**Funding**

**The Importance of Money**

* Money is needed to kick-start the business and keep you afloat until it starts making money.
* Since customers usually pay after receiving goods or services, having starting funds is crucial.
* **For example:** Whether it’s a tech start-up or a local diner, you need money to begin.

**The Costs to Consider**

* Big projects like software development need more money because you won't make sales immediately.
* You'll need to cover:
  + **Pay:** Money for you and any employees.
  + **Office Costs:** Things like rent and electricity.
  + **Tools and Supplies:** Everything from computers to coffee for the office.
  + **Getting the Word Out:** Advertising and promotional costs.
  + **Day-to-Day Spending:** Unexpected costs like travel.

**WHY IS CAPITAL NEEDED?**

To buy the things you need to make the product or to provide the service, and to live while you are making or doing it. Clients and customers usually do not pay before getting the services or product. For any business there must be a certain amount of capital in hand.

**SOURCES OF INCOME**

**(i) GRANTS**

This is money given that you don’t have to pay back, usually from the government or charities. Typical grants focus on supporting capital investments, such as facilities and equipment. They often require the recipient to secure funding from other sources and are capped at a percentage of the verified capital investment.

**(ii) LOANS**

A loan is a borrowed sum of money with interest, which can have a fixed or variable rate and is typically for a specific duration. The company is obligated to repay the loan, and in the event of liquidation, the lender can recover it from the company's asset sale. Security is often needed for the loan.

**(iii) EQUITY CAPITAL**

Equity capital is an investment in a company in exchange for ownership shares. Business angels, who are affluent individuals, often offer equity capital to start-ups and small, fast-growing firms. The relationship between loan capital and equity capital in a company is important. It is known as gearing or leverage.

**The Balancing Act: Gearing**

* It’s about the mix of borrowed money (loans) and invested money (equity) in your business.
* It’s key to know this balance to make smart financial decisions and manage risks.
* Gearing, often also referred to as leverage, is a measure of a company’s financial health, specifically looking at the proportion of its funding that comes from debt (loans) compared to equity (shareholder funds).

**Business Plan**

**What’s a Business Plan?**

* It's a guide that outlines what you plan to do and how you plan to make money.
* It shows people who might invest that you've thought everything through and you’re likely to succeed.

**Why You Need It**

* A good plan can lead to profit and safety in business.
* It’s your ticket to showing banks or investors why they should trust you with their money.

**Plans Are Not Promises**

* Business plans aren't crystal balls—they don't predict the future.
* They're more like a test run to show your business can work.
* Planning can sometimes show that an idea might not work out after all.

**A Lesson in Planning**

* Think of a person daydreaming about what they’ll do “one day” but never making a real plan. That's not how to start a business.

**BUSINESS PLAN DOCUMENT**

1. **Company Description** (Explanation of the company's planned activities, Demonstrating technical feasibility, Highlighting founders' expertise.)

2. **Market Analysis** (Description of the target market, Estimation of market size, Evaluation of competition.)

3. **Financial Projections** (Predictions of the company's financial performance, Includes budgets, cash flow forecasts, projected balance sheets, and profit and loss accounts.)

**Why are Business Plans needed?**

Everyone desires to profit safely. With a business plan, you can seek financial support from potential lenders, investors, or donors.

**HUMAN RESOURCES (HR)**

**HR ACTIVITIES**

* ensuring that recruitment, selection, and promotion procedures comply with anti-discrimination legislation.
* staff training and development.
* setting up and monitoring remuneration policy.
* setting up and monitoring appraisal procedures.
* administering dismissal and redundancy procedures.
* dealing with contracts of employment.
* workforce planning.
* administering grievance procedures.
* being aware of new legislation affecting employment rights and advising
* management of what the organization must do to comply with it.
* dealing with health and safety.
* administering consultative committees.

**RECURITMENT AND SELECTION**

Human resources managers often make a distinction between the two terms recruitment and selection, **using recruitment is to mean soliciting applications and selection is to mean selecting the applicants to whom offers will be made.** Selection is kept in the hands of the employer, although a member of the recruitment agency staff may sometimes be invited to advise.

**SELECTION TOOLS**

* One-to-one interviews with senior management and technical staff.
* Panel interviews, which can be unreliable and may favor smooth talkers.
* Assessment of references, particularly important for academic and some public sector roles.
* Psychometric tests, including ability, aptitude, and personality assessments.
* Situational assessment, used in military officer selection but expensive.
* Task assessment, where candidates perform job-related tasks, but this approach may not suit larger tasks.

**STAFF TRAINING AND DEVELOPMENT**

Training and development consist of three key activities: training, education, and development, focused on enhancing individual and group performance within an organization. It is also known by various names like "Human Resource Development," "Human Capital Development," and "Learning and Development." In high-tech companies, it plays a crucial role in ensuring performance, and it's unfortunate that it is often the first area to face budget cuts when financial constraints arise.

**Remuneration** is the compensation that one receives in exchange for the work or services performed. Typically, this consists of monetary rewards, also referred to as wage or salary. Several complementary benefits, however, are increasingly popular remuneration mechanisms.

**APPRAISAL SCHEMES**

Performance appraisal is a process to document and assess an employee's job performance. It typically involves regular meetings between an appraiser and an appraisee (employee) to discuss performance and career development, with the outcomes recorded in a jointly signed report. Disagreements on certain points may also be noted in the report.

**DISMISSAL (Causes)**

* lack of capability.
* misconduct.
* breach of the law.
* Redundancy.
* Constructive dismissal.

Dismissal of an employ without valid reasons is unfair.

A fair dismissal of an employee but violating a contract is wrongful dismissal.

**CONTRACTS OF EMPLOYMENT**

The written agreement between an employee and their employer can be enforced in a court of law.

A good contract of employment should be written in terms that are easily understood and should avoid legal conflicts.

* **Job rotation** involves moving employees through different tasks to prevent boredom in highly specialized roles.
* **Job enlargement** expands job responsibilities within the same level, combining various activities to increase the job's scope.
* **Job enrichment** assigns additional responsibilities, typically reserved for higher-level employees, to self-driven employees, fostering motivation and a sense of importance in their work

**Intellectual Property Rights Overview**

Intellectual property rights (IPR) protect the interests of creators by giving them property rights over their creations. These rights are pivotal in fostering an environment that promotes innovation and creativity, which is essential in various industries, including technology and the arts.

**Tangible vs. Intangible Property**

Tangible property is physical, like bicycles and computers—protected by theft laws. In contrast, intellectual property (IP) is intangible, such as inventions, literary works, and designs. It’s protected by IPR, emphasizing the use, copying, and sharing of creative works.

**International Treaties and Conventions**

The international aspect of IP is governed by treaties such as the Paris Convention and the Berne Convention. These provide a framework for international protection and recognition of IP rights across borders.

**Types of Intellectual Property Rights**

**Copyright**

Copyright is the right granted to the creators of "works," which can be literary, dramatic, musical, or artistic. It includes software under the definition of literary works, as clarified by the Copyright, Patents and Designs Act of 1988 and the EU Directive 91/250. Copyright grants exclusive rights to the owner, including reproduction, distribution, and adaptation. It extends 70 years posthumously in the EU, varying in other jurisdictions like the USA and Canada.

**Examples:** Software code is protected as a literary work. **,** A novel or a song is protected from reproduction without permission.

**Patents**

Patents provide inventors with a temporary monopoly over the use of their inventions. To be patentable, an invention must be new, involve an inventive step, be applicable industrially, and not fall within excluded categories like scientific theories or artistic works.

**Examples:** A new pharmaceutical compound**,** A technological gadget with a unique functionality.

**Trademarks**

Trademarks are distinctive signs that distinguish the goods and services of one trader from another. They can be words, logos, sounds, or even three-dimensional shapes. They require distinctiveness and cannot be deceptive or generic.

**Examples:** The "swoosh" logo for Nike, The name "Coca-Cola" for a beverage.

**Trade Secrets**

Trade secrets encompass manufacturing or industrial secrets and commercial secrets. The unauthorized use of such information by persons other than the holder is regarded as an unfair practice and a violation of the trade secret protection.

**Examples:** The recipe for KFC’s fried chicken, Google's search algorithm.

**Design Rights**

Design rights protect the visual design of objects that are not purely utilitarian. They cover the aesthetics of a product and are meant to protect the way a product looks.

**Examples:** The unique shape of a Coca-Cola bottle, The layout of a graphical user interface.

**Moral Rights**

Moral rights protect the personal rights of an author, including the right to be credited for their work and the right to object to derogatory treatment of their work.

**Examples: I**n artist can object if their work is altered in a way that harms their reputation ,A writer has the right to be identified as the author of their book.

**Domain Names**

Handled by ICANN, domain names provide unique identifiers for businesses on the internet. They often overlap with trademarks, leading to disputes and practices like cybersquatting.

