

THE TECH CONTRACTS HANDBOOK

Software Licenses and Technology Services Agreements for Lawyers and Businesspeople

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(ABA Publishing 2010)

www.TechContractsHandbook.com

Form Contract

Value-Added Reseller Distribution Agreement

You may use the form contract below, subject to the "Terms of Use" found at <http://www.techcontractshandbook.com/html/disclaimer.html>. In addition to the Terms of Use, PLEASE READ THE FOLLOWING DISCLAIMER BEFORE USING THE FORM CONTRACT:

The form contract below is general in nature and may not be sufficient for a specific contractual, technological, or legal problem or dispute. THE FORM IS NOT PROVIDED WITH ANY GUARANTY, WARRANTY, OR REPRESENTATION AS TO QUALITY OR SUITABILITY FOR ANY PARTICULAR PURPOSE. Publication of the form does not constitute the practice of law and is not legal counsel or advice. Neither the author nor the publisher of The Tech Contracts Handbook, nor anyone affiliated with the book's Website, is rendering a legal or other professional service. The form should not be relied upon as a substitute for consultation with an experienced attorney.

VALUE-ADDED RESELLER DISTRIBUTION AGREEMENT

This Distributor License Agreement (this "Agreement") is entered into as of _____, 20__ (the "Effective Date") by and between _____, a _____ ("Provider"), and _____, a _____ ("Distributor").

RECITALS

Provider provides a software application known as _____, and the parties have agreed that Distributor will incorporate such software into its own product and sell the

combined product, operating as a value-added reseller. Therefore, in consideration of the mutual covenants, terms, and conditions set forth below, including those outlined on Attachments A and B (which are incorporated into this Agreement by this reference), the adequacy of which consideration is hereby accepted and acknowledged, the parties agree as follows:

TERMS AND CONDITIONS

1. **Definitions.**

- (a) "Authorized Representative" refers to _____.
- (b) "Documentation" refers to the Provider's then-standard user manual for the Software.
- (c) "Software" refers to Provider's _____ application, in the most current version Provider has released to its customers generally. The Software does not include source code.
- (d) "Specifications" is defined in Section 4 below.
- (e) "Trademarks" refers to the trademarks of Provider listed in Part I of Attachment A.
- (f) "Value-Added Product" refers to Distributor's _____ product.

2. **License.**

- (a) *Grant of Rights.* Provided Distributor complies with the restrictions set forth in Subsection 2(b) below, Provider hereby grants Distributor a non-exclusive, worldwide license to exploit the Software as follows, solely as an embedded component of the Value-Added Product: (i) to distribute the Software; (ii) to reproduce, use, perform, and display the Software for sales and marketing purposes; (iii) to reproduce, use, and perform the Software to the extent necessary to provide technical support to customers of the Value-Added Product; and (iv) to sublicense to its customers the right to reproduce and use the Software. Distributor may sublicense to its sub-distributors the rights granted in Subsections 2(a)(i) through 2(a)(iii) above.
- (b) *Restrictions.* This Agreement grants Distributor no title to or ownership of the Software or its source code. Distributor receives no rights to the Software other than those specifically granted in this Section 2, and Distributor receives no rights to the Software's source code other than the right to review it in order to facilitate technology support and the right to reproduce it to the limited extent necessary for such review. Distributor may license copies of the Software to its customers but may not sell such copies, and neither Distributor nor its customers will receive title to or ownership of any copy or of the Software itself. Distributor will not distribute the Value-Added Product incorporating the Software to any customer, sub-distributor, or other third party that does not first execute a written

contract with limits on Software rights no less restrictive than those set forth in this Section 2.

