# Model Intellectual Property Security Agreement

*Originally published in* The Business Lawyer*, Volume 71, Issue 3, Summer 2016.*

**Contents**

[Parties](#_Toc176953147)

[Background](#_Toc176953148)

[Agreement](#_Toc176953149)

[1. Security Interest](#_Toc176953150)

[1.1. Grant and Collateral](#_Toc176953151)

[1.2. Excluded Property](#_Toc176953152)

[1.2.1. Scheduled Excluded Property](#_Toc176953153)

[1.2.2. Trademark Intent-to-Use Applications](#_Toc176953154)

[1.2.3. Restricted IP Licenses](#_Toc176953155)

[1.2.4. Absence of Conditions](#_Toc176953156)

[1.3. Perfection and Priority](#_Toc176953157)

[1.3.1. U.C.C. Filing Offices](#_Toc176953158)

[1.3.2. IP Filing Offices](#_Toc176953159)

[1.3.3. Perfection and Priority](#_Toc176953160)

[1.4. After-acquired Collateral](#_Toc176953161)

[1.4.1. Notice of After-acquired Collateral; Addenda](#_Toc176953162)

[1.4.2. Secured Party’s Right to Provide Addenda](#_Toc176953163)

[1.4.3. IP Security Documents](#_Toc176953164)

[1.4.4. Notice of Copyright Applications](#_Toc176953165)

[1.4.5. Commercial Tort Claims](#_Toc176953166)

[1.5. Further Assurances](#_Toc176953167)

[2. Representations and Warranties](#_Toc176953168)

[2.1. The Collateral](#_Toc176953169)

[2.1.1. Copyrights](#_Toc176953170)

[2.1.2. Patents](#_Toc176953171)

[2.1.3. Trademarks](#_Toc176953172)

[2.1.4. Domain Names and IP Licenses](#_Toc176953173)

[2.1.5. Other Intellectual Property](#_Toc176953174)

[2.1.6. Ownership](#_Toc176953175)

[2.1.7. Restrictive Provisions](#_Toc176953176)

[2.1.8. Existing or Threatened Claims; Infringement](#_Toc176953177)

[2.1.9. IP Notices](#_Toc176953178)

[2.1.10. Standards of Quality](#_Toc176953179)

[2.1.11. Proprietary Software](#_Toc176953180)

[2.1.12. No Government Funding](#_Toc176953181)

[2.2. Debtor](#_Toc176953182)

[2.2.1. Existence; Power; Authority](#_Toc176953183)

[2.2.2. Debtor Information](#_Toc176953184)

[3. Covenants](#_Toc176953185)

[3.1. No Transfers of Collateral](#_Toc176953186)

[3.2. No Liens on Collateral](#_Toc176953187)

[3.3. No Restrictive Provisions](#_Toc176953188)

[3.4. Registration of Copyrights and Trademarks; Pursuit of Patents](#_Toc176953189)

[3.5. Recording of Assignments and IP Licenses](#_Toc176953190)

[3.6. Protection of Collateral](#_Toc176953191)

[3.6.1. Compliance with Law](#_Toc176953192)

[3.6.2. General](#_Toc176953193)

[3.6.3. IP Notices](#_Toc176953194)

[3.6.4. Trademark Quality Control](#_Toc176953195)

[3.6.5. Performance of IP Licenses](#_Toc176953196)

[3.6.6. Protection of Trade Secrets](#_Toc176953197)

[3.6.7. Infringements by Others](#_Toc176953198)

[3.6.8. Challenges and Suits by Others](#_Toc176953199)

[3.7. Escrow Agreement](#_Toc176953200)

[3.8. Change of Debtor Information](#_Toc176953201)

[3.9. Maintenance of Records; Audit and Inspection](#_Toc176953202)

[4. Events of Default; Remedies](#_Toc176953203)

[4.1. Events of Default](#_Toc176953204)

[4.2. Enforcement, Collection and Disposition of Collateral](#_Toc176953205)

[4.3. License to Secured Party to Use Intellectual Property](#_Toc176953206)

[4.4. Access to Debtor’s Systems and Expertise](#_Toc176953207)

[4.5. General Remedy Provisions](#_Toc176953208)

[4.5.1. U.C.C. Remedies](#_Toc176953209)

[4.5.2. Remedies Cumulative](#_Toc176953210)

[4.5.3. Reasonable Notice](#_Toc176953211)

[4.5.4. Application of Proceeds](#_Toc176953212)

[4.5.5. No Marshaling](#_Toc176953213)

[5. Secured Party’s Other Rights](#_Toc176953214)

[5.1. Power of Attorney](#_Toc176953215)

[5.2. Indemnity](#_Toc176953216)

[5.3. Costs and Expenses](#_Toc176953217)

[5.4. Non-Disturbance of Permitted Licenses](#_Toc176953218)

[5.5. Limited Obligations of Secured Party](#_Toc176953219)

[6. General Provisions](#_Toc176953220)

[6.1. Term of Agreement](#_Toc176953221)

[6.2. Reinstatement](#_Toc176953222)

[6.3. Entire Agreement](#_Toc176953223)

[6.4. Notices and Communications](#_Toc176953224)

[6.4.1. General Notices](#_Toc176953225)

[6.4.2. Electronic Communications](#_Toc176953226)

[6.5. Successors and Assigns](#_Toc176953227)

[6.6. Amendments and Waivers](#_Toc176953228)

[6.7. Governing Law](#_Toc176953229)

[6.8. Severability](#_Toc176953230)

[6.9. Jurisdiction; Venue](#_Toc176953231)

[6.10. Jury Waiver](#_Toc176953232)

[7. Definitions and Usages](#_Toc176953233)

[7.1. Defined Terms](#_Toc176953234)

[7.2. Usages](#_Toc176953235)

[Signatures](#_Toc176953236)

[Schedules](#_Toc176953237)

[Exhibits](#_Toc176953238)

**Defined Terms**

* Addendum
* Agreement
* Associated Property
* Bankruptcy Code
* Bankruptcy Law
* Business Day
* Claims
* Collateral
* Copyright
* Copyright Office
* Debtor
* Domain Name
* Domain Name Contract
* Effective Date
* Event of Default
* Excluded Property
* Governmental Authority
* Insolvency Proceedings
* Intellectual Property
* IP Filing Office
* IP License
* IP Security Document
* IP-Related Right
* Jurisdiction
* License-In
* License-Out
* Lien
* Loan Agreement
* Loan Documents
* Loans
* Material Adverse Effect
* Other Intellectual Property
* Patent
* Permitted License
* Permitted Lien
* Permitted Transfer
* Person
* Primary License
* Proceeds
* PTO
* Restrictive Provision
* Secured Obligations
* Secured Party
* Security Interest
* State
* Trademark
* Transfer
* U.C.C.
* United States

# Intellectual Property Security Agreement[[1]](#footnote-1)

[DATE] (the ***Effective Date***[[2]](#footnote-2))

## Parties

* [DEBTOR NAME], a [JURISDICTION] [ENTITY] (***Debtor***)
* [SECURED PARTY NAME], a [JURISDICTION] [ENTITY] (***Secured Party***)

## Background

Secured Party has agreed to make ***Loans*** to Debtor under the ***Loan Agreement*** dated the Effective Date between Debtor and Secured Party.

A condition to Secured Party’s obligation to make the Loans is Debtor’s execution and delivery of this Intellectual Property Security Agreement (this ***Agreement***).

## Agreement

The parties agree as follows:

## 1. Security Interest

### 1.1. Grant and Collateral

To secure Debtor’s performance of its present and future obligations under the Loan Documents (the ***Secured Obligations***), Debtor grants Secured Party a security interest[[[3]](#footnote-3)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.3) (the ***Security Interest***) in all Debtor’s present and future rights and interest in any:

***Copyrights***, meaning any United States or foreign[[[4]](#footnote-4)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.4):

1. copyrights, whether registered or unregistered, whether in published or unpublished works of authorship,
2. copyright registrations or applications in any IP Filing Office,
3. copyright renewals or extensions, and
4. rights throughout the world analogous to the foregoing;

***Patents***, meaning any United States or foreign:

1. issued patents (whether utility, design, or plant), patent applications, or certificates of invention in any IP Filing Office,
2. continuations, continuations-in-part, divisions, extensions, reissuances, or reexaminations of a patent or patent application in any IP Filing Office,
3. inventions described and claimed in any patent or patent application, and
4. rights throughout the world analogous to the foregoing;

***Trademarks***, meaning any United States or foreign:

1. trademarks, service marks, certification marks, trade names, or other types of source identifier, whether arising under a statute or under common law, and whether registered or unregistered,
2. corporate and company names, business names, trade styles, designs, logos, or trade dress,
3. the goodwill of the business connected with the use of or symbolized by the trademark or service mark,
4. any registrations, renewals, applications, and other filings for any trademarks in any IP Filing Office, and
5. rights throughout the world analogous to the foregoing;

***Domain Names***, meaning any Internet domain names;

***Other Intellectual Property***, meaning any intellectual property recognized under or established by the laws of any Jurisdiction other than a Copyright, Patent, Trademark, or Domain Name, whether statutory or common law, registered or unregistered, published or unpublished, including

* a mask work (i.e., a layered blueprint of the circuitry in a computer chip as protected under Chapter 9 of Title 17 of the United States Code),[[[5]](#footnote-5)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.5)
* a trade secret or other proprietary or confidential information or data,
* rights with respect to software, programming codes, inventions, technical information, procedures, designs, design registrations, know-how, data and databases, processes, models, drawings, plans, specifications, and records, and
* rights of publicity and privacy with respect to natural persons;

***IP Licenses***, meaning any agreements, whether or not styled as a “license,”

1. that grant a Person an exclusive or nonexclusive license or other right to use or exercise rights in Intellectual Property other than software to the extent the software constitutes “goods” under section 9-102(a) of the U.C.C.,[[[6]](#footnote-6)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.6) or
2. that obligate a Person to refrain from using or enforcing any Intellectual Property, including settlements, consents-to-use, non-assertion agreements, and covenants-not-to-sue;

***IP-Related Rights***, meaning, for any Copyright, Patent, Trademark, Domain Name, Other Intellectual Property, or IP License, any

1. rights to royalties, revenues, income, or other payments arising therefrom,
2. rights with respect to claims described at any time on Schedule K, and
3. all other accrued and unaccrued causes of action (whether in contract, tort, or otherwise) or rights to claim, sue or collect damages for, or enjoin or obtain other legal or equitable relief for, an infringement, misuse, misappropriation, dilution, violation, unfair competition, or other impairment (whether past, present, or future) thereof, including expired items;[[[7]](#footnote-7)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.7)

***Associated Property***,[[[8]](#footnote-8)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.8) meaning any

1. accounts, deposit accounts, general intangibles, instruments, investment property, or other personal property at any time constituting, evidencing, or arising under or with respect to Intellectual Property (as defined below) or IP Licenses,
2. commercial tort claims related to Intellectual Property or IP Licenses and described in this Agreement or another record authenticated by Debtor as required by U.C.C. Article 9,
3. books, records, information, and data with respect to Intellectual Property or IP Licenses, and
4. substitutions and replacements for any such property; and

***Proceeds*** of any of the foregoing, meaning

1. “proceeds,” as defined in Article 9 of the U.C.C., and
2. additional or replacement collateral provided during, or payment or property received in, an Insolvency Proceeding on account of any “secured claim” (within the meaning of section 506(a) of the Bankruptcy Code or similar Bankruptcy Law).

Copyrights, Patents, Trademarks, Domain Names, and Other Intellectual Property are, collectively, ***Intellectual Property***. All Intellectual Property, IP Licenses, IP-Related Rights, Associated Property, and Proceeds subject to the Security Interest and not excluded under the following section 1.2 are the ***Collateral***.

### 1.2. Excluded Property

Notwithstanding anything to the contrary in this Agreement, the following rights and property (***Excluded Property***) are excluded from the Collateral to the extent set forth in this section 1.2:

#### 1.2.1. Scheduled Excluded Property

Any right or property identified on Schedule A, “Scheduled Excluded Property.”[[[9]](#footnote-9)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.9)

#### 1.2.2. Trademark Intent-to-Use Applications

A Trademark application filed in the PTO on the basis of Debtor’s intent to use the Trademark before evidence of use of the Trademark has been filed with and accepted by the PTO pursuant to the Lanham Act (15 U.S.C. § 1051 *et seq*.), but only for so long as granting a security interest in the Trademark application before the filing of evidence of use of the Trademark would adversely affect the enforceability or validity of the Trademark application or the resulting Trademark registration.[[[10]](#footnote-10)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.10)

#### 1.2.3. Restricted IP Licenses

Debtor’s rights under an IP License that is subject to or contains a Restrictive Provision that is effective against Debtor despite sections 9-406 through 9-409 of the U.C.C. or other applicable law, but only for so long as the Restrictive Provision is effective and enforceable.[[[11]](#footnote-11)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.11) Debtor’s rights under any IP License treated as Excluded Property under this section 1.2.3 will constitute Collateral if the Restrictive Provision is not effective and enforceable.

#### 1.2.4. Absence of Conditions

The Security Interest will immediately attach to any item of property treated as Excluded Property under section 1.2.2 or 1.2.3 to the extent that the conditions in that section cease to exist or cease to apply to that item.

### 1.3. Perfection and Priority

#### 1.3.1. U.C.C. Filing Offices

Debtor authorizes Secured Party to file U.C.C. financing statements for any Collateral in such filing offices as Secured Party reasonably deems advisable to perfect or protect the Security Interest. Debtor ratifies and confirms Secured Party’s authorization to file any such U.C.C. financing statements before the Effective Date.

