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Securing and collecting intellectual property collateral[1]

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Intellectual property has become a salient, yet confusing, asset in national and global business and financing.[2] Even within the United States, even limited to intra-state transactions, securing intellectual property collateral is often forgotten, while both securing and collecting intellectual property are often misunderstood, and misapplied.

The now ubiquitous Internet complicates legal analyses by often unintentionally exporting commercial activities, importing liabilities to foreign venues, and raising jurisdictional issues. Creditors, debtors, plaintiffs, defendants, and their attorneys need to be able to identify intellectual property, to secure it, to perfect the security interest, and to collect the intangible collateral. Effective asset securitization and collection typically requires the expertise of both collection and intellectual property attorneys.

Security interests

A security interest is a legally recognized interest in real or personal property which secures payment or performance of an obligation. The Uniform Commercial Code (UCC) generally governs consensual security interests in personal property and fixtures.[3] Illinois codifies the UCC at 810 ILCS 5/. Security interests that arise by operation of law include judgment liens and statutory liens.

Security interest creation is governed by state law.[4] "Except as otherwise provided in Subsection (c) and (d), this Article applies to: (1) a transaction, regardless of its form, that creates a security interest in personal property or fixtures by contract…"The UCC defines "general intangibles" as "any personal property, including things in action, other than accounts, chattel paper, commercial tort claims, deposit accounts, documents, goods, instruments, investment property, letter of credit rights, money and oil, gas, or other minerals before extraction. The term includes payment intangibles and software."[5] The official comment to UCC 9-102 gives "intellectual property" as an example of a general intangible.

States have enacted statutory liens to promote commerce in potentially vulnerable transactions: attorneys, commercial real estate brokers, health care services, horseshoers, innkeepers, laborers, mechanics, miners, oil and gas workers, stallion and jack service providers, tool and die users have had statutory liens enacted in Illinois. Recipients of court awarded money judgments, court costs, or attorney fees have liens against their judgment debtors.[6]

Securitization of security interests has three phases: creation/attachment, perfection, and enforcement/release. Consensual security interests are typically created when a debtor signs a loan or other financing document. A security interest "attaches" to collateral when it becomes enforceable against the debtor with respect to the collateral, unless an agreement expressly postpones the time of attachment.[7]

For a security interest to be "enforceable" against the debtor and third parties with respect to the collateral, the debtor must, inter alia, authenticate a security agreement that provides a description of the collateral.[8] From a limited security perspective, including "general intangibles" may suffice; from a practical perfection and collection perspective, identification of the particular trademarks, copyrights, and inventions/patents is at least prudent and often required. Identification of these intellectual properties is easier and errors reduced if they are federally registered.

Perfection of a security interest generally makes it effective against third parties and bankruptcy claims. Excluding auto-perfecting security interests, perfection provides public notice of a security interest, warning later potential lenders of pre-existing debt. As a general rule, a financing statement must be filed to prefect security interests.[9] Where, and when, a security interest must be filed depends on the type of collateral.[10] Generally filings are made with the Secretary of State and with the county clerk where the debtor resides, transacts business, and/or where the collateral is located. For some assets, federal law preempts (see below).

Distressed debtors often have multiple creditors and insufficient assets. A

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creditor wants priority over other creditors. Early perfection of a security interest provides priority over most latecomers.[11]

Intellectual property

Property can be seen as one's exclusive right to possess, use, and dispose of a thing; an aggregate of rights which are guaranteed and protected by the government.[12] The origins of private property predate the Constitution and Magna Carta. Traditional property perspectives begin with the British feudal tenures, but for contemporary practical purposes the Rule Against Perpetuities is rarely invoked. A few decades ago, air and often water were considered free goods. With increasing ecological consciousness and legislation, not only did clean air develop property attributes, but pollution rights became tradable assets.[13]

Property rights, and resolution of competing property claims, are defined for intellectual property by law, including the US Constitution, the Lanham Act for trademarks,[14] the Copyright Act,[15] the Patent Act,[16] the Uniform Commercial Code (UCC),[17] the Bankruptcy Act,[18] state law, and court cases. Our copyright and patent laws are founded on the Constitutional provision: "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."[19]

To secure and collect an asset it must be recognized. Real estate, the bedrock of property law and secured mortgages, is tangible and fixed. Automobiles, albeit mobile, have well developed financing procedures. But many people, media reports, and attorneys confuse trademarks, patents, and copyrights, the basic intellectual property tryptic.[20] Additional intellectual property may be found in trade secrets, contracts, Internet domain registrations, regulatory licenses, and other areas.[21] Most intellectual property can exist without an explicit federal grant; early federal registration generally provides advantages to creditor and debtor.

Copyright

A copyright gives its owner the exclusive right, subject to fair use[22] and other exceptions to reproduce, distribute, perform, display, and make derivatives of the work.[23] Most businesses own copyrights in their recent advertising, catalogs, and Internet Web sites. For some industries—entertainment, software, and Internet—copyrighted works may be their principal asset. Works of "visual art"[24] have additional rights.[25]

Copyright protection does not extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in a copyrighted work.[26] These may be protected by patent or trade secret law. Short phrases and slogans are not copyrightable, but may be protected as trademarks.

