

Contractor IP Risk Assessment (India)

Risk assessment template for evaluating IP risks before engaging external contractors

HOW TO USE THIS TEMPLATE

- | | |
|----|--|
| 1. | This document: Contractor IP Risk Assessment (India). |
| 2. | Fill all bracketed fields before use. |
| 3. | Template only — not a substitute for qualified legal advice. |

1. THE CORE LEGAL RISK

Why Contractor IP Is a Critical Gap. Under Indian copyright law, works created by independent contractors do NOT automatically vest in the commissioning company — unlike works by employees. A contractor who writes software, designs a logo, or creates any copyrightable work retains ownership unless a written assignment has been executed. This is the most common source of copyright gaps in Indian startup IP portfolios.

Compound Risks. The risk compounds when: overseas contractors are used (their local law may also apply); sub-contractors are engaged without flow-down assignment clauses; contractors use open-source components without disclosure; or the engagement ends without a formal IP handover.

The Fix Is Simple. A signed Copyright Assignment Deed executed before work begins. Never allow a contractor to start work without a signed assignment. Obtaining the assignment after the fact — especially if the contractor becomes unresponsive — is significantly more expensive.

2. RISK FACTORS ASSESSMENT

Risk Factor A — Nature of Work: Source code development (HIGH); Creative design work (HIGH); Content writing (MEDIUM); Data analysis and reports (MEDIUM); Training and consulting (LOW).

Risk Factor B — Access Level: Full codebase access (HIGH); Specific module access (MEDIUM); Design system or brand access (MEDIUM); Public information only (LOW).

Risk Factor C — Contractor Type: Overseas individual (HIGH — local law complexity); Indian company with own employees (MEDIUM — need pass-through assignments); Indian individual freelancer (MEDIUM — standard assignment); Established agency with standard commercial terms (LOW — check their terms carefully).

Risk Factor D — Duration: Long-term ongoing engagement (HIGH); Complex deliverable with deep technical knowledge (HIGH); Short one-off task (LOW).

3. REQUIRED AGREEMENTS BY RISK LEVEL

High Risk (any HIGH factor): Full Contractor Agreement with IP Assignment (all IP vests in Company); NDA; return-and-destroy clause; prohibition on using Company IP for other clients; sub-contractor flow-down clause; OSBOM update obligation for software contractors; exit IP audit confirmation before final payment released.

Medium Risk (any MEDIUM, no HIGH): Standard Contractor Agreement with IP Assignment clause; NDA; return-and-destroy clause; exit confirmation of IP handover.

Low Risk (all LOW): Simple Work Order with IP ownership clause; NDA if any confidential information is shared.

4. OFFSHORE CONTRACTOR CONSIDERATIONS

Applicable Law. For overseas contractors, the assignment must be effective under both Indian law and the contractor's local law. Include a clause stating the assignment is governed by Indian law AND that the contractor confirms validity under their jurisdiction's laws.

US Contractors — Work Made for Hire. In the USA, specially ordered or commissioned works may qualify as 'works made for hire' under 17 USC 101 if the parties expressly agree in writing. Include an explicit work-made-for-hire clause in US contractor agreements alongside the assignment clause as a belt-and-suspenders approach.

Tax and Payments. Payments to overseas contractors for IP-creating services may be subject to withholding tax under Section 195 of the Income Tax Act 1961 and FEMA compliance requirements. Obtain Form 10F and verify applicable DTAA rates. Ensure all payments use authorised dealer banks with Form 15CA and 15CB documentation.

Contractor IP Audit. Conduct an annual audit of all contractor engagements from the past year: confirm assignments are on file for all copyright-creating work; confirm all open-source disclosures are current; and identify any gaps requiring retrospective assignments.

IMPORTANT NOTE

Working template for Contractor IP Risk Assessment (India). Verify requirements with a qualified IP advocate.

