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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, Italian law and, in particular, Sections 138-140 of the Italian Code of Industrial Property contain some provisions allowing (in general) registration of "securities" over IPRs. With regard to pledges and according to our legal authors, Section 2806 of the Italian Civil Code can be interpreted as allowing pledges over IPRs "as it considers pledges over rights" other than goods and receivables.

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:

Under general commercial law principle, it is possible to provide three different types of security: pledge, mortgage, priority right. However, Italian law does not mention specifically which types of security are available for IPRs. According to Section 140 of the Italian Code of Industrial Property securities over IPRs have to be based on receivables.

- 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.

no

Please explain:

Our law does not provide for security interests which are characterized by the full assignment of the underlying IPRs to the security taker. In case of default of the security provider, the security taker can liquidate the IPRs and will have a right of priority per respect to the other general creditors on the sum resulting from the sale of the IPRs. Security assignment to the security taker as such is prohibited by Section 2744 of the Italian Civil Code.

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).

no

Please explain:

Under Italian law, the pledgee can liquidate the pledged IPR as indicated under answer no. 3 a) above.

It is also to be underlying that according to Section 2743 of the Italian Civil Code whenever secured IPRs expire, the creditor is entitled to have a security over further assets or goods as well as to claim immediate payment of the credit;

Also, according to Section 2795 of the Italian Civil Code, if the secured IPRs are losing value, the security taker may seek the sale of the IPRs.

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:

In principle, according to Italian law the security taker is not authorized to use the underlying IPR. However, the security taker should be authorized to do that by means of a contractual provision.

- 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.

As we have already explained under question no. 2) above, Italian law does not specify the type of security interest over IPRs which can be registered under Section 138-140 of the Italian Code of Industrial Property. Some legal authors consider such security as being similar to atypical mortgage, while other authors to pledge. Same security are available both for any type of IPRs here considered.

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:

No, the security provider is free to use the IPRs, sell it, or grant licenses. Consent of the security taker is required whenever the security provider waives the IPR.

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

yes

Please explain:

The answer is in the positive. Security taker cannot seek opposition to the assignment of the encumbered IPRs to third parties as the security interest goes with and pursues any assignment of relevant IPRs.

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)?

IPRs may be assigned to third parties without formalities. Public registration is required in order to produce effects in respect to third parties.

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

yes

Please explain:

Yes, the IPR remains encumbered with the original security in case of transfer, sale, license. The security interest goes with and pursues the relevant encumbered IPRs over any assignment.

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

According to Section 2900 of the Italian Civil Code, the security taker is entitled to commence an indirect action against the infringers of the IPR and claim the compensation for damages before default.

Under Section 2743 of the Italian Civil Code whenever secured IPRs expire, the security taker is entitled to have a security over further assets or goods as well as to claim immediate payment of the credit.

Also, according to Section 2795 of the Italian Civil Code, if the secured IPRs are losing value, the security taker may seek the sale of the IPRs.

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

The security provider is responsible.

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 Italian legal authors, if the underlying IPR is declared invalid, the security interest becomes ineffective, while the security interest and the IPR lapse simultaneously. In this case, as per Section 2743 of the Italian Civil Code, the security taker has the right to seek a new security interest over further different assets or to claim immediate payment. It is to be also considered that, according to Section 2795 of the Italian Civil Code, if the secured IPRs are losing value, the security taker may seek the sale of the IPRs.

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:

According to legal authors, the power of using the encumbered IPRs may be assigned to the security taker by means of a contractual provision. In this case, the security taker has to use the IPR and to undertake conservative acts (i.e. use of the IPR in order to avoid expiration; renewal of the IPR registration). If the IPR is profitable, the creditor has the power to withhold the profit.

By means of contractual provision, the security provider is also entitled to substitute the security interest with a new one if the underlying IPR decreases in value.

