

KMK Wins Appellate Court Decision that Will Impact Treatment of IP Rights in Software License Agreements

Keating Muething & Klekamp Attorneys James E. Burke, Joseph M. Callow, Jr., and Jennifer J. Morales Win Decision in Sixth Circuit Court of Appeals for Cincom Systems, Inc. Against Global Aluminum Giant, Novelis Corporation

October 5, 2009

The United States Court of Appeals for the Sixth Circuit recently upheld a 2007 decision by the United States District Court for the Southern District of Ohio, Western Division, that Novelis Corporation — now a wholly-owned subsidiary of India-based Hindalco Industries Limited — is liable for copyright infringement in connection with transferring a Cincom Systems, Inc. software license through a corporate restructuring without Cincom's prior written approval, in *Cincom Systems, Inc. v. Novelis Corp.*, 581 F.3d 431 (6th Cir. 2009).

In a unanimous opinion, the Sixth Circuit found that Novelis violated the terms of the software licensing agreement between Cincom and Alcan Rolled Products Division (originally an Ohio-based company, which, subsequent to company mergers, became part of Novelis).

The Sixth Circuit held that federal common law prohibiting unauthorized transfers of intellectual property licenses preempts and supersedes state law even if state law allows for such transfers. The decision confirmed the importance of a uniform, national rule regarding the personal and non-transferable nature of intellectual property licenses, and it will have a significant impact on intellectual property licensing, as well as corporate mergers and acquisitions, across the country.

Cincinnati attorneys, James E. Burke, Joseph M. Callow, Jr., and Jennifer J. Morales, of the law firm Keating Muething & Klekamp PLL (KMK®) represented the plaintiff, Cincinnati-based global software developer and licensing company, Cincom Systems, Inc., throughout the four-year legal battle which resulted in a favorable ruling for their client.

"This decision is a victory for all intellectual property owners who license their work," according to KMK intellectual property attorney, Callow. "Owners will now have greater protection and comfort in knowing that anti-assignment and anti-transferability provisions in license agreements will not be trumped by state law or ignored in certain corporate reorganizations."

Callow continued, "If licensors lose control of their intellectual property as a result of customers' corporate restructurings or transfers without their consent and approval, their rights may become impaired. Software licensors need to take steps to protect their interests and copyrighted materials, even if that means bringing claims against their customers as a last resort in order to defend their intellectual property and long-term investment."

Friday's ruling clarifies a 1979 decision by the Sixth Circuit in *PPG Industries, Inc. v. Guardian Industries Corp.*, the seminal case on the issue that an intellectual property license is presumed to be non-assignable and non-transferable absent an explicit agreement to the contrary.

About Keating Muething & Klekamp PLL

The law firm of Keating Muething & Klekamp PLL (KMK®), based in Cincinnati, Ohio, was founded in 1954. KMK has approximately 115 lawyers and a support staff of 150 employees. For the past 55 years, KMK has contributed to the success of many businesses, from *Fortune* 500 corporations to start-up companies. KMK's mission is to provide high-quality legal counsel to business clients by meeting their identified needs and developing appropriate solutions.

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Additional documentation on this case, including both court decisions and a detailed case timeline, is available below.