3. **Trademarks.** Provider hereby grants Distributor a license to reproduce the Trademarks on marketing and advertising materials and packaging related to the Value-Added Product (collectively, "Advertisements"); provided (a) the Value-Added Product conforms to the quality requirements listed in Part II of Attachment A and (ii) Distributor observes Provider's standard guidelines on trademark usage, set forth in Part III of Attachment A, including any written amendment provided by Provider in its sole discretion. All goodwill associated with the Trademarks inures solely to Provider, and Distributor will take no action to damage the goodwill associated with the Trademarks or with Provider. In the event that Provider notifies Distributor in writing that any Advertisement (pending or published) does not conform to the requirements of this Section 3, Distributor will promptly withdraw such Advertisement or remove all Trademarks; provided that Provider will not unreasonably issue such notice.
4. **Delivery & Support.**
 - (a) *Delivery & Installation.* Provider will deliver the Software to Distributor promptly after the Effective Date, and again promptly after each new release of the Software, in the following format: _____. With each such delivery, provider will deliver a copy of the Software's then-current technical specifications (the "Specifications") and of its source code.
 - (b) *Tech Support.* Provider will assist Distributor with integration of the Software and with customer support requests as set forth on Attachment B.
5. **Royalties & Reports.** Distributor will pay Provider a royalty of ___% of gross revenues collected for sales of the Value-Added Product; provided such royalty will not fall below \$___ per copy distributed, regardless of the revenues collected by Distributor, including without limitation if Distributor collects no revenues. On the _____ business day of each calendar quarter, Distributor will report all Value-Added Product sales for the preceding calendar quarter, including customer names, units sold, and amounts receivable and received. Distributor will pay all amounts due within 30 days of such report.
6. **Software Audit.** Provider may audit Recipient's use of the Software on ___ days' advanced written notice. Recipient will cooperate with the audit, including by providing access to any books, computers, records, or other information that relate or may relate to use of the Software. Such audit will not unreasonably interfere with Recipient's business activities. In the event that an audit reveals unauthorized use, reproduction, distribution, or other exploitation of the Software, Recipient will reimburse Provider for the reasonable cost of the audit, in addition to such other rights and remedies as Provider may have. Provider will not conduct an audit more than once per _____.
7. **Warranties.**
 - (a) *Infringement/Ownership.* Provider warrants that it is the owner of the Software and of each and every component thereof, or the recipient of a valid license

thereto, and that it has and will maintain the full power and authority to grant the intellectual property and other rights granted in this Agreement without the further consent of any third party.

- (b) *Viral Open Source Software*. Without limiting the generality of the provisions of Subsection 7(a) above, Provider warrants that the Software does not include software subject to any legal requirement that would restrict Distributor's right to distribute the Value-Added Product, or any modification thereof: (i) for a fee, (ii) with or without source code or source code rights, or (iii) with such restrictions as Distributor sees fit to place on its customers' modification or distribution rights.
- (c) *Right to Do Business*. Each party warrants that it has the full right and authority to enter into, execute, and perform its obligations under this Agreement and that no pending or threatened claim or litigation known to it would have a material adverse impact on its ability to perform as required by this Agreement.
- (d) *Disclaimers*. EXCEPT FOR THE EXPRESS WARRANTIES SPECIFIED IN THIS SECTION 7, PROVIDER MAKES NO WARRANTIES, EITHER EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. Provider does not warrant that the Software will perform without error or that it will run without immaterial interruption. Provider provides no warranty regarding, and will have no responsibility for, any claim arising out of: (i) a modification of the Software made by anyone other than Provider, unless Provider approves such modification in writing; or (ii) use of the Software in combination with any operating system not authorized in the Documentation or Specifications or with hardware or software specifically forbidden by the Documentation or Specifications. The warranty in Subsection 7(a) above does not apply to the extent that the infringement arises out of any of the conditions listed in Subsection 8(a)(ii) below.

8. Indemnity.

- (a) *By Provider*. The "IP Indemnitees" are: (i) Distributor and its officers, directors, shareholders, parents, subsidiaries, agents, insurers, successors, and assigns; and (ii) Distributor's customers and sub-distributors of the Value-Added Product, as well as such sub-distributor's customers of the Value-Added Product. An "IP Claim" is any third party claim, suit, or proceeding against the IP Indemnitees arising out of, related to, or alleging infringement of any patent, copyright, trademark or other intellectual property right by the Software or by the Trademarks.
 - (i) Provider will indemnify, defend, and hold the IP Indemnitees harmless against any IP Claim, provided Distributor gives Provider prompt notice of such IP Claim. Provider's obligations set forth in the preceding sentence include, without limitation, retention and payment of attorneys and payment of court costs, as well as settlement at Provider's expense, payment of judgments, or both.