**Enforcing Intellectual Property Rights**

Owners enforce their rights through various legal actions, including injunctions, damages, and, in some cases, criminal prosecution for copyright infringement.

**Selecting Marks**

Choosing a mark for protection involves ensuring it is not generic, misleading, or offensive. Marks range from generic terms to fanciful creations like 'Kodak', which have no inherent connection to the products they represent.

In sum, intellectual property rights are critical for the protection of creative and intellectual endeavors. They ensure creators can benefit from their works and continue contributing to the economy and society's cultural fabric. These rights are complex, involving various laws and regulations that creators and businesses must navigate to protect their interests.

**Contract**

A **contract** is simply an agreement between two or more people (the parties to the contract) that can be enforced in a court of law. The parties involved may be legal persons or natural persons.

The most important and essential concerns of a contract are that:

* All the parties must intend to make a contract.
* All the parties must be competent to make a contract, that is, they must be old enough and of sufficiently sound mind to understand what they are doing.
* There must be a ‘consideration’, that is, each party must be receiving something and providing something.

**BESPOKE SYSTEMS**

A contract for a customized system typically comprises three components:

- A **concise agreement** signed by the parties, establishing their identities, and emphasizing that prior discussions or writings are not binding.

- **Standard terms and conditions**, typically reflecting the supplier's standard business practices.

- A series of **schedules or annexes outlining the specific details of the contract**, including deliverables, timelines, payment terms, and other relevant specifics.

**Parts IN CONTRACTS**

**(i) What is to be produced?**

**(ii) What is to be delivered?**

**(iii) Ownership of rights**

**(iv) Confidentiality**

**(v) Payment Terms**

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**WARRANTY & MAINTENANCE**

After acceptance, a warranty period, usually around 90 days, is offered for free error corrections. The duration is negotiable, impacting the contract's cost. Post-warranty, maintenance is available on request, typically involving software enhancements. It's charged based on time and materials since resource needs are unpredictable, and clients may commit to annual effort days to retain the supplier's system knowledge.

**INFLATION**

In long or maintenance-intensive projects, a clause is often included in contracts to safeguard against inflation. This clause permits cost adjustments to align with rising expenses. The contract should specify the frequency of adjustments (e.g., annually or semi-annually) and the method for calculating the impact on the overall price.

**INDEMNITY**

To protect against unintentional infringement of third-party intellectual property rights due to client instructions or supplier errors, contracts should include a clause where each party indemnifies the other. This means guaranteeing to cover any costs the other party incurs due to their own faults in this regard.

**TERMINATION OF CONTRACT**

Contracts may need to be terminated prematurely for various reasons, such as a client being acquired by a company with a similar system or a change in client policy making the system irrelevant. Contracts should include provisions for an amicable termination, typically involving payment for work completed, compensation for staff redeployment, and addressing ownership of the work done thus far.

**ARBITRATION**

An arbitration clause will usually state that, if arbitration is required, it will take place in accordance with the Arbitration Act 1996. This Act of Parliament lays down a set of rules for arbitration that cover many eventualities, and reference to it avoids the need to spell these out in detail. Most of the provisions of the Act are optional, in the sense that they come into effect only if the contract contains no alternative provision.

**CONSULTANCY**

IT consultancy projects typically result in reports or documents. Fees for IT consulting are usually calculated per day, per consultant. Fixed-fee contracts are suitable for well-defined projects, while open-ended consultancy arrangements may favor consulting firms but can risk project and cost overruns due to no time constraints. The contract is usually straightforward.

**CONTRACT HIRE**

Supplier’s responsibility is limited to providing suitably competent people and replacing them if they become unavailable. The staff work under the direction of the client. Payment is on the basis of a fixed rate for each day worked.

Ownership of intellectual property rights generated in the course of the work may be needed to be addressed.

A consultancy contract involves four critical aspects:

1. **Confidentiality**: Consultants must ensure they don't misuse sensitive client information for personal gain.

2. **Terms of Reference**: The contract should explicitly refer to the consultancy team's scope of work, as disagreements often arise when consultants need to address matters beyond their initial terms of reference.

3. **Liability**: Consultants often seek to limit their liability for any client losses resulting from their advice, which may require professional liability insurance.

4. **Control over the Final Report**: The contract typically stipulates that a draft report is presented to the client for review, allowing changes within a fixed period. The revised version submitted by the consultant becomes the final report.

**Will they steal our IP?**

**1. Introduction to Prime ElektroTek and the Deal Announcement:**

* Prime ElektroTek's evolution from a power supply manufacturer to a designer of hybrid electric powertrains.
* The Chairman’s announcement of the deal with Blue Sky Vehicles, which marks Prime's entry into the electric vehicle market.
* The Chairman's optimistic statement: "At last, we have a foothold in the electric vehicle market."

**Wang Hsi-Guo's Concern:** Wang Hsi-Guo, the engineer who led the development of Prime’s powertrain technology, is not celebrating the deal with Blue Sky Vehicles. His concerns are multifaceted:

1. **IP Theft and Reverse Engineering:** Wang fears that once Blue Sky acquires the components, they will disassemble them to understand and replicate the technology.
2. **Loss of Competitive Advantage:** He believes that the result of the IP theft will be the loss of Prime’s technological edge in the market, as Blue Sky could start manufacturing and selling similar components.
3. **Skepticism About Blue Sky's Intentions:** Wang is wary of Blue Sky’s actual plans. He doubts their commitment to a genuine partnership, suspecting that their real goal is to absorb Prime’s technology and improve upon it.
4. **Pessimism About the Deal's Outcome:** He expresses a lack of trust in the deal's long-term prosperity for Prime, suspecting that it might only benefit Blue Sky.

**Lin Tung-Hsin's Response:** Lin, the VP and general manager, responds to Wang's concerns with a different perspective:

Blue Sky was buying only select components. It wasn’t buying the vehicle control unit, a critical part of the hybrid drive train. For another, Prime had embedded a great deal of tacit knowledge into some components—knowledge that was more “know why” than pure know-how. Lin had argued that although an outside company might be able to make facsimiles of the components, copying the hardware without understanding how it worked would result in a car that was close but not exactly right. Third, Lin had stated bluntly, Blue Sky’s engineers didn’t seem all that sharp when it came to systems engineering. In technical discussions with them, Lin had observed that although they were skilled at narrow design tasks, they weren’t very good at understanding big, complex systems designs.

1. **Real-world Business Risks:** Lin acknowledges Wang's nervousness but suggests that to succeed, Prime must be willing to take risks, especially with significant Chinese customers like Blue Sky.
2. **Underestimation of Blue Sky's Capabilities:** Lin downplays the risk of Blue Sky reverse engineering the components, possibly underestimating their technical capabilities.
3. **Strategic Necessity:** He points out that before the Blue Sky deal, Prime had limited options (referring to Apex), implying that partnering with a big player like Blue Sky is a strategic necessity for growth.
4. **Confidence in Embedded Knowledge:** Lin believes that Prime’s components contain tacit knowledge that is not easily replicated, providing some protection against IP theft.

**Details About Apex Automotive:** Apex Automotive is a smaller, third-tier Taiwanese company and was an early customer of Prime. The relationship between Apex and Prime is characterized by:

1. **Early Adoption of Prime’s Technology:** Apex was impressed by a test car Prime had built—a hollowed-out blue Volvo equipped with Prime’s drivetrain and battery pack.
2. **Collaborative Relationship:** Wang enjoyed working with Apex because of their freewheeling attitude and loyalty to Prime. He had led a team that created several prototypes for them.
3. **Limited Growth Opportunity:** Despite the positive working relationship, the Chairman of Prime made it clear that partnering with small companies like Apex wouldn’t allow Prime to become a significant player in the auto components business.
4. **Strategic Shift:** This pushed Prime to seek partnerships with larger, more influential companies, ultimately leading to the deal with Blue Sky, despite the increased risk of IP theft.

**5. The Chinese Market and Intellectual Property (IP) Risks:**

* Lin’s acknowledgement of China as the “IP Badlands,” a place where companies often lose control over their IP.
* The case study references Prime's past experience with IP theft when a Chinese computer maker began selling copied versions of Prime’s power supplies.

**1. Cloning and Reverse Engineering:**

* **Previous Experiences:** Prime had already faced IP theft when a Chinese computer maker cloned their power supplies and sold them at steep discounts.
* **Engineer Expertise:** Chinese engineers are adept at disassembling and replicating products, a practice that has affected many industries and companies operating in China.

**2. Legal and Enforcement Challenges:**

* **Weak IP Laws:** While there are laws against cloning and reverse engineering, the enforcement of these laws is often weak or ineffective.
* **Court System Efficacy:** Pursuing legal action in Chinese courts rarely results in the recovery of damages significant enough to offset the cost and effort of litigation.

**3. Leakage and Widespread IP Abuse:**

* **Spread of Trade Secrets:** Once a trade secret is exposed, it tends to spread rapidly to other companies within the country.
* **Difficulty in Containing IP:** This widespread dissemination makes it nearly impossible to contain IP once it has been compromised.

