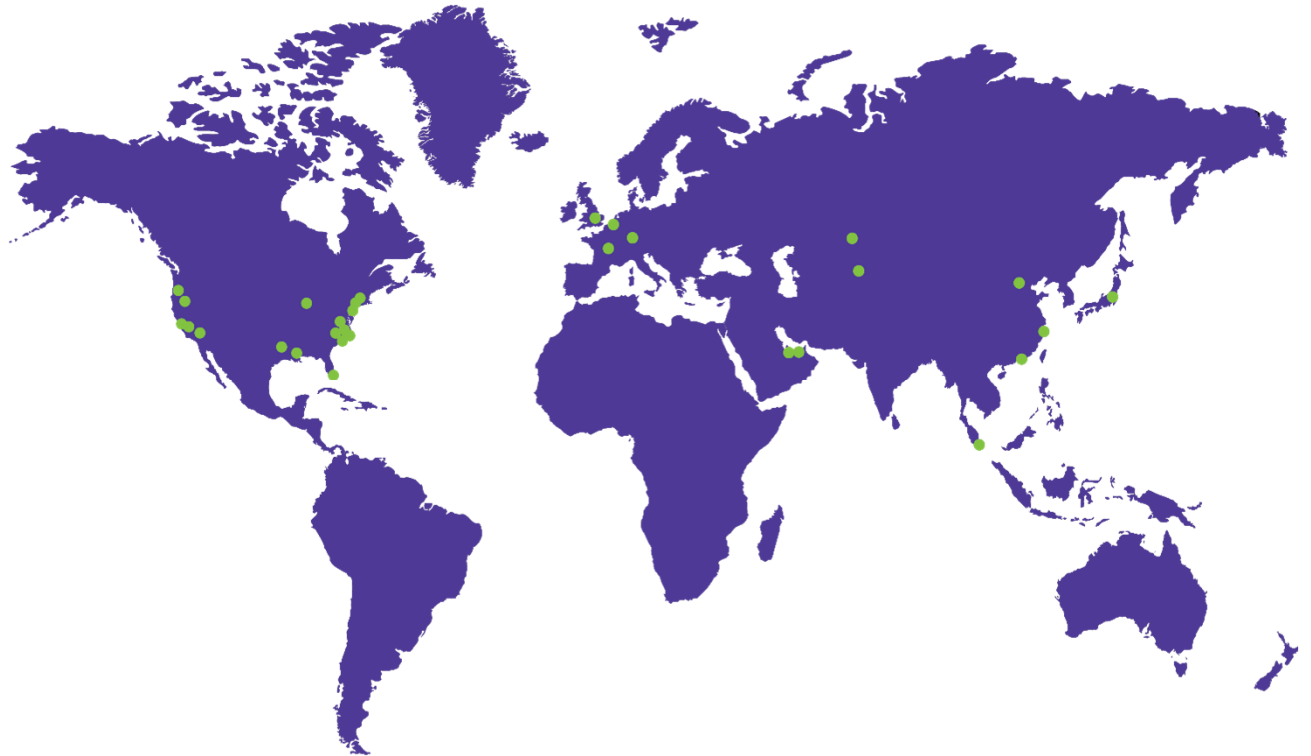


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