

Intellectual Property Theft in India Exposes Risks of Outsourcing

Less than three months after opening a new development center in India, Jolly Technologies battles intellectual property thieves and the Indian legal system.

SAN CARLOS, CA (PRWEB) August 4, 2004

Jolly Technologies, a California based software manufacturer, today reported the recent theft of portions of its source code and confidential design documents of one of their key products at their recently opened research and development center in Mumbai, India. According to the report obtained from the Indian branch, Sudha Iyer, a recently hired 25-year-old female software engineer and resident of Jogeshwari, Mumbai, carried out the theft. Iyer used her Yahoo email account, which now allows 100 MB of free storage space, to upload and ship the copied files out of the research facility. Fortunately, Jolly Technologies detected the theft and is trying to prevent Sudha Iyer from further distributing it.

The source code of a software product is like a blueprint that specifies how a program behaves and often carries confidential information within it. The vast majority of US based software companies require their employees sign an employment agreement that prohibits them from carrying, or transferring in any way, the company's source code out of a development facility. To prevent such theft from occurring, the United States enforces several laws that discourage the theft of intellectual properties. Although the Indian branch of Jolly Technologies requires employees sign a similar employment agreement, the sluggish Indian legal system and the absence of intellectual property laws make it nearly impossible to enforce such agreements.

Source code theft is a serious risk for any software manufacturer as exposure of the source code to the external world can potentially risk years of research and development investment. With direct access to the source code, competitors could learn the inner workings of the underlying technology as well as various product secrets or even potentially redistribute the illegally obtained source code as a competitive product. Or if transferred or sold to hackers, criminals or terrorist groups, the program can be altered and redistributed as the original to cause lot of damage. All of which could severely endanger the company who developed the technology's survival, as well the clients who accidentally buy such altered copies from unauthorized sources.

High Risk to Software Companies

The outsourcing of software development to third-world countries such as India, though appealing for its cost savings potential, exposes companies to the severe risk of "losing it all". White-collar crime is not new in the Indian IT industry, and according to IT industry insiders, the occurrences of such crimes

is rapidly increasing. Lack of a solid legal system, poor education among law enforcement officers, and deep-rooted corruption issues complicates the problem further.

Jolly Technologies representatives in Mumbai, India are working closely with local law enforcement authorities, seeking their assistance in taking a corrective action against Iyer and prevent such crime from occurring again. Whether they or other companies will succeed in changing the fundamentals of the legal system is hard to say, but at this stage, Jolly Technologies has decided to delay further recruitment and halt development activities in India until further safeguards are in place.

About Jolly Technologies

Founded in 2000, Jolly Technologies (<http://www.jollytech.com>), a division of Jolly Inc. and a leader in labeling and secure ID card software solutions, offers the most powerful, intelligent labeling and card software available for professionals in the printing industry. Since the initial release of Print Studio 1.0, users around the world have consistently considered the product line best in field. Based in San Carlos, Calif., Jolly Inc. is one of the world's fastest growing software companies.

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