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**HOUSE BILL NO. 576**

Offered January 9, 2002

Prefiled January 8, 2002

*A BILL to amend and reenact § 59.1-505.3 of the Code of Virginia, relating to transfer of contractual interest in computer information.*

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Patron—May

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Referred to Committee on Science and Technology

**Be it enacted by the General Assembly of Virginia:****1. That § 59.1-505.3 of the Code of Virginia is amended and reenacted as follows:**

§ 59.1-505.3. Transfer of contractual interest.

The following rules apply to a transfer of a contractual interest:

(1) A party's contractual interest may be transferred unless the transfer:

(A) is prohibited by other law; or

(B) except as otherwise provided in paragraph (3), would materially change the duty of the other party, materially increase the burden or risk imposed on the other party, or materially impair the other party's property or its likelihood or expectation of obtaining return performance.

(2) Except as otherwise provided in paragraph (3) and § 59.1-505.8 (a) (1) (B), a term prohibiting transfer of a party's contractual interest is enforceable, and a transfer made in violation of that term is a breach of contract and is ineffective to create contractual rights in the transferee against the nontransferring party, except to the extent that:

(A) the contract is a license for incorporation or use of the licensed information or informational rights with information or informational rights from other sources in a combined work for public distribution or public performance and the transfer is of the completed, combined work;

(B) the transfer is of a right to payment arising out of the transferor's due performance of less than its entire obligation and the transfer would be enforceable under paragraph (1) in the absence of the term prohibiting transfer; or

(C) the term is in a mass-market license, the transfer is made along with a computer, and the transfer is a gift or a donation (i) to a public elementary or secondary school, (ii) to a public library, (iii) to an organization exempt from taxation under § 501 (c) (3) of the Internal Revenue Code, or (iv) from a consumer to another consumer.

~~(D) the transfer is in connection with a merger or the acquisition or sale of a subsidiary or affiliate involving the licensee and another person and is made (i) to preserve the integrity of information and information processing systems used by the licensee, or (ii) to ensure compatibility of information and information processing systems among the parties involved in the merger, acquisition, or sale.~~

(3) A right to damages for breach of the whole contract or a right to payment arising out of the transferor's due performance of its entire obligation may be transferred notwithstanding an agreement otherwise.

(4) A term that prohibits transfer of a contractual interest under a mass-market license by the licensee must be conspicuous.

INTRODUCED

HB576