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Article

INTELLECTUAL PROPERTY LICENSES AND ASSIGNMENTS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE: A BRIEF SURVEY OF THE NATURE OF PROPERTY RIGHTS CONFERRED AND IMPLICATIONS DUE TO REORGANIZATION

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Table of Contents

I.	Introduction	214
II.	Overview of Property	215
III.	Overview of Bankruptcy	216
	A. Property of the Estate--11 U.S.C. § 541	216
	B. Use, Sale, and Licensing of Estate Property--11 U.S.C. § 363	217
	C. Assumption and Rejection of Executory Contracts--11 U.S.C. § 365	218
	D. Automatic Stay Provision--11 U.S.C. § 362	219
IV.	Vested Property Rights in a Res Under Bankruptcy	219
	A. Transfer of Property from Debtor to Nondebtor	219
	B. Avoidance Under the Strong Arm Clause--11 U.S.C. § 544	220
	C. Avoidance Under the Preferences Clause--11 U.S.C. § 547	220
	D. Transfer of Property from Nondebtor to Debtor	221
	E. Security Interests of the Nondebtor	222
V.	Property Rights Arising Under an Executory Contract	223
	A. Assumption of Executory Contracts	223
	B. Rejection of Executory Contracts	224
VI.	A General Analysis of a Transfer of Intellectual Property	225

VII.	Intellectual Property Rights in a Patent	227
	A. Nature of the Property Rights of the Res in the First Instance	227
	B. Characterization of Transferred Rights	228
	C. Avoidance Powers	229
	D. Patent Licenses	229
VIII.	ntellectual Property Rights in a Mark	230
	A. Nature of Property Rights of the Res in the First Instance	230
	B. Transferred Rights	231
	C. Avoidance Powers	231
	D. Mark Licenses	232
IX.	Intellectual Property Rights in a Copyright	232
	A. Nature of Property Rights of the Res in the First Instance	232
	B. Transferred Rights	233
	C. Avoidance Powers	234
	D. Copyright Licenses	235
X.	Intellectual Property Rights in a Trade Secret	235
	A. Nature of Property Rights of the Res in the First Instance	235
	B. Avoidance Powers	236
	C. Trade Secret Licenses	236
XI.	Conclusion	237

*214 I. Introduction

In today's information age and global economy, substantial amounts of intellectual property are transferred with regularity between parties. For example, the copyright that attaches when a novelist inks original expression onto paper is later licensed to a Hollywood studio to produce a blockbuster movie; the creative engineer who invents an improved manufacturing process assigns his patent rights to his employer, who in turn licenses the patent to others; a fast food franchisee takes a license for use of the franchiser's valuable service mark and goodwill; and a company's proprietary "know-how" is sold to another along with a non-compete agreement. When a party to a transfer of intellectual property rights becomes insolvent and files a Chapter 11 reorganization petition under the Bankruptcy Code, the transferred intellectual property frequently becomes ensnared under the broad ***215** reach of the bankruptcy laws, affecting both parties to the transaction. Therefore, the rights and obligations arising under an intellectual property assignment or license must often be determined within the framework of bankruptcy law.

The Bankruptcy Code provides a myriad of remedies of widely varying characteristics and scope. These provisions have differing applications, depending on the nature of the property right at issue--whether the property right is a vested right inherent in an object or thing, or whether the property right exists by means of an executory contract. The potential effects of the Bankruptcy Code provisions when applied to a particular pre-bankruptcy transfer of intellectual property can be enormous to both parties, so it is important to understand which of the bankruptcy provisions are applicable for that property. Thus, one must correctly determine the nature of the intellectual property right to understand how the property right might be affected by the Bankruptcy Code provisions.

II. Overview of Property

"Property" is a term that is neither universally nor statically defined, but in all instances represents one or more rights associated with an owner's relation to a thing, or in legal terms, a res. Each res has a complete bundle of undivided rights inherently associated with it. The undivided rights that comprise that whole bundle are defined by the law that creates the res in the first instance. The undivided rights in the bundle may include (1) the right to possess, (2) the right to exclude, (3) the privilege to use, (4) the power to devise, and (5) the right to assign or transfer.[1] An owner's property can range from ownership of the whole bundle of undivided rights inherent in the res, ownership of one or more undivided rights comprising less than the whole bundle (e.g., the privilege to use but not the right to assign), or one or more divided rights (e.g., the right to possess, but only for two weeks out of the year, each year).

As it is more traditionally understood, property includes only those proprietary rights which are also in rem, i.e., involving the status of a res not merely between the parties but as against all persons for all time. For example, real estate falls into this definition of property. "According to this [traditional] usage a freehold or leasehold estate in land, or a patent or a copyright, is property; but a debt or the benefit of a contract is not."[2] Property may also be more widely defined to include rights or benefits arising by nature of a contract. The parties to a contract can define the rights constituting the property interest created by the contract to include divisions of any of the distinct rights that comprise the whole bundle of rights inherent in the res in the first instance. For example, an ongoing rental agreement falls into this latter category.[3]

***216** An intellectual property res may arise in the first instance by a titleable federal grant, such as a copyright or a patent, or by way of other governmental protection, such as state laws designed to prevent consumer confusion, unfair competition, or misappropriation. As intellectual property can be transferred between parties either by the contractual granting of rights for the use of a particular intellectual property res, without the actual transfer of the res itself, or by an outright transfer of ownership of the res, with or without concomitant ongoing contractual provisions necessary to maintain the value of the transferred property, the nature of a particular conveyed intellectual property interest is not always self-evident or certain. In other words, which divided or undivided rights, or how much of the whole bundle of rights must be transferred to effect the transfer of the res itself instead of merely creating contractual rights? Different courts can reasonably arrive at different outcomes when analyzing the same conveyed property rights. Further complicating analysis is the fact that, unlike land, chattels, and other tangible personal property, intellectual property is intangible and non-rival, meaning that the property can often be possessed by more than one person simultaneously.[4]

III. Overview of Bankruptcy

A. Property of the Estate--11 U.S.C. § 541

When a petition for bankruptcy is filed, 11 U.S.C. § 541 automatically creates a legal estate to allow for the effective management of the debtor's assets.[5] The estate is managed by a fiduciary--either the debtor, referred to as the "debtor-in-possession," or a separately appointed trustee. To benefit creditors, the Bankruptcy Code maximizes the property transferred to the estate to include all the debtor's legal and equitable property rights as of the bankruptcy petition date, and any subsequent proceeds therefrom.[6] Using an extremely broad definition of property, the estate includes both property arising by way of contract rights, such as rights under leases or licenses, and property inherent in an object or thing, such as land, a chattel, a patent, or a copyright.[7]

In fact, the scope of § 541 is so broad that even inchoate rights stemming generally from personal and nontransferable licenses are usually[8] included within the debtor's estate.[9] Although the pre-1978 Bankruptcy Act included an express ***217** provision that a property right must be transferable for that property right to pass to the debtor's estate in bankruptcy--thus

keeping personal and nontransferable licenses out of the estate[10]--the present code has removed this restriction. The House Report on the present § 541(a)(1) lists property of the estate to include "rights such as copyrights, trade-marks, patents, and processes, . . . whether or not transferable by the debtor."[11] Thus, agreements of forbearance that are generally held to be personal and nonassignable (e.g., nonexclusive patent licenses) should be included in estate property.[12]

Chapter 11 of the Bankruptcy Code allows for debtor reorganization and debt restructuring rather than forcing debtor liquidation and distributing the debtor's assets to the creditors.[13] The theory behind Chapter 11 is that greater value may be derived from the debtor's assets when coordinated as an operating synergistic business than would result from piecemeal liquidation. Thus, reorganization attempts to produce a larger repayment of the debtor's debts to the creditors than would otherwise occur under liquidation. To promote estate enhancement due to value arising from the ongoing business concern, the debtor-in-possession or the trustee, if one is appointed, has power to, inter alia, (1) sell or lease non-cash-collateral estate property[14] and (2) assume or reject executory contracts.[15] These two estate rights have widely differing characteristics and scope. Depending on the nature of the property conferred with respect to a particular transferred intellectual property right, either or both of these provisions may be applicable.