**4. Competitive Dynamics:**

* **Risk of Local Competitors:** Virtually every company in China is viewed as a potential threat to foreign IP, including state-owned enterprises like Blue Sky.
* **Strategic Implications:** For Prime, the partnership with Blue Sky carried the risk of the latter becoming a vertically integrated manufacturer, potentially competing in the same market with Prime's own technology.
* The Chairman’s repeated inquiries to Lin about the potential of Blue Sky stealing Prime’s technology, reflecting a high level of concern about IP risks.

**6. Technical Aspects of Prime’s Products and Blue Sky’s Capabilities:**

* Prime’s competitive edge lies in its powertrain electronics which Wang believes are superior.
* Lin reassures the Chairman that Blue Sky would not be able to reverse engineer all components, underestimating Blue Sky’s capabilities.
* Lin’s observations during his meetings with Blue Sky engineers, leading him to conclude that they lack expertise in systems engineering.

**7. Blue Sky’s Aspirations and Prime’s Contributions:**

Blue Sky was doing its part to help China meet its goal of producing half a million “new energy” vehicles in the next few years. Using components from Prime and other suppliers, Blue Sky was committed to rolling out at least five hybrid models within 12 months.

**8. Visit to Blue Sky and Observations:**

* Lin and Wang’s visit to Blue Sky’s manufacturing facilities in Guangzhou, exposing them to the scale of Blue Sky’s operations.
* Blue Sky’s commitment to rolling out hybrid models and their reliance on Prime’s components.
* The celebratory mood during the visit, contrasted with Wang’s skepticism and probing questions about Blue Sky’s capabilities in developing the VCU.

**9. Vehicle Control Unit (VCU) – The Heart of the Dispute:**

* Prime’s development of a VCU specifically for Blue Sky, which was packed with embedded tacit knowledge.
* Blue Sky’s initial decision to develop its own VCU, reflecting a desire to be seen as a first-tier automaker.
* The challenges Blue Sky faces in creating their VCU and the resulting performance issues with their prototype vehicle.
* Lin got behind the wheel, stepped on the accelerator, and started driving around the loop. He could tell that something was wrong; he had expected much crisper performance, and the gas engine seemed to be cutting in too soon. Clearly the control system needed major work.

**10. Intellectual Property Negotiations and Ultimate Conundrum:**

* Blue Sky’s demand for IP ownership as a condition of the deal, including source code and control algorithms.
* Lin’s shock at the condition and the Chairman’s frustration, as stated: “Blue Sky will accept our vehicle control unit only if the IP belongs to them.”
* The strategic dilemma facing Prime: whether to concede IP to secure the deal or risk losing their position in the Chinese market.

“They claim they need it,” the chairman said. “Without the IP, they say, they won’t have any use for the other components we were hoping to sell them. So, they’ll find another supplier who will give them the whole package. But if we accept these terms, how can we sustain a business in China?

**Q Should Prime release the IP for its vehicle control unit?**

Ans : As the chairman of Prime, the decision to release the IP for the vehicle control unit (VCU) to Blue Sky would demand a rigorous assessment of risks versus rewards. The primary responsibility in such a leadership role is to safeguard the long-term interests of the company while also pursuing growth opportunities. Here’s how the situation could be analyzed from that perspective:

**1. Strategic Long-Term Vision:**

* **IP as a Core Asset:** The VCU technology is a core asset, and its IP represents a significant competitive advantage. I would be extremely cautious about giving away proprietary technology that could erode our market position.
* **Future Innovation Pipeline:** I would consider whether Prime has the capability to continue innovating at a pace that would keep us ahead of any potential competition, even if the current IP were compromised.

**2. Assessing Market Dynamics:**

* **China's Market Potential:** The Chinese market presents a huge opportunity for growth. I would evaluate whether the potential revenues from Blue Sky could be reinvested into new R&D to develop the next generation of technologies.
* **Competition and Collaboration:** I would also assess the competitive landscape, determining whether Blue Sky is the right partner and whether there are alternatives that could offer similar growth opportunities without demanding IP rights.

**3. Risk Management:**

* **Legal Protections:** I would explore whether there are any legal frameworks or protections that could be put in place to secure our IP, even if shared, such as licensing with restrictions on usage, or patents that protect our technology in China.
* **Backup Plans:** It's prudent to have contingency plans. I would consider what strategic moves we could make if the partnership failed or if Blue Sky turned into a competitor.

**4. Negotiation Leverage:**

* **Bargaining Position:** I would negotiate aggressively to maintain as much control over the IP as possible. This could include partial IP transfer, licensing with royalties, or setting up a joint venture where we have significant control.
* **Tiered Release:** If releasing some IP is inevitable, I might consider a tiered approach where we provide enough to fulfill Blue Sky’s immediate needs but hold back the core of our IP for future negotiations.

**5. Stakeholder Interests:**

* **Shareholder Value:** Any decision must account for shareholder interests. I would need to ensure that the decision to release the IP does not harm the company’s valuation.
* **Employee Considerations:** As the technology creator, employees like Wang are key stakeholders. I would factor in their concerns and the potential demotivating impact of seeing their work possibly compromised.

**6. Competitive Edge and Differentiation:**

* **Maintaining the Edge:** How will Prime maintain its competitive edge if the IP is released? I would need to ensure that we have other differentiators beyond the current VCU technology.

**Conclusion as the Chairman:** Given the high stakes, my inclination would be to explore every possible alternative to outright IP transfer. If there's no viable option other than releasing the IP, I would proceed only with strong safeguards in place, such as a robust legal agreement, a structured IP release schedule, and clear strategic benefits that outweigh the risks. The decision would not be taken lightly and would involve extensive consultation with legal advisors, the board of directors, and key stakeholders within the company.

**Q1: Should Prime release the IP for its vehicle control unit?**

A1: It depends on several factors. Releasing the IP could potentially open up a significant market for Prime and secure a strong partnership with Blue Sky. However, it also carries the risk of IP theft and potential misuse by Blue Sky. If Blue Sky gains the knowledge to produce the vehicle control unit on its own, it might not need Prime's services any longer. It's a strategic decision that should be made after carefully assessing the risks and benefits.

**Q2: What risks does Prime face by releasing or not releasing the IP to Blue Sky?**

A2: By releasing the IP, Prime risks losing control of its proprietary technology. There's a possibility that Blue Sky could replicate the technology and start producing it independently, which could harm Prime's business. On the other hand, refusing to release the IP could potentially jeopardize the partnership with Blue Sky, which could seek other suppliers willing to provide both the components and the IP. This could result in lost business opportunities for Prime.

**Q3: What alternatives does Prime have other than releasing or not releasing the IP?**

A3: Prime could consider a few different alternatives. They could negotiate terms for licensing the IP to Blue Sky, maintaining control while allowing Blue Sky to use the technology. They could also propose a joint venture with Blue Sky to share ownership and control of the IP. Another option would be to provide the vehicle control unit as a black box, without revealing the internal workings of the IP, though this might not be acceptable to Blue Sky. Each of these options carries its own set of potential benefits and risks, and they should be carefully considered.

**iGATE: BREACH OF AGREEMENT**

iGATE expanded its operations to India through its subsidiary, Mascot Systems, later renamed iGATE Global Solutions Limited. Offered various IT services, including e-business solutions, application maintenance outsourcing, data warehousing, and ERP package implementation services.

Despite a strong start, iGATE faced difficulties after the dotcom bubble burst. In 2003, iGATE Global acquired a controlling stake in Quintant Services Ltd., a business service provider founded by Murthy and others. Murthy became the CEO and managing director of iGATE Global.

**MURTHY’S JOURNEY WITH iGATE**

After taking charge at iGATE Global, Murthy implemented innovative strategies to position the company competitively. He introduced the **iTOPS (Integrated Technology and Operations) framework, which billed clients based on business outcomes rather than billable hours, challenging the traditional outsourcing model.**

This change helped iGATE gain prominence in the market.

Murthy's leadership played a vital role in iGATE's growth. He **revolutionized the billing model by focusing on charging clients based on project outcomes, which appealed to cost-conscious customers**. Under his guidance, the company's financial performance improved significantly. His efforts transformed iGATE from a staffing firm into a globally recognized software services provider.

**FIRING MURTHY: INFOSYS TECH REDUX**

1. On May 20, 2013, iGATE terminated the employment of its President and CEO, Phaneesh Murthy, due to an ongoing investigation into a **relationship** he had with a subordinate employee and a **claim of sexual harassment**.
2. iGATE's **policy required reporting such relationships**, but the investigation found that Murthy had failed to do so. Although **no violation of iGATE's harassment policy was found, the breach of reporting policy led to his dismissal**.
3. Murthy had faced similar allegations in the past and had previously resigned from a position at Infosys Technologies in 2002 under similar circumstances.
4. Following Murthy's termination, Gerhard Watzinger was appointed as the interim CEO. **iGATE communicated the situation to its employees** in India via email and a video from 2 of its founders and requested that they refrain from discussing it on social media or with journalists.
5. Many employees expressed concerns about the company's future, as Murthy had played a significant role in its growth and strategy. iGATE faced criticism and a significant drop in its share price, with shares falling around 13% on the day of the announcement.

