

Report Q190

in the name of the Australian Group
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Contracts regarding Intellectual Property Rights (assignments and licenses) and third parties

Questions

1) *What forms of property right do IP rights take in your country?*

An Australian patent takes the form of personal property and it is therefore capable of assignment and devolution by law.

An Australian registered trade mark is personal property and equities in respect of a registered trade mark may be enforced in the same way as equities in respect of any other personal property.

An Australian registered design provides exclusive rights which are personal property and are capable of assignment and or devolution by will or by operation of law.

Plant breeders rights are obtained through registration, and cover new plant varieties. They are personal property capable of assignment or transmission by will or by operation of law. Other IP rights, which do not require registration, include copyright, circuit layout rights and the right to prevent use and disclosure of confidential information. Copyright (other than moral rights) and circuit layout rights are capable of assignment and devolution by law.

2) *Is it required to register an assignment or licence of IP rights in order for it to be effective*

a) *between the parties and*

In relation to Australian patents, it is not necessary to register an assignment or licence of IP rights in order for it to be effective between the parties. The relationship between the two parties is defined by the assignment or licence document.

In relation to Australian trade marks, it is not necessary to register an assignment or licence of IP rights in order for it to be effective between the parties. However, the failure to record an assignment of a trade mark may lead to the registration becoming vulnerable to removal for non-use on the basis that the mark has not been used by the registered proprietor or an authorised user.

In relation to Australian designs and plant breeders rights, it is not necessary to register an assignment or licence of IP rights in order for it to be effective between the parties. The relationship between the two parties is defined by the assignment or licence document. It is not possible to register a license or assignment of copyright.

b) *against third parties?*

In order for an assignment of a patent to be enforceable against third parties, it is necessary to register the assignment. The legislation sets out that it is only the patentee or an exclusive licensee who may commence infringement proceedings, although it is not necessary to register the exclusive license to commence proceedings.

In the case of trade marks, it is necessary to register an assignment in order for the assignee to be able to commence infringement proceedings. A trade mark licensee, whether exclusive or non-exclusive, may, subject to the terms of the licence, commence proceedings as an authorised user of the mark without recording the interest of the licensee.

In order for the assignment of a design to be enforceable against third parties, it is necessary to register the assignment. The legislation sets out that only the registered owner of a design may commence infringement proceedings. There is no provision for exclusive licensees to take action for infringement of a registered design.

The requirements for plant breeders rights are the same as for designs. It is not possible to register a license or assignment of copyright.

It is prudent for the assignee of a patent, design, trade mark or plant breeder's right to register the assignment as soon as possible, to avoid the risk that a subsequent assignee becomes registered as owner. In the case of patents and designs, an assignee that has no notice of any prior unregistered interest will in general obtain good title to the patent or design, free from the unregistered interest of an earlier assignee. In the case of trade marks, an assignee is subject to any unregistered rights vested in another person.

Similarly, a licensee should register its interest in the licensed IP so that the licensee is protected if the licensor seeks to assign the licensed IP. Otherwise, a purchaser of the licensed IP may not be bound by the licence.

It is not possible to register a licence of copyright.

3) *Does the*

a) *exclusive and*

As indicated above, a patentee or exclusive licensee may commence infringement proceedings in relation to a patent. However, if an exclusive licensee starts infringement proceedings, the patentee must be joined as a defendant unless joined as a plaintiff.

A patentee joined as a defendant is not liable for costs unless the patentee enters an appearance and takes part in the proceedings.

There is no provision for exclusive licensees to take action for infringement of a registered design or plant breeders right.

A trade mark licensee, whether exclusive or non-exclusive, may subject to the terms of the licence commence proceedings as an authorised user of the mark without recording the interest of the licensee.

An exclusive licensee in respect of copyright may bring an action for infringement.

b) *non-exclusive licensee of an IP right have a right to bring proceedings for infringement, and if so, what conditions must be satisfied for right to arise?*

A non-exclusive licensee of a patent, design or copyright does not have the right to bring proceedings for infringement.

A non-exclusive trade mark licensee may bring infringement proceedings, subject to the terms of the licence agreement, if the licensee uses the licensed mark under the control of the registered owner.