B. Use, Sale, and Licensing of Estate Property--11 U.S.C. § 363

Section 363 of the Bankruptcy Code must be consulted to determine when and how the estate's property can be used, sold, leased, or licensed. The provisions under § 363(b) and (c)[16] regarding the use, sale, or lease of estate property apply to property both as it is more traditionally defined to include those proprietary rights in a res, and to property as it is more widely defined to include rights or benefits ***218** arising by nature of an executory contract, provided the contract is assumed by the debtor.[17]

However, § 363 does not expand the property rights of the debtor estate beyond the bundle of rights conferred by the nonbankruptcy law that creates the property right in the first instance.[18] If the applicable law defining the property right in the first place prohibits or restricts the use or sale of the property, § 363 does not preemptively allow it.[19] For example, Section 10 of the Lanham Act in essence prohibits the selling of trademarks separately from the goodwill of the business with which the trademark is associated.[20] Section 363 cannot be used to allow the debtor estate to make such a sale.

C. Assumption and Rejection of Executory Contracts--11 U.S.C. § 365

In contrast to § 363, the provision under § 365 to assume or reject executory contracts applies to property as widely defined to include rights or benefits arising by nature of an executory contract, but the provision does not apply to vested property rights in a res.[21] Section 365 of the Bankruptcy Code sets forth the treatment in bankruptcy for all executory contracts. The term "executory contracts" is not defined in the bankruptcy statute, and a voluminous amount of scholarly work has been authored about what constitutes an executory contract.[22] A general consensus, however, agrees with Professor Vern Countryman that an executory contract is a contract that, at the time of the filing of the bankruptcy petition, is "so far unperformed that the failure of either [party] to complete performance would constitute a material breach excusing the performance of the other."[23] Section 365 allows the debtor estate, with court approval, to affirm, upon the curing of defaults, those executory contracts that the estate deems beneficial and to reject those executory contracts it deems burdensome, with defaults (both pre-existing and those occurring as a result of the rejection) cured, if at all, by way of unsecured claims against the debtor estate.[24]

In contrast to the § 363 provisions that do not expand the debtor estate property rights beyond the initial bundle of rights conferred by nonbankruptcy law, ***219** § 365 may expand the property rights beyond the contractual rights the parties contemplated when they created the property interest by the transfer contract. Once an executory contract is assumed, the estate's property rights arising thereunder may generally be used, sold, or otherwise transferred to a third party under § 363 regardless of any provisions to the contrary contained in the contract.[25] For example, contractual restrictions on alienation or assignment without support of nonbankruptcy law are generally unenforceable.[26]

D. Automatic Stay Provision--11 U.S.C. § 362

With certain exceptions, filing a bankruptcy petition has the effect of staying all prepetition claims and collection efforts against the debtor and all attempts to encumber property of the estate.[27] Any proceeding against the debtor before a court, an

administrative agency, or a private arbitration, for example, is covered by the automatic stay provision.[28] Although a non-bankrupt party may ultimately assert his rights against the debtor, he has no freedom to act unilaterally. The stay must be lifted by the bankruptcy judge prior to nondebtor action, lest the nondebtor be held in contempt of court.[29] The automatic stay may hamper nondebtor efforts to both protect intellectual property rights against injury (caused by debtor action or inaction) and enforce security interests against an estate-held intellectual property res. However, the automatic stay does not prevent nondebtor licensees holding valid licenses and not in default from continuing to use the licensed property, at least until the debtor licensor assumes or rejects the license.[30]

IV. Vested Property Rights in a Res Under Bankruptcy

A. Transfer of Property from Debtor to Nondebtor

Vested property rights in a res are generally not affected by bankruptcy.[31] If the non-bankrupt party has a vested interest in a res that was transferred to it by the debtor prior to the bankruptcy petition date, that transfer shall not be disturbed unless it can be recovered under one of the avoidance power clauses of the Bankruptcy Code, e.g., the strong arm clause (§ 544), the preferences clause (§ 547), or the fraudulent conveyance clause (§ 548).[32] The avoidance power prevents harm to creditors of a bankrupt debtor by ensuring a reasonable return in ***220** value for prepetition transfers of property and by preventing preferential treatment of one creditor at the expense of other similarly situated creditors.[33]

B. Avoidance Under the Strong Arm Clause--11 U.S.C. § 544

Notwithstanding the general rule that a vested property right in a res transferred to the nondebtor prior to bankruptcy should not be disturbed, the res may be recovered by the debtor under the strong arm clause of the Bankruptcy Code under certain circumstances. The strong arm clause, § 544, vests the debtor-in-possession with the rights of a hypothetical lien creditor as of the petition date.[34] To the extent that nonbankruptcy law gives an ordinary contract creditor with a judicial lien priority over the prepetition rights of other parties in the estate's personal property, § 544 provides that those rights belong to the estate, regardless of whether a real lien creditor of the bankrupt debtor actually exists.[35] The practical effect of the strong arm clause is that, if there is a nonbankruptcy legal requirement for an interest in property to be perfected to prevail over a judicial lien creditor of the debtor, a prepetition transfer of property from the debtor to a nondebtor, or an interest retained by the nondebtor in a prepetition transfer of property is recoverable by the estate if the perfection is defective. For example, a debtor sells real property to the nondebtor. The applicable state law requires recordation of the transfer to perfect title to the property. If the recording is defective when the debtor files a bankruptcy petition, the § 544 judicial lien priority over the nondebtor's interest in the property will result in the transferred property being recovered into the debtor estate.

C. Avoidance Under the Preferences Clause--11 U.S.C. § 547

The general rule that a vested property right stemming from a prepetition transfer of a res from the debtor to a nondebtor shall not be disturbed is also trumped if that prepetition transfer amounts to a preference.[36] In order to preserve equity in the distribution of estate property against behavior that diminishes the estate in favor of creditors who are quicker or better informed than their counterparts, § 547 gives the debtor estate the power to avoid the debtor's prepetition transfers of property that prefer the transferee or a benefited creditor, compared to other creditors having equal distribution entitlement.[37] With limited exceptions outlined in § 547(c), a transfer of property of the debtor is considered to be a preference and may thus be avoided if the transfer: (1) benefited a creditor for an antecedent debt, i.e., a § 547(b)(2) debt; (2) was made while the debtor was insolvent and within ninety days before the petition date (or within one year before ***221** the petition date if the transferee is an insider to the debtor organization); and (3) would allow the creditor to receive more than the creditor's entitlement on liquidation, absent the transfer.[38] Thus, the date of transfer of the res is fundamental in determining whether the transfer, or a subsequent payment therefor, is a preference.

