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TECHNOLOGY M&A

Saudi Arabia

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Technology M&A

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STRUCTURING AND LEGAL CONSIDERATIONS

Key laws and regulations

What are the key laws and regulations implicated in technology M&A transactions that may not be relevant to other types of M&A transactions? Are there particular government approvals required, and how are those addressed in the definitive documentation?

The Kingdom of Saudi Arabia (the Kingdom or Saudi Arabia) has made significant progress in issuing sector specific regulations across the tech landscape, supporting the nation's Vision 2030 goal of diversifying the economy and enhancing its regulatory framework.

For instance, the Saudi Central Bank (SAMA) has introduced multiple new regulatory frameworks to accommodate RegTech solutions. These frameworks, including the Regulatory Sandbox and Open Banking Framework, provide a coherent structure that strengthens the credibility of operators in the financial technology space. By establishing clear regulatory oversight, SAMA's initiatives not only boost confidence in the compliance landscape but also provide a solid foundation for associated M&A activities, allowing companies to navigate transactions with greater assurance and aligning innovative solutions with market stability goals.

The Saudi Data and Artificial Intelligence Authority (SDAIA) has also established AI principles that emphasise transparency, security and ethical AI use, fostering responsible innovation in RegTech and ensuring alignment with national regulatory standards across industries. These guidelines encourage cautious use of AI, particularly with sensitive data, and reinforce best practices in privacy, security and compliance. By setting these principles, SDAIA supports ethical AI development, providing a stable regulatory environment that enhances confidence in tech companies' operations and facilitates M&A activities within the industry in Saudi Arabia.

In addition, certain tech M&A transactions may require additional regulatory approvals depending on the nature of the target's operations. These may include approvals from the Ministry of Communications and Information Technology (MCIT) or the Communications, Space and Technology (CST), particularly if the transaction involves digital infrastructure or telecommunications services.

For instance, entities that operate data centres or manage integrated telecommunication infrastructure are typically required to register with, or obtain a licence from, CST, depending on the specific nature of their services. In certain cases, a change in ownership or control may trigger notification or prior approval requirements, particularly where the activity is subject to a licensing regime. These regulatory considerations are often reflected in transaction documents as conditions precedent to closing. In practice, engaging in early dialogue with CST is advisable, as it helps build regulatory comfort, align expectations and facilitate a more efficient and predictable approval process.

Law stated - 1 August 2025

Government rights

Are there government march-in or step-in rights with respect to certain categories of technologies?

Saudi Arabia does not grant the government broad automatic step-in rights in respect of any specific category of technology.

The Investment Law underscores the importance of protecting the rights of foreign investors, explicitly stipulating that investments, including foreign investments, may not be expropriated, whether directly or indirectly, except for public interest purposes, and only in accordance with applicable legal procedures and for fair compensation. Furthermore, investments may not be confiscated, in whole or in part, except pursuant to a final judicial ruling. It also grants investors the right to resort to the competent courts to resolve any disputes, including those arising with government entities.

Certain technology-related sectors remain subject to foreign ownership restrictions under applicable regulations. These may reflect national security objectives or the strategic importance of safeguarding critical digital infrastructure. For example, in the telecommunications sector, certain licensed activities require that a Saudi shareholder hold no less than 40 per cent of the equity in the licensed entity.

Additionally, the legal framework allows authorities to obtain 'compulsory' licences from tech patent owners in limited cases, such as when a patent is not adequately exploited or where access to the technology is needed for public interest reasons, including health, security or economic development. These rights apply only in specific circumstances and are subject to procedural safeguards (such as requiring the applicant to demonstrate unsuccessful attempts to obtain a voluntary licence on reasonable terms, a formal review by the competent authority to assess the public interest justification and the payment of fair and equitable compensation to the patent holder). In effect, they function as a targeted form of march-in right within the patent system.

Law stated - 1 August 2025

Legal title

How is legal title to each type of technology and intellectual property asset conveyed in your jurisdiction? What types of formalities are required to effect transfer?

In Saudi Arabia, the transfer of legal title to intellectual property assets (IP) is governed by a set of laws and regulations that define the mechanisms of assignment and the formal requirements needed to complete the transfer. Understanding these procedures is essential in the context of mergers and acquisitions, particularly in the technology sector, where IP is often a core component of the target company's value.

