

TECH GIANT DEFEATED IN SYSTEM TRANSFORMATION DISPUTE

£132M CLAIM

AGAINST IBM BY SOTERIA FOR WASTED EXPENDITURE

£80.5M DAMAGES

AWARDED TO SOTERIA BY THE COURT OF APPEAL

- Our client Soteria Insurance Ltd asked IBM to develop a new IT system and manage it for ten years under a master service agreement. After IBM missed a series of key milestones, Soteria refused to pay a £2.9m invoice, resulting in IBM terminating the contract. Soteria treated this as a fundamental breach of contract and brought a £132m claim for wasted expenditure together with claims for breach of warranty, failures to report and delays. These claims put a spotlight on IBM's motive for terminating the contract which included issues with a subcontractor. Due to the quantity of evidence, we used data analytics, smart document management, and artificial intelligence to analyse it.
- The Technology and Construction Court (TCC) ordered IBM to pay losses caused by delays at £13m. The TCC found that IBM had wrongfully terminated the contract but Soteria's claim for wasted expenditure was excluded by a clause in the contract which prevented recovery for loss of profits, lost revenue and anticipated savings.
- Soteria successfully appealed the TCC's decision on the exclusion clause in the Court of Appeal (CA). The CA increased the amount IBM had to pay to Soteria from £13m to £80.5m (plus interest and costs). The wording of the exclusion clause is common in many contracts. Had the CA not reversed the TCC decision it would have had widespread ramifications, leaving many contracting parties with no effective remedy. The case, which was broadcast on the CA's YouTube channel due to its importance, received considerable academic debate and international interest.

