



Submission date: 1st July 2016

## 2016 – Study Question (General)

by Sarah MATHESON, Reporter General  
John OSHA and Anne Marie VERSCHUUR, Deputy Reporters General  
Yusuke INUI, Ari LAAKKONEN and Ralph NACK, Assistants to the Reporter General  
**Security interests over intellectual property**

Responsible Reporter: Ralph NACK

National/Regional Group	Netherlands
Contributors name(s)	Thijs VAN AERDE, Ingrid BAELE, Ewoud CASPERS, Leonie KROON, Janna VAN OLST, Siobhan RUETER and Wouter PORS
e-Mail contact	t.van.aerde@houthoff.com
Date	25-04-2016

### 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:

Under Dutch law there is the possibility of creating security interests over IPRs.

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:

Introduction

The available types of security interests are defined by Dutch, Benelux and European IP laws and Dutch general patrimonial law principles. The applicable IP laws are for example the Benelux Convention on

Intellectual Property, the Dutch Patents Act 1995 and the Seeds and Planting Materials Act 2005. The general rules of the Dutch Civil Code ("**DCC**") are applicable to the available security interests over IPRs. The relevant principles are codified in Book 3 of the DCC. For each type of IPR different specific provisions apply in regards to establishing or assigning security interests.

### Book 3 of the DCC

Book 3 of the DCC provides general rules for transfer and pledge of *goods* (i.e. movable and immovable property and property rights). Generally, IPRs are pledgeable pursuant to article 3:83 (3) DCC in conjunction with article 3:228 DCC. Article 3:83 (3) DCC provides that all other rights are transferable, unless the law provides otherwise. Article 3:228 DCC provides that all transferable goods are pledgeable.

A right of pledge to a good is established equally as the transfer of such good. Article 3:84(1) DCC provides that transfer of property requires delivery pursuant to a valid title by the person who has the right to dispose of the property. Pursuant to article 3:95 DCC, goods (such as IPRs) are delivered by an appropriate instrument (i.e. an instrument intended for the purpose of delivery).

Pursuant to article 3:98 DCC, the rules on the transfer of goods apply equally to the establishment and transfer of a right in rem (such as a right of pledge) to such property. Therefore, establishment of a right of pledge to a property right requires an appropriate instrument pursuant to a valid title by the person who has the right to dispose of the property.

Pursuant to articles 3:84(2), 3:97(1) and 3:98 DCC future intellectual property rights are also transferable and pledgeable. Article 3:84(2) DCC requires that for transfer the title must describe the property in a sufficiently precise manner. Article 3:97(1) DCC provides that future property (such as IPRs) may be delivered in advance. Therefore, future IPRs that can be described in a sufficiently precise manner are pledgeable.

### Provisions in specific IP laws

Pursuant to the IP laws applicable in the Netherlands, patents, plant variety rights (both Dutch and European Union), trademarks and registered designs (both Benelux and European Union) are transferable and pledgeable.

For Dutch patents and Dutch designations of European patents article 67(1) (in conjunction with article 49(1)) of the Dutch Patents Act 1995 ("**DPA 1995**") provides that a right of pledge to a patent is established by an appropriate instrument and that the right of pledge has effect vis-à-vis third parties only after the instrument has been registered by the patent office. Further, article 71 of the European Patent Convention provides that an application for a European patent can be transferred or be subject to the establishment of rights.

For Dutch plant variety rights article 67 of the Seeds and Planting Materials Act 2005 ("**SPMA 2005**") provides that a right of pledge to a plant variety right is established by an appropriate instrument and that the right of pledge works vis-à-vis third parties only after the instrument has been registered in the Variety Register.

For Community Plant Variety Rights, article 87(3) of the European Community Plant Variety Right Regulation 2100/94/EC ("**CPVRR**") in conjunction with 78(2)(a) article of European Regulation 874/2009/EC provide that the Community Plant Variety Office shall keep a Register of Applications for Community Plant Variety Rights in which the giving of a Community plant variety right as a security or as the object of any other rights in rem shall be entered upon request.

