Die Seite der AIPPI / La page de l'AIPPI

IP licensing and insolvency (Q 241)

REPORT OF SWISS GROUP*

Questions

I. Current law and practice

1. Does your country have a registration system for IP licenses? If yes, please describe this system.

Upon request by the IP owner or the licensee, licenses granted on registered IP rights for Switzerland, namely patents, trademarks and designs, can be registered (art. 29 Trademark Ordinance and, rule 20bis of the Common Regulations under the Madrid Protocol [for IR trademarks with protection in Switzerland[1]], art. 34 para. 3 Patent Act and art. 73 EPC [for EP patent applications], and art. 15 para. 2 Design Act).

The registration request must include:

– An explicit statement by the IP owner or another satisfactory document showing that the owner has granted use of the IP right to the licensee;

– The name and the address of the licensee;

– Where appropriate that the license shall be entered as an exclusive license;

– A statement of the area, goods and/or services for which the license has been granted in the event of a partial license.

However, registration is not a requirement for the grant of a valid license on registered IP rights.

Licenses on copyright work, which includes software, and on know-how, cannot be registered – the same applies to these IP rights as such. Also for international design registrations with protection for Switzerland, no recordal of licences is available under the Hague Agreement.

2. Describe the type or types of bankruptcy and insolvency proceedings that are available in your country.

Collection of Debts

Collection of monetary claims in case of non-payment by the debtor is regulated by the Federal Statute on Collection of Debts and Bankruptcy of Apr. 11, 1889, as amended (especially Dec. 16, 1994, Mar. 24, 2000, Dec. 19, 2003 and June 21, 2013 *SchKG).*

Initial Procedure

Collection of debts begins with an "Order to Pay" (Zahlungsbefehl, Commandement de payer, Precetto esecutivo) issued upon request of the creditor by the enforcement office (a public official) to the debtor who can then declare "Objection" (Rechtsvorschlag, opposition, opposizione). In case such a declaration is made, the creditor must remove such "Objection" either by applying for the objection to be set aside in summary proceedings or by filing a court action to have his claim confirmed. When

* Members of the working group: Lorenza Ferrari Hofer (Reporter), Andreas Glarner, David Rüetschi, Monika Naef, Sylvia Büchi, Andrea Mondini, Michael Liebetanz, Michael Reinle.

1 See also Guidelines of the Swiss Intellectual Property Institute, Part 3, art. 1.5.1. However, the registration of sub-licenses in connection with IR trademarks is not possible.

instituting a summary court procedure, the creditor may obtain a decree to set aside the "Objection" (Rechtsöffnung, mainlevee, rigetto), either (1) definitively, upon evidence of an enforceable judgement or another decision, also a foreign judgement or an arbitral award or, (2) provisionally, upon evidence of a publicly authenticated deed or of the acknowledgment of debt signed by the debtor. The provisional "removal" becomes final if the debtor fails to bring an ordinary court action for the declaratory judgement that debt does not exist.

If "Objection" has not been declared or has been set aside by an ordinary judgement, the enforcement continues at the request of the creditor in three possible ways: (1) By seizure of specific property of the debtor (Pfändung, saisie, pignoramento); or (2) for debts secured by a pledge or a mortgage, by realization of a collateral (Pfandverwertung, realisation du gage, realizzazione del pegno); or (3) against "merchants'', by bankruptcy proceedings comprising all assets and liabilities of the debtor (Konkurs, faillite, fallimento).

Seizure

Property estimated sufficient to cover debt with interest and costs will be seized; property necessary for maintenance of livelihood and profession of the debtor and the debtor's family is not seizable. Other creditors who request seizure within a certain period of time can participate in the same seizure proceedings (whereby additional property may be seized for additional coverage). All those creditors form the "group of creditors", several of which can be formed for the purpose of the seizure of additional property. Claims of third parties for the liberation of property from a seizure because of third party ownership or security interest or another right thereto, are, if contested, adjudicated. Upon request of the creditor, after a certain time, seized property will be realized and proceeds distributed to the creditors. Certain classes of claims are privileged, e.g., salaries, family support payments or social security premiums. In cases of privileged creditors and of insufficient proceeds, a schedule of creditors (collocation plan) is established prior to distribution. The schedule can be challenged in court. For unpaid claims or parts thereof, the creditor receives a "certificate of shortfall" (Verlustschein, acte de défaut des biens, attesto di carenza di beni) (which does not bear interest and is subject to a statute of limitations of 20 years).