Patent ownership may be assigned through a written agreement between the parties. While registration of the assignment with the Saudi Authority for Intellectual Property (SAIP) is not required for the transfer to be valid between the parties, it is necessary to assert the assignment against third parties and to establish enforceable rights in rem. The change of ownership is recorded through SAIP's online platform by submitting supporting documents, such as the executed assignment agreement, along with an application. Upon approval, a nominal fee is payable to finalise the registration.

Copyrights, including software and source code, are classified as 'literary works', and protected accordingly. Economic rights may be assigned in whole or in part through a written agreement that clearly specifies the scope, duration, and permitted use. While registration with SAIP or any other authority is not required for validity, it is recommended to enhance legal protection. The registration process is carried out through the SAIP online portal by submitting an application along with a copy of the work and relevant documents, and it is officially recorded upon review and approval.

Trademarks may be assigned in whole or in part through a written agreement. To be enforceable against third parties, the assignment must be registered with SAIP and published in the Official Gazette. While the assignment is valid between the parties upon execution, registration and publication are required to perfect the transfer and establish rights against others. As the registration process may be pro-longed, it is often carried out post-closing of the transaction.

Failure to comply with the required formalities for IP transfer may expose the transaction to legal risk, limit the buyer's ability to use the acquired IP or affect the valuation of the target. Accordingly, strict adherence to applicable requirements is essential in any acquisition involving technology assets.

Law stated - 1 August 2025

DUE DILIGENCE

Typical areas

What are the typical areas of due diligence undertaken in your jurisdiction with respect to technology and intellectual property assets in technology M&A transactions? How is due diligence different for mergers or share acquisitions as compared to carveouts or asset purchases?

In technology M&A transactions, the level of due diligence conducted by a buyer can vary depending on the nature of the deal. In general, due diligence for technology companies focuses heavily on IP, alongside other standard financial, legal and operational aspects.

For equity financings, due diligence tends to be more limited and high-level. Investors typically focus on key areas such as ownership of core IP, key contracts and compliance with relevant regulations. This streamlined approach reflects the fact that equity financings often involve minority stakes or early-stage companies where full due diligence might not be necessary or practical.

However, for full exits or significant acquisitions, a comprehensive due diligence process is usually conducted. This usually includes a full-scope examination across corporate, debt, employment, real estate, IP and other relevant areas.

It's also worth noting that tech companies, particularly startups, are often run in a fast-paced, less structured manner. As a result, investors frequently discover areas that require corrective action during the due diligence process. These could include issues with undocumented IP, incomplete contracts or compliance gaps, which need to be addressed before the transaction can proceed smoothly. Depending on the nature and significance of these findings, the preferred approach is often to handle them post-closing, allowing capital to be injected promptly to fuel business growth.

In carve-outs or asset purchases, the process can be more complex. Unlike equity deals, these structures require the specific transfer of individual assets, contracts and licences, and often rely heavily on third-party consents, novations and regulatory registrations. A key challenge in these transactions is accurately identifying and documenting all the assets to be transferred, particularly in the tech space, where certain assets such as software code, internally developed tools or unregistered IP may not be clearly recorded or formally registered. As a result, there is a risk of unintentionally excluding critical components of the business. Particular care must be taken to ensure that the entire business is transferred as a going concern and that all necessary assets, systems and rights are included to enable uninterrupted operations post-closing.

Law stated - 1 August 2025

Customary searches

What types of public searches are customarily performed when conducting technology M&A due diligence? What other types of publicly available information can be collected or reviewed in the conduct of technology M&A due diligence?

In technology M&A due diligence, customary public searches include reviewing intellectual property registries (eg, Saudi Authority for Intellectual Property (SAIP), WIPO and the Gulf Cooperation Council Patent Office) to verify ownership and registration status of patents, trademarks and designs as well as commercial registry records to confirm corporate details and trade name rights. Additional searches may cover domain ownership (eg, SaudiNIC), litigation records involving technology or IP disputes, and regulatory announcements from authorities such as CST or the Saudi Data and Artificial Intelligence Authority (SDAIA).

