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Jacques de Werra (éd.)

Accords de technologie
Technology Transactions

Marco M. Aleman; Christoph Spennemann;
Mark Anderson; Philippe Gilliéron; Adrien Alberini

UNIVERSITÉ DE GENÈVE
FACULTÉ DE DROIT

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Table des matières/*Table of contents*

Avant-propos V
Table des abréviations XIII

Patent Transactions. Limited regulation in the multilateral legal framework and diverse legislation and practice at the country level

Marco M. Aleman

I. Introduction 1
II. Types of Patent Technology Transactions Involving Patents 2
III. The International Legal Framework 3
IV. The current agenda 4
V. Key Issues for International Patent Transactions 5
A. Assignment of Patent Rights 6
1. The line between inventorship and ownership 7
2. Joint inventions 8
3. Formalities required to effect assignment of patent rights 9
B. Licensing of Patents 10
1. Formalities required 10
2. Standing of exclusive licensees to enforce a patent 11
C. Security interests over patent rights 12
D. Other issues to consider in international patent transactions 13
VI. Conclusion 14

International Technology Transactions from a Development Perspective

Christoph Spennemann

I. Introduction 15
II. Formal and informal means of technology transfer and their role in the development process 16
III. The role of contractual transactions in facilitating developing countries' access to technology 18
A. *ELEA* in Argentina 19
B. *Beximco Pharmaceuticals Ltd* in Bangladesh 20
C. *Tecnoquímicas* in Colombia 20

D. *SEAA* in Ethiopia 22
E. *Quality Chemicals* in Uganda 23
F. Lessons from the case studies 24
IV. The limitations of the licensing approach 25
A. The UNCTAD draft International Code of Conduct on the Transfer of Technology 27
B. The TRIPS Agreement 28
V. Conclusions 30

International IP transactions: arguments for developing a UN standard

Mark Anderson

I. Introduction 33
II. International nature of IP transactions, and their increasing importance in international trade 35
III. Patchy and inconsistent treatment of IP transactions in national and international IP laws 37
A. Assignments 39
B. Licences 40
C. Co-ownership 42
IV. Why does it matter? 43
A. Dealing with the issues in the licence agreement; poor quality of licence templates 43
B. First example – pass on the benefit of the licence to licensee's customers 45
C. Second example – pass on obligations to new owners of the licensed IP 46
V. Comparison with laws on the sale of goods 49
VI. Need for international approach to IP transactional law 51

IT Agreements – from software to cloud services

Philippe Gilliéron

I. Typology 53
A. Proof of concept (PoC) 53
B. Software agreements 54
C. Cloud based agreements 54
D. Professional services agreements 55
E. Digital agreements 55

II. Structure 55
III. Software agreements (on premises) 57
A. General remarks 57
B. License 57
C. Support 59
D. Escrow 60
IV. Cloud based agreements 61
A. General remarks 61
B. License 61
C. Support 63
D. Escrow 65
E. Data protection and security 66
V. Professional services agreements 67
A. General Remarks 67
B. Contract structure 67
C. New products 68
D. Customization of existing products 69
VI. Digital services agreements 70
VII. Conclusion 72

Accords de technologie et droit de la concurrence: de l'approche plus économique à la saisie par l'abus de position dominante

Adrien Alberini

I. Introduction 73
II. Réglementation en matière d'accords de technologie 77
A. Aperçu des règles applicables 77
B. Changement de paradigme 79
III. Notion d'accord de technologie 80
A. Véritables accords de technologie ? 80
B. Qualification autonome et distinctions 82
C. Contexte économique et structure de marché 83
IV. Restrictions intratechnologiques: approche formaliste 84
A. Notion et approche 84
B. Restrictions en matière de territoires et de clients 85
V. Restrictions de l'incitation à innover: approche plus économique 89
A. Notion et approche 89
B. Rétrocessions des améliorations 90

C. Interdiction d'effectuer de la recherche et développement 92
D. Non-contestation des droits de propriété intellectuelle 93
VI. Une saisie par l'abus de position dominante ? 97
A. Du refus de contracter aux termes FRAND 97
B. Engagement FRAND : focus initial sur le processus de négociation . 100
C. Evolution vers les conditions de la licence et le niveau des redevances 101
VII. Conclusions 106

IT Agreements – from software to cloud services

*Philippe Gilliéron**

This paper is based upon my personal experience as a practitioner having negotiated hundreds of IT agreements over the last years, from the simplest to the most complex one. Aimed at providing the reader with salient points to take into account when negotiating IT agreements, this contribution should not be considered as a scientific paper; in other words, readers shall not find any footnote or academic reference in it.

