JOURNAL OF INTELLECTUAL PROPERTY AND HUMAN RIGHTS

Volume: 4 Issue: 12 | Dec–2025 ISSN: 2720-6882
http://journals.academiczone.net/index.php/jiphr

The Legal Nature of Contracts in the Sphere of Cloud Computing

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Annotation: This article discusses the current issues of legal regulation of cloud technologies based on an analysis of national legislation and the legal acts of foreign countries. The main approaches to regulating contracts related to cloud services in various legal systems are analyzed, and the key problems and contradictions in the existing legal regulation are identified. Based on a comprehensive analysis of international practice and statistical data, the most effective mechanisms for the legal regulation of cloud contracts have been determined. Specific recommendations are proposed for improving the mechanism for regulating contracts related to cloud services.

Key words: electronic contracts, mixed contracts, cloud servers, cloud server operators, cloud technologies.

The share of digital platforms and cloud technologies (cloud computing), which are one of their crucial forms, is sharply increasing in the global economy, and the scope of the sectors in which they operate continues to expand. In particular, the global cloud technologies market size is forecasted to reach 2 trillion US dollars by 2030.

Such unprecedented growth necessitates the legal regulation and improvement of legal relations that fall within the international and national legal systems.

Furthermore, the directions for finding scientific solutions to problems related to law enforcement practice, based on the analysis of the private international and civil-legal regulation of relations associated with cloud technologies, and the study of the positive achievements and advanced experience of the legislation in developed foreign countries, are considered topical.

Given the transboundary nature of cloud technologies, strengthening the mechanisms for resolving jurisdictional issues applicable to them is important, especially ensuring the protection of personal data and cybersecurity.

Today, the provision of cloud storage services is one of the most in-demand areas among digital technologies. Cloud data storage, for example, is considered "personal storage space where data is stored across multiple servers distributed over a network and made available to clients by cloud server operators."

While consumers are increasingly purchasing more memory capacity to store their data, almost none of them pay sufficient attention to the documents offered for review before concluding an "electronic contract". In reality, however, such "electronic contracts" are very diverse in nature. The category of contract concluded with the client remains dependent solely on the discretion of the cloud network provider.

According to Article 353 of the Civil Code of the Republic of Uzbekistan (hereinafter – the Civil Code), an agreement between two or more persons on the creation, alteration, or termination of civil rights and obligations is called a contract.

Due to the novelty of relations concerning the use of cloud information storages in the Republic of Uzbekistan and foreign countries, a uniform approach to the nature of this contract has not yet been formed. Determining the legal qualification of contracts affects not only issues of civil legislation but also tax and administrative legislation.

Volume: 4 Issue: 12 | Dec–2025 ISSN: 2720-6882
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Based on this, we will proceed to analyze the problems of regulating contractual relations related to cloud storage, stemming from the types of contracts specified in the Civil Code.

Contracts related to cloud data storage can often be compared to contracts of adhesion. Specifically, Article 360 of the Civil Code of the Republic of Uzbekistan (hereinafter – the Civil Code) defines a contract of adhesion as a contract whose terms are formulated by one of the parties in forms or other standard formats, and which the other party can accept only by fully adhering to the proposed contract.

Because of this, the provider sets standardized contracts for all potential clients, and clients are unable to negotiate specific special terms. They can only accept the offered form of the "electronic contract".

Example: A client purchases 50 gigabytes of storage space in a company's cloud for $500 per month. The client has the right to use this space at any time. However, even if the client does not use the provided storage space in a particular month, the payment for this possibility has already been made.

The next characteristic arising from this situation is that these electronic contracts are concluded for consideration (i.e., they are *onerous*): the client is obliged to pay the price stipulated in the contract for the volume of memory provided in gigabytes. Corresponding to the client's obligation, the provider also undertakes the obligation to provide the required storage volume to its counterparty. In this situation, the contract is bilaterally binding (imposes obligations on both parties).

It is currently difficult to say whether such contracts are consensual or real (formed by consent or by the transfer of property), as this ultimately depends on the legal essence of the "cloud contract".

When discussing the legal nature of contracts concluded between cloud server operators and clients, it should be noted that the Civil Code does not provide for such a separate type of contract. Parties have the right to conclude contracts stipulated in the Civil Code, mixed contracts, as well as contracts not foreseen in current legislation, in accordance with the principle of freedom of contract enshrined in Article 354.

In practice, various contract forms are encountered between cloud server operators and clients (e.g., lease agreements, contracts of work/service, agreements for the provision of paid services, license agreements, and other unnamed contract types).

The scope of these examples is broad, but there is still no clarity regarding which legal regulatory subject the contracts concluded in the field of cloud technologies belong to. To study this issue in more detail, it is appropriate to conduct a deeper analysis by comparing the above-mentioned contract types with "cloud contracts".

For instance, regarding Lease/Rental: According to Article 535 of the Civil Code, under a property lease agreement, the lessor undertakes the obligation to transfer property to the lessee for temporary possession and use, or for use, for a fee.

As mentioned previously, within the framework of agreements for the provision of cloud services, clients are provided with free storage capacity on servers.