4) *Is a licence transferable*

a) *by the licensor and*

The answer depends on the nature of the IP right, the terms of the licence, and what rights the licensor seeks to assign.

The licence agreement may specify whether or not the licensor may assign its rights, and any purported assignment in breach of the terms of the agreement is likely to be void.

In the absence of any express restriction, rights under a contract are in general assignable, unless the rights are personal in nature because the identity of the other party to the contract is important. For example, the right to receive royalties will typically be assignable by the licensor, but the right to control the licensee's use of a trade mark will typically be personal in nature and non-assignable.

In the case of copyright, a licence granted by the owner of the copyright will bind any subsequent owner of the copyright. In the case of patents, designs and registered trade marks, unless the licence agreement permits the licensor to assign the underlying IP rights, it is likely that an assignment of the underlying IP rights would breach the licence agreement.

b) *by the licensee?*

The answer depends on the nature of the IP rights, the terms of the licence, and what rights the licensee seeks to assign.

The licence agreement may specify whether or not the licensee may assign its rights, and any purported assignment in breach of the terms of the agreement is likely to be void.

In the absence of any express restriction, rights under a contract are in general assignable, unless the rights are personal in nature because the identity of the other party to the contract is important.

5) *What is the effect on an assignment or licence of the invalidity of the underlying IP right?*

The answer depends on the nature of the IP rights, the terms of the licence or assignment, and all of the surrounding circumstances.

A patent licence may be terminated by the licensee upon giving 3 months notice at any time after the licensed patent ceases to be in force.

However, for other IP rights, a licensee may have agreed to accept the risk that the licensed IP rights cease to exist. It is a question of interpretation of the licence agreement.

Similarly, an assignee may have accepted the risk that the assigned IP is subsequently held to be invalid. The position will depend on whether the assignor has warranted the validity of the assigned IP.

6) *Can IP rights be used to provide security? If so what formalities are required?*

Registration requirements of the Corporations Act

In Australia, certain security interests over certain assets of a corporation must be registered in the Australian Register of Company Charges under Chapter 2K of the *Corporations Act 2001 (Cth)*, which also sets out a system of determining priority disputes in relation to registered charges. Additionally, a company must keep a register of charges and must, upon the creation of a charge (whether registrable or not) on property of the company, or upon the acquisition of property subject to a charge, as soon as practicable enter particulars in that register.

Securities over IP in general

Copyright, registered trade marks, patents and designs are choses in action, that is, rights which must be enforced by legal action rather than possession. In consequence, intellectual property is in general¹ able to be secured by the same mechanisms that secure other choses in action. This excludes forms of security based on possession (notably pledges) but allows other forms of security, including mortgages and charges. The implications and considerations of using various intellectual property rights as securities will depend on the type of IP, which thus must be considered individually.

Security over Copyright

Section 196 *Copyright Act* 1968 (Cth) provides that copyright is personal property. In consequence, it can be the subject matter of a charge on the same basis as any other personal property. Copyright may also be assigned by instrument in writing, signed by or on behalf of the assignor and can hence be the subject of a mortgage.

A peculiar aspect of copyright is that a licence granted in respect of copyright binds every successor in title to the interest of the licensor under s196(4) *Copyright Act*. Thus a security holder over copyright could find its interest devalued as a result of other existing interests of which it had no notice.

Security over Patents

Section 13(2) of the *Patents Act* 1990 (Cth) states that patent rights constitute personal property which are capable of assignment. The *Patents Act* recognises that mortgages, licences and other interests may be granted over patents and requires those interests to be registered under s187.

A fundamental question in relation to securities and patents is whether or not an interest arises independently of registration or if it only arises upon registration. The position is not clear under the *Patents Act*. However, there is authority under earlier legislation to suggest that the interest can exist independently of registration. Section 187 of the *Patents Act* requires the registration of 'prescribed particulars' relating to patents. Regulation 19.1(1)(a) *Patents Regulations* states that entitlement 'as a mortgagee, licensee or otherwise to an interest in a patent' is registrable. Hence what is registered is the entitlement itself. Regulation 19.1(2) states that a request for the registration of particulars under 19.1(1)(c) must be accompanied by proof 'of the entitlement of the person making the request'. This implies that the entitlement is in existence at the time of making the request and does not arise by virtue of being entered on the Register.