**MURTHY’S IMMEDIATE RESPONSE**

1. Following his termination, Murthy organized a teleconference with journalists in India.
2. He expressed his surprise at being terminated and stated that he had not been informed of it **until after office hours**.
3. Murthy admitted to being in a personal relationship with a subordinate, Araceli Roiz, which he described as "more than a friendship" lasting a few months.
4. However, he vehemently **denied the claims of sexual harassment made by Roiz, explaining that she had not filed a legal case but had sent a letter to the company.**
5. Murthy referred to the situation as a **"clear case of extortion"** and indicated his intention to fight the case if it went to court.
6. He mentioned a previous allegation of sexual harassment made against him in 2002 and suggested that it might be a way to extract money for an alleged reason. Murthy maintained that **he had not** **violated company policy because he had informed the chairman, Sunil Wadhwani, about the relationship with Roiz after it had ended**,
7. though he acknowledged that he should have informed Wadhwani earlier.When asked if he regretted the relationship, Murthy responded that, in hindsight, he regretted everything that had transpired. **In the subsequent month, he was removed from the board for cause with the majority of shareholders giving their written consent.**

**MURTHY VS iGATE**

1. In December 2013, Murthy filed a lawsuit against iGATE in a California court. He accused iGATE of various wrongdoings, including **breach of agreements** **(such as his employment agreement and stock option agreement and agreement of good faith & fair dealings)**, **making false promises**, **withholding wages**, and **defaming** him to justify the company's actions.
2. Murthy disputed iGATE's claim of **not knowing about his relationship with Araceli Roiz, arguing that the company had knowledge of the relationship** and improperly used the **reporting policy** as a reason for his termination. **He claimed to have a signed letter from an independent director that confirmed the board's awareness of the relationship** since January 2012.
3. In the lawsuit, Murthy sought **the release of his more than 500,000 vested stocks**, valued at approximately $18.3 million, **termination benefits** of $1.6 million, and **monthly medical benefits** of $6,000, which he believed he was entitled to for 15 years. He emphasized the importance of honoring employment agreements.
4. Murthy also stated that, after his termination, he was **promised that he would retain his vested stocks and that the company would expedite a vesting schedule for his unvested stock options as part of his severance package**. However, he alleged that these promises were not fulfilled, and he was **unable to access his company-sponsored trading account to execute his vested stock options**. Additionally, Murthy sought **compensation for the damage to his reputation** caused by repeated defamatory statements made by iGATE to investors and the public.

**iGATE VS MURTHY**

1. Following Murthy's termination, iGATE faced several challenges that hindered its growth, including the **loss of a $200 million outsourcing agreement** due to management uncertainties and project delays.
2. In response, iGATE filed a **countersuit** against Murthy in March 2014, **seeking compensation for damages resulting from Murthy's actions and alleged irresponsible behavior**.
3. The company also claimed legal fees and other costs incurred to address Araceli Roiz's claims against both Murthy and iGATE. The employment agreement included an **indemnification clause** that **required Murthy to indemnify the company for losses due to policy breaches**, reportedly added because of his history of sexual harassment.
4. iGATE alleged that **Murthy attempted to conceal his relationship with Roiz**, even when the Corporate Governance Committee's chair, Goran Lindahl, raised the matter in response to anonymous Internet postings in 2011.
5. Murthy allegedly dismissed the concerns and entered secret mediation with Roiz **without informing the company**. He **only** notified Wadhwani of the consensual relationship and Roiz's intent to bring a claim after the mediation failed.
6. Murthy, undeterred by iGATE's countersuit, stated that it was typical to file counter-complaints, expressing his belief in the **wrongful and unfair termination** and his **entitlement to vested stocks and medical benefits**.

**Q1. What were the mistakes made by the iGate management while terminating Mr. Murthy?**

Based on the case study there were certain areas where the management could have possibly acted differently and did some mistakes:

It can be argued that iGate lacked effective channels for early detection of non-disclosure of relationships, which, if in place, could have mitigated the crisis before it escalated. **Clear Employment Agreements** appear to be another shortcoming; the contracts did not clearly define what "for cause" termination entailed, leaving room for legal disputes regarding severance and lacked **Timely Communication and Planning.** The aftermath of Mr. Murthy's departure saw a significant hit to iGate's financial stability, indicating that the company had not sufficiently planned for potential fallout. Regarding **Handling Post-Termination Promises**, iGate reportedly did not fulfill commitments made to Mr. Murthy concerning his vested stocks and benefits, which led to additional contention. The **Managing External Communication** strategy, or lack thereof, is evident from the defamation claims brought forward by Mr. Murthy, pointing towards a need for more tactful public relations management. Lastly, iGate’s **Legal Preparedness** comes into question, especially given the backdrop of previous allegations against Mr. Murthy; a preemptive legal strategy might have been advisable.

**Q2. On what ground did Mr. Murthy go to the court against the acquisition of Breach of Agreement?**

Mr. Murthy went to court against iGate claiming a breach of agreement among other allegations. He was upset that his contract was terminated “for cause” which he believed was an unjust move by iGate to avoid fulfilling contractual obligations concerning his vested shares, severance payments, and retirement benefits. Here are the key points with figures as mentioned in the case study:

1. **Breach of Agreements**: Mr. Murthy argued that iGate violated several agreements such as the employment agreement, stock option agreement, and the agreement of good faith and fair dealing which had been set in place.
2. **False Promises and Withholding Wages**: He accused iGate of making false promises, particularly concerning his vested stocks and other benefits. He was aggrieved that his vested stocks, amounting to over 500,000 shares valued at about $18.3 million at the time, were withheld alongside termination benefits of $1.6 million and monthly medical benefits of $6,000 which he was entitled to receive for 15 years.
3. **Defamation**: Mr. Murthy believed that iGate defamed him to justify the company’s actions post-termination. This, he claimed, damaged his reputation, and he sought compensation for this defamation.
4. **Awareness of the Relationship**: He disputed iGate’s claims of not knowing about his relationship with a subordinate, asserting that despite knowing about the relationship, iGate “improperly” used the policy for reporting relationships to terminate him.
5. **Legal Entitlement**: Mr. Murthy emphasized that as per the employment agreement, he was eligible for the vested stock, and it represented a significant portion of his life savings which he hadn't sold at the board’s request to avoid sending a negative signal.

Through these claims, Mr. Murthy aimed to challenge the grounds of his termination, retrieve what he believed was rightfully his, and seek compensation for the alleged defamation and damage caused to his reputation.

**Brian and Customer Support**

**Brian's Initial Complaint:**

* Brian expressed his frustration with the DRM system causing technical issues.
* He has been unable to use a game he pre-ordered and received a week ago.
* Technical support suggested his problems might be due to using a pirated version, which he found outrageous.
* Brian pointed out that DRM is negatively impacting the second-hand games market.
* He vowed never to give business to the company again due to the lack of resolution and support.

**Customer Support's Response:**

* The company acknowledged the problems caused by DRM for a minority of users.
* They stated that the DRM was implemented due to significant piracy of their games in the past.
* Customer Support expressed regret but defended the necessity of DRM to combat piracy.

**Brian's Argument on Piracy:**

* He disagreed with the equivalence of pirated downloads to physical theft, as not all pirated copies represent lost sales.
* Brian argued that intellectual property has value but questioned the blanket statement that "piracy is always wrong."

**Customer Support's Defense of Intellectual Property:**

* They contended that the cost of content creation goes beyond physical materials, thus intellectual property cannot be devalued.
* The representative cited examples to argue against moral justifications for piracy.

**Brian's Points on File Sharing:**

* Brian referenced Lawrence Lessig's categories of file sharers, highlighting the gray areas and potential benefits of some types of file sharing. A B C D
* He inquired about updates on the patch for the game while discussing the nuances of copyright laws and the impracticality of waiting for content to become public domain.

**Customer Support's Stance on File Sharing:**

* They dismissed the entitlement associated with types B and C file sharing as leading to type A (pure piracy).
* Customer Support argued that piracy harms creators and consumers by driving up prices and necessitating DRM.

**Brian on DRM and Piracy Benefits:**

* Brian criticized DRM for being intrusive and potentially harmful, likening it to malware.
* He mentioned historical and technological examples where piracy led to innovation and growth, suggesting piracy can have unintended benefits.

**Customer Support's Rejection of Piracy:**

* They refuted the idea that piracy is beneficial and criticized the Pirate Bay for profiting from piracy.
* Customer Support emphasized the negative impacts of piracy on their business and the broader industry.

