

LOST IN TRANSIT: THE FATE OF ANTI-ASSIGNMENT CLAUSES IN PATENT LICENSING AGREEMENTS IN CASE OF MERGERS

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Abstract

The paper examines the validity of operation of anti-assignment clause in patent licensing agreements in case of mergers. Unlike the commonly held belief as regards tangible property that merger does not constitute transfer of assets, it is argued that this jurisprudence is not squarely applicable to intellectual property and is inconsistent with patent law theory. Therefore, just as a company allows a licensee to use its patented product or technology by an exclusive licensing agreement (thereby foreclosing the options of a competitor who seeks access to such patent), the non-operation of anti-assignment clause in the patent licensing agreement would derogate principles of patent law by curiously allowing the competitor access to the company's technology by merging with the licensee. To avoid such circuitous ways of gaining competitive advantage over other competitions who specifically invest in generating new patents and thus to incentivise patentees, it is necessary to uphold the validity of anti-assignment clause in case of mergers with specific regard to patents.

A. INTRODUCTION

The long held conjectures about Intellectual Property (IP) have mostly come true. At the end of the twentieth century, IP has presented more questions than answers.¹ Perhaps that is why even after decades of being in the line of 'legal developments' it still maintains an enviably significant and interesting niche in both the academic as well as transactional world. This confluence makes it even more dynamic, a throbbing field raising new issues everyday. Thus, midst this global financial crisis when corporate restructuring and Mergers and Acquisitions (M&A) has seen some boisterous (or redeeming) activity, it is timely to discuss issues in hot water, with unsettled shores.

Traditionally, there have been fewer questions raised as regards the relevance of IP in cases of merger. Most of the concerns terminated at the point of due diligence, in determining the value and nature of IP of the target company. However, in an expanded inquiry, one must examine as to what are the sorts of questions a transactional lawyer may be asking as to the existence and impact of a certain

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1 Charles R. McManis, *Intellectual Property and International Mergers and Acquisitions*, 66 U. CIN. L. REV. 1283 (1998).

intellectual property of the buyer or seller (beyond just the due diligence element).² One such question is whether the anti-assignment clause in patent licensing agreements can withstand a corporate merger?

This paper answers the question in positive, opining against the commonplace argument that a merger does not involve transfer of property and it is only amalgamation of assets thereby allowing for the patent transfer notwithstanding the anti-assignment clause. I reach this conclusion based on: **a.]** the recent Federal Courts jurisprudence in the U.S.A; **b.]** the principle behind the operation of patent laws; **c.]** relevant antitrust perspectives behind patent licensing and mergers; **d.]** basic contract law theory of giving effect to the will of the parties. Therefore, I argue that an anti-assignment clause in any patent licensing agreement should survive the merger between the licensee and a third company to give way to a constructive patent law theory in cases of M&A.

Illustratively, the issues undertaken to be analysed in this project paper can be explained as hereunder:

An industry has two dominant players in the market, Company A and Company B and other smaller players—X, Y, Z constituting barely 5% of the industry market share. Whilst Company A invents and patents a breakthrough technology, it believes that Company X can help further the development in the use of the technology and thereby licenses the use of its patented technology knowing that Company X is no real competitive risk to its market power.

To prevent the largest competitor, Company B to purchase the patent license from Company X, Company A includes an antiassignment clause in the license agreement prohibiting assignment of the patent license without its consent. In order to circumvent the rigmarole of obtaining license or developing a better technology, Company B merges with Company X. The issue that arises is whether the amalgamation of properties of Company B and X also include within its ambit the license over Company A's patents notwithstanding the operation of antiassignment clause?

Analysing from the standpoint of contract law, mergers would not violate antiassignment clauses and in effect Company B gains access to Company A's high-end technology.³ Even though Company A would argue that the merger was a violation of the consent-first antiassignment clause in the patent license agreement,

² Marci A. Hamilton, *The Top Ten Intellectual Property Law Questions that Should be Asked about Any Merger or Acquisition*, presented, 66 U. CIN. L. REV. 1315, 1317 (1997-1998).