An outright transfer of intellectual property gives rise to a § 547(b)(2) debt when title, control, or possession passes to the transferee,[39] but when a security interest in intellectual property is created to secure payment or performance of an obligation, the debt arises when the promise to pay or perform becomes enforceable.[40] If a licensee's obligation arises out of an ongoing right to use the licensor's intellectual property, sequential § 547(b)(2) debts accrue as royalty payments and become due under the terms of the license agreement unless the agreement calls for a single lump sum payment (in which case the §

547(b)(2) debt arises at the time the license agreement was executed).[41] Thus, for transferred intellectual property rights, whether a transferred res or subsequent payments in consideration for a transferred res can be avoided as a preference depends on the underlying nature of the intellectual property rights.

D. Transfer of Property from Nondebtor to Debtor

As the prepetition transfer of a vested interest in a res to the nondebtor is not generally to be disturbed, likewise the nondebtor transferor cannot revoke the completed transfer of a res to the debtor; the prepetition res of a debtor transferee will automatically pass to the estate upon filing the bankruptcy petition.[42] For example, a prepetition assignment of a patent to the debtor in exchange for a series of payments continuing over time acts as a completed transfer of the patent res; the patent is owned by the estate and, unless the nondebtor has a security interest in the patent, the nondebtor has only an unsecured claim against the estate for damages in the amount of the unpaid contractual consideration.[43] Conversely, a prepetition license of a patent for ongoing royalty payments transfers only contractual rights; the patent is not transferred to the estate.[44]

***222 E. Security Interests of the Nondebtor**

The nondebtor transferor cannot revoke or terminate the completed transfer of a res to the debtor unless a security interest or similar conditional right in the res that is triggered by the debtor's failure to pay or perform has been established.[45] A security interest generally confers on the secured creditor the right, and on the debtor the obligation, that adequate protection be provided to the nondebtor before the estate can use, sell, or license the res.[46] Of course, the nondebtor cannot foreclose on the transferred res until the § 362 automatic stay is lifted.

As mentioned above, the nondebtor's security interest is subject to avoidance by the debtor's estate under the strong arm clause of the Bankruptcy Code if the security interest is not perfected. Article Nine of the Uniform Commercial Code, enacted in some form in all the states, save Louisiana,[47] requires perfection of the security interest by recordation. Thus, if a creditor assigns an intellectual property res to the debtor prepetition and takes a security interest in the intellectual property res as collateral for the debtor's promise to pay over time, the security interest is subject to avoidance if it has not been properly recorded by the time the debtor files the bankruptcy petition.

In addition to an interest in the res itself, a security interest may provide for attachment to cash collateral proceeds from the perfected res.[48] Until recently, determining whether postpetition-acquired liquid assets are deemed to be proceeds from the res was particularly important because non-proceeds property acquired by the debtor after the petition cannot be held as a security interest, even if the parties otherwise agree in the prepetition agreement.[49] Article Nine of The pre-revision Uniform Commercial Code defined "proceeds" to include "whatever is received upon the sale, exchange, collection or other disposition of collateral or proceeds."[50] In other words, it recognized as proceeds only income produced from a disposition of an interest in the underlying res, such as rent for a leasehold.[51] Many intellectual property licenses are considered to be only contractual provisions to forbear from suit for infringement and do not convey an interest in the intellectual property res. Thus, under the provisions of the older Article Nine, royalties from the license do not form part of the collateral.[52] However, Revised Article Nine of the Uniform Commercial Code now explicitly defines "proceeds" to include "rights arising out ***223** of collateral."[53] Furthermore, a security interest perfected under the Revised Article Nine attaches to "any identifiable proceeds of collateral,"[54] so that today, the classification of the underlying nature of the intellectual property right has less bearing on the attachment of security interests to proceeds of the collateral.

V. Property Rights Arising Under an Executory Contract

A. Assumption of Executory Contracts

To assume an executory contract, the debtor estate must cure any default or breach of the contract, other than any default relating to the debtor's insolvency or bankruptcy.[55] Section 365(e) of the Bankruptcy Code prohibits a nondebtor contracting party from enforcing a forfeiture clause postpetition due to insolvency or bankruptcy postpetition.[56] Breaches of non-monetary obligations need not be cured as a condition precedent to assumption of the contract,[57] but the debtor estate must provide the nondebtor with adequate assurance of future performance under the agreement.[58] After assumption, a subsequent postpetition breach or default of the executory contract during bankruptcy leaves the nondebtor contracting party

with an administrative priority claim against the estate, which entitles the nondebtor to one hundred cents on the dollar compensation from the estate.[59]

Section 365(c)(1) governs when, over an objection of the nondebtor, a debtor estate can assume, or assume and then assign, an executory contract.[60] The provision states the following:

> The trustee may not assume or assign any executory contract . . . if . . . applicable law excuses a party, other than the debtor, to such contract . . . from accepting performance from or rendering performance to an entity other than the debtor or the debtor in possession, whether or not such contract . . . prohibits or restricts assignment of rights or delegation of duties . . . .[61]

The plain language appears to prevent both plain debtor assumption and debtor assumption for subsequent assignment to another if the non-bankrupt party has a basis in applicable nonbankruptcy law for being excused from the contract if the contract were to be assigned. In other words, if the estate wanted to assume, but ***224** not assign, a contract that is nonassignable in law, the nondebtor could prevent assumption of the contract, thus depriving the debtor of the benefit of the bargain. Prior to three "clarifying" amendments, the original code provision set forth two separate limitations--that the trustee may not assume if the applicable law excuses the non-bankrupt party from accepting performance from or rendering performance to the trustee, and that the trustee may not assign if the applicable law excuses the non-bankrupt party from accepting performance from or rendering performance to an assignee.[62] It is unclear whether the two parallel and separate limitations are completely destroyed by the three amendments, but it has been argued that the illogical result of the literal reading that prevents assumption of a contract due to its non-assignability in law was not intended by Congress.[63] The majority of lower courts allow the debtor to assume an executory contract when the debtor has shown an intent not to assign the contract.[64] Nevertheless, the majority of the circuit courts uphold the literal reading of § 365(c)(1) and disallow assumption of a contract that cannot be assigned under nonbankruptcy law regardless of whether or not the debtor intends to assign it.[65]

B. Rejection of Executory Contracts

On the other hand, if the debtor rejects an executory contract, the non-bankrupt contracting party is left with a general unsecured claim against the estate for contract damages; this claim is satisfied at the cents on the dollar percentage received by unsecured creditors in the case.[66] Except for a license to use a mark, which is specifically excluded by the Bankruptcy Code,[67] if the debtor is a licensor who rejects an intellectual property license granted to a nondebtor, the nondebtor licensee has an additional remedy under § 365(n) of the Code. Section 365(n)-- which was enacted as part of the Intellectual Property Bankruptcy Protection Act of 1988 to legislatively overturn the Fourth Circuit's holding in Lubrizol Enterprises v. Richmond Metal Finishers, Inc.[68] and its possible chilling effect on the willingness of parties to contract with businesses in possible financial difficulty--seeks "to promote the development and licensing of intellectual property by providing certainty to licensees in situations where the licensor files bankruptcy and ***225** seeks to reject the license agreement as an executory contract."[69] Section 365(n) affords the nondebtor licensee the basic rights to the intellectual property granted under the license as existing immediately before the filing of the bankruptcy petition, despite the debtor's rejection of the license.[70] If the nondebtor licensee chooses to retain its license rights under § 365(n), it must continue royalty payments to the debtor, and it waives any setoff rights for damages resulting from the rejection.[71] Furthermore, the nondebtor licensee cannot require performance by the debtor of any affirmative obligations under the contract (e.g., further research and development or suing third parties for infringement), and the licensee has no right to an administrative expense claim resulting from its performance under the license.[72]

VI. A General Analysis of a Transfer of Intellectual Property

In order to characterize and define the nature of intellectual property rights, one must look to the nonbankruptcy laws that create the property right in the first instance--to federal nonbankruptcy law for patents, trademarks, and copyrights; and to state law for trade secrets.[73] Then, to characterize the nature of intellectual property rights conferred between two parties, one may additionally need to refer to contract law and the "four corners" doctrine, parol evidence rule, statute of frauds, etc.

