

# Global Navigation Through the Uncertainties of Insolvency and Restructuring: Intellectual Property Issues

## Intellectual Property, Licensing and Technology Practice Group Members:

Beni Surpin, Sheppard Mullin Richter & Hampton LLP, California, United States, [bsurpin@sheppardmullin.com](mailto:bsurpin@sheppardmullin.com)

Stefan Kridlo, SKW Schwarz Rechtsanwälte, Frankfurt , Germany, [s.kridlo@skwschwarz.de](mailto:s.kridlo@skwschwarz.de)

## Insolvency Practice Group Members:

J. Mark Fisher, Schiff Hardin LLP, Illinois, United States (panel leader), [mfisher@schiffhardin.com](mailto:mfisher@schiffhardin.com)

Max C. Roesle, Roesle Frick & Partners, Zurich, Switzerland, [Max.roesle@rfplegal.ch](mailto:Max.roesle@rfplegal.ch)

Bradford J. Sandler, Benesch, Friedlander, Coplan & Aronoff LLP, Delaware, United States, [bsandler@bfca.com](mailto:bsandler@bfca.com)

Dorothy Siron, Boughton Peterson Yang Anderson, Hong Kong, [dsiron@bpya.com.hk](mailto:dsiron@bpya.com.hk)

Thio Ying Ying, Kelvin Chia Partnership, Singapore, [thio.yingying@kcpartnership.com](mailto:thio.yingying@kcpartnership.com)

Shen Xiangman, Wang Jing & Co., Guangzhou, China, [shenxiangman@winco.com](mailto:shenxiangman@winco.com)



**TerraLex Annual General Meeting**  
**Hong Kong**  
**Saturday, November 14, 2009 at 8:30 a.m.**

**1. How does your country's insolvency law deal with the transfer of a debtor-licensee's right and license given: (a) contractual limitations on assignment of the license, (b) licensor's right to payment of past due royalties, and (c) licensor's right to assured future royalties and compliance with limitations on use?**

<u>U.S.</u>	<u>Switzerland</u>	<u>Germany</u>
<p>a) Because of applicable law (rather than the license terms alone), <u>non-exclusive</u> patent and copyright licenses are personal to the licensee. The non-bankrupt licensor can block assignment because it need not accept performance from or render performance to, an entity other than the debtor. 11 U.S.C. § 365(c) Some cases apply the same rule to <u>exclusive</u> licenses. <u>Note</u>: If the licensor fails to object after receiving notice, it may be bound by a court order allowing an assignment without consent.</p> <p>b) Past due royalties accruing during the bankruptcy may be administrative priority claims. Pre-bankruptcy royalties and other pecuniary losses generally are unsecured claims if the license is rejected; however, if the license is assumed, these must be "cured" on assumption promptly thereafter. The assignee (not the Debtor) owes the royalties and other obligations after assignment. §§365(b)(1) &amp; (f); 502(f); 503(b)</p> <p>c) On assignment or assumption (if defaults exist), the non-bankrupt licensor can demand adequate assurance of future performance of the license, including use restrictions and royalty payments. <i>Id.</i></p>	<p>a) A bankruptcy leads to a maturity of all the obligations of the debtor including claims in connection with a license agreement. The bankruptcy administrator is entitled to fulfil the license agreement. If the bankruptcy administrator decides to fulfil the license agreement, he may assign the license to a third party if an assignment is not excluded.</p> <p>b) Past-due royalties accruing during the bankruptcy will be priority claims if the bankruptcy administrator accepts fulfilment of the license agreement. Pre-bankruptcy royalties and other pecuniary losses generally are not priority claims. The assignee (not the Debtor) owes the royalties and other obligations after assignment if the licensor agrees to the assignment.</p> <p>c) On assignment or assumption (if a default exists), the non-bankrupt licensor can demand adequate assurance of future performance of the license and royalty payments.</p>	<p>The initial point is the right of the liquidator to choose either the fulfillment of the license agreement or refuse the fulfillment (§ 103 Insolvency Code); in the case of choosing fulfillment, the liquidator has to fulfill the license agreement in place of the debtor-licensee.</p> <p>a) The non-exclusive license is not part of the assets and therefore is neither enforceable nor transferable; the exclusive license as part of the assets in principle is transferable as well as sublicenses that can be granted by the liquidator; but it is possible (and recommended) to agree in the license agreement that the license is not transferable without the prior written approval of the licensor and to restrict the grant of sublicenses, i.e., not to competitors of the licensor.</p> <p>b) Past-due royalties (before the opening of the insolvency proceeding) are generally normal and non-privileged claims (the insolvency creditor will receive only a proportional settlement); royalties during the proceeding are similar as in the U.S. administrative priority claims. In case of assignment, the assignee owes the royalties.</p> <p>c) If the license can be transferred without approval of the licensor he cannot demand any safe guarding, if his prior approval is necessary, he can combine his approval with the demand of adequate assurance of future performances and royalty payments.</p>

