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## 2016 – Study Question (General)

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**Security interests over intellectual property**

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### I. Current law and practice

You are reminded that **IPRs** refers to patents, trademarks and registered designs only.  
If more than one type of security interest is available under your Group's current law, please answer the questions for each type of security interest, as applicable.

#### Availability of security rights

1) Does your Group's current law provide for the possibility of creating security interests over IPRs?

yes

Please explain:

Yes, pledges and assignments for the purpose of security (*Sicherungsübereignung*).

If yes, please answer Questions 2) to 14) inclusive before proceeding to question 15) and following.  
If no, please proceed directly to question 15).

2) Are the available types of security interests defined by specific provisions relating to security interests over IPRs or by general commercial law principles (e.g. specific provisions in your Group's patent legislation rather than general commercial provisions that are applicable to tangible personal property as well as to patents)?

yes

Please explain:

They are defined by general civil law principles.

Pledges (Pfandrechte) are defined in §§ 447 ff, 1368 ff Civil Law Code (ABGB).

Ownership can also be assigned for the purpose of security (*Sicherungsübereignung*) according to the general principles of civil law for assignments. Publicity requirements for pledges do however need to be complied with also for assignments for the purpose of security.

- 3) Under your Group's current law, what types of security interests are available for IPRs? In addressing the questions in sub-paragraphs a) to c) below, please specify briefly the main characteristics and differences of the available types of security interests.

a) Does your law provide for security interests which are characterized by the full assignment of the underlying IPR to the security taker? For example, an assignment of the IPR for the purpose of security or authorization to dispose/use fully in the event of default.

yes

Please explain:

Yes, Austrian law provides for the assignment of the IPR for the purpose of security, where the full right of the IPR is assigned to the security taker. Publicity requirements for pledges need to be complied with. With regard to patents, this means that the transfer of ownership needs to be registered in the Austrian Patent Register. The assignment of trademarks can either be registered with the Austrian Patent Office or made visible in the books of the corporation of the security provider, provided that the corporation has a legal obligation to keep records or the trademarks are entered in the records.<sup>[1]</sup>

#### Footnotes

1. <sup>^</sup> [Salomonowitz in Kucsko/Schumacher \(Hrsg\), marken.schutz<sup>2</sup>, § 11 Rz 70.](#)

b) Does your law provide for security interests that authorize the security taker to realize the security interest only in the event of default? For example, a pledge over an IPR that authorizes the pledgee to liquidate the pledged IPR in the event of default (but not to otherwise dispose of the IPR).

yes

Please explain:

Yes, Austrian law provides for pledges over IPRs. According to § 447 ABGB, a pledge is the right in rem granted to a creditor to gain satisfaction from an item (an object or a right) in the event of default.

c) Does your law provide for security interests that authorize the security taker to use the underlying IPR? For example, *usus fructus* rights that authorize the creditor to use and/or realize proceeds from the exercise of the IPR only during the term of encumbrance. Is any right to use the encumbered IPR conditional upon default of the security provider?

no

Please explain:

No, the right to use the IPR remains with the security provider. Pledges and ownership assignments for the purpose of security only allow the security taker to realize the IPR in the case of default, it does not give him the right to use the IPR before that<sup>[1]</sup>.

When ownership is assigned for the purpose of security, a license agreement should be concluded in order to allow the security provider to use the patent.<sup>[2]</sup>

According to § 1372 ABGB, a collateral agreement where the creditor should be entitled to usufruct the pledged item is without legal effect. This rule is applied to assignments for the purpose of security by

way of analogy.<sup>[3]</sup>

#### Footnotes

1. <sup>^</sup> Grünwald, *Gewerblicher Rechtsschutz II*, § 34, 290, vgl auch Salomonowitz in Kucsko/Schumacher (Hrsg), *marken.schutz*<sup>2</sup>, § 11 Rz 74.
2. <sup>^</sup> Salomonowitz in Kucsko/Schumacher (Hrsg), *marken.schutz*<sup>2</sup>, § 11 Rz 76.
3. <sup>^</sup> 7 Ob 135/64, *Pröbsting in Schwimann* (Hrsg), *ABGB Taschenkommentar*<sup>3</sup> (2015) zu § 1372 ABGB, Rz 1.

- 4) If more than one type of security interest is available under your Group's current law, what types are commonly used for IPRs? Please also specify if certain types of security interests are exclusively used for certain types of IPRs in your country. For example, patents may commonly be encumbered with pledges, while trademarks may commonly be assigned to the security taker.