³ Jessica L. Braeger, *Antiassignment Clauses, Mergers, and the Myth about Federal Pre-emption of Application of State Contract Law to Patent License Agreements*, 50 DRAKE L. REV. 639, 640 (2002).

there is little precedent law relating to corporate mergers to support its claim wherein the general amalgamation of properties is not transfer *per se* and therefore nothing is assigned. The assets of merging companies are simply vested in the surviving company by the operation of merger law. To prevail, Company A should contend that patent license agreement is governed by the basic principles of Patent Law which would be violated in case the antiassignment clause is not observed and thus it is an exception to the general applicability of other laws.⁴

B. PERSPECTIVES ON PATENT LICENSING

A patent holder may grant rights related to the patent to others in one of two forms, either as an assignment or as a license.⁵ An assignment is essentially the transfer of all the rights held by the patentee to the assignee.⁶ On the other hand, a license is an agreement that allows the licensee to use the patent without acquiring ownership interest in the patent.⁷ A license may be exclusive or nonexclusive. An exclusive license precludes the licensor from granting other licenses, but otherwise preserves all other rights entitled to a patent holder.⁸ A nonexclusive license is merely a grant of permission to the licensee to do a thing that the patentee would otherwise have a right to prevent.⁹ In essence, the patentee grants to the licensee the right to infringe the patent without fear of being sued.¹⁰

Patent Licensing Rights have traditionally been personal and non-transferable.¹¹ Unless express provision is contained in the licensing agreement, patent rights cannot be assigned or otherwise transferred to a third party. An exception to this rule has been recognised when two licensees merge to form a single corporation.¹² In this case, the consolidated company is the successor and not an assignee of the original company.¹³ Extending the logic, it has contentiously argued that even though a patent right may be non-transferable to a third party, a license would fall within the

4 Daniel A. Wilson, *Note, Patent License Assignment: Preemption, Gap Filling and Default Rules*, 77 B.U. L. REV. 895, 909-17 (1997) [hereinafter Wilson, *Patent License Assignment*].

5 See SHELDON W. HALPERN, ET AL, FUNDAMENTALS OF UNITED STATES INTELLECTUAL PROPERTY LAW: COPYRIGHT, PATENT, AND TRADEMARK 250 (1999).

6 *In re AllTech Plastics, Inc.*, 3 U.S.P.Q.2d 1024, 1027 (Bankr. W.D. Tenn. 1987).

7 Virginia Henschel, "Backdoor" Access to Patented Technology, 17 AM. BANKR. INST. J. 40, 40 (Feb. 1998).

8 See Stephen J. Davidson and Daniel M. Bryant, *Licensing Issues in the New Economy*, 18 No. 9 COMPUTER & INTERNET L. 1, 6 (2001).

9 Ramon A. Klitzke, *Patent Licensing: Concerted Action by Licensees*, 13 DEL. J. CORP. L. 459, 463 (1988). See also *Western Elec. Co. v. Pacent Reproducer Corp.*, 42 F.2d 116, 118 (2d Cir. 1930).

10 I IRVING KATON, PATENT PRACTICE 28 (6th ed., 1995).

11 Under U.S. law this principle traces genesis to the case of *Hapgood v. Hewitt*, 119 U.S. 226 (1886) which in turn relied on *Oliver v. Rumford Chem. Works*, 109 U.S. 75 (1883) and *Troy Iron & Nail Factory v. Corning*, 55 U.S. (14 How.) 193 (1852)..

12 In *Lane & Bodley Co v. Locke*, 150 U.S. 193 (1893), the Supreme Court announced that the rule of nonassignability was inapplicable to the case of the merger.

13 *Id.*

ambit of the common law and statutory rule allowing all the rights and privileges of a constituent corporation to pass by operation by law to the surviving corporation in case of a merger.

C. CIRCUMVENTING ACCESS, ACQUISITION OF PATENTS BY MERGER

In some instances, a company is not able to obtain a license from a patentee. For example, the company may be a competitor of the patentee, or the patentee may simply wish to grant licenses selectively to certain individuals or companies while excluding others. As long as the motivation for refusal is not illegal, the patent holder is free to grant licenses or to refuse them.¹⁴ This broad power held by the patentee should concern competitors because their survival in the market might hinge on the access to the patented technology.¹⁵

Patent licenses are personal to the licensee and are not assignable without language in the license permitting assignments.¹⁶ This general rule may be attributed to three principle cases: *Troy Iron and Nail Factory v. Corning*,¹⁷ *Hapgood v. Hewitt*¹⁸ and *Oliver v. Rumford Chemical Works*.¹⁹ It relates to situations in which a licensee may assign a license to a third party. Applying the general rule, a company that has been excluded by a patentee cannot seek a license through an assignment or sublicense from an existing licensee. Therefore, an excluded-company's only means of circumventing this barrier may be to merge with a company that already possesses a license.²⁰

