The Contractual Complications of Pied Piper of HBO's 'Silicon Valley'

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Image by Steve Jurvetson

The third season of HBO's Silicon Valley is now complete and Pied Piper has just released its product to market. Several hurdles have been overcome in the journey to this level of fruition including one of the key executives of the company being trapped in a self-driving car and large amounts of code being accidentally deleted. Legal complications have also played a large role in the plot lines, including many issues related to contractual agreements. These include:

1. Intellectual property theft due to terms in employment agreement

The first term in a contract that became important in the plot line was that about intellectual property in Richard Hendricks's, Pied Piper's CEO's, employment agreement with Hooli. Hooli was the company he was working with before leaving to work full time for Pied Piper. This term specified that the fruits of work done on his work computer would become Hooli's intellectual property. In trial, evidence showed that Richard had performed some work for Pied Piper on his Hooli computer and so all the intellectual property according to this term was Hooli's. However, unexpectedly and thankfully for Pied Piper, the judge noted there was also a non-compete

clause in the employment agreement which was unlawful. Due to this, the entire employment agreement, as well as the employment agreements of all other Hooli employees were declared by the judge to be null and void and Pied Piper was allowed to keep the intellectual property that Richard had created.

2. Services Agreement between End Frame and Intersite

End Frame is a rival company of Pied Piper. In the first season, some of the people who go on to form End Frame trick members of Pied Piper into disclosing some of their intellectual property to them. In season two, Pied Piper becomes aware of End Frame's existence after they lose their partnership with "Homicide," an energy drink, to live stream a stunt for them. Instead Homicide engages End Frame for this. In an act of desperation, when it looks like Pied Piper is losing its funding, some of the Pied Piper team get their hands on the services agreement between End Frame and an internet porn company called Intersite and set out to convince Intersite to contract with them instead of End Frame. Intersite agrees to have End Frame and Pied Piper compete to see which product is the best and Pied Piper wins this competition.

3. Non-disclosure Agreement (NDA) signed by Big Head (Nelson)

Big Head (also known as Nelson) was originally part of the Pied Piper team and a friend of Richard. They knew each other from when they both worked at Hooli. After Pied Piper obtained funding, Big Head was cut from the team, but at the same time was offered a large promotion at Hooli, which he took. CEO of Hooli, Gavin Belson, continued to promote him in an attempt to outsmart Pied Piper, believing he had poached one of their best developers and that Hooli, with Big Head, could create a better product at a company inside Hooli called Nucleus. Once it became clear that Nucleus was a flop and all employee contracts at Hooli were null and void due to a non-compete

clause, Hooli offers a redundancy package of $20 million to Big Head which he accepts. However, he takes this on the condition he abides by an NDA which he breaches by talking to tech blogger, C.J. Cantwell, about how Hooli covered up bad reviews about Nucleus by changing how their search engine operated.

4. Sales agreement for Pied Piper's "box"

One investment firm Raviga takes over the funding of Pied Piper at the end of season 2 and early season 3, Richard is removed as CEO. The new CEO, Jack Barker, believes that creating a 'box' to contain the compression product will be more quickly adopted by the market and quicker to sell to enterprises. Richard and his team are not interested in creating the box as they have always wanted to use their compression algorithm to create a product available to consumers. His team devise a plan to create a product for consumers, while pretending to create the box product. However, Jack Barker becomes aware of this plan. In the meantime, Monica, who works for Raviga notices a term in the sales agreement for the box that gives exclusive rights to the owners to use Pied Piper's algorithm for five years. This deal would prevent Richard and his team from creating the consumer product within that time. In the meantime, Hooli acquires End Frame for $250 million. End Frame is creating a consumer compression product and not a box. This purchase effectively sets the value of Pied Piper if it was creating a consumer compression product and makes obvious that developing a consumer product will be a much more valuable option. Jack Barker is fired by Raviga and the way is paved for the team to continue building the consumer product.

5. Partnership agreement between Erlich and Big Head

Erlich convinces Big Head to go into business with him and drafts a manipulative partnership which gives Erlich complete control over Big Head's assets but no access for Big Head to

Erlich’s Pied Piper shares. Big Head signs the agreement unaware that he is essentially giving Erlich the same financial rights as a spouse. Erlich sets about planning an extravagant party to celebrate the launch of his and Big Head’s new company which is to be called “Bachmanity”.

6. Vendor contracts for Bachmanity Insanity

The extravagant launch party for Bachmanity is held at Alcatraz and it is Hawaiian themed. Erlich engages event planner, Sasha, to organize this party and details of the party include, among other things, pukka shells, roasted pigs and flamethrowers. During the party Sasha informs Erlich that a number of vendors have called to complain that their checks have bounced and just before the main speech that Erlich and Big Head are to give Arthur Clayman, Big Head’s business partner, informs Erlich that Bachmanity is bankrupt.

8. The Retainer Agreement for Big Head’s business manager, Arthur Clayman.

This gave Mr Clayman access to Big Head’s funds. After Clayman explains to Erlich that Bachmanity is bankrupt, Erlich gets Jared Dunn, Richard’s assistant and former personal assistant to Hooli CEO Gavin Belson, to assess what has happened with the funds. He finds that $6 million has been misplaced, which they later realise Clayman has used to pay other clients. Big Head and Erlich consult the District Attorney’s office about taking legal action against Clayman but are told their case would be a low priority. Erlich is told he may have to liquidate his shares in Pied Piper to repay the debts of Bachmanity that are outstanding.