
MORTGAGES BEYOND IMMOVABLES: A CASE FOR COLLATERALISATION OF INTELLECTUAL PROPERTY IN INDIA

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ABSTRACT

In its analysis of IP as collateral, this paper restricts its course of enquiry to a specific kind of security interest, that is, mortgaging, as this is the most attractive option for debtors who do not wish to part with their IP, or impose any sort of restriction on their use and enjoyment thereof. The idea that IP can be used as collateral to secure debt is of recent origin, and still not quite popular among lenders and borrowers. This is especially true in India, where even the legality of such an endeavour is doubted by most, let alone feasibility. However, given the nature of the contemporary Indian market where enterprises have their most prized assets in the form of innovative ideas and IP, such an option would undoubtedly be of much interest. This paper seeks to demonstrate, through adequate reference to general as well as specific laws, as well as judicial pronouncements, that IP can in fact be made as collateral through mortgaging in a loan transaction. Once the possibility and legality of such an action is established, the feasibility and practical aspects of mortgaging IP will be looked into. Reference will also be made to the position of other countries vis-à-vis mortgaging IP, in order to gain a holistic picture of this practice. In conclusion, some suggestions on how to better structure the Indian legal system so that it can accommodate and encourage mortgaging of IP will be advanced.

Keywords: Mortgage, Intangibles, Intellectual Property, Transfer of Property.

I. INTRODUCTION

The term ‘mortgage’ has been defined in the Transfer of Property Act, 1882 [“TPA”] as “the transfer of an interest in specific immovable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, an existing or future debt, or the performance of an engagement which may give rise to a pecuniary liability.”¹ Divested of all embellishments and unnecessary legalese, mortgaging is simply the act of putting forward an asset or some property as security for a loan or any other debt which the owner of the said asset or property is liable for. The idea of a mortgage, and indeed any type of security interest, flows from the very inherent nature of a loan or any other financing transaction wherein credit is extended to the borrower with the expectation that such funds will be recompensated thereto.

Mortgaging finds its *raison d'être* in the ‘expectation’ referred to in the latter part of the preceding sentence which captures the very essence of money-lending transactions. By definition, an ‘expectation’ necessarily connotes the absence of certainty and an element of wishful thinking on the part of the person holding the expectation. It is but obvious that a borrower or debtor may not always be able to honour the financing arrangement entered into between him and the creditor, for any number of reasons ranging from *mala fide* intentions entertained by him or incompetence thereof, to the vagaries of life which bring about a fundamental change in circumstances precluding repayment of the debt. However, as has been reiterated, the law does not take note of exceptions, and as such, the interests of the creditor must be upheld and the general rule that loans must be repaid has to be given primacy.

Still, short of changing the circumstances of the debtor itself, there is little which the law can do to protect the interests of creditors who have the misfortune of coming into contact and becoming entangled with dishonest or subsequently insolvent debtors. Thus, the creditors themselves evolved the concept of ‘securities’ or ‘collaterals’ in order to safeguard their future interests and ensure the maintenance and stability of their net worth as far as loans and assets go. In other words, if the repayment of the loan or debt itself is not possible, the creditors have recourse to some asset or property of the debtor which can be sold off or utilised in any other way which generates enough funds to realise the debt and even the balance sheets of all concerned. This is the basic idea behind all security interests, but mortgaging is by far the most powerful as it strengthens the hands of the creditor to the most degree as far as rights over the

¹ Transfer of Property Act, 1882, § 58(a), No. 4, Acts of Parliament, 1882.

property made as security is concerned. This is because a mortgage results not merely in the ‘creation’ of a security interest in some property, but rather, the ‘transfer’ of a security interest in the property. Moreover, such transfer is not of merely special property with limited rights to the creditor but general property with a wide range of rights available to the creditor, giving him more freedom to realise the debt from the property mortgaged in any way he pleases. A more in-depth discussion on how the transfer of security interests in mortgages is different than and more attractive vis-à-vis a creditor will be taken up subsequently in this paper.

With the general idea of mortgages and their importance having been established, it can now be better appreciated why the primary course of enquiry of this paper, namely whether mortgages can be extended to other forms of property than immovable property as envisaged under the TPA, such as movables and intangible intellectual property [“IP”], is extremely important to both creditors and debtors as the business financing environment undergoes rapid changes and expansion. This is a warranted course of enquiry as the concept of mortgage has always been read in the context of immoveable property, more specifically home loans, and even the primary legislation governing mortgages in India restricts them to immovable property.

However, in the contemporary business and economic environment, the bulk of enterprise’s assets comprise not tangible, immovable property, but rather, intangible assets like IP.² Thus, if the contention that mortgages can only be made on immovable property in India is accepted, it severely restricts the capitalisation and financing capabilities of Indian enterprises. The primary aim of this paper is to dispel such an archaic but widely held notion, and this will be achieved by first establishing that mortgages can in fact be effected on movables like chattels, and upon this base, the idea of mortgage of intangibles like IP will be predicated.

II. CAN INTELLECTUAL PROPERTY BE MORTGAGED?

It has long been argued that the mortgage provisions of the TPA are not exhaustive of the law of mortgages in India, and this is evidenced by having reference to common law principles wherein even movable property or chattels have been recognised as forming the subject matter of a mortgage. Moreover, even specific statutes other than the TPA have recognised the

² IP-Backed Financing: *Using Intellectual Property as Collateral*, December 2019, available at <https://ciiipr.in/pdf/CII-Duff-&-Phelps-Report-on-Using-IP-as-Collateral-2019.pdf/> (Last visited on Mar. 13, 2025)

mortgage of property other than purely immovable property, like movables and intangibles for example IP. However, before moving on to all that, a discussion regarding various types of security interests and their subtle distinctions in Indian law would be germane.