#### 1.3.2. IP Filing Offices

For any IP Collateral that is the subject of a registration or application in an IP Filing Office, Debtor will, at Secured Party’s request, execute and deliver to Secured Party an IP Security Document, which Secured Party may file in the IP Filing Office.[[[12]](#footnote-12)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.12)

#### 1.3.3. Perfection and Priority[[[13]](#footnote-13)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.13)

Debtor represents and warrants to Secured Party that:

1. The Security Interest in each Copyright that is the subject of a registration or application in the Copyright Office will be perfected upon the filing of an IP Security Document in the Copyright Office.[[[14]](#footnote-14)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.14)
2. The Security Interest in all other Collateral will be perfected upon
	* the filing of a U.C.C. financing statement with the information required by U.C.C. § 9-502(a) in the applicable U.C.C. filing offices listed on Schedule I,
	* for each Patent issued by or pending in the PTO, the filing of an IP Security Document in the PTO, and
	* for each Trademark registered or pending in the PTO, the filing of an IP Security Document in the PTO.[[[15]](#footnote-15)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.15)
3. For each item of Collateral, the Security Interest thus perfected will have priority over a competing security interest in the item if
	* when such U.C.C. financing statement is filed, there is no effective filed financing statement for the competing security interest,
	* for such Copyrights, the IP Security Document is recorded in the Copyright Office within one month after the Security Interest attaches and the competing security interest is not recorded in the Copyright Office before the end of that one-month period, and
	* for such Patents and Trademarks, the IP Security Document is recorded in the PTO within three months after the Security Interest attaches and the competing security interest is not recorded in the PTO before the end of that three-month period.[[[16]](#footnote-16)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.16)

### 1.4. After-acquired Collateral[[[17]](#footnote-17)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.17)

#### 1.4.1. Notice of After-acquired Collateral; Addenda

Debtor will notify Secured Party of each acquisition after the Effective Date of an interest in

* a registered or applied-for Copyright, Patent, Trademark, or Domain Name, or
* an IP License of a type required to be listed on a Schedule on the Effective Date.

Debtor will provide the notice by the 10th Business Day following the end of the calendar quarter in which the interest was acquired, along with addenda to Schedules B through G (each an ***Addendum***), as appropriate, listing the acquired interests.[[[18]](#footnote-18)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.18) Each Addendum will become part of the relevant Schedule effective upon Secured Party’s receipt of the Addendum.[[[19]](#footnote-19)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.19)

#### 1.4.2. Secured Party’s Right to Provide Addenda

Without limiting Debtor’s obligations, Secured Party may at any time unilaterally provide an Addendum to any of Schedules B through G, as appropriate, to include any such after-acquired Collateral, whether or not Debtor has notified Secured Party of its acquisition. Each such Addendum will become a part of the relevant Schedule effective upon Secured Party’s sending a copy of the Addendum to Debtor. Debtor’s or Secured Party’s failure to provide an Addendum will not limit or detract from the Security Interest in the after-acquired Collateral or other Collateral.

#### 1.4.3. IP Security Documents

With each Addendum delivered to Secured Party, Debtor will also deliver (unless previously delivered under the following section 1.4.4) executed IP Security Documents for the Intellectual Property listed on the Addendum, which Secured Party may file with the applicable IP Filing Office.[[[20]](#footnote-20)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.20)

#### 1.4.4. Notice of Copyright Applications

Debtor will notify Secured Party at least 10 Business Days before Debtor files an application to register Copyright Collateral with the Copyright Office.[[[21]](#footnote-21)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.21) The notice will include the title of the copyrighted work as it will appear on the application and the date the application will be filed. Prior to filing, Debtor will execute and deliver to Secured Party any IP Security Documents that Secured Party reasonably requests to maintain the perfection and priority of the Security Interest in the Copyright. At Secured Party’s request, Debtor will file such lien documents in the Copyright Office concurrently with filing the application, and provide Secured Party with copies of the filed copyright application and lien documents.[[[22]](#footnote-22)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.22)

#### 1.4.5. Commercial Tort Claims

Debtor will promptly notify Secured Party of any commercial tort claim with respect to any Collateral in a signed writing that gives brief details of the claim and grants Secured Party a security interest in the claim and any proceeds, all upon the terms of this Agreement.[[[23]](#footnote-23)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.23)

### 1.5. Further Assurances

Upon Secured Party’s request, Debtor will promptly and duly execute and deliver such further instruments and documents and take such further actions as Secured Party reasonably deems appropriate to obtain the full benefits of this Agreement, including

* using reasonable efforts to obtain third-party consents and approvals for Debtor to grant a security interest in any item of Collateral to Secured Party, or for Secured Party to enforce the Security Interest or exercise other rights and remedies under this Agreement,[[[24]](#footnote-24)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.24) and
* filing or cooperating with Secured Party in filing forms or other documents in connection with the perfection, protection, priority, or enforcement of the Security Interest, the termination or release of ineffective filings, and the recording of documents to cover missing steps in the chain of title.

## 2. Representations and Warranties

Except to the extent otherwise set forth on the relevant Schedule, Debtor represents and warrants to Secured Party that on the Effective Date, on the date each Loan is made to Debtor, and, for any Collateral added by an Addendum, the date the Addendum becomes part of the relevant Schedule[[[25]](#footnote-25)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.25):

### 2.1. The Collateral[[[26]](#footnote-26)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.26)

#### 2.1.1. Copyrights

1. Schedule B lists all of Debtor’s subsisting[[[27]](#footnote-27)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.27)
	* Copyrights that are registered, or are the subject of pending applications, in any IP Filing Office,[[[28]](#footnote-28)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.28) and
	* Copyright Licenses-In.[[[29]](#footnote-29)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.29)
2. Each Copyright listed on Schedule B is valid and enforceable.[[[30]](#footnote-30)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.30)

#### 2.1.2. Patents

1. Schedule C lists all of Debtor’s subsisting
	* issued Patents, and Patent applications[[[31]](#footnote-31)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.31) pending, in any IP Filing Office, and
	* Patent Licenses-In.
2. Each issued Patent listed on Schedule C is
	* valid and enforceable, and
	* not subject to any overdue IP Filing Office fees.
3. Each Patent application listed on Schedule C is subsisting, and Debtor has no knowledge of any circumstances that might prevent the issuance of a valid Patent in due course.

#### 2.1.3. Trademarks

1. Schedule D lists all of Debtor’s subsisting
	* registered Trademarks, and Trademark applications pending, in any IP Filing Office,
	* material unregistered Trademarks, and
	* Trademark Licenses-In.
2. Each Trademark registration and material unregistered Trademark listed on Schedule D
	* is valid and enforceable,[[[32]](#footnote-32)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.32) and does not relate to a mark that has been abandoned, and
	* is not subject to any overdue IP Filing Office fees.
3. Debtor has no knowledge of any circumstances that might prevent the valid registration of any Trademark for which a Trademark application is listed on Schedule D.
4. Debtor has notified Secured Party of all circumstances known to Debtor that could reasonably be expected to lead to the invalidity or unenforceability of a Trademark listed on Schedule D, including Debtor’s failure to use the mark or to enforce it against material unauthorized uses by third parties.

#### 2.1.4. Domain Names and IP Licenses

1. Schedule E lists each of Debtor’s subsisting Domain Names, its registrant, and its next renewal date.[[[33]](#footnote-33)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.33)
2. Schedule F lists Debtor’s subsisting Licenses-Out of Intellectual Property Collateral.[[[34]](#footnote-34)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.34)
3. Each IP License and Domain Name Contract listed on any Schedule to this Agreement is in full force and effect and constitutes a valid and enforceable obligation of Debtor and, to Debtor’s knowledge, each other party thereto, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditor’s rights generally, and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).
4. No further consent of any party to any such IP License or Domain Name Contract is required in connection with the execution, delivery, and performance of this Agreement.
5. No further consent or authorization of, filing with, or other act by or in respect of any Governmental Authority is required in connection with the execution, delivery, performance, validity, or enforceability of any such IP License or Domain Name Contract by or against any party thereto.
6. Neither Debtor nor, to Debtor’s knowledge, any other party to any such IP License or Domain Name Contract is in default in the performance or observance of any of its terms.
7. Debtor’s rights under each such IP License or Domain Name Contract are not subject to any defense, offset, counterclaim, or other claim [that could reasonably be expected, either individually or in the aggregate, to have a Material Adverse Effect on the value of the Collateral taken as a whole].[[[35]](#footnote-35)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.35)

#### 2.1.5. Other Intellectual Property

Schedule G lists all of Debtor’s material Other Intellectual Property that is not listed on any of Schedules B through F and is not confidential.

#### 2.1.6. Ownership

1. Debtor is the sole legal and equitable owner of, and has good title to, the Collateral, free and clear of any Lien, other than
	* Liens permitted under the Loan Agreement,
	* Liens permitted by Secured Party’s express prior written consent, or
	* Permitted Licenses

(each a ***Permitted Lien***).[[[36]](#footnote-36)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.36)

1. Debtor is the record owner of all Collateral that is registered, or for which an application is pending, in any IP Filing Office, and there are no gaps in the chain of title to such Collateral.[[[37]](#footnote-37)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.37)
2. No IP License materially adversely affects Debtor’s rights to conduct its business as currently conducted.
3. No third party has a contractual right to require Debtor to Transfer[[[38]](#footnote-38)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.38) any Collateral, except to renew Permitted Licenses.
4. Debtor has not Transferred or agreed to Transfer any Collateral listed on Schedules B–G except in a Transfer that is
	* expressly permitted by the Loan Documents,
	* permitted by Secured Party’s express prior written consent, or
	* a Permitted License[[[39]](#footnote-39)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.39)

(each a ***Permitted Transfer***).

#### 2.1.7. Restrictive Provisions

Schedule H lists all of Debtor’s Intellectual Property and IP Licenses (including Excluded Property) that are both

* listed on any of Schedules A through G, and
* subject to or contain a Restrictive Provision.[[[40]](#footnote-40)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.40)

#### 2.1.8. Existing or Threatened Claims; Infringement

Except as described on Schedule K,[[[41]](#footnote-41)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.41)

1. No claim is pending or has been made or, to Debtor’s knowledge, threatened, including via an invitation to license, by any Person (other than by an IP Filing Office examiner in the ordinary course of prosecution of applications) asserting that any Intellectual Property Collateral is wholly or partly invalid or unenforceable, or that any such Collateral or the conduct of Debtor’s business infringes, dilutes, misappropriates, or otherwise violates the rights of any Person.[[[42]](#footnote-42)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.42)
2. To Debtor’s knowledge, neither the use of the Collateral by Debtor or its licensees, nor the conduct of Debtor’s business, infringes, dilutes, mis-appropriates, or otherwise violates any Intellectual Property owned or controlled by any Person.
3. To Debtor’s knowledge, no Person is infringing, diluting, misappropriating, or otherwise violating any of Debtor’s rights in the Collateral, and Debtor has not made any such claim that has not been resolved.[[[43]](#footnote-43)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.43)

#### 2.1.9. IP Notices

Debtor uses proper notices of Copyright proprietorship in connection with publication of its Copyrighted works and proper statutory notices in connection with its use of its issued Patents and registered Trademarks.[[[44]](#footnote-44)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.44)

#### 2.1.10. Standards of Quality

1. Debtor uses consistent standards of quality in all products manufactured, distributed, and sold, and in the performance of services provided, in connection with the Trademark Collateral, and
2. Debtor has taken all action necessary to ensure that all licensees of Debtor’s Trademarks adhere to Debtor’s established standards of quality for the goods and services provided by the licensee using the licensed Trademark.[[[45]](#footnote-45)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.45)

#### 2.1.11. Proprietary Software

For each of Debtor’s proprietary software programs included in the Collateral:

1. Each of Debtor’s current and former employees, officers, contractors, and consultants who has developed, contributed to, modified, or improved such program either performed such work as a “work for hire” or has assigned to Debtor all of such Person’s interest in such programs.
2. There are no material defects or malfunctions in the program that have not been corrected, and the program operates in accordance with its specifications in all material respects.
3. The program does not contain any device or feature designed to disrupt, disable, or otherwise impair the functioning of any software program.
4. To Debtor’s knowledge, there has been no unauthorized access to the program or to any of Debtor’s proprietary databases.
5. Except as otherwise provided in this Agreement, Debtor has not delivered, licensed, or made available, and has no obligation (present, contingent, or otherwise) to deliver, license, or make available the program’s source code to any escrow agent or other Person other than Debtor’s current employees for the performance of their duties to Debtor.[[[46]](#footnote-46)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.46)
6. The program is not subject to any open source, free software, or other license terms and conditions that would require Debtor to disclose any source code or license the program, the code, or any modifications to a third party.[[[47]](#footnote-47)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.47)

#### 2.1.12. No Government Funding

Debtor has not received funding from any governmental entity or any academic funding that was used in the development of the Collateral.[[[48]](#footnote-48)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.48)

### 2.2. Debtor

#### 2.2.1. Existence; Power; Authority

Debtor is validly existing and has the corporate (or other organizational) power and capacity to enter into, and perform all of its obligations under, this Agreement. Debtor’s execution and delivery of, and performance of its obligations under, this Agreement have been duly authorized by all necessary action by or on behalf of Debtor.

