



**Dated: April 05, 2010**  
**The following is SO ORDERED:**

A handwritten signature in black ink, appearing to read "Paulette J. Delk".

Paulette J. Delk  
UNITED STATES BANKRUPTCY JUDGE

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UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF TENNESSEE

In re:

Greystone Pharmaceuticals, Inc.

Case No. 09-32236 PJD

Debtor-In-Possession

Chapter 11

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ORDER CONDITIONALLY GRANTING MOTION TO ASSUME PATENT AND  
TECHNOLOGY LICENSE

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This matter came before the court on the Motion to Assume Patent and Technology License filed by Greystone Pharmaceuticals, Inc. ("Debtor"), and the Objection to that motion filed by Auxano Diagnostics, LLC ("Auxano"). The court conducted an evidentiary hearing on the motion and objection on February 18, 2010, at the close of which the parties agreed to file post hearing briefs. The parties filed their post hearing briefs, and the court took the matter under advisement. Based on the statements of counsel, testimony of the witnesses, evidence presented at the hearing, pertinent case law, and the case record as a whole, the court finds as follows:

Debtor and Auxano are parties to a Patent and Technology License Agreement with an effective date of November 9, 2007 and an Agreement, Revival and Amendment Patent and Technology License, which the parties executed on April 21, 2009 ("License Agreement"). The parties do not dispute that the License Agreement is an executory contract, within the meaning of 11 U.S.C. § 365, and the court expressly finds so. *See, e.g., Lubrizol Enterprises, Inc. v. Richmond Metal Finishers, Inc.*, 756 F. 2d 1043, 1045 (4th Cir. 1985), *cert. denied*, 475 U.S. 1057 (1986); *In re Biopolymers, Inc.*, 136 B.R. 28, 30 (Bankr. D. Conn. 1992).

The License Agreement had not terminated prepetition, because Auxano did not comply with Paragraph 11.2 of the License Agreement by sending the final written notice of termination until after Debtor filed its Chapter 11 petition.

For reasons that will be discussed below regarding § 365(e)(2)(A), Paragraph 11.5 of the License Agreement did not cause the License Agreement to terminate upon the filing of the Chapter 11 petition.

Generally speaking, license agreements may be assumed and assigned pursuant to 11 U.S.C. § 365 (a) and (f), unless subsection (c) applies. Subsection (c) provides an exception to the general right to assume and assign for laws governing personal services contracts where the identity of the parties performing contracts is clearly material. *See In re Magness*, 972 F. 2d 689, 696 (6th Cir. 1992). Patent law is generally held to be “applicable law” as that term is used in subsection (c)(1)(A), because a general rule in patent law is that the agreements are nonassignable in the absence of express language otherwise, so that the patent holder’s interest in controlling the identity of the licensee may be protected. *Unarco Industries, Inc. v. Kelley Co., Inc.*, 465 F. 2d 1303, 1306 (7th Cir. 1972). Patent agreements are personal to the licensee, and are not assignable **unless** the parties have expressed an intent to make them so. *See PPG Industries, Inc. v. Guardian Industries Corp.*, 597 F. 2d 1090, 1093 (6th Cir. 1979). The purpose for nonassignability in patent law is consistent with the purpose and rationale for 11 U.S.C. § 365 (c) and (e). While many courts have found it necessary to apply either the hypothetical or actual test to determine how the language of § 365(c) should be applied, the Sixth Circuit has not adopted either test. In any event, the facts of this case and the language of the controlling License Agreement would generate the same result under both tests. Although the License Agreement, at Paragraph 2.2 and portions of Paragraph 13.2, treats the identity of the assignee or sublicensee as being material through its requirement of prior approval, it renders immaterial the identity of the assignee when certain circumstances exist, including when the Debtor engages in the “sale of all or substantially all of the portion of its business to which this Agreement relates...” Through that express language, the parties have waived the protection that patent law and § 365(c) sought to preserve for the patent holder. Section 365(c) applies to deny the licensee the right to assume and assign **except** where express words show an intent to permit an assignment without prior consent. The License Agreement contains express words showing just such an intent; thus § 365(c) is rendered inapplicable in this case.

Because the language of § 365(e)(2)(A) is substantially the same as that of § 365 (c)(1), it is inapplicable as well. Thus, Paragraph 11.5 of the License Agreement is ineffective in terminating the agreement. *See, e.g., In re Catapult Entertainment, Inc.*, 165 F. 3d 747, 753 n. 6 (9th Cir. 1999); *Institut Pasteur v. Cambridge Biotech Corp.*, 104 F. 3d 489 (1st Cir. 1997).

Accordingly, the Debtor may assume and assign the License Agreement without the consent of Auxano only under the circumstances in which the License Agreement contemplates assignment without the licensor’s consent. As a precondition to the assumption and assignment of the License Agreement, the Debtor must file a motion under 11 U.S.C. § 363, and that motion must be successfully approved by the court.

IT IS SO ORDERED

cc: Debtor  
John L. Ryder, Attorney for Debtor  
Auxano Diagnostics, LLC  
M. Ruthie Hagan, Attorney for Auxano Diagnostics, LLC  
US Trustee  
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