Copyright in a work vests initially in the author(s) of that work.[27] "Author" is a copyright term of art. Under some limited conditions, the employer or person for whom the work was prepared is considered the author, unless expressly otherwise agreed in a signed writing.[28] Calling a work one for hire does not make it one, nor make a company the owner.

A "work made for hire" is 1) prepared by an employee within employment scope; or 2) a) commissioned as contribution to collective work, b) audiovisual work, c) translation, d) supplementary work, e) compilation, f) instructional test, g) test, h) answer material for test, i) atlas, if the parties expressly agree in signed writing, before the creation of the work.[29] Many of these terms are defined by the Copyright Act; "employee" is addressed by the Supreme Court, but is not bright-line defined, but rather determined under the common law of agency.[30]

Original works of authorship fixed in any tangible means of expression may be subject to copyright.[31] Copyright vests when "pen lifts from paper." Unlike the earlier 1909 Copyright Act, the current 1976 Copyright Act, effective 1978, requires no formality to create copyright ownership. However, copyright notice can still be helpful.[32] Moreover, copyright registration is generally a prerequisite for filing a copyright infringement suit,[33] for statutory damages, and for receiving attorney fees.[34]

Copyright duration depends on the date of creation, date of publication, jurisdiction of publication,[35] nationality of author, human authorship, and future acts of congress. Currently for works governed by the 1976 Copyright Act, copyright endures for the life of the human author plus 70 years, or for juristic entities the lesser of publication plus 95 years or creation plus 120 years, unless earlier dedicated to the public domain.[36]

Transfer of copyright ownership, other than by operation of law, requires a signed writing.[37] Copyright transfers involving Sections 204 or 304 of the Copyright Act can be especially complex, especially when death, will, and/or bankruptcy are involved.[38]

Trademarks

A trademark provides distinctive indication of the source of a good or service.[39] In the United States, trademark rights are based on use, federal registration provides additional procedural and substantive advantages.[40] States may also register trademarks, generally requiring use within the state and lack of confusingly similarity to other trademarks registered in that state.[41]

Federal registration and many states' registration are denied to "immoral, deceptive, or scandalous matter"; matter "disparaging or falsely suggesting a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute; false geographic indications for wines and spirits; the flag or coat of arms or other insignia of the United States, of any State or municipality, or any foreign nation, or any simulation thereof.[42] A trademark that consists of or comprises a name, portrait, or signature identifying a particular living individual requires his or her written consent; that of a deceased President of the United States requires, during her or his life, the written consent of the widow.[43]

Descriptive, geographic, and primarily surname trademarks may be registered after they have become distinctive, with a "secondary meaning" indicating the source of the good or service.[44] Functional matter may not be a trademark.[45]

In addition to general trademark principles, Congress has granted special trademark-like protection for labor unions, Olympic symbols, the Red Cross, Smokey the Bear, Native Indian Tribes Official Insignia, and diverse other symbols.[46]

One may apply to the United States Patent and Trademark Office (PTO) for a federal registration of an unused trademark for which the applicant has a good faith intent to use (ITU). If the registration is granted, priority rights for intent to use applications begin with the federal filing date. However, assignment of a trademark before its use has been declared to the US Trademark Office may invalidate the federal trademark application, losing the federal ITU filing date priority.[47] However, common law trademark rights may persist.

Trademark rights may be deem aban-

doned if there is nonuse of the trademark for the relevant goods and services with intent not to resume use. After three years of nonuse, the burden shifts to the trademark owner to prove non-abandonment. In this equitable evaluation of abandonment, there is tolerance for bankruptcy, reorganization, and the like.[48]

In the United States and many foreign jurisdictions, a trademark may not be assigned by itself, "in gross," but must be accompanied with the associated "goodwill." The assignee of a trademark assignment in gross receives no valid trademark; ;the assignor of a trademark in gross may thereby abandon the trademark. Thus secured parties who are not in the business of their trademark collateral need to pay particular attention to not destroying the asset they seek to collect.

Patents

The inventor of a novel, non-obvious process, machine, manufacture, composition of matter, or new and useful improvement thereof, may be granted a patent if the application is filed without one year of the first public use or description of the invention in a printed publication, and other statutory conditions are met.[49] Patents are also available for plant inventions and designs.[50]

The employer of an inventor employee may have a non-exclusive, non-transferable, royalty-free right to make, use, and sell the employee's invention in the normal scope of the employer's business. To protect employees against inequitable employment contracts, some stares have limited the traditional shop right.[51]

Patent applications are generally expensive, especially compared with copyrights and trademarks.[52]

The United States currently grants patent rights to the first to invent; many foreign jurisdictions grant patent rights to the first to file. Moreover, some foreign jurisdictions prohibit patent applications filed after any commercialization or public description; the United States permits an application within one year.

Patent rights are territorial.[53] Patent applications not filed within the national deadlines will not yield patent grants. Although the Patent Cooperation Treaty[54] provides a lower cost means to extend some deadlines, prompt PCT filings and decisions must still be made.

Because of these often absolute deadlines, a secured party seeking to collect collateral needs to quickly determine whether inventions, patent applications, or issued patents are involved.

