

# IP Rights Clauses in Robotic Process Automation (RPA) Agreements

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Sample clauses to protect intellectual property (IP) rights in robotic process automation (RPA), or bot, agreements. These Standard Clauses have integrated notes with important explanations and drafting and negotiating tips.

## DRAFTING NOTE: READ THIS BEFORE USING DOCUMENT

Robotic process automation (RPA), also called the use of bots, continues to revolutionize the way individuals and businesses operate. The Institute for Robotic Process Automation & Artificial Intelligence defines RPA as “the application of technology that allows employees in a company to configure computer software or a ‘robot’ to capture and interpret existing applications for processing a transaction, manipulating data, triggering responses and communicating with other digital systems” (Institute for Robotic Process Automation & Artificial Intelligence: What is Robotic Process Automation?). A bot therefore is software that completes routine and repetitive tasks through automation based on instructions. Processes that humans previously performed manually, such as claim processing, online customer service, and HR-related tasks, are now being automated and performed by bots.

Bots are sometimes considered a subset of artificial intelligence (AI) because both AI and bots are forms of computer technology used for automation. AI and cognitive computing or machine learning are terms used interchangeably to describe computer

technology with the ability to simulate human intelligence to:

- Analyze data to reach conclusions about the data, find patterns, and predict future behavior.
- Learn from data and adapt with experience to perform certain tasks better over time.

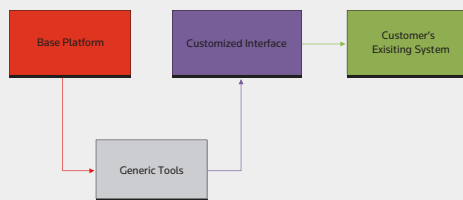
However, use of bots can be considered distinct from use of AI since bots do not incorporate machine learning.

A company may customize bots for specific business systems and needs. Customized bots are often built around core functionality that is licensed from an automation software vendor and enhanced by a skilled service provider that is knowledgeable about the specific business process to be automated. This customization can be costly, and the service provider likely has a vested interest in protecting certain intellectual property (IP) it uses to develop solutions for its customer base. Agreements with IP ownership terms that accurately reflect the bot development process can help drive innovation and encourage service providers to propose and develop customized bots as automation solutions (see Section 2).

## BOT DEVELOPMENT PROCESS

Simply supplying the software for the bot is often not enough to reach the customer's intended goals because the bot needs to interact with a customer's existing systems. The customer therefore typically needs additional deliverables, such as generic tools and a customized interface, to ensure its systems interact with the bot and achieve implementation.

The bot development process includes use of the following deliverables in a series of steps:



The deliverables for a bot project typically include:

- **Base platform.** The base platform is often a third-party software platform used to develop and program bot codes but may be a platform proprietary to the service provider.
- **Generic tools.** Generic tools are tools developed by the service provider that are used to link the base platform with the customized interface. The service provider generally uses these tools with more than one customer (see Drafting Note, Generic Tools).
- **Customized interface.** A customized interface connects to the customer's systems to accomplish various customer tasks. The service provider often needs to provide a customized interface to fit the bot into the customer's system or otherwise to customize the way in which the customer interacts with the bots. Customized interfaces may or may not incorporate customer know-how or domain expertise.

Considering the bot project deliverables as separate categories makes it easier to distinguish them for proper attribution and ownership and also can simplify the implementation process.

## ASSUMPTIONS

These Standard Clauses are intended for use in a bot agreement between a customer and a service provider. They aim to allocate ownership of IP rights in the deliverables between the parties. These Standard Clauses assume that:

