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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:

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:

Available types of security interests over IPRs are defined by provisions given in three IPR Laws (Law on Patent, Law on Trademark and Law on Industrial Design) and Proprietary Laws.

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:

A pledge over an IPR or an IPR application, a pledge over usus fructus and an assignment of the IPR for the purpose of security are available.

An assignment of the IPR for the purpose of security is available.

- 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, the security taker is authorized to realize the security interest in the event of default only.

- 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:

Only a pledge over usus fructus authorize the security taker to to realize proceeds from the exercise of the IPR.

- 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.

A pledge over an IPR is commonly used for all IPRs.

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:

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

yes

Please explain:

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)?

The owner's ability to transfer the ownership of the property is not effected by security interests. No conditions for this assignment are applicable according to our law.

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

yes

Please explain:

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

None, except for the case of a pledge over usus fructus.

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 for maintenance and defence of the IPR provided as collateral.

Maintenance fees for trademarks and industrial designs can be paid by the security taker upon failure of the security provider to pay the fees.

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.

The legal consequences if IPR expires are defined by general commercial law principles. Yes, the creditor has a compensation claim against the security provider.

The underlying IPR can not be revoked without a written consent of the security taker.

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:

Yes, provisions regarding the person responsible for maintenance and defence of the IPR provided as collateral can be modified.

Provisions regarding the entitlement to damages, injunctions against infringers, or license fees can be de facto modified by contractual provisions if both a pledge over an IPR and a pledge over usus fructus are established.

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:

Yes, *lex loci rei sitae* (law of the place where the property is situated).

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.

Lex voluntatis (law of a choice specified in the contract) is applied to creation and perfection of the agreement, but *lex loci rei sitae* (law of the place where the property is situated) is applied to effects of security interests.

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

yes

Please explain:

Yes, if it is possible according to *lex loci rei site*.

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, if it is possible according to *lex loci rei site*.
It is not possible for IPRs governed by our law.

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:

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:

Yes, security takers should be allowed to pay maintenance fees for IPRs without previous consent of the holder and before the security provider's failure to pay these fees.

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:

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:

IPR Laws (Law on Patent, Law on Trademark and Law on Industrial Design) are not completely harmonised in regard to the rights of security takers.

On the one hand the security taker will be informed by the Intellectual Property Office of the security provider's failure to pay maintenance fees for trademarks and industrial designs. The security taker would be ex lege authorized to pay the fees in such cases.

On the other hand security taker will not be informed by the Intellectual Property Office of the security provider's failure to pay maintenance fees for patents.

The security taker is authorized to pay the fees only if previously authorized by the security provider (and within the time period set for payment by the 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, there should be more specific provisions regulating security interests over IPRs, but under

condition that protection of interests of both security takers and security providers is well balanced.

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?

A pledge over an IPR.

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?

no

Please explain:

No.

General commercial law principles such as entitlement to damages and compensation claims do apply, and the security takers are fairly protected.

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

no

Please explain:

No. We consider it opposite to legal nature of security interests.

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

Injunctions against infringers should be established to order to secure unchanged value of the IPR provided as collateral.

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

yes

Please explain:

Both the security provider and the security taker should be responsible for maintenance and defence of the IPR provided as collateral.

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 security taker should gain a compensation claim against security provider.

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

no

Please explain:

No. Protection of interests of both security takers and security providers should be maintained balanced.

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?

Lex loci rei sitae (law of the place where the property is situated) should apply because in that way enforcement of the effects of security interests would be applied the most straightforwardly.

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

no

Please explain:

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.

No comments.

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

No comments.

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

Summary