Internet domains

E-mail and Web sites depend upon Internet domain names. Internet registrars issue alphanumeric domain names that are unique within a top level domain. Common top level domains are com, net, org, edu, and gov. Newer top level domains are aero, biz, info, jobs, mobi, museum, name, pro and travel.[55] There are also top level domain country codes—us for United States, ca for Canada, eu for European Union, tv for Tuvalu—administered by the Internet Assigned Numbers Authority.[56] The Internet Corporation for Assigned Names and Numbers is responsible for the global coordination of the Internet's system of unique identifiers.[57]

One can buy a license to use an available Internet domain registration from an Internet domain registrar, such as Godaddy, Network Solutions, Yahoo, and many others. One's domain registrar may be in any nation (subject to local laws at each side).

A domain registrant does not own the registration. Akin to telephone numbers, which may have their area codes changed when deemed desirable by phone authorities, and street addresses which may change names and numbers when local authorities deem it desirable, a registrant's rights to a licensed Internet domain name are limited.

A domain registration provides no exemption to trademark infringement claims.[58] Domain registrations are generally granted without evaluation of infringement issues. Such evaluation would be difficult, since domain names are issued generally without knowledge of the goods and services, if any, to be marketed under the domain name and without restriction of the jurisdictional location of viewers of the domain's Web site or of recipients of the domain's e-mail.

Internet domain registrars grant registrants a time-limited license to use a particular domain name under explicit terms and conditions.[59] Although few registrants may read their agreements, their terms typically will be enforced. Typically, registrants warrant they are providing true, current, complete, and accurate information; agree to update contact information as needed for accuracy; agree they will not directly or indirectly infringe the legal rights of third parties. Registrants also agree to an ICANN, generally, domain name dispute policy.[60]

Many businesses hire a Web designer to build the Web site and obtain the domain registration for the Web site. Often the designer obtains the registration in his or her own name, not in the name of the business. This often occurs with computer-oriented employees. Until internet domain registrations are as familiar as automobile titles and house mortgages, business-advising attorneys and creditors should determine the registrant for business Internet assets.[61]

Ownership

Effective securitization and collection of intellectual property requires attention to many details, including ownership, both legal and equitable. Ownership of an asset may be simple, joint, contingent, vested, community (generally in western states), or in other forms, the involved entities may be natural persons, minors, partnership, corporate entity, parent/subsidiary, or public domain. Often heirship, successors, and other probate matters intrude into the collection process.

Ownership adds complexities. Trademark law disfavors multiple owners. Joint owners aren't always fair to each other. Joint owners of intellectual property may keep profits without sharing, may grant licenses disadvantaging other joint owners. Generally, if all ownership interests are not secured, the secured collateral is less valuable.

Value-based organizations may wish early to plan for financial instability, to prevent their intellectual property from being transferred to ideological rivals.[62]

Perfecting intellectual property security interests

The UCC does not apply to the extent that a statute, regulation, or treaty of the United States preempts the article.[63] Federal recordation of security interests in federally registered trademarks is possible but does not pre-empt state security interest perfection requirements.[64] Federally registered copyrights do pre-empt.[65] However, unregistered copyrights cannot readily be recorded with the Copyright Office. Patents have historically pre-empted, but a recent Ninth Circuit case found no pre-emption, so that recording the UCC-1 with the California Secretary of State perfected the security interest.[66] Whether Cybernetics is supported by other districts or overruled in the Ninth Circuit remains to be seen.

Many security interests are filed locally, at the county clerk or state level; relatively fewer security interests are filed at the federal level.[67] Practically,

many lenders do not check federal copyright, trademark, and patent registries. However, because of the variety of venue-perfection disputes that may arise and the inherent uncertainty in this evolving area of law, dual recording of intellectual property security interests—under both the state-UCC system and the federal intellectual property registers—is recommended for intellectual property collateral of non-negligible value.

The law for securing Internet domain names is undeveloped and uncertain. Some analogous precedent may be found in cases transferring telephone numbers. In rem civil actions and the Anticybersquatting Consumer Protection Act provide useful tools in limited circumstances.

Federally registered copyrights may be recorded with the US Copyright Office using Form SI as a cover sheet. Required information includes: the first party name given in the document, the first title given in the document, the total number of titles in the document, the filing fee, whether the document is complete by its own terms or should be recorded "as is," and certification the copy submitted is a true and correct copy of the original document executed.

Federally registered trademarks may be recorded with the PTO using Form PTO-1594 as a cover sheet. Required information includes: name, entity type, and citizenship of the conveying party(ies) and receiving party(ies), the nature of the conveyance and execution date, the federal registration or application numbers of the trademarks, and the contact information for correspondence concerning the document. Patents may be recorded with the PTO using Form PTO-1595 and providing parallel information to that required for trademarks.

Federal recordal fees are $95 plus $25 for each group of 10 or fewer copyright titles; $40 for the first and $25 per each subsequent trademark in the same document; and $40 per each patent property to be recorded. Government fees change by Congressional law and the consumer price index.[68] The importance of priority and proper perfection manifests in diverse court cases.[69]

Debtor's dance

Properly securing and perfecting intellectual property assets is a necessary but insufficient prerequisite to intangible asset protection. The assets must also be collected.[70] There are several stages in the evolving relationship between a non-compliant debtor and the creditor. The major stages for a wily intellectual property infringer may include: infringement, judgment, judgment liens, UCC and federal perfection, appeal, appeal bond, award of attorney fees, collection, bankruptcy, stay from relief, Chapter 13, Chapter 7, settlement discussions, auction, and debtor discharge.