#### 2.2.2. Debtor Information[[[49]](#footnote-49)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.49)

Schedule J sets forth

* if Debtor is a corporation, limited liability company, limited partnership, corporate trust, or other registered organization, (i) the Jurisdiction under whose law Debtor is organized, and (ii) Debtor’s name as shown in its public organic record in that Jurisdiction.
* if Debtor is an individual, (i) the State and address of Debtor’s primary residence and (ii) Debtor’s name as shown on an unexpired driver’s license issued by that State.
* the address of Debtor’s chief executive office and, if different, its principal place of business,
* the addresses where Debtor’s records concerning the Collateral are maintained, and
* Debtor’s taxpayer identification number, if any.

## 3. Covenants

### 3.1. No Transfers of Collateral

Debtor will not Transfer[[[50]](#footnote-50)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.50) any Collateral except in a Permitted Transfer.[[[51]](#footnote-51)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.51)

### 3.2. No Liens on Collateral

Debtor will not create and will take any action necessary to remove any Lien on the Collateral other than a Permitted Lien.[[[52]](#footnote-52)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.52)

### 3.3. No Restrictive Provisions

Debtor will not enter into any IP License-In after the Effective Date that contains a Restrictive Provision.[[[53]](#footnote-53)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.53)

### 3.4. Registration of Copyrights and Trademarks; Pursuit of Patents

To the extent not already registered or the subject of a pending application, Debtor will promptly register all material Copyright and Trademark Collateral with the applicable IP Filing Office, and will pursue Patents on all material patentable inventions, in each case except to the extent that Debtor reasonably determines that the costs or risks of such action would materially outweigh the probable benefits.[[[54]](#footnote-54)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.54)

### 3.5. Recording of Assignments and IP Licenses

Within 30 days after obtaining a written assignment of a registered or applied-for Copyright, Patent, or Trademark from any Person, Debtor will record the assignment in the applicable IP Filing Office. Within 30 days after obtaining an IP License for which recordation will give third parties constructive notice of Debtor’s interest, Debtor will record the IP License in the applicable IP Filing Office.[[[55]](#footnote-55)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.55)

### 3.6. Protection of Collateral

#### 3.6.1. Compliance with Law

Debtor will comply in all material respects with all United States laws and regulations applicable to any Collateral.

#### 3.6.2. General

With respect to Collateral that is necessary to the conduct of Debtor’s business as currently conducted, Debtor will take all reasonable steps to

* maintain the registrations of all such registered Collateral in full force and effect,
* prosecute any pending applications for registration of such Collateral, and
* prevent any such Collateral from being abandoned, forfeited, or dedicated to the public.[[[56]](#footnote-56)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.56)

Such steps may include:

* taking actions in, or filing responses to office actions issued by, an IP Filing Office, court, or Governmental Authority,
* paying when due all maintenance and other required fees,
* filing timely applications for renewal or extension,
* filing affidavits or declarations of use under sections 8 and 15 of the Lanham Act, and
* filing divisional, continuation, continuation-in-part, or reissue applications for Patents.

#### 3.6.3. IP Notices

Debtor will use proper notices of copyright proprietorship in connection with publication of its Copyrighted works, and proper statutory notices in connection with its use of its registered Trademarks and issued Patents.[[[57]](#footnote-57)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.57)

#### 3.6.4. Trademark Quality Control

1. Debtor will maintain the standards of quality of all products manufactured, distributed, and sold, and in the performance of services provided, in connection with Trademark Collateral at a level at least as high as on the Effective Date.[[[58]](#footnote-58)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.58)
2. Debtor will take all action necessary to ensure that all licensees of its Trademarks adhere to Debtor’s then-established standards of quality for the goods and services provided by the licensee using the licensed Trademark.[[[59]](#footnote-59)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.59)

#### 3.6.5. Performance of IP Licenses

Debtor will perform all its material obligations under each IP License to which it is a party.

#### 3.6.6. Protection of Trade Secrets

Debtor will take reasonable measures to protect its material trade secrets, including entering into confidentiality agreements with employees and labeling and restricting access to secret information and documents.[[[60]](#footnote-60)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.60)

#### 3.6.7. Infringements by Others

Debtor will

* promptly notify Secured Party, providing reasonable details, of any Person’s infringement, dilution, misappropriation, or other violation of any Collateral,[[[61]](#footnote-61)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.61) and
* take all reasonable actions to stop such infringement, dilution, misappropriation, or other violation, including seeking damages for or enjoining such conduct.

#### 3.6.8. Challenges and Suits by Others

Debtor will

* promptly notify Secured Party, providing reasonable details, of the institution of any proceeding before a Governmental Authority regarding the validity or enforceability of, or Debtor’s right to register, own, or use, any Intellectual Property Collateral, and of any adverse determination on the merits in any such proceeding (in each case other than non-final “office actions” by IP Filing Office examiners in the ordinary course of prosecution of applications),[[[62]](#footnote-62)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.62) and
* take all reasonable steps to defend its rights in the Intellectual Property Collateral in such proceedings and other interference, reexamination, opposition, cancellation, infringement, dilution, misappropriation, and other proceedings.

### 3.7. Escrow Agreement

Debtor will enter into a source code escrow agreement with Secured Party by the Effective Date.[[[63]](#footnote-63)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.63) Debtor will deposit with the escrow agent under the escrow agreement all materials required under the escrow agreement, including the source code for

* current versions of Debtor’s proprietary computer software, by the 10th Business Day following the Effective Date, and
* each update to such software by the 10th Business Day following public release of the update.[[[64]](#footnote-64)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.64)

Debtor will not establish source code escrow arrangements with any third party without Secured Party’s prior written consent.

### 3.8. Change of Debtor Information[[[65]](#footnote-65)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.65)

Debtor will notify Secured Party 15 days before taking any action that will cause, and will promptly notify Secured Party of any other event that may cause or has caused, any information in Schedule J, “Debtor Information,” to become inaccurate.

### 3.9. Maintenance of Records; Audit and Inspection

Debtor will maintain appropriate and customary books and records with respect to the Collateral and will permit Secured Party to visit Debtor’s premises to inspect such books and records and any tangible items embodying the Collateral. Such visits and inspections will be made during regular business hours with reasonable advance notice, except that notice will not be required while an Event of Default exists. Debtor will deliver copies of reports and information as to Collateral in Debtor’s possession or under its control as Secured Party reasonably requests.

## 4. Events of Default; Remedies

### 4.1. Events of Default

Each of the following events or conditions is an ***Event of Default***:

1. There is an “Event of Default” as defined in the Loan Agreement.
2. A representation or warranty made by Debtor in this Agreement is incorrect in any material respect when made or deemed made.
3. The Security Interest in
	* any [material] item of Collateral that is described on any of Schedules B through G[, or
	* any other material [item of] [part of the] Collateral,]

is not a perfected first-priority security interest.[[[66]](#footnote-66)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.66)

1. Debtor or a third party challenges the attachment, perfection, or priority of the Security Interest in any Collateral as to which Debtor has represented that the Security Interest is perfected and will have priority over competing security interests, and Secured Party believes that the challenge has a material probability of success and, if successful, will have a Material Adverse Effect on the value of the Collateral taken as a whole.
2. Debtor Transfers any Collateral, except in a Permitted Transfer.
3. Any Collateral is subject to a Lien other than a Permitted Lien.[[[67]](#footnote-67)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.67)
4. Debtor fails to observe or perform any of its other obligations under this Agreement and does not correct the failure within 10 days after notice from Secured Party.

### 4.2. Enforcement, Collection and Disposition of Collateral

While an Event of Default exists, Secured Party may take any appropriate actions to enforce, collect, protect the value of, or dispose of Collateral to the extent permitted by applicable law.[[[68]](#footnote-68)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.68) Such actions may include

1. taking possession of any tangible Collateral, and entering premises where such Collateral is located to effect such possession,
2. taking physical or electronic action to render any tangible Collateral unusable by Debtor, and entering premises where such Collateral is located to effect such action,
3. preparing and advertising Collateral for sale, lease, license, or other disposition,
4. disposing of any Collateral by public or private sale, lease, license, or other disposition, at Secured Party’s offices or elsewhere, at such prices as Secured Party deems acceptable, for cash or on credit, without assumption of any credit risk,
5. to the extent possible without violating any then-existing Permitted Licenses, granting licenses and sublicenses in any Collateral to third parties, on an exclusive or nonexclusive basis, on such terms and conditions and in such manner as Secured Party may determine, with such licenses or sublicenses as are lawfully granted by Secured Party (or by Debtor by means of Secured Party’s power of attorney) surviving as direct licenses or sublicenses of Debtor when the Event of Default no longer exists,
6. notifying any account debtor or other Person liable for payment to Debtor with respect to any Collateral of Secured Party’s interest in such Collateral, instructing the account debtor or other Person to make the payment directly to Secured Party or as Secured Party directs, and receiving and collecting such payments,
7. notifying parties to any IP License or Domain Name Contract included in the Collateral that Debtor’s rights and interest in the IP License or Domain Name Contract have been assigned to Secured Party, and communicating with such parties to verify the existence, amount, terms, and status of the IP License or Domain Name Contract,
8. instituting, defending, or settling legal proceedings to collect on or enforce Debtor’s rights and remedies against third parties, including account debtors, licensors, licensees, and other parties to IP Licenses or Domain Name Contracts, under or on account of any Collateral, without becoming a party to or incurring any liability under any IP License or Domain Name Contract,
9. paying, discharging, purchasing, contracting for, or compromising any actual or threatened Lien on Collateral that in Secured Party’s opinion may be prior or superior to the Security Interest or may adversely affect Secured Party’s rights, [and]
10. taking any actions that Secured Party deems reasonably appropriate to maintain Debtor’s standards of quality, as referenced in section 3.6.4 (“Trademark Quality Control”), for products manufactured, distributed, or sold, or services performed, in connection with Trademark Collateral [, and]

[(xi) exercising any of Debtor’s rights in Collateral as fully and completely as though Secured Party were the absolute owner of such rights for all purposes[[[69]](#footnote-69)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.69)].

### 4.3. License to Secured Party to Use Intellectual Property

Solely to enable Secured Party to exercise its rights and remedies under this section 4 during and after an Event of Default, Debtor grants Secured Party a nonexclusive, irrevocable, worldwide license (or sublicense) to use and exercise Debtor’s rights in or to any of Debtor’s Intellectual Property (whether or not included in the Collateral[[[70]](#footnote-70)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.70)), without payment of royalty or other compensation to Debtor. This license is in addition to Secured Party’s other rights with respect to the Collateral, and is subject to the following:

* To the extent that this license is a sublicense of Debtor’s rights as a licensee under any IP License (the ***primary license***), this license is subject to any limitations in the primary license.
* Without limiting the foregoing, this license does not include Intellectual Property if the primary license for such Intellectual Property by its terms or as a matter of law prohibits sublicenses, requires the licensor’s consent, or entails additional consideration.
* The term of this license is the same as the term of this Agreement.[[[71]](#footnote-71)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.71)
* For licensed Trademarks, this license is subject to Debtor’s standards of quality control and inspection as provided in section 4.2(x), as necessary to avoid the risk of invalidation of the Trademarks.[[[72]](#footnote-72)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.72)

### 4.4. Access to Debtor’s Systems and Expertise

In connection with Secured Party’s exercise of its rights and remedies under this section 4, Debtor will, at Secured Party’s request and to the extent within Debtor’s power and authority, give Secured Party access to

* all software used for the management of data as to the Collateral or any Intellectual Property licensed to Secured Party under section 4.3, and access to all media in which any of such Collateral or Intellectual Property may be recorded or stored,
* Debtor’s know-how, expertise, and relevant data (such as customer lists) regarding the Collateral or the manufacture, sale, distribution, or provision of any goods or services in connection with Intellectual Property Collateral, and
* Debtor’s personnel responsible for such matters.[[[73]](#footnote-73)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.73)

### 4.5. General Remedy Provisions

#### 4.5.1. U.C.C. Remedies

While an Event of Default exists, Secured Party may exercise all rights and remedies available under the U.C.C. to a secured party following a debtor’s default.

#### 4.5.2. Remedies Cumulative

The remedies provided to Secured Party in this Agreement are cumulative and in addition to the other rights and remedies available under applicable law. Remedies may be exercised separately or concurrently, without demand on or notice to Debtor, except as required (A) expressly by this Agreement or (B) by applicable law, and the exercise or partial exercise of any such right or remedy will not preclude the exercise of any other right or remedy.

#### 4.5.3. Reasonable Notice

To the extent that Secured Party is required by the U.C.C. or other applicable law to give Debtor prior notice of the disposition of any Collateral, 10-days’ notice of the time and place of any public disposition or of the time after which a private disposition may take place is reasonable notice of such matters.

#### 4.5.4. Application of Proceeds[[[74]](#footnote-74)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.74)

Secured Party will apply any proceeds of collection or sale, license, or other disposition of Collateral, to the extent received in cash, to the payment of the Secured Obligations in such order of preference as Secured Party may determine, with proper allowance and provision being made for any Secured Obligations not then due. Upon the final payment and satisfaction in full of all of the Secured Obligations and after making any payments on subordinated security interests required by U.C.C. §§ 9-608(a)(1)(C) or 9-615(a)(3), Secured Party will return any remaining proceeds to Debtor. Only after so paying over such net proceeds and after the payment by Secured Party of any other amount required by any provision of law will Secured Party need to account to Debtor for any surplus proceeds. Debtor will remain liable for any deficiency if the proceeds of disposition of the Collateral are insufficient to fully pay the Secured Obligations.

