



Congress Toronto
Adopted resolution
September 17, 2014

Resolution

Question Q241

IP Licensing and Insolvency

AIPPI

Noting that:

- 1) In today's integrated and globalized world, the topic of IP licensing and insolvency is becoming ever more important.
- 2) This question relates to the treatment of IP licenses during bankruptcy and insolvency proceedings. While a party may, for example, become insolvent and be unable to pay a royalty under a license, this is not the concern of this question. Rather, this question addresses the treatment of IP licenses during the bankruptcy process itself. Recognizing that different jurisdictions may use different terminology and may have a variety of different types of proceedings for handling insolvent parties, the process of administering an insolvent party shall be referred to herein broadly as a "bankruptcy or insolvency proceeding."
- 3) In most jurisdictions, significant lack of clarity exists with regard to how an IP license will be treated by an administrator of a bankruptcy or insolvency proceeding.
- 4) This lack of clarity is heightened by the lack of regional and international harmonization of the topic.

- 5) AIPPI previously considered issues related to the treatment of IP licenses in Q190 “Contracts regarding Intellectual Property Rights (assignments and licenses) and Third Parties.”

Considering that:

- 1) The insolvency of large international companies has brought up very important issues related to this topic.
- 2) It is clear that significant uncertainty remains at this time as to the treatment of many essential aspects of IP licenses in bankruptcy or insolvency proceedings.
- 3) It is highly desirable that specific issues such as the ability of an administrator of a bankruptcy or insolvency proceeding to adopt, assign, modify or terminate previously existing IP licensing agreements be governed by clear, specific and harmonized rules.

Resolves that:

- 1) Harmonization of the laws governing the treatment of IP licenses during bankruptcy and insolvency proceedings should be strongly encouraged at both regional and international levels.
- 2) Laws should be enacted that specifically address IP licenses in bankruptcy or insolvency proceedings, in addition to laws governing other types of contracts, assets and property rights.
- 3) The laws should apply equally to licenses of all types of IP rights, and not discriminate between foreign and national IP rights.
- 4) In general, the laws should apply equally to exclusive and non-exclusive licenses.

- 5) Contractual rights in an IP license permitting the solvent party to terminate or alter the IP license during a bankruptcy or insolvency proceeding should as a rule be enforceable. Exceptions to the rule must safeguard legitimate interests of the IP licensor and licensee.
- 6) A contractual right in an IP license restricting or prohibiting transfer or assignment of the IP license during a bankruptcy or insolvency proceeding should be enforceable.
- 7) The administrator of a bankruptcy or insolvency proceeding, when exercising an ability to adopt, assign, modify or terminate an IP license, should give consideration to the meaning of the license agreement itself, and to which party to the IP license is insolvent.
- 8) The administrator's exercise of any right to adopt, assign, modify or terminate an IP license should balance the different interests involved and facilitate the normal exploitation of IP licenses and the payment to the creditors involved in bankruptcy and insolvency proceeding. The administrator cannot terminate a fully paid up license except as otherwise provided by law.
- 9) In the event of termination of an IP license agreement during a bankruptcy or insolvency proceeding, the licensee should not be able to continue using the underlying IP rights.
- 10) In the event of termination of an IP license agreement by the administrator during a bankruptcy or insolvency proceeding, a solvent, exclusive licensee should be granted a first right of refusal to acquire the pertinent IP rights.