- (ii) Provider's obligations set forth in this Subsection 8(a) do not apply to the extent that an IP Claim arises out of:
 - (iii) Distributor's violation of this Agreement;
 - (iv) revisions to the Software made without Provider's written consent;
 - (v) any IP Indemnitee's failure to incorporate Software updates or upgrades that would have avoided the alleged infringement, provided Provider offered such updates or upgrades to Distributor without fees or charges not otherwise required pursuant to this Agreement.
 - (vi) use of the Software in combination with hardware or software not provided by Provider: (1) that is specifically forbidden by the Documentation or Specifications; or (2) that is not designated in the Documentation or Specifications as available for interface with the Software, unless such hardware or software is necessary for the Software to perform a function listed in the Documentation or Specifications.
- (b) *By Distributor.* "Distributor's Indemnitees" are Provider and its officers, directors, shareholders, parents, subsidiaries, agents, insurers, successors, and assigns. A "Licensee Claim" is any claim, suit, or proceeding by any customer or sub-distributor of Distributor, except to the extent that such claim, suit, or proceeding arises out of or relates to: (i) alleged intellectual property infringement by the Software; or (ii) a failure of the Software to conform to its Specifications. Distributor will indemnify, defend, and hold Distributor's Indemnitees harmless against any Licensee Claim, provided Provider gives Distributor prompt notice of such Licensee Claim. Distributor's obligations set forth in the preceding sentence include, without limitation, retention and payment of attorneys and payment of court costs, as well as settlement at Distributor's expense, payment of judgments, or both.
- (c) *Litigation.* The indemnitor will control the defense of any claim indemnified pursuant to this Section 8, including appeals, negotiations, and any settlement or compromise thereof; provided Distributor or Provider, as indemnitee, will have the right to approve the terms of any settlement or compromise that restricts its rights granted under this Agreement or subjects it to any ongoing obligations.

9. Limitation of Liability.

- (a) *Limitations.* Except as provided below in Subsection 9(b): (i) IN NO EVENT WILL EITHER PARTY'S LIABILITY ARISING OUT OF OR RELATED TO THIS AGREEMENT EXCEED THE AGGREGATE OF FEES PAYABLE TO PROVIDER PURSUANT TO THIS AGREEMENT (INCLUDING FEES BOTH PAID AND DUE) AT THE TIME OF THE EVENT GIVING RISE TO THE LIABILITY; AND (ii) IN NO EVENT WILL EITHER PARTY BE LIABLE FOR ANY CONSEQUENTIAL, INDIRECT, SPECIAL, INCIDENTAL, OR PUNITIVE DAMAGES. THE LIABILITIES LIMITED BY THIS SUBSECTION 9(a) APPLY: (A) TO LIABILITY FOR NEGLIGENCE; (B) REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT, STRICT PRODUCT LIABILITY, OR OTHERWISE; (C) EVEN IF THE PARTY TO BE CHARGED IS ADVISED IN

ADVANCE OF THE POSSIBILITY OF THE DAMAGES IN QUESTION AND EVEN IF SUCH DAMAGES WERE FORESEEABLE; AND (D) EVEN IF THE OTHER PARTY'S REMEDIES FAIL OF THEIR ESSENTIAL PURPOSE. If applicable law limits the application of the provisions of this Section 9(a), each party's liability will be limited to the maximum extent permissible.

- (b) *Exclusions.* Subsection 9(a) above does not apply to (i) claims pursuant to Section 8 (Indemnity); (ii) claims for attorneys' fees and other litigation costs either party becomes entitled to recover as a prevailing party in any action; (iii) claims of intellectual property infringement; or (iv) Distributor's obligation to pay royalties pursuant to Section 5 above.