#### 4.5.5. No Marshaling

Secured Party need not marshal the Collateral or any other present or future security for, or other assurances of payment of, the Secured Obligations or resort to such security or assurances in any particular order. To the extent permitted by applicable law, Debtor will not invoke, and irrevocably waives the benefits of, any law relating to the marshaling of collateral that might delay or impede the enforcement of Secured Party’s rights and remedies under this Agreement or otherwise.

## 5. Secured Party’s Other Rights

### 5.1. Power of Attorney

Debtor appoints Secured Party as its attorney-in-fact, with full power of substitution, without notice to or assent by Debtor, in its own name or in Debtor’s name, in Debtor’s place and stead,

1. to file any documents with an IP Filing Office that Secured Party reasonably deems appropriate in connection with the perfection, protection, priority, or enforcement of the Security Interest, or the removal of ineffective filings,
2. to take any actions required of Debtor under this Agreement that Debtor fails or is unable to take in a timely manner, and
3. while an Event of Default exists, to take any actions that Secured Party deems appropriate
	* to protect, preserve, or realize upon the Collateral and the Security Interest or to accomplish the purposes of this Agreement, including any actions described in section 4, and
	* in connection with a disposition of any Collateral, (A) to assign or transfer title to such Collateral to itself or to any third-party purchaser, and (B) to file with any IP Filing Office or Governmental Authority any documents necessary or advisable to implement, effectuate, or reflect the disposition, including any transfer statement permitted under section 9-619 of the U.C.C.

This power of attorney is a power coupled with an interest and will be irrevocable as long as this Agreement is in effect or is reinstated.

### 5.2. Indemnity

Debtor will defend and indemnify Secured Party and its officers, employees, and agents against

* all losses, obligations, demands, claims, and liabilities (collectively, ***Claims***) asserted by a third party in connection with the transactions contemplated by this Agreement, including acts or failures to act of Secured Party under section 4 (“Events of Default; Remedies”), and
* all costs and expenses (including reasonable attorney’s fees and fees of professionals) paid or incurred by Secured Party in connection with a Claim,

except to the extent the Claim is caused by the gross negligence or willful misconduct of Secured Party (or any of its officers, employees, or agents).

### 5.3. Costs and Expenses

Debtor will pay

* all fees, costs, and expenses incurred by Debtor, Secured Party, or a third party in connection with actions required of Debtor under this Agreement,
* all out-of-pocket fees, costs, and expenses (including reasonable attorney’s fees and fees of advisors, experts, agents, and professionals) reasonably incurred in connection with Secured Party’s exercise, enforcement, or protection of its rights and remedies under this Agreement or in respect of the Collateral, including claims against Debtor for breach of this Agreement and actions under sections 1.3 (“Perfection and Priority”), 1.4 (“After-acquired Collateral”), 1.5 (“Further Assurances”), 3.9 (“Maintenance of Records; Audit and Inspection”), 4 (“Events of Default; Remedies”), 5.1 (“Power of Attorney”), 5.2 (“Indemnity”), or 6.2 (“Reinstatement”), and
* any claims and charges that in Secured Party’s reasonable opinion might, if not paid, prejudice, imperil, or otherwise adversely affect the Security Interest or its priority.

Debtor’s obligations to Secured Party under this section 5.3 will be payable on demand. Until paid, such obligations will bear interest at the “Default Rate” defined in the Loan Agreement and (with such interest) will be part of the Secured Obligations.

### 5.4. Non-Disturbance of Permitted Licenses

Secured Party will not disturb the rights of any third-party licensee of Collateral under a Permitted License, so long as the licensee is not in breach of its obligations to Debtor under the Permitted License. Upon Debtor’s request with respect to a particular licensee, Secured Party will use reasonable efforts to negotiate, execute, and deliver a non-disturbance agreement with the licensee, in form reasonably acceptable to Secured Party, Debtor, and the licensee.[[[75]](#footnote-75)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.75)

### 5.5. Limited Obligations of Secured Party

Secured Party will not be liable for any failure to exercise, or delay in exercising, any of its rights or remedies under this Agreement, or for any diminution in the value of the Collateral, and will not be obligated to

* collect any amounts due, redeem or realize on, or make any presentments, demands, or notices of protest in connection with, any Collateral,
* take any steps necessary to preserve rights in any instrument, contract, license, or lease against third parties or to preserve rights against prior parties,
* take any actions referenced in section 3.6 (“Protection of Collateral”) or any other action to maintain, preserve, protect, or enforce any rights in the Collateral, or
* remove any Liens or take any actions for the perfection, enforcement, collection, or protection of Collateral,

except to the extent that such obligations may not be waived or varied under U.C.C. section 9-602.

## 6. General Provisions[[[76]](#footnote-76)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.76)

### 6.1. Term of Agreement

This Agreement will remain in effect, and Secured Party will have no obligation to release any Collateral, until all the Secured Obligations are completely and indefeasibly paid and performed in full and Secured Party no longer has a commitment to make any Loan to Debtor.

### 6.2. Reinstatement

This Agreement will continue to be effective or be automatically reinstated, as the case may be, if at any time payment, in whole or in part, of any of the Secured Obligations is rescinded or must otherwise be restored or returned by Secured Party or any holder of the Secured Obligations as a preference, fraudulent conveyance, or otherwise under any Bankruptcy Law, all as though such payment had not been made.

### 6.3. Entire Agreement

This Agreement and the other Loan Documents constitute the entire agreement between the Parties and supersede all prior agreements, oral or written, relating to their subject matter.

### 6.4. Notices and Communications

#### 6.4.1. General Notices

All notices and other communications required or permitted under this Agreement will be in writing or other record form, and will be sent by hand, by registered or certified mail return receipt requested, by overnight courier service maintaining records of receipt, or electronically as specified in section 6.4.2 below, in all cases with charges prepaid, and will be effective on the earlier of receipt or

* if mailed, the third Business Day after being mailed,
* if sent by overnight courier service, the following Business Day, or
* if sent by facsimile, upon sender’s receipt of transmission confirmation.

All notices will be addressed to the parties at the following addresses until changed by notice pursuant to this section:

* To Debtor: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* To Secured Party: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

#### 6.4.2. Electronic Communications

Notices and other communications may be delivered electronically (including by e-mail) and will be effective upon receipt, except that any record required to be signed, executed, or authenticated will only be effective when authenticated and delivered by electronic imaging means (e.g., .pdf or .tif).

### 6.5. Successors and Assigns

Debtor will not assign its rights or delegate its duties under this Agreement. Secured Party may assign the Secured Obligations to one or more assignees on such terms and conditions as Secured Party deems advisable. Debtor waives and will not assert against such an assignee any claims, setoffs, recoupments, or defenses that Debtor may have against Secured Party.

### 6.6. Amendments and Waivers

Except as provided in section 1.4 with respect to describing Collateral in an appropriate Addendum,[[[77]](#footnote-77)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.77) this Agreement may not be modified or amended ex-cept in a record authenticated by Debtor and Secured Party, and none of its provisions may be waived except in a record authenticated by Secured Party. No waivers will be implied, whether from any custom or course of dealing, any delay or failure in Secured Party’s exercise of its rights and remedies under this Agreement, or otherwise. Any waiver granted by Secured Party will not obligate Secured Party to grant any further, similar, or other waivers.

### 6.7. Governing Law

This Agreement will be construed in accordance with and governed by the laws of [STATE].

### 6.8. Severability

If any provision of this Agreement or its application to any Person or circumstance is invalid or unenforceable to any extent, the remainder of this Agreement or the application of the provision to other Persons or circumstances will not be affected thereby and will be enforceable to the greatest extent permitted by law.

### 6.9. Jurisdiction; Venue

Debtor irrevocably consents to personal jurisdiction in the courts located in [STATE] for any action in connection with this Agreement, any Secured Obligations, or any Collateral, and will not contest or challenge venue in any such court.

### 6.10. Jury Waiver

Debtor and Secured Party each knowingly, willingly, and irrevocably waives its rights to demand a jury trial in any action or proceeding involving this Agreement, the Secured Obligations, or the Collateral. A copy of this section may be filed as a written consent to a trial by the court.

## 7. Definitions and Usages

### 7.1. Defined Terms

In this Agreement, the following terms have the following meanings:

***Bankruptcy Code*** means Title 11 of the United States Code, titled “Bankruptcy.”[[[78]](#footnote-78)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.78)

***Bankruptcy Law*** means the Bankruptcy Code and any similar United States federal, State, or foreign bankruptcy, insolvency, receivership, or similar law affecting creditors’ rights generally.

***Business Day*** means a day other than a Saturday, Sunday, or other day on which commercial banks in [CITY] are authorized or required by law to close.

***Copyright Office*** means the United States Copyright Office.

***Domain Name Contract*** means an agreement that permits a Person to use a Domain Name.

***Governmental Authority*** means any United States federal, State, municipal, or other government, governmental department, commission, board, bureau, court, agency, or instrumentality (including an IP Filing Office), or political subdivision thereof, or any entity or officer exercising executive, legislative, judicial, regulatory, or administrative functions of or pertaining to any government or any court of the United States or any State.

***Insolvency Proceedings*** means any United States federal, State, or foreign bankruptcy, reorganization, liquidation, assignment for the benefit of creditors, receivership, or other insolvency proceedings commenced at any time by or against a Person or its property, pursuant to Bankruptcy Law or otherwise.

***IP Security Document***[[[79]](#footnote-79)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.79) means any one or more of the following documents, as applicable, in proper form for recordation or registration in the applicable IP Filing Office:

1. for Copyrights, a notice or agreement substantially in the form of Exhibit 1,
2. for Patents, a notice or agreement substantially in the form of Exhibit 2, or
3. for Trademarks, a notice or agreement substantially in the form of Exhibit 3, or
4. any other assignment, mortgage, confirmation, notice, agreement, instrument, or other document that Secured Party reasonably considers necessary or advisable to record in any IP Filing Office in order to create, evidence, perfect, protect, or enforce the Security Interest in any Collateral.

***IP Filing Office*** means, as applicable, the Copyright Office (for Copyrights), the PTO (for Patents and Trademarks), any similar office or agency in any Jurisdiction, or any Internet domain name registry (for Domain Names). A State U.C.C. filing office is not an IP Filing Office.

***Jurisdiction*** means any jurisdiction creating or recognizing rights in Intellectual Property, including the United States, any State, any foreign country, or any subdivision thereof.

***License-In*** means an IP License where Debtor is the licensee and a third party (which may be an affiliate of Debtor) is the licensor.

***License-Out*** means an IP License where Debtor is the licensor and a third party (which may be an affiliate of Debtor) is the licensee.

***Lien*** means, with respect to Debtor’s rights or interest in any item of Collateral,

1. any “Lien” as defined in the Loan Agreement,
2. any voluntary collateral assignment, conditional assignment, license equivalent to an encumbrance, mortgage, charge, hypothecation, pledge, security interest, or lien on, in, or to those rights or that interest, or
3. any involuntary lien, claim, or other encumbrance on, in, or to those rights or that interest, including a tax, judgment, statutory, common law, or equitable lien, or other attachment, levy, execution, or judicial action with respect to those rights or that interest.[[[80]](#footnote-80)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.80)

***Loan Documents*** means the Loan Agreement, the promissory note dated the Effective Date issued by Debtor to Secured Party, this Agreement, and any other agreement executed on or after the Effective Date in connection with any of them.

***Material Adverse Effect*** has the same meaning as in the Loan Agreement.

***Permitted License*** means a License-Out that

1. was listed on Schedule F as of the Effective Date, or
2. is granted by Debtor in the ordinary course of business and that, when granted, did not have a Materially Adverse Effect on Debtor’s business or the value of the Collateral taken as a whole.[[[81]](#footnote-81)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.81)

***Person*** means a natural person, corporation, limited liability company, trust, business trust, joint venture, association, company, partnership, Governmental Authority, or other entity.

***PTO*** means the United States Patent and Trademark Office.

***Restrictive Provision*** means a provision of an agreement or of applicable law that purports to

* prohibit Debtor’s assignment of, grant of a security interest in, or license of its rights under, an IP License or Domain Name Contract,
* require any other Person’s consent to such assignment, grant, or license, or
* make such assignment, grant, or license constitute or result in a violation of law or a breach, default, or termination of an IP License or Domain Name Contract.

***State*** means a state or territory of the United States, or the District of Columbia.

A ***Transfer*** of Collateral is Debtor’s voluntary disposition (or agreement to dispose) of its rights therein, in whole or in part, by sale, lease, license, assignment, operation of law, or other method, other than the creation or enforcement of a Lien on, or any actual or deemed abandonment of, Debtor’s rights in any Collateral. To ***Transfer*** any Collateral means to effect or implement a Transfer.[[[82]](#footnote-82)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.82)

***U.C.C.*** means the [STATE] Uniform Commercial Code or, for any particular matter, the Uniform Commercial Code of the State that governs such matter.

***United States*** includes all the States (as defined above) and the Commonwealth of Puerto Rico.

### 7.2. Usages

Unless otherwise stated or the context clearly requires otherwise:

*U.C.C. terms*. Terms defined in the U.C.C. have the same meanings in this Agreement. If a term is defined in Article 9 of the U.C.C. and in another article of the U.C.C., the term has the meaning specified in Article 9.

*United States law*. References to the laws or regulations of the United States include all United States federal, State, and local laws or regulations.

*Debtor*. If Debtor is a partnership or an unincorporated association of more than one person, the term “Debtor” refers to the entity and to each partner and/or each such person, jointly, severally, and individually.

