

100TH CONGRESS
2D SESSION

H. R. 5348

To amend title 11 of the United States Code with respect to the rejection of executory contracts licensing rights to intellectual property.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 23, 1988

Mr. EDWARDS of California (for himself, Mr. FISH, Mr. HUGHES, Mr. STAGGERS, Mr. MOORHEAD, and Mr. HYDE) introduced the following bill; which was referred to the Committee on the Judiciary

A BILL

To amend title 11 of the United States Code with respect to the rejection of executory contracts licensing rights to intellectual property.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. AMENDMENTS TO TITLE 11 OF THE UNITED
4 STATES CODE.

5 (a) DEFINITIONS.—Section 101 of title 11, United
6 States Code, is amended—

7 (1) by redesignating paragraphs (34) through (51)
8 as paragraphs (36) through (53), respectively,

9 (2) by inserting after paragraph (33) the following:

1 “(35) ‘mask work’ has the meaning given it in
2 section 901(a)(2) of title 17;”

3 (3) by redesignating paragraphs (32) and (33) as
4 paragraphs (33) and (34), respectively, and

5 (4) by inserting after paragraph (31) the following:

6 “(32) ‘intellectual property’ means—

7 “(A) trade secret;

8 “(B) invention, process, design, or plant pro-
9 tected under title 35;

10 “(C) patent application;

11 “(D) plant variety;

12 “(E) work of authorship protected under title
13 17; or

14 “(F) mask work protected under chapter 9 of
15 title 17;

16 to the extent protected by applicable nonbankruptcy
17 law;”.

18 (b) EXECUTORY CONTRACTS LICENSING RIGHTS TO
19 INTELLECTUAL PROPERTY.—Section 365 of title 11, United
20 States Code, is amended by adding at the end the following:

21 “(n)(1) If the trustee rejects an executory contract under
22 which the debtor is a licensor of a right to intellectual prop-
23 erty, the licensee under such contract may elect—

24 “(A) to treat such contract as terminated by such
25 rejection if such rejection by the trustee amounts to

1 such a breach as would entitle the licensee to treat
2 such contract as terminated by virtue of its own terms,
3 applicable nonbankruptcy law, or an agreement made
4 by the licensee with another entity; or

5 “(B) to retain its rights (including a right to en-
6 force any exclusivity provision of such contract, but ex-
7 cluding any other right under applicable nonbankruptcy
8 law to specific performance of such contract) under
9 such contract, and any agreement supplementary to
10 such contract, to such intellectual property (including
11 any embodiment of such intellectual property to the
12 extent protected by applicable nonbankruptcy law), as
13 such rights existed immediately before the case com-
14 menced, for—

15 “(i) the duration of such contract; and

16 “(ii) any period for which such contract may
17 be extended by the licensee as of right under ap-
18 plicable nonbankruptcy law.

19 “(2) If the licensee elects to retain its rights, as de-
20 scribed in paragraph (1)(B) of this subsection, under such
21 contract—

22 “(A) the trustee shall allow the licensee to exer-
23 cise such rights;

24 “(B) the licensee shall make all royalty payments
25 due under such contract for the duration of such con-

1 tract and for any period described in paragraph (1)(B)
2 of this subsection for which the licensee extends such
3 contract; and

4 “(C) the licensee shall be deemed to waive—

5 “(i) any right of setoff it may have with re-
6 spect to such contract under this title or applica-
7 ble nonbankruptcy law; and

8 “(ii) any claim allowable under section 503(b)
9 of this title arising from the performance of such
10 contract.

11 “(3) If the licensee elects to retain its rights, as de-
12 scribed in paragraph (1)(B) of this subsection, then on the
13 written request of the licensee the trustee shall—

14 “(A) to the extent provided in such contract, or
15 any agreement supplementary to such contract, provide
16 to the licensee any intellectual property (including such
17 embodiment) held by the trustee; and

18 “(B) not interfere with the rights of the licensee
19 as provided in such contract, or any agreement supple-
20 mentary to such contract, to such intellectual property
21 (including such embodiment), including any right to
22 obtain such intellectual property (or such embodiment)
23 from another entity.

24 “(4) Unless and until the trustee rejects such contract,
25 on the written request of the licensee the trustee shall—

1 “(A) to the extent provided in such contract or
2 any agreement supplementary to such contract—

3 “(i) perform such contract; or

4 “(ii) provide to the licensee such intellectual
5 property (including any embodiment of such intel-
6 lectual property to the extent protected by appli-
7 cable nonbankruptcy law) held by the trustee; and

8 “(B) not interfere with the rights of the licensee
9 as provided in such contract, or any agreement supple-
10 mentary to such contract, to such intellectual property
11 (including such embodiment), including any right to
12 obtain such intellectual property (or such embodiment)
13 from another entity.”.

14 **SEC. 2. EFFECTIVE DATE; APPLICATION OF AMENDMENTS.**

15 (a) **EFFECTIVE DATE.**—Except as provided in subsec-
16 tion (b), this Act and the amendments made by this Act shall
17 take effect on the date of the enactment of this Act.

18 (b) **APPLICATION OF AMENDMENTS.**—The amend-
19 ments made by this Act shall not apply with respect to any
20 case commenced under title 11 of the United States Code
21 before the date of the enactment of this Act.

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