An "assignment" connotes a complete conveyance of a res, whereas a "nonexclusive license" connotes a creation of an interest in intellectual property rights arising by way of contract without conveyance of any portion of the res. These two

transaction types define opposite poles of a continuous spectrum of transfers, with the great variety of exclusive licenses occupying the broad center of the continuum. Where a particular transfer falls in the spectrum depends on its scope, terms, and limitations, and how a bankruptcy court interprets its scope.

Despite these above definitions, the title used to describe a contract is not necessarily indicative of its nature. In ICEE Distributors, Inc. v. J&J Snack Foods Corp., the court held that the actual legal effect of a contract for the transfer of intellectual property is governed by the nature of the underlying transaction and the property rights conferred thereby and not by the contract's form or label.[74] For example, a document styled as an assignment may be narrow and limited, acting in ***226** essence as a license, and a nonexclusive license may include one or more terms that so restrict the licensor as to give it the broader effect of an exclusive license.[75]

Looking to the underlying nature of the transaction, when the res of any property is transferred by the debtor prior to bankruptcy, unless the transfer can be recovered under an avoidance provision, the property appears to be beyond the reach of the debtor--the res is safely in the hands of the nondebtor transferee. But, if the sum of the transferred rights are insufficient to constitute a conveyed res, the intellectual property rights are merely contractual in nature, and no res is transferred. In this latter case, the contract rights are subject to rejection by the debtor under § 365 of the Bankruptcy Code.[76] When the roles are reversed and the debtor is the transferee of intellectual property rights sufficient to constitute a transferred res, the debtor estate has proprietary rights in the transferred res as of the petition date, whereas transferred intellectual property rights not amounting to a res are merely contractual rights that are dependant on the nondebtor licensor's continuing obligation to permit the otherwise infringing use of the intellectual property.

To complicate matters, many assignments and licenses include more than a simple grant of intellectual property rights that must be characterized. Often, in addition to a grant of intellectual property, intellectual property licenses and assignments contain extensive obligations, requirements, and provisions for both parties. Some contractual provisions may be integral to or linked with conveyed property rights, and others may not be as closely related to or connected with the conveyed property rights. How these provisions are to be characterized depends on their intended purpose and effect. For instance, when a conveyance of tangible property includes continuing contractual duties to protect the value of the transferred property (e.g., a vendor's warranty) such duties are often seen by the courts as ancillary and separable, and they can be rejected under § 365 without altering the basic non-executory nature of the assignment.[77]

Such a bright-line result often does not follow from an assignment of intangible intellectual property, because the common contractual duties to protect the value of the transferred property often included in such contracts are in many instances considered to be central and inseparable from the res itself. For example, a noncompetition agreement clause in an assignment of a copyright of a software program was held not to be an executory contract that could be rejected because the debtor rejection of the noncompetition agreement would have the effect of rescinding the completed transfer of the property.[78] The court noted that the noncompetition agreement was specifically tailored to protect the transferred ***227** intellectual property and thus did not comprise property of the debtor estate.[79] The requirement that the continuing contractual provision in an assignment be specifically tailored to protect the intellectual property of the non-bankrupt assignee was again noted in In re Sumax Industries, in which the court held that a noncompetition agreement was not tailored to protect the intellectual property and thus placed "property of the estate in jeopardy."[80]

Although generally accepted elsewhere, the method of distinguishing those contractual covenants that support and are integral to the transferred res from ancillary covenants that may be rejected has not been adopted by the Ninth Circuit, which tends to use a unitary all-vested-property or all-executory-contract approach. For instance, in In re Qintex Entertainment, Inc. and In re Select-A-Seat Corp., the Ninth Circuit allowed a debtor estate to reject transferred property rights under § 365 on the basis of clearly ancillary contract provisions.[81]

VII. Intellectual Property Rights in a Patent

A. Nature of the Property Rights of the Res in the First Instance

"Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor . . . ."[82] A U.S. patent, granted by the federal government to an inventor in exchange for full enabling disclosure of the invention to the public, provides its owner with a bundle of undivided

exclusionary rights--to exclude others from (1) making, (2) using, (3) offering to sell, (4) selling, and (5) importing into the United States the invention claimed therein for the term of the patent.[83] Contrary to a common misconception, a patent does not provide its owner with the freedom to make, use, sell, offer to sell, or import the patented subject matter but only the ability to exclude others from doing so.

Patent law provides that a patent has the attributes of personal property--in other words, a res.[84] Thus, the intellectual property right created under the Patent Act is measurable, transferable, and assertable against the world. Furthermore, Article Nine of the Uniform Commercial Code recognizes patents as personal property within the default category of general intangibles.[85]

*228 B. Characterization of Transferred Rights

Patents, patent applications, and all other interests therein are assignable in law by an instrument in writing, but the statute provides that an exclusive right under the patent or patent application may be granted only in whole or in any specified part of the United States.[86] The patent owner enjoys the right to exclude others from making, using, selling, offering to sell, and importing into the United States the claimed invention--in other words, to prevent others from infringing the patent.[87] If the contract is for the transfer of all or an undivided share of the exclusionary rights to prevent others from making, using, selling, offering to sell, and importing the invention for the remaining term of the patent, then the underlying nature of the transaction is an assignment of the patent, i.e., a conveyance of the res.[88] A contract conveying a right to exclude others from infringing the patent that is limited to the United States west of the Mississippi River is an assignment, because the Patent Act explicitly allows for a geographical limitation in assignments.[89] A transfer of a ten percent undivided interest in a patent is an assignment because the assignee can exclude all but the owner(s) of the remaining ninety percent undivided interest in the patent-- it is a whole interest under § 261 of the Patent Act.[90]

If the contract is for less than the remaining term of the patent, it is a license and transfers only an intellectual property right by way of executory contract and not by transfer of a res. A contract conveying a right to exclude others from infringing the patent that is limited to a particular industry or market is a license because of its field of use limitation. If the contract withholds any exclusionary right to prevent others from making, using, selling, offering to sell, or importing, then the transaction is a license that can be rejected by the debtor estate in toto. “Thus a transfer of the right to make, use, import, offer to sell, and to sell all products falling within the scope of a claim (rather than the right to exclude others from doing so) is a license, not an assignment.”[91]

An oral assignment is enforceable between the assignee and assignor and against others who have actual notice of the oral assignment.[92] However, to pass legal title, the assignment must be in writing, regardless of whether that writing is recorded at the Patent and Trademark Office.[93] Section 261 of the Patent Act ***229** states, “an assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage.”[94] An assignment conditioned on the payment of royalties or other condition subsequent, as well as non-assignment documents, such as licenses, may be recorded at the Patent and Trademark Office.[95] In the case of recorded assignments, the recordation acts as constructive notice to the world, but in the case of recorded licenses, recordation does not provide constructive notice to the world but may provide actual notice.