- **The service provider is creating IP that is protectable under copyright law in the course of providing bots to the customer and the bot components will be separable into a base platform, generic tools, and customized interfaces.** For more on the categories of deliverables in bot agreements, see Bot Development Process. If any of the deliverables under the bot agreement constitute inventions, the parties should allocate which party has the right to file and prosecute patent applications and register related IP rights and the process for disclosure of inventions and related records. For more information on the development of inventions by independent contractors, see Standard Clauses, IP Rights Clauses for Independent Contractor/Consultant Agreements: Drafting Notes: Applications for Patent and Registration of Intellectual Property Rights and Disclosure of Inventions; Maintenance of Records ([8-620-0560](tel:8-620-0560)).
- **There are only two parties to the agreement.** The parties should adjust the agreement as necessary if additional parties, such as the customer's affiliates, also have rights or obligations under an agreement.
- **The parties to the agreement are US entities and the transaction takes place in the US.** If any party is organized or operates in or any part of the transaction takes place in a foreign jurisdiction, these terms may need to be modified to comply with applicable laws in the relevant foreign jurisdiction.
- **The terms are being used in a business-to-business transaction.** These Standard Clauses should not be used in a consumer contract or government contract, which may involve legal and regulatory requirements and practical considerations that are beyond the scope of this resource.

- **The terms are not industry-specific.** These Standard Clauses do not account for any industry-specific laws, rules, or regulations that may apply to certain transactions, products, or services.
- **IP license grants are set out elsewhere in the agreement.** The parties should include license grants to the other party if that party does not own the IP but needs access to it. For sample license grant terms, see Standard Document, Software License Agreement (Pro-Licensor, Long Form): License Grant ([7-505-1335](#)) and Standard Document, Software License Agreement (Pro-Licensee, Long Form): License Grant ([6-517-3375](#)).
- **Capitalized terms are defined elsewhere in the agreement.** Certain terms are capitalized but not defined in these Standard Clauses (for example, Customer,

Service Provider, Parties, Agreement, Effective Date, Fees, Deliverables, and Services) because they are typically defined elsewhere in an agreement. Counsel should tailor the defined terms to the customer's particular transaction. For a sample services agreement containing definitions of these and other relevant terms, see Standard Document, Professional Services Agreement: Definitions ([9-500-2928](#)).

#### BRACKETED ITEMS

Bracketed items in ALL CAPS should be completed with the facts of the service provider's circumstances and the particular transaction. Bracketed items in sentence case are either optional provisions or include alternative language choices to be selected, added, or deleted at the drafter's discretion.

#### 1. Definitions.

- (a) **"Base Platform"** means [BASE PLATFORM DESCRIPTION] or such other platform as mutually agreed in writing.

#### DRAFTING NOTE: BASE PLATFORM

Choosing the right base platform is critical to any project. The service provider should be familiar with the base platform and have the capability to program using the base platform. The base platform should also be a platform that the customer is comfortable integrating into its own platform and systems.

As a preliminary matter when initiating a bots project, parties should clearly define:

- Which party has responsibility for selection of the base platform.
- The base platform or platforms to be used in the project.
- If a third party owns the base platform selected, which party is responsible to obtain and maintain rights to use it during the life of the bots (see Section 2(a)).

- (b) **"Customized Interfaces"** means the interfaces that incorporate Customer know-how or the Service Provider customizes under this Agreement for use only by Customer. For the avoidance of doubt, Customized Interfaces expressly does not include: (i) Generic Tools; (ii) the Base Platform; or (iii) other third-party materials licensed or provided by or to Service Provider for use in performing Services.

- (c) **"Generic Tools"** includes, without limitation, any tools, software (in source code or object code), bots, algorithms, calculators, spreadsheets, architecture, modules, components, designs, utilities, objects, program listings, models, templates, methodologies, frameworks, routines, interfaces, screen designs, instructions, configurations, databases, data sets, and items of a similar nature, owned, licensed, or developed by Service Provider (directly and/or through its affiliates, consultants, and/or subcontractors), whether in connection with or independently of the performance of the Services, and modifications, enhancements, and/or derivative works

to all of the above, whether pre-existing or developed during the performance of Services and delivery of Deliverables, including, without limitation, any modifications based on Customer's feedback or based on Services provided to Customer, and any copies or documentation relating to the foregoing. [Generic Tools will be identified in a statement of work ("**SOW**"), exhibit, proposal response, solution design document, or other written document prior to the Effective Date or during the performance of the Services if mutually agreed upon by the Parties.]