Judgment from a willful infringement may not be discharged in bankruptcy.[71] Despite the special federal protections for retirement assets,[72] crime victims may garnish criminal defendant's retirement funds to enforce restitution orders under Mandatory Victims Restitution Act of 1966, 18 USC §3663A.[73] The cautious creditor will also consider fraudulent transfer laws.[74]

To perfect a judicial lien in Illinois the certified abstract of judgment must be recorded; the lien may last 20 years. Liens against real estate should generally be filed in the county of the real estate; liens against personal property generally with the Secretary of State.

A debtor's lien may be created by service of a citation to discover assets. Third party citations broaden the creditor reach for information and debtor assets.[75] Supplemental process may be required to reach other assets. Throughout the creditor-collection process, due dates need to be monitored. Patents may need maintenance fees paid, trademark may need use declarations and renewals, liens may terminate and need refreshing.

Foreign jurisdictions

Much, but not all, commercial activity and asset location may be intrastate. Securitization and prioritization that is not federally pre-empted is governed in the United States by each separate state. While the UCC has been enacted generally the same in most states, each state has its own significant differences. Since many businesses have assets in other states, and intellectual property infringers may be in any jurisdiction, attending to local practices well before final judgment is prudent.

As an example, as of Spring 2006,[76] state exemptions for real estate varied from $1,500 in Puerto Rico to $15,000 in Illinois to $200,000 in New York, to $500,000 in Massachusetts to unlimited in Florida. Exemptions for tools of one's trade varied from $750 in Illinois to $15,000 in Delaware. Wild card exemptions varied from zero to $100 in Iowa to $2,000 in Illinois to $9,650 in Wisconsin.

Defendants and assets based outside the United States require different procedures and local expertise. Securing assets on ships and airplanes, on deep sea oil platforms, on space satellites may require attending to admiralty law.[77]

Bankruptcy overview

Your debtor may choose voluntary bankruptcy or may be forced by creditors into involuntary bankruptcy. Although bankruptcy rules closely follow the Federal Rules of Civil Procedure, there are important differences. The petitioning debtor asserts it is insolvent; many bankruptcy procedures therefore shift costs and burdens to creditors. Although a frivolous lawsuit may compensate a prevailing plaintiff with reasonable attorney fees, a prevailing creditor is unlikely to obtain compensation for debtor's dilatory, evasive, or perjurous conduct.

Of the many debtor defenses, three suggest special attention. While a debtor is entitled to some state-specific exemptions, arithmetic and valuations suggest creditor review. A business may seek reorganization under Chapter 13, and depending on the amount of secured and unsecured debt, may be entitled to "cram down" the creditor's secured lien. Bankruptcy is an equity proceeding. A bankrupt's filings are to be honest and truthful; willful false statement may lose debtor bankruptcy preferences.

Prudently collecting intellectual property collateral requires intellectual property counsel to identify and value IP assets, bankruptcy counsel to predict debtor actions and creditor costs, and for both professionals to collaborate in an integrated plan confirmed by creditor. Both IP and bankruptcy counsel should remember that their familiar terms of art and code sections are likely unknown and not understood by colleague counsel. Clear outline of options, procedures, authorities, costs, and deadlines will help each counsel understand the other.

One early decision is whether collection is to be sought through federal or state court. When the underlying judgment lien is a federal case, one may continue in federal court or seek relief in state court.

Executory intellectual property contracts need special attention in bankruptcy.[78] Unless accepted by the bankruptcy trustee, executory IP contracts are deemed rejected. While the opportunity to renegotiate an IP license with the same or new parties may increase debtor's estate, it may also threaten previously assumed arrangements. For

example, a trademark consent with a continuing duty to monitor use and infringement may be rejected, evaporating the assumed consent of a inattentive third party.

There are several stages where a creditor may gain some or all of debtor's secured assets. A creditor may seek to enforce a perfected senior lien; debtor may seek a stay. Settlement negotiations typically continue after IP litigation into collection matters with the debtor in possession or the bankruptcy estate trustee. If there is notice to other lien-holders and statutory requirements are met, transfer of an asset—by creditor offer or auction—from a bankruptcy estate may yield a "free and clear" title.[79] Other settlement agreements may not yield "free and clear" title, but can complete a desired transfer more certainly.

Taxes and interest

Taxes need consideration in IP collection, as in most financial activities. If a capital asset is acquired, capital gains taxes appear; if a royalty stream is acquired, income taxes appear. If the secured creditor is not in the debtor's business, creditor may wish to resell its newly acquired collateral. However, capital gains taxes are currently higher for assets sold within one year of acquisition. The immediate and longer term tax and cash consequences need to be considered in rationally structuring settlement negotiations.

To reduce paperwork and assignment recordation, transfer of a secured asset from debtor's estate may more efficiently be ordered by the Court to "creditor or its designee," with the final bill of sale made to the designee. This permits creditor to negotiate with potential buyers without delaying court proceeding.

Standard loan agreements and court judgments may include interest. Federal[80] and state[81] statutory interest rates typically differ. In calculating creditor's secured amount, remember to properly consider allowed interest.