However, the objects of a lease agreement are clearly defined (land plots, plots with mineral resources and other distinct natural objects, enterprises and other property complexes, buildings, structures, equipment, vehicles, and other non-consumable items that do not lose their natural characteristics during use).

In the case of cloud services, the object does not fit this definition because there is insufficient certainty to consider such an object as the subject of a lease agreement. Furthermore, it cannot be conceived of as an object that can be "returned" in the condition it was provided for use, taking into account normal wear and tear, as required by Article 554 of the Civil Code. For this reason, and from a

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legal perspective, it can be stated that contracts for the provision of cloud services lack one of the constitutive elements of a lease agreement.

Similarly, based on the content of the norm mentioned above, a Contract of Work can also be excluded from this category. According to Article 631 of the Civil Code, a Contract of Work involves one party (the Contractor) undertaking the obligation to perform a certain work at the request of the other party (the Customer) and to hand over the result to the Customer within the stipulated period, while the Customer undertakes the obligation to accept the result of the work and pay for it.

In cloud technologies, no work with a materially expressed result is performed when allocating space to a client in the "cloud." Moreover, the cloud servers themselves are not transferred to the user as property (as ownership rights) but are given for temporary use. The physical computer servers remain under the control of the provider, which allows the provider to monitor the process and ensure their functionality.

When we consider the relevance of a License Agreement to cloud contracts, a number of important aspects emerge. Specifically, according to Article 1036 of the Civil Code, under a License Agreement, the party holding the exclusive right to the result of intellectual activity or to a means of individualization (the Licensor) grants the other party (the Licensee) permission to use the relevant object of intellectual property.

A counter-argument is the fact that the license agreement structure can only be applied to software products protected by copyright, and not to all types of software. However, the workings of cloud technologies are not a secret. All leading IT companies provide cloud storage volumes created based on the same algorithm, which means this algorithm is well-known to the broader programming community.

It does not follow that just because many developed countries use a similar contractual structure, we must adopt the exact same model. This is because not only do our legal systems differ from Western doctrine, but our experience gained in this new legal institution also differs. Furthermore, our definitions of a license agreement may differ from foreign definitions.

To clarify this, the content of foreign license agreements needs to be analyzed. Therefore, it would be incorrect to hastily conclude on the expediency of using license agreements to regulate these legal relations in the field of cloud technologies.

Another crucial type of contract, and one that is used more frequently than others in relations connected with cloud technologies today, is the Contract for the Provision of Paid Services.

However, subjects of "cloud legal relations" are obliged to independently establish the essential terms required for the contract to be considered concluded, as well as the limits of liability of the parties, in the agreements they conclude.

Consequently, there arises a need to adapt cloud contracts to Contracts for the Provision of Paid Services to a certain extent.

Foreign countries have also not paid sufficient attention to contracts related to the provision of cloud services.

For instance, despite the highly developed IT sector in the USA, little attention is paid to the nature of the contract for using cloud data storage.

In the US, contracts for using cloud storage are concluded in various forms depending on the user's preferences and the characteristics of the offer. The agreement may be concluded as a License Agreement, a Remote Management Service Agreement, or a Hosting Service Agreement.

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Furthermore, contracts for the use of cloud storage and other services in the US are not named with a specific title and are typically referred to as "Terms of Use" or "Policies". Service Level Agreements (SLAs) are often included in such contracts.

The Federal Republic of Germany (FRG), like the US, is a country where IT is widely used and the regulation of corresponding legal relations is evolving.

Specifically, in the FRG, according to doctrine and court practice, norms regarding sale-purchase, lease (rental), service provision, and other contracts are applied by analogy to agreements for the use of cloud applications.

The reason for this is that computer software – an intangible asset—is often viewed as a single object with its carrier, which is a tangible asset. In the FRG, this approach is considered more practical because it takes into account the interests of authors and users.

In the FRG, determining the legal nature of a contract takes into account its permanent or temporary nature, its purpose, and its result-orientation. German legislation provides for the possibility of transferring exclusive rights to another party, but contractual constructions that provide for the full transfer of exclusive rights do not exist.

In China, contracts for cloud storage are concluded in accordance with the state's legislation regulating copyright and IT.

The parties primarily agree on the terms of the contract when using private cloud storage. Agreements concluded with large organizations providing cloud storage are structural, offering users a wide range of services, including the use of artificial intelligence in data processing.

Furthermore, for a large organization in China, spending time negotiating a contract with an individual user is economically unfeasible. Therefore, agreements are concluded through adherence to the terms. The use of cloud storage for illegal purposes (e.g., gambling, etc.) is not permitted. Users are prohibited from damaging the structure of the cloud storage.

In China, as in Germany, the Service Level Agreement (SLA) plays an important role in regulating legal relations and providing quality service to the user.

Based on the results of the analysis, it can be emphasized that there is no specific legal regulation (a ready-made system of contracts) in the legislation aimed at regulating cloud relations. The various named contracts applied in practice are adapted constructions.

Therefore, today, mixed contracts prevail in the field of cloud technologies regarding their legal nature. Specifically, even if they bear the name of one of the contracts mentioned in the Civil Code, they are essentially mixed in content.

Cloud networks are a new institution not only in the field of high technology but also in the legal sphere, requiring their own normative-legal regulation. This is because such a problem has already arisen in society and needs to be resolved.

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