



## **Intellectual Property Operations & Implementation in the 21st Century Corporation**

### **Summary of Chapter 6: Creating, Perfecting, and Enforcing Security Interests in Intellectual Property**

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Intellectual Property (IP) assets have been increasingly exploited through secured transactions as a means of obtaining financing. The securitization process consists of three important components: (1) creation, (2) perfection, and (3) enforcement/release. In the United States, the creation of a security interest in IP is governed by Article 9 of the Uniform Commercial Code (“UCC”).

The UCC requires a written instrument to properly create a security interest in IP. To be enforceable, three requirements set out by Article 9 must be met: (1) there must be value in the collateral, (2) the debtor must have rights in the collateral, and (3) there must be a sufficient description of the collateral.

The next step is perfection, which involves making the security interest public record. The secured party must provide public notice of the lien by filing a notice with the applicable office. Currently, only the Copyright Act provides for a federal perfection scheme. Applicable case law has generally found that perfection of security interests in registered copyrights should take place at the US Copyright Office. With regard to unregistered copyrights, filing under the UCC is proper, however, there is case law that has held that copyrights should first be registered and then filed with the Copyright Office. With regard to trademarks and patents, the Lanham Act and the Patent Act do not address the perfection of security interests. Thus, perfection of a security interest in patents and trademarks should occur at the state level. Recordal at the USPTO may also be advised so as to provide third parties with constructive notice of the existence of the lien.

A security agreement will typically establish the events of default by the debtor. The UCC provides some options in which a default can be remedied. For example, the parties may agree to repossession without judicial intervention instead of foreclosure. A secured party may prefer to resort to available judicial procedures such as a judgment and writ of execution by a court of law.

Secured parties should also perfect their security interests at the relevant IP registries in the major markets around the world. Most major market jurisdictions have a mechanism in place for perfection of security interests in IP, however, some jurisdictions still do not recognize the creation of security interests in IP or have not put in place a mechanism for perfection. Secured parties should seek the advice of counsel when seeking to perfect security interests in IP in many countries or even globally to mitigate the risks of improper perfection under local IP laws around the world.

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