



Submission date: 6th July 2016

2016 - Study Question (General)

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Security interests over intellectual property

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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?

no

Please explain:

No, besides there is an express prohibition (Civil Code) to create or to modify anything in this area by contractual provisions or private agreements of any kind. That can only take place through legislation.

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)?

- 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.
- 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).
- 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?
- 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.

N/A

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.
- 6) May encumbered IPRs be assigned to third parties by the security provider?
- 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)?
- b) does the IPR remain encumbered with the original security interest for the benefit of the security taker?
- 8) What are the rights of the security taker before default (e.g. entitlement to damages, injunctions against infringers, or license fees)?
- 9) Who of the security provider or the security taker is responsible for maintenance and defence of the IPR provided as collateral?
- 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.
- 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?

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

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?
- no
Please explain:

No, because besides the public interest nature of our legislation as far as this topic, the possibilities given by our Civil Code are taxative. Addition or modification of the pertinent legal rules by contractual agreements are expressly forbidden.

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:

No, since as mentioned, there is no possibility at all to use IPRs as security interests

- 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:

No, because we can not speak of an appropriate or inappropriate balance when there is no legislation at all.

- 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)?

- 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 first improvement would be enacting legislation allowing IPRs to be used as security interests in all sorts of transactions. That new legislation must set up an appropriate balance between the rights of the security takers and the ones of the security providers.

III. Proposals for harmonisation

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

no

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, specific provisions regulating security interests over IPRs can be considered an improvement in the legislative sense, given the peculiar nature of them and their constant evolution.

- 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, specific type of assignments and usufructus.

- 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?

yes

Please explain:

Ideally yes. The more specific, the better.

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:

Yes, but in a very careful way in order not to destroy their economic value and its exploitation. The two examples cited by the question can be very good examples requiring for instance consent of the security taker.

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

yes

Please explain:

Yes, but with consent of the security taker.

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

An improvement in our legislation can also be allowing the security taker before default to get injunctions against infringements and license fees, under the appropriate circumstances.

- 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, always within an appropriate balance of their rights.

- 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)?

A normal expiration should not have any legal consequences because that is a subject matter than can be easily foreseen by both parties. An unexpected revocation or expiration due to the security provider negligence is a different situation. In this latter case, we estimate that the creditor should be able to obtain a compensation claim against the security provider and/or a right to obtain a new security interest.

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

yes

Please explain:

That can have a negative effect. We understand that the area of security interest in general

is of public interest and therefore there should not be too much space for the parties to modify the pertinent applicable legal rules.

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 pertinent foreign law should be the applicable one, because we consider that it will be the most suitable to rule the matter.

- 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, given our understanding of the public interest involved in security interests of any kind and the fact that the pertinent national law will always be the most suitable to rule the matter.

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.

Aside from the harmonization efforts by WIPO and UNCITRAL with a global reach, a first degree of harmonization should start within the territorial scenario of the different integration blocks. In our case within the Mercosur regional block (Argentina, Brazil, Uruguay, Venezuela and Paraguay).

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

We estimate that this subject should be included in the agenda of the different integration regional blocks around the world. AIPPI within the private area could play a role in transparently lobbying for it

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

Summary

Summary report

a- Unfortunately our country has remained behind any legislative improvements in the topic covered by this question. Our Group strongly recommends the enactment of new legislation in this area in those countries like ours with a present negative balance.

b- We also recommend that the enactment of any future legislation should be structured with specific rules related to IPRs being used as security interest.

c- All new legislation should always be implemented taking as the core value an appropriate balance between the rights of the security provider and those of the security taker.

d- Harmonization should also be a key goal. That effort must begin in a first degree basis within the different regional integration blocks worldwide.

e- On a global scenario WIPO and UNCITRAL can play a key role in a joint interinstitutional effort.