The pitfalls to be avoided when negotiating IT agreements are numerous and could lead to the drafting of a whole book. The goal of this contribution is limited in its scope and shall focus on a subset of these pitfalls, namely the ones involving intellectual property considerations or related ones.

I. Typology

"IT agreements" is a generic reference that encompasses several types of agreements all related to the exploitation and use of digital resources. It is fairly common within the industry to make a distinction between the following agreements:

A. Proof of concept (PoC)

A proof of concept is meant to enable customers to test a product, its functionalities and performance for a limited period of time within its environment, so as to ensure that the product meets the customer's expectations before being subscribed to.

Such entitlement being limited in time and usually provided for free, or at a minimum at a significantly discounted price, a proof of concept takes the form of a concise agreement limited to the "strict necessary", tradi-

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tionally limiting if not excluding any type of warranty or indemnification clause.

While data processing terms and security requirements shall also be limited, one should not forget that legal requirements are indifferent to the complexity or duration of an agreement, and that the legal requirements, notably but not only related to applicable data protection laws and regulations, will apply in any case.

As a result, the provisions parties decide to incorporate into such an agreement will ultimately be the result of their power of bargaining, a risk assessment, notably based upon the type of data to be processed and the duration of the PoC (which can vary from a few weeks to one year in exceptional cases). In order to avoid any risk, customer will try to ensure that data to be processed will be limited to a testing environment, at the exclusion of an environment in production, although this is not always possible to fully test the product).

Proof of concepts shall not be further addressed in this paper.

B. Software agreements

Unlike cloud based agreements, software agreements relate to the licensing of a software as an asset by a provider to a customer. These agreements will thus result in the installing (either through a formal installation procedure or downloading) of the software within the customers' premises.

C. Cloud based agreements

Unlike software agreements, cloud based agreements relate to the entitlement granted by a provider to a customer to access and use IT resources remotely. The remote consumption of these resources is considered as a service, and may consist of a software as a service (*SaaS*), platform as a service (*PaaS*) or infrastructure as a service (*IaaS*). In this paper, while most considerations will apply indifferently to any type of cloud based agreements, I shall focus on *SaaS* which is now becoming the leading type of IT agreements.

D. Professional services agreements

While the business model retained by IT providers may vary, an IT project will regularly involve professional related services. Implementing and rolling out an IT project will require the support of the IT provider, whose assistance might be needed to install, configure the products, develop interfaces or even customize the product to meet customers' ends. It is fairly common to divide the type of services an IT provider can be requested to perform between development, consulting and support services.

E. Digital agreements

Digital agreements are a subset of professional services agreement which consist of the development of a website or applications. These agreements will be handled separately as they usually raise specific concerns in terms of intellectual property that are the object matter of specific provisions.

II. Structure

The negotiation of IT agreements may be bilateral, *i. e.* between one given provider and a given customer, in which case they do not raise much concerns from a structural standpoint.

These agreements may however also be contracted at the level of a group of companies, either at the level of the provider, the customer, or both. Negotiating IT agreements at the level of the group can serve several purposes such as, amongst others: (i) negotiate the terms of the frame agreement at the central level to ensure that these terms will align with the group's policies and compliance requirements and avoid inconsistencies or deviations at market level; (ii) negotiate the commercial terms at the central level to get a better pricing and exercise a better control upon the pricing, or (iii) avoid inconsistency in having multiple providers providing the same product or service to the affiliates by ensuring that preferred providers will be the preferred vehicle to be retained at market level (thus ensuring better control and pricing through volume, although one will always need to have in mind potential competition law issues).

In this case, the structure that may be retained is multifold:

- The frame agreement will normally always be contracted at central level, although tax implications may sometimes come into play to opt for a different vehicle.
- The central company may consist of an enterprise agreement. In this case, the central company will sign on behalf and for the account of all the affiliates (which may or not extend to business partners or other third parties providing services to customer) and directly pay for all the affiliates centrally. The affiliates may automatically benefit from the products or services, or still be required to execute a transactional document referring to the frame agreement to benefit from such product or service. In most instances, the central entity paying centrally will then internally charge back to the affiliate their share of the price globally paid to the provider. The downside of this structure is that, in most instances, the central entity will be directly liable for whatever may happen at the market level, and thus endorse a global and central liability as well, an effect usually deemed undesirable.
- The central company will sign on behalf and for the account of all the affiliates (which may or not extend to business partners or other third parties providing services to customer), but the decision to benefit from the terms and conditions negotiated at central level will depend upon each affiliate's option. Such option will be exercised through the execution of a transaction document referring to the frame agreement but, unlike the above situation, the relevant affiliate will then directly pay and be directly liable for its wrongdoings. This structure thus avoids any concern of internal charge back or central liability, but requires additional paperwork. In these cases, customers will be better at trying to ensure that local to local invoicing is secured (*i. e.* that a local entity of the provider, potentially acting through a reseller if need be, will directly charge the local affiliate), so as to avoid potential withholding tax issues.