Additionally, section 196 allows the court to direct that unregistered documents be admitted into evidence 'in proof of the title of a patent or to an interest in that patent', suggesting that the unregistered instrument would have been effective as a matter of substantive law to transfer title in the patent or to create an interest in the patent, subject to the procedural hurdle of getting the instrument into evidence. Thus, on the above reasoning failure to register an interest in a patent does not, in itself, make the interest ineffective. There seems no reason why someone could not have, for example, a valid charge over a patent notwithstanding failure to register the charge on the patents Register.

Pursuant to s189(2), a security holder may only rely on the Register if the security holder is 'a purchaser in good faith for value and without notice of any fraud on the part of the patentee'. If the security holder does not satisfy that description, then under s189(1), the holder of a subsequently arising interest is entitled to deal with the patentee as the 'absolute owner' of the

¹ Unregistered trade marks and confidential information are separate cases and will be discussed individually. Other forms of intellectual property, such as domain names, plant breeders rights, and circuit layout designs are not covered in this paper.

patent. Although 'absolute owner' is not defined, it presumably means free of prior interests (unless, of course, they are registered). Thus, the subsequently created interest will always prevail over the prior unregistered interest, *even if the subsequent interest does not itself ever get registered*.

Security over designs

There are a number of similarities between the legal status of patents and designs. The rights in relation to a design constitute personal property under s10 of the *Designs Act 2003* (Cth) and under s11 the registered owner of a registered design may assign all or part of the registered owner's interest in the design by writing so long as it is signed by, or on behalf of, the assignor and the assignee. Section 114 of the *Designs Act* provides that if the assignee or the registered owner who assigns an interest in the design asks the Registrar to record the assignment of the interest then, the interest must be recorded unless any of the other registered owners advises the Registrar that they do not consent to the assignment.

As the rights in a registered design are considered personal property under the Act, they may thus be used as the subject matter of an appropriate security.

Security over registered trade marks

The *Trade Marks Act 1995* (Cth) expressly states that registered trade marks constitute personal property in section 21(1). However, if a trade mark is removed from the Register, it becomes unenforceable by its owner. Because removal from the Register may occur for a variety of reasons, a trade mark is a particularly fragile form of property, and care is needed when taking a security over it. Although a security holder can require the trade mark owner to take all steps necessary to maintain the validity of the registration, the reality is that the security holder is unlikely to monitor the owner's compliance with these steps and will be unable to ensure that the registration does in fact remain valid.

The *Trade Marks Act* provides that a person claiming to have an interest in, or a right in respect of, a registered trade mark, can have the particulars of the right or interest recorded in the Register under section 114(1). The registration procedure is voluntary. The act does not describe a particular effect to the recordal of a right or interest on the Register and expressly provides that the fact that an interest or right has been recorded in this way is not 'proof of or evidence' that the relevant person has that right or interest (section 116). Trade marks may be freely assigned under Part 10 of the *Trade Marks Act*, subject only to the overriding requirement that a registration may always be removed if it is wrongly remaining on the Register. The above factors make trade marks unlikely to be appropriate as a form of security.

Security over unregistered trade marks

An unregistered trade mark does not receive any protection from the *Trade Marks Act* but is protected by a number of other acts and laws, including the prohibition against misleading and deceptive conduct under the *Trade Practices Act 1974* (Cth) and the common law tort of passing off.

As unregistered trade marks do not constitute a form of property, they are not a suitable subject matter for a charge type security. Unregistered trade marks cannot be assigned independently of an assignment of the business pursuant to which the mark acquired its attractive power. Unregistered trade marks are consequently also unsuitable for a mortgage type security. The security will be ineffective unless it has also been taken over the whole business.

Security over confidential information

The Australian High Court has provided in the case of *Moorgate Tobacco Co Ltd v Philip Morris Ltd* (1984) 156 CLR 414 that confidential information is not protected as a species of property. That characterisation of confidential information has consequences for its suitability as a security in its own right. It is essential to the concept of a charge that there be property

which is the subject of the charge. As confidential information does not constitute property, it cannot be used as the subject of a charge type security. Although confidential information does not constitute a separate right over which a security can be taken, a security could be taken over the confidential information as part of a business' goodwill. The *Corporations Act* specifically allows for charges to be taken over goodwill under section 262(1)(e).

