Question Q241

National Group:	**Brazil / ABPI**
Title:	**IP licensing and insolvency**
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Date:	[Please insert date]

Questions

I. Current law and practice

Groups are invited to answer the following questions under their national laws. If both national and regional laws apply to a set of questions, please answer the questions separately for each set of laws.

Please number your answers with the same numbers used for the corresponding questions.

1) Does your country have a registration system for IP licenses? If yes, please describe this system.

Yes, Brazil has a registration system for IP licenses.

Under Brazilian Industrial Property Law (Law No. 9,279/96), the Brazilian Industrial Property Office (INPI) will effect the registration of agreements that involve transfer of technology (*lato sensu*), franchising contracts and the like, in order for them to produce effects before third parties.

Transfer of technology agreements (*lato sensu*) comprise agreements providing for trademark license, patent license, industrial design license, technology supply (*stricto sensu*) and specialized technical assistance services. The transfer of technology agreements (*lato sensu*) and the franchise agreements will be hereinafter collectively referred to as "IP licenses". Please note, though, that other licenses of intellectual property rights, such as copyright license, are not subject to registration with INPI.

Not all IP licenses must necessarily be submitted to INPI's registration. Such proceeding is only mandatory for the following effects:

(a) Remittance of payments abroad: Brazil has exchange control regulations in place, and such regulations establish that for the remittance of some payments (such as royalties for trademark and patent licenses and also for technology transfer) from Brazil to a third party abroad in consideration for the

license of patents, license of trademarks, supply of technology, technical assistance and franchising the relevant agreement must be registered with the electronic system of the Central Bank of Brazil (BACEN). According to regulations from BACEN, prior registration of the IP license with the INPI is a condition precedent for BACEN registration;

(b) Deductibility: Brazilian tax laws and regulations establish that registration of the relevant IP licenses with INPI is a condition precedent for deductibility of the royalties paid by the Brazilian licensee, for purposes of calculation of its Brazilian corporate income tax. This means that tax authorities will only accept deductibility of the royalties paid after INPI has recorded the respective IP license. Tax laws are clear that prior registration with INPI is a condition precedent for deductibility with an agreement with a foreign licensor. It is debatable whether registration with INPI is required if the IP license agreement is between two Brazilian entities;

(c) Effectiveness before third parties: the registration of the IP licenses by the INPI is also necessary in order for the agreement to be effective vis-à-vis third parties, and to entitle the licensee, when provided for in the agreement, to represent licensor before Brazilian courts in case of claims involving the licensed IP.

INPI's approval for IP licenses is granted provided that the applicable agreements comply with certain requirements, which are not entirely based on written rules, but on practices and criteria acceptable to the INPI. The IP licenses must be carefully worded and adapted according to such requirements, as follows:

2) Describe the type or types of bankruptcy and insolvency proceedings that are available in your country.

The main types of bankruptcy and insolvency proceedings in Brazil are governed by the Law No. 11,101/2005 ("Recovery and Bankruptcy Law"), which provides the rules for the judicial and extrajudicial recovery, as well as the bankruptcies of legal entities and individuals engaged in business activities. State-owned companies, banks and other financial institutions are regulated by different specific bankruptcy and liquidation laws. For more detailed and specific information regarding this aspect, a bankruptcy attorney shall be consulted.

3) Does the law that governs bankruptcy and insolvency proceedings in your country address IP rights or IP licenses as distinct from other types of contracts, assets, and property rights? If yes, is the law statutory, regulatory, or based on precedent? Please identify any relevant statutes or regulations.

No. The Law No. 11,101/2005 ("Recovery and Bankruptcy Law") does not directly address IP rights or IP licenses as distinct from other types of contracts, assets, and property rights. Nonetheless, Article 75 of the Law mentions that the bankruptcy proceedings under said Law aims to preserve and optimize the use of the assets and resources, explicitly citing those that are "intangible". Moreover, Article 117 establishes that bilateral contracts are not terminated because of bankruptcy and can be accomplished by the judicial administrator, **if these contracts**: **(i)** reduce or avoid the increase of the company's debts; and **(ii)** are necessary to preserve the company's profits. In this context, IP contracts may not be terminated because of bankruptcy procedures, if the contracts benefice the company economically. For more detailed and specific information regarding this aspect, a bankruptcy attorney shall be consulted.