A statutory merger is "the absorption of one company ... that ceases to exist into another that retains its own name and identity and acquires the assets and liabilities of the former."²¹ This absorption occurs by operation of merger law.²² There is a theory of continuity underlying a merger.²³ The rights, privileges, immunities, and franchises of the merging corporations are vested in the surviving corporation without further act or deed.²⁴ The surviving corporation possesses the merging corporations' assets, without a real transfer of the assets.²⁵ Therefore, since

14 *Official Airline Guides, Inc. v. FTC.*, 630 F.2d 920, 927-28 (2d Cir. 1980), *cert. denied*, 450 U.S. 917 (1981).

15 *Id.*

16 See *Troy Iron & Nail Factory v. Corning*, 55 U.S. 193, 216 (1852).

17 55 U.S. (14 How.) 193 (1852).

18 119 U.S. 226 (1886).

19 109 U.S. 75 (1883).

20 See generally Deborah F. Harris, *Annotation, Who Acquires Rights Under Patent License Owned by Constituent Corporation in Case of Corporate Merger or Consolidation*, 49 A.L.R. FED. 890, 890-91 (1980).

21 BLACK'S LAW DICTIONARY 1002 (7th ed. 1999).

22 See James T. Lidbury, *Drafting Acquisition Agreements*, in DRAFTING CORPORATE AGREEMENTS 241, 252 (1998-1999).

23 *Vulcan Materials Co. v. United States*, 446 F.2d 690, 694 (5th Cir. 1971).

24 FRANKLIN A. GEVURTZ, CORPORATION LAW § 7.2(b) (2000). See MODEL BUS. CORP. ACT § 11.07 (2000).

25 See MODEL BUS. CORP. ACT § 11.07 ("The survivor automatically becomes owner of all real and personal property of merging corporation. But, merger is not conveyance, transfer, or assignment.")

all of the acquired corporation's property transfers to the surviving corporation upon merger, it is commonly believed that mergers do not generally violate contractual antiassignment clauses because they are not a transfer or sale of assets.²⁶

If a merger and the succession of ownership are characterized as transfer from the target company to the acquiring company, then the general rule would apply and the patentee/licensor would have a cause of action. However, if the merger does not constitute a transfer, then a company that would have otherwise been excluded from the patented technology has a way of accessing that technology without turning to the patent holder. As a result, the central question that arises is: whether the transfer of property by operation of law constitutes a transfer for purposes of a patent license? I answer this question in negative by asserting that this general rule applicable to other properties cannot be juxtaposed on the intellectual property, especially patents.

D. ANTI-ASSIGNMENT CLAUSES HITHERTO: DE-JUXTAPOSING PROPERTY LAW JURISPRUDENCE ON INTELLECTUAL PROPERTY

An assignment is the transfer by a party of its rights in property.²⁷ The modern approach to contracts favours free assignability of contractual rights and obligations.²⁸ Contracting parties can protect their contractual interests by limiting their assignment through an antiassignment clause in the contracts.²⁹ Antiassignment clauses may either prohibit an assignment outright or delineate the terms under which a contract may be assigned. A well-written antiassignment clause specifically lists all of the prohibited assignments. Those antiassignment clauses delineating the terms under which a transfer may occur often require consent.³⁰ Ambiguity in the transfer or consent requirements of antiassignment clauses may create questions about whether corporate mergers will stand the test of such a clause.³¹

As a general proposition, anti-assignment clauses in a contract are enforceable.³² Some courts, however, hold that succession of ownership by operation of law does not constitute a transfer, and therefore no breach of contract occurs when an acquiring company succeeds in the ownership of a target company's assets.³³ The rationale behind this is the public policy against restraints on alienation.³⁴

26 *TXO Prod. Co. v. M.D. Mark, Inc.*, 999 S.W.2d 137, 139-40 (Tex. App. 1999).

27 BLACK'S LAW DICTIONARY 115 (7TH ED. 1999).

28 *Rhone-Poulenc Agro, S.A. v. DeKalb Genetics Corp.*, 284 F.3d at 1328.