7) *Does the bankruptcy law explicitly provide for the effect of bankruptcy on IP rights and contracts concerning them?*

In Australia, personal and corporate insolvencies are administered under separate legislation. The term 'bankrupt' generally refers only to an individual, which is governed by the *Bankruptcy Act 1966* (Cth). In terms of Intellectual Property, it is more useful to consider the effect of insolvency law on corporations. The three types of insolvency administration relevant here are:

- a) liquidation (winding up in insolvency)
- b) administration; and
- c) receivership;

A corporation will become insolvent under 95A *Corporations Act 2001* (Cth) if it is unable to pay all its debts when they become due and payable. A state of insolvency is the usual trigger for a company to move into a receivership, administration or liquidation, and statutory provisions (and in the case of a receivership, the charge instrument) provide for the appointment of a receiver, administrator, or liquidator respectively (the term *Insolvency Practitioner* is used throughout this paper to refer collectively to this group) to fulfil various functions of the company in relation to the insolvency.

Liquidation (Winding Up)

In a compulsory winding up, the powers of a liquidator are primarily derived from s477 *Corporations Act*. In particular s477 *Corporations Act* provides that a liquidator may sell or otherwise dispose of, in any manner, all or any part of the property of the company. A liquidator is conferred with wide powers under section 477 to achieve a successful realisation of the company's property, including its contractual rights as property. For example, a liquidator may:

- carry on the company's business so far as necessary for the beneficial disposal or winding up of the business;
- make any compromise or arrangement with creditors or persons claiming to be creditors;
- sell or dispose of, in any manner, all or any part of the company's property; and
- do such other things as are necessary for winding up the affairs of the company and distributing its property.

Whilst intellectual property rights and rights under contracts are not specifically mentioned in this section, the liquidator would have the power to deal with those as species of intangible property.

Receivership

Receivership most commonly arises as a result of the private appointment of a receiver or receiver and manager by a chargeholder pursuant to rights which exist under a charge instrument. Instruments executed by companies in which they charge their assets in favour of a creditor usually contain provisions by which the chargeholder is authorised by the company to appoint a receiver in the event of default. The charge document may set out a series of events, the occurrence of any one of which makes the charge enforceable and, in turn, the appointment of a receiver (or receiver and manager) possible.

The intellectual property of the company would not normally be affected by the appointment of a receiver unless the charge instrument itself made reference to specific intellectual property, or the subject matter of the charge was itself intellectual property. In any case, the ability of the receiver to deal with IP would be contained within the charge instrument, and within s420 *Corporations Act* as explained below.

Once a chargeholder's debt is satisfied in full, the company reverts to the control of its directors and can continue to operate, but, more often than not, the realisation of assets by the receiver will leave the company in a state of insolvency, and liquidation would therefore ordinarily follow to provide a mechanism for dealing with the rights of any unsecured creditors and to bring an end to the company's affairs.

Administration

Part 5.3A of the *Corporations Act* allows a company which is nearing insolvency to enter a process of administration. When directors become aware of the company's impending insolvency, they may pass a resolution causing the company itself to appoint an insolvency practitioner to take control of the company as its administrator. Alternatively, the creditors can apply to the court to have an administrator appointed under ss 911A(2)(f)(ii), 1323(1)(h) *Corporations Act*. In either case, the company continues in existence under the control of the administrator. The primary task the administrator is to decide is whether to keep the company afloat, or to begin the process of winding up and disposal of assets. There are generally three available options:

- the company may revert to normal operation under its directors;
- the company may be wound up; and
- the company may be administered under a deed of company arrangement (DCA), which is essentially an agreement between the company and its creditors on a plan to either salvage the company or to simply distribute the company's assets under the DCA.

The appointment of an administrator does not have an immediate effect on any intellectual property rights of the company. In terms of externally owned property, s440C *Corporations Act* provides a prohibition on the commencement and continuation of legal and enforcement action against the company, including steps taken by owners, lessors or licensors of property (including intellectual property) used by the company to recover that property whilst the company is in administration.

