

# Contracting for Cloud Services

**A 6-Step "How-To" Guide to  
Contracting for Cloud Services  
Includes a 137-Element Contracting Checklist**

**Ron Scruggs, Thomas Trappler, & Don Philpott**



**Government Training Inc.™**

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## **Acknowledgements**

This handbook has drawn heavily on authoritative materials published by many federal agencies and especially the Department of Defense (DoD), General Services Administration (GSA) and the Government Accountability Office (GAO). These materials are in the public domain, but accreditation has been given either in the text or in the reference section at the end of the book if you need additional information.

## **Disclaimer**

Our aim is to provide a comprehensive framework that will allow you to understand the challenges of cloud computing, how to define procurement vehicles, processes and how to build and finalize a contract, as well as how to manage that contract. However, this book is a guide only and contains references should you need more detailed information on particular subjects. This book is not a legal handbook. “Example” clauses are given throughout this book, but before preparing a contract you must seek legal counsel. Also, if you have detailed legal questions seek the advice of an appropriate legal expert.

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## About the authors

### Ron Scruggs

Ron Scruggs, Certified Technology Procurement Executive, has a distinguished career in sourcing, purchasing and contract management. He started his career in Washington, D.C., negotiating and managing federal government contracts in the 1960s. He also knows the international market well, having spent more than 20 years as Director of Contracts in Europe. Most recently he has co-developed the original Contracting in the Cloud seminar based on his experience since the early 2000s before the name “cloud” was attached to these services.

Ron has assisted companies with IT and Business Process Outsourcing, Cloud Services, software development, software licensing, and Website development and other projects. He has negotiated dozens of Cloud Services agreements and developed a number of Cloud SaaS template agreements for clients. Additionally, Ron has developed software agreements for vendors, as well as customers, leading to an edge by knowing the vendors’ reasons for their terms and conditions while also understanding the customer needs.

Acting as a consultant for a number of Fortune 500 and other companies, he has saved these companies millions of dollars while achieving better terms. On a single software deal, he saved \$50 million for one of his clients.

As manager of Strategic Alliances for Digital and Bay Networks, he negotiated major purchases, such as personal computers (\$40 million a year) and software alliances with Microsoft, Olivetti and other major firms. He also spent 20 years working as Director of Contracts for Digital and Bay Networks.

Ron has developed and taught courses to include Negotiation Success, Resolving Software Business Issues, Export Control Issues and Solutions, Open Software Dynamics and Procurement Management including Purchasing, Legal, and Finance and Contract Management subjects.

Ron has a BA and MBA and has also completed post-graduate courses with INSEAD in France, the Institute of Business Methods (IMEDE) in Switzerland and the Swedish Institute of Management. His published articles include: “Get Better Deals by Listening,” “Effective SOW Writing,” “Cloudy SLAs,” and “What Vendors Do Not Want You To Know About Escrow.”

Ron lives in Florida with his wife of 45 years and his pet, Benji. He still consults and teaches IT procurement issues.

### Thomas Trappler

Thomas Trappler ([www.thomastrappler.com](http://www.thomastrappler.com)) is Director of Software Licensing at the University of California, Los Angeles (UCLA), and has extensive experience leading enterprise-wide IT procurement and vendor-management initiatives and negotiations focused on cost reduction and risk mitigation, with an emphasis on cloud computing contracts and software license agreements.

Elected the inaugural Chair of the University of California (UC) system-wide Technology Acquisition Support Group, Thomas has led the investigation, implementation and ongoing vendor management for more than 30 enterprise-wide IT acquisition agreements. These agreements provide 188,000 licenses to 228 operational units in a decentralized enterprise and have resulted in savings of \$7.5 million/year. Additionally, Thomas is the lead author and project manager for initiatives to develop UC-wide standard software license agreement and cloud computing contract templates.

Dubbed “The Cloud Contract Advisor” by Computerworld magazine, Thomas is a nationally recognized expert and published author in cloud computing risk mitigation via contract negotiation and vendor management. He has been a guest lecturer at the Polytechnic Institute of New York University, and developed and teaches “Contracting in the Cloud,” the original seminar focused on the unique issues associated with the acquisition and management of cloud computing services.

Thomas is currently working with the Cloud Security Alliance as the lead author and project manager on an initiative to establish a standard cloud computing contract checklist.

His presentations and publications include: Cloud Expo West 2011, presentation, Cloud Computing Contract Issues, November 7, 2011; Educause 2011, presentation, Managing Cloud Security Risks Through the Right Partnerships, October 19, 2011; Computerworld, column, The Cloud Contract Adviser, ongoing; The Business of Cloud Computing Conference, pre-conference workshop, “Due Diligence and Cloud Service Agreements,” June 13, 2011; Security Professionals 2011, presentation, If It’s in the Cloud, Get It on Paper: Cloud Computing Contract Issues, April 6, 2011; Educause West/Southwest Conference 2011, presentation, If It’s in the Cloud, Get It on Paper: Cloud Computing Contract Issues, February 23, 2011; EDUCAUSE Live!, webinar, Spotlight on Cloud Computing, December 10, 2010; Educause 2010, discussion session, Cloud Computing Contract Issues, October 14, 2010; Educause Quarterly, article, If It’s in the Cloud, Get It on Paper: Cloud Computing Contract Issues, Volume 33, Number 2, 2010; Educause Quarterly, article, Is There Such a Thing as Free Software? The Pros and Cons of Open Source Software, Volume 32, Number 2, 2009.

### Don Philpott

Don Philpott is editor of International Homeland Security Journal and has been writing, reporting and broadcasting on international events, trouble spots and major news stories for almost 40 years. For 20 years he was a senior correspondent with Press Association-Reuters, the wire service, and traveled the world on assignments including Northern Ireland, Lebanon, Israel, South Africa and Asia.

He writes for magazines, and newspapers in the United States and Europe, and is a regular contributor to radio and television programs on security and other issues. He is the author of more than 100 books on a wide range of subjects and has had more than 5,000 articles printed in publications around the world. His most recent books are Handbooks for COTRs, Performance Based Contracting, Cost Reimbursable Contracting, How to Manage Teleworkers, Crisis Communications and Integrated Physical Security Handbook II. He is a member of the National Press Club.

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**Notice:**

Appendices & Blank Forms are available online. To access additional materials, visit our website at [www.GovernmentTrainingInc.com](http://www.GovernmentTrainingInc.com), go to the Books section of the website, and click on Contracting for Cloud Services. In the Reference Library Login area of the page, use the following credentials to login:

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This username and password are assigned to you, the purchaser. You will need to enter your email address when logging in so that we can verify each visitor. This information is for the use of the purchaser only and not to be distributed to anyone except the purchaser.

## Symbols

Throughout this book you will see a number of icons displayed. The icons are there to help you as you work through the Six Step process. Each icon acts as an advisory – for instance alerting you to things that you must always do or should never do. The icons used are:



This is something that you must always do



This is something you should never do



Really useful tips



Points to bear in mind



Have you checked off or answered everything on this list?