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**Draft Supplement to the UNCITRAL Legislative Guide on
 Secured Transactions dealing with security rights in
 intellectual property**

Note by the Secretariat

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VII. Rights and obligations of the parties to a security agreement relating to intellectual property

[*Note to the Working Group: For paras. 1-5, see A/CN.9/WG.VI/WP.37/Add.3, paras. 19-22, A/CN.9/670, paras. 96-103, A/CN.9/WG.VI/WP.35/Add.1, paras. 62-63, A/CN.9/667, paras. 104-108, A/CN.9/WG.VI/WP.33/Add.1, paras. 26-30, and A/CN.9/649, paras. 57-59.*]

A. Application of the principle of party autonomy

1. With few exceptions, the *Guide* generally recognizes the freedom of the parties to the security agreement to tailor their agreement so as to meet their practical needs (see recommendation 10). The principle of party autonomy applies equally to security rights in intellectual property, subject to any limitations specifically introduced by law relating to intellectual property. For example, unless otherwise provided by law relating to intellectual property, an owner that is a grantor and its secured creditor may agree that: (a) the secured creditor may exercise some of the rights of the owner (for example, to deal with authorities and renew registration or sue infringers; see A/CN.9/WG.VI/WP.39/Add.1, para. 23); (b) the grantor may not grant licences (in particular exclusive licences) without the consent of the secured creditor; or (c) the secured creditor may collect royalties owed to the grantor as a licensor even before default on the part of the grantor-licensor.

B. Preservation of the encumbered intellectual property

2. Under secured transactions law, the party in possession of an encumbered asset has the obligation to take reasonable steps to preserve it (see recommendation 111). Similar rules apply to intellectual property. For example, the grantor has an obligation to deal with authorities, pursue infringers and renew registrations. In some States, law relating to patents provides that the patent owner may not revoke or limit the encumbered patent without the consent of the secured creditor.

3. In addition, under secured transactions law, the secured creditor should be able to agree with the intellectual property owner that the secured creditor would be entitled to take steps to preserve the encumbered intellectual property by dealing with authorities, pursuing infringers or renewing registrations even before default on the part of the owner-grantor, provided that this is not prohibited by law relating to intellectual property. Otherwise, the encumbered asset could lose its value, if the owner of the encumbered intellectual property failed to exercise this right in a timely fashion. This result could negatively affect the use of intellectual property as security for credit. This approach would not interfere with the rights of the owner as its consent would be necessary. Similarly, this approach would not interfere with law relating to intellectual property because such an agreement would be null and void, if it were concluded in violation of law relating to intellectual property. Of course, States enacting the recommendations of the *Guide* may wish to consider their law relating to intellectual property so as to determine whether such agreements should be permitted, as this could facilitate the use of intellectual property as security for credit.

4. Moreover, unless prohibited by law relating to intellectual property, the secured creditor should be able to request the owner that is a grantor to allow the secured creditor to protect the value of the encumbered intellectual property, for example, by renewing registration or pursuing infringers. Otherwise, the value of the encumbered intellectual property could diminish; such a result could negatively affect the use of intellectual property as security for credit.

5. If the owner-grantor accepts this request, the secured creditor would be entitled to exercise those rights with the explicit consent of the owner-grantor; if the owner-grantor did not respond, the secured creditor would be entitled to exercise those rights with the implicit consent of the owner-grantor; and, if the owner-grantor rejected the request, the secured creditor would not be entitled to exercise those rights. In addition, if the grantor failed to pursue infringers or renew registrations, the secured creditor could consider that that failure constitutes an event of default as described in the security agreement and could enforce its security right in the encumbered intellectual property. Again, these results would not interfere with law relating to intellectual property as recommendation 4, subparagraph (b) would defer to that law in case of any inconsistency.

Recommendation 245¹

Alternative A

The law should provide that the grantor of a security right in intellectual property and its secured creditor may agree as to who may preserve the encumbered intellectual property and, for example, deal with authorities, pursue infringers or renew registrations of the encumbered intellectual property, as well as under what circumstances the secured creditor may do so.

Alternative B

The law should provide that, if under other law the grantor of a security right in intellectual property and its secured creditor may agree that the secured creditor is [entitled] [obliged] to preserve the encumbered asset and, for example, deal with authorities, pursue infringers or renew registrations of the encumbered intellectual property, as well as under what circumstances the secured creditor may do so, nothing in the law prevents the grantor and the secured creditor from doing so.