III. Software agreements (on premises)

A. General remarks

Software are hardly ever purchased (unless as a result of a customized development resulting from a professional services agreement), but rather licensed by a provider to a customer. Consequently, software agreements take the form of license agreements according to which a provider will license the software it owns to the customer subject to usage parameters to be complied with by customer.

License agreements bear several distinctions compared with cloud based agreements; unlike cloud based agreements:

- software being hosted internally, it will require a form of installation, to be carried out either by the customer itself or by the vendor. Installation and configuration will usually be subject to an acceptance period, whose length may vary but will typically consist of thirty days, so as to enable the customer to ensure that the software has been properly installed. Following such acceptance, warranty will come into play, normally ranging between one to three months, sometimes more depending upon the customer's power of bargaining.
- License will not automatically include the support of the licensed software. Support typically include corrective maintenance, but also the delivery of updates, upgrades, enhancements, improvements and the like. This basically means that, absent payment of an additional fee, such support will not be included in the licensed fees.

B. License

License metrics may greatly vary. For obvious reasons, software licensing of a standard product will never be exclusive and always lead to the granting of a non-exclusive license. The usage parameters of such license may however differ and may typically consist of:

- a single license limited to one entity, defined affiliates or enterprise wide;
- the geographical scope;
- the duration of the license, which can be limited in time (this is the standard as vendors' pricing models are normally not contemplated for perpetual license, which triggers substantial price increase) or per-

petual. Depending upon their power of bargaining, customers may obtain that, after a certain term, they may be entitled to acquire a perpetual license subject to a premium fee;

- Metrics may for instance be user, server or CPU (Central Processing Unit) based. If the license is user based, this typically means that customers will need to purchase one license for each user; user licenses can be subject to their own parameters: the most restrictive ones are *named* user licenses, i. e. only a given user is entitled to use the software, so that such user is not entitled to enable a colleague for instance to use the software; user licenses may also be *concurrent*, which is an additional restriction stating how many users may, in the same time, access and use the software. While, as of the time of this writing, this remains an exception, questions related to the increasing impact of artificial intelligence (AI) is likely to trigger questions such as the following one, already faced by the author: does the use of a chatbot[1] amount to a user that would require the granting (and thus payment) of a license? Unsurprisingly, the answer to the question was affirmative, but one should remember to define the notion of "user" accordingly.

Compliance with the licensing metrics will require the provider to be entitled to audit its customers. Licensing agreements will thus typically contain an audit clause entitling vendors to carry out such audit at their own costs once per year, subject to a certain prior written notice during business hours.

While vendors will try and make sure that breach of the license terms will automatically entitle them to an additional remuneration (ideally at the standard list price rather than the negotiated one), customers will rather try and obtain a grace period to ensure a return to compliance prior to having to pay an additional fee. This may typically be justified under circumstances where a breach of those parameters might take place for a limited period of time (for instance when there is an increasing demand for the software to be used during certain periods, such as Christmas); truth also is that compliance of licensing metrics may sometimes be tricky within multinational companies, thus triggering questions around license management: how can one for instance make sure that the 100'000'365 user licenses are actually complied with on a worldwide basis at any time at a group level?

1 A chatbot is a computer program which can conduct a conversation via text.

C. Support

As mentioned above, in order to benefit from support, customers will have to pay an additional fee, typically ranging between 17–22 % of the license fees. Based upon the author's experience, current standard (as of the time of writing) was however closer to 17 % rather than 22 %.

One may wonder whether to pay for support as of the effective date of the licensing agreement actually makes sense. Considering the fact that software warranty may sometimes (rarely, but still) extend for one year after the acceptance period, why would customers be willing to pay a support fee in addition to the license fee if the provider is in any case obligated to remedy any defect during the warranty period? The answer lies in the updates and enhancements. Absent any support, customers may have their software defects remedied, but will not be entitled to benefit from the updates. Depending upon the vendor's release cycle, customers will thus prefer to pay for support as of the effective date, notwithstanding the fact that, in theory, they should at a minimum be entitled to benefit from a discount upon the support fee during the warranty period as they would in any case be entitled to benefit from repair of any software defect during such period.

