Baker McKenzie.

IP license agreements in insolvency

Managing licensing arrangements in financially turbulent times | June 2020

Summary

The ongoing COVID-19 pandemic has profoundly reshaped the global business landscape. Some companies that only months ago seemed unstoppably profitable have been brought to an existential brink by extended lockdowns, supply chain failures, and other obstacles caused by the pandemic. Other companies who have experienced less disruption (or in some cases windfalls) stand at the threshold of opportunity even as they prepare themselves for the challenges of the "new normal".

In this new landscape, we expect to see an increase in bankruptcy filings and companies experiencing insolvency difficulties. Such companies may seek to renegotiate current business arrangements with third parties, restructure or liquidate key assets to enable them to weather the storm and eventually return to profitability.

However, insolvent parties are not the only ones who will be affected by the anticipated uptick in bankruptcy filings. Creditors will pursue strategies to recover as much of their debt as possible. Similarly, the license partners of insolvent companies will seek to preserve their rights to use licensed intellectual property amidst the uncertainty of bankruptcy. Likewise licensors will want to ensure royalty payments are collected and optimized. Lastly, shrewd third parties may find opportunities to bid on and acquire intellectual property assets that wouldn't ordinarily become available.

Each of these parties will need to understand the unusual rules of intellectual property licenses in insolvency proceedings in order to effectively approach the risks and opportunities posed by this daunting new landscape. This guide presents answers to some of the most common IP licensing issues arising in insolvency proceedings in sixteen key jurisdictions — including notably the United Kingdom, where recent insolvency legislation has introduced significant reforms to the insolvency process and the treatment of intellectual property in such proceedings.

1. What does the applicable law provide regarding the treatment of IP licenses in insolvency proceedings? What are the general principles of the treatment of IP license agreements? Is there a difference depending on the type of proceeding? What are the laws governing the treatment of IP license agreements in insolvency proceedings?
2. Are contractual provisions automatically terminating licenses or automatically transferring licensed IPR to the licensee by virtue of insolvency valid and enforceable?
3. What does this practically mean for licensors and licensees? Does a license agreement remain valid during an insolvency proceeding? Is the trustee or receiver obliged to perform the obligations under a license agreement? What can a licensee do to protect its right to use the licensed IPR? Can a licensor prevent a trustee or receiver from selling the insolvent licensee's rights under a license agreement?
4. Are there differences regarding trademark, copyright and patent licenses?
5. Is there a risk in transferring licensed IPR to a third party in anticipation of an insolvency?

__Disclaimer:__ The foregoing is a high-level overview of general principles and should not be relied on without getting legal advice regarding a particular situation, as the facts are often critical to the determination of these issues, particularly where there is judicial discretion. In addition, in many cases local courts are called upon to decide some issues under foreign laws, which often apply to many IP license agreements. Equally, multinational versus purely local insolvency proceedings can add a layer of complexity.

EMEA

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England & Wales

What does the applicable law provide regarding the treatment of IP license agreements in insolvency proceedings in the UK?

a. What are the general principles of the treatment of IP license agreements in insolvency proceedings? Is there a difference depending on the type of proceeding (e.g., a court-appointed receivership, a bankruptcy, a restructuring, etc.)?

The insolvency of a UK incorporated licensor will not usually affect the validity of an IP license and would not result in an automatic termination of an IP license.

The overall position of IP licenses needs to be assessed in light of the Corporate Insolvency and Governance Act (the "**CIG Act**") which was introduced as a bill into the UK Parliament on 20 May 2020, and came into force on 26 June 2020. The CIG Act effects significant changes to UK insolvency law in a number of areas, including in relation to *ipso facto* clauses (termination by reason of insolvency).

Section 14 of the CIG Act introduces a new section into the Insolvency Act 1986 which will restrict the operation of such clauses in contracts for the supply of goods or services where a company enters into an "insolvency procedure" (e.g. the implementation of a CVA or a company going into administration or liquidation). The CIG Act does not include a definition of a "contract for the supply of goods or services" but the meaning is potentially broad. While each agreement would need to be assessed on a case-by-case basis, as a matter of ordinary language, a contract to supply services would be capable of including a contract under which one party agrees to allow another party to take use of IP rights. There also seems to be a good argument that it was within the intended policy of the legislation to preclude the operation of ipso facto clauses in relation to such agreements, since the continued ability to use IP rights may be essential to the ability to restructure a company.

On the assumption therefore that an IP license would be in scope of such provisions, there would be a prohibition on the termination of an IP license or 'doing any other thing' (e.g. amending payment terms) in respect of that contract, simply by reason of the company entering into an 'insolvency procedure' (even where the IP license gives a termination right in those circumstances). Other grounds of termination (i.e. that are not based on insolvency, such as non-payment) may still be utilised, if triggered following the entry of the Licensee into an insolvency procedure and it should be noted that the legislation incorporates "late triggers" meaning a Licensor is largely restricted from taking action at the point at which its Licensee is subject to a formal insolvency procedure of one sort or another but not prevented from terminating (if the IP License allows it) at earlier signs of financial distress or insolvency.

There are some limited circumstances in which a UK insolvency office holder appointed to manage a liquidation can "disclaim" the terms of a license (where the property is an unprofitable contract or is unsaleable). Equally, if an insolvency professional disregarded the terms of the license in breach of its terms, the remedy in damages for the licensee may, in practical terms, be worthless as that claim would rank as an unsecured claim in the licensor's estate, in respect of which any recoveries would be low/minimal.

England & Wales

What does the applicable law provide regarding the treatment of IP license agreements in insolvency proceedings in the UK?

b. What are the laws governing the treatment of IP license agreements in insolvency proceedings?

In the UK, there is no express statutory provision that deals specifically with the impact of insolvency on IP licenses, and IP licenses are treated in the same way as other contracts of an insolvent UK entity.

In the absence of any contractual provisions in the IP license dealing with insolvency, the UK insolvency of the licensor or the appointment of an insolvency office holder would not result in the automatic termination of an IP license granted by the UK licensor to a licensee. Generally, the key objective of any UK insolvency office holder is to either realize the assets of the licensor for the maximum amount possible or achieve the survival of the licensor. If preservation of the license is not considered to be in the best interests of the insolvent estate, the insolvency office holder could:

a. terminate the license (if there is a contractual right allowing them to do so);

b. cause the insolvent entity to repudiate or decline to perform, i.e., breach the license (giving rise to an unsecured and potentially valueless claim to the licensee for damages for breach of contract); or

c. if the company has appointed a liquidator, "disclaim" the license (the risk of the license being disclaimed is limited only to a company that has entered into **liquidation**); disclaimer is not available in an administration. A liquidator only has the power to disclaim "onerous property." Onerous property is (i) any unprofitable contract and (ii) any other property of the company that is unsalable, not readily saleable, or is such that it may give rise to a liability to pay money or perform any other onerous act.

The disclaimer of onerous property only operates to determine the rights, interests and liabilities of the company (i.e., the licensor) in the license, and it serves to release the company from its liabilities. However, it does not affect the rights or liabilities of another person or counterparty to a contract (i.e., the licensee). This means that if the licensor's liquidator disclaims the license, the licensee nevertheless retains the right to use any licensed IP, as the disclaimer only operates to release the insolvent company from its obligations and does not affect the rights of the licensee. Furthermore, where a liquidator disclaims an IP license, an entity with an "interest" in the IP in question (e.g., an exclusive licensee) can appeal to the court to have the property vested in it as per s 181 of the Insolvency Act 1986.

However, despite the fact that it should be possible as a matter of law for an IP license to survive the insolvency of a UK licensor, there is very limited actual authority of this being tested in UK courts.

Are contractual provisions automatically terminating licenses (and distribution agreements) or automatically transferring licensed IPR to the licensee by virtue of an act of insolvency valid and enforceable, having regard to anti-deprivation rules?	Where the licensee is in administration, the administration moratorium prevents the exercise of security or proprietary rights over assets. Under the CIG Act a new freestanding moratorium will shortly be introduced which could also be used to give a licensee short-term breathing space. While the new moratorium is similar in scope to that which applies in administration, the administration moratorium is more powerful as there are a number of notable exceptions to the "payment holiday" provided under the standalone moratorium, including the requirement that financial debt must continue to be met. Under the new moratorium, the directors will remain in control of the company, albeit overseen by an insolvency practitioner acting as the "monitor". See discussion in Question 1 above in relation to the ability of a Licensor to rely on contractual rights of termination. If the license contains express contractual provisions that automatically assign the licensed IPR to the licensee upon insolvency, then it is likely valid and enforceable. A provision of this kind would need to be considered carefully, and any purchase price would need to be set at an arm's length amount to avoid falling foul of the anti-deprivation principle. This provision would also need to contain an irrevocable power of attorney in favor of the licensee so that it can take all of the steps necessary to perfect the assignment back.
What does this practically mean for licensors and licensees?	**a. Does a license agreement remain valid during an insolvency proceeding?** Yes, a license agreement would remain valid during an insolvency proceeding, subject to contrary contractual provisions (as discussed above). The Insolvency Act 1986 does not provide for the automatic termination of IP licenses on insolvency. See above commentary for when an insolvency professional might disregard or "disclaim" a license. **b. Is the trustee or receiver obliged to perform the obligations under a license agreement?** In practical terms, no. If the insolvency professional caused or allowed the insolvent entity to repudiate or decline to perform, i.e., breach the license, this would likely give rise to an unsecured and potentially valueless claim to the licensee for damages for breach of contract.

What does this practically mean for licensors and licensees?

c. What can a licensee do, if anything, to protect its right to use the licensed IPR?

Record the license

For IP that is registered in the UK, a licensee can record their interest as licensee with the IP Office. A license that is registered in this way will be binding on any successor in title to the UK registered IP right. If the license is not registered at the IP Office, a license granted by the owner of a UK registered IP right will still bind any successor in title to the UK registered IP, except a purchaser of those rights who buys them for good value, in good faith and without notice of the license. This means that, if an insolvency office holder was to try to sell on the registered IP to another party as part of either a going concern sale of the business and assets or a break up sale, as long as (i) the license had not been disclaimed or terminated and (ii) either the new owner has actual notice of the license or the license is recorded on the public register, then the new owner of the UK registered IP right would be bound by the terms of the license. The position in relation to rights registered in other countries but which are licensed by an insolvent UK licensor would depend on the local rules around registration of licenses.

Contractual considerations

- Include clauses in the license which stipulate that any transfer of the rights by the licensor is subject to the license;
- Seek to limit any contractual rights of the licensor to terminate the license, including on insolvency of either party;
- Include in the license a pre-emption right or an option for the licensee to buy the IP, exercisable on certain pre-insolvency events such as failure to pay renewal fees for the IP; or
- Include clauses in the license such that if the licensor becomes insolvent, the license will become perpetual and royalty-free. This is suitable in instances where the license is of rights created specifically for a particular business (e.g., customized software).

Structural/pricing considerations

- The licensee could seek a parent company or directors' personal guarantee of the licensor's obligations under the license.
- Take the benefit of security over the IP. The registration of the security interest on the relevant IP register or at Companies House may have the effect of putting a new licensee or buyer on notice of the existing license, and dissuade them from engaging with the office holder in breach of the disclosed license.

England & Wales

What does this practically mean for licensors and licensees?	▪ The license could be structured so that a bullet payment is made at the end of the license period. In practical terms, this may persuade an insolvency office holder to hold off terminating the license until the office holder is able to receive the payment for the benefit of the creditors. ▪ Using an escrow arrangement, the licensor would assign the licensed IP to an escrow agent, for the escrow agent to hold on trust. The escrow agent, via an escrow agreement between the escrow agent, licensee and licensor, would hold the IP on trust for the licensee and the licensor on the basis that, on the insolvency of the licensor, the escrow agent would transfer the IP to the licensee. Escrows are not commonly used other than in the context of software, where parties do sometimes put the source code into escrow for release on insolvency. Even in instances where parties set up an escrow arrangement, they rarely have the discipline to use it effectively as it requires regular updates to the source code being held. **d. Can a licensor prevent a trustee or receiver from selling or transferring the insolvent licensee's rights under a license agreement?** This would be determined by the terms of the contract and its governing law. There is no over-arching principle that would override those terms.
Are there differences regarding trademark, copyright and patent licenses, noting any exceptions, e.g., mandatory licensing or standard essential patents?	No.
Is there a risk in transferring licensed IPR to a third party in anticipation of an insolvency?	There is a risk in that this transaction would be considered as a transaction defrauding creditors under s 423 IA 1986. This is because it has broad application and does not require the company to be insolvent. A transaction defrauding creditors is established if (i) the IPR is transferred at an undervalue to the third party and (ii) the purpose of this transaction is to put assets beyond the reach of a person who is making or may make a claim against the company, or to otherwise prejudice a person's interest in relation to such a claim. Further, if the licensor went into an insolvency process, the office holder can challenge and review transactions that lead up to the insolvency. There is also a risk (on similar grounds as the s 423 offense above) that a transaction entered into during the two years before the onset of insolvency could potentially be challenged as a transaction at an undervalue under s 238 IA 1986.

