



## LEGAL Q&A

**Q** How should my software company respond to customer demands for credits to guaranty performance under our service level agreement (SLA)?

**A** SLA credits are becoming more commonly offered by ASPs, customer care centers and software support companies. To some degree, this is a good problem to have. These demands may signal that your customer perceives your software as “mission critical.” Also, such credits can be used to reduce your company’s risk. Companies that do this well actually track their own performance against their SLA metrics (e.g., response times, resolution times, guaranteed up-time). If you don’t have this data, you’ll need to rely on the strength of your internal business processes in setting the credits. Make sure that there is a cap (monthly, quarterly or annually) on your liability for such credits. Additionally, the credits should be the sole remedy for failure to meet the SLA metrics. The customer shouldn’t be able to come after you for more than the credit unless your performance falls below an agreed upon floor.



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