Realization of Pledge or Mortgage

This procedure is roughly similar to the procedure in case of seizure. For unpaid claims, the creditor receives a certificate evidencing that fact, but it does not have the same legal effects as a "certificate of shortfall".

Bankruptcy

Not all debtors are subject to bankruptcy proceedings, only those recorded in the Register of Commerce in a defined capacity ("merchants''), further those whose whereabouts are unknown, or who have defrauded their creditors, etc. A debtor otherwise not subject to bankruptcy may voluntarily declare insolvency, thereby bringing about bankruptcy proceedings.

If debt is evidenced by draft or check, a creditor can request a special "draft collection". Periods of time are then shorter and the "Objection" has to be granted by court order. There is no initial procedure in case of bankruptcy of a debtor ordinarily not subject thereto.

At a creditor's request, the debtor is notified and threatened with bankruptcy. Thereafter, the bankruptcy court, unless certain permissible objections of the debtor are sustained, declares bankruptcy proceedings as opened.

The bankruptcy proceedings extend to all property of the bankrupt person except certain property necessary for the maintenance of livelihood and professional activity of the debtor and the debtor's family. All claims against the debtor become due except to the extent they are secured by realty; non-monetary debts are converted into monetary debts. Claims under a long-term obligation may be filed as claims provable in bankruptcy until the next possible termination date or until the end of the term of contract only. Insofar as the bankruptcy estate uses the benefits of continuing obligations, the corresponding counter-claims are regarded as an estate liability (art. 211a SchKG). Dispositions of the bankrupt which affect the bankruptcy estate are not valid with respect to creditors. Claims of third per-

sons for separation from estate of tangible property (or securities) in (exclusive) possession of the bankrupt estate, e.g., because of ownership, are adjudicated, if contested. The return of unpaid goods forwarded to the bankrupt, but not yet in the bankrupt's possession when bankruptcy proceedings were opened may be demanded by the seller if the bankruptcy administration does not pay the purchase price (right of revocation in transit).

The bankruptcy office draws up an inventory and publishes bankruptcy, ordering all creditors and debtors to file their claims and debts. The estate is administered by the bankruptcy office, which may be replaced by one or more persons elected by the creditors; they may also elect a committee of creditors to supervise the administrators and authorize them to take certain important measures. For such elections, and for other urgent matters, a meeting of the creditors is held. The administration must establish a schedule of creditors (collocation plan). Thereafter, a second creditor's meeting decides on all matters, including realization of assets by public auction or private sale; subsequent meetings may be held. After distribution of the proceeds, the bankruptcy court receives final accounts and declares bankruptcy proceedings as closed. Every creditor receives a "certificate of shortfall" for any unpaid balance of its claim.

A summary procedure may be ordered by bankruptcy court, if assets available do not meet the expenses of the ordinary procedure. The bankruptcy office then proceeds to liquidation without participation of the creditors. Any creditor can demand ordinary proceedings by advancing costs.

If no assets are found, the bankruptcy court orders the bankruptcy closed. No "certificate of shortfall" is issued. However, within a certain period of time, the creditor can institute the execution of seizure against the debtor, thereby obtaining such a certificate.

Composition

By agreement, a debtor can conclude composition with all creditors. By official procedure, three main routes of composition (Nachlassvertrag, Concordat, Concordato) can be followed: (1) stay of payment during a certain time period; (2) payment of a percentage of all non-privileged debts; (3) abandonment of all or part of the debtor's assets to the creditors (composition liquidation). Such a composition is possible for any debtor, even after an execution procedure has started. Except in case of opened bankruptcy, the debtor must petition for stay of payments with a special "composition authority", submitting a statement of all assets and liabilities and a draft of composition. If the authority grants stay, a commissioner is appointed.

If the composition liquidation is confirmed, the creditor's meeting elects liquidators and a committee of creditors to supervise liquidators. The realization of assets and the distribution of proceeds to the creditors are similar to the corresponding procedures in bankruptcy. No "certificate of shortfall" is issued.

3. Does the law that governs bankruptcy and insolvency proceedings in your country address IP rights or IP licenses as distinct from other types of contracts, assets, and property rights? If yes, is the law statutory, regulatory, or based on precedent? Please identify any relevant statutes or regulations.

