Statement of Principles

Intellectual Property Rights (IP)

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This document includes the Statement of Principles, a description of the issues (with examples) and contractual language.

Key Words:

- **Consultant**
- **Contract**
- **Contractor**
- **Data Processing**
- **Geophysical Services**
- **Intellectual Property**
- **Partner**
- **Public Domain**
- **Tender**
- **Third Party(ies)**

Terms that are in bold type are defined in the Glossary of Terms which forms part of this family of Statements of Principles.

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Statement of Principles

1. Introduction

In the past, when geophysical **Contractors** proposed their proprietary technology in **Tenders**, they did so in the reasonable belief, based on experience and standard industry practice, that their innovative ideas would not be passed to competitors for any purposes, including commoditization and the lowering of cost. Today, **Tenders** are commonly administered by professional procurement managers, whose primary aim is to purchase a defined (i.e. commoditized) service for the lowest cost obtainable. To define the service, consultations are usually held with potential bidders in a process known as **Tender** prequalification. Technical information and ideas gathered in the course of these consultations are then used to prepare detailed **Contract** specifications on which all prequalified bidders compete equally. In this way, any bidders' proprietary technology may be distributed to all competing **Contractors**, with the result that innovations bring little or no competitive advantage or added value to their owners.

2. Workflows

- Geophysical **Contractors** consider all their workflows confidential.
- Workflows are the property of the geophysical **Contractors** unless substantially contributed to by the **Client** during the processing of **Client** data.
- Geophysical **Contractors** should not provide workflows, or proprietary details of workflows, to **Clients** without a confidentiality agreement or appropriate commercial considerations.

3. Confidential material

- Members are reminded that where confidentiality agreements are signed prior to technology disclosure, the effectiveness of such agreements may be eroded by internal and inter-**Partner** discussions, and by movement of **Consultants** and employees from one E&P operator to another.

- Members should be cautioned against making any disclosure of their new technology, designs, ideas or advice in the course of pre-**Tendering** or other consultations, unless it has been either patented or presented in the **Public Domain**.

- Documents and other material from geophysical **Contractors** made available to **Clients** should be treated as confidential when such declarations are made in writing or on the document,

- Confidentiality agreements originated by either party should be entered into with caution if required. Even in the presence of confidentiality agreements members should not disclose more information than is absolutely necessary, since it may be difficult to control information once it is exposed – and some confidentiality agreements may not be enforceable.

- Geophysical **Contractors** should not accept non-public or clearly marked confidential documents or material originating from another geophysical **Contractor**, offered to them by a **Client** or any other **third party**.

4. Technical bid requests/presentations

- Members' response to **Client** technical specification requests (even when requested for technical qualification) should be limited to providing basic relevant, non-confidential, published information only.

- Geophysical **contractors** should only provide **Clients** with published material. Copies of proprietary presentations made during industry conventions, **Client** meetings and other occasions should not be made available. All materials should be marked with clear notifications of ownership, confidentiality and copyright if applicable.

- Members are reminded that **Clients** frequently use proprietary workflows or technical information provided as part of a pre-award study, for subsequent open bid requests.

- Members' attention is drawn to a common practice of **Clients** to request copying of **Contractors'** files to their own computers to facilitate presentation. In such cases members should insist on verifying in a signed writing that all such copied files are irretrievably erased after use.

5. Third Parties

- **Clients** should be prevented, by the use of confidentiality agreements or other means, from providing confidential material or workflows obtained from geophysical companies to **Third Parties.**

- **Consultants**, and other **Thirds Parties** engaged by **Clients**, should be held to the same level of confidentiality agreement terms and conditions as the relevant **Clients**.

6. **Ethical behavior**

- IAGC recommends and expects the highest standards of business ethics from its members and the Clients.

Commercial Context

The Geophysical **Contractors** believe that technologies and workflows associated with **Geophysical Services**, including acquisition, processing, interpretation and reservoir studies contain proprietary knowledge beyond that expressed by the generic description of the above activities. This knowledge can relate to efficient and innovative practices, novel engineering, new techniques using existing tools in some unique way, geophysical robustness, ease-of-use, and/or QC methods. Everything that makes up the entire workflow is considered **Intellectual Property**. This proprietary knowledge (except where explicitly developed with **Client** participation) has been accumulated by the geophysical **Contractors** through their work experience. It represents years of investment to establish differentiation and competitive advantage over others in the industry.