For Benelux trademarks articles 2.31 and 2.33 of the Benelux Convention on Intellectual Property ("**BCIP**") apply. Article 2.31 BCIP provides that a Benelux trademark is transferable. Article 2.33 BCIP provides that the assignment, other transfer or right of pledge is effective against third parties after it

has been duly registered. Nevertheless, such an act, before it is so entered, has effect vis-a-vis third parties who have acquired rights in the trade mark after the date of that act but who knew of the act at the date on which the rights were acquired.

For European Union trade marks articles 19 and 23 of the European Union trade mark Regulation 207/2009/EC as amended by Regulation (EU) 2015/2424 (“**EUTMR**”) apply. Article 19 EUTMR provides that an EU trade mark may be given as security or be the subject of rights in rem. Pursuant to article 23, the legal acts referred to in article 19 has effects vis-a-vis third parties in all the Member States only after entry in the Register.

For Benelux design rights articles 3.25 and 3.27 BCIP provide similar rules as articles 2.31 and 2.33 BCIP provide for trade mark rights.

Likewise, articles 29 and 33 of the European Community Designs Regulation (“**CDR**”) provide similar rules for Community Design Rights as articles 19 and 23 EUTMR for EU trade marks.

- 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:

This is not possible under Dutch law. Dutch law provides that a legal act intended to transfer property for purposes of security or which does not have the purpose of vesting title in the acquirer, after transfer, does not constitute valid title for transfer of that property (article 3:84(3) DCC). Dutch law also provides that any stipulation whereby the pledgee or the mortgagee is given the power to appropriate the secured property is null and void (article 3:235 DCC).

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:

In the event the pledgor (the security provider) is in default the right of pledge gives the pledgee (the security taker) the right to take recourse against the pledged IPR. Pursuant to article 3:248 DCC the pledgee can liquidate the pledged IPR and recover from the proceeds of the sale. A right of pledge is a priority right; it gives the pledgee a right to summary execution when the pledgor is in default. A judge must establish whether the pledgor is in default. In case of a sale under execution of a patent or a plant variety right the sale must be in public in the presence of a Dutch civil law notary.<sup>[1]</sup>

#### Footnotes

1. <sup>^</sup> *Article 69 DPA 1995 and article 69 SPMA 2005.*

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?

yes

Please explain:

Dutch law provides for a separate right of usufruct over IPRs. Article 3:201 DCC provides that usufruct grants a right to use property belonging to another and to enjoy the fruits thereof.

Therefore the right of usufruct implies that the usufructuary may enforce the IPR against infringing parties, stipulate payment of license fees and royalties and receive payments both judicially and extra-judicially. It is logical that the right of usufruct on an IPR also implies that the usufructuary may use the same enforcement measures and remedies as the IPR-holder (for example the measures and remedies referred to in articles 6-13 of the EC Enforcement Directive 2004/48/EC). In principle, the right of usufruct implies an exclusive right of use and enjoyment for the usufructuary, i.e. also excluding the IPR holder. It is customary that the IPR holder stipulates a fee or royalty for the use of its IPR. When establishing the right of usufruct the parties can agree on additional rules in regard to the use of the right of usufruct and to the realization of the proceeds thereof.

Although the right of usufruct is a *right in rem*, it is not typically regarded as a security interests to secure repayment of a loan. The right of usufruct rather secures the usufructuary's use and/or exercise of the encumbered IPR in the event of insolvency of the IPR holder. Therefore the usufructuary is not typically a creditor of the IPR holder.

The right of usufruct is not conditional upon default of the security provider.

- 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.

Under Dutch law the right of pledge is available for all IPRs within the scope of this Questionnaire (i.e. registered IPRs) and commonly used as security interest over IPRs. The right of usufruct may be used as an alternative to a license agreement.