France

What does the applicable law provide regarding the treatment of IP license agreements in insolvency proceedings in France?	**a. What are the general principles of the treatment of IP license agreements in insolvency proceedings? Is there a difference depending on the type of proceeding (e.g., a court-appointed receivership, a bankruptcy, a restructuring, etc.)?** Under French law, licensed IP rights fall into the insolvency estate, regardless of the type of proceeding. **b. What are the laws governing the treatment of IP license agreements in insolvency proceedings?** There are no specific provisions regarding the treatment of IP license agreements. The general provisions of the Commercial Code on insolvency proceedings will apply.
Are contractual provisions automatically terminating licenses (and distribution agreements) or automatically transferring licensed IPR to the licensee by virtue of an act of insolvency valid and enforceable, having regard to anti-deprivation rules?	It is not possible to provide for an automatic termination of the agreement or an automatic transfer of the licensed IPR explicitly because of the insolvency of a party. However, it is possible to include provisions in an IP license agreement providing for an obligation to renegotiate the agreement if its performance becomes excessively onerous for the licensee due to unforeseeable events. A right of first refusal of the licensed IPR or promise to sell the licensed IPR could be included in the agreement. However, the validity of such provisions and their wording should be checked in each individual case.
What does this practically mean for licensors and licensees?	**a. Does a license agreement remain valid during an insolvency proceeding?** The trustee is in a position to decide on the fate of the license agreement by exercising the right to choose whether ongoing contractual relationships should continue to be fulfilled by both of the parties or terminated. If the trustee opts for the continuation of the license agreement, the agreement will remain valid and enforceable under the same terms and conditions. If the trustee decides to terminate the license agreement, the contracting party will be entitled to seek damages for the loss incurred because of the termination. However, the claim for damages does not benefit from any priority and has to be filed in the insolvency proceedings.

France

What does this practically mean for licensors and licensees?	**b. Is the trustee or receiver (acting for licensee or licensor) obliged to perform the obligations under a license agreement?** The trustee has the right to terminate the license agreement. In this case, both parties will be released from their obligations. As indicated above, if the trustee opts for the continuation of the license agreement, the trustee, as the contracting party, will be obliged to perform the obligations stemming from the agreement, under the same terms and conditions as applicable prior to the opening of the insolvency proceedings. **c. What can a licensee do, if anything, to protect its right to use the licensed IPR against an insolvency of licensor?** At the moment, neither legislation nor case law provides a watertight solution for the licensee to protect its rights to use the licensed IPR against the insolvency of the licensor. However, different contractual provisions could be included in the license agreement, such as the grant of a usufruct to the licensee, a promise to sell the licensed IPR or a right of first refusal. The effectiveness of such provisions and their wording should be checked in each individual case. For software, escrow provisions are recommended in order to preserve access to the source code. In any case, the potential insolvency of the licensor should be addressed in the license agreement. **d. Can a licensor prevent a trustee or receiver from selling or transferring the insolvent licensee's rights under a license agreement?** Contractual provisions that restrict or prohibit the sale of an asset remain generally valid in the case of a sale of isolated assets, but generally do not remain valid in the case of a sale of the whole business of the company. The effectiveness of such provisions should be assessed in each individual case.
Are there differences regarding trademark, copyright and patent licenses, noting any exceptions, e.g., mandatory licensing or standard essential patents?	Trademarks, patents, designs and copyrights, and the according rights to use those IPRs, are valuable assets in the sense of French insolvency law and fall into the insolvency estate. Due to their character as personal rights, several special provisions apply to copyrights, e.g., moral rights are excluded from the insolvency estate. The French IP Code contains some specific provisions aimed at protecting the author in the case of insolvency of publishers or audiovisual producers.
Is there a risk in transferring licensed IPR to a third party in anticipation of an insolvency?	Yes. There is a risk that the transfer may be challenged and annulled.

Germany

What does the applicable law provide regarding the treatment of IP license agreements in insolvency proceedings in Germany?	**a. What are the general principles of the treatment of IP license agreements in insolvency proceedings? Is there a difference depending on the type of proceeding (e.g., a court-appointed receivership, a bankruptcy, a restructuring, etc.)?** Under German law, licensed IP rights fall into the insolvency estate. The trustee is in a position to decide on the fate of the license since they have the right to choose whether the contractual relationship should continue to be fulfilled; the trustee has the option to fulfill a contract of the insolvent party themselves, demand performance from the contractual partner or refuse performance. There is one exception; where a license agreement has been "fully performed" by both parties according to German insolvency law, the trustee cannot decide whether the contractual relationship should continue to be fulfilled. However, the assessment of whether the license agreement is therefore insolvency-proof depends on the circumstances of each case. At the moment, neither legislation nor case law provides general guidance on making a license agreement insolvency-proof. Several attempts to introduce legislation to this effect have failed so far. **b. What are the laws governing the treatment of IP license agreements in insolvency proceedings?** The treatment of IP licenses follows Sec. 35 and Sec. 103 et seq. of the German Bankruptcy Code (InsO).
Are contractual provisions automatically terminating licenses (and distribution agreements) or automatically transferring licensed IPR to the licensee by virtue of an act of insolvency valid and enforceable, having regard to anti-deprivation rules?	It is not possible to provide for an automatic termination of the agreement explicitly because of the insolvency of a party. However, one could include provisions in an IP license agreement that provide for an automatic termination of the agreement due to its continuation being unreasonable for the licensee, combined with an automatic transfer of the licensed IPR to the licensee. Depending on the individual circumstances, the insolvency of the licensor and the decision of the trustee not to continue the agreement could be regarded as rendering the continuation of the agreement unreasonable for the licensee. However, the validity of such provisions and their wording should be checked in each individual case.
What does this practically mean for licensors and licensees?	**a. Does a license agreement remain valid during an insolvency proceeding?** Yes, a license agreement remains valid and enforceable if the trustee chooses to either fulfill a contract of the bankrupt party themselves or demand performance from the contractual partner. If the trustee chooses to refuse performance, the license agreement does not lapse but claims under the agreement are not enforceable for the duration of the insolvency proceedings. In this case, the solvent party has claims for damages that can be enforced according to the German rules on insolvency proceedings

Germany

What does this practically mean for licensors and licensees?	**b. Is the trustee or receiver (acting for the licensee or licensor) obliged to perform the obligations under a license agreement?** No, the trustee has the right to choose whether the contractual relationship should continue to be fulfilled by both parties or to refuse performance. **c. What can a licensee do, if anything, to protect its right to use the licensed IPR against an insolvency of the licensor?** At the moment, neither legislation nor case law provides a watertight solution for the licensee to protect its rights to use the licensed IPR against an insolvency of the licensor. However, different options are being discussed, such as the grant of a usufruct to the licensee. In any case, the potential insolvency of the licensor should be addressed in the license agreement. **d. Can a licensor prevent a trustee or receiver from selling or transferring the insolvent licensee's rights under a license agreement?** If the trustee decides to continue the agreement, the contractual provisions of the license agreement govern the transfer of rights under the agreement. Thus, if the agreement prohibits the selling or transfer of rights under the agreement, the trustee cannot deviate from this. If the agreement allows the transfer, the trustee can do so. In addition, if the trustee refuses performance, they are bound by the contractual provisions. However, even if the license agreement allows the transfer of the licensee's rights, since in this constellation claims under the agreement are not enforceable for the duration of the insolvency proceedings, a transfer is not possible.
Are there differences regarding trademark, copyright and patent licenses, noting any exceptions, e.g., mandatory licensing or standard essential patents?	Trademarks, patents, designs, utility models and copyrights, and the rights to use those IPRs, are valuable assets in the sense of German insolvency law and fall into the insolvency estate. Due to their character as personal rights, several special provisions apply to copyrights, e.g., moral rights are excluded from the insolvency estate.
Is there a risk in transferring licensed IPR to a third party in anticipation of an insolvency?	Yes. There is a risk that the transfer may be contested and that the third party may have to transfer the licensed IPR back to the respective party.

Italy

What does the applicable law provide regarding the treatment of IP license agreements in insolvency proceedings in Italy?	**a. What are the general principles of the treatment of IP license agreements in insolvency proceedings? Is there a difference depending on the type of proceeding (e.g., a court-appointed receivership, a bankruptcy, a restructuring, etc.)?** Intellectual property rights are considered important intangible assets that can be monetized to meet the legitimate expectations of creditors. In principle, all those rights enter the insolvency estate except for moral rights. Thus, IP licenses are also subject to insolvency proceedings. Under Italian law, there are different types of insolvency proceedings, depending on (i) the purpose they intend to achieve (preservation of the company or liquidation of its assets), (ii) the manner in which they intend to achieve these purposes (by an agreement with creditors or by a procedure imposed on the debtor) and (iii) the size or nature of the business in crisis. One common feature in all of these proceedings is the deprivation of some of the autonomy of the debtor, such as the insolvent's temporary inability to dispose of assets and the temporary appointment of a person in charge of managing the debtor's business. This common feature fully extends its effects to IP license agreements. **b. What are the laws governing the treatment of IP license agreements in insolvency proceedings?** The treatment of IP license agreements in insolvency proceedings is not explicitly regulated by Italian law. Therefore, reference is made more generally to the Italian Insolvency Law, mainly consisting of Royal Decree No. 267 dating back to 1942 and significant amendments in recent years, with a combined reading of the Italian Industrial Property Code (Legislative Decree No. 30 of 10 February 2005), the Italian Copyright Law (Law No. 633 of 22 April 1941) and the Italian Civil Code, depending on the intellectual property right involved.
Are contractual provisions automatically terminating licenses (and distribution agreements) or automatically transferring licensed IPR to the licensee by virtue of an act of insolvency valid and enforceable, having regard to anti-deprivation rules?	According to the general principle of contractual freedom, an IP license agreement (or a distribution agreement) may be terminated by either party in the event of insolvency if such a circumstance has been provided for as an express termination clause within the agreement itself. That being said, contractual clauses providing for automatic termination in the case of a bankruptcy or receivership (*concordato preventivo*) procedure of either party are ineffective vis-à-vis creditors and unenforceable against receivers, in the context of an insolvency proceeding (article 72, paragraph 6 of the Italian Insolvency Law). Clauses automatically transferring the licensed IPRs to the licensee in the case of the licensor's insolvency will be considered valid and effective per se, but the transfer may be objected by the trustee and may fall within a revocation action if it impacts negatively on the economic value of the insolvent licensor's estate: in other words, if the transfer does not occur under the umbrella of an operation made at market conditions and with a payment fully in line with these conditions.

Italy

What does this practically mean for licensors and licensees?

a. Does a license agreement remain valid during an insolvency proceeding?

The appointed trustee will have a right of choice, which means that the performance of the license agreement will remain on hold until the trustee, having obtained the authorization of the creditors' committee, declares either to take over the agreement on behalf of the bankruptcy by assuming all of the relevant obligations, or to withdraw from it.

In the absence of such a declaration, the counterparty in the license agreement may put the trustee on notice and request that the competent judicial authority assign him/her a term, not exceeding 60 days, after which the agreement shall be deemed to be dissolved.

By contrast, specific rules are provided for a publisher's bankruptcy (see in particular art. 135 of the Italian Copyright Law). In this case, the trustee can alternatively decide to: (i) continue the business's activities (and, thus, also take over the license agreement in place of the bankruptcy); (ii) transfer the business within one year from the publisher's bankruptcy to another publisher; or (iii) terminate the license agreement if, within one year from the publisher's bankruptcy, the trustee has neither continued the business's activities nor opted for its transfer.

b. Is the trustee or receiver obliged to perform the obligations under a license agreement?

As with point 3. a. above, the answer is no. Indeed, the trustee may also decide to withdraw from the license agreement.

c. What can a licensee do, if anything, to protect its right to use the licensed IPR?

From a practical standpoint, the licensee should proceed with the recordal of the IP license agreement, at the relevant registry, before insolvency proceedings formally begin.

In this regard, the Italian Industrial Property Code contains specific provisions on recordals and the recordal procedure relating to license agreements. Recordals have a declaratory effect, which means that they make an act enforceable against third parties. In the absence of such a formality, the IP license agreement will be unenforceable against the bankruptcy and the licensee may remain exposed to potential infringement actions brought against him/her by the trustee itself.

By contrast, the Italian Copyright Law does not contain a provision on recordals. However, there is an exception for cinematographic works, for which a recordal procedure was introduced by Law No. 153 of 1 March 1994 (article 22). Specifically, in this case, the recordal will have to take place in the Public Cinematographic Register kept by the SIAE (the Italian Society of Authors and Publishers, established for the collective management of authors' rights).

