

## Hewlett Packard spin-off leads to hefty award

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*Hewlett Packard Enterprises' headquarters in California (Credit: Andrei Stanescu/stockphoto)*

California-based IT company Hewlett Packard Enterprise, or HPE, has been ordered to pay US\$666 million in an arbitration arising from the spin-off of its IT services division two years ago.

DXC Technology – a Virginia-based IT services provider formed in 2017 from a merger between Computer Sciences Corporation and HPE’s enterprise services business – announced the result in a securities filing yesterday.

The filing said an arbitration panel had ruled on 15 August, awarding DXC US\$631.8 million in damages and US\$34.3 million in pre-award interest, as well as post-award interest at 3% per annum compounded quarterly until payment.

DXC was represented by a Latham & Watkins team led by New York-based litigation partner **Jamie Wine**. She tells GAR: “While the arbitration result has been publicly disclosed, the arbitration proceeding is otherwise confidential. We are pleased to have obtained this outcome for DXC.” The identity of the arbitrators and the institution that administered the dispute remains unconfirmed. The award arose in a previously disclosed arbitration between DXC and HPE under a 2016 agreement relating to the separation of HPE’s enterprise services business.

According to filings by HPE, DXC served an arbitration demand in March 2018, asserting that HPE was required to indemnify it for any transferred long-term capitalised lease obligations of the enterprise services business that exceed the threshold of US\$250 million.

DXC contended that this threshold was exceeded by approximately US\$1 billion because the valuation of the assets underlying certain leases did not justify their classification as operating leases, thereby rendering them long-term capitalised lease obligations.

HPE said at the time that it believed the relevant leases were properly classified and that DXC's claim had no merit.

In a statement to GAR, HPE described the case as "an accounting dispute".

In its latest securities filing, HPE says that it is "disappointed with the ruling" but that it "does not impact the ongoing commercial contractual relationship" between the two companies that was established at the time of the 2017 spin-off transaction. It says DXC still has a three-year commitment to purchase significant amounts of products and services from HPE, and that the contract will renew automatically for up to an additional year if any part of the purchase commitment is not satisfied.

HPE has declined to identify its counsel in the dispute, but it previously took advice from Gibson Dunn & Crutcher relating to the spin-off, while Computer Sciences Corporation retained Allen & Overy for the transaction. Neither firm responded to a request for comment.

HPE was itself spun off from the Hewlett-Packard Company in 2015 to focus on selling hardware to businesses. The remaining part of the business, focused on personal computers and printers, is now known as HP Inc.

*DXC Technology v Hewlett Packard Enterprise Company*

Tribunal

Unknown

Counsel to DXC

- Latham & Watkins

Partners **Jamie Wine** and **Douglas Yatter** in New York and **Abid Qureshi** in Washington, DC.

Counsel to HPE

Unconfirmed