4) Please answer the following sub-questions based upon the law and jurisprudence in your country that governs bankruptcy and insolvency proceedings:

a) Describe the law and its effects on a bankruptcy administrator's ability to adopt, assign, modify, or terminate an IP license.

From the date of the declaration of bankruptcy or from the date of the seizure of the bankrupt assets, the insolvent company loses the right to manage its own assets. The management of the bankrupt estate is assigned to a judicial administrator, who shall decide whether to continue performance under existing agreements.

According to the Article 117 of the Law No. 11,101/2005 ("Recovery and Bankruptcy Law"), bi–lateral agreements are not terminated as a result of the bankruptcy, and may be performed by the judicial administrator, if performance thereunder reduces or avoids the increase of the debt of the bankrupt estate, or if performance is necessary to the maintenance and preservation of its assets, by means of an authorization from the Committee.

The contracting party may request from the judicial administrator, within the term of ninety (90) days from the date of signature of its appointment, that he declares whether he will maintain performance under the contract or not. In case the judicial administrator declares his intention of not continuing performance under the contract, or remains silent, the contracting party shall have the right to seek indemnification, the value of which, as calculated in an ordinary lawsuit, must be collected from the bankrupt estate as an unsecured credit. For more detailed and specific information regarding this aspect, a bankruptcy attorney shall be consulted.

b) Are equitable or public policy considerations relevant to how an IP license is treated?

Yes, for instance, Article 117 of the Law No. 11,101/2005 is deemed to be of public order, and therefore in cannot be amended or bypassed by a private contractual provision.

c) Is the law different for different types of bankruptcy and insolvency proceedings in your country?

State owned companies, banks and other financial institutions, and/or regulated by different specific laws, with particular procedures.

The general Recovery and Bankruptcy Law (Law No. 11,101/2005) provides three types of proceedings.

(i) Extrajudicial Recovery. In the case of an Extrajudicial Recovery Proceeding the debtor company should present a recovery an Extrajudicial Recovery Plan, obtain approval of three-fifths of the creditors of a previously selected class or classes of creditors cramming down the non-consenting creditors of the same class if necessary. After approval of the plan, the debtor should request to a court of law the ratification of the approved plan. The court of law will

verify the legality of the procedures and of the plan. The Extrajudicial Recovery is not applicable to some liabilities such as tax and labour liabilities.

(ii) Judicial Recovery. In the case of a Judicial Recovery Proceeding, when the debtor continues to manage the company, except in the cases in which there are grave reasons for which the creditors may call for a meeting to remove the administrators from office and ask for the appointment of new administrators appointed by court. If the Judicial Recovery is granted by a court of law, the debtor is entitled to a 180-day stay period during which almost all lawsuits and collection procedures against the debtor are suspended. Within 60 days of the approval date of a judicial recovery request, the debtor must submit a judicial recovery plan to the court detailing the proposed recovery process. If specific legal requirements are not met, or if one or more creditors present formal opposition to the terms of the plan, the plan may reviewed or be rejected entirely. A Judicial Recovery Proceeding should be converted into bankruptcy if: (i) the debtor fails to submit a recovery plan within the deadline set forth in the law; (ii) a General Meeting of Creditors rejects the judicial recovery plan; and (iii) the debtor fails to satisfy its legal obligations related to the judicial recovery plan within a two year period from the judicial recovery approval date set by the judge.