Italy

What does this practically mean for licensors and licensees?	**d. Can a licensor prevent a trustee or receiver from selling or transferring the insolvent licensee's rights under a license agreement?** Whether a licensor can prevent the trustee from selling or transferring the insolvent licensee's rights depends on what is specifically provided for in the license agreement. If the licensee's trustee opts for the continuation of a license agreement where there is a clause allowing the licensee's rights to be assigned to third parties, the trustee will be entitled to proceed accordingly. However, if the license agreement excludes (as is often the case) this assignment, the trustee will not be able to proceed with the assignment.
Are there differences regarding trademark, copyright and patent licenses, noting any exceptions, e.g., mandatory licensing or standard essential patents?	Please note our remarks below on moral rights and mandatory licensing and their relationship with insolvency proceedings: **i. Moral rights** According to Italian law, moral rights do not enter the insolvency estate. In fact, these rights are not transferable to third parties unlike an author's economic rights to work, and can never be given up, so they remain with the author even if the author becomes insolvent. **ii. Mandatory licensing** In Italy, in order to preserve exclusive rights to a patented invention, the patent owner will have to implement it within a certain period of time. Specifically, after three years have passed from the date on which the patent was issued (or, if longer, four years from the date on which it was filed), if the patent owner (or successor in title) has not implemented the patented invention, directly or through one or more licensees, any interested party may request a mandatory license for the non-exclusive use of the invention. This rule also applies if the implementation of the invention has been suspended or reduced in such a manner as to be gravely disproportionate to the country's needs for more than three years. A mandatory license will not be granted if the lack of (or insufficient) implementation is due to causes outside the control of the patent owner (or successor in title), though such causes do not include a lack of financial means. The granting of the mandatory license does not release the patent owner (or successor in title) from the obligation to implement the invention. Thus, the patent will be forfeited if the invention has not been implemented within two years of the date of that granting or if it has not been sufficiently implemented according to the country's needs. The rules on mandatory licensing also apply to utility models.

Italy

Are there differences regarding trademark, copyright and patent licenses, noting any exceptions, e.g., mandatory licensing or standard essential patents?	In light of all the above, during an insolvency proceeding it will be generally up to the trustee to prevent the lapse of the patent due to the lack of, or insufficient, implementation, and to ensure the implementation of potential mandatory licenses.
Is there a risk in transferring licensed IPR to a third party in anticipation of an insolvency?	Yes. In specific cases established by the Italian Insolvency Law and if the transfer is successfully contested within specific time limits fixed by law, the transfer of the licensed IPR is ineffective vis-à-vis creditors of the insolvency.

Russia

What does the applicable law provide regarding the treatment of IP license agreements in insolvency proceedings in Russia?	**a. What are the general principles of the treatment of IP license agreements in insolvency proceedings? Is there a difference depending on the type of proceeding (e.g., a court-appointed receivership, a bankruptcy, a restructuring, etc.)?** Russian bankruptcy law does not provide for specific rules on IP license agreements in insolvency proceedings. IP licenses are qualified as receivables and fall into the insolvency estate. The only instance where the law expressly mentions IP licenses as a part of the insolvency estate is the provision regarding the insolvency of a credit organization. In general, Russian bankruptcy law provides for different stages of bankruptcy proceedings. Some of them are of a rehabilitative nature, while the others are aimed at the company's liquidation. The strictest rules for the insolvency estate apply in the course of the bankruptcy liquidation stage, when the company does not have enough assets to cover the creditors' claims and restore its solvency. At this stage, all of the debtor's assets are sold to pay creditors' claims in the order prescribed by law. Once the liquidation has been completed, the debtor is wound up and ceases to exist. **b. What are the laws governing the treatment of IP license agreements in insolvency proceedings?** The Russian Federation Civil Code, Part IV ("**Civil Code**") and Russian Federal law N 127-FZ dated 26 October 2002 "On Insolvency (Bankruptcy)" ("**Bankruptcy Law**") govern IP license agreements in insolvency proceedings. The Civil Code regulates the general aspects of IP license agreements, while the Bankruptcy Law establishes the rules of the insolvency proceedings.
Are contractual provisions automatically terminating licenses (and distribution agreements) or automatically transferring licensed IPR to the licensee by virtue of an act of insolvency valid and enforceable, having regard to anti-deprivation rules?	In general, there is no prohibition against including such contractual provisions in license agreements, and they are deemed valid and enforceable in Russia. The parties may include these contractual provisions in license agreements according to the general principle of freedom of contract. However, a bankruptcy receiver may challenge the automatic transfer of the licensed IP to a licensee under such contractual provisions in accordance with the rules of challenging the transactions under the Bankruptcy Law and the Civil Code.

Russia

What does this practically mean for licensors and licensees?

a. Does a license agreement remain valid during an insolvency proceeding?

Yes, it does. Generally, if a company is declared bankrupt, this does not automatically terminate its contracts, including licenses.

However, the bankruptcy receiver manager has large discretion to withdraw (avoid) the contract, leaving a licensee without significant protection. From a practical standpoint, when the bankruptcy liquidation stage is introduced, all agreements are terminated.

If a trademark or a patent license agreement is terminated early, such termination is subject to mandatory recordal with the Russian Patent and Trademark Office ("**Rospatent**") if such license grant was duly registered with Rospatent initially. Until the termination is recorded, the respective license is deemed to be valid for third parties. This means that certain IP remains encumbered by a license until the termination of such license is duly recorded.

b. Is the trustee or receiver obliged to perform the obligations under a license agreement?

No. The bankruptcy receiver may withdraw a license agreement within three months from the date on which a court declares the company bankrupt and introduces the bankruptcy liquidation stage. The avoidance is possible if either of the following applies:

- Further performance of a license agreement undermines the restoration of the licensor's solvency.
- Further performance of a license agreement entails damages for the licensor.

Generally, the bankruptcy receiver enjoys large discretion in deciding whether to withdraw the agreement or not. Such withdrawal is not subject to court approval and the agreement is deemed terminated upon the receipt of the avoidance notice from the licensor's receiver.

c. What can a licensee do, if anything, to protect its right to use the licensed IPR?

A licensee may challenge the withdrawal of a license agreement in court. In this case, a licensee must prove that the conditions for avoidance of the agreement have not been met. From a practical standpoint, it is rather complicated to prove this. Therefore, in most cases, the courts uphold the avoidance of the agreements.

In addition, a licensee may recover damages caused by the avoidance of a license agreement. If a court grants this claim, the damages claim will be included in the list of the debtor's creditors and the claim will be satisfied at the pro rata basis at the distribution of money stage.

Russia

What does this practically mean for licensors and licensees?	**d. Can a licensor prevent a trustee or receiver from selling or transferring the insolvent licensee's rights under a license agreement?** Generally, a licensee can only transfer the licensee's rights if the license agreement expressly allows this. Thus, if the license agreement allows the rights to be sold or transferred, a trustee can do so.
Are there differences regarding trademark, copyright and patent licenses, noting any exceptions, e.g., mandatory licensing or standard essential patents?	There are no differences between various IP licenses from the Bankruptcy Law's perspective. As noted above, from the IP law's perspective, early termination of the trademark or a patent license (duly recorded) is subject to mandatory registration with Rospatent. Early termination of a copyright license does not require any registration.
Is there a risk in transferring licensed IPR to a third party in anticipation of an insolvency?	Yes. There is a risk that a bankruptcy receiver will challenge a transfer transaction entered into by an insolvent company within three years up to one month prior to or after the commencement of the bankruptcy proceedings. If this transaction is successfully challenged, the third party will be obliged to return the licensed IPR to the respective party.

Spain

What does the applicable law provide regarding the treatment of IP license agreements in insolvency proceedings in Spain?

a. What are the general principles of the treatment of IP license agreements in insolvency proceedings? Is there a difference depending on the type of proceeding (e.g., a court-appointed receivership, a bankruptcy, a restructuring, etc.)?

The general rule under Spanish Insolvency law is to maintain any contract in force after the declaration of insolvency. For reciprocal contracts, like a patent license , the general rule is that it will be maintained. Where there are outstanding obligations from both parties, the insolvent party's obligations will be fulfilled against the insolvency estate (super-privileged claims). If only the insolvent party's obligations are outstanding, these would be classified as a claim of the insolvency (usually, as an ordinary claim).

However, the license can always be terminated after the declaration of insolvency due to a breach of contract that occurred either after or before the insolvency proceedings. Although the judge in charge of the insolvency may order that the contract remain in force if it considers that it is necessary for the interest of the insolvency. On the other hand, the judge in charge of the insolvency may also order that a reciprocal agreement be terminated in the interest of the insolvency, even if there is no cause for termination.

b. What are the laws governing the treatment of IP license agreements in insolvency proceedings?

The most relevant laws to consider are the Spanish Insolvency Act (Law 22/2003), particularly articles 61, 62 and 63 of the law, and the Royal Legislative Decree 1/2020 of 5 May 2020 Revised Law of the Insolvency Act (the "RLIA"), which will enter into force on 1 September 2020.

The legal consequences for licenses are determined by the insolvency laws of Spain when the insolvent company is domiciled in Spain.

Are contractual provisions automatically terminating licenses (and distribution agreements) or automatically transferring licensed IPR to the licensee by virtue of an act of insolvency valid and enforceable, having regard to anti-deprivation rules?

Under article 61.3 of the Spanish Insolvency Act and article 156 of the RLIA, any clause agreeing on the termination of a contract because of the declaration of insolvency will be regarded as unenforceable.

However, as the exclusive license is considered to be a continuing performance contract, it can always be terminated by breach of contract that occurred either before or after the declaration of the insolvency (article 62.1 of the Spanish Insolvency Act and articles 160 et seq. of RLIA. Nevertheless, article 62.3 of the Spanish Insolvency Act and article 164 of RLIA provide that, although one of the parties has breached the contract, the judge may order that the contract remain in force if it considers that it is necessary for the interest of the insolvency.

Spain

What does this practically mean for licensors and licensees?

a. Does a license agreement remain valid during an insolvency proceeding?

Under insolvency in Spanish law, the general rule is to maintain in force all contracts that were in force at the time the insolvency procedure commenced. When a contract has reciprocal obligations, like an exclusive patent license does, as a general rule, such contract will be maintained in force (article 61.2 of the Spanish Insolvency Act and article 156 et seq. of the RLIA.

To guarantee creditors' compliance with the debts incurred by the insolvent party during the proceedings, the claims generated after the declaration are paid from the assets.

b. Is the trustee or receiver obliged to perform the obligations under a license agreement?

Generally, yes. Nevertheless, the trustee or receiver has the right to ask the judge to terminate the contract — even if no party has breached it — due to the interest of the insolvency procedure generally, if it is considered that the maintenance of the contract may be detrimental for the insolvent debtor.

In cases of mere intervention, the trustee establishes the acts and operations that the debtor can carry out (article 44.2 of the Spanish Insolvency Act and article 112 of the RLIA and which require special authorization.

c. What can a licensee do, if anything, to protect its right to use the licensed IPR?

As we have seen in the previous answer, article 61.3 of the Spanish Insolvency Act and article 156 of the RLIA do not take in to account clauses that agree on the automatic termination of a contract because of a declaration of insolvency. Exclusive patent licenses are considered to be reciprocal and continuing performance contracts in insolvency proceedings under Spanish law. It is the licensee's business that is defended. Actions for damages can only compensate the injured licensee. However, actions for cease and removal (i.e., an action brought by the exclusive licensee in the case of infringement), including those for the publication of the sentence, undoubtedly make it possible to protect the assets, even with actions brought by others.

Regarding the subsidiary action under article 124 of the Patent Law, a licensee protects the IP in question in his/her own name and for his/her own benefit, and may claim compensation for the damages suffered as a result of the infringement.

Spain

What does this practically mean for licensors and licensees?	**d. Can a licensor prevent a trustee or receiver from selling or transferring the insolvent licensee's rights under a license agreement?** The new RLIA expressly provides the extrajudicial sale or auction of assets or rights (including IP and license rights), subject to loans with special privileges. In this sense, the law clarifies that the sale or auction through which these goods are to be disposed may be either judicial or extra-judicial, including electronic. However, such sale or transfer must observe the potential special privileges or securities that any third party may have over the transferred assets or rights (for instance, pledges, pre-emption rights or limitations of transfer).
Are there differences regarding trademark, copyright and patent licenses, noting any exceptions, e.g., mandatory licensing or standard essential patents?	Trademarks, designs and patents have an autonomous property entity, and therefore an intrinsic value, which makes the license an unavoidable object of attention for the insolvency administrator and creditors. Nevertheless, due to the inalienable authorship of copyright, even if a work enters the public domain, the moral right of authorship of the work remains intact.
Is there a risk in transferring licensed IPR to a third party in anticipation of an insolvency?	Yes, there is a risk that the third party might have to transfer the licensed IPR back to the respective party of the agreement. As mentioned in article 62.1 of the Spanish Insolvency Act and article 157 of the RLIA, in the case of consecutive nature contracts, termination is only possible when the breach occurs after the insolvency. If it is earlier, therefore, there is no room for termination due to non-compliance, although the parties cannot limit the power of the judge or the insolvency administrator to terminate contracts for the interest of the insolvency, because the interest of the insolvency proceedings (which can compel the termination of such license) prevails over any contractual agreement. The new RLIA provides that the payment made by a third party will only be released if, at the time of making the payment, the bidder was not aware of the declaration of bankruptcy, with a presumption that the buyer was aware due to a publication of the declaration of bankruptcy in the BOE (i.e., the Spanish Government Gazette).