**Brian's Continued Frustration:**

* He reiterated his issues with the game and DRM, mentioning that a pirated version would likely work without problems.
* Brian shared a list of potential technological solutions to combat piracy in a new forum thread.

**Final Exchange:**

* Brian expressed dissatisfaction with the technical support's handling of his case, accusing them of unethical behavior.
* Customer Support denied unethical behavior but admitted that technical support is limited in resources.
* They reiterated that DRM's inconveniences are a result of piracy, not the company's intention.
* In the end, Customer Support informed Brian that they could not issue a refund or develop a patch due to cash flow issues.

Throughout the dialogue, both Brian and Customer Support cite several examples to support their arguments:

**Brian's Cited Examples:**

* The quick demise of DRM audio CDs, particularly referencing the Sony BMG rootkit scandal that caused security vulnerabilities.
* Apple’s DRM-free iTunes Store, as part of Steve Jobs’ initiative to remove DRM, which had previously restricted music to be played only on iPods and up to five computers【11†source】.
* The historical origins of Hollywood, which started by filmmakers evading Thomas Edison's patent laws
* The United States' first hundred years where foreign copyrights were not recognized
* Disney's history of extensive "borrowing" and refining of ideas
* The role of Napster in the boom of high-speed Internet and its connection to the iPod's success

**Customer Support's Cited Examples:**

* The quote from Mark Helprin's book "Digital Barbarism" on the misconceptions of piracy advocates
* The comment by Jeff Raikes from Microsoft on piracy potentially leading to future licensed software use, and Bill Gates' view on the competition between Microsoft Windows and Linux in China
* The Pirate Bay as an example of a platform that promotes and profits from piracy, despite legal repercussions for its owners

Both parties use these examples to argue their perspectives on DRM, piracy, and intellectual property rights. Brian uses examples to show the potential benefits or complexities of piracy, while Customer Support uses them to underline the harms of piracy and the value of intellectual property.

**Ensighten**

**Company Overview: Ensighten**

* **Founder & CEO**: Josh Manion
* **Attorney Consulted**: Jim Quinn
* **Timeline**: Moved from Chicago to Silicon Valley in 2010, launched product in September 2010.
* **Company Size**: 7 team members initially.
* **Client Prospects**: Close to landing Global Media, Incorporated (GMI), a Fortune 50 company.

**Business Challenge and Strategy**

* **Objective**: Establish Ensighten without yielding too much in negotiations.
* **Challenge**: Temptation to concede to client demands to secure deals.
* **Strategy**: Maintain certain terms in the licensing contract to avoid setting a precedent that could be detrimental in future deals.
* **Legal Advice**: Jim Quinn emphasizes the importance of identifying and fighting for essential contractual terms.

**Background of Josh Manion**

* **Education**: Graduated from MIT in 2001.
* **Entrepreneurship**: Founded [forathletes.com](http://forathletes.com/) during college, later sold to [Myteam.com](http://myteam.com/).
* **Career Path**: Worked as a consultant post-acquisition, then in network technology startup, before starting Stratigent, a web analytics consulting business.
* **Motivation**: Sought to transition from a consultancy (dollars-per-hour model) to a software business model.

**Stratigent: Consulting Business**

* **Timeline**: Operated from 2002 to 2009.
* **Growth**: Grew to approximately 25 employees.
* **Insight**: Noticed a recurring problem among clients that could be solved with software.

**Web Analytics and Tag Management Problem**

* **Issue**: Difficulty in tracking consumer behavior on websites due to complexity and volume of tags.
* **Market Inefficiency**: Companies struggled with managing tags efficiently, causing delays and additional costs.

**Ensighten’s Solution**

* **Innovation**: Developed a tag management system to simplify the tracking process.
* **Business Model**: Company owned by Manion and his wife; no VC funding initially.
* **Product**: Cloud-based, server capacity contracted from leading providers.
* **Revenue Model**: Based on the number of websites, client domains, and traffic volume.
* **Initial Pricing**: Around $200,000 in annual licensing fees plus a $25,000 setup charge.
* **Configuration Time**: Approximately one week for service configuration.
* **Value Proposition**: Significant time savings and enhanced functionality for clients.
* **Trust Building**: Early customer acquisition involved convincing large enterprises of Ensighten's reliability, which affected contract terms like source code escrow and termination restrictions.

**Developing a Template Contract: Ensighten's Approach**

* **Initial Template**: Developed with a Chicago law firm, effective for first three clients with little legal pushback.
* **Learning Phase**: Early deals revealed which terms customers might resist and which were critical to Ensighten.
* **Non-Negotiable Terms**:
  + Protection of intellectual property rights.
  + Avoiding indemnification that could be excessively costly.
  + Refusal of terms that could result in having to refund clients.
* **Flexibility**: Willing to accommodate reasonable changes, foreseeing that future clients may request similar amendments.

**Big Deal Challenges and Legal Expertise**

* **Shift in Contract Dynamics**: Transitioned from using their template to a client-provided contract, which treated the software as work for hire, conflicting with Ensighten's licensing model.
* **Legal Expertise Gap**: Realization that existing attorney wasn’t specialized in IP and licensing issues.
* **Hiring Jim Quinn**: Based on a recommendation, Manion hired Quinn, who had relevant expertise in IP within the technology space.

**Learning and Cost Management**

* **Direct Involvement**: Manion took an active role in learning from Quinn to handle future legal matters independently.
* **Cost Efficiency**: Aimed to minimize legal expenses for deal negotiations, avoiding the high costs of legal counsel for every transaction.

**Legal Perspectives and Modern Software Licensing**

* **Traditional Licensing Model**: Explained by Quinn as revocable and restrictive, not conferring ownership, with examples like Microsoft and Oracle.
* **Cloud-Based Software Licensing**: Customer access to software functionality in the cloud without owning a copy, possibly licensing only the connector software on their hardware.
* **Legal Relationship**:
  + Manion and Quinn have never met in person.
  + Quinn advises on specific sections of agreements as requested by Manion.
  + Quinn clarifies that he only advises on the aspects he is asked about and does not review the entire document or the implications changes may have on other sections.

**GMI Negotiations Overview**

* + **Company Profile**:
    - GMI is a $70 billion company with a global presence in media.
    - Requires extensive tracking of customer behavior and advertising effectiveness.
  + **Negotiation Timeline**:
    - Started in October 2010.
    - Substantial agreement on business terms by early November.
    - Ensighten provided its standard licensing agreement, refined from previous deals and reviewed by Quinn.
    - Received a redlined version with GMI’s changes for review.
  + **Manion's Approach**:
    - Recognizes the significance of landing GMI as a client.
    - Decided to involve Quinn in negotiations after pushing the deal 80% through on his own.
    - Wary of making certain changes requested by GMI.

**Legal Counsel Insights**

* + **GMI's Legal Process**:
    - Utilizes outside counsel, likely with strict negotiation guidelines.
    - Ensighten needs to determine which issues GMI will not compromise on and which ones they might.
  + **Strategic Pushback**:
    - Ensighten must test the boundaries of GMI’s negotiation box.
    - Aim to find a middle ground where GMI's compromises align with Ensighten's critical needs.

**Ensighten’s Key Concerns**

* **Data Security Issue**:
  + Customers, like GMI, are concerned about data security.
  + Ensighten’s clarification: does not retain any data, only applies tags as traffic passes through its cloud-based servers, and all data goes to the company or its analytics vendors.
* **Negotiation Goals**:
  + Progress deal-by-deal, acknowledging the importance of the GMI agreement.
  + Quinn and Manion to develop a strategy that is firm yet not off-putting to GMI.
    - Ensure that terms agreed upon with GMI do not set an unfavorable precedent for future agreements.

**Insights and Essential Points:**

**Software Licensing Agreements:** They come in various forms, affecting both purchasers and sellers. Essential components include usage scope, pricing, payment conditions, intellectual property rights, and contract dissolution

**Intellectual Property Rights (IPRs):** This term encompasses patents, copyrights, trademarks, and trade secrets. They are pivotal for fostering creativity, innovation, consumer safety, and economic progress.

**Ensighten and Global Marketing Inc. (GMI):** Ensighten has created a tag management system that streamlines web analytics processes.

**Advantages of Employing Ensighten's Systems:** These include diminished intricacy, enhanced flexibility, bettered web analytics performance, and precision.

**Standard Contract Formulation:** Previously, Ensighten's absence of a standardized contract led to one-time agreements and inefficiencies, complicating transactions with large-scale clients.

**GMI's Reservations and Modified Agreements:** GMI expressed reservations regarding control, limitations, and partiality in Ensighten's standard contract. Ensighten made revisions, affording GMI increased governance and adaptability while preserving balanced contractual terms.

**Legal Safeguards and Dispute Resolution Hurdles:** Ensighten maintained its software ownership and placed use restrictions on GMI, causing challenges in resolving disputes due to the agreement's rigidity.