(iii) Bankruptcy. In the case of a Bankruptcy Proceeding, a court assigned trustee (the "judicial administrator") can use different forms of asset realisation for maximising the interests and refund of the creditors, including alternative to the typical individual sale of items of the assets, such selling the business as a whole, selling the production units separately, jointly selling the assets that comprise each of the debtor's establishments and leasing the plants. Nevertheless, the sale of assets in bankruptcy follows specifics procedures such as auctions to provide transparency to the process and to provide to the buyer of the assets protection against possible past contingent liabilities that may affect the assets purchased. After bankruptcy has been declared the classification of the credits is governed in by the following summarized priority order (pro-rata basis within the same class of creditors and the next class receives payment only after full payment of the prior class):

a) labour debts (up to 150 minimum wages) and credits originating from work accidents;
b) credits including secured guarantees up to the limit of the encumbered amount;
c) tax credits, except tax fines;
d) credits including special privileges;
e) credits including general privileges;
f) unsecured credits;
g) contractual and tax fines and penal and administrative pecuniary sentences;
h) other credits.

For more detailed and specific information regarding this aspect, a bankruptcy attorney shall be consulted.

d) Does the law require, or give preference to, IP licenses that have been registered according to a registration scheme?

No. Merely registering the IP license before the Brazilian Industrial Property Office (INPI) does not change the priority order of the standard classification of the credits, unless there are specific provisions regarding pledge or security interests provided in the agreement.

The registration nonetheless may strongly assist the creditor to show the existence of the license agreement before the other creditors, because under the Brazilian Industrial Property Law (Law No. 9.279/96) the registration of the IP licenses by the INPI is necessary in order for the agreement to be valid before third parties.

For more detailed and specific information regarding this aspect, a bankruptcy attorney shall be consulted.

e) Would the existence of a pledge of or security interest in the IP rights for the benefit of the licensee affect application of the law in the case of an insolvent licensor?

The existence of a security interest in the IP rights may change the priority order in the standard classification of the credits. The existence of a pledge does not affect IP rights in the bankruptcy proceeding.

f) Is the law limited to or applied differently among certain types of IP rights (e.g., patents versus trademarks or copyrights)? If yes, please explain.

No.

g) Does the law apply differently to sub-licenses versus “main” licenses?

No.

h) Does the law apply differently to sole or exclusive licenses versus non-exclusive licenses?

The law does not differentiate, but there are certain arguments that may be stronger in the context of an exclusive license. An exclusive licensee or the exclusive licensor may have better chances to demand the termination of the exclusive license agreement due to the bankruptcy of the other party, because it would be possible to allege that the maintenance of the exclusive licensing relationship may cause greater damages than the maintenance of a non-exclusive relationship.

i) Does the law apply differently if the bankrupt party is the licensee versus the licensor?

Yes, as generally explained above.

j) Please explain any other pertinent aspects of this law that have not been addressed in the sub-questions above.

Please note that the main aspects were summarized above. For more detailed and specific information regarding this aspect, a bankruptcy attorney shall be consulted.

5) Would a choice of law provision in an IP license agreement be considered during a bankruptcy or insolvency proceeding in your country? Is this affected by the nationalities of the parties to the IP license or by the physical location of the assets involved?

There is no clear court precedent in this matter. The Law No. 11,101/2005 ("Recovery and Bankruptcy Law") is applicable for companies that have its principal place of business in Brazil and for the branch or subsidiaries in Brazil of foreign companies. In principle, any IP licensing agreement and the respective assets of the aforementioned companies (including the branch subsidiaries in Brazil of foreign companies) are subject to the Brazilian Recovery and Bankruptcy Law. Brazilian Recovery and Bankruptcy Law is of public policy, so it will govern the bankruptcy proceeding regardless of the terms of a specific agreement.

For contractual disputes that are not related to the bankruptcy, the governing law of the agreement will regulate the matter.

For more detailed and specific information regarding this aspect, a bankruptcy attorney shall be consulted.

6) Would a clause providing the solvent party in an IP license agreement the right to terminate or alter an IP license be considered enforceable during a bankruptcy or insolvency proceeding in your country? Would the answer be different if the clause provides for automatic termination as opposed to an optional right to terminate?