The SchKG provisions do not specifically address the treatment of IP rights in insolvency or bankruptcy proceedings or distinguish between license and other types of agreements.

As a general rule, absolute IP rights and know-how (incorporated in materials or documents) are generally considered to be «seizable assets» (art. 197 SchKG) and IP license agreements «synallagmatic contracts» (art. 211 and art. 211a SchKG).

One exception applies to licenses on copyright. These are subject to enforcement actions and are seizable only as far as the author has already exercised his or her copyright and the work has already been disseminated with the consent of the author (art. 18 Copyright Act).

Accordingly, IP rights fall into the bankrupt estate and the debtor is no longer able to dispose of them (art. 204 para. 1 SchKG).

Pursuant to the main doctrine[2], the opening of bankruptcy proceedings are not a reason for immediate termination of license agreements on IP rights belonging to the bankrupt estate of the debtor if the license contract does not provide for such termination right. With the opening of the bankruptcy proceedings long-term agreement remain in force only for the contractual term or until the end of the next notice period. However, the bankruptcy administrator can decide to continue to entirely or partly comply with the license obligations of both the licensor and licensee that have fallen into bankruptcy (see art. 211a para. 1 and 2 SchKG).

There may be specific cases where the bankruptcy of one party may constitute a reason for the other party to terminate the agreement for cause, e.g. where the personal active participation of the debtor is no longer possible and the continuation of the license relationship is no longer just and reasonable. However, whether or not this applies, must be decided case by case.

It should be mentioned that within composition proceedings, the debtor can, with the approval of the composition administration – and provided that the opposing party receives compensation –, terminate license agreements with immediate effect (art. 297a SchkG).

4. Please answer the following sub-questions based upon the law and jurisprudence in your country that governs bankruptcy and insolvency proceedings:

a) Describe the law and its effects on a bankruptcy administrator's ability to adopt, assign, modify, or terminate an IP license.

With the opening of bankruptcy proceedings, all claims which are not for a sum of money are converted into a monetary claim of corresponding value (art. 211 para. 1 SchKG).

However, the bankruptcy administration on behalf of the debtor is entitled to continue fulfilling synallagmatic contracts, such as IP license agreements, which had not or had only partially been fulfilled at the time of the opening of the bankruptcy (art. 211 para. 2 SchKG).

The bankruptcy administrator cannot modify the content of the IP license agreement.

Provided that the IP license agreement allows it, the bankruptcy administration can also assign the debtor's contractual rights. Still the creditor can demand that security be furnished (art. 211 para. 2 SchKG). If such security is not granted, the licensee can withhold its performance and eventually withdraw from the contract (art. 83 para. 2 Code of Obligations, CO).

Principally, the bankruptcy administrator has no right for an early termination of a license agreement in case of a bankruptcy proceeding (see above question 3). However, within composition proceedings, the debtor can, with the approval of the composition administration, terminate license agreements with immediate effect (art. 297a SchkG).

b) Are equitable or public policy considerations relevant to how an IP license is treated?

Whether or not the bankruptcy administrator decides to fulfil the IP license agreement or not, essentially depends on the contractual burdens weighing on the debtor and whether the IP licenses generate an income that could be distributed among the creditors. The bankruptcy administrator has a broad discretion in this respect.

More often, when the IP license agreement imposes on the debtor an active and personal contribution, the bankruptcy administrator is generally inclined to terminate the agreement as soon as possible in order to avoid unnecessary burdens for the bankrupt estate and the other creditors. Against it, if moderate maintenance fees for the licensed IP rights need to be paid, the bankruptcy administration may prefer to pay them in order not to put at risk the existence of the administered assets and eventually their sale or realisation.

[2] Among others: M. A. REUTTER, in: M. Streuli-Youssef, Urhebervertragsrecht, Zürich 2006, 408; G. RAUBER, in: M. Streuli-Youssef, Urhebervertragsrecht, Zürich 2006, 258 (software licenses); R. VON BÜREN, SIWR I/1, 345 et seqq; R. STAUB, in: R. Staub/A. Celli, Kommentar zum Bundesgesetz über den Schutz von Design, Zürich 2003, DesG 17 N 7; R. HILTY, Lizenzvertragsrecht, Bern 2001, 942; R. SCHLOSSER, le contrat de savoir faire, Lausanne 1996, 304 (for know-how); W. STIEGER, Zur Beendigung des Lizenzvertrags nach schweizerischem Recht, sic! 1999, 3 et seqq.

c) Is the law different for different types of bankruptcy and insolvency proceedings in your country?