**1. How does your country's insolvency law deal with the transfer of a debtor-licensee's right and license given: (a) contractual limitations on assignment of the license, (b) licensor's right to payment of past due royalties, and (c) licensor's right to assured future royalties and compliance with limitations on use?**

<u>China</u>	<u>Hong Kong</u>	<u>Singapore</u>
<p>There is no special legal provision in PRC insolvency law dealing with IP rights. An IP right is treated as one of the distressed assets. General procedures in dealing with disposal of distressed assets should be followed.</p> <p>a) Assignment of an IP right will be subject to general contract law principle and IP laws. For a patent, the assignment of an IP right by a debtor-licensee is subject to the licensor's consent. However, in case the debtor-licensee becomes insolvent, the receiver has the right to decide whether or not the contract should still be performed. In that case, the limitation on the assignment will still be effective. The contract can also be terminated if the insolvent company does not have such ability to continue the performance of the contract. No clear law exists dealing with assignment of trademark licenses or copyright licenses. General contract law should be followed.</p> <p>b) Past-due royalties will be treated as ordinary unsecured claims.</p> <p>c) No specific law exists dealing with licensor's right to assured future royalties and compliance with limitations on use. However, if the license contract is terminated, the licensor can look for a new licensor and make a new contract.</p>	<p>a) The transferability of a debtor-licensee's rights under a license depends on the provisions of the license itself. There is no superseding legislation. Moreover, it is standard in most licenses that insolvency of the licensee will be grounds for termination of the license.</p> <p>b) The licensor's right to payment of past-due royalties remains a contractual duty between the previous parties: the licensor and the debtor-licensee. Unless the assignment provides for the licensor's right to payment of past-due royalties, e.g., the new licensee's undertaking to pay all past due royalties, the licensor will have to claim past-due royalties from the debtor-licensee as an unsecured creditor.</p> <p>c) Given that most licenses will terminate on the insolvency of the licensee, this is not really an issue. If the license is assignable and is assigned to a new licensee, then the licensor will look to the new licensee for payment of the license fee for the balance of the term of the license.</p>	<p>a) Singapore law does not have a specific provision for intellectual property licenses as with §365 of the U.S. Code. Under the general insolvency laws, the right of the debtor-licensee to transfer the IP license will be governed, in the first instance, by the license agreement (if not otherwise terminated by insolvency). However, the non-bankrupt licensor can block the assignment and refuse to accept performance from a third party unless otherwise provided in the license. In any case, the transfer may be avoided if it is made after the presentation of a petition for winding up/judicial management, or if it amounts to an unfair preference or is made at an undervalue. §§259, 329, 227(T), Companies Act</p> <p>b) Pre-judicial management order royalties will not be paid while judicial management is in force, unless payment is sanctioned by the court. Royalties accruing during judicial management may be given priority in payment. §227(G)(6)</p> <p>On winding up, past-due royalties are generally treated as unsecured claims, which are paid only after all preferred debts are paid. Royalties accruing during liquidation may be an expense of liquidation and are payable in priority accordingly. §§227(G) and (H), 300, 328, Companies Act</p> <p>c) The licensor can demand assurance of royalties and compliance with limitations on use.</p>

