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ROPPONGI HILLS MORI TOWER

INTELLECTUAL PROPERTY ISSUES IN
BANKRUPTCIES AND
REORGANIZATIONS

Carlo Ghia – Ghia Law Firm

Studio Legale Ghia
www.ghia.legal



IP BANKRUPTCY ISSUES FOR A POTENTIAL FOREIGN INVESTOR

Relevant profiles to analyze:

- a) Procedural profiles: important for the evaluation of the investment;
- b) Effects on the trademarks purchased;



PROCEDURAL PROFILES

Trademarks and contracts related to them are part of the assets of the bankrupt company.

In accordance to article 42 of the Italian Bankruptcy Law (IBL), after the bankruptcy declaration, the entrepreneur loses the availability of all the assets part of the company.

Therefore, since the bankruptcy declaration, the trustee appointed by the competent Court is in charge to decide whether or not give execution to the contracts



PROCEDURAL PROFILES

Article 72 of IBL provides that after the bankruptcy declaration, all the effects of contracts pending at that moment are suspended.

The trustee can decide whether or not contracts shall continue to produce effects.

In case of inactivity of the trustee, the counterparty of a contract can file a petition to the trustee in order to know the “future” of its contract fixing a 60-days term , expired which the contract is resolved.

No effects of clauses which determine the resolution of contracts in case of bankruptcy.



PROCEDURAL PROFILES

The trustee, while preparing the liquidation plan, could also ask the authorization to provide the continuation of the activities related to the trademark and to the contracts (art. 104 IBL).

As an example: royalties could constitute an income for in order to satisfy the creditors' mass and the continuation of the activity could preserve the value of the assets also under a liquidation profile (investors could be much more interested in purchasing an activity instead of only the trademark).



PROCEDURAL PROFILES

In this situation, therefore, the potential investor shall investigate and find out what could be in his hands after the purchase.

Just the trademark?

Trademark and license contracts, franchising contracts in execution?

Trademark, contracts and products related to the trademark?

PROCEDURAL PROFILES

OTHER POSSIBILITIES FOR THE CONTINUATION OF CONTRACTS

The trustee could also rent a specific part of the company's assets which constitute the use of the trademark (art. 104 bis of the IBL).

Opportunity for a competitor of the bankrupt company to first rent, or sign a license contract, and then purchase trademarks from the bankruptcy proceeding.





PROCEDURAL PROFILES

OTHER POSSIBILITIES INVESTMENT

Art. 106 of IBL provides the possibility for the trustee to sell pending claw back claims to third parties.

Possible only in case the trademark and the assets related to it have been sold prior to the bankruptcy declaration (1 year or 6 months before).



PROCEDURAL PROFILES

OTHER POSSIBILITIES INVESTMENT

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LIQUIDATION PROFILES

- a) bid procedure: the trademark is sold itself or otherwise together with the products and assets of the company and with the contracts;
- b) authorized purchase settlement with the trustee;
- c) Private selling of TE by the creditor if authorized by the judge.



LIQUIDATION PROFILES

What happens if the trademark is pledged?

Art. 53 of the IBL provides that the privileged creditor, if its claim has been recognized by the procedure, can file a petition in order to proceed personally to the sale of the asset.



LIQUIDATION PROFILES

Effects of the purchase under a bankruptcy proceeding:

The trademark is purchased free from any of charge.



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Thanks everybody for your attention!