ACQUISITION STRATEGIES

Transferring the IP: Trademarks, Domains, and Software in an Asset Sale

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A buyer closes on an e-commerce brand and goes to update the website the next morning. The domain is registered to the founder's personal account. The trademark registration still lists the seller. The core software was written by a contractor who never signed an assignment. On paper, the buyer bought "all intellectual property." In practice, it owns less than it paid for.

In an asset sale, IP doesn't move just because the purchase agreement says it does. Each type of asset has its own transfer rules, and the gaps usually show up after closing, when they're hardest to fix.

Trademarks: Transfer the Goodwill and Record It

Under the Lanham Act (15 U.S.C. § 1060), a trademark can only be assigned together with the goodwill of the business it represents. An assignment of the mark alone, without the business behind it, risks being invalid. Pending intent-to-use applications are restricted further: they generally can't be assigned before use is shown, except to a buyer acquiring the ongoing business they relate to.

Recording matters too. An assignment not recorded with the USPTO within three months (or before a later purchase) is void against a later buyer who pays for the mark without notice. Buyers should record promptly and confirm the seller is actually the owner of record before closing.

Software: Confirm the Seller Owns It

Code written by employees within the scope of their jobs generally belongs to the company. Code written by contractors usually doesn't, unless there's a signed written assignment, and copyright transfers must be in writing to be valid. Diligence should trace who wrote the core software and whether every outside developer assigned their rights.

Copyright assignments can also be recorded with the Copyright Office. Recording within one month of signing protects the buyer's priority against a conflicting transfer. Buyers should also ask what open-source code is in the product, since some licenses impose obligations that travel with the code.

Licensed-In Software and Tools

Much of a company's technology isn't owned at all; it's licensed. In an asset sale, those licenses have to be assigned, and many prohibit assignment without consent. Federal courts, including the Ninth Circuit in *Harris v. Emus Records* (1984), have treated nonexclusive copyright licenses as personal to the licensee and not transferable without the licensor's permission. Critical licenses should be identified early, and the consents built into the closing timeline.

Domains and Digital Accounts

A domain name moves through the registrar, not through a signature on an assignment. The buyer needs control of the registrar account, and some registrars restrict further transfers for a period after the registrant changes. Social media accounts, app store listings, ad accounts, and email platforms each have their own terms, and some restrict transferring an account at all. Usernames, passwords, and two-factor access should be on the closing checklist.

Customer Data

Customer lists and data are often among the most valuable assets in the sale. Under the California Consumer Privacy Act, transferring personal information as part of an acquisition isn't treated as a "sale," but a buyer that materially changes how the data is used must give consumers notice. Buyers should also check what the seller's privacy policy promised customers.

Final Thoughts

The IP schedule in the purchase agreement is a list of what the buyer expects to get. Getting it requires separate steps for each asset: recorded assignments, signed developer agreements, licensor consents, and actual control of accounts. Those steps belong before closing, while the seller still has a reason to cooperate.

About the Author

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