

Brussels, 25 October 2004

To Whom It May Concern:

The purpose of this note¹ is to provide the user of CoSign with general background information on the legal framework for electronic signatures in the European Union at the time this note was drafted and on compliance with regulatory requirements in the European Union in connection with the use of CoSign.

1. Product information

CoSign is a simple-to-use secure-electronic-signature device, based on the digital signature technique, making use of configured software and hardware for the creation of the signature. As such, it delivers a way to electronically sign documents, forms and messages within major applications such as MS-Word, Adobe Acrobat, ERP and Content Management Systems. CoSign is one of the few electronic signature solutions on the market to support such an extensive number of applications.

The solution is composed of two components: the hardware box that generates and stores the private keys and client side software which does the hashing, sends the data to the hardware box for signing and displays the digital signature. Private keys are stored centrally by CoSign and can only be accessed via an authentication procedure over a secure connection.

¹ The author of this note acts as an independent legal expert and is not representing AR. His opinion is based on the information provided by AR about CoSign which is available on the company's website at www.arx.com. The author of this note can not be held liable for direct or indirect damage consequential to the use of CoSign.

Consequently, CoSign is aimed at ensuring the integrity, authenticity and confidentiality of data and provides non-repudiation of business transactions.

2. Legal recognition of electronic signatures

Electronic signatures are legally recognized in all Member States of the European Union. It is prohibited to deny the legal effectiveness of a signature for the sole reason that it is in electronic form. It is also forbidden for governments, courts and legislators to discriminate between various electronic signature solutions. As soon as the use of electronic information processing is allowed for a particular transaction or procedure, all kinds of electronic signatures are in principle acceptable from a legal point of view. Of course this doesn't mean that all kinds of electronic signatures have to be accepted by everyone and in all circumstances. Private parties can agree on or governments can impose particular security requirements in the context of specific applications.

3. Legal nature of CoSign

CoSign provides the possibility to exchange "advanced" electronic signatures in the sense of EC Directive 99/93 (hereinafter "the Directive"). An advanced electronic signature fulfils minimum four security requirements: 1) uniquely linked to the signatory, 2) capable of identifying the signatory, 3) created using means that the signatory can maintain under his sole control; and 4) linked to the data to which it relates in such a manner that any subsequent change of the data is detectable. CoSign complies with these four requirements. The fact that the private key used for securing the electronic signature is stored on a central server, doesn't prevent that this key can be considered to be under the sole control of the signatory, provided that nobody else can have access to this private key.

As such, CoSign has legal effectiveness and can be used, within the constraints of national legislation to electronically sign documents in all Member States of the European Union without any authorisation or license having to be obtained nor additional legal requirements having to be fulfilled.

4. Use of CoSign in closed user groups

The European Directive does not impose the use of a certain type of electronic signature or any modalities for the use thereof. Consequently and in accordance with the principles of party autonomy and contractual

freedom, the Directive allows private parties to agree among themselves on the terms and conditions under which they accept electronically signed data, on the choice of an electronic signature device such as CoSign, as well as on the value they wish to attribute to it. Upon conclusion, such private agreements will be binding upon the parties involved. Therefore, within networks of users that are identified beforehand, parties are free to adopt CoSign as their electronic signature appliance.

5. Use of CoSign in an open environment

Because the Directive doesn't impose the use of a certain type of electronic signature, it is perfectly "legal" to use CoSign as a signature solution in an open environment as well. As soon as users or parties in a commercial or other transaction accept CoSign as a trustworthy and secure solution, there is no other legal obstacle for using CoSign for electronic signatures.

6. Using CoSign for "qualified" electronic signatures

Qualified electronic signatures are advanced electronic signatures based on a qualified certificate and created with a secure signature-creation device. The advantage of using qualified electronic signatures is that this category of signatures is, from a legal point of view, equivalent to handwritten signatures. In other words, if you use qualified electronic signatures, you are automatically compliant with all legal rules referring to handwritten signatures. This can be important in situations that are still regulated by "old" legal rules which are still referring to the use of paper documents and handwritten signatures.

Qualified certificates can only be issued by qualified certification authorities. As far as CoSign complies with the generally accepted standard for secure signature-creation devices – CWA 14169 – and under the condition that the signature is based on a qualified certificate, you can use CoSign to create "qualified" electronic signatures.

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The information contained in this note was provided by Jos Dumortier, Professor of Information Technology and Communications Law at the University of Leuven, Belgium director of ICRI, the well-known international research centre for law and information technology (www.icri.be) and Of Counsel for the ICT, e-business and telecom department in the leading independent Belgian law firm Lawfort (www.lawfort.be).

Professor Dumortier has comprehensive experience in information technology law, communications law and legal matters related to e-business, including electronic signatures. He has carried out a large number of academic studies on this subject and provided consultancy services to public bodies and private organizations at the local, regional, national, European and international levels.

Jos Dumortier was in particular involved as an expert-advisor to the European Commission for the preparation, the implementation and recently also the evaluation and the review of the European Directive on electronic signatures (Directive 99/93/EC). He was also a member of the expert team which evaluated the EESSI (European Electronic Signature Standardization Initiative) deliverables.

He drafted this legal note upon review of the specific features of CoSign, as described hereabove.