#### 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.

yes

Please explain:

For pledge, there are no such restrictions by law. However in regards to a pledged patent or plant variety right the law explicitly provides that the parties can contractually agree that the security provider is restricted in their right to grant licenses. This agreement is still applicable after the IPR is assigned to third parties.<sup>[1]</sup> For trademarks and registered designs, the law does not provide explicitly that the security provider is restricted in their right to use their IPR after providing a security interest over that IPR. However, pursuant to the general commercial principle of freedom of contract, the security provider and the security taker would be free to agree on whichever restriction they deem appropriate.

The right of usufruct however implies an exclusive right of use and enjoyment for the usufructuary,

thereby restricting the IPR holder's rights to exercise the IPR and use the protected subject matter.

---

[1][#\_ftnref1]

**Footnotes**

1. [^](#) *Article 67(3) of the DPA 1995 and Article 67(3) SPMA 2005.*

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

yes

Please explain:

Encumbered IPRs may be assigned to third parties by the security provider.

In addition, we note that the security taker does not have the right to repledge the IPR to a third party. This is only possible when the security provider has unequivocally conferred the right to repledge to the security taker (article 3:242 DCC).

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)?

Reference is made to the answers to question 2 above. The encumbered IPR can be assigned under the conditions that the security provider has the right to dispose of the IPR, the IPR is assignable and there is a valid title. In principle, the IPR is assignable even after it is pledged to a security taker. However, if the pledgor and the pledgee agree that the pledgor cannot assign the pledged IPR to a third party and also stipulate that this has property-law effect, then the IPR is not assignable.[1][#\_ftn1] Pursuant to the specific IP laws involved, an assignment does not have effect vis-à-vis third parties until the assignment is registered.

---

[1][#\_ftnref1] Supreme Court 21 March 2014 (*Coface/Intergamma*).

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

yes

Please explain:

If the security provider assigns the IPR to a third party the IPR remains encumbered with the original security interest ("*droit de suite*").

8) What are the rights of the security taker before default (e.g. entitlement to damages, injunctions

against infringers, or license fees)?

Under Dutch patrimonial law, in principle a right of pledge does not give a right of use or enjoyment of the pledged property before default. Therefore, a right of pledge to an IPR does not extend to or imply a right to license fees or damages received under such IPR and neither does it imply a right to use the IPR. A right of pledge primarily offers the pledgee recourse on the pledged property in the event of default. In this sense a right of pledge differs from a right of usufruct (for the rights of the usufructuary, see the answers under question 3(c) above).

Dutch patrimonial law does provide that each of the pledgee as well as the pledgor are entitled to institute proceedings against third persons to *protect the pledged property* (i.e. the IPR), provided that he who does so ensures that the other is joined in the action in good time (article 3:245 DCC).

As set out under question 3(c) above, the right of usufruct implies that the usufructuary may enforce the IPR against infringing parties, stipulate payment of license fees and royalties and receive payments both judicially and extra-judicially.

Furthermore, the following provisions from specific IP laws apply.

For patents, the pledgee has the right to intervene in proceedings brought by the patent proprietor/pledgor against an infringing party and claim compensation of the pledgee's own damage or surrender of a proportionate part of the profit made with the infringement. The pledgee cannot bring a claim independent from the patent proprietor/pledgor unless the parties have explicitly agreed such (article 70(6) DPA 1995). This right is seldom used, likely because it is unclear how a pledgee would suffer 'own damage' as a result of an infringement or what part of the profit would typically be eligible for surrender to the pledgee. Also, a pledgee has the right to demand revocation of a Dutch patent or a Dutch designation of a European patent which has been granted to a proprietor who is not entitled (e.g. another than the inventor)[1][#\_ftn1] (article 75(1)(e) and 75(3) DPA 1995). Finally, the pledgee of a pledged patent can stipulate that the patent holder cannot, or not without consent, issue licenses.[2][#\_ftn2]

For plant variety rights, the pledgee has similar rights against an infringing party as the pledgee of a patent (articles 70(6) and 67(3) SPMA 2005).