#### DRAFTING NOTE: GENERIC TOOLS

Generic tools are software developed by the service provider either before the project or as part of the project and are not customer-specific. The service provider typically develops and owns the generic tools and at its option can use and redeploy them with other service provider customers. Generic tools generally would not include customer-specific trade secrets or know-how but could include the service provider-specific trade secrets or know-how. In some instances, generic tools may include not only pre-existing tools, but also tools developed during the project for customers.

Depending on the nature of the bots being developed, generic tools may be listed specifically and may include:

- Service provider's know-how and domain expertise.
- Methodologies, frameworks, approaches, and templates.
- Design, implementation, and testing templates.
- Certain bot components.
- Service provider's content extraction tools, if applicable.
- Other service provider tools, as defined in the agreement.
- Other materials that the parties identify and agree constitute generic tools.
- Any modifications, updates, or enhancements to and derivative works based on the above, whether created during the services engagement or independently.

## 2. Intellectual Property Rights.

#### DRAFTING NOTE: INTELLECTUAL PROPERTY RIGHTS

Companies frequently engage service providers to perform various services that may result in the creation or development of IP. Ownership of IP by a service provider is often extensively negotiated by the parties. The ownership allocation of these IP rights varies depending on the circumstances of the particular transaction. For more on IP rights clauses in services agreements,

see Standard Clause, IP Rights Clauses for Independent Contractor/Consultant Agreements ([8-620-0560](#)).

This Standard Clause sets out a proposed IP ownership allocation based on the categories of deliverables typically provided in bot agreements (see Drafting Note, Bot Development Process).

(a) Ownership of Base Platform. As between Service Provider and Customer, Service Provider retains exclusive right, title, and interest, in perpetuity and worldwide, to the Base Platform. Service Provider may use the Base Platform with Service Provider's other customers or in any other manner in Service Provider's sole discretion.

#### OR

Use of Base Platform. Service Provider is responsible for obtaining all rights for the Base Platform necessary to authorize Customer to implement and use the Deliverables during the Term. Service Provider shall invoice Customer periodically for the cost of such license fees.

**OR**

Use of Base Platform. Customer is responsible for obtaining and maintaining all rights to the Base Platform necessary for Service Provider to use and develop the bots and otherwise perform Service under this SOW, and for Customer to implement and use the Deliverables during the Term. [To the extent Customer fails to obtain such rights, or maintain such rights, Service Provider's delivery of the bots or other Deliverables or otherwise to perform the Services will be excused.]

**DRAFTING NOTE: OWNERSHIP/USE OF BASE PLATFORM**

If the base platform is proprietary to the service provider, use the first alternative provision in this section under which the service provider retains ownership of the base platform.

Use the second alternative provision if the service provider must obtain rights to a third-party base platform and can charge customer for the costs to obtain those rights.

Use the third alternative provision if the customer must obtain rights to a third-party base platform. Include the bracketed optional language in this provision if the service provider wants to include a no responsibility clause if the customer fails to meet its obligations.

(b) Generic Tools. As between Service Provider and Customer, Service Provider retains exclusive right, title, and interest, in perpetuity and worldwide, to Generic Tools. Service Provider may use Generic Tools with Service Provider's other customers or in any other manner in Service Provider's sole discretion. To the extent that Customer has access to any Generic Tools and a license from Service Provider to use such Generic Tools, Customer shall use the Generic Tools solely on Customer's systems for Customer's internal business purposes. Customer shall not remove any copyright, confidentiality, proprietary, or similar notices from any Generic Tools. Customer (and its other service providers) shall not reverse engineer, decode, disable, decompile, or otherwise translate or convert the Generic Tools or any part thereof. Except with Service Provider's prior written consent, Customer shall not use or offer any Generic Tools on a service bureau basis or application service provider basis, or sublicense or rent or loan any Generic Tools or otherwise make any Generic Tools available to any third party, including, without limitation, to any competitor of Service Provider, and then only in strict compliance with the scope of the license rights granted by Service Provider to Customer in writing.