Assignments for the purpose of security are much less used than pledges.

#### Effects of security interests

- 5) Is the security provider restricted in their right to use their IPR after providing a security interest over that IPR? For example, in respect of their right to grant licenses, or the right to use the protected subject matter. Please answer for each available type of security interest.

no

Please explain:

Pledges do not restrict the IPR holder in their right to use their IPR. The security provider is still able to sell, gift or exchange the IPR. Whether licenses are possible without the consent of the security provider is not entirely clear and may depend on the economic effect of the license.

- 6) May encumbered IPRs be assigned to third parties by the security provider?

yes

Please explain:

Yes, see above.

- 7) If yes:

- a) under what conditions may an IPR be assigned (e.g. obligation to obtain consent from the security taker, public notification or registration)?

Consent of the security taker is not a requirement. The transfer of ownership of a patent has to be registered in the Austrian patent register. The registration of transfer of ownership of a trademark according to the prevailing doctrine does not require registration.

- b) does the IPR remain encumbered with the original security interest for the benefit of the security taker?

yes

Please explain:

Yes, a pledge is a right in rem and is tied to the IPR, and will therefore be transferred with the IPR to the new owner.

8) What are the rights of the security taker before default (e.g. entitlement to damages, injunctions against infringers, or license fees)?

In case of a pledge the security taker has none of the mentioned right. In case of assignment for security the security taker has such rights.

9) Who of the security provider or the security taker is responsible for maintenance and defence of the IPR provided as collateral?

As the right to use the IPR stays with the security provider, the responsibility for maintenance and defence stays with the security provider except the asset suffers for reasons beyond the security provider's influence.<sup>14</sup>

#### Footnotes

1. <sup>14</sup> § 458 ABGB.

10) What are the legal consequences if the underlying IPR expires or is revoked? For example, the security right lapses simultaneously; the creditor has a compensation claim against the security provider.

According to § 467 ABGB, the pledge expires with destruction of pledged property.

The creditor only has compensation and warranty claims against the security provider (§ 458 ABGB).

11) Can any of these effects of security interests over IPRs before default be modified by contractual provisions between the parties? If so, which effects?

yes

Please explain:

Modification is possible with the exceptions (i) of assigning the right of usufruct to the security taker and (ii) of assigning solely the right to enforce the IP right (*Prozessstandschaft*).

#### Applicable law

12) Does your Group's current law provide for conflicts of laws as to the availability and effect of security interests over IPR portfolios containing foreign as well as national IPRs?

no

Please explain:

No special provisions regarding availability and effect of security interests over IPR exist.

Pledges and Property (assignment by way of security) are rights in rem, Rom I and II are therefore not applicable to the questions of creation, existence, expiration, effects etc. The Austrian IPRG only provides for a specific rule for rights in rem to physical objects. Therefore, the applicable law according to the general rule of § 1/1 IPRG would be the law having the strongest connection to the right, i.e. the

law governing the encumbered (IP-) right.

Pursuant to the Austrian IPRG, the applicable law regarding issues of creation, existence, expiration and effects of IP rights is determined by the location where protection is being sought (*lex loci protectionis*).

Choice of law is excluded.

This rule only concerns the material transfer (*dingliches Verfügungsgeschäft*) – the contractual obligation follows different rules.

Rom I does not provide for a specific rule relating to the contractual transaction regarding IP rights (*schuldrechtliches Verpflichtungsgeschäft*). The applicable law is therefore determined by the domicile or principal place of business of the party who is required to perform the service characterising the contract, i.e. the party granting rights (here: the security provider); some doctrine says in case of exclusive licenses the law of the license area is applicable.

- 13) Which national law applies as to creation, perfection and effect of security interests over foreign IPRs? For example, where a US patent is provided as collateral in respect of a financial transaction in Europe.

Please see above 12).

- 14) Can a choice of law provision in a security interest agreement over IPRs overrule the applicable law as to availability and effect?

no

Please explain:

A choice of law is excluded regarding of creation, existence, expiration and effects of security interests over IPR.

#### Additional question

- 15) Regardless of your Group's current law relating to security interests over IPRs, is it possible to create a solely contractual regime for security interests over IPRs (i.e. beside the types of security interests defined by law) that is enforceable between the contracting parties?

yes

Please explain:

Yes, but such contract has no effect vis a vis third parties.