C. Avoidance Powers

The phrase “subsequent purchaser or mortgagee” of § 261 of the Patent Act clearly refers to those who take patent rights in a voluntary and consensual transaction and is generally not considered to extend to the hypothetical involuntary judicial lienholder of § 544 of the Bankruptcy Code.[96] Hence, recording at the Patent and Trademark Office will not prevent avoidance under the strong arm clause.[97] Although patent law recording requirements do not protect the assignee from the bankruptcy trustee, a secured party with a perfected Article Nine interest under the Uniform Commercial Code prevails against a strong-arm clause challenge by the bankruptcy trustee,[98] making Article Nine perfection critical when the collateral is a patent. Thus, a security interest in a patent improperly perfected under state law may be recovered by the debtor estate.[99]

D. Patent Licenses

The underlying nature of the property right transferred by most patent licenses, including both nonexclusive and exclusive

licenses, is simply a contract right wherein the licensor agrees to forbear bringing suit against the licensee for infringing one or more specified actions protected by the licensor's bundle of exclusive rights--to make, use, sell, offer to sell, or import into the United States. Because compensation for a patent license usually involves a running royalty based on the use of the patent and the commercial success of the licensee, the licensor must place a great deal of trust in the licensee. It has been suggested that a patent license is akin to a marriage license, with patent licensees selected as carefully as ***230** brides,[100] and thus it has long been the law that patent licenses are highly personal and nontransferable by the licensee without the permission of the licensor.[101] In Oliver v. Rumford Chemical Works, the Supreme Court held that a patent license "is not one which will carry the right conferred to any one but the licensee personally, unless there are express words to show an intent to extend the right to an executor, administrator or assignee, voluntary or involuntary."[102] Therefore, under § 363, unless the license contractually permits assignment, a patent license may not be assigned by a debtor licensee to a third party if the nondebtor licensor objects; and due to the present wording of § 365(c)(1), in the majority of jurisdictions, which follow the federal common law of personal licenses,[103] a patent license may not be assumed by the estate over an objection of the nondebtor licensor.

VIII. ntellectual Property Rights in a Mark

A. Nature of Property Rights of the Res in the First Instance

A mark is a word, phrase, logo, sound, device, or other indicium used by a manufacturer, vendor, organization, or service provider to distinguish its products or services from those of others.[104] Intellectual property in marks arise under common law, state law, and federal law. The Trademark Act of 1946, also known as the Lanham Act, recognizes four categories of marks--trademarks, service marks, certification marks, and collective marks.[105]

Intellectual property in marks has its genesis in the law of unfair competition. Although marks have real value to their owners and licensees, that value is ***231** integrally tied to consumer recognition and association of the mark to a particular source of goods from use of the mark in commerce. Thus, trademarks and service marks are sometimes considered by the courts not to be separate and independent property rights of their owners but rather integral and inseparable manifestations of the goodwill of the business or service to which they pertain.[106] The public policy of preventing consumer confusion is frequently the basis for the courts' decisions in trademark disputes.[107]

B. Transferred Rights

Section 10 of the Lanham Act provides that a "registered mark or a mark for which an application to register has been filed shall be assignable with the good will of the business in which the mark is used, or with that part of the good will of the business connected with the use of and symbolized by the mark."[108] Courts have held that a transfer of a company's mark separately from the goodwill of the business, referred to as assignment in gross, generally passes nothing of value to the assignee.[109] It is not a condition to assignability, however, that the name or style under which the business is conducted accompany the transfer.[110] Thus, the determination of the underlying nature of a transaction must consider whether the goodwill of the business concern is transferred along with the rights in the mark.

Like the patent statute, the Lanham Act provides that an assignment of a mark must be in writing and duly executed to transfer legal title.[111] "An assignment shall be void against any subsequent purchaser for valuable consideration without notice, unless the prescribed information reporting the assignment is recorded in the United States Patent and Trademark Office within 3 months after the date of the assignment or prior to the subsequent purchase."[112]

C. Avoidance Powers

As with § 261 of the Patent Act, section 10 of the Lanham Act, which lists the requirements for transfers of ownership interests, does not regard involuntary lien creditors as protected parties because only a purchaser in a voluntary consensual transaction fits the definition of "subsequent purchaser."[113] Furthermore, although Uniform Commercial Code Article Nine recording requirements do protect the ***232** secured party against strong-arm clause avoidance, making Article Nine perfection critical when the collateral is a trademark or service mark, use of a mark as collateral is not recommended. The dependent relationship between marks and the goodwill assets of the business affects the utility of using marks as a security interest, because no effective disposition of trademark collateral at foreclosure is possible without the transfer of the debtor's

goodwill associated with the mark.[114]

D. Mark Licenses

Because a mark is tied to consumer goodwill, trademark licenses must require that the licensor provide control over the nature and quality of the licensee's goods or services associated with the mark, so that consumers purchasing a product or service because of its mark will not be led astray into purchasing a product or service of differing quality. A license without adequate licensor quality control, referred to as a "naked license," is cause for loss of the trademark.[115] It is for this reason that trademarks are explicitly excluded from the definition of "intellectual property" in the Bankruptcy Code.[116] Otherwise, a nondebtor licensee could elect to retain its rights in the mark under § 365(n) of the Bankruptcy Code independent of the debtor's quality control, resulting in consumer confusion and loss of the mark and its value to the debtor's estate (or possibly burdensome ongoing active quality oversight of the debtor). Thus, in the event that a debtor licensor of a mark files bankruptcy, the nondebtor licensee has no recourse if the license is rejected, other than an unsecured claim against the debtor's estate. Like patent licenses, trademark licenses are also generally considered to be personal and nonassignable without permission of the licensor.[117] Thus, a debtor licensee cannot assume a trademark license under § 365(c)(1) of the Bankruptcy Code for assignment to another.

IX. Intellectual Property Rights in a Copyright

A. Nature of Property Rights of the Res in the First Instance

A copyright protects original expression of an author when fixed in a tangible medium.[118] Copyright protection does not extend to the ideas or facts conveyed by the author's expression.[119] As of January 1, 1978, federal copyright protection ***233** inures in a work as soon as it is created, without need for publication or registration at the United States Copyright Office.[120]

A copyright initially vests in the author(s) of a work.[121] The Copyright Act of 1976 entitles a copyright owner with a "laundry list" of exclusive rights, including the rights:

> (1) [to] reproduce the copyrighted work in copies or phonorecords; (2) to prepare derivative works based upon the copyrighted work; (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending; (4) in the case of literary, musical, dramatic, and other choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.[122]

The Copyright Act provides that a copyright has the attribute of personal property, in other words, a res.[123]