10. Nondisclosure.

- (a) *Confidential Information.* "Confidential Information" refers to the following items one party to this Agreement (the "Disclosing Party") discloses to the other (the "Receiving Party"): (i) any document the Disclosing Party marks "Confidential"; and (ii) any information the Disclosing Party orally designates as "Confidential" at the time of disclosure, provided the Disclosing Party confirms such designation in writing within ___ business days. In addition, all source code for the Software will be considered Confidential Information disclosed by Provider. Notwithstanding the foregoing, Confidential Information does not include information that: (A) is in the Receiving Party's possession at the time of disclosure; (B) is independently developed by the Receiving Party without use of or reference to Confidential Information; (C) becomes known publicly, before or after disclosure, other than as a result of the Receiving Party's improper action or inaction; or (D) is approved for release in writing by the Disclosing Party.
- (b) *Nondisclosure Obligations.* The Receiving Party will not use Confidential Information for any purpose other than to facilitate the transactions set forth in this Agreement (the "Purpose"). The Receiving Party: (i) will not disclose Confidential Information to any employee or contractor of the Receiving Party unless such person needs access in order to facilitate the Purpose and executes a nondisclosure agreement with the Receiving Party with terms no less restrictive than those of this Section 10; and (ii) will not disclose Confidential Information to any other third party without the Disclosing Party's prior written consent. Without limiting the generality of the foregoing, the Receiving Party will protect Confidential Information with the same degree of care it uses to protect its own confidential information of similar nature and importance, but with no less than reasonable care. The Receiving Party will promptly notify the Disclosing Party of any misuse or misappropriation of Confidential Information that comes to the Receiving Party's attention. Notwithstanding the foregoing, the Receiving Party may disclose Confidential Information as required by applicable law or by proper legal or governmental authority. The Receiving Party will give the Disclosing Party prompt notice of any such legal or governmental demand and reasonably cooperate with the Disclosing Party in any effort to seek a protective order or otherwise to contest such required disclosure, at the Disclosing Party's expense.

- (c) *Injunction.* The Receiving Party agrees that breach of this Section 10 might cause the Disclosing Party irreparable injury, for which monetary damages would not provide adequate compensation, and that in addition to any other remedy, the Disclosing Party will be entitled to injunctive relief against such breach or threatened breach, without proving actual damage or posting a bond or other security.
- (d) *Termination and Return.* The obligations of Subsection 10(b) above will terminate _____ after disclosure of the item of Confidential Information in question. Upon termination of this Agreement, the Receiving Party will return all copies of Confidential Information to the Disclosing Party or certify, in writing, the destruction thereof.
- (e) *Retention of Rights.* This Section 10 does not transfer ownership of Confidential Information or grant a license thereto. Except to the extent that another section of this Agreement specifically provides to the contrary, the Disclosing Party will retain all right, title, and interest in and to all Confidential Information.

11. Non-Compete & Non-Solicitation.

- (a) *Restriction on Competition.* During the term of this Agreement and for ____ months after termination, Provider will not solicit Software sales to any customer or potential customer of Distributor identified to Provider in writing during the term of this Agreement, provided such writing is transmitted as a necessary step in facilitating the provision of services or payments required by this Agreement. The provisions of the preceding sentence do not apply to customers or potential customers Provider identified before the Effective Date.
- (b) *Non-Solicitation of Employees.* During the term of this Agreement and for ____ months after termination, neither party will directly or indirectly solicit any of the other's employees to consider alternate employment.

12. Term & Termination.

- (a) *Term.* This Agreement will continue until terminated by either party as specifically authorized herein.
- (b) *Termination for Cause.* Either party may terminate this Agreement for material breach by written notice, effective in 30 days unless the other party first cures such breach.
- (c) *Termination for Convenience.* Either party may terminate this Agreement for convenience upon __ days' advanced written notice. If such termination occurs _____ after the Effective Date or earlier, the terminating party will pay the other party an early termination fee calculated as follows, due within 30 days of the effective date of termination:
 - (i) If Distributor terminates for convenience: _____.
 - (ii) If Provider terminates for convenience: _____.
- (d) *Effects of Termination.* Upon termination of this Agreement, the licenses granted in Sections 2 and 3 will terminate, Distributor will cease all distribution of the

Software and use of the Trademarks, and each party will promptly return any property of the other's. The following provisions will survive termination of this Agreement: (i) any obligation of Distributor to pay royalties on Value-Added Products distributed before termination; (ii) Subsections 2(a)(iii) and 2(b) and Sections 6 through 11 of this Agreement; and (iii) any other provision of this Agreement that must survive termination to fulfill its essential purpose.

