Docket #0195 Date Filed: 10/18/2024

UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re: VERTEX ENERGY, INC., *et al.*, Debtors.	Chapter 11 Case No. 24-90507 (CML) Jointly Administered

ORACLE'S LIMITED OBJECTION AND RESERVATION OF RIGHTS REGARDING DEBTORS' NOTICE OF CURE COSTS AND POTENTIAL ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES IN CONNECTION WITH SALE

[Relates to Dkt. Nos. 5 and 158]

Oracle America, Inc. ("Oracle"), a creditor and contract counterparty in the above-captioned jointly administered Chapter 11 cases, submits this limited objection and reservation of rights ("Rights Reservation") in response to the *Notice of Cure Costs and Potential Assumption and Assignment of Executory Contracts and Unexpired Leases in Connection With Sale* [Dkt. No. 158] ("Assumption Notice") filed in connection with the *Debtors' Emergency Motion for Entry of an Order (I) Approving the Bidding Procedures and Auction, (II) Scheduling Bid Deadlines, an Auction, Objection Deadlines, and a Sale Hearing, (III) Approving the Assumption and Assignment Procedures, (IV) Approving the Form and Manner of Notice of a Sale Transaction, the Auction, the Sale Hearings, and Assumption and Assignment Procedures, and (V) Granting Related Relief* [Dkt. No. 5] ("Sale Motion").

I. INTRODUCTION

By the Sale Motion and Assumption Notice, Vertex Energy, Inc., et al. ("Debtors"), seek Bankruptcy Court authority to, among other things, assume and assign an executory contract

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between the Debtors and Oracle. Oracle objects to the proposed assumption and assignment on multiple grounds.

First, Oracle's agreements with Debtors are, or pertain to, one or more licenses of intellectual property that are not assignable absent Oracle's consent, pursuant to both the underlying license agreement and applicable law.

Second, the Assumption Notice does not provide an adequate description of the Oracle agreement the Debtors seek to assume and assign, rendering Oracle unable to confirm the cure amount owed.

Third, at present there is no stalking horse bidder and Oracle is therefore unable to determine whether the ultimate purchaser/assignee is capable of performing the terms of the contract the Debtors seek to assume and assign.

Finally, to the extent any purchase agreement provides for a transition services agreement between the Debtors and the eventual purchaser(s), or another agreement which may allow any unauthorized, shared use of Oracle's licenses, Oracle objects to such use.

Accordingly, Oracle requests that the Court deny the Debtors' request for authority to assume and assign, transfer, or share use of any Oracle agreement without Oracle's consent.

II. FACTUAL BACKGROUND

The Debtors filed the above-captioned case on September 24, 2024 ("Petition Date"), and an order directing joint administration was entered shortly thereafter. The Debtors continue to operate as debtors in possession.

On the Petition Date, the Debtors filed their Sale Motion. Pursuant to the Sale Motion, the Debtors propose to sell substantially all, or one or more subsets, of the Debtors' assets. On September 25, 2024, an order was entered approving certain bid procedures and procedures for the assumption and assignment of executory contracts [Dkt. No. 55] ("Bid Procedures Order"). Pursuant to the Bid Procedures Order, if the Debtors do not receive adequate Indication of Interest[1] by the October 23, 2024 deadline, the Debtors will either pursue a Credit Bid Sale or the Recapitalization Transaction through a Chapter 11 plan.

[1] Capitalized terms not defined herein shall have the same meaning as those set forth in the Sale Motion.

On October 9, 2024, the Debtors filed the Assumption Notice. Exhibit "A" to the Assumption Notice identifies one Oracle agreement between Oracle and Vertex Refining Alabama, Inc., described only as a "Service Agreement" ("Oracle Agreement") with a stated cure of $0.00.

As of the date of this Rights Reservation, there is no stalking horse bidder and no proposed form of asset purchase agreement ("APA") or transitions services agreement ("TSA") has been filed. It is not clear whether the Debtors will pursue a sale, a credit bid, or recapitalization through a plan. As such, Oracle is unable to determine how its rights may be affected by the sale or any potential APA or TSA between the Debtors and the ultimate purchaser(s).

III. ARGUMENT

A. The Debtors May Not Assume and Assign the Oracle Agreement Absent Oracle's Consent Because the Agreement Pertains to One or More Licenses of Intellectual Property.

Section 365(c) of the Bankruptcy Code provides, in relevant part:

> The trustee may not assume or assign any executory contract ... of the debtor ... if (1)(A) applicable law excuses a party, other than the debtor, to such contract or lease from accepting performance from or rendering performance to an entity other than the debtor ..., whether or not such contract or lease prohibits or restricts assignment of rights or delegation of duties; and (B) such party does not consent to such assumption or assignment.

Federal law makes non-exclusive copyright licenses non-assignable absent consent of the licensor. *See In re Catapult Entertainment, Inc.*, 165 F.3d 747 (9th Cir. 1999), *cert. dismissed*, 528 U.S. 924 (1999) (patent law renders non-exclusive patent licenses personal and non-assignable under Bankruptcy Code § 365(c)(1)); *In re Sunterra Corp.*, 361 F.3d 257, 271 (4th Cir. 2004) (holding that a debtor was statutorily barred by § 365(c)(1) from assuming a computer software license where contract counterparty did not consent to the assumption); *see also In re Trump Entm't Resorts, Inc.*, 526 B.R. 116, 126 (Bankr. D. Del. 2015) ("Non-exclusive patent and copyright licenses create only personal and not property rights in the licensed intellectual property and so are not assignable."); *In re Rupari Holding Corp.*, 573 B.R. 111, 119 (Bankr. D. Del. 2017) (holding that the debtor could not assume and assign a trademark license without the consent of the non-debtor licensor).