[Note to the Working Group: The Working Group may wish to note that, at its fifteenth session, it requested the Secretariat to prepare an alternative recommendation along the lines of alternative B (see A/CN.9/670, paras. 101 and 103). The Working Group may wish to note that the main difference between alternatives A and B lies in the fact that alternative A provides party autonomy as a matter of secured transactions law, while alternative B provides that secured transactions law does not limit party autonomy if it exists under law outside secured transactions law. If the Working Group decides to retain alternative B, it may wish to determine whether the preservation of the encumbered asset should be formulated as a right or as an obligation.]

¹ If this recommendation could be included in the *Guide*, it would be placed in the chapter on the rights and obligations of the parties to a security agreement as recommendation 116bis.

VIII. Rights and obligations of third-party obligors in intellectual property financing transactions

[*Note to the Working Group: For paras. 6-7, see A/CN.9/WG.VI/WP.37/Add.1, para. 23, A/CN.9/670, para. 104, A/CN.9/WG.VI/WP.35/Add.1, para. 64, A/CN.9/667, para. 109, A/CN.9/WG.VI/WP.33/Add.1, paras. 32, and A/CN.9/649, para. 60.*]

6. Where a licensor assigns its claim against a licensee for the payment of royalties under a licence agreement, the licensee (as the debtor of the assigned receivable) would be a third-party obligor under the *Guide* and its rights and obligations would be the rights and obligations of a debtor of a receivable. Similarly, where a licensee assigned its claim against a sub-licensee for the payment of royalties under a sub-licence agreement, the sub-licensee would be a third-party obligor in the sense of the *Guide*.

7. As a result, for example, in a claim by an assignee of the right to the payment of royalties, a licensee as a debtor of the assigned receivable may raise against the assignee all defences and rights of set-off arising from the licence agreement or any other agreement, which are part of the same transaction and of which the licensee could avail itself as if the assignment had not been made and such claim had been made by the licensor. In addition, the licensee may raise against the assignee of the right to the payment of royalties any other right of set-off, provided that that right was available to the licensee at the time notification of the assignment was received by the licensee. However, any defences or rights of set-off that may be available to the licensee under law other than secured transactions law for breach of an agreement between the licensor and the licensee that the licensor will not assign its rights to the payment of royalties are not available to the licensee against the assignee (see recommendation 120). This recommendation also is subject to the principle of deference to law relating to intellectual property embodied in recommendation 4, subparagraph (b).

IX. Enforcement of a security right in intellectual property

[*Note to the Working Group: For paras. 8-32, see A/CN.9/WG.VI/WP.35/Add.3, paras. 24-48, A/CN.9/670, paras. 105-114, A/CN.9/WG.VI/WP.35/Add.1, paras. 65-89, A/CN.9/667, paras. 110-123, A/CN.9/WG.VI/WP.33/Add.1, paras. 35-44, and A/CN.9/649, paras. 61-73.*]

A. Intersection of secured transactions law and law relating to intellectual property

8. States typically do not provide for specific enforcement remedies for security rights in intellectual property in their laws relating to intellectual property. The general law of secured transactions normally applies to the enforcement of security rights in intellectual property. To the extent that law relating to intellectual property in some States actually does address the enforcement of security rights in different types of intellectual property, it merely engrafts existing secured transactions enforcement regimes onto the regime governing intellectual property. As a

consequence, States that enact the *Guide*'s recommendations will normally be simply substituting the *Guide*'s recommended enforcement regime for the prior enforcement regime derived from, for example, a civil code and code of civil procedure, the common law of floating and fixed charges, a mortgage act or some other general law of enforcement, as the case may be.

9. This approach to the enforcement of security rights applies not only to intellectual property (for example, a patent, a copyright or a trademark), but also to other rights that are derived from these types of intellectual property. Hence, consistently with the United Nations Assignment Convention, assets, such as royalties and licence fees, are treated as receivables and are subject to the enforcement regime recommended in the *Guide* for assignments (that is, outright transfers, security transfers and security rights) in receivables. Likewise, a licensor's or sub-licensor's other contractual rights as against a licensee or sub-licensee will also be governed by a State's general law of obligations, and security rights in these contractual rights will be enforced under a State's general secured transactions law. And again, a licensee's or sub-licensee's rights of use are treated in the same way as a lessee's or purchaser's rights, and are governed by a State's general law of obligations, except as regards questions of registration (where specifically mentioned in law relating to intellectual property).