*Singular and plural*. Definitions of terms apply equally to the singular and plural forms.

*Masculine and feminine*. Pronouns include the corresponding masculine, feminine, and neuter forms.

*Time of day*. All indications of time of day mean [CITY] time.

*When action may be taken*. Any action permitted under this Agreement may be taken at any time and from time to time.

*May*. Any action that a Person “may” take it may take in its discretion but is not obligated to take.

*Inclusive Terms*. “Including” (or “include(s)”) means “including (or include(s)), but not limited to.”

“*Reasonable*” means the same as “commercially reasonable.”

*Or*. “A or B” means “A or B or both.”

*Successors and assigns*. References to a Person include the Person’s permitted successors and assigns.

*Statutes and regulations*. References to a statute refer to the statute and all regulations promulgated under or implementing the statute as in effect at the relevant time. References to a specific provision of a statute or regulation include successor provisions. References to a section of the Bankruptcy Code also refer to any similar provision of Bankruptcy Law.

*Governmental agencies and self-regulatory organizations*. References to a governmental or quasi-governmental agency or authority or a self-regulatory organization include any successor agency, authority, or self-regulatory organization.

*Agreements*. References to an agreement (including this Agreement) refer to the agreement as amended at the relevant time.

*Schedules and Exhibits*. References to a Schedule or Exhibit refer to Schedules or Exhibits to this Agreement.

*Section references*. Section references refer to sections of this Agreement. References to numbered sections refer to all included sections. For example, a reference to section 2 also refers to sections 2.1, 2.1.2, 2.1.2(ii), *etc*. References to a section or article in an agreement, statute, or regulation include successor and renumbered sections and articles of that or any successor agreement, statute, or regulation.

*Nouns and adjectives*. Defined terms that are nouns may be used as adjectives; for example, “Copyright Collateral” to refer to Copyrights included in the Collateral.

## Signatures

[DEBTOR]

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[NAME]

[TITLE]

[SECURED PARTY]

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[NAME]

[TITLE]

## Schedules

1. Scheduled Excluded Property
2. Copyrights, Copyright Applications, and Copyright Licenses-In
3. Patents, Patent Applications, and Patent Licenses-In
4. Registered Trademarks, Trademark Applications, and Trademark Licenses-In
5. Domain Names
6. Licenses-Out
7. Other Intellectual Property
8. Restrictive Provisions
9. U.C.C. Filing Offices
10. Debtor Information
11. Claims and infringements

## Exhibits

1. IP Security Document for Copyrights
2. IP Security Document for Patents
3. IP Security Document for Trademarks

## Exhibit 1: Form of IP Security Document—Copyrights

### **Copyright Security Agreement**

[DATE]

Parties

[DEBTOR NAME], a [JURISDICTION] [ENTITY] [ADDRESS] (***Debtor***)

[SECURED PARTY NAME], a [JURISDICTION] [ENTITY] [ADDRESS] (***Secured Party***)

Background

This Copyright Security Agreement is executed pursuant to the ***Loan Agreement*** and the ***Security Agreement*,** both dated [the Effective Date], between Debtor and Secured Party. Secured Party has agreed to make certain ***Loans*** to Debtor, and Debtor has agreed to provide certain ***Collateral*** to secure the Loans, all on the terms and conditions set forth in the Loan Agreement and the Security Agreement. Those conditions include the execution, delivery and recordation of this Copyright Security Agreement (this ***Agreement***).

Agreement

The parties agree as follows:

**1. Supplement to Security Agreement**

This Agreement has been entered into in conjunction with the Security Interest granted to Secured Party under the Security Agreement. The terms of this Agreement are supplemental to and not in replacement of the terms of the Security Agreement, and the rights and remedies of Secured Party with respect to the security interests granted herein are without prejudice to, but in addition to, those set forth in the Security Agreement. If there is any conflict between this Agreement and the Security Agreement, the Security Agreement will govern.

**2. Security Interest and Collateral**

To secure Debtor’s performance of its present and future obligations under the Loan Agreement, Debtor grants Secured Party a security interest in all Debtor’s present and future rights and interest in the registered copyrights and copyright applications identified on Schedule 1 to this Agreement.

**3. General Provisions**

The provisions of section 6 (“General Provisions”) of the Security Agreement are incorporated herein by reference, except that the term “Agreement” will mean this Agreement.

**4. Terms and Usages in Security Agreement**

All capitalized terms used in this Agreement and not otherwise defined herein will have the meanings assigned to them in the Security Agreement, except that the term “Agreement” will mean this Agreement. Unless otherwise stated or the context clearly requires otherwise, the usage rules set forth in Section 7.2 of the Security Agreement will apply to this Agreement.

**5. Recording**

Debtor authorizes and requests the United States Copyright Office to record this Copyright Security Agreement.

**6. Termination**

When all the Secured Obligations have been completely and indefeasibly paid and performed in full and Secured Party no longer has a commitment to make any Loan to Debtor, this Agreement will terminate.

Signatures[[[83]](#footnote-83)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.83)

[DEBTOR]

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[NAME]

[TITLE]

[SECURED PARTY]

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[NAME]

[TITLE]

### **Schedule 1 to Copyright Security Agreement**

| Registered Copyrights |
| --- |
| Title of Work | Registration Number | Registration Date |
|    |    |    |
|    |    |    |
|    |    |    |

| Copyright Applications |
| --- |
| Title of Work | Application Date |
|    |    |
|    |    |
|    |    |

## Exhibit 2: Form of IP Security Document—Patents

### **Patent Security Agreement**

[DATE]

Parties

[DEBTOR NAME], a [JURISDICTION] [ENTITY] [ADDRESS] (***Debtor***)

[SECURED PARTY NAME], a [JURISDICTION] [ENTITY] [ADDRESS] (***Secured Party***)

Background

This Patent Security Agreement is executed pursuant to the ***Loan Agreement*** and the ***Security Agreement*,** both dated [the Effective Date], between Debtor and Secured Party. Secured Party has agreed to make certain ***Loans*** to Debtor, and Debtor has agreed to provide certain ***Collateral*** to secure the Loans, all on the terms and conditions set forth in the Loan Agreement and the Security Agreement. Those conditions include the execution, delivery and recordation of this Patent Security Agreement (this ***Agreement***).

Agreement

The parties agree as follows:

**1. Supplement to Security Agreement**

This Agreement has been entered into in conjunction with the Security Interest granted to Secured Party under the Security Agreement. The terms of this Agreement are supplemental to and not in replacement of the terms of the Security Agreement, and the rights and remedies of Secured Party with respect to the security interests granted herein are without prejudice to, but in addition to, those set forth in the Security Agreement. If there is any conflict between this Agreement and the Security Agreement, the Security Agreement will govern.

**2. Security Interest and Collateral**

To secure Debtor’s performance of its present and future obligations under the Loan Agreement, Debtor grants Secured Party a security interest in all Debtor’s present and future rights and interest in the issued patents and patent applications identified on Schedule 1 to this Agreement.

**3. General Provisions**

The provisions of section 6 (“General Provisions”) of the Security Agreement are incorporated herein by reference, except that the term “Agreement” will mean this Agreement.

**4. Terms and Usages in Security Agreement**

All capitalized terms used in this Agreement and not otherwise defined herein will have the meanings assigned to them in the Security Agreement, except that the term “Agreement” will mean this Agreement. Unless otherwise stated or the context clearly requires otherwise, the usage rules set forth in Section 7.2 of the Security Agreement will apply to this Agreement.

**5. Recording**

Debtor authorizes and requests the United States Patent and Trademark Office to record this Patent Security Agreement.

**6. Termination**

When all the Secured Obligations have been completely and indefeasibly paid and performed in full and Secured Party no longer has a commitment to make any Loan to Debtor, this Agreement will terminate.

Signatures[[[84]](#footnote-84)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.84)

[DEBTOR]

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[NAME]

[TITLE]

[SECURED PARTY]

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[NAME]

[TITLE]

### **Schedule 1 to Patent Security Agreement**

| Issued Patents |
| --- |
| Patent Number | Date Issued | Title |
|    |    |    |
|    |    |    |
|    |    |    |

| Patent Applications |
| --- |
| Application Number | Filing Date | Title |
|    |    |    |
|    |    |    |
|    |    |    |

## Exhibit 3: Form of IP Security Document—Trademarks

### **Trademark Security Agreement**

[DATE]

Parties

[DEBTOR NAME], a [JURISDICTION] [ENTITY] [ADDRESS] (***Debtor***)

[SECURED PARTY NAME], a [JURISDICTION] [ENTITY] [ADDRESS] (***Secured Party***)

Background

This Trademark Security Agreement is executed pursuant to the ***Loan Agreement*** and the ***Security Agreement*,** both dated [the Effective Date], between Debtor and Secured Party. Secured Party has agreed to make certain ***Loans*** to Debtor, and Debtor has agreed to provide certain ***Collateral*** to secure the Loans, all on the terms and conditions set forth in the Loan Agreement and the Security Agreement. Those conditions include the execution, delivery and recordation of this Trademark Security Agreement (this ***Agreement***).

Agreement

The parties agree as follows:

**1. Supplement to Security Agreement**

This Agreement has been entered into in conjunction with the Security Interest granted to Secured Party under the Security Agreement. The terms of this Agreement are supplemental to and not in replacement of the terms of the Security Agreement, and the rights and remedies of Secured Party with respect to the security interests granted herein are without prejudice to, but in addition to, those set forth in the Security Agreement. If there is any conflict between this Agreement and the Security Agreement, the Security Agreement will govern.

**2. Security Interest and Collateral**

To secure Debtor’s performance of its present and future obligations under the Loan Agreement, Debtor grants Secured Party a security interest in all Debtor’s present and future rights and interest in the registered trademarks and trademark applications identified on Schedule 1 to this Agreement, together with the goodwill of the business connected with the use of or symbolized by such registered or applied-for trademarks.

**3. General Provisions**

The provisions of section 6 (“General Provisions”) of the Security Agreement are incorporated herein by reference, except that the term “Agreement” will mean this Agreement.

**4. Terms and Usages in Security Agreement**

All capitalized terms used in this Agreement and not otherwise defined herein will have the meanings assigned to them in the Security Agreement, except that the term “Agreement” will mean this Agreement. Unless otherwise stated or the context clearly requires otherwise, the usage rules set forth in Section 7.2 of the Security Agreement will apply to this Agreement.

**5. Recording**

Debtor authorizes and requests the United States Patent and Trademark Office to record this Trademark Security Agreement.

**6. Termination**

When all the Secured Obligations have been completely and indefeasibly paid and performed in full and Secured Party no longer has a commitment to make any Loan to Debtor, this Agreement will terminate.

Signatures[[[85]](#footnote-85)](file:///S%3A%5CLIBEDS%5CBLT-2%5CNEW%20BLT%5CTools%20%282022%20and%20after%29%5CTools%20-%202024%5CSecured%20Lender%20IP%20Due%20Diligence%20Checklist%2C%20drafts%5CMIPSA%20report%202016.html#ftn2.85)

[DEBTOR]

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[NAME]

[TITLE]

[SECURED PARTY]

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[NAME]

[TITLE]

### **Schedule 1 to Trademark Security Agreement**

| Registered Trademarks |
| --- |
| Mark | Registration Number | Registration Date |
|    |    |    |
|    |    |    |
|    |    |    |

| Trademark Applications |
| --- |
| Mark | Application Number | Filing Date |
|    |    |    |
|    |    |    |
|    |    |    |