Due to the nature of the business, **Clients** often receive privileged knowledge of these geophysical technologies and workflows and they thus have an ethical responsibility to recognize and protect this **Intellectual Property**. There is a growing concern that this responsibility is not always respected by the **Clients**, and in particular, the **Client** procurement departments. **Third Party** QC, processing and interpretation companies, **consultants**, advisors and some master service agreements may be viewed as additional avenues that can potentially compromise **Intellectual Property**.

Inappropriate or unauthorized disclosures of such **Intellectual Property** to **Partners**, affiliates or **Third Parties** by **Clients** can rapidly negate the proprietary value of geophysical **Contractors'** technology and deter the investment that drives technical progress.

Recent Examples

Members have contributed numerous examples from their recent experience, including but not limited to the following.

Data Processing

As part of a processing job a geophysical **Contractor** has progressively built up a detailed workflow to remove noise involving cascading processes in multiple specific sort domains. This workflow was considered **Intellectual Property** by the geophysical **Contractor** and disclosed to the **Client** in confidence. Subsequently, the exact same workflow for this type of noise removal was specified in a competitive bid **Tender** that was distributed to other geophysical **Contractors** by the **Client**.

Data Acquisition

A geophysical **Contractor** provided a **Client** with detailed acquisition survey design information as an alternative design geometry to be included as part of a competitive bid. This alternative design was believed to be confidential to the geophysical **Contractor** and included not only shooting patterns and geometry, but also derived fold and illumination coverage parameters. It also outlined significant economic benefits. This confidential information was immediately faxed by the **Client** to all the original bidding **Contractor** companies, as an addendum to the original bid specification, with a request for competitive quotes on this confidential alternative design.

"Turkey Shoot" Type Data Processing Tests

In a Turkey shoot, which included several geophysical **Contractors**, one geophysical **Contractor** was informed by the **Client**, that they had the best quality results. The **Client** then requested the workflows from the geophysical **Contractor** with this best seismic result. These workflows were then included and distributed inappropriately, as part of an open competitive bid **Tender** process for the same project.

Technical Presentation

A geophysical **Contractor** gave a private technology presentation to a **Client** using material that was not in the **Public Domain**. The **Client** then asked for a copy of the presentation which the geophysical **Contractor** provided, under the condition that it was not for distribution outside the **Client** organization. The **Client** then passed some of the presentation slides to another geophysical **Contractor** and asked for an evaluation and/or a competitive alternative.

Application of 'Best Technology' Project Designs

A **Client** asked a geophysical **Contractor** for processing workflow recommendations using their best ideas and technology to address specific geophysical issues on one particular job. The geophysical **Contractor** provided a detailed workflow and was awarded the work – but the exact same detailed workflow became part of a **tender** for another job distributed by the **Client**.

Contractual Language

Intellectual Property

1. **Of Contractor**

   a. **Company** shall have no right to use on its own behalf or on behalf of any affiliate, associate, joint venturer or **Third Party**, directly or indirectly, any trademarks, copyrights, trade secrets, patents, or other intellectual property rights owned or used under license by **Contractor** (collectively, the "Intellectual Property"). The ownership and rights to **Contractor**'s Intellectual Property shall at all times remain with **Contractor**.

   b. **Contractor** is the sole and exclusive owner of all worldwide rights, title and interests in, and to, any Intellectual Property developed or arising from the performance of the Processing Services.

   c. The software, algorithms, methods, workflows, techniques, equipment, processes, knowledge, source code, and other materials utilized by **Contractor** to process the input data provided by **Company** belong exclusively to **Contractor**.

   d. The rights to patentable inventions created during the performance of the Processing Services may include a machine, process, manufacture or composition of matter, or any new and useful improvement thereof. Any algorithm, source code, method, software, or device developed by **Contractor** during the course of completing the Processing Services belongs exclusively to **Contractor**.

   e. **Company** expressly agrees to convey, transfer and assign, and does hereby irrevocably transfer, convey and assign to **Contractor**, without additional consideration, the entire right, title and interest in, and to, any and all Intellectual Property that may accrue to **Company** as the result of joint collaboration or joint inventorship by one of its employees or agents with **Contractor** during the course of **Contractor's** performance of the Processing Services.

2. **Of Company**

Company shall own and have exclusive right, title and interest in and to the Deliverables and output data.