Switzerland

What does the applicable law provide regarding the treatment of IP license agreements in insolvency proceedings in Switzerland?	**a. What are the general principles of the treatment of IP license agreements in insolvency proceedings? Is there a difference depending on the type of proceeding (e.g., a court-appointed receivership, a bankruptcy, a restructuring, etc.)?** The rule is that all assets belonging to the debtor which are transferable, realizable and seizable constitute assets that can be liquidated in the course of insolvency proceedings. IP rights, including rights conferred by license, are generally transferable and therefore qualify as assets in insolvency proceedings. As a result, IP license agreements are subject to insolvency proceedings. Swiss insolvency law allows for private restructuring measures and composition proceedings. While in composition proceedings the restructuring measures are supervised by the court, both options allow for flexibility as to the treatment of IP license agreements. When insolvency proceedings are initiated, however, the debtor loses all capacity to dispose of the assets. The bankrupt estate is deemed a legal entity whose assets and rights, including the IP license agreement, are represented by the bankruptcy administrator. **b. What are the laws governing the treatment of IP license agreements in insolvency proceedings?** Both the Swiss Code of Obligations as well as the Swiss Debt Enforcement and Bankruptcy Act ("**Bankruptcy Act**") are the most relevant laws to consider. Furthermore, case law and doctrine play an important role when interpreting license agreements in general and specifically when assessing the treatment of such agreements in insolvency proceedings. This is because license agreements are not explicitly regulated by Swiss law. This lack of specific rules raises questions of interpretation and possible analogies to similar types of contracts (such as leases) that are in fact subject to specific rules. The particularities of the individual IP license agreement influence the legal assessment and resulting treatment in insolvency proceedings.
Are contractual provisions automatically terminating licenses (and distribution agreements) or automatically transferring licensed IPR to the licensee by virtue of an act of insolvency valid and enforceable, having regard to anti-deprivation rules?	In principle, contractual clauses according to which the opening of bankruptcy proceedings dissolves an IP license agreement or gives the solvent party a right of termination are permitted. This is based on the principle of contractual freedom, according to which the parties may, within the boundaries of mandatory laws, agree on any grounds for termination.

Switzerland

What does this practically mean for licensors and licensees?

a. Does a license agreement remain valid during an insolvency proceeding?

Unless the parties have agreed in their contract that it shall be dissolved in the case of either party's insolvency, the license agreement remains valid following the opening of insolvency proceedings. During the course of insolvency proceedings, however, the bankruptcy administration has a right of choice: it can (i) fulfil the contract in real terms instead of the insolvent party, (ii) accept the conversion into a monetary claim or (iii) terminate the contract based on the provisions in the IP license agreement.

In practice, however, the bankruptcy administration often neither terminates the contract nor explicitly affirms it. In this case, license agreements remain valid. The solvent party may assert its claims as a normal bankruptcy claim, but only up to the next termination date. As a result, this means that in the event of the bankruptcy administration's failure to act, the same applies as if the license agreement had been (duly) terminated.

b. Is the trustee or receiver obliged to perform the obligations under a license agreement?

No. However, the solvent party may withhold its performance until it is guaranteed consideration from the bankruptcy administration. If its request for security is not complied with within a reasonable period, it may withdraw from the contract.

c. What can a licensee do, if anything, to protect its right to use the licensed IPR?

The licensee can act before insolvency proceedings formally begin. If the license is recorded in the relevant (trademark, patent or design) register at the time of the opening of insolvency proceedings, it is considered to outlast such proceedings. This means, for example, that if the trademark is sold, the license can be held against the acquirer, i.e., the acquirer must permit the use of the trademark in accordance with the license granted.

d. Can a licensor prevent a trustee or receiver from selling or transferring the insolvent licensee's rights under a license agreement?

In the event of the licensee's bankruptcy, the license as a contractual right of use of the licensee only falls into the bankruptcy estate if it is transferable and thus seizable. Since most licenses are non-transferable, the bankruptcy administration cannot exploit them in this case.

Switzerland

Are there differences regarding trademark, copyright and patent licenses, noting any exceptions, e.g., mandatory licensing or standard essential patents?	No.
Is there a risk in transferring licensed IPR to a third party in anticipation of an insolvency?	Yes. The third party may have to transfer the licensed IPR back to the respective party of the license agreement. The Bankruptcy Act prohibits discrimination against the creditor group by a debtor who, within a legally defined period of up to 5 years prior to the opening of bankruptcy proceedings or prior to the granting of the debt-restructuring moratorium, cooperates with a creditor or third party in order to grant this creditor an undue, unjustified pecuniary advantage in the subsequent case of bankruptcy, composition agreement or seizure, or to reduce the liquidation assets by selling the pecuniary advantage to a third party.

Americas

- Brazil
- Canada
- Mexico
- United States

Brazil

What does the applicable law provide regarding the treatment of IP license agreements in insolvency proceedings in Brazil?	**a. What are the general principles of the treatment of IP license agreements in insolvency proceedings? Is there a difference depending on the type of proceeding (e.g. a court-appointed receivership, a bankruptcy, a restructuring, etc.)?** The Brazilian Insolvency Law (Brazilian Law # 11,101/2005, "BIL") sets forth three types of proceedings as follows: extrajudicial reorganization, judicial reorganization and bankruptcy. None of them contain specific insolvency provisions about IP license agreements. **b. What are the laws governing the treatment of IP license agreements in insolvency proceedings?** The BIL governs Brazilian insolvency proceedings. Note, however, that there is no provision in the BIL regarding IP license agreements.
Are contractual provisions automatically terminating licenses (and distribution agreements) or automatically transferring licensed IPR to the licensee by virtue of an act of insolvency valid and enforceable, having regard to anti-deprivation rules?	In relation to extrajudicial/judicial reorganization proceedings, since the BIL is silent, a clause that terminates an agreement in the event of such proceedings is likely invalid; we are aware of decisions imposing the continuance of the agreement. In relation to bankruptcy, the BIL provides that the bankruptcy declaration does not terminate agreements and the judicial administrator (trustee) may decide whether or not an agreement should continue (mainly in the event the continuance will be advantageous for the bankruptcy estate). In case of bankruptcy proceeding, the licensor may give notice to the court appointed administrator (trustee) within 90 days as of its appointment and the latter (trustee) will have 10 days to clarify if the agreement will remain in force or not (silence will be interpreted as termination). Finally, there is no provision in relation to the automatic transfer of licenses.
What does this practically mean for licensors and licensees?	**a. Does a license agreement remain valid during an insolvency proceeding?** In relation to extrajudicial/judicial reorganization proceedings, as mentioned above, it is likely that the license agreement remains valid and enforceable (note that such proceedings aim to grant to the company the continuity of its activities, and as a consequence, agreements must continue in force). In relation to bankruptcy, please see above.

Brazil

What does this practically mean for licensors and licensees?	**b. Is the trustee or receiver obliged to perform the obligations under a license agreement?** During the extrajudicial/judicial reorganization, the licensee continues its management activities and must comply with its obligations. Even though management remains in place, an administrator is also appointed by the court. Such person will monitor the debtor's activities. The main responsibility of the court appointed administrator is to monitor the activities of the debtor's and supervise the execution of the new terms and conditions agreed. The debtor's manager, as a rule, remains seated in the management body carrying out its business activities. In a bankruptcy proceeding, the debtor's management is removed and the trustee may represent the insolvent company's estate. The trustee may also collect all assets of the debtor and proceed with their sale. The comments on the second question above also apply. **c. What can a licensee do, if anything, to protect its right to use the licensed IPR?** As mentioned before, in an extrajudicial/judicial reorganization's context, the licensee continues to perform its business and, therefore, the licensee will be entitled to protect its rights according to the terms and conditions of the license agreement. In a bankruptcy scenario, it is most likely that the license agreement will be terminated (in case it remains in force, its terms and conditions will continue to apply). **d. Can a licensor prevent a trustee or receiver from selling or transferring the insolvent licensee's rights under a license agreement?** If the agreement remains in force (even in a bankruptcy proceeding), whether the licensor can block the transfer of the licensee's rights will depend on the contractual terms and conditions.
Are there differences regarding trademark, copyright and patent licenses, noting any exceptions, e.g., mandatory licensing or standard essential patents?	From a BIL perspective, no. There are, however, different requirements for payment of royalties, for instance. For trademark license agreements and patent license agreements, in order for a Brazilian company to be able to pay royalties to a foreign licensor abroad, the relevant license agreement needs to be registered with the Brazilian Patent and Trademark Office (INPI) and the Central Bank of Brazil. There is no such requirement for copyright licenses. Also, under Brazilian laws, patents can be subject to compulsory licensing, while trademarks and copyrights cannot.
Is there a risk in transferring licensed IPR to a third party in anticipation of an insolvency?	Yes. Such transfer may be challenged in court and the most likely outcome is that the IPRs will be returned to the assignor.

Canada

What does the applicable law provide regarding the treatment of IP license agreements in insolvency proceedings in Canada?	**a. What are the general principles of the treatment of IP license agreements in insolvency proceedings? Is there a difference depending on the type of proceeding (e.g., a court-appointed receivership, a bankruptcy, a restructuring, etc.)?** In Canada, IP licensing agreements are generally viewed as "executory" agreements and remain in force unless "terminated" by a so-called disclaimer or a court order. Debtors typically have the right to disclaim their IP licenses, though such requests can be rejected by the court. Even where an IP license is disclaimed, the licensee still has the continued right to use the IP and to assert rights of exclusivity, although the insolvent licensor may not have to perform certain additional obligations under the license. Upon the sale of IP assets in insolvency proceedings, buyers acquire IP licenses in accordance with their terms and must perform the accompanying obligations in the place of their original owner (except where the licenses are earlier disclaimed, in which case the licensee's rights are limited as noted). **b. What are the laws governing the treatment of IP license agreements in insolvency proceedings?** In Canada, insolvency proceedings are governed primarily by the Bankruptcy and Insolvency Act (BIA) and the Companies' Creditors Arrangement Act (CCAA). The BIA is a self-contained code that deals with the liquidation of assets in a bankruptcy either where a bankruptcy trustee is appointed voluntarily or where a creditor seeks a bankruptcy order. Various sections in the BIA, including in particular sections 65 and 246.1, deal with licensing agreements. In CCAA proceedings, which are used by larger businesses seeking to restructure their debt, the key CCAA provisions are sections 11, 32 and 36. Notably, whereas a stay of a debtor's obligations is automatic under the BIA, a court has more discretion in CCAA proceedings.
Are contractual provisions automatically terminating licenses (and distribution agreements) or automatically transferring licensed IPR to the licensee by virtue of an act of insolvency valid and enforceable, having regard to anti-deprivation rules?	Contractual provisions that automatically terminate or transfer a license where the licensee becomes insolvent or commences an insolvency proceeding are generally not enforceable under the BIA or CCAA. In other words, a licensor cannot terminate (or transfer) a license in these circumstances despite what the agreement says, nor by virtue of a licensee's failure to pay licensing fees during a pre-filing period. Instead, a licensor is obliged to maintain the license and perform its obligations, unless the license is disclaimed. This approach is predicated on rules that are designed to: (a) prohibit transactions that benefit a particular creditor; and (b) ensure that the debtor's assets are preserved and available for any interim operations and distribution.

Canada

What does this practically mean for licensors and licensees?

a. Does a license agreement remain valid during an insolvency proceeding?

Yes, an IP license remains valid during an insolvency proceeding.

Where the debtor is the licensee, the licensor is obliged to maintain the license and perform its obligations, unless the license is disclaimed. Absent a disclaimer, the licensor is entitled to payment for the continued use of the licensed property after the event of insolvency and will have a claim for any pre-insolvency arrears. If the license is disclaimed, the licensor will also have a claim to any damages suffered.

Where the debtor is the licensor and either disclaims a license agreement or sells the underlying IP, the non-defaulting licensee(s) will continue to have the right to use the IP during and after the insolvency proceedings. The licensee may have a damage claim, as well.

b. Is the trustee or receiver obliged to perform the obligations under a license agreement?

A bankruptcy trustee or receiver has no obligation to carry on the debtor's business. However, as noted above, a debtor is obliged to perform its obligations under an IP license unless it is disclaimed. Even then, it must ensure any licensee is provided access to the IP and must not interfere with its rights under the license, including rights of exclusivity.

c. What can a licensee do, if anything, to protect its right to use the licensed IPR?

Under Canadian insolvency law, a non-defaulting licensee will have the right to use the IP during and after the insolvency proceedings, and will have the right to enforce any exclusivity, so long as it performs its own obligations under the license agreement. Again, whether the licensee can demand additional performance and rights under the license terms (e.g., upgrades, maintenance and the right to sublicense) beyond just the right to use the IP is an unresolved issue.

Canada

What does this practically mean for licensors and licensees?	**d. Can a licensor prevent a trustee or receiver from selling or transferring the insolvent licensee's rights under a license agreement?** Generally, no. It is difficult for a licensor to prevent the sale or assignment of an insolvent licensee's rights under a license agreement to a third party. If a licensor wishes to try, it must ensure that the agreement is specific and personal to the licensee, such that a third party could not stand in the place of the original licensee (this is challenging). The licensor can also try to prevent a sale or assignment, on the basis that the buyer/assignee is not capable of future performance. In the event of a sale or transfer, the licensor is entitled to insist that the other party adhere to its obligations, and may be able to terminate the license and/or seek damages absent performance. In addition, the licensor would be entitled to exercise any other termination rights it has under the license (e.g., termination on notice, etc.).
Are there differences regarding trademark, copyright and patent licenses, noting any exceptions, e.g., mandatory licensing or standard essential patents?	No.
Is there a risk in transferring licensed IPR to a third party in anticipation of an insolvency?	Yes. Such a transaction could violate anti-deprivation rules, as well as constitute an improper preference. A preference occurs where a debtor makes a monetary transfer to a creditor at the expense of its other creditors shortly before an insolvency. When that happens between unrelated parties, it is presumed to have occurred with the intent of giving the recipient a preference, and the court can declare it void. Where that occurs between related parties, it will be declared void regardless of the intent. In addition, the court can review and set aside transactions (e.g., the conveyance of a license) between unrelated parties within one year of an insolvency where: (a) the debtor was insolvent or rendered insolvent by the transaction; and (b) the debtor intended to defeat, defraud or delay any creditor. Where this type of transaction occurs between related parties, it may be declared void if the transaction took place within: (a) one year of the date of bankruptcy, regardless of the debtor's solvency or intent; or (b) the preceding five-year period, if insolvency or intent is proven.