10. On occasion, States incorporate special procedural controls on the enforcement of security rights in intellectual property into law relating to intellectual property. In addition, the general procedural norms of secured transactions law in a State may be given a specific content in the context of enforcement of security rights in intellectual property. So, for example, the determination of what is commercially reasonable where the encumbered asset is intellectual property may depend on law and practice relating to intellectual property. This standard of commercial reasonableness may well vary from State to State, as well as from intellectual property regime to intellectual property regime. The *Guide* recognizes this procedural specificity and, in so far as any procedural rules apply specifically to security rights in intellectual property and impose greater obligations on parties than those of the enforcement regime set out in the recommendations of the *Guide*, they will, under the principle set out in recommendation 4, subparagraph (b), displace the general recommendations of the *Guide*. Of course, if these procedural rules and definitional specifications apply to security rights in assets other than intellectual property as well, they will be displaced by the recommendations of the *Guide* in States that enact them.

11. As for substantive enforcement rights of secured creditors, once a State adopts the *Guide*'s recommendations, there is no reason to develop different or unusual remedial principles to govern enforcement of security rights in intellectual property serving as encumbered assets. The *Guide* merely recommends a more efficient, transparent and effective enforcement regime of a secured creditor's rights, without in any way limiting the rights that the owner of intellectual property may exercise to protect its rights against infringement or to collect royalties from a licensee or sub-licensee. As pointed out in the chapter of the Supplement on creation of a security right (see A/CN.9/WG.VI/WP.39/Add.2, para. 9), the secured creditor can never acquire security in more rights than the rights with which the grantor is vested at the time of the conclusion of the security agreement or when the grantor acquires rights in the encumbered asset or the power to encumber it (see recommendation 13).

B. Enforcement of a security right in different types of intellectual property

12. The *Guide* elaborates a detailed regime governing the enforcement of security rights in different types of encumbered asset. Its basic assumption is that enforcement remedies must be tailored to ensure the most effective and efficient enforcement while ensuring appropriate protection of the rights of the grantor and third parties. This assumption and approach of the *Guide* should apply equally to the enforcement of security rights in the various categories of intellectual property. Currently, the law of most States recognizes a wide variety of rights relating to intellectual property, including:

- (a) The intellectual property in itself;
- (b) Receivables arising under a licence agreement;
- (c) The licensor's other contractual rights under a licence agreement;
- (d) The licensee's rights under a licence agreement;
- (e) The owner's, licensor's and licensee's rights in tangible assets with respect to which intellectual property is used.

13. The enforcement regime recommended in the *Guide*, and applicable to each of these different rights in intellectual property, will be discussed separately in the following sections.

C. Taking "possession" of documents necessary for the enforcement of a security right in intellectual property

14. The right of the secured creditor to take possession of the encumbered asset as set out in recommendations 146 and 147 of the *Guide* is normally not relevant if the encumbered asset is an intangible asset such as intellectual property (as the term "possession", as defined in the *Guide*, means *actual* possession; see Introduction to the *Guide*, section B on terminology and interpretation). These two recommendations deal only with the taking of possession of tangible assets. However, consistently with the general principle of extrajudicial enforcement, the secured creditor should be entitled to take possession of any documents necessary for the enforcement of its security right where the encumbered asset is intellectual property. Such a right will normally be provided for in the security agreement. In the event that the documents are necessary for the enforcement of a security right in the encumbered intellectual property, the creditor should be able to obtain possession whether or not those documents were specifically mentioned as encumbered assets in the security agreement.

15. It may be thought that, where a secured creditor takes possession of a tangible asset that is produced using intellectual property or in which a chip containing a programme produced using an intellectual property is included, the secured creditor is also taking possession of the encumbered intellectual property. This is not the case. It is important to distinguish properly the asset encumbered by the security right. Even though many tangible assets, whether equipment or inventory, may be produced through the application of intellectual property such as a patent, the

security right is in the tangible asset and does not, absent specific language in the security agreement purporting to encumber the intellectual property itself, encumber the intellectual property with the use of which the asset was produced (the use meant here is use consistent with the authorization of the owner or other licensor; if the use is unauthorized, the products are unauthorized and the secured creditor may be an infringer). So, for example, the secured creditor may take possession of a tangible asset, such as a compact disc or a digital video disc, and may exercise its enforcement remedies against the discs under the *Guide*'s recommendations. In cases where the secured creditor also wishes to obtain a security right in the intellectual property itself (including, to the extent the grantor has the right to sell or otherwise dispose of, or license the intellectual property, the right to sell or otherwise dispose of, or license), it would be necessary for the secured creditor to specifically mention such intellectual property as encumbered assets in the security agreement with the owner of such intellectual property.

