
K-Notes: SOFTWARE SERVICES AGREEMENT

From SolarWinds

Supply Chain Contracts Create Special Risks

When your technology tools interact along a supply chain, you'll need to pay special attention to the data breach risks that can snowball.

"See if you can go out of your way to make the limited liability a little more generous."



Otto Hanson
Founder and CEO
of TermScout

"[This data breach] may be indicative that companies aren't doing enough to prevent this. Also that the sophistication of these hacks continues to rise."

KEY TAKEAWAYS

- **Waiver of indirect damages**

A lot of the damages of a data breach are third party damages, meaning indirect. Pay attention to whether an agreement covers these.

- **Capped liability**

It's common for these agreements to cap liabilities at twelve months. If a breach happens, this could limit what the company is responsible for. There needs to be a balance with reasonable liability expectations.

- **Customer friendly approach**

Some companies are beginning to offer a secondary cap that covers data breach claims. This is a good middle ground between offering the customer more while still protecting the company from unlimited liability.

- **Vulnerability points**

Find tools that help you evaluate click-through agreements in your supply chain to catch weaknesses. Catching them one by one can take a lot of resources.