---

[1][#\_ftnref1] Articles 8 in conjunction with 11-13 DPA 1995 and article 60(1) European Patent Convention.

[2][#\_ftnref2] Article 67(3) DPA 1995.

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

For pledge, the security provider remains responsible for maintenance and defense of the pledged IPR as collateral.

For the right of usufruct, the parties may contractually agree on who is responsible for maintenance and defense of the encumbered IPR. In the absence of such agreement, Dutch patrimonial law provides that the usufructuary must, as regards the holder of the principal right, exercise the due care of a good usufructuary with respect to the property subject to the usufruct and its management (articles 3:207(3) and 3:220(1) DCC). It is arguable that this duty of care involves maintenance and defense of the IPR

provided as collateral. Failure to observe this duty of care may result in liability towards the IPR holder when the right of usufruct expires.

- 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.

If the underlying IPR expires or is revoked, the security right lapses simultaneously. Presumably this may also occur if the object of the pledge is an *application* for a European patent because when granted the application for a European patent is converted into a bundle of national designations of that European patent. This process does not imply converting the pledge as well; the right of pledge would have to be registered again with the various national patent registers concerned.

The security provider who voluntarily abandons or relinquishes the IPR or negligently allows this to lapse, might therewith act unlawfully towards the security taker, which entitles the security taker to compensation of the damage suffered in consequence thereof. This may be deduced from a recent decision of the Supreme Court in the matter of *IAE v. Neo River*. In this case a party, Osata, had a right of claim for damages on Neo River, which right of claim was pledged to IAE. However Osata waived/abandoned its claim on Neo River, which waiver/abandonment Neo River accepted and resulted in simultaneous lapse of the right of pledge. IAE argued that as a result of the pledge Osata was no longer at liberty to waive its claim on Neo-River. The Supreme Court rejected this argument and decided that the claimant/pledgor does not lose its right to waive its claim as a result of the pledge but the Supreme Court also considered that under certain (unspecified) circumstances the pledgee may have a claim against the pledgor based on tort.[1][#\_ftn1]

---

[1][#\_ftnref1] See Supreme Court 21 February 2014, ECLI:NL:HR:2014:415 (*IAE/Neo River*).

- 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?

no

Please explain:

The lapse of a security right in case the underlying IPR expires or is revoked, cannot be modified by contractual provisions between the parties. The parties could however contractually agree about, for instance, entitlement to damages and/or alternative means of security in case the security right lapses due to expiration or revocation of the underlying IPR.

#### 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:

Although there is applicable law which provides for conflict rules for establishing the law applicable to the agreement to provide a security interest over an IPR (i.e. Regulation (EC) 593/2008 on the law applicable to contractual obligations (Rome I)), Dutch statutory law does not provide for conflict rules for establishing the law applicable to the transfer and encumbrance of IPRs. However there is case-law

and legal doctrine in which it is assumed as a rule of unwritten international private law that the law of the state of the register of the IPR involved applies to the extent to which transfer and encumbrance of such IPR are possible.[1][#\_ftn1]

In principle Dutch law has a closed system of security rights. However, Dutch law allows foreign security interests to be enforced in the Netherlands provided that the foreign security interest can be 'assimilated' into Dutch law and be equated with a similar Dutch law security interest.[2][#\_ftn2]

For EU trade marks, the EUTMR provides that in principle an EU trade mark as an object of property shall be dealt with in its entirety, and for the whole area of the Community, as a national trade mark registered in the Member State in which, according to the Register of Community trade marks (firstly) the proprietor has his seat or his domicile on the relevant date, or (secondly) the proprietor has an establishment on the relevant date, or (thirdly) the Member State in which the seat of the Office is situated (article 16 EUTMR).

For Community designs the CDR provides similar rules as the EUTMR (article 27 CDR).

For Community plant variety rights the CPVRR provides similar rules as the EUTMR (article 22 CPVRR).

