



## Intellectual Property and Bankruptcy post *Mission Products*

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### Intellectual Property and Bankruptcy post Mission Products

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## **The Basics of Bankruptcy**

### **An Overview of Bankruptcy Law**

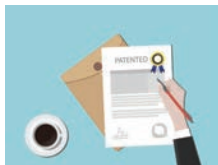
When a debtor files for bankruptcy:

- (i) a bankruptcy estate is automatically created, which encompasses all legal or equitable interests of debtor's property;
- (ii) a trustee (or debtor-in-possession) is appointed to administer the bankruptcy estate; and
- (iii) an automatic stay is imposed to protect the bankruptcy estate from creditors' collection activities.

Property of the estate provides the source of distributions to creditors.

Priority amongst creditors in bankruptcy is determined by applicable state and federal laws governing perfection of security interests.

## **Perfecting Security Interests in Intellectual Property**



### **Patents**

#### **File UCC-1 to Perfect Security Interest**

The Patent Act does not address security interests, so a secured creditor should file a UCC-1 financing statement in the state where the debtor is located to provide notice to subsequent lien creditors.

#### **Permissive Recordation with USPTO**

License agreements and security agreements will be accepted and recorded by the USPTO to provide notice of interests in or ownership of patents or applications to bona fide purchasers and mortgagees.



## Perfecting Security Interests in Intellectual Property



### Trademarks

#### File UCC-1 to Perfect Security Interest

The Lanham Act, like the Patent Act, does not address the recordation of security interests, so a secured creditor should file a UCC-1 financing statement in the state where the debtor is located to provide notice to subsequent lien creditors.

#### Permissive Recordation with USPTO

The USPTO also accepts documents that relate to interests in trademarks and trademark applications to provide notice to third-party purchasers and lien creditors.

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## Perfecting Security Interests in Intellectual Property



### Copyrights

#### Perfection of Registered Copyrights

Recording a security interest in a registered copyright with the U.S. Copyright Office “gives all persons constructive notice of the facts stated in the recorded document.”

A security interest will prevail over a later-executed transfer if recorded (1) within one month after its execution in the U.S., (2) within two months after its execution outside of the U.S., or (3) otherwise before the later-executed transfer is recorded.

#### Perfection of Unregistered Copyrights (Circuit Split)

- Some courts hold that the correct approach to perfect a security interest in an unregistered trademark requires recordation with the Copyright Office.
- Other courts hold that perfection of unregistered copyrights is a state law issue, and accordingly, can only be achieved by filing a UCC-1 financing statement.

**For Valuable Copyrights:** Register the debtor's unregistered copyright and record the security agreement with the Copyright Office.

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