**Q :** **How can the agreement between Ensighten and GMI be restructured for mutual benefit?**

For a balanced contract between Ensighten and GMI, consider these revisions:

1. **Power Equilibrium:** Modify terms to grant GMI more data governance while protecting Ensighten's software rights and ownership [6].
2. **Operational Flexibility:** Enhance GMI's adaptability in deploying Ensighten's system to maximize benefit without undue constraints [6].
3. **Fair Conditions:** Adjust contract terms for a more equitable alliance, countering GMI's issues while defending Ensighten's stakes [6].
4. **Defined Cancellation Procedures:** Establish clear-cut protocols for contract termination, including proper notice times and explicit processes [4].
5. **Intellectual Property Clarity:** Detail intellectual property provisions to protect both entities' interests, denoting software, patent, trademark, and copyright ownership [4][6].
6. **Joint Issue Resolution:** Introduce clauses promoting collaborative dispute settlement to circumvent legal confrontations and preserve a positive relationship [6].

Ensighten should engage in a careful negotiation process with GMI, focusing on reaching a mutual agreement while protecting its essential business interests. They can:

1. Identify key non-negotiable terms that protect their intellectual property and revenue model.
2. Show flexibility on terms that are important to GMI but not detrimental to Ensighten's business model.
3. Employ strategic pushback to determine which terms GMI is firm on and where there is room for compromise.
4. Emphasize the value proposition of their product to GMI, highlighting how it solves GMI's specific needs.
5. Use the legal expertise of Jim Quinn to navigate complex IP and licensing issues, ensuring that the agreement is legally sound.
6. Address GMI's concerns regarding data security by clarifying how Ensighten's system works and its advantages.
7. Offer assurances and possibly adjustments in terms of service quality and data security to contain GMI's concerns.

By doing so, Ensighten can work towards a contract that is acceptable to both parties without setting a precedent that could be unfavorable in future deals.

1. **Essential Negotiation Elements for Software Licenses:**
   1. Key factors encompass usage scope, cost structure, payment scheduling, ownership of intellectual property, and exit clauses
2. **Importance of Long-Term Planning in Software Contract Talks:**
   1. Both licensors and licensees should look beyond immediate advantages to ensure enduring and fair agreements
3. **Effective Software Contract Bargaining Strategies:**
   1. Strategies include recognizing negotiation possibilities, comprehending pricing and application, and striving for thoroughness in agreements
4. **Software Agreements' Influence on Organizational Profitability:**
   1. Astutely bargained software licensing agreements can profoundly influence a firm's fiscal health and operational efficacy

**Highlights of changes**

1. **Service Changes by Ensighten**: Ensighten reserves the right to make discretionary changes to the service, which can include modifications to the appearance, functionality, and presentation, or the addition or deletion of features.
2. **Right to Terminate Agreement**: If GMI determines that the changes adversely impact the service, they have the right to terminate the agreement and receive a refund for the unexpired term.
3. **Non-infringement Representation**: Ensighten warrants that the service will not infringe on third-party intellectual property rights.
4. **Indemnification**: Ensighten agrees to indemnify GMI against infringement claims, control the defense, and cover all costs and damages.
5. **Service Warranty**: Ensighten guarantees that the service will have the features and functionality described when used as intended under normal circumstances.
6. **Refund for Breach of Warranty**: If a breach of warranty substantially interferes with GMI's use of the service and Ensighten cannot promptly correct it, Ensighten may terminate the agreement and refund GMI for the preceding 12 months before the defect occurred.
7. **Limitation of Liability**: Ensighten's liability is generally limited to the service fees paid by GMI in the preceding twelve months, except for breaches of confidentiality or data security defaults.
8. **Term and Termination**: The agreement specifies the term length and conditions under which either party may terminate the agreement.
9. **Confidentiality**: Both parties agree to maintain the confidentiality of the information disclosed during the course of the agreement.
10. **Data Security**: Ensighten commits to industry-standard security measures to protect GMI's data and assumes liability for any security breaches.
11. **Non-Solicitation**: Both parties agree not to solicit each other's employees for a set period after the agreement's termination.
12. **Ownership of Customer Data**: GMI owns all data provided or used by them, including personal information.
13. **Liability for Breach**: Ensighten is responsible for all expenses and damages incurred by GMI due to a Data Security Default, without any limitation of liability.
14. **Backup and Disaster Recovery**: Ensighten must regularly back up GMI's data and provide disaster recovery to ensure business continuity. They must also maintain a disaster recovery plan and test it annually, providing GMI the option to participate in the test.

**What should Ensighten do?**

1. **Contractual Strategy**: Ensighten should establish a standard contract template that protects core IP rights while offering some customization for large clients' needs.
2. **Risk Management**: To manage risks, Ensighten should insist on essential clauses for IP protection, data security, and limit liabilities while ensuring flexibility in less critical areas.
3. **Negotiation Techniques**: Ensighten could use techniques like BATNA (Best Alternative to a Negotiated Agreement), emphasizing the unique benefits of its service to strengthen its negotiation position.
4. **Legal Implications**: If Ensighten agrees to GMI's changes, it may face legal exposure or set a difficult precedent for future negotiations. They should carefully assess each change's impact.
5. **Growth and Scaling**: Ensighten should prioritize deals that allow for scalable growth, focusing on clients that accept their standard terms to build a strong customer base without overextending resources.
6. **Market Positioning**: Ensighten should highlight its niche expertise in tag management and customer success stories to justify its terms and pricing to potential clients.
7. **Long-term Client Relations**: Building long-term relationships may involve some give-and-take on contractual terms, but Ensighten should maintain its stance on critical issues while being customer-centric in service delivery.
8. **Value Proposition**: Ensighten needs to clearly articulate the efficiency gains and ROI its solution offers, aligning its value proposition with the strategic goals of clients like GMI.

**IP Stolen case Bomba**

**December 2015 Incident in Bengaluru**

* Cold weather in Bengaluru contrasted by heated situation in Sunitha Somanath’s office.
* Employee betrayal: trusted studio manager quits, steals designs, and starts a competing firm.

**Sunitha Nath Fashions & Boutiques (SNB) Overview**

* Founder’s Background: Sunitha's journey from arts to fashion.
* Education: Degrees in fine arts and fashion from Bengaluru and NIFT.
* Career Growth: Internships and training under renowned designers.
* Skill Development: Exposure to international fashion and design technology.
* Establishment of SNB: Creation of a niche in fashion design in Bengaluru.

**Expansion and Success**

* Boutique expansion in posh Bengaluru localities.
* Collaboration with craftspeople and introduction of traditional designs in modern fashion.
* Launch of jewellery line and gaining international recognition.

**Raghu’s Recruitment and Betrayal**

* Recruitment: Raghu's hiring from an intern to studio manager.
* Betrayal: Raghu’s sudden departure, starting his own venture, and taking SNB's client.

**Legal and Financial Implications**

* Sunitha’s legal advisor Rajashri Menon evaluates the situation.
* Financial Review: Suspicious transactions and misuse of funds by Raghu.
* Contract Review: Contract termination by SSP and possible legal repercussions.
* Vendor and Customer Relationships: Damage assessment and containment steps advised.

**Mitigation and Future Steps**

* Assessment of the total damage to SNB and potential legal action against Raghu.
* Consideration of intellectual property theft and protection of trade secrets.
* Evaluation of SSP’s breach of contract and SNB’s legal position.
* Implications for SNB’s future business relationships and reputation.

**What steps should Sunitha take to protect her intellectual property?**

Sunitha should promptly document all her designs, creations, and proprietary processes, and seek copyrights or design patents where applicable. Engaging an IP attorney to ensure all her work is legally protected is crucial. She must also establish non-disclosure agreements (NDAs) for all employees, interns, and third parties to safeguard her trade secrets. In cases of infringement, Sunitha should be prepared to enforce her IP rights through legal action.

**How can Sunitha mitigate the damage to her reputation and business?**

To mitigate reputation damage, Sunitha should communicate transparently with her clients, partners, and the public to clarify the situation. She should reinforce the quality and uniqueness of her brand and ensure that ongoing projects are unaffected by the incident. Reinforcing client relationships and delivering exceptional service can help regain trust. Moreover, Sunitha could consider a marketing campaign to highlight her work's authenticity and the story behind her brand to strengthen her market position.

**What lessons can Sunitha learn from this incident to prevent such issues in the future?**

Sunitha can learn the importance of formal employment contracts with clear terms, including confidentiality and non-compete clauses. She should implement a secure system to protect sensitive information and limit access to confidential data. Regularly reviewing internal processes and conducting audits can also help prevent such incidents. She must also learn to balance trust with accountability when delegating responsibilities.

**How can Sunitha legally respond to Raghu’s actions?**

Sunitha can seek legal recourse for any contractual breaches, theft of trade secrets, and infringement of IP rights. She should collect evidence of Raghu’s misdeeds, including the unauthorized transactions and interactions with M/s Innovative. Sunitha can then file a lawsuit for damages and to obtain an injunction preventing Raghu from using her stolen IP.