29 See *N. Ins. Co. of N.Y. v. Allied Mut. Ins. Co.*, 955 F.2d 1353, 1358 (9th Cir. 1992).

30 *Cloughly v. NBC Bank-Sequin, N.A.*, 773 S.W.2d 652, 655 (Tex. App. 1989).

31 *Packard Instrument Co. v. ANS, Inc.*, 416 F.2d 943, 944 n.1, 945 (2d Cir. 1969).

32 See W.W. Allen, *Annotation, Validity of Anti-Assignment Clause in Contract*, 37 A.L.R.2D 1251, 1253 (1954).

33 See generally Jay M. Zitter, *Annotation, Merger or Consolidation of Corporate Lessee as Breach of Clause in Lease Prohibiting Conditioning, or Restricting Assignment or Sublease*, 39 A.L.R.4TH 879, 887-88 (1985).

34 *Segal v. Greater Valley Terminal Corp.*, 199 A.2d 48, 50-51 (N.J. 1964).

Therefore, a patent antiassignment clause is subject to the doctrine of strict construction because it creates a restraint on the alienation of property.³⁵ This juxtaposition of property law rules to the intellectual property has been made possible by the widely followed principle that intellectual property will be treated as any other property for the purposes of antitrust law.³⁶

In other contexts such as insurance law, restraints on alienation have received similar hostile treatment. The United States Court of Appeals for the Fifth Circuit held that an insurance policy is subject to the rules of succession in a corporate merger and a transfer by operation of law did not violate the antiassignment provisions of the policy.³⁷ The court distinguished a transfer that occurs by operation of law from that which occurs through a personal assignment.³⁸

However, interpretation differs in case of antiassignment clauses when the parties to the agreement stipulate that transfers by operation of law pursuant to a merger will constitute an assignment in violation of an antiassignment provision.³⁹ In *Pacific First Bank v. New Morgan Park*,⁴⁰ a bank leased property from a lessor, where the lease stated that “tenant shall not assign, sell, mortgage, pledge, or in any manner transfer the lease or any interest herein whether voluntary or involuntary or by operation of law ... without the prior written consent of Landlord.”⁴¹ The Oregon Supreme Court held that a transfer of the lease to the bank’s subsidiary following a downstream merger would violate the antiassignment clause.⁴² The lease specifically included transfers by operation of law as falling within the restrictions imposed by the anti-assignment clause.⁴³ Despite public policy favouring free alienation of property, the court concluded that the transfer would violate the antiassignment clause because of the clear language in the lease.⁴⁴

Therefore, it is submitted that this line of argument should be followed in cases of patent licensing agreements as well which contain an antiassignment clause because it is consistent with the principle of granting patents. The next section explores how patent law guides the rationale behind honouring a provision that prohibits the transfer of property by operation of law when the restraining clause specifies

35 *Id.*

36 See Antitrust Guidelines for the Licensing of Intellectual Property (Issued by U.S. Department of Justice and the Federal Trade Commission, April 6, 1995) at ¶ 2.0.

37 *Imperial Enters., Inc. v. Fireman’s Fund Ins.*, 535 F.2d 287, 293 (5th Cir. 1976).

38 *Id.*

39 See *Pacific First Bank v. New Morgan Park*, 876 P.2d 761, 762 (Or. 1994).

40 823 P.2d 965 (Or.1991).

41 *Pacific First Bank*, 876 P.2d at 762-63.

42 *Id.* at 765.

43 *Id.*

44 *Id.* at 766.

that an assignment includes a transfer that occurs by operation of law in a merger.⁴⁵

E. WHY THE ANALOGY DOES NOT ‘FIT’? –ANTI-ASSIGNMENT CLAUSES IN THE PATENTS CONTEXT

In this section, I make a case for giving effect to antiassignment clauses in patent licensing agreement since it is in consonance with the basic premise on which patents law is formulated. It is argued that antiassignment provisions of licensing agreements are a means to maximize the value of the patent to the parties and to society.

The purposes of the patent system can be formulated as: **E.1:** incentivising innovation; **E.2:** disclosure of new ideas.

E.1: In *Everex Systems, Inc. v. Cadtrak Corp. (In re CFLC, Inc.)*,⁴⁶ the Ninth Circuit supported refusal to allow the transfer of a patent license with the argument that allowing for free assignability of patent licenses would “undermine the reward that encourages invention.”⁴⁷ Although the patent holder gets increased royalty from the newer avenues in which the licensee (now the surviving entity) exploits its rights over the patent, this can however not level grounds with the greater incentive in maintaining exclusivity over the patent and not allowing a competitor to reap benefits as *net* profit would certainly be lesser.

