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Drafting Considerations for Transferring Your Technology Contract

An assignment or transfer (right) clause in a technology contract can be crucial. The clause must be drafted accurately while also ensuring that any allowances or restrictions on assignment or transfer apply. Because many technology contracts include license grants to intellectual property (IP), it's important to abide by rules regarding assigning or transferring licensed IP. Following are some general rules for assigning or transferring technology contracts, rules specific to IP licenses, and a few drafting considerations for technology contracts.

General Rules Are Permissive

Before diving into some general rules, it's important to first understand the legal distinction between an *assignment* and *delegation*. An assignment refers to the transfer of rights (i.e., the receipt of benefits), while a *delegation* refers to the transfer of duties (i.e., obligations).

Generally, courts view assignment provisions liberally to allow assignments and transfers. If the contract is silent on assignability/transferability, for example, the parties are generally free to both assign and delegate. Similarly, when a contract

expressly permits "assignment" with no mention of delegation, courts will broadly interpret it to allow both the assignment/transfer of rights and the delegation of duties. Even when a contract prohibits "assignment" (sometimes called an anti-assignment clause), courts commonly interpret the prohibition narrowly (i.e., what is expressly stated as prohibited) unless there is an express and broad prohibition on all types of transactions, e.g., forbidding all delegations, assignments, or transfers by sale, merger, or operation of law.

But note that these broad interpretations will likely not apply if:

- The other party is negatively affected by the transfer, i.e., an immediate loss of value
- The performance is stated as personal
- Existing public policy is violated

Rules Specific to IP May Be at Odds with General Rules

Technology contracts containing IP licenses involve policy implications and rules that compete with the general rule of permissive transferability. Whether these competing rules apply depends on whether the transferring party is the IP owner or user, whether the license is exclusive or non-exclusive, and the type of IP involved.

For example, if the transferring party is the IP owner and the contract is silent on transfers, then the IP owner is generally free to transfer the license, unless personal services or unique skills are involved, such as providing particular training on the IP. But if the transferring party is an IP user and the contract is silent on transfer, then an assignment or delegation by the user would likely be barred in a dispute because the IP owner would otherwise be forced to license its IP to a party it ordinarily would not transfer a license to (e.g., a competitor).

Drafting Recommendations for Transfers

With the above in mind, the drafters of a technology contract can control a court's interpretation of their assignment/transfer provision by accurately writing out their intent. Be specific as to what type of assignment or transfer is permissible or prohibited and whether there are additional allowances or restrictions on delegation.

An assignment clause should also clarify the effect of any unpermitted transaction. If the clause is silent on this, courts will generally treat the transaction as valid but nonetheless as a breach. If the provision notes that any prohibited transaction is void and invalid, then courts will generally deem the transfer as invalid. This may be particularly important for an IP owner, because if an unpermitted transfer is only considered to be a breach, the transfer itself may be deemed valid and the IP owner may be obligated to license its IP to the new party, regardless of the breach.

Finally, the drafter should consider whether approval or consent of the other party is required for any permitted transaction. This consent language may be helpful to an IP owner who aims to provide flexibility to its users while

maintaining critical approval rights on future users.

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