

HERRICK, FEINSTEIN LLP
M E M O R A N D U M

**FILING AND PERFECTING SECURITY INTEREST
IN INTELLECTUAL PROPERTY**
Under Revised Article 9

PATENT

Definition: A **patent** is an exclusive right granted for a fixed period of time, usually 20 years from the date the application is filed, to exclude others from making, using, offering for sale, selling an invention in the United States or “importing” an invention into the United States.

There are three types of patents:

1. **utility patent:** granted to anyone who invents or discovers any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof;
2. **design patent:** granted to anyone who invents a new, original, and ornamental design for an article of manufacture; and
3. **plant patent:** granted to anyone who invents or discovers any distinct and new variety of plant.

Perfection of Security Interest: A filing must be made under state law according to Article 9 of the UCC and, although not required, it is also good practice to file with the U.S. Patent and Trademark Office (USPTO). Although courts have held that granting a security interest in a patent is not an assignment or conveyance of a patent, which would trigger the recording requirement of the Patent Act, possible disputes in bankruptcy may arise. Attorneys are therefore well advised to file in both the USPTO and the appropriate state offices.

TRADEMARK

Definition: A **trademark** is a word, name, symbol, or device that is used in trade with goods to indicate the source of the goods and to distinguish them from the goods of others. A **servicemark** is the same as a trademark except that it identifies and distinguishes the source of a service rather than a product. Trademark rights may be used to prevent others from using a confusingly similar mark, but cannot be to prevent others from making the same goods or from selling the same goods or services under a clearly different mark.

Perfection of Security Interest: A filing must be made under state law according to Article 9 of the UCC and, although not required, it is also good practice to file with the USPTO. As with patents, although courts have held that the Lanham Act recording requirement does not apply, cautious attorneys should file in both the USPTO and the appropriate state offices due to the possibility of disputes in bankruptcy.

COPYRIGHT

Definition: **Copyright** is a form of protection provided to the authors of “original works of authorship” including literary, dramatic, musical, artistic, and certain other intellectual works, both published and unpublished. The 1976 Copyright Act generally gives the owner of copyright the exclusive right to reproduce the copyrighted work, to prepare derivative works, to distribute copies or phonorecords of the copyrighted work, to perform the copyrighted work publicly, and to display the copyrighted work publicly.

Perfection of Security Interest: A recording must be made in the U.S. Copyright Office.

- *Exception:* for **unregistered copyrights** a filing must be made under state law according to Article 9 of the UCC
 - *Practice Tip:* creditors should insert protective covenants and warranties in loan agreements that compel debtors to disclose registrations of previously unregistered copyrights
- *Ambiguity:* it is not entirely clear when something is less than an assignment of rights or interests in a copyright. For example, the Ninth Circuit ruled that an assignment of interests in future royalties from certain copyrights (as opposed to a security interest in the copyright itself) does not need to be recorded in the Copyright Office (*MBI v. Hirsch*, 104 F.3d 1163 (9th Cir. 1997)). A California bankruptcy court found, however, that a nonpublished judicial lien on copyright mortgages must be recorded in the Copyright Office (*Morgan Creek Productions Inc. v. Franchise Pictures LLC*, 389 B.R. 131 (Bankr. C.D. Cal. 2008)).

TRADE SECRET

Definition: Although the precise definition of a **trade secret** varies by jurisdiction (as do the particular types of information that are subject to trade secret protection), generally a trade secret is a formula, practice, process, design, instrument, pattern, or compilation of information which has three characteristics: (1) it is not generally known to or reasonably ascertainable by the public; (2) it confers some sort of economic benefit on its holder (this benefit must derive *specifically* from its not being generally known, not just from the value of the information itself); and (3) it is the subject of reasonable efforts to maintain its secrecy by which a business can obtain an economic advantage over competitors or customers.

Perfection of Security Interest: A filing must be made under state law according to Article 9 of the UCC.

DOMAIN NAME

Definition: A **domain name** is a name that identifies a particular web page; it is the address that people use to access a website.

Perfection of Security Interest: A filing must be made under state law according to Article 9 of the UCC with the appropriate state registries, which include, among others, the state where the

borrower resides as well as the jurisdictions where the domain name registrar and domain name servers are located.

- *Practice Tip:* Security agreements should ensure that the domain name will be properly maintained during the life of the loan, and that the lender possesses the necessary tools to seize control of the domain name in the event of default.

SOFTWARE LICENSE

Definition: A **software license** governs the usage and redistribution of copyrighted software. Typically, the software license grants permission to use one or more copies of the **software**, defined by UCC §9-102(a)(75) as “a computer program and any supporting information provided in connection with a transaction relating to the program” that is not already included in the definition of “goods.”

Perfection of Security Interest: A filing should be made under state law according to Article 9 of the UCC and a recording should be made in the Copyright Office.

- *Practice Tip:* The secured party, absent an agreement with the licensor, is not entitled to enforce the software license or to assign or otherwise enjoy the benefits of the licensed software; in other words, the secured party is granted the same rights as the licensee. This means the secured party may not “remarket” the software if the debtor defaults. A separate agreement should be negotiated between the lender and licensor that grants remarketing rights.