Mexico

What does the applicable law provide regarding the treatment of IP license agreements in insolvency proceedings in Mexico?

a. What are the general principles of the treatment of IP license agreements in insolvency proceedings? Is there a difference depending on the type of proceeding (e.g., a court-appointed receivership, a bankruptcy, a restructuring, etc.)?

According to the Mexican Insolvency Act, all goods and rights that form part of the trader's estate (except those that are unalienable, imprescriptible and non-seizable) constitute assets that can be auctioned within a bankruptcy procedure. IP rights are regarded as valuable assets, as they add commercial value to companies. Since these rights can be normally transferred, they are subject (including their related license agreements) to an insolvency proceeding.

The Mexican Insolvency Act will always favor the restructuring of a company in view of avoiding its bankruptcy declaration, while preventing it from failing to comply with its payment obligations. Accordingly, it is generally allowed for a debtor to maintain control of its business while a conciliation agreement is negotiated with its creditors by a conciliator appointed by the insolvency court; however, if a company is declared bankrupt, the debtor must hand over the control of its company and assets (including the IP license agreements) to a designated administrator/executor.

b. What are the laws governing the treatment of IP license agreements in insolvency proceedings?

The Mexican Constitution, the Code of Commerce, the Federal Civil Code and the Mexican Insolvency Act are the main laws governing the treatment of IP license agreements during insolvency proceedings. Additionally, commercial practices and customs, as well as case law, play a secondary role in the interpretation of these agreements when the laws above do not provide guidance on particular issues.

Although the Mexican Industrial Property Act also provides a regulation on IP license agreements, these provisions are mainly focused on defining the extent of the exercise of exclusive rights that is allowed to be exploited by a third party, rather than providing guidance on the treatment of the IP assets during an insolvency proceeding.

For the following questions, we must bear in mind that, under the Mexican Insolvency Act, there are two stages to the insolvency procedure: conciliation (seeking the restructure/settlement of the credits and the merchant's obligations) and liquidation (bankruptcy). The goal of the conciliation stage is to preserve the company by means of an agreement between the debtor and his/her recognized creditors. The goal of the bankruptcy stage is to sell the company's working unit and, if this is not possible, its productive units or assets that form the company, in order to pay the creditors, to the extent covered by the judicial sale of the assets.

Mexico

Are contractual provisions automatically terminating licenses (and distribution agreements) or automatically transferring licensed IPR to the licensee by virtue of an act of insolvency valid and enforceable, having regard to anti-deprivation rules?	In principle, the beginning of an insolvency procedure should not affect the validity and fulfillment of an IP license agreement, as traders are generally allowed to continue running their businesses while a conciliation is being negotiated. However, if parties agreed on contractual terms to allow the dissolution of the agreement or foresee the transfer of the IPR in case an insolvency proceeding is initiated, these provisions should be honored. During the conciliation stage, the conciliator appointed by the insolvency court will determine which contracts and obligations will survive in light of the insolvency procedure, on a case-by-case basis, and if these obligations are essential for the ordinary operation of the company.
What does this practically mean for licensors and licensees?	**a. Does a license agreement remain valid during an insolvency proceeding?** Unless agreed otherwise between the parties, a license agreement should remain valid during an insolvency proceeding. The conciliatory authority, however, is allowed to oppose the fulfillment of an agreement if it believes that this will benefit or protect the debtor's estate value. Additionally, any person who signed an agreement with the debtor has the right to ask the conciliator if said authority will oppose the fulfillment of the agreement. If the conciliator does not oppose, the debtor will be forced to comply with the agreement or guarantee the compliance of its obligations; however, if the conciliator opposes, this will give the other party the right to cancel the agreement immediately. During the bankruptcy or liquidation stage, only the agreements or obligations that are essential for the ordinary operation of the enterprise shall remain valid. **b. Is the trustee or receiver obliged to perform the obligations under a license agreement?** Once an insolvency proceeding is initiated, during the conciliation stage, debtors are generally allowed to continue having control of its business administration, although the conciliator may ask the judge to remove the debtor and take over the administration of the company. Under this circumstance, the conciliator is expected to administer the business as if it were its own, performing all the debtor's obligations (including those under a license agreement). However, should a conciliator believe that this will benefit or protect the trader's estate, they are allowed to oppose the fulfillment of a license agreement. During bankruptcy, the management of the company is undertaken by the trustee or executor of the bankruptcy.

What does this practically mean for licensors and licensees?

c. What can a licensee do, if anything, to protect its right to use the licensed IPR?

The best way to protect the licensee's interests is by recording the license agreement before the relevant IP authority. This registration will prevent the licensee from being considered an infringer in the case of continuing to use or exploit the IPR during and after an insolvency procedure. Additionally, it is advisable to include a special clause within the license agreement, which assures the licensee any type of benefit in connection with the licensed IPR in case an insolvency proceeding is initiated, e.g., either a purchase preference order or any other type of guarantee in the licensee's benefit.

The Mexican Insolvency Act provides that all preparatory or definitive contracts pending execution must be fulfilled by the debtor, unless the conciliator opposes per the best interest of the insolvency estate. When the conciliator is in charge of the administration or authorizes the execution of the pending agreements, he/she can avoid the separation of goods, or demand their delivery, paying the corresponding price.

Another alternative, if insolvency arrives, would be to file for an insolvency proceeding with a restructuring agreement, which is a mechanism according to which a debtor that is in imminent default on the payment of its obligations and creditors holding defaulted and unpaid obligations representing the majority of the total obligations of the debtor, may file the petition of insolvency together using a reorganization agreement previously agreed upon. This is subject to approval by the judge and the recognized creditors of the debtor during the conciliation period.

d. Can a licensor prevent a trustee or receiver from selling or transferring the insolvent licensee's rights under a license agreement?

In practice, most license agreements are non-transferrable by the licensee, so there are basically no chances for the trustee to sell or transfer the insolvent licensee's rights under a license agreement. Additionally, the licensor can most certainly withdraw from the IP license agreement should the licensee fail to comply with its obligations. This normally occurs before an insolvency proceeding against the licensee is even initiated. Finally, conciliators are expected to allow the business to continue running during an insolvency procedure at the conciliation stage, so they will normally not sell or transfer the insolvent licensee's rights unless they consider it to be beneficial to the debtor's estate or an auction stage is taking place during an insolvency procedure.

Mexico

Are there differences regarding trademark, copyright and patent licenses, noting any exceptions, e.g., mandatory licensing or standard essential patents?	Concerning trademarks and patents, the scenario does not change substantially. However, Mexico admits the possibility of granting mandatory patent licenses to third parties whenever the invention has not been exploited by the patent holder, in the country, after three years from its granting date or four years after its application date. If granted, the IP authority must determine the mandatory license duration, conditions, scope and amount of royalties to be paid to the patent holder. Additionally, IP regulations foresee the possibility of granting public utility licenses whenever there is a national emergency, national security threat or health emergency. Concerning copyrights and neighboring rights, the regulation is more stringent than trademarks and patents, in an effort to protect the author and the owner. While there are no specific provisions concerning insolvency of a copyright license, different scenarios and ramifications should be considered depending to the specific type of copyright license.
Is there a risk in transferring licensed IPR to a third party in anticipation of an insolvency?	Yes. Since the insolvency proceeding looks forward to favor the restructuring of a company in view of avoiding its bankruptcy declaration, a judge can order provisional measures to prevent jeopardizing the company's commercial viability. Provisional measures can consist of prohibiting the trader from alienating or encumbering the company's main assets. Failure to comply with the provisional measures will lead to the IPR transfer being declared void and non-existing. However, it is possible to negotiate either with different creditors, with the debtor or with third parties, since the preservation of the company is the main goal of an insolvency procedure in Mexico.

What does the applicable law provide regarding the treatment of IP license agreements in insolvency proceedings in the United States?

a. What are the general principles of the treatment of IP license agreements in insolvency proceedings? Is there a difference depending on the type of proceeding (e.g. a court-appointed receivership, a bankruptcy, a restructuring, etc.)?

Generally, unexpired license agreements are regarded as executory contracts which may be assumed or rejected by the licensor under the U.S. Bankruptcy Code. The United States is a republic governed by federal and state law. This report deals solely with insolvency law under the U.S. Bankruptcy Code, which is the federal law applicable to U.S. insolvency proceedings throughout the United States. It does not deal with the individual insolvency laws of the 50 states to the extent that a debtor decided to commence an insolvency proceeding under some applicable state law, for example, the laws of Delaware, rather than commencing a bankruptcy case governed by federal law under the U.S. Bankruptcy Code. While state insolvency law generally is similar to U.S. bankruptcy law, it generally is far less comprehensive, can vary from state to state, and frequently follows federal law on undecided issues under state law.

An executory contract is one where either party (in this case licensor or licensee) remains capable of breaching the contract. If such a license agreement is assumed, for example, by a bankruptcy debtor-licensor, then the licensor must cure any pre-bankruptcy defaults and the license agreement continues in the manner it would have continued had there been no bankruptcy. As a general principle, when an executory contract is rejected, the contract is treated as breached by the debtor as of the date of the bankruptcy filing, leaving the non-debtor party with asserting a claim against the debtor's bankruptcy estate for damages caused by such rejection.

Special protection under the Bankruptcy Code, however, is afforded to non-debtor licensees of intellectual property licensed from a bankruptcy debtor. The Bankruptcy Code permits a licensee of intellectual property to retain and continue using its rights in the licensed intellectual property (including the right to enforce any exclusivity provision) during the remaining term of the license notwithstanding its rejection in bankruptcy. Under that circumstance, the licensee waives its damage claim, if any, in order to do so, and the licensor is not required to continue any affirmative performance obligations under the license agreement.

It should be noted, however, that trademarks are not deemed to be "intellectual property", for purposes of that special protection. Only licenses of trade secrets, patentable inventions and patent applications, plant varieties, works of authorship protected under US copyright law and mask works protected under the copyright laws are afforded that benefit. However, a recent Supreme Court decision has confirmed that a debtor licensor's rejection of the trademark license does not necessarily confer on the breaching licensor the right to terminate the trademark license. See the section below, addressing the differential treatment of trademarks, for more details.

United States

What does the applicable law provide regarding the treatment of IP license agreements in insolvency proceedings in the United States?	Different rules apply if the debtor is a licensee. If the debtor is a licensee and rejects the license agreement, the debtor may treat the license agreement as terminated as of the date of the filing in bankruptcy. The non-debtor licensor would have a damage claim for breach of the license agreement that it could assert against the debtor-licensee. If the debtor-licensee assumes the license agreement, however, or wishes to assume and assign the agreement, it must cure all existing defaults and provide adequate assurance of future performance or, in the case of an assumption and assignment, the proposed assignee must provide adequate assurance of future performance. A determination to assume or reject a license agreement is subject to bankruptcy court approval as determined by the facts of the case and U.S. bankruptcy courts typically defer to the debtor's or trustee's business judgment. **b. What are the laws governing the treatment of IP license agreements in insolvency proceedings?** The treatment of IP license agreements in a case filed under the U.S. Bankruptcy Code is governed, specifically, by 11 U.S.C. §365 and in particular 365(n) as to technology (non-trademark) licenses, and, generally by all other relevant provisions of the U.S. Bankruptcy Code.
Are contractual provisions automatically terminating licenses (and distribution agreements) or automatically transferring licensed IPR to the licensee by virtue of an act of insolvency valid and enforceable, having regard to anti-deprivation rules?	Automatic termination provisions of contracts by virtue of insolvency or financial condition of the debtor, including license agreements, generally are not enforceable in U.S. bankruptcy cases. Instead, as noted in the prior section, they are treated as executory contracts which may be assumed by the debtor in possession or trustee, as the case may be, or rejected.
What does this practically mean for licensors and licensees?	**a. Does a license agreement remain valid during an insolvency proceeding?** As stated above, a license which has been rejected by a debtor-licensor may be treated by the licensee as terminated or, alternatively, the licensee may continue to use the licensed intellectual property for the life of the agreement and any renewal terms should it elect to do so. Alternatively, the non-debtor licensee or non-debtor licensor may elect to treat the license as breached by the debtor and may assert a damage claim for that breach against the debtor.

What does this practically mean for licensors and licensees?

b. Is the trustee or receiver obliged to perform the obligations under a license agreement?