1. This model agreement was prepared by the Model Intellectual Property Security Agreement Task Force, as a joint project of the Commercial Finance and Uniform Commercial Code Committees of the American Bar Association Business Law Section. The model agreement should be used in conjunction with the Task Force’s Introductory Report and Background Considerations (the “Report”), which provides helpful analysis and additional commentary. [↑](#footnote-ref-1)
2. Most capitalized defined terms are defined in context throughout the agreement. See the index of defined terms following the table of contents. Other words and phrases are defined in section 7.1 (Defined Terms) or described in section 7.2 (Usages). [↑](#footnote-ref-2)
3. The model agreement provides for the debtor to simply “grant a security interest” in the collateral, avoiding the unnecessary and ambiguous verbs historically included in IP security agreements (e.g., assign, transfer, convey, pledge, mortgage, hypothecate, remise). *See* Report § 4.3. [↑](#footnote-ref-3)
4. As discussed in the Report, the model agreement focuses on U.S. intellectual property, as opposed to IP rights created by or subject to the laws of jurisdictions other than the United States or its states (generally referred to as “foreign intellectual property”). If the secured party is taking the value of the foreign intellectual property into account in its credit decision, local counsel should be consulted in each relevant jurisdiction. If the secured party is not relying on foreign intellectual property, exceptions to the representations and warranties, covenants, and scheduling obligations may be appropriate. *See* Report §§ 1.2.4, 2.1.2. [↑](#footnote-ref-4)
5. Mask works are not copyrights, although they are partially protected under certain provisions of Title 17 of the U.S. Code, codifying the Semiconductor Chip Protection Act of 1984, 17 U.S.C. §§ 901–914 (2012). A mask work is defined as a series of images representing the three-dimensional topography of a semiconductor chip. This Act has turned out to have limited utility. Only the actual chip design is protected under the Act—not any idea, procedure, process, system, method of operation, concept, principle, or discovery that may be described, explained, illustrated, or embodied in the mask work. *Id*. § 902(c). [↑](#footnote-ref-5)
6. The model agreement does not address software that is embedded in or so closely related to specific goods that it is treated as part of the goods for Article 9 purposes. *See* U.C.C. § 9-104(a)(22). [↑](#footnote-ref-6)
7. This definition is intended to incorporate these related rights in any defined type of IP collateral, even though they may be described differently for different types of intellectual property. The collateral description expressly includes the right to sue for past infringement or other violation of the debtor’s IP rights because generally such an action can only be brought by the owner of the intellectual property. *See* 17 U.S.C. § 501(b) (2012) (only a legal or beneficial owner of an exclusive right in copyright can bring an infringement action); 35 U.S.C. § 281.35 (2012) (only a patentee can bring an infringement action); *id*. § 100(d) (a patentee is the person to whom the patent was originally issued or a successor-in-title); *see also* Silvers v. Sony Pictures Entm’t, Inc., 402 F.3d 881 (9th Cir. 2005) (assignee of accrued claim for copyright infringement lacked standing because assignee had no legal or beneficial interest in copyright itself). [↑](#footnote-ref-7)
8. To guard against the unintentional omission of any form of intellectual property collateral under Article 9 because of an inadequate description, clauses (a) and (b) describe the collateral using the relevant collateral types defined in U.C.C. Article 9. *See* U.C.C. § 9-108(b)(3) (use of defined collateral types as sufficient collateral descriptions). [↑](#footnote-ref-8)
9. The model agreement gives the secured party a security interest in all of the debtor’s intellectual property. The parties may, however, want to limit the security interest to a particular category of intellectual property (e.g., certain patents) or to IP rights in particular assets (e.g., a specified film or musical work); alternatively, the parties may want to exempt certain categories or assets. Schedule A provides a convenient way to impose such limitations or exemptions (though conforming changes will be necessary in other parts of the agreement). The secured party should consider any such limitations or exemptions carefully, since a single asset may be protected by multiple types of IP rights. For example, a software program may be patented as a novel “business method,” the code or “look and feel” of the program may be protectable under copyright law, the source code may be a trade secret, and the logo or name of the program may be a trademark or service mark. [↑](#footnote-ref-9)
10. This section 1.2.2 is intended to address a longstanding concern that granting a security interest in an ITU application before evidence of use of the trademark has been accepted by the PTO could constitute an “assignment” that might impair the enforceability or validity of the trademark or the ensuing registration. This section thus excludes the application until the required evidence of use has been accepted by the PTO, but only to the extent (if any) that the grant of the security interest would compromise the ITU application or registration. *See* Report § 4.3. [↑](#footnote-ref-10)
11. “Restrictive Provision” is defined in section 7.1 (Defined Terms). The definition tracks the language in U.C.C. sections 9-406 and 9-408 describing the kinds of contractual provisions or provisions of law that purport to restrict a party’s assignment of its rights in collateral such as licenses. (For convenience, these restrictive provisions under applicable law or in a contract are generally referred to as anti-assignment or non-assignment provisions or clauses.) IP attorneys often describe IP licenses as non-assignable without realizing that U.C.C. sections 9-406 and 9-408, if applicable, could make certain non-assignment provisions in a contract or law at least partly unenforceable, so that the provisions would not be triggered by an “assignment” in the form of a security interest. *See* Report § 4.5 (discussing non-assignable licenses). If an anti-assignment provision is effective, neither the secured party nor the debtor will want the grant of a security interest to cause the IP license to be terminated or declared in default. To avoid unintended consequences of violating an effective anti-assignment provision, this section 1.2.3 excludes IP licenses to the extent (but only to the extent) such a provision is enforceable. [↑](#footnote-ref-11)
12. The form and content of a document to be filed or recorded with the federal filing office will depend in part on the type of IP collateral and the administrative rules of the filing office. For copyright transfers, the statute allows the recordation of “a note or memorandum of the transfer,” 17 U.S.C. § 204(a) (2012), and the criteria for constructive notice set forth in 17 U.S.C. § 205 arguably could be satisfied by either a notice or an agreement. The Copyright Office rules, however, require a document pertaining to a copyright to be “complete by its own terms,” although other documents may be identified or incorporated by reference. 37 C.F.R. § 201.4(c)(2) (2015). The Copyright Office rules also recommend, but do not require, that a document submitted for recording be accompanied by its Recordation Document Cover Sheet (Form DCS). *Id.* § 201.4(b). For patents, the statute refers to a “recorded” assignment, 15 U.S.C. § 261 (2012), but the cover sheet required by the PTO rules provides the option to record a “security agreement” as well as an “assignment.” For trademarks, the statute requires only that “information regarding the transfer” be recorded in the PTO, *id*. § 1060(4), but the PTO form of cover sheet describes the document to be recorded as a “notice of security interest.” Both the Copyright Office and PTO have other specific recording requirements, and the filing office rules should be consulted before submitting a document for recordation. [↑](#footnote-ref-12)
13. Representations and warranties as to perfection and priority of the security interest are customary. However, the representations and warranties usually provide little comfort to the secured party; they merely state legal conclusions that are likely to be as much within the secured party’s knowledge as the debtor’s (especially when the secured party will be making the required filings). The model agreement has a separate event of default (section 4.1(iii)) that makes a failure of perfection or priority an immediate event of default, thus obviating much of the reason for the representation and warranty. We have kept the representation, however, because of the slim possibility that there may be other reasons for non-perfection or non-priority that are known to the debtor and that could form the basis for a misrepresentation action. The representation also serves as a kind of roadmap for the parties’ lawyers, who may be unfamiliar with the perfection rules applicable to IP assets. To the extent that a secured party does not feel the need for such a roadmap and believes a misrepresentation claim is unlikely, it may wish to drop this section 1.3.3. [↑](#footnote-ref-13)
14. The prevailing legal view is that a security interest in registered copyrights can only be perfected by recording in the Copyright Office. *See* Report § 4.1.2*.* Secured parties generally file U.C.C. financing statements also, to cover related rights and proceeds. [↑](#footnote-ref-14)
15. The weight of authority supports the conclusion that federal filing is not required for perfection of security interests in patents and trademarks, but a debtor (or debtor’s IP counsel) may still be reluctant to make a representation on this legal issue. This representation contemplates both state U.C.C. filing to perfect and a backup federal filing to provide notice. This approach allows the debtor to make the representation without having to make legal determinations. *See* Report § 4.2.2. Of course, the debtor’s representation does not eliminate the need to determine the appropriate method of perfection and take appropriate actions. [↑](#footnote-ref-15)
16. The one-month period for copyrights and the three-month period for patents and trademarks in this section are based on the recording periods established by federal law for determining the relative priorities of certain third-party rights in the same IP asset. 17 U.S.C. § 205(d) (2012) (transferees of copyright ownership); 35 U.S.C. § 261 (2012) (subsequent purchasers and mortgagees of patents); 15 U.S.C. § 1060(a)(4) (2012) (subsequent purchasers of trademarks). *See* Report §§ 4.1, 4.2. [↑](#footnote-ref-16)
17. Because the grant clause in the agreement includes the debtor’s after-acquired intellectual property, new intellectual property becomes part of the collateral package immediately upon its acquisition by the debtor. However, additional recordings in the IP filing offices will be necessary to perfect the security interest in newly acquired registered or applied-for copyrights, and may be advisable if the new intellectual property consists of patents or trademarks even if the additional recording is not required for perfection. The notice and filing provisions in section 1.4 of the model agreement are intended to balance the secured party’s interests against the burden imposed on the debtor, especially if the debtor’s business involves frequent IP filings. [↑](#footnote-ref-17)
18. If the debtor has an extensive IP portfolio, a three-month reporting period is commonly used for after-acquired trademarks and patents, in part because recording in the PTO is not considered necessary for perfection, but acts as a backup. *See* Report §§ 2.3.4, 2.4.4, 4.2.2. A secured party will be likely to require more frequent reporting for copyrights, however, both because the similar grace period for copyrights is only one month, 17 U.S.C. § 205 (2012), and because a security interest in registered copyrights can only be perfected by filing in the Copyright Office. Section 1.4.4 therefore requires the secured party’s lien notice to be submitted to the Copyright Office *with*, not after, the debtor’s copyright application. *See* Report §§ 2.2.4, 4.1.2*.* [↑](#footnote-ref-18)
19. Many of the debtor’s representations, warranties, and covenants will only apply to the new collateral when it is listed on a schedule. *See infra* the introductory language to section 2. [↑](#footnote-ref-19)
20. Some security agreements place the federal recording obligations on the debtor. However, since the secured party has the greater incentive to keep its lien recordings up-to-date, it is more logical for it to undertake the filing tasks, regardless of where the loan documentation places the obligation. In either case, the debtor typically bears the recording costs. *See infra* section 5.3 (Costs and Expenses). [↑](#footnote-ref-20)
21. The parties may negotiate an exception to this requirement to allow the debtor to file a copyright application without prior notice to the extent that registration of the copyright is a prerequisite to proceeding against a potential infringer on an expedited basis. [↑](#footnote-ref-21)
22. The debtor may find it burdensome to observe two different notification and reporting periods—collective quarterly notices under section 1.4.3 for patents and trademarks and specific prior notice for each copyright under this section 1.4.4—and may propose that *all* new intellectual property be reported on a quarterly, or even semiannual, basis. The secured party may reasonably insist on the different notice procedure for copyrights, however, because Copyright Office filing is necessary for perfection of a security interest. *See* Report § 4.1.2. [↑](#footnote-ref-22)
23. This covenant requires the debtor to take the appropriate action to extend the security interest to cover particular claims the debtor may have against other parties with respect to the IP collateral. The collateral description in section 1.1 (Grant and Collateral Description) includes commercial tort claims related to intellectual property (as part of “Associated Property”) as well as tort causes of action and claims for damages related to IP collateral (as part of “IP-Related Rights”). U.C.C. section 9-102(a)(13) defines “commercial tort claim” to include two kinds of tort claims—(1) where the claimant is an organization and (2) where the claimant is an individual, but the claim arose in the course of the individual’s business or profession and does not include damages for personal injury or death. In either case, while identifying collateral by Article 9 type is adequate for most personal property under Article 9, such identification is not sufficient for commercial tort claims. U.C.C. § 9-108(e)(1). The description can be general, not specific, and does not need to identify the amounts or types of damages claimed, name the defendants, or outline legal theories. *See id*. § 9-108 cmt. 5. [↑](#footnote-ref-23)
24. To the extent that this covenant covers IP licenses that purport to prohibit assignment, the debtor may be reluctant to take on a blanket obligation to seek the other parties’ consents to assignment of or grants of a security interest in the debtor’s rights under such licenses, even if qualified by “reasonable efforts.”

The debtor may derive some comfort from section 1.2.3 (Excluded Property—Restricted IP Licenses), which excludes from the collateral IP licenses that are truly “non-assignable”—meaning that the debtor cannot grant a security interest in its rights under the license without causing a default or termination event. *See* Report § 4.5. Rather than engage in a language harmonization exercise or attempt to resolve federal law preemption issues, if a particular “non-assignable” license is material to the debtor’s business, the secured party should consider making the licensor’s consent a condition to closing. *See* Report §§ 4.5, 4.7. [↑](#footnote-ref-24)
25. The debtor (or secured party) will prepare addenda to the schedules identifying items of collateral acquired after the effective date, and the representations and warranties are repeated as to those items when the relevant addendum becomes effective. *See supra* section 1.4 (After-acquired Collateral). [↑](#footnote-ref-25)
26. The model agreement allows specific copyrights, trademarks, patents, and IP licenses to be listed on schedules attached to the agreement. Schedules B through G can list IP collateral by general categories (e.g., “all trademarks registered after 1990”) or by specific items. The schedules serve several purposes, and the purpose may dictate the nature of the description. *See* Report § 4.4*.* Some of the representations, warranties, and covenants in the model agreement only apply to the collateral listed on the schedules. For example, the debtor only represents and warrants as to the validity of the *scheduled* copyrights, patents, and trademarks. *See infra* sections 2.1.1(ii), 2.1.2(ii) & 2.1.3(ii). Depending on how the schedules are to be used, the secured party may agree to permit the debtor to schedule only the most valuable or most strategically important collateral. [↑](#footnote-ref-26)
27. The term “subsisting” is generally understood to mean that the IP rights or registrations have not lapsed or expired and have not been abandoned. The secured party may request that the schedules also include expired and abandoned IP registrations and applications, since even an expired or abandoned item may have some residual value. For example, an expired registration might support a claim for an infringement that occurred while the registration was still in effect. Owners of some kinds of intellectual property may have a right, for a limited time and subject to various conditions, to revive certain lapsed or abandoned items.