---

[1][#\_ftnref1] Hague District Court 1 September 1999, *BIE* 2000/52 (Rabobank e.a./Scholten q.q. e.a.); Asser/Kramer & Verhagen 10-III 2015 § 250; M.W.D. van der Burg, 'Internationaal goederenrechtelijke verwijzingsregels voor de overdracht van merken en octrooien (deel 1)', *IER* 2006, 38; M.W.D. van der Burg, 'Internationaal goederenrechtelijke verwijzingsregels voor de overdracht van merken en octrooien (deel 2)', *IER* 2006, 50.

[2][#\_ftnref2] Supreme Court 14 December 2001, ECLI:NL:HR:2001:AD4933 (*Sisal II*).

- 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.

In the given example, US law would apply to the creation, perfection and effect of security interests over the US patent.[1][#\_ftn1]

As said, if the foreign security interest can be equated with a similar Dutch law security interest, Dutch law allows foreign security interests to be enforced in the Netherlands.

---

[1][#\_ftnref1] Hague District Court 1 September 1999, *BIE* 2000/52 (Rabobank e.a./Scholten q.q. e.a.); Asser/Kramer & Verhagen 10-III 2015 § 250; M.W.D. van der Burg, 'Internationaal goederenrechtelijke verwijzingsregels voor de overdracht van merken en octrooien (deel 1)', *IER* 2006, 38; M.W.D. van der Burg, 'Internationaal goederenrechtelijke verwijzingsregels voor de overdracht van merken en octrooien (deel 2)', *IER* 2006, 50.

- 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 cannot overrule the applicable law as to the transfer of such IPR. It seems that a choice of law applicable to availability and effect of a security interest over an IPR should be possible or impossible to the same extent as a choice of law applicable law to the transfer of such 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:

Under Dutch law parties could agree on a contractual regime for security interests over IPRs, solely imposing obligations on the parties of the agreement.

## 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?

yes

Please explain:

Provided that Dutch law applies and the parties enter into a sufficiently detailed agreement regarding their mutual rights and obligations.

- 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:

The Group finds that under Dutch law there is an appropriate balance between the rights between security takers and security providers. Firstly, the security provider and security taker are free to contractually agree on any obligation of the security provider to involve the security taker in any assignment and obtain the security taker's permission therefor. In the absence of such agreement, the security taker's rights are sufficiently safeguarded because any assignment of the encumbered IPR must typically be recorded in the involved register for effect vis-à-vis third parties which ensures that the security taker can be aware of the assignment. Also, the IPR remains encumbered with the original security interest.

- 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 Group finds that under Dutch law there is an appropriate balance between the rights between security takers and security providers. The security provider's rights are sufficiently safeguarded because - barring any agreement to the contrary - he may assign the encumbered IPR without involvement of the security taker. Furthermore, the security provider and security taker are free to contractually agree on any rights of the security taker to dispose of existing licenses without involvement of the security provider.

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:

The applicable laws could be improved by adopting explicit conflict rules on establishing the law applicable to the availability and effect of foreign and/or national security interests over foreign IPRs, or, better still, adopting clear substantive law governing the availability and effect of security interests over IPRs.

Clear and harmonized substantive law is especially important for European Union intellectual property rights, such as the EU trade mark (former Community Trademark), the Community Design Right, the Community Plant Breeders Right and the future (enhanced cooperation) Unitary Patent.<sup>[1]</sup> For all of these rights, the applicable law is determined by the domicile or the place of business of the right holder within the EU and otherwise by the law of the country where the registrar is domiciled. Thus, Spanish law applies to a pledge on an EU trade mark if the owner has no establishment within the EU and German law will apply to a Unitary Patent in such case. This is the consequence of a political decision on which EU Member State will be hosting these registrars and not based on an evaluation of the applicable law. Therefore, especially for EU rights and the Unitary Patent, carefully drafted independent substantive law would be a much better solution.

---

[1] Cf. CJEU 5-5-2015, C-146/13, Spain v European Parliament and Council

### 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:

The particularities of intangible IPRs and their differences with tangible property justify such specific provisions.

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?