There is a significant risk that a clause providing the solvent party in an IP license agreement the right to terminate or alter an IP license during a bankruptcy would be considered unenforceable, whether it is an automatic termination or an optional right to terminate.

As mentioned above, according to the Article 117 of the Recovery and Bankruptcy Law, bi–lateral agreements are not terminated as a result of the bankruptcy, and may be performed by the judicial administrator, if performance thereunder reduces or avoids the increase of the debt of the bankrupt estate, or if performance is necessary to the maintenance and preservation of its assets, by means of an authorization from the Committee.

Also, in the absence of specific provisions in the Brazilian industrial property law, certain provisions of the Civil Code relating to lease agreements may be applied by analogy to IP licence agreements. As a result, the following provision of the Recovery and Bankruptcy Law is relevant to IP licence agreements:

> "Art. 119. In contractual relationships, the following rules shall prevail:
> VII – the bankruptcy of lessor does not terminate a lease agreement, and in the bankruptcy of lessee, the judicial administrator may, at any time, terminate the agreement."

Analogically, thus, one could imply that the bankruptcy of a licensor of an IP right does not, *per se*, terminates the license agreement. In the case of the bankruptcy of licensee, the judicial administrator has the right (but not the obligation) to terminate the agreement at any time.

Although the provisions of the Recovery and Bankruptcy Law are deemed to be of public order, the fact that a trademark owner has the right to protect the image and reputation of its trademark indicates that the trademark owner should in principle be able enforce its right of terminating the trademark license agreement in case of bankruptcy of licensee, so as to avoid damage to the image and reputation of the trademark as a result of the bankruptcy process. However, there are no clear court precedents in that regard.

For more detailed and specific information regarding this aspect, a bankruptcy attorney shall be consulted.

7) Would a clause in an IP license agreement that restricts or prohibits transfer or assignment of the IP license be considered enforceable during a bankruptcy or insolvency proceeding in your country?

There is a risk that a clause that restricts or prohibits transfer or assignment of the IP license during a Bankruptcy Proceeding would be deemed unenforceable. In a bankruptcy situation, the bankrupt party is no longer free to dispose of its own assets that constitute the bankrupt estate, which is managed by the judicial administrator (trustee). The judicial administrator, after collection and evaluation of all the assets that constitute the bankrupt estate, must proceed to the sale of such assets, preferably by selling the whole company with all of its assets, or the sale of the individual assets. If the bankrupt company is sold as a whole, the sale includes the transfer of all relating agreements. Therefore, the assignment and transfer of assets (including IP assets) and any attendant licence agreement will be determined and carried out by the judicial administrator, but the transfer of an IP license (mainly a trademark licence) by licensee may be objected to by licensor. In the case of bankruptcy of licensor, the transfer of licence agreements can be carried out by the judicial administrator. In this connection, paragraphs 3 and 4 of Article 140 of the Recovery and Bankruptcy Law are relevant:

> "Art. 140. […]
> §3º. The sale of the company shall have as its scope the whole collection of determined assets required for the profitable operation of the production unit, which may include the transfer of specific agreements.
> §4º. In the assignment and transfer of assets sold in the form of this article, which depend on public registration, the respective judicial order shall represent the acquisition title sufficient to accomplish such registration."

Therefore, in case of bankruptcy, the sale, by the judicial administrator, of IP rights included in the bankrupt estate, should be registered at INPI by means of presentation of the judicial order confirming the sale.

In the case of Judicial or Extrajudicial, the insolvent party may continue operating his business within the terms of the reorganization plan presented and approved, and may, therefore, assign and transfer the IP rights subject to a license agreement, as well as the license agreement itself, provided that such transfer is consistent with and does not violate the approved reorganization plan. Any assignment and sale must be always preceded by a favourable opinion from the Creditors Committee.

For more detailed and specific information regarding this aspect, a bankruptcy attorney shall be consulted.

8) In the event of a transfer or assignment of an IP license resulting from a bankruptcy or insolvency proceeding, what are the rights and obligations between the transferee and the remaining, original party or parties to the IP license? Does it matter if the insolvent party is a licensor, a licensee, or a sub-licensee?