B. Transferred Rights

A copyright may be transferred in whole or in part by any written means of conveyance.[124] Furthermore, any of the exclusive rights comprised in a copyright, including any subdivision thereof, may be transferred and owned separately as a res.[125] Unlike patents, where the res must be an undivided part or whole of the exclusionary rights and can only be subdivided geographically, there is almost no limit to the number of divided rights that can be created which constitute transfer of a res. Any of the enumerated rights under § 106 of the Copyright Act, e.g., to reproduce, distribute, perform, display, prepare derivative works, etc., may be divided from the whole and become a separate and distinct res.[126] Thus, almost any exclusive license constitutes a transfer of copyright ownership. For example, an exclusive license to distribute videocassettes, but not video discs, of a copyrighted movie in the western states for only one year of copyright term in excess of seventy years constitutes a conveyance of a res. The owner of any particular exclusive right is entitled to the extent of that right to all of the protection and remedies accorded ***234** to the owner of the copyright in the first instance, including standing to bring an infringement suit.[127]

A transfer of copyright ownership, including divided rights, must be in writing and signed by the owner of the rights conferred or duly authorized agent, in order to be valid.[128] The written conveyance need not be recorded at the Copyright Office for title to be passed, but if it is recorded, it gives constructive notice to all persons, provided the work has been registered.[129] Like the Patent Act, the Copyright Act provides that recording within one month (or two months if outside the United States) after the transfer provides protection to the transferee against a subsequent bona fide purchaser for value without notice of the prior transfer.[130] Otherwise, the later transfer prevails if recorded first.[131]

C. Avoidance Powers

Under 17 U.S.C. § 205(d), a prior transfer of copyright ownership that is not recorded within the applicable grace period is ineffective against a subsequently executed transfer for valuable consideration that is in good faith, entered into without notice of the earlier transfer, and recorded before the first executed transfer is recorded.[132] A real creditor with a judicial lien in a copyright lacks the required valuable consideration, because the involuntary transfer to a lien creditor is always a collection lien against a prior antecedent debt and so could not prevail against the prior transferee. However § 544(a)(1) of the Bankruptcy Code provides not only that the debtor as a hypothetical lien creditor is deemed to have acted in good faith and without notice, but also to have extended credit at the same moment that the lien arises.[133] "It appears that Congress fashioned the simultaneous credit extension language in § 544(a)(1) so that the trustee could not invent the date of credit extension at some carefully selected prior date in order to take advantage of state laws protecting a creditor who extended credit in the gap between the execution of a recordable transfer and its ultimate recording" and not to promote the status of the hypothetical lien creditor to a bona fide purchaser for value.[134] Nevertheless, the Ninth Circuit, in In re Peregrine Entertainment, Ltd., effected exactly this result in a case where a security interest in a copyright was recorded under Article Nine of the Uniform Commercial Code but not recorded under § 205 of the Copyright Act. ***235** The court held that § 205 preempted Article Nine and found that the trustee standing in the shoes of a hypothetical lien creditor was a bona fide purchaser for value, thereby allowing the estate's § 544 strong arm power to avoid a recorded security interest.[135] Although the Ninth Circuit somewhat limited its broad Peregrine holding in In re World Auxiliary Power Co.--by limiting the scope of its prior ruling to instances involving registered copyrights--any transfer of registered copyright ownership is vulnerable to the debtor estate if the transfer remains unrecorded under § 205(d) after the recording grace period expires.[136]

D. Copyright Licenses

As noted above, almost any exclusive copyright license, no matter how narrowly drafted, completes a transfer of copyright ownership.[137] A nonexclusive copyright license, which grants the licensee with at least a portion of one of the enumerated § 106 rights, e.g., to reproduce, distribute, perform, display, prepare derivative works, etc., without exclusivity, creates an intellectual property right arising under an executory contract. A provision unique to the Copyright Act provides that a nonexclusive license, whether or not recorded at the Copyright Office, prevails over a conflicting transfer of copyright ownership, e.g., from an exclusive license, if the nonexclusive license is in writing and signed by the copyright owner or authorized agent and if the nonexclusive license was taken before execution of the transfer or if the nonexclusive license was taken in good faith before recordation of the transfer and without notice.[138]

Like patent and trademark licenses, nonexclusive copyright licenses are generally considered to be a personal interest in the copyright.[139] Thus, a debtor licensee cannot assume a copyright license under § 365(c)(1) of the Bankruptcy Code for assignment to another.

X. Intellectual Property Rights in a Trade Secret

A. Nature of Property Rights of the Res in the First Instance

A trade secret is any formula, pattern, device, method, technique, process, or information that is: (1) used in one's business, (2) has independent economic value from not being generally known, (3) provides an advantage over competitors who do not know the trade secret, and (4) is the subject of reasonable efforts to maintain its secrecy.[140] Trade secrets as intellectual property rights arise under an amalgam ***236** of rights and duties under state contract and tort law.[141] Yet, despite the fact that a trade secret is not a titleable res and lacks other personal property characteristics common to patents, marks, and copyrights,

trade secrets are widely accepted as a type of intellectual property and are explicitly included within the definition of "intellectual property" under the Bankruptcy Code.[142] A trade secret loses its status as a res when (1) inadequate measures are taken to protect the secret by the owner, or (2) the trade secret becomes generally known to the public other than by means of misappropriation.[143]

Unlike patents, marks, and copyrights, trade secrets can be transferred by any form of legally valid contract.[144] Like transferring a fee simple absolute in land, the owner of a trade secret who discloses it without restriction to a transferee and promises not to use it or disclose it to anyone else completes a transfer of a trade secret res. The problem faced by the transferee of a trade secret res is that the transferor still knows the trade secret and can use it to compete with the transferee or disclose it to another. Thus, a transfer contract generally includes limits on the transferor's privilege to disclose or use the trade secret or to compete with the transferee in the market for which the trade secret has been transferred. However, the law generally disfavors covenants not to compete, so noncompetition provisions must be narrowly drafted to be no broader than what is necessary to protect the value of the transferred res.[145]

B. Avoidance Powers

Because trade secret protection is a creature of state law, lien creditors have priority against an unrecorded security interest under Article Nine of the Uniform Commercial Code and so a debtor or trustee standing in the shoes of a hypothetical lien creditor has the ability to avoid an unrecorded security interest pursuant to § 544 of the Bankruptcy Code.[146]

C. Trade Secret Licenses

A trade secret may be licensed by any form of legally valid contract without transferring the underlying res. A contract that discloses the secret to the licensee with a covenant restricting the licensee from disclosing the secret to another acts as ***237** a license. Usually, trade secret licenses restrict the licensee's field of use, and the licensor may or may not also have limitations on its use of the secret or its freedom to disclose the secret to another.[147]

XI. Conclusion

The above discussion is merely a brief introductory survey of this nuanced intersection of bankruptcy law and intellectual property law. With the added elements of property law, commercial law, contract law, tort law, and the interaction between federal and state law, a complete treatment of the subject matter would likely fill a substantial treatise. Nevertheless, basic issues arising when a party to a transfer of intellectual property rights in a patent, a mark, a copyright, or a trade secret becomes insolvent are set forth. The distinction between licenses and assignments, and the ramifications under the bankruptcy law, are introduced so that one might better understand how intellectual property rights are affected by the Bankruptcy Code provisions in today's information age.

Footnotes

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1 Henry H. Perritt, Jr., Trade Secrets: A Practitioner's Guide §2:2 (2d ed. 2005).

2 Black's Law Dictionary 1232 (7th ed. 1999).

3 Id.

[4] Perritt, supra note 1, §9:4.

[5] 11 U.S.C. §541 (2006).

[6] 11 U.S.C. §541 (2006).

[7] Id. Outside of bankruptcy, even under a broad definition, such inchoate rights are not generally considered to be property. Black's Law Dictionary 1232 (7th ed. 1999).

