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Tech Week 2021

Tech Case Law Update | Monday 8 November 2021

Speakers

Steve Holmes
Partner

Steve leads Baker McKenzie's IP and Technology practice in London. Steve is rated by the UK legal directories as a leading lawyer in the outsourcing, telecoms and technology categories.

Steve's practice focuses on drafting and negotiating major technology, outsourcing, telecommunications and digital transactions, acting for both customers and suppliers across a range of sectors. He also provides regulatory advice to clients operating in the technology and digital space.

James Parker
Senior Associate

James is a Senior Associate in Baker McKenzie's IP and Technology team based in London, joining as a trainee in March 2011. He was admitted as a solicitor in March 2013.

James advises on a wide range of contentious and non-contentious matters across a variety of industry sectors.

His non-contentious practice primarily consists of drafting and negotiating a wide range of commercial contracting arrangements, including IT and business process sourcing agreements, agreements for the supply of goods and services, software licensing and maintenance agreements, distribution agreements, manufacturing and logistics agreements.

Carinne Kamdar
Senior Associate

Carinne is a Senior Associate in Baker McKenzie's Dispute Resolution Group based in London. Carinne is a member of the firm's TMT, International Arbitration, Business Crime and Regulatory, Public and Media Law Groups.

Carinne's practice covers a broad spectrum of advisory and contentious work. In addition to experience in general commercial litigation, Carinne practices in a number of specialist areas including IT disputes, oil & gas disputes and international arbitration.

Josh Boyden
Associate

Josh is an Associate in Baker McKenzie's IP and Technology team based in London. He joined the Firm in 2016 and was admitted as a solicitor in England and Wales in 2018.

Josh's practice encompasses a wide range of IP and technology related issues, with a particular focus on copyright and digital media. Josh regularly advises clients on cutting-edge intermediary liability, music and content licensing, product counsel, notice and takedown and artificial intelligence issues. Josh also advises on the IP aspects of M&A and broader commercial transactions, notably in the technology and copyright spheres; and has experience working on complex multijurisdictional copyright disputes.

Agenda

1. CISGL v IBM [2021] EWHC 347 (TCC)
2. Triple Point Technology Inc v PTT Public Company [2021] UKSC 29
3. Top System SA v. Belgian State (Case C-13/20)
4. The Software Incubator Ltd v Computer Associates (UK) Ltd. (Case C-410/19)
5. UK Court of Appeal: Thaler v Comptroller-General

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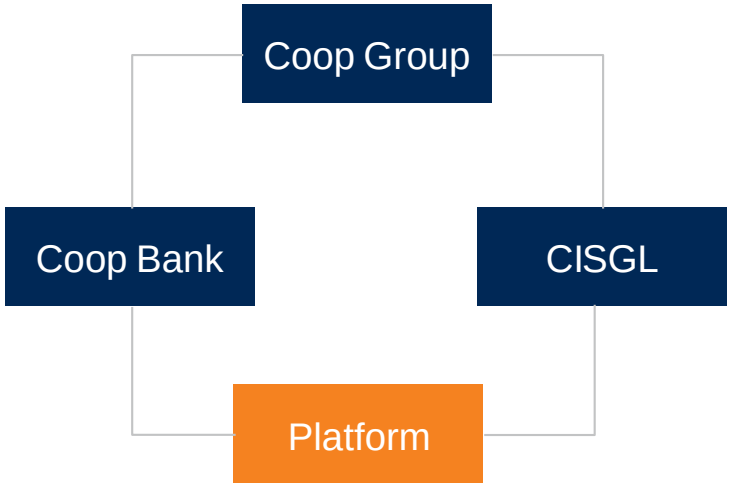
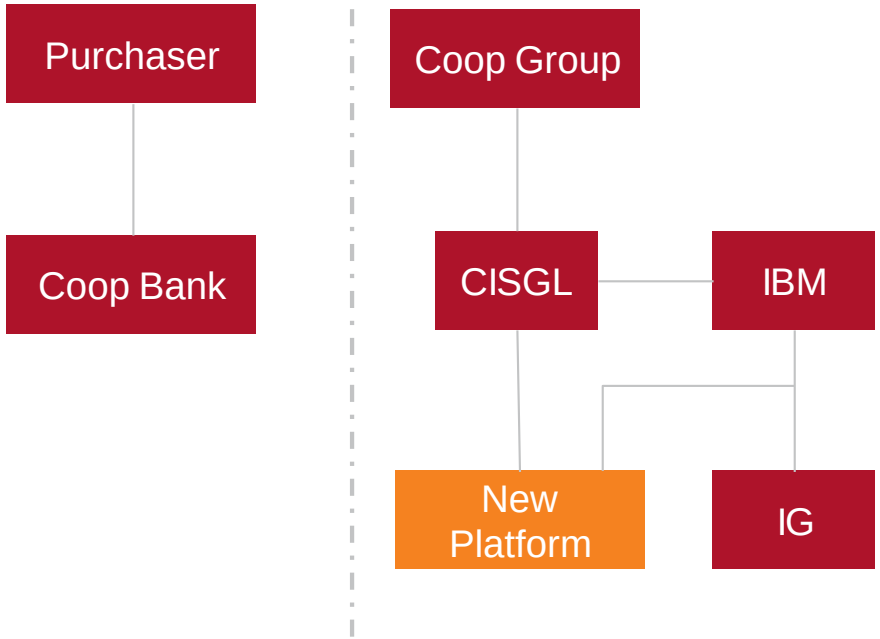
CISGL v IBM [2021] EWHC 347 (TCC)