Law stated - 1 August 2025

Registrable intellectual property

What types of intellectual property are registrable, what types of intellectual property are not, and what due diligence is typically undertaken with respect to each?

In Saudi Arabia, there is a clear distinction between registrable and non-registrable IP. Registrable IP includes patents, trademarks, industrial designs and plant varieties, all of which require formal registration with SAIP to obtain legal protection and enforceability. Patents protect novel and inventive solutions, trademarks cover distinctive signs such as brand names and logos, and while industrial designs and plant varieties are less common in tech deals, they are also statutorily protected once registered.

Non-registrable IP includes copyrights, trade secrets and know-how. Copyrights – such as software and source code – are protected automatically as literary works without the need for registration. Trade secrets and know-how rely on contractual protections including confidentiality agreements and internal access controls rather than statutory filings.

Due diligence for registrable IP typically involves verifying ownership, registration status, territorial scope and the existence of licences, liens or disputes. For non-registrable IP, the focus is on reviewing contractual arrangements, employee and contractor IP assignment and the adequacy of internal protection measures. In practice, buyers scrutinise both categories to assess the integrity of the target's IP portfolio and identify any gaps or risks that may affect the enforceability or value of key assets.

Law stated - 1 August 2025

Liens

Can liens or security interests be granted on intellectual property or technology assets, and if so, how do acquirers conduct due diligence on them?

In Saudi Arabia, as a general principle, it is permissible to create security interests and liens over intellectual and technological assets. This is particularly common across various sectors, especially when such assets are used as collateral for financing. These assets include trademarks, patents, software (copyrights) and databases.

The relevant security interests are governed by various legal frameworks. For example, the pledge over trademarks is subject to the Trademark Law and its implementing regulations, while pledges over copyrights are governed by the Copyright Law and its implementing regulations and the Securing Rights on Movable Assets Law. For such pledges to be valid, a written agreement must be in place and the pledge must be registered in the relevant registry, either with the SAIP or in the Unified Register of Commercial Pledges maintained by the Ministry of Commerce.

As part of due diligence, acquirors typically review these registries to confirm the existence, scope and priority of any registered security interests. The timing of the release of such interests varies depending on negotiations with the security holders but is commonly arranged to occur either immediately prior to or at closing, with formal discharge recorded in the relevant registry. The registration or release process is generally straightforward and can often be completed within a few business days.

Law stated - 1 August 2025

Employees and contractors

What due diligence is typically undertaken with respect to employee-created and contractor-created intellectual property and technology?

Due diligence on IP created by employees and independent contractors is essential to ensure proper ownership and transfer of key intangible assets. For employees, it is standard practice to review employment contracts to confirm they include valid IP assignment clauses, particularly where the employee was involved in developing inventions, software or other proprietary technology.

While IP created in the course of employment typically vests in the employer by operation of law, express contractual provisions are still important to avoid ambiguity or future disputes. In the case of independent contractors, IP does not transfer by default, so it is critical that contractor agreements include clear and enforceable assignment language.

Due diligence also involves reviewing internal policies such as confidentiality obligations, invention disclosure procedures and employee exit protocols to confirm that IP ownership is properly documented and protected.

Given the potential for employment-related claims in the Saudi market, especially in larger organisations, thorough review of all relevant agreements and internal processes is recommended to ensure clean and enforceable ownership of IP by the target.

Law stated - 1 August 2025

Transferring licensed intellectual property

Are there any requirements to enable the transfer or assignment of licensed intellectual property and technology? Are exclusive and non-exclusive licences treated differently?

Exclusive and non-exclusive licences are treated differently when it comes to transfer or assignment. Exclusive licences may include the right to assign or sublicense, but only if such rights are expressly stated in the agreement; otherwise, the licensee cannot transfer the licence without the licensor's consent. Non-exclusive licences are typically personal to the licensee and cannot be assigned or sublicensed unless the agreement explicitly allows it. In both cases, the terms of the licence agreement govern the ability to transfer rights, and careful review is required to identify any restrictions or conditions related to assignment or change of control.

Law stated - 1 August 2025

Software due diligence

What types of software due diligence is typically undertaken in your jurisdiction? Do targets customarily provide code scans for third-party or open source code?