13. Miscellaneous.

- (a) *Notices.* Notices pursuant to this Agreement will be sent to the addresses below, or to such others as either party may provide in writing. Such notices will be deemed received at such addresses upon the earlier of (i) actual receipt or (ii) delivery in person, by fax with written confirmation of receipt, or by certified mail return receipt requested.

For Provider: _____.

For Distributor: _____.

- (b) *Independent Contractors.* The parties are independent contractors and will so represent themselves in all regards. Neither party is the agent of the other and neither may bind the other in any way.
- (c) *No Waiver.* Neither party will be deemed to have waived any of its rights under this Agreement by lapse of time or by any statement or representation other than (i) by an Authorized Representative and (ii) in an explicit written waiver. No waiver of a breach of this Agreement will constitute a waiver of any prior or subsequent breach of this Agreement.
- (d) *Force Majeure.* To the extent caused by force majeure, no delay, failure, or default will constitute a breach of this Agreement.
- (e) *Technology Export.* Distributor will not export the Software or otherwise remove it from the United States except in compliance with all applicable U.S. laws and regulations.
- (f) *Assignment & Successors.* Distributor may not assign this Agreement or any of its rights or obligations hereunder without Provider's express written consent. Except to the extent forbidden in the previous sentence, this Agreement will be binding upon and inure to the benefit of the respective successors and assigns of the parties.
- (g) *Choice of Law & Jurisdiction.* This Agreement will be governed solely by the internal laws of the State of _____, without reference to: (i) such State's principles of conflicts of law; (ii) the 1980 United Nations Convention on Contracts for the International Sale of Goods; or (iii) other international laws. The parties consent to the personal and exclusive jurisdiction of the federal and state courts of _____, _____.
- (h) *Severability.* To the extent permitted by applicable law, the parties hereby waive any provision of law that would render any clause of this Agreement invalid or otherwise unenforceable in any respect. In the event that a provision of this Agreement is held to be invalid or otherwise unenforceable, such provision will

be interpreted to fulfill its intended purpose to the maximum extent permitted by applicable law, and the remaining provisions of this Agreement will continue in full force and effect.

- (i) *Bankruptcy Rights.* The rights and licenses granted to Distributor in Section 2 of this Agreement are licenses to “intellectual property” rights, as defined in Section 365(n) of the United States Bankruptcy Code (11 U.S.C. Section 101, et seq.). If Provider is subject to any proceeding under the United States Bankruptcy Code, and Provider as debtor in possession or its trustee in bankruptcy elects to reject this Agreement, Distributor may, pursuant to 11 U.S.C. Section 365(n)(1) and (2), retain any and all of the rights granted to it under Section 2 of this Agreement to the maximum extent permitted by law. This Subsection 13(i) will not be construed to limit or restrict any right or remedy not set forth in this Subsection 13(i), including without limitation the right to retain any license or authority this Agreement grants pursuant to any provision other than Section 2.
- (j) *Conflicts among Attachments.* In the event of any conflict between the terms of this main body of this Agreement and those of any attachment, the terms of this main body will govern.
- (k) *Execution in Counterparts.* This Agreement may be executed in one or more counterparts. Each counterpart will be an original, but all such counterparts will constitute a single instrument.
- (l) *Construction.* The parties agree that the terms of this Agreement result from negotiations between them. This Agreement will not be construed in favor of or against either party by reason of authorship.
- (m) *Entire Agreement.* This Agreement sets forth the entire agreement of the parties and supersedes all prior or contemporaneous writings, negotiations, and discussions with respect to the subject matter hereof. Neither party has relied upon any such prior or contemporaneous communications.
- (n) *Amendment.* This Agreement may not be modified except (i) by Authorized Representatives of each party and (ii) in a written contract signed by both parties.

IN WITNESS THEREOF, the parties have executed this Agreement as of the Effective Date.

DISTRIBUTOR

PROVIDER

By:

By:

(signature)

(signature)

Name:

Name:

(print)

(print)

Title:

Title:

Attachment A: Trademarks & Quality

Part I: Trademarks

[insert]

Part II: Value-Added Product Quality Requirements

[insert]

Part III: Trademark Usage Guidelines

[insert]

Attachment B: Technology Support

[insert]