

Hewlett-Packard arguing for \$4 billion in damages over Autonomy losses

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Hewlett-Packard is claiming as much as \$4 billion from Autonomy founder Mike Lynch over allegations of fraud linked to the multibillion-dollar sale of his software company in 2011. A hearing into damages began today at the High Court in London and is expected to last a fortnight.

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HP sued Lynch and former chief financial officer, Sushovan Hussain, alleging accounting fraud prior to Autonomy's sale to HP for \$11.1 billion. The suit was heard in a nine-month civil trial in London in 2019, and two years ago, HP was judged to have "substantially succeeded" in its claim.

Lynch has said he will seek to appeal that ruling, but this is on hold until after an assessment of how much damages HP should receive. A hearing into that question began today at the High Court in London and is expected to last a fortnight.

HP told the court today it was seeking more than \$4 billion from Lynch and Hussain to compensate for losses it suffered from having to write down the value of Autonomy.

"Autonomy used a variety of tools to inflate its ostensible software revenues to maintain its reputation as a highly successful "pure software" company, HP said in court documents.

"The defendants dishonestly misrepresented the financial position and performance of Autonomy during the Relevant Period ... HP/Bidco bought a smaller and less successful company than it was represented to be and that HP was led to and did believe that it was acquiring."

"It is also common ground that Autonomy's software revenue growth over the relevant period was lower than was represented," HP said.

In its filings today, Autonomy said its own cashflows were not reduced as a result of accounting issues identified by the court. It added HP wouldn't have paid much less for the company even if accurate information had been given about the company's financial position and performance.

"Autonomy's technology would have been no less attractive, and no less successful and valuable, in the counterfactual world," the company said. "The question for the court is, what price would have been paid ... the difference between that and the actual price being the recoverable loss."

Lynch was last year sent to the US to face fraud charges over Autonomy's sale after losing an appeal battle against extradition.

The US Department of Justice lodged criminal charges against Lynch and other former Autonomy executives in 2018, accusing them of artificially inflating the company's revenues between 2009 and 2011, causing HP to overpay for it. The DOJ is also seeking to confiscate \$815 million generated by the alleged fraud. Lynch denies any wrongdoing. The US trial starts next month.

Last month, Lynch filed a claim against the director of the Serious Fraud Office as part of a media and communications and data protection filing against the prosecutor (see [here](#)). A hearing on that claim is due to take place next month.

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Areas of Interest: Financial Crime

Industries: Media & Telecommunications

Geographies: Europe, Northern Europe, United Kingdom