



Protecting your Managed Services Practice: Are you at Risk?

Presented by:

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Speaker

Robert Scott



Sources of Risk

Competitors

Customers

Vendors and Channel partners

Employees

Other

Risk Management

- Effective risk management relies on an integrated approach to identifying and addressing the various sources of risk and on implementing consistent, intuitive, and easily repeatable processes to manage and mitigate the risk
- Three primary tools to manage risk:
 - Policies and procedures
 - Contracts
 - Intellectual Property (IP) registration and enforcement

Risk Sources and Responses:

Competitors

- **Primary risk focus:** IP – brand dilution and loss of business
- **Primary response:** Registration, monitoring and enforcement of trademarks and copyrightable content
- **Secondary response:** Internal policies and appropriate contractual terms with employees and vendors regarding any trade secrets

Risk Sources and Responses: Customers

- **Primary risk focus:** Professional liability and contract disputes
- **Primary response:** Clear and consistent service agreements that specify both parties' obligations and manage expectations. Agreements should include, among many other things:
 - Detailed descriptions of service levels
 - Provisions for indemnification and limitation of liability that are consistent with insurance coverage
 - Force majeure clause that is appropriate for MSPs
- **Secondary response:** Professional liability coverage that is tailored to MSPs and the MSP industry

Risk Sources and Responses: **Customers (continued)**

- **Secondary Risk focus:** IP – liability and/or loss of business
- **Primary response:** Where appropriate, service agreements also should specify ownership rights regarding any copyrightable content developed during the course of the relationship
- **Secondary response:** Confidentiality, anti-reverse engineering, and other contract provisions to prevent loss of trade secrets

Risk Sources and Responses: Vendors and Channel Partners

- **Primary risk focus:** IP liability and contract disputes
- **Primary response:** Regular, periodic inventory of software deployed internally and on behalf of customers to ensure compliance with applicable agreements
- **Secondary response:** Careful review of and, where appropriate, negotiations to revise applicable agreements

Risk Sources and Responses: Vendors and Channel Partners (continued)

- **Secondary risk focus:** IP – loss of business
- **Primary response:** Confidentiality and other contract provisions to prevent loss of trade secrets
- **Secondary response:** Appropriate internal policies and procedures to control vendors' access to trade secrets and development projects

Risk Sources and Responses:

Employees

- **Primary risk focus:** IP – liability and/or loss of business
- **Primary response:** Employees should be bound under agreements including provisions for confidentiality (both as to internal and client materials) and competition during and following employment
- **Secondary response:** Internal policies and procedures should be developed, implemented, distributed and updated on a regular basis, covering, among many other things:
 - Appropriate use of and access to IT infrastructure
 - Appropriate use of licensed software
 - Appropriate access to and disclosures regarding trade secrets

Other Risk Sources

- Weather and natural disasters:
 - MSP-appropriate force majeure provision to manage risks from client to client
 - Written and regularly reviewed and updated policies and procedures for disaster recovery
 - Insurance
- Third parties:
 - Written and regularly reviewed and updated policies and procedures for site security and employee access
 - Technological countermeasures for remote network intrusions
 - Insurance

An Integrated Approach

- Ensuring consistency across all risk management responses is as important as the details pertaining to each risk source
 - Example: Strong protections for trade secrets in relationships with customers and vendors may be worthless if the secrets are not adequately protected internally, both in terms of policies for access and use as well as physical and technological safeguards
 - Another example: Insurance is always a good idea, but its value is diminished if customers receive no benefit

Questions?

Contact Information

Robert J. Scott, Esq.

Managing Partner

rjscott@scottandscottllp.com

(214) 999-2902

Scott & Scott, LLP.

550 Reserve Street, Suite 200

Southlake, TX 76092

www.scottandscottllp.com