Software due diligence typically focuses on verifying ownership, reviewing development and licensing agreements, and assessing the use of third-party and open-source components, particularly to identify restrictive licences that may impact commercialisation or transferability. While not yet standard market practice, it is increasingly common – especially in tech-heavy transactions – for buyers to request or conduct third-party code scans to detect open-source usage, licence conflicts and security vulnerabilities. Where software is a core asset, buyers may also engage technical advisers to assess code quality, architecture and scalability as part of broader technical diligence.

Law stated - 1 August 2025

Special or emerging technologies

What are the additional areas of due diligence undertaken or unique legal considerations in your jurisdiction with respect to special or emerging technologies?

Due diligence on special or emerging technologies – such as artificial intelligence (including natural language processing and speech recognition), Internet of Things (IoT), autonomous driving and big data – remains relatively limited in scope, as these technologies are still developing and not yet widespread across the local market.

Where such technologies are present, buyers typically assess additional legal and regulatory considerations, including compliance with SDAIA's AI Principles for AI solutions, data licensing and training data ownership, and the use of third-party models. For IoT, due diligence focuses on device certifications, cybersecurity measures and compliance with CST regulations. Autonomous driving remains largely unregulated, so reviews focus on import licences, pilot approvals and liability issues. For big data, key considerations include data ownership, anonymisation practices and compliance with the Personal Data Protection Law, particularly around data localisation and cross-border transfers.

In such niche sectors, buyers often conduct targeted diligence with input from regulatory or technical advisers where relevant.

Law stated - 1 August 2025

PURCHASE AGREEMENT

Representations and warranties

In technology M&A transactions, is it customary to include representations and warranties for intellectual property, technology, cybersecurity or data privacy?

Customary warranties across fundamental (including capacity, title and authority), tax and operational are usually given by the sell side. In technology M&A transactions, these are often supplemented by focused warranties relating to IP, technology, cybersecurity and data privacy, particularly where such assets are material to the target's business.

Typical IP and technology warranties cover ownership and validity of IP, absence of infringement, proper registration and maintenance of rights and confirmation that no third-party consents are required for continued use. Cybersecurity warranties often address the existence of reasonable security measures, absence of material breaches and compliance with internal policies. Data privacy warranties focus on compliance with applicable laws, including the Personal Data Protection Law and its implementing regulations, proper collection and use of personal data and any known breaches or investigations. These warranties are often tailored based on the nature of the target's business and the risk profile of its tech assets.

Law stated - 1 August 2025

Customary ancillary agreements
What types of ancillary agreements are customary in a carveout or asset sale?

In a carve-out or asset sale in Saudi Arabia, it is customary to include several ancillary agreements to ensure operational continuity and address the separation of previously integrated functions. A transition services agreement is often used to enable the target to continue receiving key services – particularly support functions such as IT, HR, finance or logistics – for a limited period post-closing. Where the carved-out business previously relied on the seller's branding, a transitional trademark licence may also be granted to allow the buyer/target to use the seller's marks temporarily while transitioning to its own brand. In transactions involving shared intellectual property, a cross-licence agreement may be entered into, enabling each party to continue using certain retained or transferred IP essential to their operations.

In some cases, existing debt arrangements tied to the seller's broader corporate group can be difficult to unwind at closing, particularly where the carved-out business was not independently financed. To address this, it is common to leave certain facilities or guarantees temporarily in place, with cross-guarantees or indemnities agreed between the parties to allocate risk and ensure continued lender compliance until refinancing or full separation can be achieved.

Law stated - 1 August 2025

Conditions and covenants
What kinds of intellectual property or tech-related pre- or post-closing conditions or covenants do acquirers typically require?

In technology M&A transactions, acquirors commonly require conditions precedent to closing to ensure clean ownership of key assets. These may include the execution of IP assignments from employees or contractors, remediation of open-source software issues, potential approvals from regulatory authorities in the technology sector, consents from relevant counterparties (particularly in cases where there are technology infrastructure assets linked to a large third-party off-taker) and the correction of any gaps in the chain of title for registered IP.

Post-closing covenants often include completing remaining registration formalities, facilitating the transfer of domain names or software accounts and ensuring ongoing cooperation from the seller to address any residual IP matters.