Conclusion

Recognizing securing, and perfecting intellectual property assets is rarely a trivial task. For more than trivial collateral, collaboration among intellectual property and collection counsel is recommended, as well attention to both federal and state recording systems.

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1. Developed from the author's presentations, Security Interests in Non-Traditional Collateral—Intellectual Property and the Internet. Banking Law Seminar. Illinois State Bar Association, Commercial, Banking, and Bankruptcy Law Section. Springfield and Rockford IL, April 2007. The author appreciates the assistance of collection/bankruptcy attorneys: CT Eugene Melchionne <melchionne@mac.com>, CA Alex Cornelius <aicornelius@costell-law.com>, CA David Cook <www.cookcollectionattorneys.com>, GA Alex Hait <legaljacket@mac.com>, IL Joseph Chamley <jchamley@efbclaw.com>, MA David Baker <dgb137@mac.com>, MI Steve Sowell <stevesowell@earthlink.net>, NY Damon Maher <dmaher@levydavis.com, SC Nathan Davis <nathan@davislawsc.com>, SC Sheryl Schelin <sasisk@mac.com>.

2. New Board Resolution Addresses Recordals of Trademark Security Interests, INTA Bulletin 6, 1Jun2007. Sears finds Security: Trademarks back $1.8 billion bonds, IP Law & Business 12, June 2007. Bankruptcy practice is gaining respectability within the legal profession. Breaking Tradition While Embracing Bankruptcy Law, New York Times C5, 3Aug07.

3. 810 ILCS 5/1-201 (37).

4. 810 ILCS 5/9-109(a)(1).

5. Id at 9-102 (42).

6. Attorneys Lien Act, 770 ILCS 5/; commercial Real Estate Broker Lien Act 770 ILCS 15/; Health Care Services Lien Act 770 ILCS 23/; Horseshoers Lien Act 770 ILCS 30/; Innkeepers Lien Act 770 ILCS 40/; Labor and Storage Lien Act &&) ILCS 45/; Labor and Storage Lien (Small Amount) Act 770 ILCS 50/; Liens Against Railroads Act 770 ILCS 55/; Mechanics Lien Act 770 ILCS 60/; Miners Lien Act 770 ILCS 65/; Oil and Gas Lien Act of 1989 770 ILCS 70/; Stallion and Jack Service Lien Act 770 ILCS 100/; Tool and Die Lien Act 770 ILCS 105/; Uniform Federal Lien Registration Act 770 ILCS 100.

7. 810 ILCS 5/9-203(b).

8. 810 ILCS 5/9-203.

9. 810 ILCS 5/9-310 (a), there are various exceptions.

10. 810 ILCS 5/9-501.

11. Some security interests are automatically perfected, such as a purchase money security interest in consumer goods. Some security interests are perfected by the creditor taking possession of the collateral, 9-305. Often the security agreement or UCC-1 must be filed in the appropriate county or state office. While farm products are located in a jurisdiction, the local law of that jurisdiction governs perfection and priority of an agricultural lien on the farm products. 810 ILCS 5/9-302.

12. For a broad perspective on property and the cost of rights, see Stephen Holmes & Cass R Sunstein, The Cost of Rights: Why Liberty Depends on Taxes. Norton, 1999.

13. Emissions trading (or cap and trade) is an administrative approach used to control pollution by providing economic incentives for achieving reductions in the emissions of pollutants. The development of a carbon project that provides a reduction in Greenhouse Gas emissions is a way by which participating entities may generate tradable carbon credits. Kyoto Protocol provides for this facet of its cap and trade program with the Clean Development Mechanism (CDM). Emissions trading, Wikipedia, 1July07.

14. 15 USC 1051.

15. 17 USC 101.

16. 35 USC 1.

17. 810 ILCS 5/ for Illinois.

18. 11 USC 101 et seq and Federal Rules of Bankruptcy Procedure

19. Const. I, 8, 8.

20. Classic IP treatises include McCarthy, J Thomas. McCarthy on Trademarks and Unfair Competition, 4th edn. West; Gilson, Jerome & Anne Gilson LaLonde. Trademark Protection and Practice. Lexis-Matthew Bender; Nimmer, Melville B and David Nimmer. Nimmer on Copyright. LexisNexis. Chisum, Donald S. Chisum on Patents. LexisNexis. Major organizations are International Trademark Association (INTA), <www.inta.org>; Copyright Society of the USA, <www.cuusa.org>; and American Intellectual Property Law Association, <www.aipla.org>. Government agencies, US Patent and Trademark Office, <www.uspto.gov>; Copyright Office, <www.copyright.gov>.

21. Nautical businesses may attend to vellel hull protection, 17 USC 1301; users of semiconductors to mask works, the physical design of integrated circuits, 17 USC 901.

22. 17 USC §107; also First Amendment.

23. Subject to sections 107 through 121, the owner of a copyright under this title has the exclusive rights to do and to authorize any of the following: 1) to reproduce the copyrighted work in copies or phonorecords; 2) to prepare derivative works based upon the copyrighted work; 3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending; 4) in the case of literary, musical, dramatic, and choreographic works, pantomines, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; 5) in the case of literary, musical, dramatic, and choreographic works, pantomines, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and 6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission. 17 USC §106.