A U.S. Bankruptcy debtor that is a licensor, or its trustee, is obligated to perform the debtor's obligations under the license agreement prior to assumption or rejection of the license agreement, and after assumption of the agreement. It is not required to perform after rejection of a license agreement, but is required to provide the licensee with any intellectual property held by the debtor/licensor and not to interfere with the non-debtor licensee's rights under the license agreement.

A U.S. debtor that is a licensee, or its trustee, is required to perform all of its obligations under the license agreement, unless and until the license agreement is rejected by order of the bankruptcy court.

A trademark license agreement, although it may not be treated as "intellectual property" under the Bankruptcy Code, is still an executory contract subject to assumption or rejection under the Bankruptcy Code and rejection provides the licensee with a damage claim (although no right to elect to continue using the IP under the license agreement under section 365(n)). Pursuant to the U.S. Supreme Court case discussed below, the rejection is deemed a breach, entitling the licensee to file a damage claim against the licensor-debtor, but is not deemed to be a termination of the agreement. This has led some to speculate that a trademark licensee may have superior rights to other licensees of intellectual property under the Bankruptcy Code because the trademark licensee may still be able to treat its contract as not having been terminated, yet may still file a damage claim.

c. What can a licensee do, if anything, to protect its right to use the licensed IPR?

If the license is assumed by the debtor-licensor, the licensee does not need to do anything to protect its rights. If on the other hand the license is rejected by the licensor-debtor, the licensee may elect to retain its rights to the licensed IP post-rejection. If there is a period of negotiation prior to a formal bankruptcy filing, a licensee could attempt to negotiate some alternative structure, such as an assignment of the licensed property that provides it with a property right in the IP greater than that possessed by a licensee, subject to the issues raised in Section 5 below.

d. Can a licensor prevent a trustee or receiver from selling or transferring the insolvent licensee's rights under a license agreement?

Before a debtor-licensee can sell or transfer its rights under a license agreement, it must cure prior defaults (subject to limited exceptions) and provide adequate assurance of future performance, including future performance by any assignee. A non-debtor licensor has the right to object in an evidentiary hearing before the U.S. bankruptcy court. The debtor-licensee would have the burden of proof on those issues.

United States

Are there differences regarding trademark, copyright and patent licenses, noting any exceptions, e.g., mandatory licensing or standard essential patents?	As noted above, while copyrights and patents are considered intellectual property under the Bankruptcy Code that are governed by the provisions of section 365(n), trademarks are not included. The treatment of trademarks in U.S. bankruptcy cases has been a subject of controversy and the subject of differing viewpoints in court opinions in the United States. In 2019, however, the U.S. Supreme Court provided at least some direction in resolving a Circuit Court of Appeals conflict by ruling that a trademark license is not terminated by rejection under section 365 of the Bankruptcy Code, and only represents a breach of contract. The Supreme Court case is *Mission Product Holdings, Inc. v. Tempnology*, LLC, No. 17-1657 (U.S., May 20, 2019).
Is there a risk in transferring licensed IPR to a third party in anticipation of an insolvency?	Any time that an entity transfers assets to a third party prior to or in anticipation of a bankruptcy filing, there exists a risk that the transfer can be avoided (clawed back) as either an intentional or constructively fraudulent transfer under U.S. bankruptcy or applicable state law. To avoid (or claw back) a transfer of property, however, requires a formal legal proceeding in which the plaintiff debtor (or trustee or, in c certain circumstances, a creditor or creditors' committee) proves that the debtor (1) did not receive reasonably equivalent value in return for the assets transferred or obligations incurred and (2) either was (a) insolvent at the time of the transfer or the incurring of the obligation, (b) became insolvent as a result of the transfer or the incurring of the obligation, (c) intended to incur, or believed it would incur debts beyond its ability to pay as such debts matured, or (d) was engaged in a business or transaction for which any property remaining with the debtor was an unreasonably small capital.

APAC

- Australia
- China
- Hong Kong
- Japan
- Singapore

Australia

What does the applicable law provide regarding the treatment of IP license agreements in insolvency proceedings in Australia?	**a. What are the general principles of the treatment of IP license agreements in insolvency proceedings? Is there a difference depending on the type of proceeding (e.g., a court-appointed receivership, a bankruptcy, a restructuring, etc.)?** In Australia, whether an insolvent licensee can continue using the IP license depends largely on the terms of the license agreement; a licensor may be free to terminate the license immediately upon insolvency. By virtue of the "ipso facto" stay regime, however, an IP licensor may be prohibited from exercising its termination rights purely on the grounds of insolvency of the licensee. There are three forms of insolvency procedures in Australia: receivership, voluntary administration and liquidation. Only a liquidator has the formal power to disclaim any contracts that he or she considers unprofitable (including IP license agreements). In practice, a receiver and/or voluntary administrator may also repudiate any contracts, which require performance by the insolvent company. In view of the ipso facto regime, it is vital for any IP licensor, on becoming aware of the insolvency of a licensee, to promptly seek legal advice on the steps it should take to protect its interests. **b. What are the laws governing the treatment of IP license agreements in insolvency proceedings?** The Corporations Act 2001 (Cth) ("**Corporations Act**") and various pieces of subordinate legislation govern insolvency proceedings generally, with IP license agreements treated no differently to other contracts. It is worth noting that a license of intellectual property (including designs, patents, trademarks, circuit layouts, copyright and plant breeder's rights) might attract a security interest if the license is used as collateral (for example, as security for a loan). Security interests in relation to intellectual property are dealt with under the Personal Property Securities Act 2009 (Cth).
Are contractual provisions automatically terminating licenses (and distribution agreements) or automatically transferring licensed IPR to the licensee by virtue of an act of insolvency valid and enforceable, having regard to anti-deprivation rules?	As mentioned in 1(a) above, the ipso facto stay regime restricts the ability of a contractual party (including an IP licensor) to terminate an agreement on the grounds of the other party's insolvency. However, it would not prohibit a party from terminating the agreement for reasons other than insolvency. Technically, a contractual provision that requires a licensor to transfer licensed IPR to the licensee upon the insolvency of the licensor is not prohibited by the ipso facto stay regime. However, depending on the factual circumstances, such a transfer can constitute an uncommercial transaction, which can be reversed by a liquidator as a voidable transaction under the Corporations Act. Any purported "automatic" transfer following insolvency would also be void as being contrary to the general prohibitions on dealing with the insolvent licensor's property following its insolvency.

Australia

What does this practically mean for licensors and licensees?

a. Does a license agreement remain valid during an insolvency proceeding?

Yes. Generally, the insolvency of a company does not automatically invalidate or end a license agreement. In fact, it is quite common for the insolvent company (acting by its agent, the receivers, voluntary administrators or liquidators) to continue performing its contractual obligations under the license while a restructure or a sale of business is being undertaken.

b. Is the trustee or receiver obliged to perform the obligations under a license agreement?

Broadly, no. That said, in the case of voluntary administration and/or receivership, the insolvent party (especially if it is the licensor) could be compelled by the solvent party (especially if it is the licensee), through injunctive relief, to continue to perform the license.

In a liquidation scenario, a liquidator has wider statutory powers to disclaim a license agreement. Such a disclaimer is highly unlikely to be interfered with by the courts.

c. What can a licensee do, if anything, to protect its right to use the licensed IPR?

Any protections for a licensee to use licensed IPR in the event a licensor becomes insolvent should be covered in the license agreement. A licensee, when dealing with an insolvent licensor, should commence negotiations with the insolvency appointees in respect of any interim arrangements (during the course of the insolvency proceedings).

As discussed above, the insolvency of a licensor does not automatically invalidate a license agreement. Further, the insolvency appointees may have no intention of terminating the license pending sale of the business, meaning that the licensee can continue to use the licensed IPR during and potentially after the sale. The insolvency appointees may want to sell the licensed IPR to the licensee.

For completeness, it should be noted that a common approach is for the licensee to seek to have security over the IPR from the licensor.

Australia

What does this practically mean for licensors and licensees?	**d. Can a licensor prevent a trustee or receiver from selling or transferring the insolvent licensee's rights under a license agreement?** Generally, yes. An insolvency appointee has no right to sell or transfer the licensor's licensed IPR to a third party unless he or she has obtained consent from the licensor. Even if the license has been used as collateral, the consent of the licensor would be required to dispose of that collateral. In theory, it is possible that a licensee grants a security interest over the IP license in favor of a third party (for instance, a bank) as security for financing. This means that the third party, with a validly registered security interest over the license, could potentially appoint a receiver to sell or transfer the license without obtaining consent from the licensor, and retain the proceeds. However, Australian license agreements generally contain provisions that prevent transfers without the consent of the licensor.
Are there differences regarding trademark, copyright and patent licenses, noting any exceptions, e.g., mandatory licensing or standard essential patents?	No differences are prescribed by law. Any differences between the types of IP licensed would depend on the terms of the individual license agreement.
Is there a risk in transferring licensed IPR to a third party in anticipation of an insolvency?	Yes, transfers of this kind by a distressed licensor prior to its insolvency may be set aside by an insolvency appointee. Likewise, a transfer by the licensor to a third party could be restrained by the licensee.

China

What does the applicable law provide regarding the treatment of IP license agreements in insolvency proceedings in China?	**a. What are the general principles of the treatment of IP license agreements in insolvency proceedings? Is there a difference depending on the type of proceeding (e.g., a court-appointed receivership, a bankruptcy, a restructuring, etc.)?** Under Article 18 of the PRC Insolvency Law, the administrator in bankruptcy has the right to decide whether to terminate or continue to perform any outstanding contracts in insolvency proceedings. For IP license agreements that have not been fully performed before the insolvency proceedings commence, its continuous performance or termination will be subject to the administrator's decision pursuant to the procedural steps outlined under Article 18. All insolvency proceedings need to be approved and supervised by the courts in China and the application of Article 18 is irrespective of the type of insolvency proceedings. **b. What are the laws governing the treatment of IP license agreements in insolvency proceedings?** The treatment of IP licenses is mainly governed by the PRC Insolvency Law (Article 18) as outlined above. Depending on the specific IP rights of concern, the Trademark Law, Copyright Law, Patent Law and relevant judicial interpretations issued by PRC Supreme People's Court will also need to be considered.
Are contractual provisions automatically terminating licenses (and distribution agreements) or automatically transferring licensed IPR to the licensee by virtue of an act of insolvency valid and enforceable, having regard to anti-deprivation rules?	The PRC law is silent as to whether an Ipso Facto clause (e.g., a clause granting a party the right to unilaterally terminate the contract in the event of the other party's bankruptcy) would prevent the administrator from exercising the right to terminate or continue performance of the outstanding contracts. That said, we came across case precedents where the court opined that bankruptcy law is a special law and hence prevails over contract law. Therefore, if the non-insolvent party exercises the termination right (the sooner the better) before the administrator is appointed under the PRC law, it is then in a position to argue that the administrator cannot request the continued performance of a contract that has already been terminated. If however, the non-insolvent party does not exercise its termination right in a timely manner (which means that the contract is still in force), the court may take the view that only the administrator has the right to terminate the contract despite the existence of an Ipso Facto clause in the contract. In practice, there is a time lag between the court's acceptance of a bankruptcy application and the appointment of the administrator, which ranges from several days to months. We also recommend including earlier triggers in the agreement so that termination can be effected at early signs of financial distress.

China

What does this practically mean for licensors and licensees?

a. Does a license agreement remain valid during an insolvency proceeding?

Unless the parties have expressly agreed that the insolvency or bankruptcy of the respective contracting party is a termination event or the administrator decides to terminate the same, the license agreement remains valid during an insolvency proceeding.

As mentioned earlier, the administrator has the right to decide to terminate or continue to perform an outstanding license agreement. However, the administrator has the obligation under Article 18 of the PRC Insolvency Law to inform the other party of the decision within two months after the court accepts the bankruptcy application. If the administrator does not do so, or does not respond within 30 days to the other party's enquiry as to performance or termination, the license agreement will be deemed as terminated. If the administrator elects to continue the performance of the outstanding agreement, the other party is entitled to request the administrator to provide security. Where the administrator fails to provide security, the contract is deemed to be terminated. A claim for damages (if any) resulting from the termination can be filed with the administrator as an unsecured claim.

b. Is the trustee or receiver obliged to perform the obligations under a license agreement?

The administrator needs to perform the obligations only if it decides to continue to perform the license agreement. In the context of China where onshore entities are usually the licensees, this means that the licensor is required under the PRC Insolvency Law to continue to perform the agreement in the event that the administrator of the licensee decides to perform the license agreement, except where the licensor exercises the termination right as allowed under the license agreement prior to the appointment of administrator for the licensee.

c. What can a licensee do, if anything, to protect its right to use the licensed IPR?

Unfortunately, since the administrator in bankruptcy has the right to decide whether to terminate or continue to perform a license agreement, there are limited means available to a licensee to protect its right to use the licensed IPR if the licensor is in solvent.

Under PRC law, without express agreement between the parties, the assignment or transfer of licensed trademarks does not affect the validity of any license granted in respect of the assigned marks. For a trademark licensee, having such an express provision in the license agreement may be helpful.

In addition, we would also suggest recording trademark and patent license agreements for such PRC registered IPs with the National IP Administration. Such a recording can be relied on against bona fide third parties in the event that the licensor transfers or licenses the IPs to third parties..