Law stated - 1 August 2025

Survival period
Are intellectual property representations and warranties typically subject to longer survival periods than other representations and warranties?

In technology M&A transactions, intellectual property representations are typically treated as part of general business warranties and are not subject to longer survival periods. Business warranties, including IP, usually survive for 12 to 24 months post-closing, while fundamental and tax warranties often have extended survival periods of up to five years, depending on the negotiated terms.

Law stated - 1 August 2025

Liabilities for breach

Are liabilities for breach of intellectual property representations and warranties typically subject to a cap that is higher than the liability cap for breach of other representations and warranties?

In technology M&A transactions, liabilities for breach of IP warranties are not typically subject to a higher cap than other business warranties. Instead, IP warranties are usually grouped with general business warranties and are subject to the same financial cap, which ranges between 15 and 40 per cent of equity value. In contrast, fundamental warranties (eg, title, capacity and authority) and tax warranties often have a higher cap – frequently up to 100 per cent of the equity value. However, in deals where IP is a critical asset, buyers may negotiate carve-outs or separate sub-caps for specific high-risk IP issues, but this remains the exception rather than the norm.

Law stated - 1 August 2025

Liabilities for breach

Are liabilities for breach of intellectual property representations subject to, or carved out from, de minimis thresholds, baskets, or deductibles or other limitations on recovery?

In technology M&A transactions, liabilities for breach of IP warranties are not typically subject to a higher cap than other business warranties.

Law stated - 1 August 2025

Indemnities

Does the definitive agreement customarily include specific indemnities related to intellectual property, data security or privacy matters?

As the market currently stands, the definitive agreements may include specific indemnities related to intellectual property, data security or privacy matters, particularly where specific material risks are identified during due diligence or are otherwise material to the target's business. These indemnities are often used to ring-fence known issues that fall outside the general warranty regime.

Law stated - 1 August 2025

Walk rights
As a closing condition, are intellectual property representations and warranties required to be true in all respects, in all material respects, or except as would not cause a material adverse effect?

IP warranties are typically required to be true in all material respects or except where any breach would not result in a material adverse effect. A stricter 'in all respects' standard is rare and would be a heavily negotiated position. The bring-down standard generally aligns with other business warranties, with a walk right triggered only by breaches that are materially adverse.

Law stated - 1 August 2025

UPDATES AND TRENDS

Key developments of the past year
What were the key cases, decisions, judgments and policy and legislative developments of the past year?

The technology M&A landscape in Saudi Arabia is entering a transformative phase, propelled by the Kingdom's Vision 2030 initiatives. Key sectors such as artificial intelligence, cloud services and data centres are poised for rapid growth, driven by increasing demand for digital infrastructure and advanced technologies. These developments are expected to create a thriving environment for technology investments, with both local and international players seeking to capitalise on Saudi Arabia's digital transformation.

Supporting this growth, the regulatory framework is constantly evolving to simplify the investment process and encourage tech sector participation. The new Investment Law and competition regulations have enhanced the ease of doing business, while sector-specific standards, especially in cybersecurity, data protection and fintech, provide a robust framework for responsible growth and innovation. Additionally, the Personal Data Protection Law is set to ensure strong compliance standards, reinforcing the market's appeal to technology investors.

A notable milestone is the launch of HUMAIN, a Public Investment Fund-backed artificial intelligence company chaired by the Crown Prince HRH Mohammed bin Salman. HUMAIN is tasked with developing end-to-end AI capabilities, including advanced data centres, Arabic-language AI models and a US$10 billion global venture fund to back AI innovation. Supported by major partnerships with leading international technology players, HUMAIN positions Saudi Arabia as an emerging global hub for AI and digital infrastructure – opening the door to increased technology-focused M&A activity (both outbound and domestic).

Additionally, the success of recent tech IPOs on Tadawul underscores Saudi Arabia's strong appeal for high-growth technology companies. These listings have demonstrated robust investor interest, establishing the Saudi public markets as a viable platform for tech firms seeking capital and expansion.

Given these dynamics, we anticipate significant growth in the technology M&A space in Saudi Arabia over the coming 12 to 24 months, driven by regulatory improvements, a favourable investment climate and rising demand across tech sectors.

Law stated - 1 August 2025