The effect of insolvency on contracts concerning IP

General

The definition of 'property' in s9 *Corporations Act* includes a 'thing in action'. Taken together with the Act's Explanatory Memorandum, property can be seen to include property that is needed by the company for its continued operation. Contractual rights as choses in action are thus necessarily included in the classes of property available in situations of insolvency.

Contracts concerning companies in receivership

The purpose of receivership is to realise and collect assets for the prime benefit of a chargeholder rather than the creditors of the company as a whole. In relation to IP, and any contracts concerning them, the receiver would have, in addition to any specific rights contained in the charge document, powers under s420 of the *Corporations Act* to enable them to raise money, the chief of which is to sell or deal with property of the company. These rights exist regardless of whether or not the charge document specifically confers them. However a receiver is limited under s420(4) in his dealings with property to deal only with the property of the company in relation to which he was appointed. Whether or not this includes the corporation's IP or IP contracts will depend on the circumstances.

Contracts concerning companies under administration

The initiation of a voluntary administration will not result in the automatic termination of a contract unless, for example, the contract provides for such termination upon the occurrence of an event of insolvency. The administrator's broad powers to carry on business and conduct the company's affairs pursuant to section 437A, includes a power to terminate or abandon existing contracts provided, always, that such action is in the interests of creditors as a whole². The parties to the contract would then presumably bring an action for damages, which would effectively leave the parties as unsecured creditors upon judgment.

Contracts of a company in liquidation

Upon appointment, a liquidator takes control of all of the property to which the company is entitled. Subject to certain exceptions, the company's property is available for realisation and the proceeds are distributed among the creditors.

In particular, the liquidator has the power to disclaim onerous property under s568 *Corporations Act*, including property in the form of a contract. The disclaimer is effected on behalf of the company, and must be signed and in writing. s568(1A) provides that leave of the Court is required to disclaim a contract unless the contract is unprofitable.

Miscellaneous provisions concerning contracts in insolvency situations

Of particular importance to contracts in the insolvency context is Part 5.7B, which lists a number of circumstances in which transactions are voidable. Specifically, ss599FB – 588FE *Corporations Act* lists certain uncommercial transactions or insolvent transactions which operate to void contracts, including those relating to IP that do not appear to be reasonably beneficial to the company where the company is insolvent or approaching insolvency. Any contractual rights (or other benefits) accrued or lost in relation to such transactions could thus be reversed. The court can make a variety of additional orders in relation to such contracts under s588FF, and can even do so where creditors would not generally benefit from the order.

Additionally, the directors themselves are under a duty to stop the company trading when it becomes insolvent under s588G. If this duty is breached, directors may then personally become liable for company debts.

- 8) *Do all intellectual property rights form part of a bankruptcy, or are some exempted?*

There are no specific exemptions from an IP right forming part of the assets of a company in insolvency, in so far as they are forms of intangible property. The *Copyright Act* however, does class 'moral rights', that is the right to attribution of work to the work's author (ss193–195AB); the right not to have the work falsely attributed (s195AG); and the right against derogatory treatment of a work (ss195AI–195AK), as rights that are inalienable from the author, even if the entire copyright is assigned. These rights, as non economic rights, would not normally be available in insolvency cases.

- 9) *What is the effect of the insolvency or bankruptcy of the licensor and the licensee on a contract regarding intellectual property?*

a) *Does one party have a right to terminate on the insolvency of the other?*

² The Australian High Court in *Patrick Stevedores Operations No 2 Pty Ltd v Maritime Union of Australia* (1998) 195 CLR 1 at 38 provides that '[i]t is for the administrator in exercise of the discretionary powers conferred by s 437A, to decide whether or not to carry on the company's business and the form in which it should be carried on during the administration.'

Ordinarily, a company that is insolvent will be unable to pay its licence fees under a contract. This would normally amount to a fundamental breach of the contract, entitling the licensor to a prima facie right to terminate. However, this is affected by s440C *Corporations Act*, which provides a moratorium with respect to claims made against the company whilst it is in administration. It provides:

During the administration of a company, the owner or lessor of property that is used or occupied by, or is in the possession of, the company cannot take possession of the property or otherwise recover it, except:

- a) with the administrator's written consent; or
- b) with the leave of the Court.