If the bankruptcy judicial administrator (trustee) proceeds with the transfer or assignment of an IP license following the asset realisation legal proceedings, a novation of the licensing agreement will take place in regard to the new licensor, or new licensee, or new sub-licensee. Any prior liabilities, debts, rights or obligations concerning the original bankrupt licensor, licensee, or sub-licensee shall be claimed by the remaining party (or parties) directly against to the bankruptcy estate.

For more detailed and specific information regarding this aspect, a bankruptcy attorney shall be consulted.

9) In the event an IP license is terminated during a bankruptcy or insolvency proceeding in your country, would the licensee be able to continue using the underlying IP rights (and if so, are there any limitations on such use)? Does the (former) licensee have a claim to obtaining a new license?

If an IP license is terminated during a bankruptcy proceeding and the judicial administrator confirms termination of the IP license, the licensee in principle should be required to cease the use of the intellectual property right licensed, except in case of transfer of technology agreements.

In case of termination of a patent license or a trademark license, the licensee will no longer have authorization from the IP owner to use and exploit the right. Therefore, it should cease using the underlying IP rights.

However, in case of an agreement for unpatented technology/know-how, INPI does not accept the concept of a technology license and understands that the technology is permanently transferred to the Brazilian recipient. Therefore, INPI usually will not accept and will register agreements containing provisions that require the Brazilian recipient/licensee to cease using the technology upon expiration of the relevant agreement. One may argue that, in case of early termination, the technology should not be deemed permanently transferred, only upon expiration of the relevant agreement after the technology owner has received the adequate compensation for the technology. Nonethess, we cannot disregard the risk that upon termination of a technology transfer agreement due to bankruptcy, Brazilian courts may understand that the technology has been permanently transferred to the Brazilian licensee and, therefore, the Brazilian licensee could not be required to cease using the technology.

For more detailed and specific information regarding this aspect, a bankruptcy attorney shall be consulted.

10) If IP rights that are jointly owned by two parties have been licensed to a licensee by one or both of the joint owners, and one of the joint owners becomes insolvent, how would the IP license be treated in a bankruptcy or insolvency proceeding in your

country? Could the IP license be terminated even if this would result in termination of an agreement between the solvent, joint rights owner and the solvent licensee?

As explained in AIPPI Q194 and Q194BA, under Brazilian Law, there is no uniform regulation concerning the co–ownership of IP rights. Based on article 1314 of the Brazilian Civil Code (BCC), each co–owner is allowed to freely exploit the co–owned property, being this general rule the one applied to intellectual property assets. However, this exploitation does not comprehend acts of disposal, such as the licensing or assignment, which require which is subject to the right of first refusal of other co–owners under the same conditions, *i.e.* it must be offered firstly to the other co–owners (Article 1322 of the Brazilian Civil Code.

Nevertheless, in a controversial decision, the Court of Justice of Rio de Janeiro (Panther et al vs. Crysfred et al, Ap. Cível No. 2007.00134403, TJRJ) ruled that a co-owner of a patent may directly or indirectly exploit the patent rights without consent of the other co-owners and without accounting to the other co-owner(s).

Accordingly, it is likely that, if one of the joint-owners becomes insolvent, the license agreement would be maintained in force during the bankruptcy proceedings (see Article 119, VII of the Recovery and Bankruptcy Law cited above), and the underlying IP rights would be subject to the asset realisation proceeding, wherein the co-owner would have a preferential right.

Although it is difficult to envisage, it possible that an IP license could be terminated even if this would result in termination of an agreement between the solvent, joint rights owner and the solvent licensee, because of the public order nature of the Recovery and Bankruptcy Law. For instance, in some special circumstances involving a possible damage to large number third parties (e.g.: consumers) with substantial effect in a relevant market, the judicial administrator may terminate the licensing agreement, subject to the approval of a court of law, even if if this would result in termination of an agreement between the solvent, joint rights owner and the solvent licensee.

