



INTERNATIONAL INSOLVENCY INSTITUTE

*Proposal For Study and Recommendations in the Area of
Financing of Intellectual Property Assets*

Committee on Intellectual Property Rights in Bankruptcy

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**COLLOQUIUM ON SECURITY INTERESTS
IN INTELLECTUAL PROPERTY**
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**DEFAULT REMEDIES AND ENFORCEMENT OF A SECURITY
RIGHT IN PATENTS**

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1 - BACKGROUND:

In this paper, focus will be made on enforcement remedies in patent rights, particularly in case of insolvency as seen from an insolvency practitioner's point of view in a Danish perspective.

As far as patent rights are concerned, the general requirements for creation and protection of patent rights are registration in a national or international patent register according to relevant patent legislation.

Seen in an international perspective, the national patent legislation offers many similarities, especially as far as protection of a registered patent right is concerned which is of course based on the nature and global use of rights according to registered patents.

In spite of rather substantive patent legislation, third party regulation - in particular in relation to transfer, security and protection of patent rights - cannot be found in the patent law itself in many jurisdictions but is governed by other laws or case law.

Especially in the civil law jurisdictions, where the property regulation is based on case law, you can expect to find many legal differences which will first of all be reflected in case of bankruptcy.

As a consequence of those legal differences, the following presentation will focus on Danish legislation and case law, even though many of the basic principles will equally apply to other civil law jurisdictions.

2 - THE NATURE OF THE PATENT RIGHT:

According to the Danish Patent Act, a security right can be registered in the Danish Patent Office.

However, it is essential to bear in mind that this registration does not automatically give the creditor in question a secured right.

2a - Security in Patent Rights

To obtain a secured right, the creditor has to have his right registered in the License' and Encumbrances' register. As far as registration is concerned, the rules applying to patent rights are the same as applying for registration of rights in tangible property, and the protection attached to the registration is also identical. As a consequence, the registered patent right will be treated as all other kinds of tangible property in case of bankruptcy of the right owner.

It has to be underlined that a security right in a registered patent right can only be granted by the person registered as actual owner and the registration number can be used as the necessary identification. However, other rights deriving from the registered patent right such as licence rights will always have to respect a better right of the registered owner. Furthermore, according to the law such licence contracts are as a general rule non-transferable to a third party unless otherwise agreed, and, thus, the contract will normally not represent any value that can be used as security for a possible assignee nor for the bankruptcy estate, as the contract has to be respected.

The nature of a patent right will also apply when a patented product has been integrated in a product in a way that it has lost its identity and can no longer be identified.

In that case, the patent right owner or properly registered security creditor will no longer be able to enforce their rights, and, in case of bankruptcy, their claim will not be secured.

2b - Security Rights in Royalty

As far as Royalty according to patent rights is concerned, security can be obtained according to applicable law on instrument of debts, where a specific notification procedure has to be obtained in order to create security. In case the notification procedure has been properly carried out, the debtor will have to pay to the assignee.

2c - Floating Charge

Even though Denmark as from January 2006 has applied a very simplified floating charge system on request of financial institutions, who have claimed that it would thus be easier to get financing. The system also includes a possibility of floating charge in claims deriving from patent rights. But, by far, makes it possible to comply with the need of legislations in order to facilitate financial transactions in all aspects where patents play a role.

3 - CONCLUSION

As a conclusion, it can be stated that many civil law jurisdictions by far have regimes to facilitate financial transactions in which intellectual property plays a role.

In Submission of **The International Insolvency Institute to UNITRAC Colloquium on Financing of Intellectual Property** you will find some suggested recommendations that should be considered to be included in any UNITRAC work produced on the subject.

This paper can be regarded as an appendix to the International Insolvency Institute Submission, and the suggested recommendations will make an effective secured transactions regime.