[8] Some personal property service contracts have been held not to become property of the estate. See, e.g., In re Noonan, 17 B.R. 793, 797-98 (Bankr. S.D.N.Y. 1982).

[9] Thomas M. Ward, Intellectual Property in Commerce §4:15 (2006).

[10] Bankruptcy Act, §70(a)(5), 11 U.S.C. §110(a)(5) (1976) (amended 1978).

[11] H.R. Rep. No. 95-595, at 175-76 (1977).

[12] E.g., Cloyd v. GRP Records, 238 B.R. 328, 334-36 (Bankr. E.D. Mich. 1999).

[13] See 11 U.S.C. §§1101-1174 (2006).

[14] 11 U.S.C. §363(b)-(c) (2006).

[15] 11 U.S.C. §365 (2006).

[16] Section 363(c)(1) authorizes the trustee to use property of the estate and to enter into a transaction concerning property of the estate so long as such use or transaction is in the ordinary course of business. If the use or transaction would be expected by hypothetical creditors outside of bankruptcy, it is generally considered to be within the ordinary course of business. On the other hand, if the debtor wants to use, sell, lease, or license estate property other than in the ordinary course of business, §363(b) requires court approval after notice and hearing. 11 U.S.C. §363(b)-(c).

[17] Section 363 subsections (b) and (c) apply to the "property of the estate," broadly defined by §541. Id.

[18] 11 U.S.C. §363(f)(1) (2006).

[19] 11 U.S.C. §363(f)(1).

[20] 15 U.S.C. §1060(a)(1) (2006).

[21] The plain language of 11 U.S.C. §365 clearly limits the provision to executory contracts. 11 U.S.C. §365 (2006).

[22] See, e.g., Mark S. Scarberry et al., Business Reorganization in Bankruptcy: Cases and Materials 265-72 (2d ed. 2001).

[23] Vern Countryman, Executory Contracts in Bankruptcy: Part I, 57 Minn. L. Rev. 436, 460 (1973); see also In re Daughtery Constr. Inc., 188 B.R. 607, 612 (Bankr. D. Neb. 1995).

[24] 11 U.S.C. §365(a).

[25] 11 U.S.C. §365(c), (f).

[26] 11 U.S.C. §363(f)(1) (2006); 11 U.S.C. §365(c), (f).

[27] 11 U.S.C. §362(a) (2006).

[28] Id.; see also Ward, supra note 9, §4:22, at 404.

[29] Ward, supra note 9, §4:22, at 404-05.

[30] Raymond T. Nimmer & Jeff C. Dodd, Modern Licensing Law §15:28 (2006 ed. 2005).

[31] Ward, supra note 9, §4:5, at 354.

[32] Ward, supra note 9, §4:5, at 354-55 n.1.

[33] Scarberry Et Al., supra note 22, at 353-54.

[34] 11 U.S.C. §544(a)(1) (2006).

[35] Ward, supra note 9, §4:32.

[36] 11 U.S.C. §547(b) (2006).

[37] Ward, supra note 9, §4:36.

[38] 11 U.S.C. §547 (2006).

[39] William L. Norton Jr., Norton Bankruptcy Law and Practice 2d §57:7, at nn.86-87 (2004).

[40] City Bank & Trust Co. v. Otto Fabric, Inc., 83 B.R. 780, 781-82 (D. Kan. 1988). Contra In re Peregrine Entm't, Ltd., 116 B.R. 194 (C.D. Cal. 1990).

[41] Ward, supra note 9, §4:41.

[42] 11 U.S.C. §541 (2006).

[43] See Ward, supra note 9, §4.11.

[44] Ward, supra note 9, §4.11.

[45] 11 U.S.C. §§363, 541 (2006); see also Ward, supra note 9, §4:11.

[46] 11 U.S.C. §363(e) (2006).

[47] Perritt, supra note 1, §9:9.1, at 9-20 n.79.

[48] 11 U.S.C. §552(b)(1) (2006).

[49] 11 U.S.C. §552(a) (2006).

[50] U.C.C. §9-306(1) (2000) (amended July 1, 2001) (current version at U.C.C. §9-315).

[51] See Ward, supra note 9, §2:27 (leasehold is generally considered to be a transfer of an interest in the property).

[52] Ward, supra note 9, §2:27.

[53] U.C.C. §9-102(a)(64)(C) (2003) (revised effective July 1, 2001).

[54] U.C.C. §9-315(a)(2) (2003).

[55] 11 U.S.C. §365(b)(2) (2006).

[56] 11 U.S.C. §365(e) (2006).

[57] In re GP Express Airlines, Inc., 200 B.R. 222, 233 (Bankr. D. Neb. 1996).

[58] 11 U.S.C. §365(b)(1)(C) (2006).

[59] Scarberry, supra note 22, at 466.

[60] 11 U.S.C. §365(c)(1) (2006).

[61] Id.

[62] Ward, supra note 9, §4:87.

[63] Ward, supra note 9, §4:87.

[64] David R. Kuney, Partner, Sidley Austin LLP, Washington, D.C., Intellectual Property Issues in Bankruptcy, Beard Audiocast Course Outline (Jul. 12, 2006) (on file with author).

[65] Ward, supra note 9, §4:88; see In re Sunterra Corp., 361 F.3d 257 (4th Cir. 2004); In re Catapult Entm't Inc., 165 F.3d 747 (9th Cir. 1999); In re James Cable Partners, 27 F.3d 534 (11th Cir. 1994); In re W. Elecs. Inc., 852 F.2d 79 (3d Cir. 1988). But see In re Mirant Corp., 440 F.3d 238 (5th Cir. 2006); Institut Pasteur v. Cambridge Biotech Corp., 104 F.3d 489 (1st Cir. 1997).

[66] 11 U.S.C. §502(g) (2006).

[67] 11 U.S.C. §101(35A) (2006).

[68] Lubrizol Enters., Inc. v. Richmond Metal Finishers, Inc., 756 F.2d 1043 (4th Cir. 1985).

[69] H.R. Rep. No. 100-1012, at 6 (1988).

[70] 11 U.S.C. §365(n)(1)(B) (2006).

[71] 11 U.S.C. §365(n)(2)(B), (n)(2)(C)(i) (2006).

[72] 11 U.S.C. §365(n)(2) (2006).

[73] There is also trademark protection, and to a lesser extent, common law copyright protection, under state law. See, e.g., Peter B. Maggs & Roger E. Schechter, Trademark and Unfair Competition: Cases and Comments 26-30 (6th ed. 2002); Craig Joyce et al., Copyright Law 12 (6th ed. 2003).

[74] ICEE Distribs, Inc. v. J&J Snack Foods Corp., 325 F.3d 586, 596-94 (5th Cir. 2003).

[75] Nimmer & Dodd, supra note 30, §5:5.

[76] See, e.g., In re Access Beyond Techs., Inc., 237 B.R. 32 (Bankr. D. Del. 1999) (holding nonexclusive licenses are uniformly held to be executory contracts).

[77] E.g., In re Shada Truck Leasing, Inc., 31 B.R. 97, 100 (Bankr. D. Neb. 1983).

[78] In re Rudaw/Empirical Software Prods. Ltd., 83 B.R. 241, 246 (Bankr. S.D.N.Y. 1988).

[79] Id.

[80] In re Sonnax Indus., Inc., 907 F.2d 1280 (2d Cir. 1990).