This enables the company to assess its position in relation to creditor's claims and preserve the status quo whilst the administration is in progress. As explained, property would include rights under contracts, which would necessarily include a licence of IP. Additionally, proceedings may not be commenced or continued against a company in administration under s440D, and similarly, against a company in liquidation under s471B.

The effect of these provisions does not disentitle a licensor from issuing a notice of termination regarding the licence, but it will have the effect that the licensor will be unable to enforce any such notice (for example, by restraining the licensee from continuing to use the subject matter of the licence) without first obtaining leave of the Court.

Where a licence is terminated or abandoned by an administrator under s437A as mentioned above, this will amount to a repudiation, leaving the licensee or licensor with a claim for damages for breach against the insolvent company as an unsecured creditor. In relation to receivership, the appointment of a receiver does not in itself affect the validity of a pre-receivership contract, unless of course the contract itself specifies receivership as a terminating event. As explained, where a receiver is appointed, its powers as to the disposition of property will be defined by s420 and the terms of the charge instrument or the terms of appointment.

b) *Can the insolvent party assign the rights concerned?*

As a matter of practice licensors, for a variety of reasons, often insist that a clause be inserted into an IP licence agreement that prohibits the assignment of a benefit under the contract without the express consent of the licensor.

Such a prohibition will not, however prohibit the insolvency practitioner from sub-licensing or sub-leasing (unless those activities are also prohibited). It is also not a breach where the licence is assigned to the insolvency practitioner appointed under the *Corporations Act* or the *Bankruptcy Act 1966* (Cth), but only in terms of their ability to use, rather than deal with the licence. As the insolvency practitioner may be personally liable for any guarantees made (subject to any indemnity arrangements), including automatic guarantees imposed on an assignor, he will therefore need to consider this in terms of any warranties made when assigning or otherwise dealing with the licence.

Where the rights concerned are subject to contractual limitations in terms of their disposal, an issue arises as to whether an administrator is able to use s440C and s440D as a shield against claims made against the company. These provisions could effectively provide a mechanism whereby the insolvency practitioner could, if so desired, assign the licence without having regard to any contractual limitations (for example where prior consent of the licensor is required). The insolvency practitioner in such a case could attempt to rely on these sections to prevent the licensor from bringing proceedings to recover its contractual rights or for a breach of licence terms. A liquidator may also be able to use s471B, as a similar shield to prevent the bringing of proceedings where they assigned a licence without consent.

The licensor could however, obtain leave from the Court to commence proceedings. Authority would suggest that so long as the licensor was not seeking to advance its position in relation to existing creditors, and where a refusal to grant leave would cause undue prejudice to the licensor, the Court would grant such leave. Thus an administrator or liquidator would probably not be able to make an assignment of a licence that requires consent without first obtaining that consent.

In circumstances of administration, if the administrator wishes to assign a licence that is somehow encumbered (for example, if it is the subject of a charge), the administrator may not assign that licence except in three circumstances provided in s442C(2):

- 1) in the ordinary course of the company's business;
- 2) with the written consent of the chargee, owner or lessor as the case may be; or
- 3) with leave of the Court.

c) *What effect do express contractual terms have in this situation?*

The starting position is that the express terms of the contract will have the effect as expressed in the contract itself. The terms of the contract can be controlled by legislation; for example the ability of a liquidator to disclaim onerous contracts under s568 as mentioned. The effect of legislation as it relates to contracts regarding intellectual property has been detailed above.

10) *Is there any statutory or other protection for a licensee/licensor in the event of the insolvency of a licensor/licensee?*

Copyright

s196(4) *Copyright Act* provides that

A licence granted in respect of a copyright by the owner of the copyright binds every successor in title to the interest in the copyright of the grantor of the licence to the same extent as the licence was binding on the grantor

This section has implications for both the licensor and the licensee. If the licensee becomes insolvent, then the licensor can still enforce the licence against any sub-licensee/assignee, even where the new licensee/assignee has no notice of any of the restrictions in the original licence, or in fact was given warranties in relation to it by the original licensee. Similarly, where an insolvent licensor assigned rights which were already subject to an exclusive licence, the new licensee would find its rights superseded by those of the original licensee.