**2. Does your country’s insolvency law generally allow the rejection of financially burdensome IP license: (a) by a debtor-licensee against a non-bankrupt licensor?; or (b) by a debtor-licensor against a non-bankrupt licensee?**

<u><b>U.S.</b></u>	<u><b>Switzerland</b></u>	<u><b>Germany</b></u>
<p>1. A debtor-licensee may reject a license of any type of IP that, in its business judgment, it determines to be “burdensome” so that the licensor may file a damage claim. 11 U.S.C. § 365(b). Note that rejection generally terminates the right of the licensee to continue to use IP under and exclusive or non-exclusive license.</p> <p>2. A debtor-licensor may reject a burdensome license of trademarks, but § 365(n) limits rejection of what the Code defines as “intellectual property” : trade secrets, copyrights, patents and patent applications, plant varieties and mask works. <i>Id.</i> § 101(35A). Rejection allows the licensee to terminate the license or to continue to use the IP for the original and any renewal term and obtain source code (as per the license) so long as it continues to pay royalties and waives setoffs and administrative claims against the licensor.</p>	<p>a) If the bankruptcy administrator decides to continue the license agreement, all the royalties due after the commencement of the bankruptcy must be paid. The licensor may withdraw from the agreement if the bankruptcy administrator does not give any security for the payment of future royalties; in such a case, the licensor has the right to file these claims (as indemnity) together with the royalties due after the commencement of the bankruptcy.</p> <p>b) The intangible assets of the bankrupt licensor are part of the bankrupt’s estate and can be liquidated. The non-bankrupt licensee’s claim of the right to use the intangible assets will be converted into a claim of the money of an equivalent value. The bankruptcy administrator of the bankrupt licensor may also decide to continue the license agreement without selling the intangible assets</p>	<p>In general, the financial burden of an IP license does not allow the rejection. As already mentioned, the liquidator of (a) the debtor-licensee and also of (b) the debtor-licensor has the right to chose between the fulfillment or the non-fulfillment of the agreement (§ 103 Insolvency Code). In the case of choosing non-fulfillment, the license normally has to be transferred back to the licensor.</p>

**2. Does your country's insolvency law generally allow the rejection of financially burdensome IP license: (a) by a debtor-licensee against a non-bankrupt licensor?; or (b) by a debtor-licensor against a non-bankrupt licensee?**

<u>China</u>	<u>Hong Kong</u>	<u>Singapore</u>
<p>a) There is no clear legal provision on this issue; however, the receiver has the right to decide whether or not the IP license contract should still be performed.</p> <p>The same as a) above.</p>	<p>a) The liquidator of a debtor-licensee may, with leave of the court, disclaim a financially burdensome IP license for being onerous (e.g., obligation to pay high royalties).</p> <p>b) The liquidator of a debtor-licensor may, with leave of the court, disclaim a financially burdensome IP license for being onerous (e.g., low royalties, obligation to pay renewal fees or sue third parties for any alleged IP infringement).</p> <p>In both cases, the liquidator may disclaim onerous property under section 268, Companies Ordinance, principally within 12 months after the commencement of the winding up and with the leave of the court.</p> <p>Only onerous property can be disclaimed. Examples include land burdened with onerous covenants, shares or stock in companies, unprofitable contracts and any other property which is unsalable or not readily saleable by reason of some onerous act or payment being required.</p> <p>Rescission of contracts: section 268(5) provides for application to the court by any person entitled to the benefit or subject to the burden of a contract made with the company for rescission of the contract on such terms as the court thinks just. Any damages awarded under the order may be proved as a debt in the winding up.</p>	<p>The following avenues may be possible although they remain untested:</p> <p>a) The liquidator of a debtor-licensee may disclaim (reject) an IP license for being onerous (e.g., if the debtor-licensee is obliged to pay steep royalties) but subject to the court's or committee of inspection's approval. §332(1), Companies Act</p> <p>b) The liquidator of a debtor-licensor may disclaim an IP license for being onerous (e.g., if the debtor-licensor is obliged to pay renewal fees or provide technical assistance or improvements or sue third-party infringers which are costly, or if the license does not produce sufficient royalties) but subject to the court's or committee of inspection's approval. If the IP license is disclaimed, the non-bankrupt licensee can apply to the Court to have ownership of the IP rights transferred to it. §332(1) and (6), Companies Act</p> <p>In both cases, the disclaimer must be made in writing within 12 months after the commencement of the winding up or such longer period as the court may allow. Any person who sustains loss or damage as a result of the disclaimer may prove for the loss or damage in the winding up. §332(1) and (8), Companies Act</p>

