Future projects on intellectual property as collateral

Patents as collateral

Steve Weise
steve.weise@hellerehrman.com
Applicable law

- Review on issue-by-issue basis
- Possible choices
  - Law of state of registration
  - Law specified in license
  - Law specified in security agreement
Applicable law

✓ Creation
✓ Effectiveness against third parties
✓ Priority
✓ Effect on licensor’s rights
✓ Effect on licensee’s rights
✓ Enforcement
Possible dislocations of applying different applicable law for patents

- Transaction costs
- Systemic costs
- Costs to parties
- Costs to third parties
- Specific costs
  - Determining law of specific states
  - Different rules applying to different parts of transaction
Priority

- Effect on patent registration system
- Against another secured party
- Against a judicial creditor
- Against a prior licensee
- Against a subsequent licensee
Possible dislocations of different priority rules for patents

✓ Transaction costs
✓ Systemic costs
✓ Costs to parties
✓ Costs to third parties
✓ Specific costs
  • Different rules applying to different parts of transaction
  • Greater need for intercreditor agreements
Effect of security interests on third parties

✓ Secured party of licensee rights against licensor
✓ Secured party of licensor rights against licensee
✓ Ability to deal with specialized registration office
✓ ‘Hell or high water’ clauses
Possible dislocations of different rules on third-party rights for patents

- Transaction costs
- Systemic costs
- Costs to parties
- Costs to third parties
- Specific costs
  - Counterparties will have to determine different rules
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