D. Disposition of encumbered intellectual property

16. Under the *Guide*, the secured creditor has the right upon the grantor's default to dispose of or grant a licence in the encumbered intellectual property, but always within the limits of the rights of the grantor. As a result, if the grantor is the owner, the secured creditor should, in principle, have the right to sell or otherwise dispose of, or license the encumbered intellectual property. However, if the grantor had previously granted an exclusive licence to a third party free of the security right, upon default, the secured creditor will be unable to grant another licence, as the grantor had no such right at the time the secured creditor acquired its security right (*nemo dat quod non habet*). The situation will be different if, for example, the grantor grants an exclusive licence that is limited geographically. In such a case, the secured creditor may be able to grant another licence outside the geographic limits of the exclusive licence granted by the grantor.

17. In the above-mentioned situation, under the *Guide*, the enforcing secured creditor does not acquire the intellectual property against which the security right is being enforced. Instead, the secured creditor disposes of the encumbered intellectual property (by assigning, licensing or sub-licensing it) in the name of the grantor. Until the assignee or licensee (as the case may be) that acquires the rights upon a disposition by the enforcing creditor registers a notice (or other document) of its rights in the relevant registry (assuming the rights in question may be registered), the grantor will appear on the registry as the owner of the relevant intellectual property.

E. Rights acquired through disposition of encumbered intellectual property

18. Under the *Guide*, rights in intellectual property acquired through judicial disposition would be regulated by the relevant law applicable to the enforcement of court judgements. In the case of an extrajudicial disposition in line with the provisions of secured transactions law, the first point to note is that the transferee or licensee takes its rights directly from the grantor. The secured creditor that chooses to enforce its rights in this manner does not become the owner as a result of this

enforcement process, unless the secured creditor acquires the encumbered intellectual property in satisfaction of the secured obligation or at an enforcement sale (see recommendations 148 and 156).

19. The second point is that the transferee or licensee could only take such rights as were actually encumbered by the enforcing creditor's security right. Under the *Guide*, the transferee or licensee would take the intellectual property free of the security right of the enforcing secured creditor and any lower-ranking security rights, but subject to any higher-ranking security rights. Similarly, a good faith transferee or licensee that acquired a right in intellectual property pursuant to an extrajudicial disposition that is inconsistent with the provisions of the secured transactions law would take the intellectual property free of the security right of the enforcing secured creditor and any lower-ranking security rights (see recommendations 161-163).

20. A security right in a tangible asset extends to and may be enforced against attachments to that asset (see recommendation 21 and 166). To ensure that the security right also covers assets produced or manufactured from encumbered assets, the security agreement normally provides expressly that the security right extends to such manufactured assets. Where the encumbered asset is intellectual property, it is important to determine whether the asset that is disposed of to the transferee or licensee is simply the intellectual property as it existed at the time the security right became effective against third parties or whether it is that intellectual property including any subsequent enhancements to it (for example, an improvement to a patent). Generally, laws relating to intellectual property treat such improvements as separate assets and not as integral parts of existing intellectual property. As a result, the prudent secured creditor that wishes to ensure that improvements are encumbered with the security right should describe the encumbered asset in the security agreement in a manner that ensures that enhancements are directly encumbered by the security right.

F. Proposal by the secured creditor to acquire the encumbered intellectual property

21. Under the enforcement regime recommended in the *Guide*, the secured creditor has the right to propose to the grantor that it acquire the grantor's rights in satisfaction of the secured obligation. If the grantor is the owner of intellectual property, the secured creditor could itself become the owner in the way prescribed by law relating to intellectual property, provided that the grantor and its creditors do not object (see recommendations 156-159). Should the owner have licensed its intellectual property to a licensee that acquired its rights under the licence agreement free of the rights of the enforcing secured creditor, when the secured creditor acquires the intellectual property from the grantor, it acquires that right subject to the prior-ranking licence in accordance with the *nemo dat* principle. Once a secured creditor becomes the owner of intellectual property, its rights and obligations are regulated by the relevant law relating to intellectual property. In particular, the secured creditor may need to register a notice or document confirming that it acquired the intellectual property to enjoy the rights of an owner or to obtain any relevant priority. Finally, the secured creditor that acquires the encumbered intellectual property in full or partial satisfaction of the secured

obligation would take the intellectual property free of the security right of any lower-ranking security rights, but subject to any higher-ranking security rights (see recommendation 161).