While customers obviously have an interest in making sure that vendors keep up to speed with technologies and demonstrate continuous improvement through the regular delivery of updates or upgrades, truth also is that customers may be unwilling to roll out each and every update within their company; based upon the experience of the author, such roll out on a worldwide basis may take up to six months, if not more, thus making it difficult for customers to keep up with the release cycle. As a result, multinational companies will typically want to have some provisions related to their vendors' release cycle, so as to ensure that there is both a minimum, but also a maximum of updates and upgrades per year.

While updates and upgrades is a topic of its own, one may want to pay particular attention to the following two issues:

- The first one consists of knowing what the impact upon the support will be if customers do not roll out each and every update or upgrade, as some vendors may only provide full support for the latest version of their software. Consequently, customers will have to try and ensure that, notwithstanding the absence of deployment of each and every update, they are still entitled to benefit from a full support, at least for a predefined set of versions of the software.

- The second one relates to rebundling. Rebundling typically consists for a provider to decide to remove certain features of a product to incorporate them in another product. This may for obvious reasons prove a rather unpleasant experience for customers, who may thus be willing to ensure that, for the term of their agreement, features they have subscribed to will not be removed or rebundled in any way, or that customers will be entitled to benefit from such successor product at no additional cost.

D. Escrow

The conclusion of an escrow agreement will oblige the vendor to deposit its source code with a third party, so as to enable a given customer to have access to this source code as a beneficiary under certain circumstances to be agreed upon. The goal of such escrow is to ensure business continuity and to avoid customers to face operational issues if the concerned provider was to go bankrupt as an example. While using escrow agreements as a standard makes no sense (and will be hard to negotiate in any case), their role for software deemed critical for operations (such as a line of production or supply chain for instance) should not be underestimated.

To be entitled to benefit from such an agreement, customers will obviously need to benefit from a perpetual license, as restricted ones will not enable customers to be entitled to further use the software after the term of their subscription.

The vendor's obligation to deposit its source code should not only be related to the existing one as of the effective date of the license agreement, but also to any update, upgrades and the like that may be released during the term of the agreement.

While discussions may take place as to the release events that will entitle customers to benefit from the source code, these events will typically consist of the vendor going bankrupt or becoming insolvent.

Ultimately, if the importance of escrow agreements should not be underestimated for software deemed critical to the customers' operations, it should not be overestimated either. Customers should indeed always bear in mind that the conclusion of an escrow agreement only makes sense if they benefit internally from the expertise to use the code and have it evolve in the future. Absent such skillsets, to have access to the source code will prove of little value.

IV. Cloud based agreements

A. General remarks

Unlike licensing agreements, usually meant to refer to the installation of software on premises, cloud based agreements relate to the entitlement to remotely access and use IT resources, be it as a software (*SaaS*), infrastructure (*IaaS*) or a platform (*PaaS*). Consequently, while cloud based agreement may be subject to a proof of concept, installation procedures do not exist and, consequently, acceptance periods will normally be absent of such agreements.

While cloud based agreements present numerous advantages, one can pinpoint some of the main interests for companies to engage with cloud vendors:

- First of all, these services enable companies to benefit from an undeniable flexibility; in a cloud environment, companies do not need to secure costly, space and energy consuming data centers anymore but rather enjoy scalable resources at hand at any time. On the other hand, however, the subscription to such services will be linked to the transfer of data to the vendors, i. e. a partial loss of control upon such data that will require particular scrutiny from a privacy and security standpoint, two issues I shall briefly address below (*see* Section E).
- Second, unlike an on premise license, the subscription to the service will not only include the entitlement to access and use the service, but also the related support. Such support will enable customers to have any defect remedied and to automatically enjoy updates, upgrades, enhancements and improvements, without having the need to roll them out internally.

Finally, one may add that, considering the trend for vendors to move from software to services, customers sometimes have no other alternative if they are interested in a product than to subscribe to a cloud based agreement absent any equivalent offer for an on premise solution.

B. License

Similarly to license agreements, cloud based agreements will contain relevant provisions to enable customers to access and use the services. Unlike software licensing agreements, the transfer of data and content from customers to the vendors' servers (or their sub-processors) will however

also require the granting of a license from the customer in favor of the vendor.

