Expert Insight

By Dr Jeannette Wibmer LLM, Badertscher

TECHNOLOGY AND SCIENCE

Technology Agreements & Licensing: How to Get It Right

Speaking to Dr Jeannette Wibmer, we learn how ICT and tech companies can get their agreement contracts right, in order to avoid problems in the long run.

You advise life science, ICT, virtual and augmented reality, micro- and nanotechnology, cryptocurrency as well as other high tech clients in all legal areas: how have you seen these areas change over the years with the developments of different technology?

Switzerland is the 20th biggest economy in the world calculated by its annual gross domestic product (GDP) despite it only having 8.5 million inhabitants, being the size of Virginia and not being a member of the European Union. It is the home of world leading universities, such as the Swiss technology Institutes in Zurich and Lausanne, as well as Zurich University, and 70% of all Swiss students study at a world top 200 Swiss university. Apart from globally known multinationals, Switzerland also has strong technology clusters with many successful and innovative small and medium-sized companies in life sciences, ICT, other advanced engineering, space-, micro- and nanotechnology, cryptocurrency and blockchain technology sectors. The Swiss economy is particularly strong in new technologies such as biotech, med-tech, fin-tech, cybersecurity, robotics, game and entertainment software, industrial design and services of all kinds, as well as forward and backward vertical integration of product development, marketing, commercialisation and logistics along the value chain.

In the legal field, this leads to more and more intricate agreements needed to properly integrate the different roles and duties of the various players involved in successfully developing, scaling-up and bringing new products and services to the global market. These intricate agreements may be less categorized into different types of the same sort, i.e. often must be build-up from scratch to implement all peculiarities of the particular business case at hand, i.e. without the use of any standard form agreements (see below).

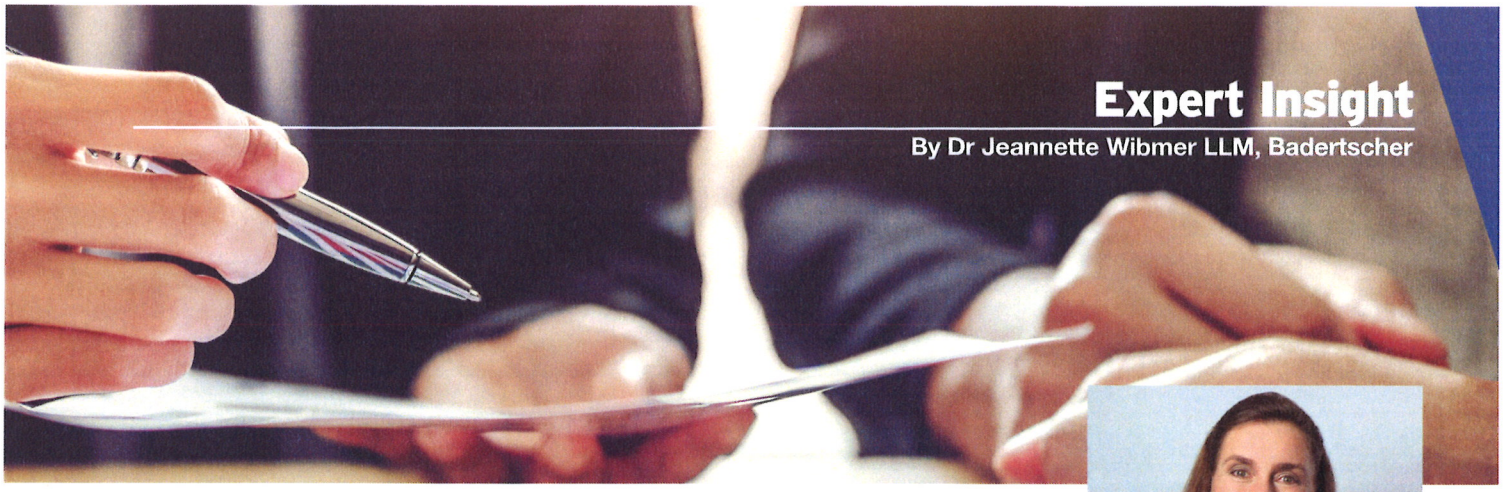
What is important to take into account prior to entering into any ICT or other technology related agreement in Switzerland and why is it important for contract parties to get it right?

The Swiss legal system generally imposes few statutory restrictions on contract parties to ICT and other technology related agreements. However, during negotiations before the conclusion of any new agreement, one contract party, for e.g. the technology provider or a distributor providing access to a particularly attractive sales channel, may have more extensive knowledge than its contract partner about the strengths, weaknesses, opportunities and threats affecting their particular business relationship. The other contract party thus risks entering into a permanent binding contract without an accurate prior assessment of related economic and legal consequences. To counterbalance this information asymmetry, Swiss law imposes certain duties of care and consideration on contract parties of which pre-contractual information obligations are paramount. One of the basic principles governing all areas of Swiss private and public law is the legal obligation to act in good faith (Article 2 of the Civil Code). In a contract negotiation situation, both parties must negotiate with care and take into account all relevant circumstances of the particular business relationship at issue with a view to discovering which pre-contractual disclosure obligations one party has to its prospective contract party as a result of the above information. To the extent any particularities are relevant to a counterparty's decision to enter into a particular ICT or other technology related agreement but are not evident for it when consulting available public sources, all information revealed by the other party during the negotiations must be true, fair and complete and all its negotiation efforts must be genuine and in good faith. Should a negotiation counterparty fail to comply with these obligations it will become liable to the other party for all damages caused thereby, irrespective of whether the contract at issue was executed or not.