There is no different treatment for IP license agreements in bankruptcy or composition proceedings pursuant to Swiss law.

However, within composition proceedings the legislator has granted to the debtor the right to immediately terminate the license agreements if this is necessary in order to achieve the debtor's reorganisation (art. 279a SchKG).

d) Does the law require, or give preference to, IP licenses that have been registered according to a registration scheme?

IP licenses that have been registered against the correspondent trademarks, patents or designs in Swiss registers are assumed to "survive" the bankruptcy proceedings, i.e. they remain valid and cannot be converted into a monetary claim of corresponding value pursuant to art. 211 para. 1 SchKG (so-named "Insolvenzfestigkeit/Konkursbeständigkeit").

As mentioned above (answer to question 4.1), claims which are not for a sum of money are converted into a monetary claim of corresponding value and can only remain unconverted if the bankruptcy administrator decides to continue fulfilling the original obligations. The legal uncertainty about the treatment of IP license agreements has been partly cleared by the main Swiss doctrine that opines for a parallel application of the rules on rent and lease agreements according to which such agreements remain valid when they are recorded in the land register and they are transferred together with the real estate for which they are recorded[3]. The registration of the license results in a limitation of the use of the registered IP rights, also by the bankruptcy administrator, and is privileged in respect of later assignments or later use by the licensor or by third parties. Also, if the license is registered, the bankruptcy administrator is not entitled to assign the licensed IP rights without the license.

With regard to composition proceedings it is however questionable whether the registration of the license does not "survive" and the debtor is permitted to immediately terminate the license agreement according to art. 279a SchKG.

Currently, there are no precedents of the Swiss Supreme Court confirming the Insolvenzfestigkeit/Konkursbeständigkeit of registered IP licenses.

This solution is highly unsatisfactory for licenses granted on non-registrable IP, such as copyright (namely software) and know-how. Licenses on these IP rights are clearly penalised.

e) Would the existence of a pledge of or security interest in the IP rights for the benefit of the licensee affect application of the law in the case of an insolvent licensor?

A pledge or security interest (i) on the contractual rights related to IP rights or on (ii) the IP rights themselves (art. 19 Trademark Act, art. 16 para. 2 Design Act, art. 899 para. 1 Civil Code, *ZGB,* and limited to assignable rights) does secure the preferential rights of the secured creditors (art. 198 SchKG). In this regard, it should be noted that under Swiss law pledges enjoy good faith protection against any third parties only if they are registered. Accordingly, the existence of a pledge on or a security interest in IP rights would secure the rights of a licensee of registrable IP rights, such as trademarks, patents and designs. Still, pledges on copyright works, such as software, and know-how do not enjoy any protection against any third party having no knowledge of such pledges.

Some Swiss authors opine that in respect of IP licenses only the registration of the license itself can be considered as an option to make sure that license rights survive insolvency proceedings[4].

More generally, an application of the rules on rent and lease agreements, according to which the lease passes to the acquirer together with the ownership of the object after concluding the contract the landlord alienates the object or is dispossessed of it in debt collection or bankruptcy proceedings (art. 261

[3] See R. FISCHER, Lizenzverträge im Konkurs, Bern 2008, 254 and Decision of Supreme Court 127 III 276 (for rents).
[4] STAUB/CELLI (n. 2), DesG 17 N 7.

OR) is considered not to apply to IP licenses because of their different requirements of the legal instruments and because art. 261 has a different legislative purpose[5].

f) Is the law limited to or applied differently among certain types of IP rights (e.g., patents versus trademarks or copyrights)? If yes, please explain.

As mentioned in the answers to questions 4 d and e above, in respect of license rights and obligations on non-registrable IP rights such as copyright and know-how there is always the risk that they may be converted into monetary claims at the opening of bankruptcy proceedings.

g) Does the law apply differently to sub-licenses versus "main" licenses?

Swiss law does not make any difference between main and sub-license. However, it is – contrary to Swiss national trademark laws – not possible to register sub-licenses in connection with IR trademarks protected for Switzerland with the WIPO. With regard to IR trademarks protected for Switzerland, there is consequently a difference between licenses and sub-licenses.

h) Does the law apply differently to sole or exclusive licenses versus non-exclusive licenses?