Context

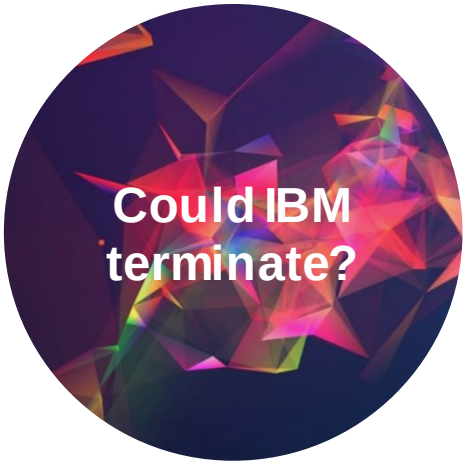
2014 Operating Model



Target Operating Model



Key points


Could IBM terminate?


Coop's claim for non-delivery


Exclusions and limitations

Termination

- Pay first fight later – must dispute within 7 days.
- What is a "dispute"?
- But payment obligation due – cannot rely on own breach to avoid payment.
- Takeaways – (i) pay first clauses can be powerful; (ii) beware of termination complexities/need for careful legal consideration and proper contract management.

Delay

- Who was at fault for delays? IBM not managing subcontractor? Or Coop delays in decision making?
- Extension of time – a complete code.
- No notices given.
- Takeaway – delay mechanism is fundamental. Take care in negotiating. Once negotiated, use it or lose it.

Liability

- Coop primary claim - £128m, wasted expenditure.
- Loss of profit, revenue or savings expressly excluded.
- Two routes to same outcome – expectation and reliance loss is the same loss. So £128m claim excluded.
- Takeaways – (i) drafting is key; (ii) ADR helpful; (iii) cf non-pecuniary benefits; (iv) cf deemed direct losses

Questions

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Triple Point Technology Inc v PTT Public Company [2021] UKSC 29

Relevant clauses

The contract contained liquidated damages clauses and a liability cap:

Article 5.3 (LDs)

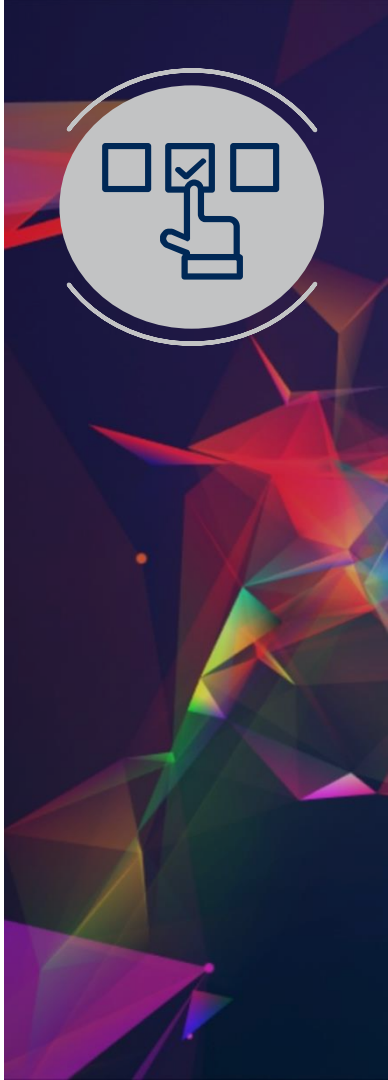
"If Contractor fails to deliver work within the time specified… Contractor shall be liable to pay the penalty at the rate of **0.1% of undelivered work per day of delay from the due date of delivery** up to the date PTT accepts such work…"

Article 12.3 (Liability Cap)

"… This limitation of liability shall **not apply to [supplier's] liability resulting from** fraud, **negligence**, gross negligence or wilful misconduct"

Key Facts

- Triple Point were contracted to design, install and maintain a software system for PTT.
- Phase 1 experienced delay from the outset, Phase 2 did not start.
- PTT paid the first milestone invoice. No agreement was reached in relation to the other invoices.
- Triple Point refused to carry out further works and PTT terminated the contract.