24. A "work of visual art" is — (1) a painting, drawing, print or sculpture, existing in a single copy, in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author, or, in the case of a sculpture, in multiple cast, carved, or fabricated sculptures of 200 or fewer that are consecutively numbered by the author and bear the signature or other identifying mark of the author; or (2) a still photographic image produced for exhibition purposes only, existing in a single copy that is signed by the author, or in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author. A work of visual art does not include—(A)(i) any poster, map, globe, chart, technical drawing, diagram, model, applied art, motion picture or other audiovisual work, book, magazine, newspaper, periodical, data base, electronic information service, elec-

tronic publication, or similar publication; (ii) any merchandising item or advertising, promotional, descriptive, covering, or packaging material or container; (iii) any portion or part of any item described in clause (i) or (ii); (B) any work made for hire; or (C) any work not subject to copyright protection under this title. 17 USC §101.

25. 17 USC 106A. Rights of certain authors to attribution and integrity.

26. 17 USC §102(b).

27. 17 USC §201(a).

28. 17 USC §201(b).

29. 17 USC §101. (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. For the purpose of the foregoing sentence, a "supplementary work" is a work prepared for a publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes; and an "instructional text" is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities. 17 USC § 101.

30. *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989).

31. 17 USC §102.

32. 17 USC §§401 et seq.

33. 17 USC §411.

34. 17 USC §412.

35. "Publication" is the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute publication.

To perform or display a work "publicly" means —

(1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or

(2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

36. Eg. Creative Commons, <creativecommons.org>, and the Open Source initiative, <www.opensource.org>.

37. A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent. 17 USC §204(a).

38. *Fred Ahlert Music v. Warner/Chappell*, 155 F3d 17, (2d Cir. 1998); *Larry Spier, Inc. v. Bourne Co.*, 953 F2d 774, (2d Cir. 1992); *Mills Music v. Snyder*, 469 US 153 (US 1985); *Woods v. Bourne Co.*, 60 F3d 978 (2d Cir. 1995).

39. The term "trademark" includes any word, name, symbol, or device, or any combination thereof—(1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

The term "service mark" means any word, name, symbol, or device, or any combination thereof—(1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act, to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown. Titles, character names, and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor. 15 USC § 1127 (§45).

40. In many foreign jurisdictions, trademark rights are based on registration, not use, and registration priority prevails over most unregistered uses. "Famous" trademarks may receive extra protection. In the United States,: In determining whether a mark is distinctive and famous [for dilution], a court may consider factors such as, but not limited to—(A) the degree of inherent or acquired distinctiveness of the mark; (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (C) the duration and extent of advertising and publicity of the mark; (D) the geographical extent of the trading area in which the mark is used; (E) the channels of trade for the goods or services with which the mark is used; (F) the degree of recognition of the mark in the trading areas and channels of trade used by the mark's owner and the person against whom the injunction is sought; (G) the nature and extent of use of the same or similar marks by third parties; and (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register. 15 USC ∞ 43(c)(1). Also see Paris Convention (1967) Article 6 bis.

41. Trademark Registration and Protection Act, 765 ILCS 1036. A mark…shall not be registered if it…consists of or comprises a mark which so resembles a mark registered

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in this State of a mark of tradename previously used by another and not abandoned, as to be likely, when used on or in connection with the goods or services of the applicant, to cause confusion or mistake or to deceive. 765 ILCS 1036/10 (f).

42. 15 USC §1052; 765 ILCS 1036/10.

43. 15 USC ∞ 1052 (a)-(c).

44. 15 USC ∞ 1052(d) [§2(e)].

45. 15 USC § 1052(e)(5).

46. Cf. Kegan, Daniel. Brand Extension—Popular and Perilous: American Red Cross Expansion Invokes Laches, 47 Illinois State Bar Association Intellectual Property, #1, p 4, Sept 2007.

47. 15 USC §1060; *Clorox v. Chemical Bank*, 40 USPQ2d 1098 (TTAB 1996).

48. *Sands, Taylor and Wood v. Quaker Oats Co*, 24 USPQ2d 1001 (7th Cir. 1992) (Thirst-Aid); cf *Silverman v. CBS, Inc*, 870 F2d 40 (2nd Cir. 1989) (Amos n Andy).

49. 35 USC §§ 101-103.

50. Plants 35 USC §161 et seq; Designs 35 USC § 171; Design patents last for 14 years are have no required maintenance fees.

51. Employee rights to inventions—conditions). (1) A provision in an employment agreement which provides that an employee shall assign or offer to assign any of the employee's rights in an invention to the employer does not apply to an invention for which no equipment, supplies, facilities, or trade secret information of the employer was used and which was developed entirely on the employee's own time, unless (a) the invention relates (i) to the business of the employer, or (ii) to the employer's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by the employee for the employer. Any provision which purports to apply to such an invention is to that extent against the public policy of this State and is to that extent void and unenforceable. The employee shall bear the burden of proof in establishing that his invention qualifies under this subsection.

(2) An employer shall not require a provision made void and unenforceable by subsection (1) of this Section as a condition of employment or continuing employment. This Act shall not preempt existing common law applicable to any shop rights of employers with respect to employees who have not signed an employment agreement.