For more detailed and specific information regarding this aspect, a bankruptcy attorney shall be consulted.

11) Are there non-statutory based steps that licensors and licensees should consider in your country to protect themselves in insolvency scenarios, e.g., the creation of a dedicated IP holding company, creation of a pledge or security interest in the licensed IP for the benefit of the licensee, registration of the license, and/or inclusion of certain transfer or license clauses?

The creation of a security interest in the licensed IP for the benefit of the licensee and the registration of the license before the Brazilian Industrial Property Office (INPI) are very important measures that should be considered for protection in insolvency scenarios. The creation of IP holding companies may also assist both in the case in of the recovery proceedings and in the case of bankruptcy proceedings, because the concentration of the IP assets in a single company may considerably facilitate the management of the underlying IP rights and sale of the entire IP holding company.

For more detailed and specific information regarding this aspect, a bankruptcy attorney shall be consulted.

II. Policy considerations and proposals for improvements to your current system

12) If your country has a registration system for IP licenses, is it considered useful? Is it considered burdensome? Are there aspects of the system that could be improved?

Usefulness

The registration system for IP licenses has been created in a context when it was useful. However, due to the modernization of Brazilian laws and regulations, the globalization, transformation of the international relations and the worldwide technological progress, some defend that the registration system for IP licenses as currently developed in Brazil may be considered obsolete and no longer useful.

The system was aligned with the Brazilian industrial policy of the 70's, that aimed the national economical development, with severe restrictions as to the technological importation and preference to the expansion of the national industry.

Then, the system was maintained taking in consideration the disparity between the parties to an international agreement of technology transfer and other IP licenses that could give rise to the existence of restrictive covenants and unfair competition practices, consequently fomenting technological dependence of developing countries. For instance, such covenants could include abusive payment terms, term of the agreement, territorial limitations, concerted practices and abuse of dominant position.

Burden

Brazilian registration system for IP licenses can be considered burdensome taking in consideration the requirements made by INPI to approve an agreement. For instance, by requiring that a certain technology be transferred instead of merely licensed, the technology grantor may be creating a competitor in Brazil, as well as losing part of its business and assets. Also, INPI also creates a burden when it limits the royalty fees agreed upon between the parties.

As to unnecessary bureaucracy, Brazilian registration system for IP licenses is considered burdensome as to the level of documentation required for the approval of the IP licenses. In addition to the agreement itself (which must be carefully worded due to INPI's requirements, as well as notarized and legalized by the Brazilian Consulate if signed abroad), the parties must fulfil a detailed form for INPI's approval of the agreement and, in cases of technology supply and specialized technical assistance services agreements, prepare a justification letter describing the reasons and grounds of the agreement.

All such documents must be submitted in paper with their respective copies. There may be an imminent change to such proceeding, as INPI has been testing the "E-Contracts System", under which the parties will be able to submit such material electronically, saving time to copy documents, obtaining the proof of filing, displacing staff, etc.

As to the government fees charged, depending on the economic capacity of the parties and the number of IP licenses being submitted for approval, Brazilian registration system for IP licenses may be considered burdensome. INPI's current fee for application for approval of IP licenses is R$ 2.250,00 (today approximately USD 1000) up to 15 patent/ industrial design/ trademark applications. For each additional application, INPI will charge an extra fee of R$ 185,00 (today approximately USD 80).

Individuals, microenterprises, individual micro entrepreneur, small businesses, cooperatives, educational and research institutions, nonprofit entities and public entities will be granted a discount – the application for approval of IP licenses is R$ 900,00 (today approximately USD 400) up to 15 patent/ industrial design/ trademark applications. For each additional application, INPI will charge an extra fee of R$ 74,00 (today approximately USD 30).

Aspects of the system that could be improved

INPI's requirements for approving an IP license may discourage potential licensors from entering into agreements with Brazilian entities. Consequently, such Brazilian entities will not take advantage of the IP that could have been licensed and ultimately the country could be missing an opportunity for technological progress.