China

What does this practically mean for licensors and licensees?	**d. Can a licensor prevent a trustee or receiver from selling or transferring the insolvent licensee's rights under a license agreement?** Unless there are agreed provisions in the license agreement prohibiting the sale or transfer of the licensee's rights, the licensor is unable to prevent the administrator from doing so. The license agreement should provide for the automatic termination of the license agreement in the event of insolvency of the licensee.
Are there differences regarding trademark, copyright and patent licenses, noting any exceptions, e.g., mandatory licensing or standard essential patents?	No.
Is there a risk in transferring licensed IPR to a third party in anticipation of an insolvency?	Yes. The transfer of the licensed IPR to a third party may be declared invalid by the court if the transfer is challenged. For example, if a company transferred licensed IPR to a third party within one year preceding the PRC court's acceptance of bankruptcy application, the transfer may be revoked by the court if it has no consideration or is carried out at a markedly unreasonable price. Meanwhile, if the transfer is made in violation of a contractual restriction against the transfer/assignment of the license IPR during the license term, it may also lead to a claim for breach of contract. A claim for damages needs to be filed as an unsecured bankruptcy claim in the insolvency proceedings for the insolvent licensor.

What does the applicable law provide regarding the treatment of IP license agreements in insolvency proceedings in Hong Kong?	**a. What are the general principles of the treatment of IP license agreements in insolvency proceedings? Is there a difference depending on the type of proceeding (e.g., a court-appointed receivership, a bankruptcy, a restructuring, etc.)?** Under Hong Kong law, all the property to which the insolvent company is or appears to be entitled qualify as assets in the insolvency proceedings. "Property" includes obligations arising out of choses in action. IP license agreements are thus subject to insolvency proceedings and are dealt with as assets or liabilities of the insolvent company in accordance with general insolvency rules. This is irrespective of the type of insolvency procedures in question. The insolvency procedures available to wind up a company in Hong Kong are: (i) members' voluntary liquidation, (ii) creditors' voluntary liquidation and (iii) compulsory liquidation. All these options involve the appointment of liquidator. A receiver over assets of the company may be appointed pursuant to a debenture or contract or an application to the court. There is no formal corporate rescue process in Hong Kong's insolvency regime. **b. What are the laws governing the treatment of IP license agreements in insolvency proceedings?** The principal legislation in Hong Kong relating to corporate insolvencies is the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) (CWUMPO), which is supplemented by the Companies (Winding Up) Rules (Cap. 32H). Some provisions of the Bankruptcy Ordinance (Cap. 6) also apply to corporate insolvencies in Hong Kong. However, the aforementioned legislation does not specifically provide for the treatment of IP license agreements in insolvency proceedings. The treatment of IP license agreements in insolvency proceedings largely depends on the contractual provisions and the common law.
Are contractual provisions automatically terminating licenses (and distribution agreements) or automatically transferring licensed IPR to the licensee by virtue of an act of insolvency valid and enforceable, having regard to anti-deprivation rules?	In principle, contractual provisions automatically terminating the license agreement in the event of insolvency are generally valid and enforceable. However, contractual provisions automatically transferring licensed IPR to the licensee in the event of insolvency of the licensor may not be valid and enforceable in view of the common law rule of anti-deprivation that is applicable in Hong Kong. Under the anti-deprivation rule, any contractual provision designed to remove from the insolvent company assets otherwise held at the commencement of winding-up — therefore depriving creditors of the assets in question — is generally invalid.

Hong Kong

What does this practically mean for licensors and licensees?

a. Does a license agreement remain valid during an insolvency proceeding?

Subject to any automatic termination clause on the ground of insolvency in the license agreement, the license agreement remains valid.

However, the liquidator is in a position to decide whether to continue with the IP license agreement or to terminate it (if contractually allowed) or apply to the court to disclaim the license agreement on the basis that it amounts to "onerous property" under the CWUMPO.

b. Is the trustee or receiver obliged to perform the obligations under a license agreement?

In a winding up, the person in charge will be the liquidator.

The liquidator may, with the leave of the court and within 12 months of the date of the commencement of the winding up, exercise the power to disclaim "onerous property," which includes "unprofitable contracts." For example, where the IP right-holder has contractual obligations to maintain or develop a copyright or patent in accordance with a pre-existing license, or has to spend on ongoing registration and other expenses to preserve the value of a patent or trademark, the IP license agreement could become "onerous property" that the liquidator is entitled to disclaim.

c. What can a licensee do, if anything, to protect its right to use the licensed IPR?

The licensee may try to protect its right to use the licensed IPR by carefully drafting the license agreement, for example, by providing that there is no automatic termination in the event of insolvency of the licensor. However, there is no watertight solution for the licensee to protect its rights to use the licensed IPR against insolvency of the licensor because the liquidator may apply for the disclaimer of onerous property, which cannot be disavowed by contract. The licensee has limited control.

d. Can a licensor prevent a trustee or receiver from selling or transferring the insolvent licensee's rights under a license agreement?

As mentioned, in a winding up, the person in charge will be the liquidator.

Hong Kong

What does this practically mean for licensors and licensees?	If the IPR clearly belongs to the licensor based on the license agreement and is clearly identified and segregated from the assets of the insolvent licensee, the licensor may claim a proprietary right over the IPR and, if successful, it must be returned to the licensor and will not form part of the insolvent licensee's estate in the winding up. The license agreement should also provide for the automatic termination of the license agreement in the event of insolvency of the licensee.
Are there differences regarding trademark, copyright and patent licenses, noting any exceptions, e.g., mandatory licensing or standard essential patents?	No.
Is there a risk in transferring licensed IPR to a third party in anticipation of an insolvency?	Yes. The liquidator is empowered to investigate the affairs of the insolvent company and seek redress from the court where it considers that assets belonging to the insolvent company have been dissipated. There is claw-back risk that the transfer may be subject to challenge and the transfer may be set aside such that the third party may have to transfer back the licensed IPR to the respective party of the license agreement.

Japan

What does the applicable law provide regarding the treatment of IP license agreements in insolvency proceedings in Japan?

a. What are the general principles of the treatment of IP license agreements in insolvency proceedings? Is there a difference depending on the type of proceeding (e.g., a court-appointed receivership, a bankruptcy, a restructuring, etc.)?

In Japan, there are four types of insolvency proceedings: bankruptcy proceedings, civil rehabilitation proceedings, corporate reorganization proceedings and special liquidation proceedings (collectively "**Insolvency Proceedings**").

Generally, contractual claims of a debtor who enters into Insolvency Proceedings will constitute part of their insolvency assets.

Bankruptcy, civil rehabilitation and corporate reorganization:

If the obligations of both the insolvent company and the counterparty under an IP license agreement have not been fully performed at the time of the commencement of the Insolvency Proceedings, a trustee (in the case of bankruptcy proceedings and corporate reorganization proceedings) or a debtor-in-possession (in the case of civil rehabilitation proceedings) may choose to either terminate or perform such an IP license agreement.

However, in the case of a licensor's insolvency, the trustee or the licensor cannot terminate the IP license agreement as long as a licensee may legally assert its license against third parties.

Special liquidation:

In a special liquidation proceeding, a liquidator does not have the right to choose to terminate or perform the IP license agreement. Accordingly, the liquidator and the debtor must perform their respective obligations in line with their duties or obligations pursuant to the IP license agreement.

b. What are the laws governing the treatment of IP license agreements in insolvency proceedings?

Articles 53(1) and 56(1) of the Bankruptcy Act, articles 49(1) and 51 of the Civil Rehabilitation Act, and articles 61(1) and 63 of the Corporate Reorganization Act provide the rules on the treatment of agreements in the case of insolvency described in our description above.

Japan

Are contractual provisions automatically terminating licenses (and distribution agreements) or automatically transferring licensed IPR to the licensee by virtue of an act of insolvency valid and enforceable, having regard to anti-deprivation rules?	No, such contractual provisions would **not** be enforceable. In relation to civil rehabilitation proceedings and corporate reorganization proceedings, there are some court cases that have determined that provisions that terminate provisions (such as licenses) triggered by insolvency events (e.g., where a petition for an Insolvency Proceeding is filed, the Insolvency Proceeding is commenced or the cause of Insolvency Proceeding arises) are not enforceable. There are no established court cases on the enforceability of such a clause in bankruptcy proceedings. However, it is likely that the same interpretation as those shown in the above court cases would apply. That being said, in many cases, the trustee does not challenge the termination of contracts, because the debtor (and all contracts) is liquidated upon the completion of the bankruptcy case in any event and it is often not worthwhile challenging the termination of unnecessary contracts. In addition, transfers of IPR under a provision that automatically transfers the IPR to the licensee when insolvency events occur may be voided or cancelled in the Insolvency Proceedings. This is because such transfer damages insolvency assets and harms the interests of creditors.
What does this practically mean for licensors and licensees?	**a. Does a license agreement remain valid during an insolvency proceeding?** Yes, unless the license agreement is terminated by a trustee or a debtor-in-possession. Please see our answer to question above on the general overview of insolvency for more detail. **b. Is the trustee or receiver obliged to perform the obligations under a license agreement?** Yes, unless the license agreement is terminated by a trustee or a debtor-in-possession. Please see our answer to question above on the general overview of insolvency for more detail. **c. What can a licensee do, if anything, to protect its right to use the licensed IPR?** This will depend on the type of IP involved. Where a licensee may legally assert its license against any third parties, the licensor cannot terminate the IP license agreement and, therefore, the licensee may continue to use the licensed IPR even after the commencement of the Insolvency Proceedings

Japan

What does this practically mean for licensors and licensees?

Trademark:

To assert a trademark license against third parties, the license needs to be registered at the Japan Patent Office (JPO). Therefore, the licensee can protect the right to use the licensed trademark by recording the license with the JPO.

Patent rights, utility model rights and design patent rights:

The licensee of patent rights, utility model rights and design patent rights may assert the license even if the license is not registered. In this sense, a licensee of these rights would generally be protected without any special action.

Copyright:

The Japanese Copyright Act does not provide a system for the licensee to assert its license against third parties. Therefore, the licensee cannot prevent the licensor from terminating the copyright license agreement.

Escrow arrangements are often used for software, and Insolvency Proceedings can be used as a trigger to release the source code to the licensee.

d. Can a licensor prevent a trustee or receiver from selling or transferring the insolvent licensee's rights under a license agreement?

Yes, the licensor can prevent a trustee or debtor-in-possession from selling or transferring the license by refusing consent to the transfer or prohibiting the transfer in the course of the business transfer or company split in the license agreement.

Intellectual property laws in Japan (including the Patent Act, Trademark Act, Copyright Act, Utility Model Act and Design Act) generally require a licensor's consent to sell or transfer the license of the IPR to third parties. This consent requirement is unaffected by the commencement of Insolvency Proceedings.

However, the transfer of the license of patent rights, utility model rights and design patent rights is allowed without a licensor's consent where the license is transferred in conjunction with the transfer of the business relating to the IPR or as a result of general successions (e.g., company split). A transfer of the license of trademark rights is also allowed without the licensor's consent in the case of general successions.

That being said, the licensor may prevent a trustee from transferring the licenses in the course of a business transfer or company split by including contractual provisions that allow the licensor to terminate the license agreement in the event of a business transfer or company split.

Japan

Are there differences regarding trademark, copyright and patent licenses, noting any exceptions, e.g., mandatory licensing or standard essential patents?	Yes. Please see our answer above, regarding the registration of licenses with the JPO.
Is there a risk in transferring licensed IPR to a third party in anticipation of an insolvency?	Yes. There is a risk that the transfer may be contested and that the third-party beneficiary may have to transfer the licensed IPR back to the respective party. In Insolvency Proceedings, a trustee, a supervisor of a debtor-in-possession, or a liquidator (collectively, "**Trustees**") may void or cancel the transfer of IPR as a fraudulent transfer where the transfer is conducted: (i) after the suspension of payments or filing for any of the Insolvency Proceedings and the beneficiary was aware of both the occurrence of the suspension of payments and the fact that the transfer harmed the interests of creditors; (ii) by the licensor and beneficiary while knowing that the transfer harms the interests of creditors; or (iii) after or within six months prior to the suspension of payments or filing for any of the Insolvency Proceedings with no consideration. Trustees may also void or cancel the transfer of IPR as a preference where the transfer was conducted as a payment for an existing claim: (i) after the licensor became unable to pay debts or filed for any Insolvency Proceedings and the beneficiary was aware of such event; or (ii) within 30 days before the debtor became unable to pay debts, despite the fact that the licensor was not obligated to do so and the beneficiary was aware that the transfer harmed the interests of other creditors.