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?

yes

Please explain:

According to our legal authors, Sections 51 and 54 of Law n. 218/1995 should be interpreted as to apply the law of the country in which the IPR is registered, in case of lack of choice by the parties. It is to be also considered that Sections 138-140 of the Italian Code of Industrial Property are mandatory as to the effects of registration of security interest over IPRs.

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.

According to our legal authors, Sections 51 and 54 of law n. 218/1995 should be interpreted as to apply the law of the country in which the IPR is registered, in case of lack of choice by the parties.

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:

Under Italian law the answer should be in the negative. In fact, it is not possible to register a security over IPR at the Italian Patent and Trademark Office without applying local law.

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:

In principal, under Italian law a solely contractual regime can be created, provided that any security taker or creditor will have equal rights.

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:

It could be desirable to define specifically the types of securities which are available, their effects and enforcement. Also, according to our legal authors, it would be desirable to strengthen the position of the security taker, in relation to the fact that the exploitation of a secured patent and the use of a secured trademark are not required by our law.

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)?

no

Please explain:

Security over IPR can be assigned to third parties without involvement of the security taker, but the security taker has the right to pursue the security over IPRs which remains valid regardless any assignment of the IPRs.

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)?

no

Please explain:

The security provider can sell, transfer or otherwise license the underlying IPRs. The problem could be that the existence of a security over the relevant IPR which can be a commercial obstacle whenever negotiating a license.

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:

It would be desirable to strengthen the position of the security taker, in relation to the fact that the exploitation of a secured patent and the use of a secured trademark are not required by our law.

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?

yes

Please explain:

Yes, all the more if we consider the nature of IPRs is intangible.

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

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

Pledges, mortgages, right of priority. As a minimum standard, it should be also desirable to have a right to pursue the IPRs which are assigned or transferred to third parties.

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:

We believe that there should be the same securities for any IPRs.

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?

no

Please explain:

We believe that the rights of disposal of the security provider should not be restricted, as the IPRs must be exploited in order to generate profits. However, it is crucial that the security taker's rights are not prejudiced.

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

yes

Please explain:

The answer is in the positive. The Italian law already allows the security provider to assign encumbered IPRs to third parties, provided that the security taker's rights are not prejudiced.

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

Italian law seems to be fine in this respect.

In fact, as already explained, in case of default of the security provider, the security taker can liquidate the IPRs and will have a right of priority per respect to the other general creditors on the sum resulting from the sale of the IPRs.

According to Section 2743 of the Italian Civil Code whenever secured IPRs expire, the creditor is entitled to have a security over further assets or goods as well as to claim immediate payment of the credit. According to Section 2795 of the Italian Civil Code, if the secured IPRs are losing value, the security taker may seek the sale of the IPRs, while under Section 2900 of the Italian Civil Code, the security taker is entitled to commence an indirect action against the infringers of the IPRs and claim the compensation for damages.

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 answer is in the positive. The security provider should be fully responsible, also for the IPR exploitation (in order to avoid its expiration). According to our legal authors, maintenance of the IPR does not currently include the IPR exploitation and it should be desirable to strengthen the position of the security taker.

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)?

Current Italian law is fine for us. As already mentioned, according to Italian legal authors, if the IPR is

declared invalid, the security interest becomes ineffective, while the security interest and the IPR lapse simultaneously. In this respect, the creditor has the right to be provided with new security interests over different assets or to claim immediate payment (Section 2743 of the Italian Civil Code). Moreover, whenever the IPR encumbered with a pledge is losing value, the security taker can seek the sale of the IPR in advance (Section 2795 of the Italian Civil Code).

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

yes

Please explain:

In general, the answer is in the positive, except for specific case (i.e. security assignments are not allowed under Italian law).

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 in which the IPR is protected, as it follows its specific situation.

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

no

Please explain:

No, it should not. Rules about security interests over IPRs are mandatory. In particular, the right of the security taker to pursue the security whenever the IPR is assigned to third parties should be granted.

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.

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

No further comments.

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

Summary