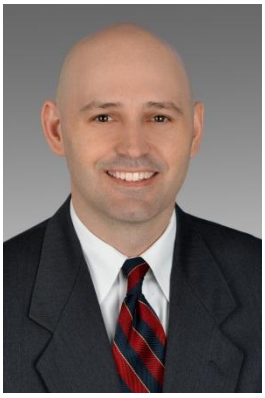
Managing Risk for Licensing Agreements During Merger Activities

By Brian Von Hatten

Merger and Acquisition activities can have a significant impact on existing software license agreements. Many license agreements specifically prevent assignability, transferring, or sub-licensing of the rights under the agreement, so if a buyer is acquiring the assets of an organization or is involved in some other type of merger, it may find itself in the position of defending a copyright infringement claim from the original licensor. An inadvertent transfer of the license may result in significant penalties, including but not limited to relicensing the software already licensed by the original licensee or copyright damages into the Millions of dollars. The potential legal and financial liability from the buyer perspective may be reduced by taking a look at the following areas prior to the close of the transaction:

- Reviewing any existing intellectual property licensing agreements with respect to assignability or transfer;
- Determining the software publisher or copyright holder's position with respect to transfer of the license;
- Understanding case law concerning assignability of intellectual property rights as well as the effect of merger provisions of the governing state's law;
- Negotiating new license terms with the publisher; and
- Performing a calculation of new licensing acquisition vs. the asset on the target company's books (and the possibility of litigation) and choosing the more conservative path.

Companies that need assistance with these types of strategies should contact counsel experienced in software licensing as a preliminary part of the transaction.



About the author Brian Von Hatten:

Brian represents many large and mid-market organizations on matters related to transactions, software licensing, and disputes. Brian's focus includes substantial attention to complex information technology issues for companies of all sizes.

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