(3) If an employment agreement entered into after January 1, 1984, contains a provision requiring the employee to assign any of the employee's rights in any invention to the employer, the employer must also, at the time the agreement is made, provide a written notification to the employee that the agreement does not apply to an invention for which no equipment, supplies, facility, or trade secret information of the employer was used and which was developed entirely on the employee's own time, unless (a) the invention relates (i) to the business of the employer, or (ii) to the employer's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by the employee for the employer. Employee Patent Act, 765 ILCS 1060.

52. Current US government copyright electronic application fees are $35 per work; US trademark electronic filing fee for one trademark class is about $350; legal service and government fees for a simple US patent application easily range from $5,000 upwards; foreign patent applications typically require translation costs, additional government fees, and local patent agent fees. An articulate, analytic inventor may reduce some of the costs by initial drafts of the patent application and prompt response to his attorney's inquiries. Nolo Press's Patent It Yourself, gives helpful guidance, but review and prosecution by a legal professional is usually advised.

53. 35 USC 271(f); Microsoft v. AT&T, (US, 05-1056 2007).

54. World Intellectual Property Organization (WIPO), <www.wipo.int/pct/en/texts/articles/atoc.htm>; Wikipedia, <en.wikipedia.org/wiki/Patent_Cooperation_Treaty>.

55. <www.icann.org/registrars/accredited-list.html> 1July2007.

56. <en.wikipedia.org/wiki/Internet_Assigned_Numbers_Authority> 1July2007.

57. <www.icann.org> 1July2007.

58. Eg, *Ty Inc v. O.Z.* Names, WIPO D2000--370 (ty.org & beanybaby.com), <www.wipo.int/amc/en/domains/decisions/html/2000/d2000-0370.html> 1July2007; Ty, Inc. v. Perryman (7th Cir 2002) (02-1771).

59. Eg <www.godaddy.com/gdshop/legal_agreements/show_doc.asp?pageid=REG%5FSA> for GoDaddy, <www.networksolutions.com/legal/static-service-agreement.jsp#domains> for Network Solutions, 1July2007.

60. <www.networksolutions.com/legal/dispute-policy.jsp> 1July 2007.

61. WhoIs is a widely used protocol for querying a database to determine the registrant of a domain name. WhoIs lookups are available at many Web sites, including <www.internic.net/whois.html>, <www.arin.net/whois>, <www.networksolutions.com/whois/index.jsp>, and <whois.nic.mil> (requires a Department of Defense Common Access Card originating from a .mil address for site entry), and the Apple Macintosh application, Network Utility. <en.wikipedia.org/wiki/Whois> 1July2007.

62. *In re Cult Awareness Network Inc.*, 47 USPQ2d 1631 (7th Cir. 1998) (Bankruptcy debtor lacks standing to object to trademark sale to ideological rival).

63. This Article does not apply to the extent that: (1) a statute, regulation, or treaty of the United States preempts this Article; (2) another statute of this State expressly governs the creation, perfection, priority, or enforcement of a security interest created by this State or a governmental unit of this State; (3) a statute of another State, a foreign country, or a governmental unit of another State or a foreign country, other than a statute generally applicable to security interests, expressly governs creation, perfection, priority, or enforcement of a security interest created by the State, country, or governmental unit; (4) the rights of a transferee beneficiary or nominated person under a letter of credit are independent and superior under Section 5-114; (5) this Article is in conflict with Section 205-410 of the Department of Agriculture Law of the Civil Administrative Code of Illinois or the Grain Code; or (6) this Article is in conflict with Section 18-107 of the Public Utilities Act. 810 ILCS 5/9-109(c).

64. 15 USC §1060.

65. 17 USC §205; *In re Peregrine Entertainment,*

66. 25 USC 261, Ownership, Assignment; *Waterman v. McKenzie*, 138 US 252 (1891); *In re Cybernetics Inc*, 52 USPQ2d 1683 (9th Cir. 2001), cert. denied, 534 US 1130 (US 2002); *In re Pasteurized Eggs Corp*, 296 BR 283 (Bankr D NH 2003).

67. The Official Comment 8 to UCC §9-302 identifies pre-empting federal filing systems for copyrights, 17 USC §§ 28, 30, aircraft, 49 USC §1403 and railroads, 49 USC §20(c) (now §11301).

68. Copyright, <http://www.copyright.gov/docs/fees.html>, Trademark and patent fees <http://www.uspto.gov/main/howtofees.htm>,

69. *Arachnid Inc v. Merit Industries Inc*, 19 USPQ2d 1513 (Fed Cir. 1991) (pre-assignment patent infringement money damages requires explicitness or legal title); *Digeo Inc v. Audible Inc*, 80 USPQ2d 1356 (WD WA 2006) (forged patent assignment void); *Silvers v. Sony Pictures Entertainment Inc.*, 74 USPQ2d 1065 (9th Cir. 2005) (bare cause of action for copyright infringement cannot be assigned); *Taylor Corp v. Four Seasons Greetings, Llc*, 403 F3d 958 (8th Cir. 2004) (Copyright transfer by "operation of law" in bankruptcy); *Thompkins v. Lil' Joe Records Inc.*, 81 USPQ2d 1791 (11th Cir. 2007) (copyright interests contractually transferred to record company not revert when bankruptcy rejected contract, rights passed to bankrupt estate and then to defendants); *TM Patents LP v. International Business Machines Corp.*, 58 USPQ2d 1171 (SD NY 2000).