Also, Swiss law does not make any difference between sole or exclusive licenses in bankruptcy proceedings. They are treated equally.

i) Does the law apply differently if the bankrupt party is the licensee versus the licensor?

This issue has already been addressed in the questions above. Generally, the bankruptcy administrator has the right to (partially) maintain the license agreement.

j) Please explain any other pertinent aspects of this law that have not been addressed in the sub-questions above.

None. All relevant issues have been addressed.

5. Would a choice of law provision in an IP license agreement be considered during a bankruptcy or insolvency proceeding in your country? Is this affected by the nationalities of the parties to the IP license or by the physical location of the assets involved?

SchKG, which belongs to Swiss public law, mandatorily applies to all bankruptcy and insolvency proceedings which take place in Switzerland. Moreover, the extent and content of all IP rights protected in Switzerland are ruled by Swiss law only (art. 110 para. 1 International Private Law Act, *IPRG).* As a result, a choice of law in an IP license agreement would not be relevant for the execution of bankruptcy or insolvency proceedings.

6. Would a clause providing the solvent party in an IP license agreement the right to terminate or alter an IP license be considered enforceable during a bankruptcy or insolvency proceeding in your country? Would the answer be different if the clause provides for automatic termination as opposed to an optional right to terminate?

A clause providing the solvent party in an IP license agreement the right to terminate an IP license is considered to be enforceable. Swiss authors opine that art. 211 SchKG is a non-mandatory procedural provision and does therefore not supersede contractual termination rights.[6] There is, however, no case law so far.

With regard to the right of the solvent party to alter the IP license agreement, the legal situation is different. If the right to alter the IP license agreement is explicitly triggered by the opening of bankruptcy or composition proceedings, older Swiss case law was restrictive regarding such rights. However, newer legal articles are of the opinion that such rights to alter the IP license agreement must be as-

[5] FISCHER (n. 3), 238 et seq.
[6] FISCHER (n. 3), 322 et seq.

sessed on a case-by-case basis. If the respective alteration of the license agreement does not infringe mandatory provisions of the SchKG, in particular art. 197, art. 204 para. 1, and art. 285 et seq., is likely to be permitted[7].

7. Would a clause in an IP license agreement that restricts or prohibits transfer or assignment of the IP license be considered enforceable during a bankruptcy or insolvency proceeding in your country?

Likely, a clause in an IP license agreement restricting or prohibiting transfer or assignment of the IP license would not be considered enforceable during bankruptcy proceedings taking place in Switzerland. The restriction of the assignment of the IP license would also restrict the assignment of the licensed IP right. Such a contractual regulation would therefore contradict the mandatory applicable provisions of art. 197 and art. 204 para. 1 SchKG, according to which with the opening of the bankruptcy proceedings all seizable assets owned by the debtor fall into the bankrupt estate[8].

8. In the event of a transfer or assignment of an IP license resulting from a bankruptcy or insolvency proceeding, what are the rights and obligations between the transferee and the remaining, original party or parties to the IP license? Does it matter if the insolvent party is a licensor, a licensee, or a sub-licensee?

In the event that IP rights are assigned to a third party during bankruptcy proceedings, the registered IP licenses are transferred to the new owner of the IP rights and licensor without any modification of the contractual rights and obligations. If the IP license is not registered, it cannot be transferred to the new owner and licensor without his consent and will so remain binding, and then converted into a monetary claim, remaining binding for the original parties only.

If the insolvent party is a licensee, the IP license may be maintained in force by the bankruptcy administration and then proposed for assignment to a new licensee. If the licensor does not accept the transfer of the IP license to the new licensee, it will remain bound to the original debtor and its claim will be converted into a monetary claim. These same rules also apply to a sub-licensee.

9. In the event an IP license is terminated during a bankruptcy or insolvency proceeding in your country, would the licensee be able to continue using the underlying IP rights (and if so, are there any limitations on such use)? Does the (former) licensee have a claim to obtaining a new license?

No, the licensee cannot continue to use the underlying IP rights and has no claim to obtain a new license.

However, often, the bankruptcy administrators try to maintain the IP licenses in force and request the payment of the license fees to the bankrupt estate as these fees are liquid assets that can be used for the payment of the bankruptcy costs and for the payment of the other creditors.