In response to such a request, a debtor may argue that including defunct items will increase its administrative burden without providing any material benefit to the secured party, where the debtor has already determined, as a business matter, that the items were not worth maintaining or are expired at full term (most relevant for patents). The debtor might also argue that its lien recording (and releasing) costs would be increased unnecessarily if the secured party includes the expired or abandoned items in a notice of security interest recorded in the Copyright Office or PTO. Finally, if expired and abandoned items are included, then some of the representations and warranties (such as the validity representations in *infra* section 2.1.1(ii)) will need to be modified to apply only to subsisting items, thereby complicating the drafting process. For these reasons, it is not unusual for a secured party to allow the debtor to leave abandoned and expired intellectual property off the schedules. If the debtor does have a pending or threatened claim for the infringement of an expired or lapsed item while it was in force, the item and claim should be included on the applicable IP schedule, so that the secured party may (if required or advisable) record its security interest. [↑](#footnote-ref-27)
28. This representation will require the debtor to identify and schedule all copyrights that are registered. This information may be necessary for the secured party to perfect or enforce its security interest in the copyrights. The representation covers filing or registration in any IP filing office, including foreign IP offices, although the model agreement does not address foreign intellectual property or foreign IP filing systems. The parties may agree to limit the actions to be taken to perfect the secured party’s lien in foreign intellectual property because of the cost, time involved, or lesser materiality of the foreign intellectual property. *See* Report §§ 1.2.6, 2.1.2*.* [↑](#footnote-ref-28)
29. This representation identifies the debtor’s “licenses-in” (i.e., where a third party grants rights in its intellectual property to the debtor), in part to permit the secured party to file a required or optional notice of security interest in the debtor’s rights as licensee in an IP filing office. *See* Report § 4.6. Because these notice filings are publicly available, the secured party should consider possible confidentiality restrictions before identifying particular IP licenses or other confidential information in a schedule attached to a lien filing. *See* Report § 2.3.3 (patents kept secret for a limited time). The debtor’s “licenses out,” where the debtor grants rights in its intellectual property to third parties, are listed on schedule F. *See infra* section 2.1.4(ii). Except for exclusive copyright licenses under some circumstances, licenses-out would not normally be included in any filing in an IP filing office. *See* Report § 4.6.2.

The debtor may argue that listing all its IP licenses would be an unreasonable burden. Depending on the secured party’s policies, the nature of the debtor’s business, and the debtor’s credit standing, the secured party may agree to limit the scheduling requirement for licenses to material or exclusive licenses and/or to exclude licenses of commercial off-the-shelf software. [↑](#footnote-ref-29)
30. A debtor may ask the secured party to delete unqualified representations and warranties that intellectual property is valid, or to limit them to the debtor’s knowledge or to add a materiality qualifier. For example, the debtor may argue that it cannot know whether a copyright is not fairly claimed due to unconscious copying of another author’s work, whether there is prior art existing that would invalidate a patent, or whether anyone else has previously used the same or a similar trademark. A knowledge-based representation will at least give the secured party some comfort that the debtor did not commit an intentional fraud on an IP filing office. On the other hand, the secured party may argue that the risk of invalidity should be allocated to the debtor completely, as the debtor is in the better position to investigate problems that might affect validity.

A common additional representation in IP security agreements is that the debtor’s intellectual property “has not been adjudged invalid, in whole or in part.” This language does not appear to add anything to the basic representations that the debtor’s copyrights, patents, and trademarks are subsisting, valid, and enforceable. Moreover, this additional statement is confusing, because intellectual property often is judged invalid “in part” during the application process. [↑](#footnote-ref-30)
31. If a patent application has not yet been published, the debtor may be concerned about the possible disclosure of information, such as the patent title, that would otherwise be kept confidential by the PTO until publication of the patent. A common suggestion is to identify only the application numbers of unpublished patents in schedules, or to delay filing the lien until the patent has been published. [↑](#footnote-ref-31)
32. Some debtors are concerned about the implications of making a validity representation (even one limited by “knowledge”) as to trademarks that are no longer in use, and will note exceptions to this representation and warranty or seek to exclude such marks from the collateral. *See* Report § 2.4.5. [↑](#footnote-ref-32)
33. If a domain name is vital to the debtor’s business, the secured party may want to be in a position to take control of the domain name immediately following the debtor’s default. In that case, the secured party will want the security agreement to contain information to assist in taking control. This information might include the identity and locations of the servers used in connection with the domain name, the persons having control over the servers, the debtor’s administrative contact with the registrar, and, most important, the user names and passwords necessary to access the debtor’s account at the registrar. A debtor may refuse to disclose passwords or may insist upon an escrow arrangement for such information. In addition, passwords, server locations, and contact individuals can change over time, so a secured party seeking this information should have a mechanism for obtaining updates. Further, because the domain name may contain a trademark owned by the debtor (for example, “Amazon” in “Amazon.com”), the secured party should ensure that it also has a perfected security interest in that trademark, or it may be prevented from using the domain name. [↑](#footnote-ref-33)
34. The debtor’s scheduling obligations may justifiably be stricter for licenses-out. Licenses-out are analogous to encumbrances on the licensed intellectual property, at least if the licenses are granted before the effective date of the security agreement. *See* Report §§ 4.6.2 (exclusive copyright licenses), 4.6.3 (nonexclusive copyright licenses) & 4.6.4 (patent and trademark licenses). [↑](#footnote-ref-34)
35. A debtor with a large IP portfolio will be reluctant to make this kind of broad representation, and will want a materiality provision or other limitation. The specific wording and scope of such a materiality exception would generally be established in the loan agreement. “Material Adverse Effect” is defined in section 7.1(a) to have the same meaning as in the loan agreement, and the related language should be adjusted accordingly. [↑](#footnote-ref-35)
36. In virtually all secured loans, the secured party prohibits additional liens on the collateral, but agrees that the existence of certain claims, encumbrances, and liens on the collateral will not constitute a default. The exceptions are generally defined collectively and narrowly as “permitted liens” or “permitted encumbrances” while the term “lien” is generally defined broadly. Under the standard definitions, some IP licenses would arguably be treated as liens but not necessarily permitted liens. The model agreement incorporates the standard kinds of permitted liens but also adds certain kinds of IP licenses. *See* section 7.1 (defining “Permitted License”). The separate definition of “Permitted Lien” is included in the model agreement for instructive purposes; ordinarily this definition would be in the loan agreement, to cover all liens that are allowed. [↑](#footnote-ref-36)
37. Like real estate, registered intellectual property has a “chain of title” created by recording. *See* Report § 4.1.1. Gaps in the chain of title to registered intellectual property are more common than gaps in the chain of title to real property. For instance, a debtor may acquire a portfolio of intellectual property with existing gaps or unreleased liens. In such cases, the acquisition agreement may include a post-closing covenant to record documents needed to complete the chain of title, although it may be impracticable to obtain or locate assignments for gaps that were created by prior owners. In such cases, a qualification of the “reasonable efforts” is common. Also, if the debtor has recently changed its name or acquired intellectual property, the title records in the IP filing offices may not yet have been updated. In such cases, specific exceptions to the record ownership representation may be appropriate. [↑](#footnote-ref-37)
38. The term “Transfer” is defined to cover voluntary assignments and transfers of collateral other than transfers for collateral purposes (which are treated as “Liens”). *See infra* section 7.1 (Defined Terms) & note 50. The definition is not the same as the definition of a “transfer of copyright ownership” in the Copyright Act, but does include an exclusive license that is equivalent to an absolute assignment. *See* 17 U.S.C. § 101 (2012) (including exclusive copyright license in the definition of “transfer of copyright ownership interest”). [↑](#footnote-ref-38)
39. An outright prohibition on the future licensing of intellectual property may impede the debtor’s business. In some businesses, the debtor grants IP licenses to its customers in the same way that a merchant sells inventory to its customers. U.C.C. Article 9 recognizes this concept, and protects a “nonexclusive licensee in the ordinary course of business” from a security interest created by its licensor, U.C.C. § 9-321(b), in the same way that it protects a “buyer in ordinary course of business from a security interest created by its seller.” *Id*. § 9-320(a). Depending on the circumstances, including the secured party’s view of the importance and value of the debtor’s IP rights, the parties may agree to permit additional license transactions. These might include IP licenses that the debtor issues in the ordinary course of business, nonexclusive licenses, and/or licenses that do not adversely affect the debtor’s use of the licensed intellectual property in its business. The model agreement uses the defined term “Permitted Licenses” to cover some of these possibilities. *See infra* section 7.1 (Defined Terms) & note 50. Even if the security agreement allows the debtor to issue new IP licenses, however, such licenses will still be subject to the security interest unless the license fits within the scope of U.C.C. section 9-321. To avoid argument over the statutory definition of “licensee in ordinary course” and the interaction between that definition and the debtor’s ability to issue “Permitted Licenses,” the debtor may ask the secured party to include a “non-disturbance” clause or expressly subordinate its lien to “Permitted Licenses.” *See infra* section 5.4 (Non-Disturbance of Permitted Licenses). [↑](#footnote-ref-39)
40. This representation requires the debtor to identify its licenses that contain language purporting to keep the debtor from assigning its rights under the license or that may be subject to provisions of law prohibiting or restricting such assignment. The debtor is not required to make a determination as to the legal effectiveness of such anti-assignment provisions, since section 1.2.3 above excludes a license from the collateral if the restrictive provisions are effective to prohibit a security interest. The schedule called for in this section will be purely informative, allowing the secured party to make its own determination as to the effectiveness of anti-assignment provisions affecting particular licenses. Note that, because IP licenses generally do prohibit assignment, the representation might require the debtor to schedule virtually all its licenses-in, unless a materiality qualifier is added. *See* Report § 4.5 (discussing non-assignable licenses); *see supra* note 30 (regarding materiality qualifiers). [↑](#footnote-ref-40)
41. Claims are generally listed on a separate schedule for all kinds of intellectual property, but alternatively could be listed on the applicable schedule for a particular type of intellectual property. [↑](#footnote-ref-41)
42. The debtor may seek to limit the “no claims made” representation to a certain number of years prior to the effective date or to claims made or threatened in writing. This representation is also often limited to claims that are reasonably likely to have a material adverse effect on the debtor. [↑](#footnote-ref-42)
43. A representation as to non-infringement of the debtor’s intellectual property by others is often limited to the debtor’s knowledge because there is no way a debtor can know what every third party is doing. In addition, popular marks, domain names, logos, characters, or technology are often subject to many small infringements of limited duration or scope. This representation is therefore typically limited to material infringements or infringements that are reasonably likely to have a material adverse effect on the debtor. Note that limiting the representation to cover the debtor’s material intellectual property, rather than material infringements, is somewhat illusory and unlikely to be useful for the debtor or the secured party; the debtor’s material intellectual property is generally the most attractive to unauthorized users and, thus, more likely to be subject to infringement. [↑](#footnote-ref-43)
44. This representation can be surprisingly controversial. Although good IP marking practices would work to the debtor’s benefit, many debtors do not use them consistently. As a general matter, marking is not required to preserve IP rights but is desirable to counter the defense of “innocent infringement.” The parallel covenant—that the debtor will employ good IP marking practices in the future (section 3.6.3 below)—can be controversial for the same reason. [↑](#footnote-ref-44)
45. Trademark owners protect their trademarks in part by maintaining consistent quality standards for themselves and their licensees. Marks that are the subject of “naked licensing” devoid of quality control by the owner may be considered compromised and less attractive to a purchaser on foreclosure. Registered marks that are subject to naked licensing may be deemed to have been abandoned. *See* Report § 2.4.5. [↑](#footnote-ref-45)
46. Some software is released in source code form, in which case this representation would not be appropriate. This representation is intended to apply only where proprietary software is released to the public in compiled object code form, or where a release of the software in source code form might adversely affect the debtor’s proprietary rights in the code by disclosing a trade secret. [↑](#footnote-ref-46)
47. Examples of open source programs that require such disclosure and licensing are the GNU General Public License (any version), GNU Lesser General Public License, Mozilla Public License, and BSD License. Notwithstanding the possible negative consequences of incorporating open source code into a software program, it may be impracticable for a debtor to represent that it has not used any open source software in its proprietary programs. Its personnel who would have the relevant knowledge may no longer be with the company and documentation of the software development process may not exist or provide these details. This representation is more important where the debtor’s most valuable collateral is proprietary software. [↑](#footnote-ref-47)
48. For example, patent rights in inventions made with federal assistance may be subject to limitations and government claims. *See* 35 U.S.C. §§ 200–212 (2012). [↑](#footnote-ref-48)
49. These representations cover the information necessary to complete U.C.C. financing statements and file them in the correct offices. They are not IP-specific and need not be included here if covered in the loan agreement or elsewhere. [↑](#footnote-ref-49)
50. Note that this covenant prohibits the “Transfer” of collateral, while section 3.2 prohibits “Liens.” Both terms are defined in section 7.1. Most standard loan agreement definitions of liens and transfers are broad enough to cover licenses in both definitions, although IP licenses may be affected differently. In this agreement, “Lien” is defined to include security interests, collateral assignments, and involuntary liens, as well as IP licenses that create encumbrances. “Transfer” is defined to include only voluntary transactions that transfer title, including some exclusive IP licenses. The definition of “Transfer” includes the “disposition” or “disposal” of collateral, but excludes the debtor’s actual or deemed abandonment of IP collateral. A common variant of this covenant prohibits the “disposition” or “disposal” of collateral, arguably preventing the debtor from abandoning or allowing any IP registrations to lapse. Accordingly, a covenant worded in terms of “disposition” without such an exception would need to be harmonized with the covenant in section 3.6.2 below, which requires the debtor to maintain the collateral. Conversely, the secured party may consider extending this negative covenant to cover “Excluded Property,” which otherwise would not be covered. [↑](#footnote-ref-50)
51. An unqualified prohibition on the transfer or license of IP collateral could be impractical for debtors in the IP licensing business. The exception for “Permitted Transfers” allows licenses and other transfers permitted under the loan agreement and nonexclusive licenses granted in the ordinary course of business. (The separate definition of “Permitted Transfer” is included in the model agreement mostly for instructive purposes. Although this definition ordinarily would be in the loan agreement, to cover all “transfers” that are allowed, the definitions in the model agreement differentiate between “transfers” for security and “transfers” of title, so that licenses are permitted regardless of the nomenclature.) Another common approach is to limit the restriction to material collateral or to provide specific exceptions. Yet another approach is to require the secured party’s prior consent (not to be unreasonably withheld) for transfers or licenses. However, this can be intrusive if the debtor has a licensing-oriented business or a large IP portfolio. In any event, many secured parties would not want to be burdened with requests for such approvals on a regular basis. On the other hand, the secured party may consider extending this negative covenant to cover Excluded Property, which otherwise would not be covered. [↑](#footnote-ref-51)
52. Note that this covenant prohibits “Liens” on the collateral, while section 3.1 prohibits “Transfers.” Both terms are defined in section 7.1. *See supra* note 50. [↑](#footnote-ref-52)
53. Depending on the nature of the debtor’s business, the parties may want to limit this covenant. One common exception carves out “customary non-assignment clauses in intellectual property licenses,” on the grounds that IP licenses customarily prohibit assignment by the licensee and the debtor may be unable to convince the licensor to change its typical practices. The effectiveness of such provisions is a separate question. *See supra* note 11; Report § 4.5 (discussing “non-assignable” licenses). [↑](#footnote-ref-53)
54. Secured parties sometimes request that the debtor agree to register all its intellectual property—especially its material copyrights—so that the secured party can take the steps that are necessary or advisable to perfect and protect its security interest. If an unregistered copyright is later registered, the perfection method changes from U.C.C. filing to recordation in the Copyright Office, and the secured party may become unperfected. *See* Report § 4.2.1*.* To limit this risk, the secured party may propose that material or certain copyrights be registered and liens be filed upon application and registration. The risk of becoming unperfected is lower for patent and trademark collateral, since all courts addressing the federal preemption issue have held that federal filings are not necessary or effective to perfect a security interest in these types of intellectual property. Report § 4.2.2*.* Although secured parties often make protective federal lien filings in addition to U.C.C. filings for patent and trademark collateral, a secured party will not typically require patents or trademarks to be registered as a preliminary step to federal lien filings. In the debtor’s view, however, an unlimited covenant to register intellectual property will undoubtedly be objectionable because registration can be burdensome and costly, especially for patents. Pursuing IP registrations generally entails a business decision as to how material the intellectual property is, the value that registration will add, whether the intellectual property will be used long-term, and how easily registration can be obtained. A covenant to register intellectual property might be appropriate for specific and/or material items of intellectual property, such as a key software product, a motion picture, a critical invention, or the trademark for a primary consumer product name. [↑](#footnote-ref-54)
55. This covenant requires the prompt recordation of any assignments of intellectual property *to* the debtor. Such recording generally protects the debtor’s ownership interest in the intellectual property against third parties that purchase the intellectual property from the prior owner without notice of the assignment. *See* Report §§ 2.2.4 (copyrights), 2.3.4 (patents) & 2.4.4 (trademarks)*.* [↑](#footnote-ref-55)
56. A debtor may object to undertaking an unqualified obligation to maintain all its intellectual property in effect. The introductory language in section 3.6.2 limits this obligation to only the intellectual property that is “necessary” for the debtor’s business. The determination of whether particular IP items are “necessary” will depend on the facts and circumstances in each case. If practicable, the parties may agree to designate particular items or types of collateral as “necessary.” Alternatively, the parties may agree to more generic exceptions on a qualitative or quantitative basis, and exclude (for instance) collateral with minimal commercial value or usefulness or collateral for which the cost of maintaining the registration would materially outweigh the probable economic benefits to be gained. The parties may agree to a procedure for the debtor to notify the secured party and obtain consent if the debtor wants to abandon particular intellectual property. Note that a debtor may have legitimate business reasons for deciding to make some of its own copyrights or patents available to others for free, for product marketing or as “open licensing,” or otherwise. But any such “dedication to the public” should be purposeful, not accidental, so specific exceptions could be added to this section. [↑](#footnote-ref-56)
57. See *supra* note 44 regarding good IP marking practices and the debtor’s possible reluctance to make this commitment. [↑](#footnote-ref-57)
58. To protect the enforceability and value of a trademark, the owner must maintain a consistent and uniform level of quality. If the quality of goods or services sold under the mark is changed without notice, the mark may mislead customers and lose its meaning as a mark. The purpose of this covenant is to set a fairly objective test, so that the secured party has some comfort that the debtor will continue to monitor the use of its trademarks. Although this approach is common, the debtor may object that the requirement interferes with its business strategy and is technically not required by law to maintain the trademark rights. A debtor-friendly modification may permit changes in quality that are uniformly maintained, part of the debtor’s business strategy, and not misleading to customers. [↑](#footnote-ref-58)
59. *See* Report § 2.4.5 (debtor’s monitoring of licensee’s products and services for compliance with debtor’s quality standards). [↑](#footnote-ref-59)
60. Taking reasonable measures to protect the confidentiality of trade secrets is required for trade secret protection. *See* Report § 2.5.4. The measures listed in this covenant are commonly recognized as reasonable, but may need to be tailored to reflect the debtor’s actual practices. [↑](#footnote-ref-60)
61. If infringements are common in the debtor’s business—for example, software, fashion, entertainment, or publishing—but tend to be transitory, then neither the debtor nor the secured party will want this covenant to apply to all infringements. In such a case, the notice obligation may be limited to material infringements of material intellectual property. Note that, if the debtor is a party to a government-funded research contract, use of the debtor’s intellectual property by the U.S. government that would otherwise constitute infringement will be legally permitted. *See* 35 U.S.C. §§ 200–212 (2012). [↑](#footnote-ref-61)
62. A materiality or material adverse effect limitation may be appropriate here if the debtor has a large IP portfolio and many proceedings in progress. *See supra* note 30 (regarding materiality qualifiers). [↑](#footnote-ref-62)
63. Escrows to hold pledged source code for a secured party are infrequently used in financings, although such arrangements are commonplace in software licensing programs. Source code escrows may be too burdensome for most transactions but may be appropriate where the debtor is a software developer with a single product that provides much of its revenue. An escrow enables the secured party to easily access the source code upon foreclosure when the debtor may be uncooperative and its employees scattered. The escrow arrangement should be put in place on the effective date; the parties will be less motivated to do so later. Setting up an escrow arrangement after the debtor becomes insolvent may compromise the enforceability of the arrangement. Most commercial vendors providing escrow services have their own form agreements, which are often not subject to significant negotiation. However, such forms tend to be fairly balanced as to the parties’ rights and obligations and can be implemented quickly. Escrow arrangements can theoretically be used to maintain and ensure access to other confidential IP-related information, although this approach is rare in practice. [↑](#footnote-ref-63)
64. Many commercial software programs are continuously updated to fix bugs and include minor enhancements. The frequency of escrow deposits and the materiality of an update that triggers an escrow deposit obligation need to be negotiated based on the facts. One test might be that the update has resulted in a new release number. *See supra* note 30 (regarding materiality qualifiers). [↑](#footnote-ref-64)
65. Like the representations in section 2.2.2, this covenant is not IP-specific and may be covered in the loan agreement or elsewhere. *See supra* note 49. [↑](#footnote-ref-65)
66. Without the second bulleted clause, this event of default only concerns those items of collateral described on the schedules; these would presumably encompass all the collateral on which the secured party based its credit decision. If some of the scheduled collateral is not material, to the point that the secured party may decide not to take the steps necessary to perfect its security interest or protect its priority, then the parties may wish to limit the first bulleted clause to material items of collateral.