70. *Mike's Train House, Inc. v. Lionel, LLC*, 472 F3d 398 (6th Cir. 2006) ($40 million June 2004 verdict against Lionel for trade secret misappropriation; November 2004 Lionel bankruptcy petition, then Lionel appeal of verdict, December 2006 Sixth Circuit returned case to Michigan court, reversing that court's denial of Lionel's request for a new trial); February 2007 agreement for Southern District of New York Judge Cecelia Morris to mediate. Mike's Train House seeks to halt Lionel bankruptcy plan extension, <www.woodtv.com/global/story.asp?s=6713634> 26June07.

71. *In re Albarran*, 80 USPQ2d 1283 (9th Cir Bkpy App 2006) (11 USC 523(a)(6) "debt for injury").

72. Employee Retirement Income Security Act of 1974 (ERISA).

73. *United States v. Novak*, 476 F3d 1041 (9th Cir. 2007).

74. Illinois Uniform Fraudulent Transfer Act, 740 ILCS 160/6; 11 USC § 548(a)(1)(A). Bankruptcy Code § 548(a)(1)(A) (enables a trustee to avoid a transfer or obligation incurred "with actual intent to hinder, delay, or defraud" the debtor's creditors). See *Cannon-Stokes v. Potter*, 453 F3d 446 (7th Cir.) (Concealed asset); *Hamilton v. State Farm*, 270 F3d 778 (9th Cir. 2001) (bankrupt-

cy fraud estops recovery of supposedly nonexistent claim); *In re Canyon Systems Corp*. 343 B.R. 615 (Bankr. S.D. Ohio 2006), *Marrama v. Citizens Bank* (05-996, US, 21Feb2007) (bankruptcy fraud of hidden asset prevents conversion Chap 7 to Chap 13).

75. 735 ILCS 5/12-1402.

76. These are simplified examples, and legislatures change the laws. For accuracy, consult both the current law and a local collections/bankruptcy attorney. The author appreciates the assistance of collection/bankruptcy focused attorneys, who are not responsible for inaccuracies in examples nor for changes in the law: CT Eugene Melchionne <melchionne@mac.com>, CA Alex Cornelius <aicornelius@costell-law.com>, CA David Cook <www.cookcollectionattorneys.com>, GA Alex Hait <legaljacket@mac.com>, IL Joseph Chamley <jchamley@efbclaw.com>, MA David Baker <dgb137@mac.com>, MI Steve Sowell <stevesowell@earthlink.net>, NY Damon Maher <dmaher@levydavis.com, SC Nathan Davis <nathan@davislawsc.com>, SC Sheryl Schelin <sasisk@mac.com>.

77. Kegan, Daniel. Admiralty Trademarks. 39 ISBA Intellectual Property #2, March 2000; Sterling, JAL. Space Copyright Law, 54 J Copyright Society USA 345 (Winter-Spring 2007).

78. 11USC 356 (n) (1) If the trustee rejects an executory contract under which the debtor is a licensor of a right to intellectual property, the licensee under such contract may elect--

(A) to treat such contract as terminated by such rejection if such rejection by the trustee amounts to such a breach as would entitle the licensee to treat such contract as terminated by virtue of its own terms, applicable nonbankruptcy law, or an agreement made by the licensee with another entity; or

(B) to retain its rights (including a right to enforce any exclusivity provision of such contract, but excluding any other right under applicable nonbankruptcy law to specific performance of such contract) under such contract and under any agreement supplementary to such contract, to such intellectual property (including any embodiment of such intellectual property to the extent protected by applicable nonbankruptcy law), as such rights existed immediately before the case commenced, for--(i) the duration of such contract; and (ii) any period for which such contract may be extended by the licensee as of right under applicable nonbankruptcy law.

(2) If the licensee elects to retain its rights, as described in paragraph (1)(B) of this subsection, under such contract--

(A) the trustee shall allow the licensee to exercise such rights;

(B) the licensee shall make all royalty payments due under such contract for the duration of such contract and for any period described in paragraph (1)(B) of this subsection for which the licensee extends such contract; and

(C) the licensee shall be deemed to waive--

(i) any right of setoff it may have with respect to such contract under this title or applicable nonbankruptcy law; and (ii) any claim allowable under section 503(b) of this title arising from the performance of such contract.

(3) If the licensee elects to retain its rights, as described in paragraph (1)(B) of this subsection, then on the written request of the licensee the trustee shall ....

Thompkins v. Lil Joe Records, 81 USPQ2d 1791 (11th Cir. 2007) (Executory contract rejected, assigned copyright transferred to estate not revert to author).

79.11 USC § 363(b) & (f). (b) (1) The trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.

(f) The trustee may sell property under subsection (b) or (c) of this section free and clear of any interest in such property of an entity other than the estate, only if—….

(o) In any hearing under this section—(1) the trustee has the burden of proof on the issue of adequate protection; and (2) the entity asserting an interest in property has the burden of proof on the issue of the validity, priority, or extent of such interest.

80. 28 USC 1961; 18 USC 3612(f)(2) Criminal; 40 USC 3116 Condemnation Deficiency. Current federal rates may be found at <www.federalreserve.gov/releases/h15/current/>

81. 735 ILCS 5/2-1303.

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