The new licensee will always be bound by the original terms of the licence, and its only remedy would be for breach of warranty against the insolvent company, unless it could attach personal liability to the insolvency practitioner as explained below.

Other Intellectual Property

Upon the insolvency of the licensee, there is general protection available for the subject matter of the licence insofar as it is a form of property. This is provided for generally in the way in which property is able to be disposed of surrounding circumstances of insolvency, under Part 5.7B *Corporations Act* as outlined. Additionally in an administration, the administrator may be able to use s440C and s440D to prevent a licensor to recover their property or likewise to prevent the bringing of proceedings without the leave of the Court, and similarly in a liquidation under s471B.

If it is the licensor that becomes insolvent, the liquidator is able to disclaim unprofitable contracts, which leaves the licensee with a fruitless claim against the insolvent licensor. The liquidator will only be personally liable where the disclaimer could be shown to amount to negligence or due to an omission.

Protection Through Attaching Personal Liability to Insolvency Practitioners in relation to IP Licences

If a new licensee finds that warranties regarding its licence are breached, or there is some other reason why the licence or assignment is ineffectual, it may bring a claim against the company for damages, because the insolvency practitioner normally acts as the company's agent. In the case where the company is insolvent, however, this effectively leaves the new licensee in the position of being an unsecured creditor. If the new licensee is able to hold the insolvency practitioner personally liable, this will have implications on the amount that the new licensee will be able to recover.

In a receivership, a receiver's personal liability is normally determined by the nature of his or her appointment. If the receiver is appointed as the agent of the company, no personal liability attaches if the receiver is known to contract as the agent of the company. However, receivers are designated as 'officers' of the company (unless appointed by the Court), and are bound to act with care and diligence under s232 *Corporations Act*. If they breach this duty, they are personally liable for any properly incurred liabilities.

Where the receiver is appointed by the Court, the receiver is neither the agent of a security holder, nor of the Court. In this circumstance personal liability may arise for liabilities properly incurred. The receiver in this situation has a right to be indemnified out of the assets of the company in respect of liabilities incurred. The receiver is supported by an equitable lien over the company assets, which entitles him to retain possession of the assets until indemnified for all properly incurred liabilities. However, under either appointment, where the liability was incurred through negligent default, the obligation to indemnify the receiver does not arise. Therefore if it is shown that liabilities are incurred by the negligent making of improper warranties regarding IP licences, the liability will be personal to the receiver only.

In an administration and a liquidation, the administrator and liquidator are appointed as agents of the company and therefore the prima facie rule is that they are not liable for company debts. However, they are both also deemed to be an 'officer' of the company by s232, and have the same duty of care and diligence as do receivers. They therefore may be personally liable without a right of indemnity where it is shown that they have not taken proper precautions in disposing of company property.

Summary

Intellectual Property Rights (*IPRs*) are generally considered personal property under Australian law and are therefore capable of assignment and devolution by law. Registration of the transfer of rights is not necessary in order for it to be effective between the parties, but registration may be required in order for the transfer to be effective against third parties. In most cases, exclusive licensees may commence infringement proceedings, however, non-exclusive licensees do not generally have this right. Whether a licence can be transferred by a licensee or licensor depends upon the nature of the IP rights, the terms of the licence and what rights are sought to be assigned. The validity of the underlying right subject of assignment or licence may be affected depending upon the nature of the IP rights, the terms of the assignment or licence and the surrounding circumstances.

As a species of personal property, IP may be used as a charge or mortgage type security on the same basis as any other form of property. If an IPR is the subject of a charge type security, it must be registered in the Australian Register of Company Charges.

In general, during an insolvency, the IP of a company will be dealt with and disposed of in the same manner as any other form of personal property. If the company becomes insolvent a liquidator, administrator or similar officer will be appointed to manage the insolvency. These officers will have powers under their appointment, in addition to statutory powers, to deal with any IP as a species of

personal property. If that IP is the subject of a licence, the most relevant factor in determining how it is able to be dealt with is the licence instrument itself.