**3. On what terms does your country's insolvency law permit a debtor-licensee to continue using IP licensed from non-bankrupt licensors during and after an insolvency case?**

<u><b>U.S.</b></u>	<u><b>Switzerland</b></u>	<u><b>Germany</b></u>
<p>The <u>debtor-licensee</u> continues using licensed IP prior to assumption or rejection. Licensors must police performance and may not be able to force timely payment.</p> <p>Whether the <u>debtor-licensee</u> may continue using licensed IP after bankruptcy is subject to a split of the U.S. Courts of Appeals.</p> <p>The Third, Fourth, Ninth, and Eleventh Circuits give non-bankrupt licensor veto power over assumption by reorganized debtor.</p> <p>The First and Fifth Circuits allow the reorganized debtor to assume a license over the objection of the non-debtor licensor.</p>	<p>See answer to 2a). After the closing of the bankruptcy proceedings of the licensee, the licensee will be liquidated and will no longer be able to use the license.</p>	<p>If the liquidator decides to fulfill the license agreement, he can continue using the license in the same scope as it has been agreed between the licensor and licensee. After the opening of the bankruptcy proceeding, the non-bankrupt licensor may not terminate the license agreement because of (i) delay of pre-bankrupt royalties and (ii) deterioration of the financial circumstances of the debtor-licensee (§ 112 Insolvency Code).</p> <p>It is recommended for license agreements to state the exact determined scope of the obligation of the licensee to make use of the licensed IP so that the non-performance of this will enable the licensor to terminate the license.</p>

**3. On what terms does your country's insolvency law permit a debtor-licensee to continue using IP licensed from non-bankrupt licensors during and after an insolvency case?**

<u>China</u>	<u>Hong Kong</u>	<u>Singapore</u>
<p>No specific legal provision in insolvency law deals with this.</p> <p>However, in a usual case, during insolvency, the receiver has the right to decide whether or not the contract should still be performed. The Debtor-licensee should still pay royalties to the licensor. The term of the contract will not change, unless the receiver makes some other term with the licensor.</p> <p>After insolvency, the contract will be terminated.</p>	<p>After insolvency, the company will have been wound up and no longer exists and therefore cannot continue using the licensed IP. Also, insolvency will likely be an event of default stipulated in the license agreement whereby the occurrence of which will terminate the agreement.</p> <p>During insolvency, whether contracts to which the debtor is a party will continue, including contracts for the use of IP rights, will be the liquidator's decision. Section 199 of the Companies Ordinance provides that the liquidator in a winding up by the court shall have power with the sanction either of the court or of the committee of inspection to carry on the business of the company, so far as may be necessary for the beneficial winding up thereof. In a members' voluntary winding up, a liquidator may exercise the same power without sanction.</p> <p>As a general matter, provisional liquidators are reluctant to carry on the business of the debtor.</p> <p>Moreover, pursuant to Section 268 of the Companies Ordinance, the liquidator has the power to disclaim onerous property, which includes unprofitable contracts.</p>	<p>The debtor-licensee under judicial management or liquidation can continue using the IP license so long as it is able to pay the license fees. However, the liquidator can disclaim the IP license for being onerous or simply decline to perform the contract (§332, Companies Act). The judicial manager does not have a similar right to disclaim.</p>

**4. On what terms does your country’s insolvency law permit a non-bankrupt licensee to continue using IP licensed from a debtor-licensor during and after an insolvency case?**