CONTRACTOR IP AUDIT — RETROSPECTIVE GAP CLOSING

For companies that did not have robust contractor IP management in their early days, a retrospective contractor IP audit is an essential pre-fundraising exercise. The retrospective audit identifies which past contractor engagements lack signed copyright assignments and what remediation is required. Step 1 — Identify all past contractors: compile a complete list of everyone who was paid as a contractor

(not an employee) since the company was founded. Sources: finance team's contractor payment records; GST invoices; bank payments to non-employees; HR records; project management tool user lists. Go back to the founding date. Step 2 — Classify by IP type: for each contractor, determine what type of work they did and whether it could contain copyrightable material. Software development: HIGH priority

— written copyright assignment required. Logo and graphic design: HIGH priority. Website and UI design: HIGH priority. Content writing for commercial use: MEDIUM priority. Administrative tasks: LOW priority. Step 3 — Check for existing assignments: review the contract or engagement letter for each HIGH and MEDIUM priority contractor. Does it contain an IP assignment clause? If yes, is the clause sufficient? Note: many standard freelancer contracts and platform terms of service do NOT include copyright assignment — they may grant a licence but not an assignment. Step 4 — Contact contractors for assignments: for each HIGH priority contractor with no assignment, contact them to obtain a retrospective assignment. Provide a simple Copyright Assignment Deed. Most contractors will sign when

approached professionally and when explained why it matters. Some may charge a small additional fee for signing retrospectively — this is generally worth paying. Document all outreach and responses for the data room. Step 5 — Document gaps that cannot be closed: for contractors who are unreachable or refuse to sign, document the situation, assess the IP risk (how important is the work they created to the current product?), and obtain a legal opinion on the company's position. Investors prefer known gaps with documented assessment to undiscovered gaps.

ADDITIONAL COMPLIANCE GUIDANCE AND BEST PRACTICES

ADDITIONAL GUIDANCE ON COMPLIANCE AND BEST PRACTICES. Indian IP law continues to evolve rapidly, with the Patent Office, Trade Marks Registry, and Copyright Office all implementing digital transformation initiatives that affect how IP is filed, prosecuted, and enforced. The Patents Amendment Rules 2024 introduced new provisions for startup fee concessions and updated the examination procedure timelines. The Trade Marks Act 1999 has been interpreted by courts in a growing body of decisions that clarify how confusion is assessed, how well-known

marks are recognised, and how bad faith is established. The DPDP Act 2023 has implications for IP-linked customer data and product development processes. For each IP action described in this document, the Company should consult a qualified IP advocate licensed to practice before the Indian Patent Office and Trade Marks Registry. IP advocates combine technical expertise with legal training specific to Indian IP law. When selecting an IP advocate, assess: their specific experience in your technology sector or product category;

their track record at the relevant Patent Office branch or Trade Marks Registry; and their ability to coordinate international filings through their network of foreign associates. The IP Manager should maintain a master calendar tracking all IP filing deadlines, prosecution response deadlines, renewal dates, and opposition window close dates. IP deadlines are typically non-extendable and missing them can result in permanent loss of rights. Use a dedicated IP management tool or a carefully maintained calendar system with triple-reminder alerts. Document

all IP decisions and the reasoning behind them. When the Company decides not to file a patent application for a particular technology, document the decision and reasoning. When a trademark opposition is decided not to pursue, document the decision. This decision trail is important for investor due diligence, management continuity, and defence of subsequent IP disputes. Build a quarterly IP Committee meeting cadence: the IP Manager, CTO or Head of Product, CFO, and CEO should review IP programme status, upcoming

decisions, and strategic IP priorities every quarter. This keeps IP on the leadership agenda and ensures that commercial and technical strategy is aligned with IP investment decisions. The IP Committee meeting should produce a brief written record of decisions taken and actions assigned. International IP coordination requires proactive management of priority deadlines. The Paris Convention priority period of 12 months for patents and 6 months for trademarks and designs starts from the Indian filing date. If international protection is planned,

calendar these priority deadlines immediately on the Indian filing date. The cost of filing internationally increases significantly if priority is not claimed because prior art in the intervening period may destroy novelty. Budget for professional indemnity insurance for the IP function. As IP becomes a larger component of the Company's value and IP decisions involve significant financial stakes, the IP Manager and the Company's IP counsel should be appropriately insured against errors and omissions. Review the IP programme's documentation quality

annually. The best IP strategy is undermined by poor documentation. Every IP right should have a complete file: the registration or application document, all prosecution history, all renewal receipts, and all related agreements. Files should be backed up in at least two locations and access-controlled to prevent inadvertent deletion. Template only. Not legal advice. Consult a qualified IP advocate for all decisions affecting the Company's intellectual property rights.