(c) Customized Interfaces. Upon full payment to Service Provider for applicable Fees, the Customized Interfaces will be deemed a "work made for hire" as defined in 17 U.S.C. § 101 for the Customer and all copyrights therein automatically and immediately vest in the Customer ("**Work Product**"). To the extent that any Work Product does not constitute a "work made for hire," Service Provider hereby irrevocably assigns to Customer and its successors and assigns, for no additional consideration, Service Provider's entire right, title, and interest in and to such Work Product and all intellectual property rights therein, including the right to sue, counterclaim, and recover for all past, present, and future infringement, misappropriation, or dilution thereof, and all rights corresponding thereto throughout the world. For the avoidance of doubt, Work Product does not include: (a) Generic Tools; or (b) any Base Platform or other third-party materials licensed or provided by or to Service Provider. Service Provider shall execute any documents of assignment or registration of copyright or other rights reasonably requested by Customer regarding the Work Product.

**DRAFTING NOTE: CUSTOMIZED INTERFACES**

Counsel drafting agreements with California-based independent contractors

should consider whether to exclude the work made for hire acknowledgment in this

section and rely solely on the IP assignment due to implications under California state law governing employee and contractor arrangements (see Standard Clauses, IP

Rights Clauses for Independent Contractor/ Consultant Agreements: Drafting Note: Work Made for Hire Provisions Problematic Under California Law ([8-620-0560](#))).

(d) Residuals. Service Provider is not prohibited or restricted from using any general ideas, concepts, know-how, methodologies, processes, technologies, algorithms, or techniques retained in the unaided mental impressions of Service Provider's personnel ("**Residuals**"), including without limitation any Residuals which Service Provider, individually or jointly, uses, develops or learns in connection with performance of the Services, provided that in using Residuals, Service Provider complies with its confidentiality obligations to Customer.

#### DRAFTING NOTE: RESIDUALS

A residuals clause is a contract provision authorizing a party receiving information to use or disclose in future projects any or a specified part of this information that its employees retain in their memories.

For more on residual information clauses, see Standard Clauses, General Contract Clauses: Confidentiality (Residual Information Exception ([1-589-9826](#))).

(e) Post-Termination Use of Generic Tools. Upon [the [INSERT ORDINAL NUMBER] anniversary of the Effective Date/[OTHER DATE]], Service Provider hereby automatically grants Customer a perpetual, non-exclusive license to use all Generic Tools developed or deployed in connection with this Agreement, without any obligation to pay additional fees. Customer shall pay a license fee of \$[AMOUNT] per bot if terminated prior to [the [INSERT ORDINAL NUMBER] anniversary of the Effective Date/[OTHER DATE]]. Notwithstanding any other provision in the Agreement regarding Generic Tools, if Customer has a perpetual non-exclusive license to use Generic Tools, Customer may allow other service providers to access, copy, modify, and create derivative works of such Generic Tools without any obligation to notify, report, or pay any additional fees to Service Provider, but such other service providers may only use such Generic Tools or such derivative works for Customer in the ordinary course of Customer's business.

#### DRAFTING NOTE: POST-TERMINATION USE OF GENERIC TOOLS

Post-termination use of generic tools must be tailored to the specific transaction. The service provider should evaluate commercial considerations and the bot agreement to determine whether the customer's post-termination use of generic tools is appropriate. If post-termination use of generic tools is necessary, an appropriate mechanism for compensating the service provider for that use should be agreed upon in advance. The service provider may use

license fees as a possible way to monetize its IP and protect its business. Because the costs of generating bots may not be fully recouped if the agreement is terminated early, an early termination fee may be appropriate to allow the service provider to recoup its costs.

If post-termination rights are appropriate, the parties could also require:

- An initial lock-in for one year, where the service provider will not have any right

to provide generic tools owned by the service provider to other customers.

- Restrictions on the right for a customer to allow other service providers to use any customizations developed by the service provider and owned by the customer.
- License fees for perpetual license rights, which can be decreased over a specified period (for example, a certain number of

years as provided in the second sentence of subsection (e)).

Federal and local government regulations, such as regulations that require business continuity for financial services institutions, may affect the way that customers view the need to have post-termination rights, especially for core functionality.

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