Singapore

What does the applicable law provide regarding the treatment of IP license agreements in insolvency proceedings in Singapore?	**a. What are the general principles of the treatment of IP license agreements in insolvency proceedings? Is there a difference depending on the type of proceeding (e.g., a court-appointed receivership, a bankruptcy, a restructuring, etc.)?** The Insolvency, Restructuring and Dissolution Act does not expressly provide for the treatment of IP rights, including IP license agreements, during insolvency proceedings. The contractual provisions of the individual license agreement, as well as provisions in the Insolvency, Restructuring and Dissolution Act relating to contracts and property in general, will apply. **b. What are the laws governing the treatment of IP license agreements in insolvency proceedings?** The relevant provisions in the Insolvency, Restructuring and Dissolution Act, applying to all agreements, including IP license agreements, are as follows: ▪ Where a contract has been made with a company that is subsequently placed under judicial management or subsequently goes into insolvent liquidation, the Singapore court may, on the application of any other party to the contract, make an order discharging obligations under the contract on such terms as to payment by the applicant or the company of damages for non performance or otherwise as appears to the court to be equitable. ▪ A judicial manager or liquidator may, by giving the prescribed notice to creditors and the official receiver, disclaim any onerous property, which includes any unprofitable contract, and any other property that is unsaleable or not readily saleable.
Are contractual provisions automatically terminating licenses (and distribution agreements) or automatically transferring licensed IPR to the licensee by virtue of an act of insolvency valid and enforceable, having regard to anti-deprivation rules?	Contractual provisions automatically terminating licenses upon the insolvency of the licensor or licensee are fairly common and generally enforceable. However, contractual provisions automatically transferring licensed IPR to a licensee in the event of the licensor's insolvency are likely to be void for contravening public policy, pursuant to anti-deprivation rules. This is because these provisions are likely to be deemed to be mechanisms designed to remove assets from the insolvent company's estate. It may also be deemed as a transaction at an undervalue pursuant to the Insolvency, Restructuring and Dissolution Act, subject to whether the licensee provided consideration for acquiring the IPR, and the relevant statutory conditions, such as whether the licensor entered into the transaction in good faith and for the purpose of carrying on its business.

Singapore

What does this practically mean for licensors and licensees?	**a. Does a license agreement remain valid during an insolvency proceeding?** Generally yes, subject to contractual provisions (such as those stipulating insolvency as an event of termination) and subject to the license agreement being disclaimed by the judicial manager or liquidator, or discharged by the court. **b. Is the trustee or receiver obliged to perform the obligations under a license agreement?** Generally yes, subject to contractual provisions (such as those stipulating insolvency as an event of termination and anti-assignment provisions) and subject to the license agreement being disclaimed by the judicial manager or liquidator, or discharged by the court, until the underlying IPR is disposed of during the liquidation process. **c. What can a licensee do, if anything, to protect its right to use the licensed IPR?** In the case of trademarks, a licensee should record the license in the trademark register, so that the world at large is deemed to have notice of the license. The license to use the registered trademark will then be binding on every successor in title to the grantor's interest, unless the license provides otherwise. A licensee with sufficient bargaining power can request to contract with IP holding companies with little or no trading or business activities, so that liabilities are ringfenced and there is consequently a lower risk of insolvency. Otherwise, the licensee may seek to acquire the underlying IPR during the liquidation process. **d. Can a licensor prevent a trustee or receiver from selling or transferring the insolvent licensee's rights under a license agreement?** Practically, the licensor can build in contractual safeguards to pre-empt such a situation, such as providing for the licensee's insolvency as a termination event.
Are there differences regarding trademark, copyright and patent licenses, noting any exceptions, e.g., mandatory licensing or standard essential patents?	Generally no, since the underlying statute, the Insolvency, Restructuring and Dissolution Act, does not distinguish between the treatment of different types of intellectual property, and instead defines property generally as including: (a) money, goods, things in action, land and every description of property, wherever situated; and (b) obligations and every description of interest, whether present or future or vested or contingent, arising out of or incidental to property.
Is there a risk in transferring licensed IPR to a third party in anticipation of an insolvency?	Yes, the transfer of the IPR leading up to insolvency proceedings may fall afoul of anti-avoidance provisions if it is deemed as a transaction at an undervalue or an unfair preference transaction.

Practical considerations

If you are currently navigating IP license arrangements and relationships in these financially turbulent times, we provide some guidance on what to consider wherever you are in the license process.

General considerations for negotiating licenses	▪ **Guarantee**: Seek a parent company or directors' personal guarantee of the counterparty's obligations under the license ▪ **"Vital signs" termination options**: Provide termination options which are triggered by early signs of distress, rather than on bankruptcy filing itself ▪ **Bullet payment**: Mandate a "bullet payment" to be made at the end of the license period, to deter the insolvent counterparty from exercising early termination rights ▪ **Scope to renegotiate**: Include provisions providing for an obligation to renegotiate the agreement if its performance becomes excessively onerous for due to unforeseeable events
Special negotiating considerations for licensees	▪ **Permitted transfers are subject to the license**: Include clauses in the license which stipulate that any permitted transfer of the rights by the licensor is subject to the license ▪ **Limited termination options**: Seek to limit any contractual rights of the licensor to terminate the license, including on insolvency of either party ▪ **Pre-emption right**: Include in the license a pre-emption right or an option for the licensee to buy the IP, exercisable on certain pre-insolvency events such as failure to pay renewal fees for the IP ▪ **Perpetual, royalty-free license**: Include clauses in the license such that if the licensor becomes insolvent, the license will become perpetual and royalty-free (suitable where the license is to rights created for a particular business, e.g., customized software) ▪ **Escrow**: Use an escrow arrangement, under which the licensor assigns the licensed IP to an escrow agent, for the escrow agent to hold on trust. Per the arrangement, the escrow agent would transfer the IP to the licensee on the insolvency of the licensor. More common in software licenses ▪ **First refusal**: A right of first refusal, to allow the licensee the opportunity to acquire the licensed IPR if it is for sale, could be included in the agreement ▪ **Usufruct**: Obtain grant of usufruct in the IPR, if available under applicable law, to secure rights to use IPR in the event of insolvency

Practical considerations (cont'd)

Maintaining licenses	▪ **Recordal**: Where possible the licensee should record its interest with the appropriate intellectual property office or agency. A license that is registered in this way will be binding on any successor in title to IPR and may help the licensee preserve its rights to use the IPR under the license in the event of the licensee's insolvency or if the IPR is transferred. ▪ **Security interest**: Take a security interest over the IP. The registration of the security interest on the relevant IP or Corporate register may have the effect of putting a new licensee or buyer on notice of the existing license, and dissuade them from engaging with the trustee in breach of the disclosed license
Acquiring IPR	▪ **Fair value**: The acquirer should ensure that a fair value has been paid for the assets through proper valuation ▪ **Investigate purpose of transaction**: In order to protect against subsequent claims, the acquiring party should seek confirmation from the disposing party that the purpose of the transaction is not to deprive creditors' claims to the assets in the transaction ▪ **Investigate financial standing of seller**: The acquirer should also confirm that the transfer itself does not cause the seller to become insolvent.
In active bankruptcy proceedings	▪ **Early consideration of options**: The trustee and insolvent party should consider options to affirm or withdraw from licenses as soon as possible after the petition, because in some jurisdictions these rights may lapse if they are not exercised within a fixed period. ▪ **Interim measures**: The solvent counterparty should promptly engage in negotiations with the trustee to consider interim arrangements with the aim of preserving the status quo during the insolvency proceeding. ▪ **Security for performance**: If the insolvent party affirms the license agreement, request security to guarantee performance if such a remedy is available under local rules. ▪ **Damages action**: If the licensor or its trustee reject the license pursuant to rights under the bankruptcy, consider an action for damages, if available under local rules. Even if successful, the licensee may not be able to recover the full amount of damages, as the damages award would likely constitute an unsecured claim in the bankruptcy.

For specific assistance with your IP license arrangements and queries please contact any of our IP specialists.

Glossary

Assignment	In the intellectual property context, an assignment typically refers to the transfer of an entire intellectual property right from one party (the assignor) to another (the assignee).
Bankruptcy	A legal proceeding that allows a party who is dealing with debt problems to seek relief from some or all of its debts or enables the party to restructure its debts.
Copyright	An intellectual property right that protects creative works, such as musical pieces, films, paintings, and literary works.
Creditor	A party to whom a debt is owed.
Debt	An obligation that requires one party to pay another party money or some other asset.
Debtor	A party who owes another a debt.
Insolvent	The status of being unable to satisfy debts owed, or a person or entity with such status.
Intellectual Property Right	A transferable right protecting an intellectual creation, that gives the holder of the right to exclude others from using that creation. Intellectual property rights come in many forms, such as copyrights, patents, and trademarks. In some cases, the owner of intellectual property right must apply for and register the right in order to obtain protection.
License	In the intellectual property context, a license typically refers to a limited grant by the owner of an intellectual property right (or by someone who themselves holds a license to an intellectual property right) to do something that would otherwise be restricted by virtue of the intellectual property right. The party conferring the license is called the licensor, and the party obtaining rights under the license is the licensee. A license may either be exclusive - which means that the licensee is the only party who may exercise the rights conferred by the license - or non-exclusive.
Liquidation	A process by which an insolvent party ceases to operate or exist and its assets are distributed to its creditors. Liquidation may also refer to the conversion of non-cash assets into cash (e.g., through the sale of the non-cash assets).
Patent	An intellectual property right that protects an invention for a fixed term.
Trademark	An intellectual property right that protects signs that are identified with products (or services) in the minds of consumers. Some common examples of trademarks include brand names, logos, and slogans.
Trade secret	Whilst definitions vary between jurisdictions, a trade secret is generally regarded as information which is secret, and has commercial value due to this secrecy, and reasonable steps have been taken by the owner to ensure this secrecy. Trade secrets are generally protected without registration or procedural formality.
Trustee	An individual or entity appointed in a bankruptcy proceedings charged with administering the bankruptcy estate to protect the interests of creditors.

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Our Credentials

Your Counsel of Choice for IP | BAND 1 for IP by Chamber Global for 12 consecutive years

2009 – 2020
BAND 1 FOR IP
Chambers Global

2020
GLOBAL IP FIRM OF THE YEAR
Managing IP

2020
INTERNATIONAL IP OF THE YEAR
IAM Patent & World Trademark Review

2009 – 2020
MOST REPRESENTED FIRM IN WTR 1000
World Trademark Review

2020
50+ LAWYERS NAMED AS WIPR LEADERS
World IP Review

TOP TIER IP FIRM IN APAC, EMEA AND LATAM
Legal 500

TOP TIER IP FIRM IN APAC, EMEA AND LATAM
IAM Patent

A Leading IP Practice

A Truly Global IP Practice

Baker McKenzie understands that successful management across the full lifecycle of IP assets enhances the value of a company's brand by identifying risks well ahead of time and providing a strategic overview of potential opportunities to increase value through a clear commercial strategy. We have nearly 60 years of IP excellence and 650,000 trademark records under our management, over 200 of the world's largest brand owners trust us with their global portfolios.

With Local Strength

We are 400 IP lawyers strong in 40 countries. Over 100 of our IP lawyers are individually ranked in 95% of the markets in which we operate, giving us unrivalled local strength and depth, coupled with our global coverage. We are where you need us.

And Seamless Collaboration

The longevity and team work of our global team of IP practitioners is our core strength. We have a heritage of collaboration worldwide. Clients comment that it feels like they are dealing with one virtual office rather than separate jurisdictions. We move as one to address your needs and drive you forward.

Our Credentials

Regional Awards

North America

2020
Americas Firm of the Year
Managing IP

2020
10 NA lawyers ranked in WTR 1000
World Trademark Review

2020
4 NA lawyers ranked as WIPR Leaders
World IP Review

2020
US/National Silver Ranking
World Trade Review

Latin America

2020
Band 1 for TMT in Latin America
Band 1 for IP in Colombia and Peru
Chambers Latin America

2020
Americas Firm of the Year
Managing IP

2020
Tier 1 in Peru
Legal 500 Latin America

EMEA

2020
Band 1 for IP Czech Republic , Poland, Russia & Ukraine
Chambers Europe

2020
Gold for IP in Poland, Russia, Ukraine & UK
World Trademark Review

2020
20 EMEA lawyers ranked as WIPR Leaders
World IP Review

2020
Tier 1 for IP: France, Switzerland, Czech Republic , Poland, Russia, Ukraine
Tier 1 for IP Copyright: Spain
Legal 500

Asia Pacific

2010 – 2020
Band 1 for IP
Chamber Asia Pacific

2020
Indonesia IP Firm of the Year
Taiwan IP Firm of the Year
Global IP Awards

2020
International Trademarks Firm of the Year for 10 years
Trademarks Firm of the year: China, Indonesia & Vietnam
Copyright Firm of the Year: Singapore
Asia IP Awards

"Outstanding global powerhouse with a distinguished IP team, particularly well known for its work in trademark registration and enforcement. A market leader in the Asia-Pacific region and highly regarded for its European presence, complemented by strong coverage in the USA. Adept at handling anti-counterfeiting and copyright matters, as well as patent enforcement and management"
Chambers Global

"They are excellent. They are always responsive and have a deep understanding of our needs and requirements. Their international platform and ability to get local opinions very quickly is very impressive."
Chambers Europe

"Baker McKenzie gives you access to a one-stop shop that you can trust to handle trademark issues anywhere in the world – you get an extensive and highly qualified network of professionals at fingertips."
Chambers USA

"They have a business-minded team that does not limit itself to providing technical knowledge (with) preparation, experience, professionalism, efficacy and efficiency."
Chambers Latin America

Baker McKenzie is praised for its "down-to-earth, practical approach, skill in providing comprehensive assessments and finalizing agreements, and forward-looking agreements, really accurate risk calculation capability".
Chambers Asia Pacific

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