

MAYER | BROWN

Optimizing Dispute Clauses in Technology Transactions

June 9, 2020

Brad Peterson

Partner, Chicago
+1 312 701 8568
bpeterson@mayerbrown.com

Sarah E. Reynolds

Partner, Palo Alto
+1 650 331 2055
sreynolds@mayerbrown.com

James R. Ferguson

Partner, Chicago
+1 312 701 7282
jferguson@mayerbrown.com

Miles Robinson

Partner, London
+44 20 3130 3974
Miles.Robinson@mayerbrown.com

MAYER | BROWN

Technology Transactions Practice

- More than 50 lawyers around the world are focused on helping clients develop and manage relationships with suppliers of critical services and technology
- Experience in 400 critical services that are sourcing deals with a total contract value exceeding \$200 billion, including data, digital, outsourcing and software



Market Recognition

"Band 1" ranking in IT/Outsourcing for 15 consecutive years
~ Chambers 2004-2019

"We have never been disappointed. They are worth their weight in gold." ~ Chambers USA

"They have current cutting-edge knowledge and are savvy about attuning their counsel to the needs of the client to arrive at a satisfactory solution to many sticky issues."
~ Chambers USA

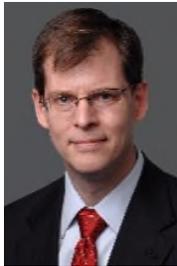
"They are very good at being able to communicate and synthesize information in a useful and easily understandable way."
~ Chambers USA

Law360 2016 Technology Practice Group of the Year

Ranked as one of the top law firms 2009 - 2018 on World's Best Outsourcing Advisors list for The Global Outsourcing 100™

Named "MTT Outsourcing Team of the Year" in 2014 and ranked in the top tier from 2010 - 2018

Speakers



Brad Peterson

Partner, Chicago
+1 312 701 8568
bpeterson@mayerbrown.com



James R. Ferguson

Partner, Chicago
+1 312 701 7282
jferguson@mayerbrown.com



Sarah E. Reynolds

Partner, Palo Alto
+1 650 331 2055
sreynolds@mayerbrown.com



Miles Robinson

Partner, London
+44 20 3130 3974
Miles.Robinson@mayerbrown.com



Agenda

- I. Common Areas of Dispute in Technology Contracts and Why They Happen
- II. Different Options for Your Dispute Resolution Clauses
- III. Preliminary Considerations in Arbitration vs. Litigation
- IV. Arbitration Clause Checklist
- V. Benefits and Risks in Differing Approaches to Governance Provisions
- VI. Minimizing Risk of Disputes When Drafting Contracts

I. Common Areas of Dispute in Technology Contracts and Why They Happen

Common Areas of Dispute / Why They Happen

- Deal Structure is too one-sided. For instance:
 - Desire to “win the deal” on the part of the supplier and/or customer pushes too hard on price, making the deal too marginal
 - Unrealistic Implementation timetable driven by commercial pressures
- Unrealistic internal expectations as to the likely savings or profits from deal

Common Areas of Dispute / Why They Happen

- Legal/scoping issues
 - Vagueness of scope
 - Agreeing to negotiate details at a later stage
 - Failure to allow for market developments in areas where technology can develop rapidly
 - Poor management of change control processes
 - Failure to address or resolve minor disputes at an early stage

Common Areas of Dispute / Why They Happen

- Characteristics of tech disputes
 - Tend to be high value, reflecting the high value of the underlying contract.
 - Tend to be of high significance given the potential impact on a customer's business.
 - Establishing where fault lies can be costly and challenging
 - often both customer and supplier are, at least partly, at fault.
 - Often strong commercial incentives on both parties to resolve disputes early

Common Areas of Dispute / Why They Happen

- Tech Transactions and Intellectual Property
 - Software and Source Code Licenses
 - Other Patent, Trade Secret or Copyright Licenses
 - Joint Ventures—*e.g.*, AI, robotic technologies, etc.
- IP disputes arising from technology transactions
 - Royalty disputes
 - Claims of IP misuse (outside scope of license)
 - Claims of IP misappropriation