[81] In re Qintex Entm't, Inc., 950 F.2d 1492 (9th Cir. 1991); In re Select-A-Seat Corp., 625 F.2d 290 (9th Cir. 1980); see also Ward, supra note 9, §4:10, at 360-63.

[82] 35 U.S.C. §101 (2006).

[83] 35 U.S.C. §271(a) (2006).

[84] 35 U.S.C. §261 (2006).

[85] U.C.C. §9-102(a)(42) (2003).

[86] 35 U.S.C. §261 (2006).

[87] 35 U.S.C. §§271(a), 281, 283 (2006).

[88] Pope Mfg. Co. v. Gormully & Jeffery Mfg. Co., 144 U.S. 238 (1892); Preload Enters., Inc. v. Pac. Bridge Co., 86 F. Supp. 976 (D. Del. 1949).

[89] 35 U.S.C. §261 (2006).

[90] Irving Kayton & Paul Gardner, Patent Practice 19.6-19.7 (7th ed. Rel. No. 2, 2001).

[91] Id.

[92] F.A.R. Liquidating Corp. v. McGranery, 110 F. Supp. 580, 586 (D. Del. 1953); United States v. Krasnov, 143 F. Supp. 184, 201 (E.D. Pa. 1956).

[93] 35 U.S.C. §261 (2006).

[94] Id.

[95] 37 C.F.R. §§3.11, 3.56 (2006).

[96] Ward, supra note 9, §2:97, at 219.

[97] In re Cybernetic Servs., Inc., 239 B.R. 917, 920-21 (B.A.P. 9th Cir. 1999), aff'd, 252 F.3d 1039 (9th Cir. 2001).

[98] Id.

[99] An interesting corollary is the preemption of Article Nine U.C.C. recording provisions by §261 of the patent law. It is widely held that §261 trumps Article Nine in a conflict between a secured party and a subsequent assignee of the patent. See Ward, supra note 9, §2:97, at 216.

[100] Paul M. Janicke, HIPLA Prof. of Law, Univ. of Houston Law Ctr., Comment During Licensing and Technology Transfer Class Discussion at the Univ. of Houston Law Ctr., Houston, Tex. (Jan. 24, 2005).

[101] Oliver v. Rumford Chem. Works, 109 U.S. 75 (1883); see also Troy Iron & Nail Factory v. Corning, 56 U.S. 451 (1853); Ward, supra note 9, §4:89, at 505.

[102] Oliver, 109 U.S. at 82.

[103] Unarco Indus. Inc. v. Kelley Co., 465 F.2d 1303, 1306 (7th Cir. 1972) (Under Erie, state law does not apply to patent licenses, which are creatures of state law. "It is familiar [doctrine] that the prohibition of a federal statute may not be set at naught, or its benefits denied, by state statutes or state common law rules. In such a case our decision is not controlled by Erie R. Co. v. Tompkins. There we followed state law because it was the law to be applied in the federal courts. But the doctrine of that case is inapplicable to those areas of judicial decision within which the policy of the law is so dominated by the sweep of federal statutes that legal relations which they affect must be deemed governed by federal law having its source in those statutes, rather than by local law. To the federal statute and policy, conflicting state law and policy must yield.") (citations omitted). But cf. Farmland Irrigation Co. v. Dopplmaier, 308 P.2d 732 (Cal. 1957) (California state policy favors free assignability of all types of property and that state law, rather than federal common law, governs patent licenses. Patent licenses are assignable in the absence of specific consent of the licensor.).

[104] 15 U.S.C. §1127 (2006). See also Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 162 (1995).

[105] 15 U.S.C. §§1052-54 (2006).

[106] Visa, U.S.A., Inc. v. Birmingham Trust Nat'l Bank, 696 F.2d 1371, 1375 (Fed. Cir. 1982).

[107] See, e.g., Maggs & Schechter, supra note 73, at 1-4.

[108] 15 U.S.C. §1060(a)(1) (2006).

[109] Black's Law Dictionary 115 (7th ed. 1999).

[110] 15 U.S.C. §1060(a)(2) (2006).

[111] 15 U.S.C. §1060(a)(3) (2006).

[112] 15 U.S.C. §1060(a)(4) (2006).

[113] 15 U.S.C. §1060. See also In re Roman Cleanser Co., 43 B.R. 940, 944-46 (Bankr. E.D. Mich. 1984), aff'd, 802 F.2d 207 (6th Cir. 1986).

[114] Ward, supra note 9, §1:9, at 13.

[115] E.g., First Interstate Bancorp v. Stenquist, 16 U.S.P.Q.2d (BNA) 1704, 1990 WL 300321, at *2 (N.D. Cal. 1990).

[116] Ward, supra note 9, §4:102, at 553.

[117] In re N.C.P. Mktg. Group, Inc., 337 B.R. 230, 235 (D. Nev. 2005).

[118] 17 U.S.C. §102(a) (2006).

[119] Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539, 547 (1985).

[120] 17 U.S.C. §102(a) (2006).

[121] 17 U.S.C. §201(a) (2006).

[122] 17 U.S.C. §106 (2006).

[123] 17 U.S.C. §201(a).

[124] 17 U.S.C. §201(d)(1) (2006).

[125] 17 U.S.C. §201(d)(2) (2006).

[126] Id.

[127] 17 U.S.C. §201(d)(2) (2006). See also Columbia Pictures Indus., Inc. v. Redd Horne, Inc., 749 F.2d 154 (3d Cir. 1984).

[128] 17 U.S.C. §204(a) (2006).

[129] 17 U.S.C. §205 (2006).

[130] 17 U.S.C. §205(d) (2006).

[131] Id.

[132] 17 U.S.C. §205(d). See also Ward, supra note 9, §4:34, at 419.

[133] Ward, supra note 9, §4:34, at 419.

[134] Ward, supra note 9, §4:34, at 419; see also 5 Collier on Bankruptcy §544.02 (Alan N. Resnick & Henry J. Somme eds., 15th rev. ed. 2006).

[135] In re Peregrine, 116 B.R. 194, 194 (C.D. Cal. 1990); see also Ward, supra note 9, §4:34, at 406.

[136] In re World Auxiliary Power Co., 303 F.3d 1120, 1130 (9th Cir. 2002); see also Ward, supra note 9 §4:34, at 419.

[137] 17 U.S.C. §201(d)(2) (2006).

[138] 17 U.S.C. §205(e) (2006).

[139] In re Golden Books Family Entm't, Inc., 269 B.R. 300, 309 (Bankr. D. Del. 2001).

[140] Restatement of Torts §757 (1939); Unif. Trade Secrets Act §1(4) (amended 1985).

[141] E.g., R.G. Bone, A New Look at Trade Secret Law: Doctrines in Search of Justification, 86 Cal. L. Rev. 241, 242-47 (1998) ("Simply put ... there is no such thing as a normative autonomous body of trade secret law. Rather, trade secret law is merely a collection of other legal norms--contract, fraud, and the like--united only by the fact that they are used to protect secret information.").

[142] 11 U.S.C. §101(35A) (2006).

[143] Unif. Trade Secrets Act §1(4) (amended 1985).

[144] Perritt, supra note 1, §9.3.

[145] Perritt, supra note 1, §9.5.

[146] U.C.C. §102(a)(42), cmt. 5(d) (2003).

[147] See Perritt, supra note 1, §§9.1-9.6.