## II. Policy considerations and proposals for improvements of the current law

- 16) Is your Group's current law regarding security interests over IPRs sufficient to provide certainty and predictability to the parties?

no

Please explain:

- 17) Under your Group's current law, is there an appropriate balance between the rights between security takers and security providers? For example:

a) are there situations in which the rights of security takers should be limited or extended (e.g. if assignment of an encumbered IPR is possible by the security provider without involvement of the security taker)?

yes

Please explain:

In general there should be provisions with the effect that - lacking an agreement on such aspect - the security provider is not allowed to alter or negatively affect the pledged IPR, including the granting of licenses.

b) are there situations in which the rights of security providers should be limited or extended (e.g. if the security taker is authorized to dispose of existing licenses without involvement of the security provider)?

yes

Please explain:

In general there should be provisions with the effect that - lacking an agreement on such aspect - the security provider is not allowed to alter or negatively affect the pledged IPR, including the granting of licenses.

18) Are there any aspects of these laws that could be improved? Are there any other changes to your Group's current law that would promote transactions involving IPRs as collateral? If yes, please briefly explain.

yes

Please explain:

There is significant uncertainty as to creation, perfection, effect and enforcement of security interests over IPR. The gaps existing in general civil law appear to bring further uncertainties as to IPR.

### III. Proposals for harmonisation

19) Does your Group consider that harmonization of laws concerning security interests over IPRs is desirable?

yes

If yes, please respond to the following questions without regard to your Group's current law. Even if no, please address the following questions to the extent your Group considers your Group's laws could be improved.

#### Security system regarding IPRs

20) Should there be specific provisions regulating security interests over IPRs (i.e. separate from security interests over tangible property) generally?

no

Please explain:

Generally no, as the provisions should be in line with such under general civil/commercial law rules.

21) If no, should there be general commercial law principles that also apply to IPRs? If not, why?

yes

Please explain:

22) What types of security interests should be available as minimum standard in all countries?

Pledges and assignments for the purpose of security (*Sicherheitsübereignung*).

23) Should the law be applied differently depending on the type of IPR? For example, should patents be encumbered exclusively with pledges, should trademarks be assigned to the security taker for the purpose of security?

no

Please explain:

#### Effect of security interests

24) Should the security provider be restricted in their right to use their IPR after providing a security interest over that IPR (e.g. in respect of their right to grant licenses, or to use the protected subject matter)? If so, how?

yes

Please explain:

The nature of IPR calls for a general restriction, but contractual deviations between the parties should be possible.

25) Should the security provider be able to assign encumbered IPRs to third parties?

yes

Please explain:

Yes, but contractual deviations between the parties should be possible.

26) What should the rights of the security taker be before default (e.g. entitlement to damages, injunctions against infringers, or license fees)?

None.

27) Should the security provider or the security taker be responsible for maintenance and defence of the IPR provided as collateral?

yes

Please explain:

The security provider should be responsible.

28) What should the legal consequences be if the underlying IPR expires or is revoked (e.g. the security right lapses simultaneously; creditor gains a compensation claim against security provider)?

The pledge should lapse simultaneously but the creditor should gain a compensation claim against the debtor, if there is fault on his part (it has to be noted that the security provider may differ from the debtor).

29) Should it be possible to modify these effects of security interests over IPRs before default by contractual provisions?

yes

Please explain:

Yes, except for simultaneous lapse.

#### Applicable law

30) Which law should apply as to the availability and the effects of security interests where a foreign IPR is provided as collateral? Why?

The law of the country in which the IPR is registered. Otherwise the national registers would have to apply different laws for different aspects of registrations.

31) Should a choice of law provision in a security interest agreement over IPRs overrule the applicable law? If yes, why?

yes

Please explain:

No, as regards availability and effects;

Yes, as regards the contractual transaction.

#### Additional considerations and proposals

32) To the extent not already stated above, please propose any other standards your Group considers would be appropriate to harmonize laws relating to security interests over IPRs.

N/A

33) Please comment on any additional issues concerning any aspect of security interests over IPRs you consider relevant to this Study Question.

N/A

Please indicate which industry sector views are included in part “**III. Proposals for harmonization**” of this form:

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Summary



While pledges and assignments for the purpose of security (*Sicherungsübereignung*) over registered IP rights are available under Austrian law, the main provisions are found in general civil law and there is some uncertainty as to the application of such provisions regarding certain aspects of registered IP rights and as to specific IP-related aspects. Therefore, there is room for improvement of Austrian national law. As we (at least currently) do not see it as a viable option to make foreign law applicable in respect of registered IP rights, there is need and room for international harmonization.