Therefore, in case of an original inventor (Company A in the illustration), its incentive to invent is diluted since its competitor (Company B) can access its patented technology by acquiring the licensee. Company A will now be dis-incentivised from Company B’s use of technology which Company A devised. Therefore, Company A’s interest lies in reaping maximum benefits from its patent which maximises its incentive for invention by disallowing Company B from acquiring access to its patented technology through a merger.

E.2: Free assignability of patent licenses also frustrates the second purpose.⁴⁸ Once free assignability of patent license agreements is certified as a norm, it would prevent inventors from patenting and then licensing inventions lest any undesirable person or company can get control or access to their invention. Patent law provides the strongest form of intellectual property protection for innovations.⁴⁹ Whilst licenses primarily are a form of disclosure, their free assignability frustrates the incentive to disclose patented inventions. Therefore, the inventor may not throw the invention into the market in the first place, thereby stifling the dissemination of knowledge of the invention.⁵⁰

⁴⁵ See *Citizens Bank & Trust Co. of Maryland*, 456 A.2d at 1289.

⁴⁶ *Everex Sys., Inc. v. Cadtrak Corp. (In re CFLC, Inc.)*, 89 F.3d 673 (9th Cir. 1996).

⁴⁷ *Id.* at 679.

⁴⁸ Wilson, *Patent License Assignment*, *supra* note 4, at 914-15.

⁴⁹ See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 476 (1974).

⁵⁰ Mark A. Lemley, *Beyond Preemption: The Law and Policy of Intellectual Property Licensing*, 87 CAL. L. REV. 111, 147-

F. LESSONS FROM US FEDERAL COURTS' JURISPRUDENCE

*Unarco Indus., Inc. v. Kelley Co., Inc.*⁵¹ and *PPG Indus., Inc. v. Guardian Indus. Corp.*⁵² are the authoritative cases that answer the question: does a transfer of patent that occurs by operation of law in a merger constitute an assignment?

In *Unarco Industries*, the defendant company attempted to acquire the licensee after efforts to merge with the patent holder failed.⁵³ The acquiring company and the licensee sued the patent holder seeking a declaratory judgment regarding the assignability of the patent license.⁵⁴ The issue presented before the court was whether the licensee had the right to assign the license.⁵⁵ The court confirmed that federal law would apply to issues involving the assignability of patent licenses.⁵⁶ In addition, the court restated that “licenses are personal to the licensee and not assignable unless expressly made so in the agreement” expressly following federal patent law.⁵⁷

However, the court failed to provide a holding on point. The court never discussed the possibility that a patent license could be transferred from the licensee to the surviving company by operation of law—that is, without a formal assignment. This issue, however, was eventually addressed in *PPG Industries*.

In *PPG Industries*, the plaintiff and the licensee were companies that exchanged patent licenses.⁵⁸ The parties agreed that the licensee would have no rights to assign the license without the consent of the plaintiff.⁵⁹ When the licensee merged with the defendant and continued to use the plaintiff's license, the plaintiff sued for infringement.⁶⁰ The Court of Appeals for the Sixth Circuit held that the surviving corporation/defendant did not acquire license rights from the acquired corporation/licensee.⁶¹

The *PPG Industries* court adopted the *Unarco Industries* court's rules and held that the patent licenses are personal, and therefore not assignable unless expressly made so.⁶² The court's most significant comment was in response to the defendant's assertion that a transfer did not occur because the defendant and licensee had merged

48 (1999).

51 465 F.2d 1303, 175 U.S.P.Q. 199 (7th Cir. 1972).

52 597 F.2d 1090, 202 U.S.P.Q. 95 (6th Cir. 1979).

53 *Unarco Indus. Inc.*, 465 F.2d at 1304-05, 175 U.S.P.Q. at 200.

54 *Id.* at 1305, 175 U.S.P.Q. at 200.

55 *Id.* at 1304, 175 U.S.P.Q. at 199.

56 *Id.* at 1306, 175 U.S.P.Q. at 200.

57 *Id.*

58 See *PPG Indus. Inc.*, 597 F.2d at 1091-93, 202 U.S.P.Q. at 95-96.

59 *Id.* at 1092, 202 U.S.P.Q. at 96.

60 *Id.* at 1093, 202 U.S.P.Q. at 97.