10. If IP rights that are jointly owned by two parties have been licensed to a licensee by one or both of the joint owners, and one of the joint owners becomes insolvent, how would the IP license be treated in a bankruptcy or insolvency proceeding in your country? Could the IP license be terminated even if this would result in termination of an agreement between the solvent, joint rights owner and the solvent licensee?

Swiss doctrine opines for a similar application of art. 545 para. 1 cp. 3 OR with the consequence that a joint ownership automatically comes to end when bankruptcy proceedings are opened against one joint owner.[9] Accordingly, the bankruptcy administration is called to liquidate the assets of the debtor. Such a liquidation does not necessarily result in a termination of the IP license agreement if the bankruptcy administration finds a third party becoming co-owner and the creditors agree to such a sale of the debtor's assets.

[7] FISCHER (n. 3), 326 et seq.
[8] FISCHER (n. 3), 321 et seq.
[9] VON BÜREN (n. 2), 392 et seq.

In order to avoid a potential sale to third parties, the original co-owners may contractually agree that in case of bankruptcy the not involved co-owner may take over the entire ownership of IP rights and so avoid the realisation of the co-owned IP rights.[10]

11. Are there non-statutory based steps that licensors and licensees should consider in your country to protect themselves in insolvency scenarios, e.g., the creation of a dedicated IP holding company, creation of a pledge or security interest in the licensed IP for the benefit of the licensee, registration of the license, and/or inclusion of certain transfer or license clauses?

There a several contractual ways to secure the interests of the parties into a IP licenses, among others:

– The registration of the IP licenses or of pledges in the IP registers, where available;

– The creation of a security interest in the IP rights (Sicherungsübereignung) with the grant of a first right of refusal in case of an assignment of the IP rights by the bankruptcy administration;

– The grant of a purchase option for the licensee (to be registered) upon its sole discretion and for reasons for which the licensor is responsible for, these including the opening of bankruptcy proceedings. It is, however, not permissible for the opening of bankruptcy or composition proceedings to be the sole event to trigger the purchase option. The same applies regarding a registered first right of refusal.

– The appointment of an escrow agent for know-how and copyright with the obligation to continue to make available the IP rights in case of a bankruptcy or other impossibility by the licensor.

– The fiduciary transfer of the IP rights that may fall into a bankruptcy estate to another company with the obligation to re-assign them upon request of the original IP owner. It is, however, not permissible for the opening of bankruptcy or composition proceedings to be the sole event to trigger the re-assignment.

– The conditional assignment of the licensed IP rights to the licensee. The parties may stipulate that the licensed IP rights are automatically assigned to the licensee in certain events. However, also in this case it is not permitted that the opening of bankruptcy or composition proceedings are the sole event to trigger the assignment. The assignment must be triggered by events that may occur inside or outside of bankruptcy and composition proceedings and for which the licensor is responsible.

– The creation of an independent IP holding company with no operational activities other than licensing out the IP rights, in order to minimize the risk of insolvency proceedings.

All these instruments are available to the parties in an IP license and are generally enforceable and not contestable provided that their enforcement does not favor any creditors of the debtor (actio pauliana, art. 285 et seqq. SchKG).

II. Policy considerations and proposals for improvements to your current system

12. If your country has a registration system for IP licenses, is it considered useful? Is it considered burdensome? Are there aspects of the system that could be improved?

A registration system for IP licenses is very useful in particular in case of the licensor's bankruptcy. However, licenses are very seldom registered.

13. If the law that governs bankruptcy and insolvency proceedings in your country does not address IP rights or IP licenses as distinct from other types of contracts, assets, and property rights, should it do so? If yes, should the law be statutory?

The enactment of art. 211a SchKG this year has improved legal certainty. Additional provisions are not necessary as they can hardly address all issues and constellations within bankruptcy and insolvency proceedings.

[10] D. STAEHELIN, Basler Kommentar, OR 545/546 N 16.

14. With regard to a bankruptcy administrator's ability to adopt, assign, modify, or terminate an IP license under the current law of your country, are there aspects of this law that could or should be improved to limit this ability? Should equitable or public policy considerations be taken into account?

We consider the discretion of the bankruptcy administration to play a major role within bankruptcy proceedings. In a positive sense, it allows a solution tailored to the circumstances of the single case.

15. Are there other changes to the law in your country that you believe would be advisable to protect IP licenses in bankruptcy? If yes, please explain.

The articles 211a und 279a SchKG enacted in 2014 have addressed most legal issues arising out of long-term license agreements.