Court of Appeal Decision

- PTT was not entitled to liquidated damages for works not completed prior to the termination of the contract
- The carve out from the liability cap for "negligence" did not apply for the contractual obligation to exercise reasonable skill and care.
- Both liquidated damages and general damages were subject to the cap under Article 12.3

Supreme Court Decision

Issue 1 – Were LDs Payable

- Yes. CA decision was inconsistent with commercial reality and the purpose of LDs.
- Need clear wording to give up an accrued right.
- It was irrelevant whether the customer had accepted any works which were completed late.

Issue 2 – was negligence included in the cap?

- "Negligence" in Article 12.3 given its ordinary meaning meant both the separate tort of failing to use due care and breach of a contractual provision to exercise skill and care.
- Therefore, liability for negligence breach of contract was uncapped.

Issue 3 – were LDs subject to the cap

- The liability cap imposes an overall cap on Triple Point's total liability.
- Liquidated damages therefore are subject to the cap.

Questions

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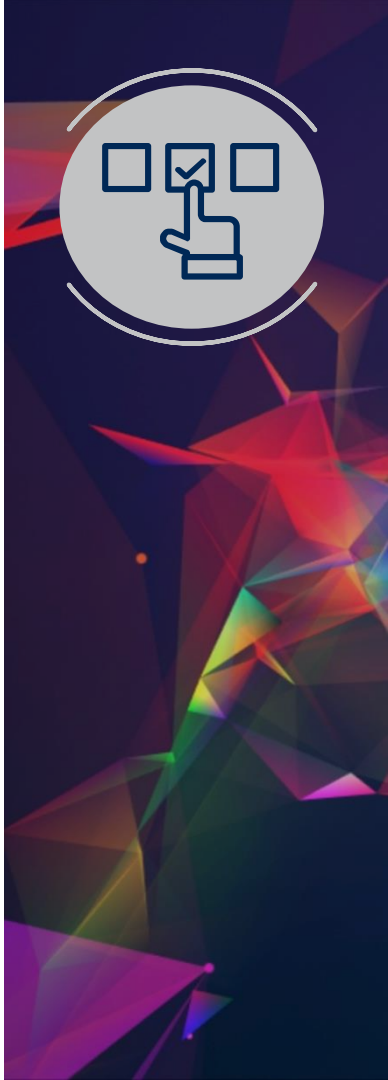
Top System SA v. Belgian State (Case C-13/20)

Key question for the CJEU

When, and in what context, can you "decompile" licensed software in order to fix errors?

Some helpful clarifications / takeaways

- Decompiling software to fix "errors" is OK
- But must be "necessary" in order to ensure software fulfils "intended purposes"
- Parties cannot contractually prohibit the correction of errors, but they can (and should) clarify the means of correction
- Results cannot be used for any other purposes
- Article 5 and Article 6 of the Directive operate independently



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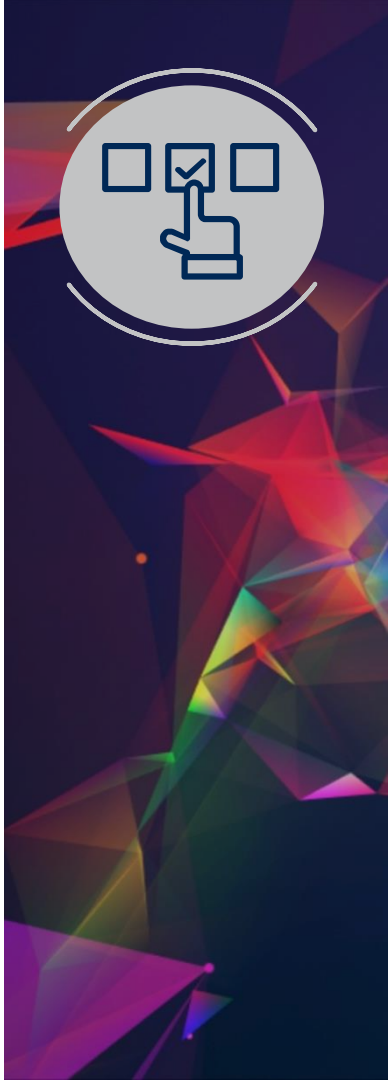
The Software Incubator Ltd v Computer Associates (UK) Ltd. (Case C-410/19)

Key question for the CJEU

Does "software" fall within the definition of "goods" under the Commercial Agents Directive

Some helpful clarifications / takeaways

- Answer: Yes! Software = goods (i.e., no requirement for corresponding hardware sale)
- Commercial agents selling software protected by Regulations (including termination payment)
- Issues under UK law? E.g. knock on impact on Sales of Good Act / UCTA?



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UK Court of Appeal: Thaler v Comptroller-General

Headline takeaways

Questions

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