With regards to the license to be granted by vendors in favor of customers so as to enable the latter to access and use the service, the metrics will be comparable to the ones already encountered with regards to software licensing agreements, with some specificities:

- While the license granted may still be a single one (at a level of one company) or an enterprise one (potentially benefitting to all affiliates), the license will in any case be granted on a non-exclusive basis. Considering the multi-tenant environment all cloud based agreements are based upon, the granting of an exclusive would obviously not match with the business model of such agreements.
- Unlike a software licensing agreement that may sometimes be perpetual (although this actually remains exceptional), cloud based agreements are based upon a subscription model meant to enable recurring revenues. As a result, the license granted will always be limited in time, usually for a year subject to automatic renewal unless otherwise terminated with an agreed upon prior written notice.
- If the geographical scope may vary, it will usually be worldwide, so as to enable users to access and benefit from the services no matter where they are.
- While the geographical scope will most of the time be irrelevant, the key metric will most of the time be the user. Licensing metrics will regularly be based upon authorized users (either concurrent or named users).

In order to fully benefit from the services, customers will most of the time upload content and potentially proprietary information on the vendors (or their sub-processors)' servers. As such data may be protected by intellectual property rights, such upload will require customers to grant vendors a duly license. Needless to say, such license will be restricted and only be granted to the extent strictly required and for the duration of the subscription. In other words, in order to avoid any lock-in, customers will have to secure the relevant provisions in case of termination of an agreement, and notably to ensure that their data will be returned in an agreed format and deleted from the vendors' servers (as well as back-ups and sandboxes for instance) within a given period of time after expiration of termination of the agreement. In complex cases, such termina-

tion will usually trigger the implementation of an exit plan, that will be the subject of a dedicated schedule.

C. Support

Support will take the form of a Service Level Agreement (SLA) that will be the object matter of a schedule to the cloud based agreement. SLAs can take numerous forms, as most vendors will provide some standard support, included in the subscription fees, but also premium support that will be subject to an additional fee so as to benefit from an extended form of a support. No matter the level of support, SLAs will typically contain the following type of provisions:

- *Availability.* As computing resources will be accessed remotely, it is key to ensure a satisfactory level of availability of such resources. The expectations are obviously increasing over the years, and it is now fairly standard to have an expectation of 99.9 %. Key obviously however is to know how to measure such availability, as the relevant metrics will obviously influence the true expectations:
  - What will be the periodicity of such measurement? Will it be monthly? Quarterly? The impact will be significant. If we consider a 30 day month, a monthly measurement will "only" allow less than an hour of downtime, while the same availability expectation measured on a quarterly basis will thus allow for a period of close to three hours downtime without being in breach.
  - What will be excluded from downtime measurement? Maintenance windows will for instance be excluded from such calculation, so that a clear understanding of the maintenance windows (their periodicity, duration and timing) will be important. Similarly, it is not uncommon for vendors to try and exclude downtime below a certain time (for instance thirty seconds) from the calculation as well.

  In short, parties will have to pay close attention to the metrics used to calculate such availability as a mere percentage without a proper understanding of such metrics may lead to unexpected outcome.
- *Average response time.* Customers will usually try and ensure that the display of a webpage does not take too much time; average response time will typically relate to the time expected between a click and the display of such webpage, the execution of a transaction, etc. Vendors will however most of the time try and pushback this type of pro-

visions, as such average response time may vary upon a number of variables they do not control, such as the network quality or the location of the computing resources; obviously, connecting from Switzerland to a data center located in Singapore will require more time than if the same computing resources are located in Switzerland.

- *Criticity levels.* The expectations of support level will obviously differ depending upon the issue. If business continuity is at stake on multiple sites, expectations will be different than if the issue is merely of a cosmetic nature in a single site. SLAs will thus contain what is referred to as priority levels, typically ranging from P1 to P3 or even P5. A P1 issue will typically involve a downtime for multiple sites preventing critical operations to operate, while a P2 may for instance relate to a single site.
- *Response/resolution time/update.* The level of criticity will have an impact upon customers' expectations as to response, resolution time and updates. SLAs will contain different expectations if the issue relate to a P1 or a P3. Vendors will however be reluctant to accept resolution time as it obviously will be difficult for them to assess the time required to resolve an issue without even knowing it; as a result, SLAs may make a distinction between the time needed to implement a temporary work around and the final resolution of the problem, which may for instance be planned within a certain time, or within a timing agreed upon by the parties after having carried out a root cause analysis, or even for a next update. In addition to the response and resolution times, it will be fairly common, notably for a P1 or P2 issue, to plan regular updates as to the resolution of the issue.
- *Service credits/termination events.* Having criticity levels and response or resolution times without any impact in case of breach would make little sense. As a result, each breach of an SLA will lead to potential credits, usually equaling a percentage of the monthly fees, capped at a certain amount per month. Credits are not meant to function as damages, but rather as an incentive for vendors to comply with the service levels. Depending upon their bargaining power, customers will also try and have service level termination events in place, i. e. an entitlement for customers to terminate the agreement if the service levels are repeatedly breached.
- *Support hours and channels.* In addition to the above, SLAs will define the hours when support is available and the channels to communicate.

