

EBay settles lawsuit filed by Skype founders

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(AP) -- EBay Inc. has settled a legal skirmish with the founders of Skype that threatened to complicate eBay's plans to sell most of the Internet phone service to a group of investors for \$2 billion.

The online marketplace operator said Friday the settlement gives Skype ownership of critical software that had been licensed from Joltid Ltd., which is a company founded by Skype co-founders Niklas Zennstrom and Janus Friis. The settlement effectively ends Zennstrom and Friis' litigation against the investor group and eBay.

In return, Zennstrom and Friis will get a 14 percent stake in Skype. They also agreed to make a "significant" capital investment in Skype, eBay said.

When eBay announced the sale in September - after exploring plans to spin out Skype through a public stock offering - it said the investor group would buy 65 percent of Skype for \$1.9 billion in cash and \$125 million to be paid later. EBay was to own the remaining 35 percent.

Now with the stake going to Zennstrom and Friis, the investor group will own 56 percent of Skype, while eBay will keep 30 percent.

Skype's founders filed a copyright infringement suit in U.S. District Court in San Francisco soon after the sale was announced, alleging that Skype was operating in a way that violated an agreement over the use of the Joltid technology. That suit followed a licensing dispute between Joltid and Skype in a U.K. court.

Another suit was filed shortly thereafter against Mike Volpi, who once had headed another Friis-Zennstrom company, Joost NV, and had been a Skype board member. Volpi is now a partner at Index Ventures, which was part of the investment group that planned to buy Skype from eBay. The suit against Volpi alleged he breached his legal duty to Joost by using confidential information in the Skype deal.

EBay said Friday that Index Ventures is no longer part of the group of buyers. Another Index partner and former Skype board member, Danny Rimer, said in a statement that the terms of the Skype deal changed so that it "no longer matches our investment criteria."

The Skype deal is expected to close by the end of the year.

In a statement, eBay CEO John Donahoe said Skype "will be well positioned to move forward under new owners with ownership and control over its core technology."

EBay shares rose 2 cents to \$23.26 in afternoon trading.

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