<u><b>U.S.</b></u>	<u><b>Switzerland</b></u>	<u><b>Germany</b></u>
<p>In the case of <u>non-debtor licensees</u>, the debtor has the option to assume/assign or reject the contract.</p> <p>(a) If debtor rejects, in some circumstances the licensee cannot continue use – potentially disastrous in some contexts – licensee is left with a general unsecured claim</p> <p>(b) However, for “intellectual property” as defined in the Bankruptcy Code (see 2. above), the licensee may either accept the rejection and seek rejection damages or continue to use the IP pursuant to the license for the duration of the licenses and any option periods if the licensee (i) pays royalties to the debtor and (ii) waives setoffs and administrative claims against the debtor/licensor</p> <p>(c) Also, prior to the debtor’s decision to assume/reject, the licensee may demand that the debtor permit the licensee to continue to perform under the license agreement or furnish the licensee with the licensed IP</p> <p>(d) If assumed, licensee may continue use, and debtor-licensor must “cure” any defaults under agreement</p> <p><u>Objection to Assignment</u> – the non-debtor licensee may object and possibly block the debtor’s assignment of a license to another party (including, possibly, the reorganized debtor).</p> <p>(a) In many circuits, the non-debtor licensee can block the assignment of nonexclusive patents, copyright and federal trademark licenses.</p>	<p>See answer to 2b). After the end of the bankruptcy proceedings of the debtor licensor, the licensee may only continue to use the intangible rights if the licensee acquired the intangible rights in the course of the bankruptcy liquidation of the licensor.</p>	<p>If the liquidator of the debtor-licensor chooses the fulfillment of the license, the non-bankrupt licensee can continue to use the license as before the bankruptcy. The problem arises if the liquidator decides not to fulfill the license, so that the licensee has to transfer the license back to the licensor. The license is not safe from insolvency and burdened with risks, in particular with respect for financial investments of the licensee. To avoid this obvious mistake, the legislature is just discussing a new § 108a Insolvency Code, whereby a license agreement in case of insolvency of the licensor will survive.</p> <p>There are several constructs to avoid the risk for the licensee. The Federal Court confirmed in 2005 the possibility that licensor and licensee can agree subject to the condition precedent the transfer of the licensed right (trademark, patent, etc.) in the case that the liquidator chooses the non-fulfillment of the license. Nevertheless, this decision of the Federal Court is not undisputed and any construction which should avoid the consequences of a rejection are burdened with risks, as long as the new term is not approved.</p>

**4. On what terms does your country's insolvency law permit a non-bankrupt licensee to continue using IP licensed from a debtor-licensor during and after an insolvency case?**

<u>China</u>	<u>Hong Kong</u>	<u>Singapore</u>
<p>There are no specific legal provisions in the insolvency law that deal with this. Some judicial interpretations on IP rights will be referred.</p> <p>An IP license agreement is required to be registered with PRC authority. In case the license agreement was already registered, the non-bankrupt licensee is bound to continue to perform the license agreement. However, if not registered, the non-bankrupt licensee can choose to continue or not continue his performance of the license agreement. If he does not continue performance, he will be exposed to a risk of defaulting the agreement and liability.</p>	<p>Most licenses will provide that insolvency of the licensor will be a default for which the licensee may terminate the license. However, if the licensee elects not to terminate, the liquidator will be entitled to collect any license fees payable by the licensee on behalf of the insolvent licensor. If the IP right is eventually sold to a third party, the licensee and the purchaser may agree to continue the licensing relationship.</p> <p>Section 199 of the Companies Ordinance provides that the liquidator in a winding up by the court shall have power with the sanction either of the court or of the committee of inspection to carry on the business of the company, so far as may be necessary for the beneficial winding up thereof. In a members' voluntary winding up, a liquidator may exercise the same power without sanction.</p> <p>However, pursuant to Section 268 of the Companies Ordinance, the liquidator has the power to disclaim onerous property, which includes unprofitable contracts.</p>	<p>The debtor-licensor under judicial management or liquidation can allow the non-bankrupt licensee to continue using the IP license on the same terms and conditions as the existing license agreement. However, the judicial manager or liquidator can also demand timely payment of royalties.</p>