Nevertheless, we believe that the position of sub-licensees in the bankruptcy proceedings of the sub-licensor should be improved by permitting the same to take the position of the licensee in the license agreement concluded with the main licensor.

III. Proposals for substantive harmonisation

The Groups are invited to put forward proposals for the adoption of harmonised laws in relation to treatment of IP licenses in bankruptcy and insolvency proceedings. More specifically, the Groups are invited to answer the following questions *without* regard to their existing national laws.

16. Is harmonization of laws relating to treatment of IP licensing in bankruptcy and insolvency proceedings desirable?

A harmonization of laws relating to the treatment of IP licensing in bankruptcy and insolvency proceedings is desirable, in particular a solution that allow the survival of IP licenses after the opening of the bankruptcy and insolvency proceedings, specifically if the license covers various jurisdictions.

Also, license agreements should become registrable against international trademarks and designs and such registrations recognized and enforced by the national bankruptcy authorities.

17. Please provide a standard that you consider to be best in each of the following areas:

a) What restrictions, if any, should be placed on a bankruptcy administrator's ability to adopt, assign, modify, or terminate an IP license in the event of bankruptcy of a party to that license? Should these restrictions be statutory?

None, as the discretion of the bankruptcy administrator usually allows to adopt or modify a solution according to the circumstances in the single case.

b) With regard to sub-paragraph 17(a) above, to what degree, if at all, should such restrictions depend upon pre-bankruptcy registration of the IP license?

c) With regard to sub-paragraph 17(a) above, to what degree, if at all, should such restrictions depend upon whether the bankrupt party is the licensor or a licensee?

d) With regard to sub-paragraph 17(a) above, to what degree, if at all, should such restrictions depend upon whether the licensee has a security interest in the underlying IP rights?

e) With regard to sub-paragraph 17(a) above, to what degree, if at all, should such restrictions depend upon whether the license is a sub-license or a "main" license?

f) With regard to sub-paragraph 17(a) above, to what degree, if at all, should such restrictions depend upon whether the license is sole, exclusive or non-exclusive?

g) With regard to sub-paragraph 17(a) above, to what degree, if at all, should such restrictions depend upon the type or types of IP rights that are licensed in the IP license?

h) With regard to sub-paragraph 17(a) above, to what degree, if at all, should such restrictions depend upon equitable or public policy considerations?

i) With regard to sub-paragraph 17(a) above, to what degree, if at all, should such restrictions depend upon the language of the license itself, *e.g.,* a right to terminate upon insolvency or a prohibition against assignment?

j) In the event a bankruptcy or insolvency proceeding in your country involves treatment of an IP license between a domestic entity and a foreign entity, which national bankruptcy laws should be applied? Should this depend on the choice of law clause in the IP license? Should this depend on the physical location of the entities or the assets involved?

With regard to the insolvency procedure, domestic law is applied. However, the license agreement as such is still governed by the law determined by international private law or as chosen by the parties involved provided there are no domestic insolvency rules overriding such provisions. Furthermore, it is not settled whether IP rights registered abroad fall within the scope of a domestic insolvency procedure or if it is necessary to initiate a separate procedure at the place of registration abroad.[11]

18. To the extent not already stated above, please propose any other standards that you believe would be appropriate for harmonization of laws relating to treatment of IP licenses in bankruptcy and insolvency proceedings.

Swiss Group believes that in particular the recognition of the decisions taken with respect of insolvency and bankruptcy proceedings in one country should be recognized in other countries.

Summary

The opening of bankruptcy proceedings is not a reason for immediate termination of license agreements on IP rights belonging to the bankrupt estate of the debtor. Long-term agreements, such as license agreements, remain in force for the contractual term or until the end of the next notice period. However, the bankruptcy administrator can decide to continue to entirely or partly comply with the license obligations of both the licensor and licensee that have fallen into bankruptcy. Moreover, provided that the IP license agreement allows it, the bankruptcy administration can also assign the debtor's contractual rights.

Upon request by the IP owner or the licensee, licenses granted on registered IP rights for Switzerland, namely patents, trademarks and designs, can be registered. In this case, they are assumed to "survive" the bankruptcy proceedings, i.e. they remain valid and are not converted in a monetary claim. Accordingly, in the event that IP rights are assigned to a third party during bankruptcy proceedings, the registered IP licenses are transferred to the new owner of the IP rights and licensor without any modification of the contractual rights and obligations. If the IP license is not registered – as this is the case for licenses on copyright work, which includes software, and on know-how where no registration of such rights is available –, it cannot be transferred to the new owner without his consent and will so remain binding for the original parties only.