The Oracle Agreement is, or pertains to, a non-exclusive license of copyrighted software. Therefore, pursuant to Bankruptcy Code section 365, the Debtors may not assume and assign the Oracle Agreement without Oracle's consent. For the reasons discussed herein, Oracle does not consent to the Debtors' proposed assumption and assignment at this time.

B. The Debtors Have Not Identified The Oracle Agreement To Be Assumed and Assigned.

The Debtors' Assumption Notice describes the Oracle Agreement only as a "Service Agreement" and Oracle is unable to identify what specific agreement is at issue.

The Assumption Notice also makes no attempt to identify the underlying master agreement or relevant support renewal. It is impermissible for the Debtors to segregate the underlying Oracle license agreement from the corresponding support agreement and master agreement for purposes of assumption and assignment, if that is the Debtors' intention. *See, e.g., In re Interstate Bakeries Corporation*, 751 F.3d 955, 963 (8th Cir. 2014); *In re Buffets Holdings*, 387 B.R. 115 (Bankr. D. Del. 2008). An executory contract must be assumed in its entirety and, "[c]orrespondingly, all of the contracts that comprise an integrated agreement must either be assumed or rejected, since they all make up one contract." *In re Taylor-Wharton Int'l LLC*, 2010 WL 4862723, at *3 (Bankr. D. Del. Nov. 23, 2010) (citing *In re Exide Techs.*, 340 B.R. 222, 228 (Bankr. D. Del. 2006)). Because the support agreements and master agreements relate to the underlying license agreements as part of substantially the same transaction, they constitute integrated contracts which may not be separately assumed and assigned.

In order to determine which contract the Debtors wish to assume and assign, Oracle requests that the Debtors specify the targeted contract's (1) name and date; (2) identification number; (3) any associated support or support renewal; and (4) the governing license agreement. This information will enable Oracle to evaluate whether the Oracle Agreement is supported, expired, or in default, and, if in payment default, the appropriate cure amount. Additionally, the information will allow Oracle to assess whether Oracle may accept performance from an entity other than the Debtors.

Oracle reserves its right to be heard on this issue until after the Debtors specify the Oracle Agreement they seek to assume and assign.

C. The Debtors May Not Have Provided The Correct Cure Amount.

Before assuming and assigning any executory contract, the Debtors must cure (or provide adequate assurance of a prompt cure of) any default under the subject contracts. 11 U.S.C. § 365(b)(1). The Debtors have identified a $0.00 cure for the Oracle Agreement listed in the Assumption Notice. Oracle is unable to determine the correct cure amount based on the description provided in the Assumption Notice. Therefore, Oracle reserves its right to be heard further regarding the cure amount, until after the contract the Debtors seek to assume and assign is identified with enough specificity to allow Oracle to determine the correct cure.

D. The Debtors Have Not Provided Adequate Assurance of Future Performance By the Assignee.

Before assuming and assigning any executory contract, the Debtors must provide adequate assurance of future performance. 11 U.S.C. § 365(b)(1). There is currently no stalking horse bidder and the initial bid deadline is *after* the deadline for Oracle to object to the Assumption Notice.[2]

To satisfy Bankruptcy Code section 365(b), Oracle requests that the Debtors provide the following information about the purchaser(s) to which Debtors propose to assume and assign the Oracle Agreements: (1) financial bona fides; (2) confirmation that the purchaser is not an Oracle competitor; and (3) confirmation that the purchaser(s) will (a) execute an Oracle Assignment Agreement and related documentation which identifies with specificity the Oracle Agreement to be assigned; and, if appropriate (b) enter into an Oracle Master License Agreement. Absent these assurances, Oracle cannot determine the proposed assignee's creditworthiness, its suitability as an Oracle customer, or its ability to adequately perform under the terms of the Oracle Agreement.

Until the information described above is provided, the Debtors have not complied with the requirements of section 365(b)(1)(C).

[2] Oracle understands that the last day to object to adequate assurance is either November 11, 2024 or December 9, 2024. However, in order to avoid submitting duplicative filings, Oracle incorporates its objection to adequate assurance here and reserves its right to be heard on this point if and when the ultimate purchaser is identified.

E. Oracle's Agreement Does Not Authorize Simultaneous Use By the Debtors and the Purchaser.

Oracle reserves all rights to object to the final APA between the Debtors and the ultimate purchaser(s), including to the extent the APA or any accompanying TSA includes any broad provisions regarding transitional use or shared use of the Oracle Agreement or Oracle-licensed software.

Simultaneous use of, and access to, Oracle's licensed software exceeds the scope of the permitted uses under the Oracle Agreement, and would potentially result in an unauthorized "splitting" of the licenses between the Debtors and the purchaser. Oracle objects to the extent that any transitional use or shared use arrangement purports to grant to both the Debtors and purchaser(s) the right to shared use of the Oracle licenses beyond the license terms.

Oracle reserves all rights regarding any transitional use, including under any TSA, until after Oracle's review of the final TSA proposed, and an opportunity to assess how that TSA may impact Oracle, including whether the use contemplated thereunder constitutes non-compliance under the terms of the Oracle Agreement.

IV. CONCLUSION

For the reasons set forth above, Oracle respectfully requests that the Court deny the Debtors' request for approval of the Assumption Notice, solely to the extent the Debtors seek to assume and assign, transfer or share use of any Oracle Agreement. Oracle reserves its right to be heard on all issues set forth herein.

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By: */s/ Annie Catmull*

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