Typically, standard support will be offered during business hours at the place where support is remotely provided, through email (ticketing system) and sometimes phones, notably for P1 issues. At a premium charge, some vendors will offer additional coverage, sometimes extending to 24/7, and ensure that issues are worked on 24/7, in accordance with the "*follow the sun rule*"; in accordance with this rule, once a business day is over in a given zone (for instance Europe), the next zone catches up (for instance East Cost), etc.

As vendors start having a trend to refer to URL for customers to review their SLAs rather than to provide them and have them physically attached to the agreement and signed in hardcopy, it will be important for customers not only indeed to review these documents carefully, but also to make sure that the level of support does not change over time during their subscription to their detriment, as vendors may sometimes try and reserve the right to change their SLAs at any time.

Similarly to license agreements, it will also be key for customers to ensure that the functions of a *SaaS* they have initially subscribed to are not modified during their subscription through updates and upgrades of the service, and that the key functions they were interested in when they subscribed to the service are not removed or at least modified in a material way. Needless to say, the capacity for customers to have a say on that regard will largely depend upon its bargaining power.

D. Escrow

Considering the fact the cloud based agreements are by definition (i) subscription based (thus ensuring recurring revenues) and (ii) based upon a multi-tenant environment business model where volume is key for vendors, vendors will never allow customers to benefit from an escrow upon their source code.

In other words, escrow does not come into play in cloud based agreements. Consequently, it is key for customers to properly address the termination clauses of the agreement to benefit from the relevant termination assistance and ensure a proper migration or hand-over of the customer data to the new vendor, ideally at no cost, or at a cost already agreed upon. This may sometimes take the form of an exit schedule.

Absent a proper understanding of the impact upon termination, customers may find themselves in an uncomfortable position locking them

into the existing vendor or requiring them to pay substantial amount in professional services to properly terminate the relation, without even mentioning potential risks for business continuity.

E. Data protection and security

Unlike licensing agreements, where data and security are less of an issue as customers will have full control upon the software that will be installed on premise (although potential remote support will still have to be addressed), cloud based agreements will require particular scrutiny on that regard. While this could be the subject of a separate paper or even an entire book, I shall limit myself to some generic remarks:

The significance of properly addressing data protection issues is particularly true considering the GDPR that came into play on 25 May 2018 (not yet in force as of the time of this writing), which requires data controllers to properly document any risk based decision and maintain in accordance with Art. 30 of the GDPR, a proper recording of their inventory (at least if they have more than 250 employees). Data flow will have to be properly understood, and proper transfer solutions in place if data are to be processed outside of EEA, notably through Model Clause which one may hope will remain a valid transfer solution in the coming years.

In accordance with Art. 32 of the GDPR, the adequate technical and organizational measures will also have to be implemented considering the data at stake. Security will typically be the object of a separate schedule to the agreement. Although a one size fits all is not required (or may even be inadequate), it will not be uncommon for customers to ensure that their vendors (and/or potentially sub-processors) have the relevant assurances in place, such as an ISO27001 *certificate or be ready to deliver a SOC Type2* report for instance on a yearly basis; penetrating testing may also be discussed depending upon the service at stake.

Having the proper technical and organizational measures in place will also require the parties to agree on back-up, disaster recovery (DRP) and business continuity plans (BCP) to try and mitigate any risk related to data loss.

Proper vendor management will also require to ensure that the relevant provisions are in place to enable customers as data controllers to respond

to any data subject request, and to have a satisfactory data breach notification mechanism in place.

As the world is not limited to EEA, local requirements will finally have to be taken into account for services to be used globally, as privacy regulations may be subject to significant constraints; as an example, Russian and Kazakhstan both require data collection to take place in these countries, so that data collection from Russian citizens on a server in the United States will typically be considered illegal, thus triggering significant IT architecture issues for both vendors and customers.

