

Security Interests In Intellectual Property

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In the United States, statutory regimes provide for the recordation of ownership interests in the various forms of intellectual property. The recordation regimes and the effect of recordation on those interests differ depending on the type of property and the type of interest.¹

Security Interests in Patents

Assignments, grants and conveyances in US patent rights must be recorded.² Typically, this is done through recordation with the United States Patent and Trademark Office (USPTO) assignment division and provides notice to the world, securing the filer priority against "subsequent purchaser[s] or mortgagee[s]." Recordation of security interests with the USPTO is never explicitly addressed, but is permitted. Whether such a filing is sufficient to perfect a security interest then relies on judicial interpretation.

This issue has been resolved by a line of cases stretching from the 1970's to the 1990's. The first court to address this issue interpreted the statute literally, finding that a security interest was not equivalent to an assignment, grant, or conveyance, and holding that preemption did not apply, making recordation with the state under the Uniform Commercial Code (UCC) as security interests in general intangibles³ a legitimate mechanism for perfection of the interest.⁴ Later courts clarified that a UCC recordation alone would be effective if the subsequent interest holder was a lien holder, but not where the subsequent interest holder was a purchaser or mortgagee, as these later types of interests were specifically addressed in 35 USC § 261 and the UCC, as state law, was thus preempted by the Federal statute.⁵ Other courts have found that recordation of liens under the UCC is critical to the perfection of those interests, as distinguished from those interests that are specifically named in the statute.⁶

It is, therefore, prudent to record security interests with both the USPTO Assignment division and the appropriate state authority to comply with the mandate of the UCC.

¹ <http://uscode.house.gov/>

² 35 U.S.C. § 261

³ UCC § 9-102(a)(42)

⁴ Holt v. United States, 73-2 USTC P9680 (DDC 1973)

⁵ In re Transportation Design & Technology, Inc., 48 B.R. 635 (SD Cal 1985); City Bank and Trust Co. v. Otto Fabric, Inc., 83 B.R. 780 (1988); Chesapeake Fiber Packaging Cor. V. Sebro Packaging Corp., 143 B.R. 360 (Bankr. D. Md. 1992), aff'd, 8 F.3d 817 (4th Cir. 1993)

⁶ In re Cybernetic Services, Inc., 239 B.R. 917 (9th Cir. BAP 1999)

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Security Interests in Trademarks

As with patents, statutory and regulatory provision is made for the recordation of transfers in ownership in trademarks.⁷ Specifically, "[a]n assignment shall be void against any assignment for valuable consideration without notice, unless the prescribed information reporting the assignment is recorded in the Patent and Trademark Office within 3 months after the date of the subsequent purchase or prior to the subsequent purchase."⁸

As with security interest in patents, the applicable trademark statutes do not explicitly address security agreements, but recordation with the USPTO is permitted. The USPTO has indicated this is to "give third parties notification of equitable interests or other matters relevant to the ownership of the mark."⁹ Again, it is left up to judicial determination whether filing with the USPTO or under the UCC is proper.

Courts have consistently found that, to perfect a security interest in a trademark, the interest need only be recorded under the UCC as intangible property. The Lanham Act's silence is interpreted to mean that the UCC is not preempted as a legitimate means for providing notice. Since notice would defeat the subsequently obtained rights of a *bona fide* purchaser for value, recordation of a security interest with the USPTO, while not required, is still prudent as a supplement to UCC registration, providing a national notice forum that is among the first checked by potential purchasers.

Security Interests in Copyrights

Similarly to patents and trademarks, statutory and regulatory provision is made for the recordation of transfers in ownership in copyrights.¹⁰ The Copyright Act defines "transfer" broadly as the "assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright."¹¹ This statute has been judicially interpreted to cover security agreements, preempting the UCC.¹² Later judicial interpretation expanded the requirements for perfection by adding that the copyright subject to the security interest must also be registered.¹³ This led later courts to the conclusion that filing under the UCC is appropriate for unregistered copyrights.¹⁴

Summary

As the foregoing discussion illustrates, it is a matter of judicial interpretation whether federal law or the UCC governs perfection of security interests in trademarks, copyrights, and patents. Although the courts have largely cleared up any ambiguities, the prudent lender would be well advised to perfect its security interest by filing under both systems, and, when necessary, to search both systems for prior encumbrances of the pledged collateral. Even though filing under only one system is appropriate, filing under both will enhance the interest holder's ability to put subsequent creditors on inquiry and constructive notice as well as insuring that the security interest was properly filed in all cases.

⁷ 15 U.S.C. § 1051 et seq.

⁸ 15 U.S.C. § 1060

⁹ TMEP § 503.02 (2005)

¹⁰ 17 U.S. Code § 205 - <http://www.law.cornell.edu/uscode/text/17/205>

¹¹ 17 U.S. Code § 101 - <http://www.law.cornell.edu/uscode/text/17/101>

¹² In re Peregrine Entertainment, In re Peregrine Entertainment, Ltd., 116 B.R.194 (C.D. Cal. 1990)

¹³ In re AEG Acquisition Corp., 127 B.R. 34 (Bankr. C.D. Cal. 1991); In re Avalon Software Inc. (209 BR 517 – Bankr. Court, D. Arizona, 1997)

¹⁴ In re World Auxiliary Power Co., 303 F.3d 1120 (9th Cir. 2002)