Résumé

A titre général, les droits de propriété intellectuelle [IPR] sont considérés des biens mobiliers [du mobilier] en droit australien et par conséquent capables de faire l'objet des cessions et transmissions.

L'inscription d'une cession des droits n'est pas nécessaire pour que la cession soit valable entre les parties, toutefois l'inscription est obligatoire pour que la cession soit opposable aux tierces parties. Dans la plupart des cas, un concessionnaire à titre exclusif est en droit d'initier une procédure de contrefaçon ou contravention, pourtant, un concessionnaire à titre non-exclusif n'a généralement pas ce droit. Pour qu'une cession soit capable de cession de par un concessionnaire ou un concédant, il faut analyser le genre de droit de propriété intellectuelle, les conditions de la cession et les droits dont les parties souhaitent faire l'objet de la cession. La validité du droit spécifique qui fait l'objet de la cession ou de la concession pourrait être atteinte de par le genre des droits de propriété intellectuelle, les conditions de la cession ou de la concession et le contexte des circonstances.

En tant que bien mobilier, les droits de propriété intellectuelle peuvent servir de garantie de la même manière que toute autre forme de propriété. Si les IPR font l'objet d'une sorte de nantissement ou d'affection hypothécaire, il faut les faire inscrire au registre des nantissements sociaux australien. À titre général, lors d'une liquidation judiciaire, les droits de propriété intellectuelle d'une société sont traités et cédés de la même manière que toute autre forme de propriété. Si une société devient insolvable – un liquidateur, administrateur ou fonctionnaire avec les mêmes qualités sera désigné pour gérer la liquidation. Ces fonctionnaires sont dotés de leur compétences en vertu de l'acte de désignation, en sus des pouvoirs statutaires, de traiter la propriété intellectuelle en tant qu'un genre de bien mobilier. Si la propriété intellectuelle fait l'objet d'une concession, l'acte de concession lui-même est l'élément le plus pertinent à déterminer les modalités de son traitement [et cession].

Zusammenfassung

Rechte aus geistigem Eigentum (GE) gelten nach australischem Recht im Allgemeinen als persönliches Eigentum, bei dem von Rechts wegen Abtretung und Übertragung möglich sind. Eine Übertragung von Rechten ist unter den Parteien auch ohne Registrierung wirksam, aber eine Registrierung mag für die Wirksamkeit gegenüber Dritten erforderlich sein. In vielen Fällen berechnen Exklusivlizenzen, ein Verfahren wegen Verletzung des GE-Rechts anzustrengen, nicht exklusive Lizenzen vermitteln dieses Recht im Allgemeinen nicht. Ob eine Lizenz durch einen Lizenzgeber oder Lizenznehmer übertragen werden kann, hängt von der Art der GE-Rechte, den Bedingungen der Lizenz ab und davon, welches die Rechte sind, deren Abtretung verlangt wird. Die Gültigkeit des zugrunde liegenden Rechts, das Gegenstand der Abtretung oder Lizenz ist, kann je nach der Art der GE-Rechte, den Bedingungen der Abtretung oder Lizenz und den genauen Umständen beeinträchtigt werden.

GE ist eine Art von persönlichem Eigentum und kann daher als eine Sicherheit vom Belastungs- oder Hypothekentyp ebenso verwendet werden wie jedes andere Eigentum. Ist ein GE-Recht Gegenstand einer Sicherheit vom Belastungstyp, so muss es im Australischen Register der Gesellschaftsbelastungen eingetragen werden.

Im Allgemeinen wird in einem Insolvenzverfahren das GE-Recht einer Gesellschaft in gleicher Weise wie jede andere Form von persönlichem Eigentum behandelt und es wird ebenso darüber verfügt. Fällt eine Gesellschaft in Insolvenz, so wird ein Liquidator, Verwalter oder ein ähnliches Organ ernannt, um die Insolvenz zu verwalten. Diese Organe erhalten in ihrer Ernennungsurkunde außer den gesetzlichen Rechten weitere Rechte, um ein GE-Recht als eine Art von persönlichem Eigentum zu behandeln. Bildet jenes GE-Recht Gegenstand einer Lizenz, so ist der wichtigste Faktor zur Bestimmung, wie es zu behandeln ist, die Lizenzurkunde selbst.