At least a right of pledge, but in many countries such a right only provides some financial security. For licensees it is also important that they have a security which protects the continuity of their business in case the right owner for instance goes bankrupt. In The Netherlands this can be achieved by a right of usufruct, but it would be better to have a carefully developed and harmonized right that would provide this protection.

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:

Given the similarities between registered IPRs - ; all IPRs are exclusive rights; all IPRs have territorial effect; for all IPRs licenses are possible - it does not seem necessary to have the law be applied differently depending on the type of IPR.

#### 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:

In principle, the security provider should not be restricted in their right to use their IPR after providing a security interest over that IPR. The security provider must be considered to be able to exploit to IPR the best and therefore must be able to make its own business decisions. In the typical case, an optimal exploitation of an IPR is also in the interest of the security taker, as this furthers fulfillment of the secured obligations by the security provider. However, barring any agreement to the contrary, the security provider should be under an obligation to maintain the IPR provided as collateral; preventing the collateral from becoming worthless.

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

yes

Please explain:

Yes, provided the IPR remains encumbered with the right of pledge after assignment and the parties have not contractually excluded assignment to third parties.

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

The rights of the security taker before default, including the security taker's entitlement to license fees and damages and his right to obtain injunctions against infringers, should be left to the parties to determine.

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

yes

Please explain:

In principle, the security provider should be responsible for maintenance and defence of the IPR provided as collateral, unless the parties agree otherwise.

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)?

If the underlying IPR expires or is revoked, the security right should lapse simultaneously. Subject to the normal rule of law – e.g. is the IPR holder at fault for allowing the IPR to expire or be revoked? – the creditor may gain a compensation claim against security provider to the extent of his damage which may be the value of the security right. The decision of the Dutch Supreme Court in the matter of *IAE v. Neo River*, as set out under question 10 above, provides a precedent for such an approach.

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

yes

Please explain:

In general, it is in the benefit of international trade if third parties can ascertain the validity and effects of security interests over IPRs without having to consult contractual provisions between the security provider and the security taker which may not always be accessible to such third parties. In this sense it should not be possible to modify the effects of security interests over IPRs before default by contractual provisions.

Regarding the effects referred to in the previous question: it should not be possible to contractually prevent the security right from lapsing simultaneously if the underlying IPR expires or is revoked, which won't lead to legal uncertainty for third parties and be contrary to registration system etc.

However it should be possible to contractually agree on the extent of the compensation claim the security taker has against security provider if the security right lapses simultaneously with the expiration or revocation of the underlying IPR.

#### 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?

For the avoidance of doubt, it is noted that the considerations below do not relate to the law applicable to the *agreement* to provide a security interest over a foreign IPR – e.g. what are the consequences of nonperformance of an *obligation* to provide a security interest over such an IPR; see also the considerations regarding the Rome I Regulation under Question 12 – , but to the law applicable as to the *availability* and the *effects* of security interests where a foreign IPR is provided as collateral.

In the benefit of international trade, ideally there should be substantive law transcending national laws as to the availability and the effects of security interests over any IPR provided as collateral. Such substantive law has the advantage of being more predictable than fragmented national laws.

Barring such substantive law, the law of the foreign IPR should apply as to the availability and the effects of security interests over such an IPR. Because IPRs are territorial rights by nature, it is most logical to have the law of the state of the IPR govern the availability and the effects of security interests over such IPR. This would also be in the benefit of predictability, as for the registered IPRs the state of their registration can usually be easily determined.

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

no

Please explain:

This would imply that states would have to accept the application of foreign and unknown legal concepts (i.e. foreign security interests) in their legal systems which seems contrary to their sovereignty. The exercise/enforcement of such foreign and unknown legal concepts would also pose difficulties. Further, it would lead to legal uncertainty for third parties.

On a related but different matter, the parties should be able to choose the law that applies to their security interest agreement itself. This choice of law provision should be able to overrule the law that would apply to the agreement in absence of such a choice.

#### 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.

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

Summary