**What immediate steps should Sunitha take within her company following this incident?**

Immediately, Sunitha should secure her financial accounts, change passwords, and review recent transactions for any irregularities. She should inform her clients and vendors about Raghu's departure and invalidate any authority he held. Internally, reviewing, and tightening security protocols and access to sensitive information is vital. She may also need to reassess her team structure and consider conducting an internal audit to identify any other potential risks.

**How can Sunitha ensure such a breach of trust doesn’t happen again?**

To prevent future breaches, Sunitha should establish robust employment agreements, including comprehensive NDAs and non-compete clauses. Regularly training employees on the importance of IP and confidentiality, alongside implementing a tiered access control system for sensitive data, is essential. Creating a culture of transparency and ethical business practices will also be vital.

**In what way can Sunitha address the contractual breach with SSP?**

Sunitha should review the contract with SSP to understand the termination clauses and any breach thereof. She should gather evidence showing that SSP’s termination was without proper cause or notice, as required by the contract. Consulting with her legal advisor, she can negotiate with SSP for compensation or take legal action for wrongful termination and any defamation that may have occurred as a result of the breach.

**Question 4: Define what is meant by outsourcing in a business context and identify three advantages for using outsourcing with relevant examples for each advantage.**

**Answer:** Outsourcing in a business context is the practice of delegating certain job functions or processes to external firms or individuals that specialize in those services. Businesses often outsource tasks to reduce costs, improve focus on core activities, and leverage outside expertise. Here are three key advantages of outsourcing:

1. **Improved Focus on Core Business Activities:**
   * When a company outsources peripheral activities, it can concentrate on what it does best. For instance, a tech company may outsource its customer support to a specialized firm. This allows the tech company's staff to focus more on product development and innovation.
2. **Increased Efficiency:**
   * Outsourcing to companies that have specialized expertise can make processes more efficient. For example, a small local bank might outsource its website development and maintenance to a tech firm, which can do the job more efficiently due to its technical knowledge, resulting in a better online presence for the bank.
3. **Controlled Costs:**
   * Outsourcing converts fixed costs into variable costs and releases capital for investment elsewhere in the business. For example, a start-up company may outsource HR and administrative tasks to reduce overhead, thus freeing up capital that can be invested in R&D.

**Q: What is the importance of specifying legal rights transfer in a contract between a software house and a client?**

A: It's essential for the contract to clearly state which legal rights are being transferred, especially concerning ownership. This is because software is subject to various intellectual property protections like copyright, design rights, confidentiality, and trademarks. The transfer of ownership in copyright specifically requires a formal written assignment or agreement.

**Q: What was the nature of the interoperability ownership agreement with Ensighten?**

A: In the case of Ensighten, GMI, as the client, retained the ownership of interoperability. This means the license provided to them is considered a sale assignment. For such a transfer of rights to be effective and recognized, it is necessary to have a written agreement documenting the sale or assignment of ownership.

**Q: How might GMI's complete ownership of data and software resources impact professional behavior?**

A: GMI's complete ownership over data and Ensighten's software resources places a responsibility on Ensighten to honor this agreement, which significantly impacts professional behavior. However, this arrangement also raises concerns about privacy and confidentiality within the organization. A joint copyright ownership could have been a more prudent approach, fostering a partnership ethos and shared responsibility.

**Q: Why would joint copyright ownership be considered a wise approach?**

A: Joint copyright ownership would be considered wise because it maintains a balance of rights and responsibilities between the software house and the client. It ensures both parties have an equitable stake in the software's success and usage, which can positively influence professional behavior and respect for mutual interests.

|  |
| --- |
| **Service Level Agreement (SLA) for the Agreement on Provision of Connectivity** |
| **”Sumgait RES” Limited Liability Company” by Azerfon MMC** |
| **Effective Date: June 6, 2013** |
|  |
|  |
| |  |  | | --- | --- | | **Document Owner:** | Azerfon LLC | |
| **Approval** |
| *(By signing below, all Approvers agree to all terms and conditions outlined in this Agreement.)* |
|  |
| |  |  |  |  | | --- | --- | --- | --- | | **Approvers** | **Role** | **Signed** | **Approval Date** | | Azerfon LLC | Service Provider |  | - -- -- 2013 | | RES Sumgayit LLC | Customer |  | - -- -- 2013 | |
|  |
| This SERVICE LEVEL AGREEMENT (hereinafter referred as the “**Agreement**”) is made within the framework of “Agreement on Provision of Connectivity for the Operation of Advanced Metering Infrastructure” dated of June 11, 2013, between Azerfon LLC and RES Sumgayit LLC and signed on March 1, 2013 by and between: |
|  |
| **“Azerfon” LLC** (TPIN: 1300732511), a company duly incorporated and acting under the laws of the Republic of Azerbaijan, having its registered address at 106A H. Aliyev avenue, Baku city, AZ 1029, the Republic of Azerbaijan represented by its Chief Executive Officer Mr. Kent McNeley on one side (hereinafter referred as **“Service Provider”**, which expression shall, unless repugnant to the context or meaning thereof, be deemed to include its successors and permitted assigns) from one side, |
|  |
| **“RES Sumgayit” LLC** (TPIN 9900016181), a company duly incorporated and acting under the laws of the Republic of Azerbaijan, having its registered address at., 8 Afandiyev Str, İnshaatchilar settlement, Sumqayıt city, AZ 5002, represented by its Acting Director Mr. Saleh Mammadli on the second side (hereinafter referred as **“Customer”**, which expression shall, unless repugnant to the context or meaning thereof, be deemed to include its successors and permitted assigns) from another side. |
|  |
| Service Provider and Customer individually referred as a “Party” and together as the “Parties”. |
| This Agreement outlines the parameters of all Mobile GSM/GPRS services covered as they are mutually understood by the Parties. This Agreement does not supersede current processes and procedures unless explicitly stated herein. This Service Level Agreement shall be valid after signing by both Parties*.* The terms of this SLA shall be applicable within 6 (six) months period since the date of the commercial launch. In the case of prolongation of the Term, the Parties shall revise the terms of this SLA and sign an amendment. |
| **1. Goals & Objectives** |
|  |
| The purpose of this Agreement is to ensure that the proper elements and commitments are in place to provide consistent Mobile GSM/GPRS service support and delivery to the Customer by the Service Provider. |
| The goal of this Agreement is to obtain mutual agreement for GSM/GPRS service provision between the Parties. |
| **The objectives of this Agreement are to:** |
| • Provide clear reference to service ownership, accountability, roles and/or responsibilities. |
| • Present a clear, concise and measurable description of service provision to the customer. • Match perceptions of expected service provision with actual service support & delivery. |
|  |
| **2. Periodic Review** |
|  |
| This Agreement is valid from the **Effective Date** outlined herein to the end date of services provided under this Agreement. This Agreement should be reviewed at a minimum once per calendar year; however, in lieu of a review during any period specified, the current Agreement will remain in effect. |
| The **Business Relationship Manager** (“Document Owner”) is responsible for facilitating regular reviews of this document. Contents of this document may be amended as required upon mutual agreement of the parties. The Document Owner will incorporate all subsequent revisions and obtain mutual agreements / approvals as required. |
|  |
| Business Relationship Manager: Azerfon MMC Review Period: Bi-Yearly (6 months) Previous Review Date: |
| Next Review Date: |
|  |
| 1. **Service Agreement** |
|  |
| The agreed level of Support Services as defined in herein shall be effective from the date of the Acceptance (Effective date of this Agreement). |
| The following detailed service parameters are the responsibility of the Service Provider in the ongoing support of this Agreement. |
|  |
| **3.1 Service Scope** |
| The following Services are covered by this Agreement |
| * Provide normal working of the automated management system on data of meters |
| * Set contact with all meters and concentrators in 24/7 working regime based on mechanisms which meet Azerfon’s requirements |
| * Eliminate urgently shutdowns in any form (if occurs out of Azerfon side). |
| * Provide written detailed information about shutdowns on the end of each months-agree time of shutdowns |
| * Manned telephone support • Monitored email support |
| * Remote assistance using Remote Desktop and a Virtual Private Network where available • Monthly checking of working condition of the system. |
| * Solvency of shutdowns in connectivity. |
|  |
|  |
| **3.2. Customer Requirements** |
| Customer responsibilities and/or requirements in support of this Agreement include: |
| * Payment for all support costs at the agreed interval. |
| * Reasonable availability of customer representative(s) when resolving a service related incident or request. |
|  |
| **3.3 Service Provider Requirements** |
| Service Provider responsibilities and/or requirements in support of this Agreement include: |
| * Meeting response times associated with service related incidents. |
| * Appropriate 1(one) week advance notification to Customer for scheduled maintenance. |
| * Knowledge of fluent Azerbaijani language of employees controlling the working process. |
|  |
| **3.4. Service Assumptions** |
| Assumptions related to in-scope services and/or components include: |
| * Changes to services will be communicated to and documented between the Parties in a due course. |
|  |
| 1. **Service Management** |
| Effective support of in-scope services is a result of maintaining consistent service levels. The following sections provide relevant details on service availability, monitoring of in-scope services and related components. |
|  |
| **4.1. Service Availability** |
| Coverage parameters specific to the service(s) covered in this Agreement are as follows: |
| * Telephone support : 24 hour Monday – Sunday |
| * Email support: from 9:00 A.M. to 5:00 P.M Monday to Friday in working days. |
| * Operate the system on a 24x7 basis and be available for on-call emergency cases assistance 24x7. |
|  |
| **4.2. Service Requests** |
| In support of services outlined in this Agreement, the Service Provider will respond to service related incidents and/or requests submitted by the Customer according to the Severity levels described below in this SLA. |
| Remote assistance will be provided in-line with the above timescales. |
|  |
| **4.3. Support Services – Call Centre** |
| * Service Provider shall provide the Customer with a Call Centre telephone number and email address. |
| * The Call Centre telephone line shall be available during the hours defined within the particular support package purchased by the Customer |
| * The email address shall be available on a 24 x 7 basis but requests shall only be handled in line with the support service |
| The following contact numbers / emails addresses shall be used to obtain technical support. |
| |  |  |  | | --- | --- | --- | | **Name** | **Email** | **Phone** | | VIP Call Centre | ssultanzadeh@azerfon.az | 789/ 0124440789 | | 24x7 Call Centre | - | 777/ 0124440777  0772010770 | |
| |  |  |  | | --- | --- | --- | | **Ad** | **E-mail** | **Telefon** | | Zəng Mərkəzi | ssultanzadeh@azerfon.az | 789/ 0124440789 | | 24 x 7 Zəng mərkəzi | - | 777/ 0124440777 0772010770 |   The 24x7 Call Centre phone number is only available if Service Provider has this service is only to be used in the case of Emergency network Faults. All other issues should be routed via the Call Centre. |
|  |
| **4.2. Support Services – Problem Tracking** |
| Service Provider shall log all requests for Support by Customer with a unique Tracking Number. This is to be used internally within Service Provider to track progress of any reported Fault and it shall be used by the Customer to request periodic updates of progress in solving the Fault. |
|  |
| **4.3. Severity levels** |
| To ensure that appropriate resources are employed and the correct level of priority for any issue is assigned, Service Provider shall allocate a Severity level to the Customer request at the time of the Fault being reported. |
| Response times set out in 4.6 shall only apply once the Severity Code is agreed. |
|  |
| **4.4. Response Times** |
| For each Severity Code Service Provider shall respond within the following timeframe |
|  |
| |  |  |  |  | | --- | --- | --- | --- | |  | Number of defaults in below time duration | | | | End-users | 1 hour | Up to 3 hour | From 3 to 24 hours | | | 5-20% | Minor 1 | Minor 2 | Minor 3 | | | 20-50% | Major 1 | Major 2 | Major 3 | | | 50-100% | Critical 1 | Critical 2 | Critical 3 | | |
| \*All cases are shown in numbers. |
| |  |  |  | | --- | --- | --- | | Severity levels | Response time | Restoration | | Minor 1 | 1wd\* | 2wd | | Minor 2 | 2wd | 5wd | | Minor 3 | 3wd | 7wd | | Major 1 | 3hr | 8hr | | Major 2 | 1wd | 2wd | | Major 3 | 2wd | 5wd | | Critical 1 | 1hr | 6hr | | Critical 2 | 3hr | 8hr | | Critical 3 | 1wd | 2wd |   |\*wd – shall mean a work day and “hr” – an hour. |
| Note: Time period required for the site visits to be added to the time of Restoration of the problems. |
|  |
| **Penalties**: |
| In the case of defaults on the response time defined for the problem solvency the following penalties may be applied to the Service Provider: |
| * + - Minor Severity Level – the maximum penalty amount shall be up to 3% of the monthly service fee. |
| * + - Major Severity Level – up to 5% of the monthly service fee. |
| * + - Critical Severity Level – up to 10% of the monthly service fee. |
|  |
| **5. Azerfon Network KPIs** |
| * CS Core network. availability, % 99.69 |
| * PS Core network. availability, % 99.79 |
| * SMSC system availability , %.99.7 |
| * 2G Radio network availability % (in coverage areas) 97.52 |
|  |
|  |
|  |