Based on that, a possible aspect of Brazilian registration system for IP licenses that could be improved is the limitation of INPI's interference in the negotiations between the IP licensor and the IP licensee, acting more as a notary body (i.e., having powers to verify if all formal contractual requirements such as consularization of the agreement are met and if the patents/ industrial designs / trademarks are actually filed for registration in Brazil), than a public body that controls and limits the contracting parties' business intentions. Also, the limitation on deductibility of royalties should also be excluded from the law.

13) If the law that governs bankruptcy and insolvency proceedings in your country does not address IP rights or IP licenses as distinct from other types of contracts, assets, and property rights, should it do so? If yes, should the law be statutory?

An answer to these questions highly depend on discussions between our specialized IP group with attorneys specialized in bankruptcy. For this reason, we preferred not to include general isolated comments.

14) With regard to a bankruptcy administrator's ability to adopt, assign, modify, or terminate an IP license under the current law of your country, are there aspects of this law that could or should be improved to limit this ability? Should equitable or public policy considerations be taken into account?

An answer to these questions highly depend on discussions between our specialized IP group with attorneys specialized in bankruptcy. For this reason, we preferred not to include general isolated comments.

15) Are there other changes to the law in your country that you believe would be advisable to protect IP licenses in bankruptcy? If yes, please explain.

An answer to these questions highly depend on discussions between our specialized IP group with attorneys specialized in bankruptcy. For this reason, we preferred not to include general isolated comments.

III. Proposals for substantive harmonisation

The Groups are invited to put forward proposals for the adoption of harmonised laws in relation to treatment of IP licenses in bankruptcy and insolvency proceedings. More

specifically, the Groups are invited to answer the following questions *without* regard to their existing national laws.

In our opinion, answers to the questions below highly depend on discussions between our specialized IP group with attorneys specialized in bankruptcy. For this reason, we preferred not to include general isolated comments.

16) Is harmonization of laws relating to treatment of IP licensing in bankruptcy and insolvency proceedings desirable?

17) Please provide a standard that you consider to be best in each of the following areas:

    a) What restrictions, if any, should be placed on a bankruptcy administrator's ability to adopt, assign, modify, or terminate an IP license in the event of bankruptcy of a party to that license? Should these restrictions be statutory?

    b) With regard to sub-paragraph 17(a) above, to what degree, if at all, should such restrictions depend upon pre-bankruptcy registration of the IP license?

    c) With regard to sub-paragraph 17(a) above, to what degree, if at all, should such restrictions depend upon whether the bankrupt party is the licensor or a licensee?

    d) With regard to sub-paragraph 17(a) above, to what degree, if at all, should such restrictions depend upon whether the licensee has a security interest in the underlying IP rights?

    e) With regard to sub-paragraph 17(a) above, to what degree, if at all, should such restrictions depend upon whether the license is a sub-license or a "main" license?

    f) With regard to sub-paragraph 17(a) above, to what degree, if at all, should such restrictions depend upon whether the license is sole, exclusive or non-exclusive?

    g) With regard to sub-paragraph 17(a) above, to what degree, if at all, should such restrictions depend upon the type or types of IP rights that are licensed in the IP license?

    h) With regard to sub-paragraph 17(a) above, to what degree, if at all, should such restrictions depend upon equitable or public policy considerations?

    i) With regard to sub-paragraph 17(a) above, to what degree, if at all, should such restrictions depend upon the language of the license itself, *e.g.,* a right to terminate upon insolvency or a prohibition against assignment?

    j) In the event a bankruptcy or insolvency proceeding in your country involves treatment of an IP license between a domestic entity and a foreign entity, which national bankruptcy laws should be applied? Should this depend on the choice of law clause in the IP license? Should this depend on the physical location of the entities or the assets involved?

18) To the extent not already stated above, please propose any other standards that you believe would be appropriate for harmonization of laws relating to treatment of IP licenses in bankruptcy and insolvency proceedings.

The Groups are invited to comment on any additional issues concerning any aspect of IP law and insolvency that they deem relevant.