**5. How does your country’s insolvency law deal with proceedings to enforce IP rights that are pending at the time an insolvency action is commenced against the debtor or by the debtor? Does the answer depend on whether the debtor is the licensor or licensee?**

<u><b>U.S.</b></u>	<u><b>Switzerland</b></u>	<u><b>Germany</b></u>
<p><u>Non-Debtor’s Enforcement and the Automatic Stay</u> – creditor actions to enforce claims (right to payment or equitable performance of obligations) against debtors are stayed upon the filing of the petition for relief.</p> <p>Because the automatic stay is so broad, actions against the debtor, either as licensor or licensee, are likely stayed however, pure “enforcement” actions by the state might fall beyond the scope of the automatic stay (e.g., FCC regulatory actions).</p> <p>Non-debtor party may request “relief from stay” under appropriate circumstances.</p> <p><u>Debtor’s Enforcement</u> – The automatic stay does not stay actions by the debtor.</p>	<p>Legal proceedings, including proceedings concerning IP rights, whereby the bankruptcy debtor is a party and which have an effect on the assets of the bankruptcy estate will be stopped and continued at a later stage of the bankruptcy proceedings. In this process, it is irrelevant whether the debtor is the licensor or the licensee.</p>	<p>In principle every proceeding at a civil court is interrupted by operation of law with the opening of an insolvency proceeding until it is taken up according to the regulations of the Insolvency Code. (§ 240 Civil Process Order)</p> <p>a) Any active proceedings of the debtor referring assets of the bankrupt estate can be taken up by the liquidator at his own discretion, if he refuses entering into the proceeding, the debtor or the opponent can take up the proceeding.</p> <p>b) Passive proceeding (against the debtor) can be taken up by the liquidator or the opponent in case of claiming segregation or the obligation of the bankrupt estate. This applies also to an injunctive relief against patent or trademark infringement.</p> <p>c) Different: Damage claims due to pre-insolvency infringements are normal (unsecured) insolvency claims which have to be enforced in the insolvency proceeding.</p>

**5. How does your country's insolvency law deal with proceedings to enforce IP rights that are pending at the time an insolvency action is commenced against the debtor or by the debtor? Does the answer depend on whether the debtor is the licensor or licensee?**

<u>China</u>	<u>Hong Kong</u>	<u>Singapore</u>
<p>PRC insolvency law does not have any provision in dealing with this. The position of PRC law is uncertain.</p>	<p>In a compulsory winding up, upon the filing of the winding up petition, legal proceedings involving the debtor may be stayed; after the making of the winding up order, actions are stayed except with the leave of the court and subject to such terms as the court may impose. In addition, the enforcement of any post-commencement attachment, sequestration, distress, or execution is void.</p> <p>In a creditors' voluntary winding up, voluntary winding up does not provide for a stay against the actions of creditors, so the legal proceedings and enforcement efforts could continue. However, the liquidator has the power to apply to the court to seek assistance, which would include seeking a stay of an action or proceeding against the company.</p> <p>If proceedings to enforce IP rights are commenced by the debtor, the liquidator most likely will not stay the proceedings since the proceedings are commenced so as to enforce the debtor's IP rights.</p> <p>However, if proceedings to enforce IP rights are commenced against the debtor, the debtor-infringer will wish to stay the proceedings.</p>	<p>Whether or not the debtor is the licensor or the licensee, enforcement proceedings against the debtor are stayed upon the presentation of a petition for judicial management and upon the issuance of a judicial management order as well as on winding up. §§258, 260, 262(3), 299(2), 227(C), 227(D)(4), Companies Act</p> <p>In respect of enforcement proceedings commenced by the debtor, the liquidator may choose either to continue or discontinue the action depending on several factors, including the likelihood of success or sufficiency of funds. If the liquidator chooses to discontinue but a creditor thinks that the action has merit and should be prosecuted, the creditor may apply to the court and seek either permission to proceed on behalf of the debtor or an order directing the liquidator to proceed.</p>