V. Professional services agreements

A. General Remarks

Professional services agreements relate to the services that a vendor may provide in addition to the mere licensing of an existing product (license agreement) or service (cloud based agreement). Typically, the object matter of such agreements will relate to consulting related work, configuration of a product, interfacing or development related work involving coding.

For the purpose of this paper, we shall focus on development related work involving coding, as this type of services will typically trigger issues related to ownership upon the deliverable.

Development services may be categorized in different ways. We shall here make a distinction between the developments that relate to fully new products created from scratch at the request of and for customers on the one hand, and customization of an existing product on the other hand, as both hypothesizes will be handled differently from an intellectual property perspective.

B. Contract structure

From a structural standpoint, services agreement will regularly take the form of a frame agreement or general terms and conditions that will be applicable for all types of projects to be executed, under which parties will enter into a statement of work (SOW).

Each SOW will be agreed upon for each project. The SOW will describe the project in general terms and services to be provided by vendor before

defining in more details the specifications to be met. A well drafted SOW will contain milestones with each deliverable to be performed, the related timeline and sign off period.

It is now fairly common to favor an AGILE[2] approach for any development work, notably using SCRUM[3] methodology. Such methodology has the advantage to provide more flexibility to a development by splitting the project into phases, called sprints, that will typically consist of two weeks for each sprint phase, after which parties will have to assess, test (based on user stories) and agree on the concerned deliverable prior to move to the next sprint phase, potentially addressing the issues of the previous sprint in the meantime. In other words, AGILE approach can be understood as short term milestones with short acceptance periods favoring an iterative and flexible approach towards completion.

While such an approach has numerous advantages in terms of quality of the deliverables, customers will have to pay close attention to the timeline to avoid an endless project going on forever, and to control its costs, to be set ideally on a fixed basis rather than on a time & costs basis.

C. New products

No matter whether the development relate to a fully new product or the customization of an existing one to meet the customer's expectations, it will be key on customer's side to ensure that vendor agrees to warrant and represent that the deliverables will not infringe upon third parties' rights, respectively that the vendor will have obtained all licenses required for potential third party materials embedded in such deliverables. Customers will have to pay particular attention when Open Source Software is used, and to ideally ensure that use of the deliverable as contemplated will not infringe upon any such terms.

Rights, title and interest upon the outcome of the developments made by vendor in favor of customer will, or should normally be owned by customer, including as to the source code. If these rights cannot automatically vest in customer, customer will have to ensure that these rights are assigned to it. To give effect to these provisions, vendors will also have to represent and warrant that they have duly ensured such assignment

2 An AGILE software development is an approach of software development, which involves collaborative efforts.

3 Scrum is a framework for managing software development.

from their employees or third parties in their favor. It may however happen that, in certain jurisdictions, a mere assignment leading to a full transfer of ownership is not possible; in these circumstances, customers will try and make sure that they enjoy an exclusive worldwide and perpetual license.

Strangely enough, the principle described above may not always be in the interest and be desirable for the client. Assuming the client gets full rights and ownership upon the developed product, the vendor will obviously have no incentive to support the product or to further develop it through updates and upgrades; any further support services will thus be subject to an additional professional services agreement involving significant costs. As a result, when the developed product does not provide any competitive advantage to the customer, it may be more interesting for the customer to let supplier own all rights into the product and to merely benefit from a license (whose terms will however obviously be very broadly defined). This will enable the supplier to integrate this new product in its stream line of standard products; as part of its catalogue, vendor will then provide support and update/upgrades to the product, which the customer may obtain for a significant discounted price or even for free for a certain duration as it will have – in a way – subsidized the vendor's business in having it develop a new product then integrated in its general offer to the public.

D. Customization of existing products

The situation is different when a customer requires some customization of an existing generally available product from supplier to meet its expectations. In this case, an assignment of the rights upon such customization will be hard to reconcile with the fact that the underlying product is part of the catalogue of the vendor; more than that, in most instances, an assignment upon the sole customized part of the code will hardly make sense as such code will have been integrated into the product, thus hardly usable on a separate basis.

As a result, parties will first have to clearly identify the foreground intellectual property belonging to each of them, notably to the vendor, which exist in the product prior to performing the customization (also referred to as background IP), and the newly created intellectual property rights resulting from such development.

Ultimately, the main goal of the client is to not be blocked and to ensure a full freedom to operate with the customized product so as to ensure business continuity. To that effect, a license will usually be sufficient.