The parties may also agree to include the second bulleted clause to bring in material collateral not listed on a schedule. But whether this second clause should be used, and whether it should apply item-by-item, will depend on the characteristics of the collateral, including the extent to which perfection and priority are governed by non-U.S. law. If the second bulleted clause is not used, then paragraph (iii) would read (without bullets): “The Security Interest in any [material] item of Collateral that is described on any of Schedules B through G is not a perfected first-priority security interest.” [↑](#footnote-ref-66)
67. The parties may wish to provide a cure period for the debtor to have the lien released. [↑](#footnote-ref-67)
68. Some IP security agreements purport to automatically assign IP collateral to the secured party upon default. Other agreements (e.g., loan agreements, partnership agreements, investment agreements) may not be called security agreements, but may similarly provide that the intellectual property is deemed to be assigned to the non-owner if the owner fails to make a payment or otherwise breaches the agreement. The model agreement does not contain this language because it is inconsistent with U.C.C. Article 9, and it could encourage a secured party to take actions that would violate Article 9. *See* Report §§ 3.8, 4.7. [↑](#footnote-ref-68)
69. A secured party concerned about inadvertently acquiring control of the debtor’s business may want to omit clause (xi). [↑](#footnote-ref-69)
70. The point of this license is to allow the secured party to use the debtor’s intellectual property as necessary to sell collateral without risking liability for infringement of the intellectual property, for example, through marketing efforts or by use of store signage. Under section 4.2, the secured party already has this right as to the collateral, and this license is not intended to limit the secured party’s rights to use the collateral. In many cases, this license covers only the IP collateral itself, to allow for its use under license during the foreclosure process. [↑](#footnote-ref-70)
71. Section 6.1 addresses the term of the security agreement, meaning the time period during which the security agreement—and this license—remain effective. The introductory language limits the scope of the license to actions to enable the secured party to exercise post-default remedies; because the scope of the license is limited, it is not necessary to create a “springing” license by deferring grant of the license. [↑](#footnote-ref-71)
72. Some debtors and secured parties feel more comfortable with an objective quality standard. An alternative formulation requires that the quality of the debtor’s goods and services sold under the licensed trademarks be maintained at substantially the level that existed immediately before the event of default. Some debtors may request that the secured party’s license be subject to exclusive licenses granted by the debtor prior to the effective date or permitted under the security agreement. Otherwise, the grant of a license to the secured party might cause the debtor to violate such licenses or inhibit the debtor’s ability to grant exclusive licenses permitted under the loan documents. In response, the secured party may argue that (1) it will only exercise its rights under the license during an event of default, so its license will have no commercial impact until then, and (2) the non-disturbance clause in section 5.4 below will protect a licensee from losing its rights. This may not be satisfactory to the debtor as a business matter. If so, additional language can be added to carve out any use by the secured party that would violate a permitted exclusive license. [↑](#footnote-ref-72)
73. As a practical matter, the debtor’s ability to comply with this provision will be limited. The debtor will not have the power to compel its employees to remain employed, change their duties, or work for the secured party. [↑](#footnote-ref-73)
74. As with other provisions of this agreement, counsel should be careful that this section not contradict any provisions of the loan agreement, which may also cover these matters. [↑](#footnote-ref-74)
75. This provision might seem unnecessary in light of U.C.C. § 9-321, which provides that a “licensee in ordinary course of business” takes a nonexclusive license free of any security interest created by its licensor. Nonetheless, this kind of non-disturbance provision is becoming more common, especially where a significant portion of the debtor’s business involves licensing intellectual property, because it (1) can cover exclusive licenses and (2) may reduce disputes about the scope and applicability of the U.C.C. provision. [↑](#footnote-ref-75)
76. Except for section 6.6 (Amendments and Waivers), which addresses the secured party’s right to make unilateral amendments by addenda under section 1.4, the boilerplate provisions in section 6 are not specific to IP collateral. They are included in the model agreement for completeness only, and the particular language is not intended to act as a model for any provision. Many of these matters may be addressed in the loan agreement and need not be repeated here. Moreover, applicable state law may limit the enforceability of these provisions, determine whether they should be included at all, or dictate the appropriate language. [↑](#footnote-ref-76)
77. This initial clause addresses the secured party’s right to make unilateral amendments by addenda under section 1.4. This right is an IP-specific exception to standard language prohibiting amendment by one party without the other party’s consent. [↑](#footnote-ref-77)
78. Section 7.2 sets forth usage rules that make it unnecessary to include amendments and successor statutes. [↑](#footnote-ref-78)
79. The form and content of a document to be filed or recorded with the federal filing office will depend in part on the type of IP collateral and the administrative rules of the filing office. *See supra* note 12. [↑](#footnote-ref-79)
80. *See supra* note 50 (comparing the defined terms “Lien” and “Transfer”). [↑](#footnote-ref-80)
81. *See* *supra* note 30 regarding materiality limitations. [↑](#footnote-ref-81)
82. *See supra* note 50 (comparing the defined terms “Lien” and “Transfer”). Not all IP licenses constitute encumbrances. *See, e.g., In re* Provider Meds LP, No. 13-30678-BJH, 2014 WL 4162870 (Bankr. D. Tex. Aug. 20, 2014) (debtor’s grant of perpetual, royalty-free software licenses to third parties did not breach debtor’s obligation to provide lender with first-priority security interest in the software, and licensees’ failure to obtain secured party’s required consent to “encumbrances” of the collateral was not tortious interference with loan contract because licenses were not “encumbrances”). [↑](#footnote-ref-82)
83. It is good practice to have both parties sign, even though only the debtor’s signature is legally required. *See* 17 U.S.C. § 204 (2012) (copyrights); 35 U.S.C. § 261 (2012) (patents); 15 U.S.C. § 1060(3) (2012) (trademarks). [↑](#footnote-ref-83)
84. It is good practice to have both parties sign, even though only the debtor’s signature is legally required. *See* 17 U.S.C. § 204 (copyrights); 35 U.S.C. § 261 (patents); 15 U.S.C. § 1060(3) (trademarks). [↑](#footnote-ref-84)
85. It is good practice to have both parties sign, even though only the debtor’s signature is legally required. *See* 17 U.S.C. § 204 (copyrights); 35 U.S.C. § 261 (patents); 15 U.S.C. § 1060(3) (trademarks). [↑](#footnote-ref-85)