**6. What are the three most important aspects of your country's IP registration or enforcement framework that impact insolvency cases?**

<u><b>U.S.</b></u>	<u><b>Switzerland</b></u>	<u><b>Germany</b></u>
<p>1. Debtors who license IP important to their business must choose the bankruptcy forum carefully because some circuits enforce nonbankruptcy law to deny the reorganized debtor's assumption of registered patents and copyrights without the licensor's consent.</p> <p>2. Nonbankruptcy licensors have important substantive rights that may be enforced (or lost if they are not vigilant), such as (a) objection to assumption and assignment, (b) right to arbitrate claims (if provided in the license) and (c) the right to withdraw the reference of enforcement disputes to the district court (which may not be as favorable to the debtor as the bankruptcy courts).</p> <p>3. The IP Framework can affect the valuation of assets in bankruptcy. Consideration must be given to the premise of the value (going concern v. liquidation), the timetable and method of asset disposition, and the breadth of potential buyers, as they relate to the ability to obtain, use, and protect IP under the law.</p>	<p>1. Arrange that sufficient liquidity exists to survive an insolvency procedure.</p> <p>2. Avoid any preferential treatment; otherwise you face criminal exposure.</p> <p>3. In representing the non-debtor licensor, you have to foresee immediate termination of the license agreement upon commencement of insolvency proceedings.</p>	<p>1. Industrial Property rights (patents, trademarks, domains) as independent assets in the case of the licensor-bankruptcy can be sold and transferred by the liquidator and can be the subject of execution. In the case of copyright, only the usage right can be exploited.</p> <p>2. If the liquidator chooses nonperformance, the license is not bankruptcy-proofed. To avoid disadvantages, in particular for the licensor with the arrangement of license contracts, for example:</p> <ul style="list-style-type: none"> <li>• transfer of the licensed right on condition precedent, or</li> <li>• grant of a usufruct for securing license rights.</li> </ul> <p>3. To avoid disadvantages for the non-bankrupt Licensor, the license should govern the obligation of the licensee to execute the license and restrictions for assignment.</p>

**6. What are the three most important aspects of your country's IP registration or enforcement framework that impact insolvency cases?**

<u>China</u>	<u>Hong Kong</u>	<u>Singapore</u>
<p>1. Registration: registration of IP and registration of a license agreement will offer more protections in enforcing the IP rights.</p> <p>2. The right and power of the receiver: the receiver is given the power of deciding whether or not the license contract already signed should be performed or terminated after the insolvency claim is filed.</p> <p>3. Consent of licensor to assignment of IP rights is required.</p>	<p>1. Proper registration: if a company has intellectual property rights in the form of patents or trademarks but they are not registered, it will be difficult for the liquidator to enforce those rights.</p> <p>2. In Hong Kong, copyrights do not require registration. This makes it difficult to enforce copyrights. Hong Kong does not have a government-established copyright registry. To enforce a copyright, a holder must offer independent evidence of the existence of the copyright, e.g., find out who the author is and whether the copyright has already been assigned to the company.</p> <p>3. If, as a result of liquidation, there is a change of ownership affecting rights, it has to be registered with the relevant registry.</p>	<p>1. Non-use of trademark due to insolvency may trigger cancellation of registration. §22, Trademarks Act</p> <p>2. A defendant in a trademark infringement action may set up non-use as a defense and could put in a counterclaim for an order for revocation. But only the High Court (not the Subordinate Courts) can make such an order. §§2(1), 22(5) Trademarks Act</p> <p>3. A patent or design may lapse for non-payment of renewal fees. §36(2), Patents Act; §21(4), Registered Designs Act</p> <p>In proceedings for infringement of a patent, the court may refuse to award any damages, make an order for an account of profits or grant any other relief (including an injunction) in respect of an infringement committed during the renewal period but before payment of the renewal fee. §69(3), Patents Act</p>

CH2\7937420.5