A harmonization of national laws relating to the treatment of IP licensing in bankruptcy and insolvency proceedings is desirable, in particular a solution that allow the survival of IP licenses after the opening of the bankruptcy and insolvency proceedings, specifically if the license covers various jurisdictions.

Zusammenfassung

Die Konkurseröffnung stellt keinen Grund für eine sofortige Beendigung eines Lizenzvertrages an IP-Rechten, die zur Konkursmasse gehören, dar. Dauerschuldverhältnisse, u.a. Lizenzvereinbarungen, bleiben in Kraft für die vereinbarte Vertragsdauer oder bis zum nächsten Kündigungstermin. Nichtdestotrotz kann der Konkursverwalter entscheiden, die Lizenzverpflichtungen des Konkursiten, sei dieser Lizenzgeber oder Lizenznehmer, weiter zu erfüllen. Darüber hinaus, und soweit der Lizenzvertrag dies erlaubt, kann der Konkursverwalter die vertraglichen Rechte des Konkursiten an Dritte übertragen.

Auf Verlangen des Inhabers der IP-Rechte oder des Lizenznehmers können Lizenzen an registrierten IP-Rechten (Marken, Patente und Designs) im schweizerischen Register eingetragen werden. In die-

[11] L. DAVID, SIWR I/2, 3. Aufl., Basel 2011, 301 f.

sem Fall werden die Lizenzen konkursbeständig, d.h., sie bleiben trotz Konkurseröffnung rechtsgültig und werden nicht in eine Geldforderung umgewandelt. Demzufolge und für den Fall, dass die IP-Rechte an Dritte übertragen werden, bleiben die eingetragenen IP-Lizenzen unverändert und werden zusammen mit den IP-Rechten übertragen. Ist dagegen die IP-Lizenz nicht eingetragen – wie dies bspw. der Fall bei Lizenzen an Werken, inkl. Software, und Know-how der Fall ist –, kann diese nicht ohne dessen ausdrückliche Zustimmung auf den neuen Inhaber übertragen werden und bleibt so zwischen den ursprünglichen Parteien bestehen.

Eine Harmonisierung der nationalen Gesetzgebungen zur Regelung der IP-Lizenzrechte in Konkurs- und Insolvenzverfahren ist wünschenswert, insbesondere wenn sie die Konkurs- und Insolvenzbeständigkeit von Lizenzvereinbarungen ermöglichen, welche Gültigkeit in mehreren Ländern haben.

Résumé

L'ouverture de la faillite ne conduit pas à la terminaison immédiate des contrats de licence sur des droits de PI qui appartiennent à la masse en faillite. Les contrats de durée, comme les contrats de licence, restent en force jusqu'au terme de résiliation du contrat le plus proche ou jusqu'à sa date d'expiration. Cela étant, l'administration de la faillite peut se charger de l'effectuer en nature à la place du débiteur, donneur ou preneur de licence. En outre, si le contrat de licence le permet, l'administration de la faillite peut transférer les droits contractuels du débiteur en faillite à des tiers.

Sur requête du titulaire des droits de PI ou du preneur de licence, les licences sur des droits de PI enregistrés (marques, brevets et designs) peuvent être inscrites aux registres. Dans ce cas les licences survivent l'ouverture de la faillite, c'est-à-dire qu'elles restent valables et ne sont pas transformées en créances pour une somme d'argent. Par conséquent, dans le cas où les droits de PI sont transférés à des tiers, les droits de licence enregistrés demeurent inaltérés et sont transférés avec les droits de PI. Si, par contre, la licence de PI n'est pas enregistrée – tel que c'est le cas pour des droits d'auteurs sur œuvres et sur software, ainsi que pour les droits de know-how – elle n'est pas transférée au nouveau titulaire des droits, si celui-ci n'a pas donné son accord explicite, et elle lie les partenaires contractuels originaux.

Une harmonisation des législations nationales touchant aux droits de licence de PI dans des procédures d'insolvabilité et de faillite est souhaitable, en particulier si elle permet de maintenir la validité des contrats de licence qui touchent à une pluralité de pays.