**SERVICE LEVEL AGREEMENT (SLA)**

This Service Level Agreement (SLA) is entered into and made effective as of [Effective Date], by and between [Service Provider Name], with an address at [Service Provider Address] (“Service Provider”), and [Client Name], with an address at [Client Address] (“Client”).

**RECITALS**

**WHEREAS**, the Service Provider is in the business of providing [Description of Services], and the Client desires to engage the Service Provider to perform such services; and

**WHEREAS**, the Service Provider and the Client wish to define the terms and conditions under which these services will be provided and the standards to which they will be performed.

**NOW, THEREFORE**, in consideration of the mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Confidentiality of Data**:
   * (a) “Confidential Information” shall include all data, materials, products, technology, computer programs, specifications, manuals, business plans, software, marketing plans, financial information, and other information disclosed or submitted, orally, in writing, or by any other media, to the Service Provider by the Client. Confidential Information does not include information that: (i) is or becomes public knowledge through no fault of the Service Provider; (ii) is in possession of the Service Provider without restriction in relation to disclosure before the date of receipt from the Client; or (iii) is independently developed by the Service Provider without reference to or reliance upon the Confidential Information.
   * (b) The Service Provider shall use the same degree of care that it uses to protect the confidentiality of its own confidential information of like kind (but in no event less than reasonable care) to: (i) not use any Confidential Information of the Client for any purpose outside the scope of this SLA; and (ii) except as otherwise authorized by the Client in writing, limit access to Confidential Information of the Client to those of its and its affiliates' employees, contractors and agents who need that access for purposes consistent with this SLA and who have signed confidentiality agreements with the Service Provider containing protections no less stringent than those herein.
2. **Services**: The Service Provider shall provide the services described in Exhibit A ("Services"), attached hereto and incorporated herein by this reference, in accordance with the terms and conditions of this SLA.
3. **Service Levels and Performance Metrics**:
   * (a) The Service Provider commits to delivering the Services in accordance with the Service Levels outlined in Exhibit B.
   * (b) Performance Metrics will be used to gauge the Service Provider’s adherence to the Service Levels, and such metrics will include, but are not limited to, [List of Metrics e.g., response time, resolution time, system uptime].
4. **Monitoring and Reporting**:
   * (a) The Service Provider shall implement all measurement and monitoring tools and procedures necessary to measure, monitor, and report on the Performance Metrics, to ensure that the Service Levels are met.
   * (b) The Service Provider shall provide the Client with [frequency of reporting, e.g., monthly] reports detailing the Service Provider’s performance relative to the agreed-upon Service Levels.
5. **Problem Management**:
   * (a) The Service Provider shall document and address any incidents that affect the quality or availability of the Services as outlined in Exhibit C.
   * (b) The Service Provider agrees to notify the Client of incidents as per the agreed-upon communication protocol.
6. **Service Recovery and Remedies**:
   * (a) In the event of a Service Level failure, the Service Provider shall follow the recovery procedures outlined in Exhibit D.
   * (b) Remedies for Service Level failures will include [specify remedies such as service credits or penalty payments], as further described in Exhibit D.
7. **Confidentiality and Security**: Both parties agree to adhere to the confidentiality and security obligations set forth in the Non-Disclosure Agreement, which forms a part of this SLA.
8. **Term and Termination**:
   * (a) This SLA will commence on the Effective Date and will remain in effect for [Term of Agreement], unless terminated earlier in accordance with the termination provisions herein.
   * (b) Either party may terminate this SLA upon [Number of Days] days’ written notice if the other party materially breaches any of its terms and conditions and fails to cure such breach within [Number of Days] days from receipt of such notice.
9. **General Provisions**:
   * (a) Amendments: This SLA may only be amended by a written document duly executed by both parties.
   * (b) Governing Law: This SLA shall be governed by the laws of [Jurisdiction].
   * (c) Entire Agreement: This SLA and Exhibits A-D represent the entire agreement between the parties regarding the subject matter and supersede all prior negotiations, agreements, and understandings.

**IN WITNESS WHEREOF**, the parties have executed this SLA as of the date first above written.

Service Provider: [Service Provider Company Name] | Client: [Client Company Name] By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (Authorized Signature) (Authorized Signature) Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Exhibit A**: Services Description

**Exhibit B**: Service Level Definitions and Performance Metrics

**Exhibit C**: Incident and Problem Management Procedures

**Exhibit D**: Service Recovery and Remedies Procedures