What 'boxes' must an ICT agreement tick to ensure it is a strong contract and what are the general terms and conditions for different types of ICT companies' contracts?

Few statutory restrictions exist in Switzerland which mandatorily limit contract parties' abilities to define their business relationship as they wish. This approach, combined with the fact that Switzerland is a neutral country with a legal system based on the principles of good-faith dealing between reasonable people (as aforementioned), is the reason why Swiss law is regularly chosen to govern international business contracts. ICT and other technology contracts are no exception to this rule. This contractual freedom in principle also applies to standard form agreements under Swiss law.

However, for standard form agreements and agreements which also embody general terms and conditions (ie, pre-defined standard clauses unilaterally prepared by one party), the Federal Supreme Court has developed specific rules as to how they should be adopted to become



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binding and how they should be interpreted under general Swiss contract law principles. In 2012, a restatement of Article 8 of the Unfair Competition Act (UCA) came into effect on top, which mandatorily limits the use of certain general terms and conditions deemed to be abusive as a result of their limitation of consumers statutory rights in business-to-consumer (B2C) contracts. This revision does not usually apply to business-to-business (B2B) relationships for which the case law on the adoption and interpretation of general terms and conditions developed before the rewording of Article 8 UCA continues to apply. Nevertheless, standard form agreements are regularly used mostly in B2C relationships here. Foreign counterparties willing to use their standard form agreements or general terms and conditions in Switzerland for consumers or their Swiss business partners are well advised to first consult with a Swiss lawyer to avoid unwelcome surprises regarding their effectiveness here, as well as to ascertain that such general terms and conditions are validly adopted by the counterparty here.

An incorporation of general terms and conditions may be regarded as invalid (ie, non-binding and non-enforceable) if a contract party cannot produce clear evidence that the general terms and conditions were noted, understood and accepted by the other party. Unusual clauses in general terms and conditions (for e.g., clauses which deviate from Swiss law) can be non-binding and unenforceable if they are not properly brought to the attention of the other party. The counterparty using them must, therefore, direct the other party specifically to these rules and be able to prove this with suitable documentation (for e.g., by highlighting them in bold or placing them close to the counterparty's signature). Thus, both contract parties should ensure that important clauses (for e.g., those regarding liability limitations or places of jurisdiction) are listed in individual contractual clauses specifically agreed between them and in unilaterally pre-determined and often small-print general terms and conditions should also abstain from liability waivers for gross negligence of unlawful intent for both B2B and B2C contracts.

Are there different types of standard agreements in the above ICT and other high tech fields?

The Swiss ICT Association and the Swiss Association for ICT and Online Service Providers offer a list of model contracts only to their members, including: a service contract for ICT planning and consulting; a software license and a software escrow agreement; a software maintenance contract; a systems integration contract; a contract for the supply of integrated IT systems; a software work contract; a hosting services contract with a software license; a contract for the provision of hosting services; a contract for the conception and realization of a web application; an outsourcing contract; a cloud infrastructure as a service contract (IaaS); a cloud services software as a service (SaaS), and a cloud services platform as a service (PaaS) contract and an order processing agreement. However, none of these model contracts can be amended to take into account further specifics of the particular ICT contract at hand. As a result of this inflexibility, Swiss ICT service providers usually work with their own tailored ICT B2B contracts here which they then vary from customer to customer. In addition, Swiss legal tech companies such as e.g. Legartis offer help to administer such custom made and often even tailored ICT contracts pre- and post-execution.

It is, therefore, possible for a foreign counterparty to likewise use its foreign custom made standard form ICT agreements or general terms and conditions in Switzerland. Paramount is in such cases, to have them reviewed under Swiss law and adapted to mandatory Swiss law and its practice beforehand in order to avoid unwelcome surprises. Otherwise, a Swiss court may not only find single clauses of general terms and conditions for ICT or other technology agreements void (ie, non-binding and unenforceable), but even hold, that ambiguous general terms and conditions must, even if not null and void from the outset, be interpreted to the disadvantage of their author here in Switzerland. **LM**

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Dr Jeannette Wibmer LLM (LSE), Attorney at law and partner with the Zurich and Zug based law firm Badertscher Attorneys (https://www.b-legal.ch/home), has over 20 years of experience in private practice as international business and IP commercialisation lawyer. She advises corporate clients and entrepreneurs mainly in the life science, ICT, virtual and augmented reality, micro- and nanotechnology, cryptocurrency as well as other high tech fields, in particular regarding the commercialization of innovative developments through joint ventures, technology transfer arrangements, licensing, distribution and other alliances based on comprehensive strategic intellectual property development, protection, marketing and enforcement concepts as well as venture capital and growth financings including IP due diligence examinations

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