61 *Id.* at 1095, 202 U.S.P.Q. at 99.

62 *Id.* at 1093, 202 U.S.P.Q. at 97.

pursuant to Ohio statute.⁶³ The court stated that:

“a transfer is no less a transfer because it takes place by operation of law rather than by a particular act of the parties. The merger was effected by the parties and the transfer was a result of their act of merging.”⁶⁴

Thus, the *PPG Industries* court articulated the default rule: transfers of a patent license that occur by operation of law in a merger will violate an anti-assignment clause in the license and hence be contrary to patent law, even where the license does not define assignment to include transfers by operation of law.⁶⁵

G. UPHOLDING ANTI-ASSIGNMENT CLAUSES: THE PATENT LAW RATIONALE

As a general premise, patent holders, want to maintain control of their patents.⁶⁶ A patentee will often grant permission to selected parties to utilize his or her invention in exchange for money. However, a patentee would prefer that a license is unable to assign that license to a third party without his or her permission. Such a transfer to a third party would diminish or reduce the value of the patent. Further, a patent holder would be particularly frustrated and disheartened if a competitor was able to obtain control of a license, despite the patentee’s efforts, by merely turning to a licensee to whom a license had been granted. On the other hand, a competitor seeking to acquire access to patent will want to avoid the rigmarole of seeking the permission from the patentee—which is its rival in the industry. Thus, it will naturally want to circumvent its hassles by acquiring the licensee.

In order for the patent system to accomplish its intended objective, inventors must be assured the benefits of their labour. This assurance encourages inventors to share their discoveries with others without fear of having their idea misappropriated. Patent licenses play an important role in the promotion of processes and the U.S. federal courts have acted appropriately to protect the policies that underlie the Patents law. Rules that promote free alienation of licenses would undermine the rights granted to an inventor under the Patents law. Therefore, the jurisprudence which recognizes and perpetuates the importance of protecting the exclusive rights of the patentee should be promoted. The interpretation under contract law or merger law which exposes the patentee to unwanted third party licenses should not be given a way through. The Indian Patent Act mentions in Section 68 that:

63 *Id.* at 1093, 202 U.S.P.Q. at 99.

64 *Id.*

65 *Id.*

66 Sung Yang, *Considerations for the Patent Holder: The Transfer of Patent Licenses in the Context of a Merger*, 42 IDEA: THE JOURNAL OF LAW AND TECHNOLOGY 515 (2002).

“Assignments, etc. not to be valid unless in writing and registered:-

An assignment of a patent or of a share in a patent, a mortgage, licence or the creation of any other interest or of a share in a patent, a mortgage, licence or the creation of any other interest in a patent shall not be valid unless the same were in writing and the agreement between the parties concerned is reduced to the form of a document embodying all the terms and conditions governing their rights and obligations and the application for registration of such document is filed in the prescribed manner with the Controller within six months from the commencement of this Act or the execution of the document, whichever is later or within such further period not exceeding six months in the aggregate as the Controller on application made in the prescribed manner allows:

Provided that the document shall, when registered, have effect from the date of its execution.”

This assignment provision is non exhaustive giving only a preliminary insight into further grant of patent rights by the patentee and the Act specifically deals only with ‘compulsory licenses’ thus leaving a gap in the interpretation of patent licenses other than the compulsory ones regulated by the Act. Therefore, in order to avoid the leeway of arguing that a merger does not infringe a patent license agreement with or without an antiassignment clause, one should interpret patent licenses in a manner so to further the objective behind granting the patents, which in turn is by upholding the antiassignment clause in case of a merger. This conception will be helpful in the booming realm of Indian M&A and subsequent rise in patented technology.

H. CONCLUSION

To conclude the analysis on this issue is a task to be deferred until the Indian market is faced up with such a situation and the Indian Courts come to examine whether a merger which allows for transfer of patent license to a third part (surviving entity) is in consonance with patent law. However, to brace ourselves as a country with nascent IPR laws, it is timely to suggest that all patent licenses incorporate an anti-assignment clause, specifying that a merger will constitute a transfer, so as not to violate the basic principle of patent law in India. *Secondly*, a license should include an anti-assignment clause with additional language explaining the meaning of the assignment. *Thirdly*, it is also important that we keep the U.S. Federal Courts jurisprudence in mind to further the grant to the patentees by disallowing their rights to be crucified at the altar of M&A wave.