II. Different Options for Your Dispute Resolution Clauses

Options for Your Dispute Resolution Clauses

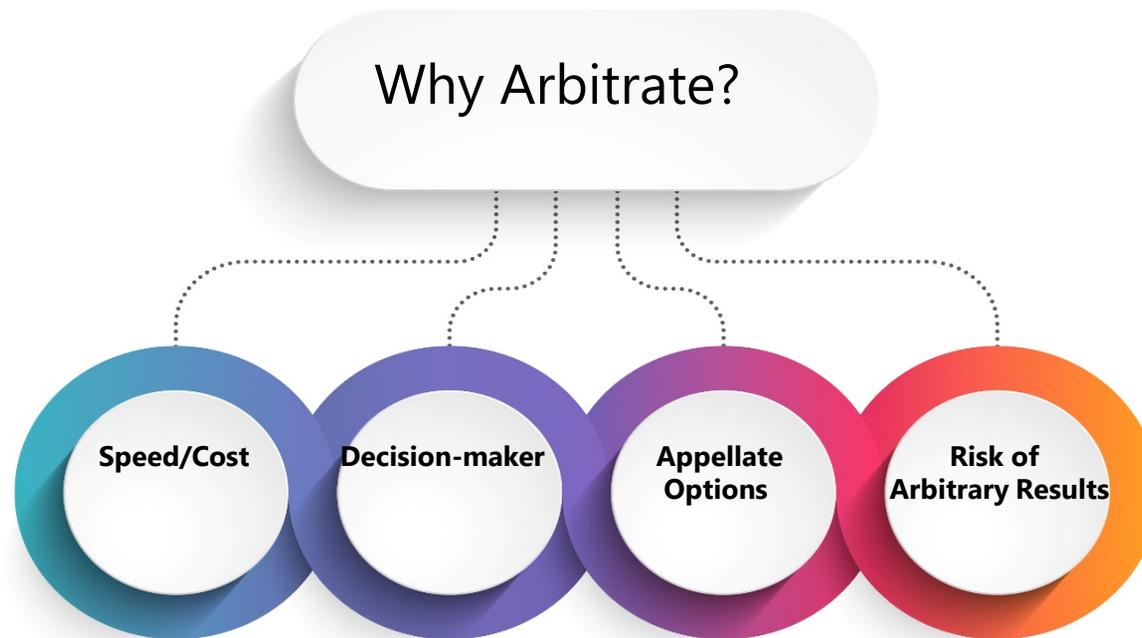
- Tiered governance provisions
- Expert determination
- Mediation
- Litigation/arbitration
- Combined or issue specific approach

III. Preliminary Considerations in Arbitration vs. Litigation

Preliminary Considerations



Preliminary Considerations



IV. Arbitration Clause Checklist

Arbitration Clause Checklist

1. Pre-Conditions to Arbitration

- Require initial steps to resolve dispute
 - Require settlement discussions, and/or
 - Require mediation

2. Selection of Governing Law

3. Seat and Language of Arbitration

4. Selection of Arbitral Institution (e.g., AAA, ICC)

Arbitration Clause Checklist

5. **Scope of Arbitral Disputes**

- “Any and all disputes” relating to the contract
- Exclude certain types of disputes (e.g., patent)
- Allow parties to apply to court for injunction

6. **Qualifications of Arbitrators**

- Require expertise in relevant technology?
- Or simply require an experienced arbitrator?

Arbitration Clause Checklist

7. Number of Arbitrators

- One or three?

8. Selection of Arbitrators

- Selected by arbitral institution
- “Strike and rank”
- Party-appointed arbitrators

9. Confidentiality

Arbitration Clause Checklist

10. Scope of Discovery

- Leave to discretion of arbitrators
- Set limits on permissible discovery

11. Scope of Remedies

- Leave to discretion of arbitrators
- Bar certain types of damages
- Bar (or authorize) attorneys' fees.

V. Benefits and Risks in Differing Approaches to Governance Provisions

Benefits and Risks in Differing Approaches to Governance Provisions

- When a dispute or disagreement arises:
 - Investigate the facts and understand the legal merits
 - Define objectives
 - Determine strategy
- Use of dispute resolution mechanisms at an early stage and as a tool to achieve commercial objectives
- Risks of ignoring disputes or allowing them to fester
- Complex governance provisions: do you have the resource/time to adhere to them?

VI. Minimizing Risk of Disputes When Drafting Contracts

Minimizing Risk of Disputes When Drafting Contracts

- Be realistic about the resources needed to manage technology contracts
- Limit “agreements to agree” detail later on
- Create leverage within the contract; for instance:
 - Rights to in-source or use other providers
 - Right to withhold disputed charges
 - Requiring the supplier to use the customer as a reference site

Minimizing Risk of Disputes When Drafting Contracts

- Include effective dispute resolution provisions, including considering an accelerated process for smaller and/or technical issues
- Ensure there are realistic project milestones with clear consequences for failure to perform
- Address consequences of developments in the market/technical developments (e.g., audit rights or benchmarking provisions)

Questions?

Brad Peterson

Partner, Chicago
+1 312 701 8568
bpeterson@mayerbrown.com

James R. Ferguson

Partner, Chicago
+1 312 701 7282
jferguson@mayerbrown.com

Sarah E. Reynolds

Partner, Palo Alto
+1 650 331 2055
sreynolds@mayerbrown.com

Miles Robinson

Partner, London
+44 20 3130 3974
miles.robinson@mayerbrown.com

MAYER BROWN