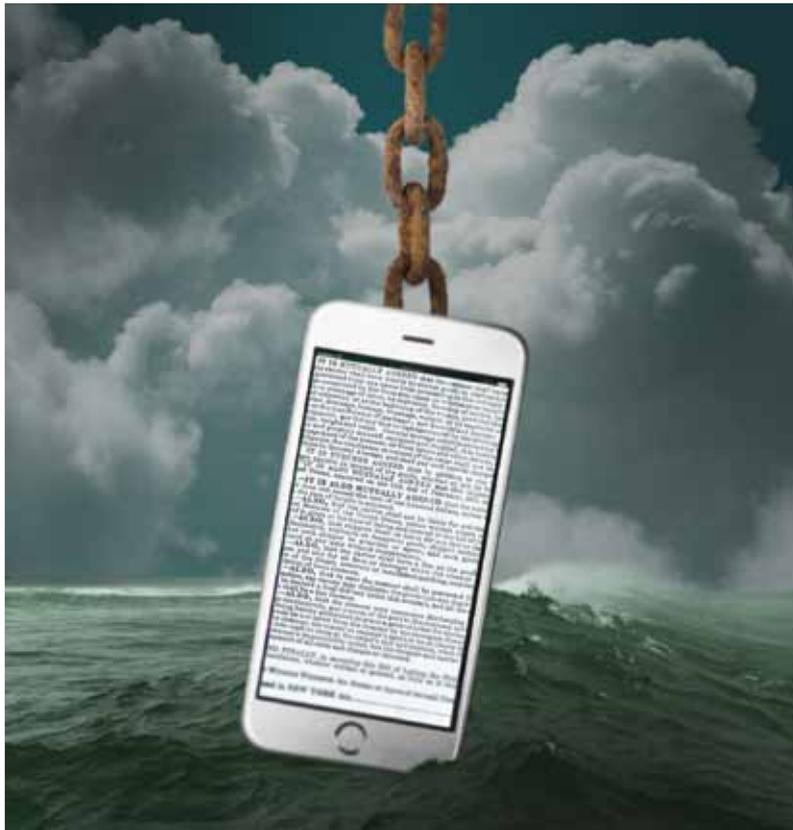


## YOUR YACHT YOUR MONEY



# Owners Beware: Hidden Traps in VSAT Contracts

The importance of understanding what's in the fine print.

The major problem with VSAT contracts from the owner's perspective is automatic renewal. A typical VSAT contract calls for a one-year initial term that automatically renews for another year at each anniversary date, unless notice of cancellation is given no later than 60 days prior to the end of the current term. When an owner complains of poor service, the provider may upgrade bandwidth or equipment, but by the time the owner realizes these changes



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**V**SAT (Very Small Aperture Terminal) services are the primary mechanism for communication on board yachts, where cellphones and regular radio and television signals are often out of reach. Most large yachts rely on VSAT services for Internet, video and VoIP (Voice over Internet Protocol), a technology that enables voice calls using a broadband Internet connection. Contracts for these services are usually entered into by the yacht captain, owner or manager, all of whom would be wise to review their current VSAT contract for problematic loopholes in the fine print.

At first glance, these contracts seem similar to any other purchase order. They contain business terms—the speed, capacity and geographic operating areas of the services offered—with rates based on service levels and an initial contract term. The legal terms of VSAT contracts may be only a page or two in length, in boilerplate language, and are usually written in small fonts. A captain or management employee may gloss over the legal terms assuming they are commercially reasonable and, for the most part, non-negotiable.

Owners may not be aware of a contract governing VSAT service until they want to terminate it, either to switch providers or to sell the yacht. The provider can then enforce legal terms obligating the owner to continue paying for services for up to a year or more after the services are canceled. When owners try to dispute or refuse payment for services billed after termination, consequences can be extreme.

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*‘Attempts to protest payment of invoices issued after the termination of services—even if service was poor—have been met with hostility.’*

still result in unsatisfactory service, it may be too late to terminate prior to the automatic renewal date. When the issue is sale of the vessel, owners rarely know more than 60 days in advance whether a yacht sale will materialize. Both of these circumstances leave an owner on the hook for up to a year’s worth of VSAT service payments.

The provider’s rationale for automatic renewal is that it needs to reserve and pay for satellite bandwidth in advance of signing the VSAT contract for the particular yacht. Because the provider had to pay for the satellite space for the upcoming term, it will hold the owner responsible for paying for the term. Attempts to protest payment of invoices issued after the termination of services—even if service was poor—have been met with hostility. In at least one case, a yacht was arrested for the owner’s refusal to pay. An owner who successfully sells a yacht may be left with a bill for 12 months’ worth of service on a yacht he no longer owns, unless the next owner agrees to assume the contract. (This point should be negotiated at the time of the sale.)

Another potential pitfall within VSAT contracts is that they may call for dispute resolution in strange jurisdictions—like Nevis, for example. While this can sometimes be avoided in litigation (if that is necessary), it’s still one more hurdle to overcome in reaching a fair resolution of what can be a contentious dispute, particularly when poor service is involved.

Owners can avoid such frustrating consequences by having a lawyer review the contract, and by ensuring the captain or management team is aware of the initial term and period of notice for termination. These dates should be noted and, if service is poor or the yacht is for sale, the contract should be terminated and converted into a monthly service arrangement, rather than an agreement with automatically renewing yearly terms. **Y**

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