G. Collection of royalties and licence fees

22. Under the *Guide*, where the encumbered asset is the right to receive payment of royalties or other fees under a licence agreement, the secured creditor should be entitled to enforce the security right by simply collecting the royalties and other licence fees upon default and notification to the person that owes the royalties or fees (see recommendation 168). In all these situations, the right to the payment of royalties and other licence fees is, for the purposes of secured transactions laws, a receivable (see A/CN.9/WG.VI/WP.39/Add.2, paras. 22-29). Thus, the rights and obligations of the parties will be governed by the principles pertaining to receivables that are elaborated in the United Nations Assignment Convention and the *Guide* for receivables. Once again, the secured creditor that has taken a security right in the right to the payment of present and future royalties is entitled to enforce only such rights to the payment of royalties as were vested in the grantor (licensor) at the time of the conclusion of the security agreement or when the grantor acquired rights in the encumbered receivable or the power to encumber it (see recommendation 13). In addition, subject to any contrary provision of law relating to intellectual property (see recommendation 4, subparagraph (b)), the secured creditor's rights to collect royalties includes the right to collect or otherwise enforce any personal or property right that secures payment of the royalties (see recommendation 169).

H. Licensor's other contractual rights

23. In addition to the right to collect royalties, the licensor will normally include a number of other contractual rights in its agreement with the licensee (see A/CN.9/WG.VI/WP.39/Add.2, para. 21). These may include, for example, a limitation in the licence agreement on the right of the licensee to grant any sub-licence or a prohibition on the granting of security rights by the licensee in its rights under the licence agreement, including the right to terminate the licence agreement under a set of specified conditions. These rights will remain vested in the licensor if the security right is only in the right to the payment of royalties. However, if the secured creditor also wishes to obtain a security right in these other rights of the licensor, they would have to be included in the description of the encumbered assets in the security agreement. It should also be noted that, if the secured creditor enforces its security right and takes the encumbered and licensed intellectual property subject to a licence, as a matter of contract law, the secured creditor will have to abide by the licence agreement.

I. Enforcement of security rights in tangible assets with respect to which intellectual property is used

24. In principle, except where the so-called "exhaustion doctrine" applies, the intellectual property owner has the right to control the manner and place in which

tangible assets, with respect to which intellectual property is used (in line with the authorization of the owner), are sold. That is, in the event that the relevant intellectual property right has not been exhausted, the secured creditor should be able to dispose of the assets upon default, if there is an authorization from the intellectual property owner. In both these cases, it is assumed that the security agreement does not encumber the intellectual property right itself.

25. There is no universal understanding of the “exhaustion doctrine” (often referred to as “exhaustion of rights” or “first sale doctrine”) and the Supplement makes reference to the doctrine not as a universal concept, but as it is actually understood in each State. Nonetheless, where the exhaustion doctrine applies under law relating to intellectual property, the basic idea is that an intellectual property owner will lose or “exhaust” certain rights when specific conditions are met, such as the first marketing or sale of the product embodying the intellectual property. For example, the ability of a trademark owner to control further sales of a product bearing its trademark is generally “exhausted” following the sale of that product (if, however, the product has not been put onto the market or sold, the trademark has not been exhausted). The rule serves to protect a person that resells that product from infringement liability. However, it is important to note that such protection extends only to the point where the products have not been altered so as to be materially different from those originating from the trademark owner. In addition, the exhaustion doctrine does not apply if a licensee produces products bearing the licensed trademark without complying with the terms and conditions of the licence agreement (for example, as to quality or quantity).