Should the customization provide a competitive advantage to the customer, the client may try and obtain an exclusive license upon the customized version preventing the vendor to further use it with other customers, notably competitors. For obvious reasons, vendors will only reluctantly agree to such contractual restrictions. As raised above, the granting of a "mere" non-exclusive license in favor of customers is likely to also bear advantages, as the integration of this customization to the generally available catalogue of the vendor will enable the customer to then benefit from support, updates and upgrades made by the vendor upon such customization. The contractual frame in place will however have some limits, as customer is unlikely to have a right to use the customized product (or at least the background IP) in perpetuity, thus generally requiring customer to accept a limit in its entitlement to benefit from the customized version paid for (an issue to be commercially taken into account during the course of negotiations).

Alternatively, although this only is to be seen from my experience in exceptional cases, parties may also agree upon joint ownership upon such customization; provided, however, that each will be entitled to use such customization independently from its contracting party and without having to seek for consent for each and every use.

As reflected here, customizations of existing products to meet customer's expectations trigger difficult questions in terms of ownership and, consequently, as to license scope. Ultimately, one can only recommend customers to try and stick to the standard product without having to request any customization, or with full awareness that such customization may potentially trigger support issues and not enable customer to further use it after expiration of the subscription term for the standard product.

VI. Digital services agreements

Digital services agreements are only a subset of professional services agreements, in the sense that they relate to the development of digital assets which typically consist of a website or a mobile application.

In comparison with traditional professional services agreement in the IT space, digital services agreements however present certain specificities, as they will empower agencies to use protected content (notably copyright) whose rights are neither owned by the agency nor by customers. To take an example, a website or a mobile application will normally use multimedia content such as videos, images or further content whose rights belong to third parties.

In line with the explanations I made to professional services agreements, customers will try and seek to own all rights, title and interest related to the deliverables, for instance the developed website or the mobile application; the customer having paid for such customized development, it logically expects all rights to automatically vest in it, or to be assigned to it.

The agency will however understandably want to make sure that ownership is not extended to the third party content embedded in the deliverables (such as the images licensed from a third party). Although an agency may agree to try and make best efforts to have an assignment upon such third party content, this will obviously come at a price that customers will usually be unwilling to accept, or even not be possible at all. As a result, digital services agreements will typically contain the following type of provisions:

- *Branding.* Agencies will carve out any liability for any branding they may have to develop, and will refuse to carry out any freedom to operate investigations. Although customers may be willing to have agencies perform the required researches to that effect, risks are normally considered too high for agencies that will not accept such obligations, no matter the price (or a significant price covering their risk that hardly makes sense for customers). In other words, digital services agreement will contain a provision disclaiming any warranty and liability of the agency as to the absence of infringement of third parties' rights with regards to such deliverable. It will thus be up to customers to make the researches deemed appropriate to mitigate such risks.
- *Copyrights.* Agencies will usually accept to try and make their best efforts to obtain the most extended license they can with the relevant third party owning the rights upon the content to be used. It will be up to the agency to inform the customers of the extent of the license the agency has managed to secure and to obtain customer's prior approval before making any commitment with the third party (if the license is considered too restrictive by customers, the latter may have

no interest in having such content embedded in the deliverable, and may then rather invite the agency to look for alternatives). The customer's attention having been drawn upon the license restrictions, it will up to it to have the proper internal management and governance in place to ensure compliance with the license terms and to potentially renew the relevant licenses upon their term.

VII. Conclusion

IT agreements are a world on their own. The absence of expertise and proper understanding of this industry and related agreements for most lawyers, be they external or in-house, make it complicated for customers to properly understand the risk or, worse but not uncommon, to even understand that there is a risk which would deserve some legal attention.

This paper was meant to have readers understand that IT agreements do indeed bear significant legal risks that may easily put business continuity at stake if not properly handled. I hope to have provided an insight into this world, pointing out certain salient points to bear in mind when one negotiates this type of agreement, more particularly related to intellectual property rights.

The world changes quickly, and so does the IT environment, which is at the core of this evolution. At the time we live in, it will not be long before we see the new types of IT agreements addressing emerging topics such as virtualization, blockchain, AI or machine learning to name a few. Without much doubt, it will not be long either before legal awareness make it a key point within companies to properly handle IT agreements.

If this paper has humbly managed to build some awareness as to these risks and the importance to address them properly as to not jeopardize daily operations, my goal will have been achieved.