

100TH CONGRESS  
2D SESSION

# S. 1626

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IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 27, 1988

Referred to the Committee on the Judiciary

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## AN ACT

To keep secure the rights of intellectual property licensors and licensees which come under the protection of title 11 of the United States Code, the bankruptcy code.

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) DEFINITION.—Section 101 of title 11, United States  
6       Code, is amended—

7                       (1) in paragraph (50) by striking “and” at the  
8       end, and

1           (2) in paragraph (51) by striking the period at the  
2           end and inserting in lieu thereof a semicolon, and

3           (3) by adding at the end the following:

4           “(52) ‘intellectual property’ means—

5                     “(A) trade secret;

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

8                     “(C) patent application;

9                     “(D) plant variety;

10                    “(E) work of authorship protected under title  
11           17; or

12                    “(F) mask work protected under chapter 9 of  
13           title 17;

14           to the extent protected by applicable nonbankruptcy  
15           law; and

16                    “(53) ‘mask work’ has the meaning given it in  
17           section 901(a)(2) of title 17.”.

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 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 under any agreement supplementary  
10 to such contract, to such intellectual property (includ-  
11 ing 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 con-  
21 tract—

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 DATES; 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.

Passed the Senate September 20 (legislative day, Sep-  
tember 7), 1988.

Attest:

WALTER J. STEWART,

*Secretary.*