26. In situations where a product is produced with the use of intellectual property that has been licensed to the grantor, the licensor may provide that the licensee cannot grant security rights in such products or that a creditor that takes security may only enforce its rights in a manner agreed to by the licensor. In both these cases, the licensor will typically provide in the licence agreement that the licence may be revoked if the grantor or secured creditor is in breach of the licence agreement. As a consequence, to enforce effectively its security right in the product, in the absence of prior agreement between the secured creditor and the owner-licensor, the secured creditor would either need to obtain the consent of the owner-licensor or rely on the relevant law relating to intellectual property and the operation of the exhaustion doctrine.

27. In cases where the secured creditor also wishes to obtain a security right in the intellectual property itself (including, to the extent the grantor has the right to sell or license the intellectual property, the right to sell or license), it would be necessary for the secured creditor to specifically mention such intellectual property as an encumbered asset in the security agreement. Here, the encumbered asset is not the product produced using the intellectual property, but rather the intellectual property itself (or the licence to manufacture tangible assets using the intellectual property). A prudent secured creditor will normally take a security right in such intellectual property so as to be able to continue the production of partially completed products.

J. Enforcement of a security right in a licensee's rights

28. In the discussion above, the grantor of the security right has been assumed to be the owner of the relevant intellectual property. The encumbered asset was the intellectual property itself, the right of the owner-licensor to receive royalties and fees or the right of the owner-licensor to enforce other contractual terms relating to the intellectual property. Only in the discussion of security rights in tangible assets produced by using intellectual property (section I above) were the rights of the owner-licensor and the rights of the licensee treated together. However, most of the issues addressed in sections C to H also are relevant in situations where the encumbered asset is not the intellectual property itself but the rights of a licensee (or sub-licensee) arising from a licence (or sub-licence) agreement (see A/CN.9/WG.VI/WP.39/Add.2, paras. 30-31). In cases where the encumbered asset is merely a licence, the secured creditor obviously may only enforce its security right against the licensee's rights and may do so only in a manner that is consistent with the terms of the licence agreement.

29. In situations where the grantor is a licensee, upon the grantor's default, the secured creditor will have the right to enforce its security right in the licence and to dispose of the licence to a transferee, provided that the licensor consents or the licence is transferable, which is rarely the case. Likewise, the enforcing secured creditor may grant a sub-licence, provided that the licensor consents or the grantor-licensee had, under the terms of the licence agreement, the right to grant sub-licences. In situations where the secured creditor proposes to a grantor-licensee to acquire the licence in full or partial satisfaction of the secured obligation and neither the grantor nor other interested parties (for example, the licensor) object (and the licence agreement does not prohibit the transfer of the licence), the secured creditor becomes vested with the licence according to the terms of the licence agreement between the licensee and the licensor. Assuming that registration of licences is possible under law relating to intellectual property, registration of the licence by the licensee-secured creditor that acquires the licence in full or partial satisfaction of the secured obligation may be a condition of the effectiveness of the licensee's rights or may simply serve information purposes.

30. Where the encumbered asset is the sub-licensor's right to the payment of royalties under a sub-licence agreement, the *Guide* treats the asset as a receivable. This means that the secured creditor may collect the royalties to the extent that these were vested in the grantor-sub-licensor at the time when the security right in the receivable is enforced. If enforcement of the security right in the right to the payment of royalties owed by a sub-licensee constituted a breach of the licence agreement, then the secured creditor would not be able to collect any receivables arising after that breach.

31. Where the encumbered asset is another contractual right stipulated in the sub-licence agreement, the secured creditor may enforce its security right in this contractual right as if it were any other encumbered asset, and the fact that the licensor may have revoked the licence for the future, or may have itself claimed a prior right to receive payment of sub-royalties, has no direct bearing on the right of the secured creditor to enforce these other contractual rights set out in the licence agreement.

32. The rights acquired by a transferee of the licence, a sub-licensee upon disposition by the secured creditor or by a secured creditor that acquires the licence in full or partial satisfaction of the secured obligation may be significantly limited by the terms of the licence agreement. For example, a non-exclusive licensee cannot enforce the intellectual property against another non-exclusive licensee or against an infringer of the intellectual property. Only the licensor (or the owner) may do so, although, in some States, exclusive licensees may join the licensor as a party to the proceedings. In addition, depending upon the terms of the licence agreement and the description of the encumbered asset in the security agreement, a transferee of the licence may not have access to information such as a source code. In order to ensure the effectiveness of the licence being transferred or sub-licensed, the security agreement will have to include such rights within the description of the assets encumbered by the grantor-licensee, to the extent that the licence agreement and relevant law permits it to encumber these rights as well.