A. Distinction between the primary types of security interests in Indian law

The current Indian legal landscape, influenced by the history of the British colonial occupation and imposition of English common law, as well as the post-independence legal policies of the government which have generally favoured business and commerce, recognises three primary types of security interests, that is, Pledge, Hypothecation, and Mortgage.

In order to fully appreciate the distinction between these three types of security interests, one must first also have reference to the rights of an owner over a property, and how such general property is affected when that property is given as security for a loan. Jurisprudentially speaking, an owner's rights can be classified under three broad heads; right of possession, right of enjoyment, and right of disposition.³ The most commonly expounded difference between a pledge and a mortgage is that the former only conveys special property in the pledged goods while the latter conveys general property therein.⁴ However, the true import of this statement can only be had once it is seen how the rights of ownership devolve upon the pawnee or mortgagee as the case may be.

In the case of a pawnee, he has a limited right of possession until the debt is paid by the pawnor, a limited right of enjoyment as per the terms of the pledge of the contract, and a limited right of disposition insofar as he can sell of the pledged goods in case of default by the pawnor. In the case of a mortgagee, depending upon the type of mortgage, he may or may not have a right of possession of the mortgaged property, a right of enjoyment only in the case of an usufructuary mortgage, and a right of disposition insofar as he can have the property sold by a court decree in case of default by the mortgagor. Apart from these jurisprudential differences, there is the more obvious and easily understood difference of the type of property which is the subject matter of a pledge and mortgage. Pledging is regulated by the Indian Contract Act, 1972 and is only applicable for movable property or chattels, while mortgaging is regulated by the TPA and can only be done for immovable property under that Act, although as shall be seen later on in the paper, mortgage of movables is also possible, just not under the TPA. With these

³ PTC India Financial Services Limited v. Venkateshwar Kari, (2022) CA. No. 5443/2019.

⁴ Halsbury's Laws of England, [XXIII], page no. 226 (2nd ed., 1941).

fundamental and most important differences between pledge and mortgages, one can easily understand how hypothecation is another form of security interest which is distinct from pledge and mortgage.

Hypothecation is simply the pledge of a movable like chattel without actually divesting the pawnor of his right of possession of the goods hypothecated. The rights available to the creditor, or charge-holder in the form of a hypothecation, are otherwise the same insofar as he can take possession of the goods hypothecated and cause them to be sold in order to realise his debt in the case of a default. As far as legislation is concerned, hypothecation is regulated by the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. Under that act, hypothecation is defined as “a charge in or upon any movable property, existing or future, created by a borrower in favour of a secured creditor without delivery of possession of the movable property to such creditor.”⁵ Thus, armed with a little more clarity about how mortgage is different from other forms of security interests, the subsequent sections about mortgage of movables and intellectual property will make more sense.

B. Mortgage of movable and intellectual property as per general law

To understand how the general law of the country does not expressly forbid, and to some extent even leaves scope for there to be mortgage of movable and IP, one needs to have reference to the definition of movable and immovable property given in the supreme legislation of the country when it comes to general principles of statutory interpretation and term definition, that is, the General Clauses Act, 1897. The definition of immovable property in Section 3(26) of this act leaves no scope for the inclusion of intangibles like IP. However, there is some hope in the definition of movable property under Section 3(36):

“movable property’ shall mean property of every description, except immovable property.”⁶

Thus, the phrase ‘property of every other description’ is wide enough to cover even intangibles like IP. This was confirmed by the honourable Supreme Court in *Vikas Sales Corporation v. Commissioner of Commercial Taxes*.⁷ Once it has been successfully established that IP comes

⁵ Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, §2(1)(n), No. 54, Acts of Parliament, 2002.

⁶ General Clauses Act, 1897, § 3(36), No. 10, Acts of Parliament, 1897.

⁷ *Vikas Sales Corporation v. Commissioner of Commercial Taxes*, (1996) (4) SCC 433.

under the ambit of movable property, it becomes easier to work out a mortgage of IP within the Indian legal context, at least theoretically.

It might then be a relevant question as to why there is a need to have mortgage of IP at all, since there is already statutory recognition for Hypothecation of movable property which can be used for IP also in lieu of the argument advanced above. However, it must be borne in mind that Hypothecation only results in the transfer of special property with limited rights to the creditor, while mortgage results in transfer of general property with a wider scope of rights over the mortgaged property for the creditor, thus making it more attractive as a collateralising transaction for the lending ecosystem in India. This is particularly important in the context of IP collateralisation, as its widescale adoption is contingent on it overtaking other forms of tangible asset collateralisation in terms of the security provided to the creditor. Thus, mortgage appears to be the obvious choice for the establishment of an IP-backed finance ecosystem in India.

Now, it only needs to be proved that it is in fact possible for there to be mortgage of movables in India, which is supported by a long line of judicial decisions in tune with general Common Law principles. As long back as in 1916, the Bombay HC held in *Tehilram Girdharidas v. Longin D'Mello* that in contrast to a mortgage of immovable property under the TPA, a mortgage of movables can be created even orally and without transfer of actual possession, as long as property passes.⁸ This was further reiterated in subsequent cases where even the requirement of court intervention for the mortgagee to sell the mortgaged property and realise the debt was done away with in case the mortgagee had actual possession of the property.⁹

Prominent treatises like *Mulla on Transfer of Property* have also recognised a mortgage of movables, despite there being no statutory recognition of the same, and the mortgagee's right to get a decree for sale in the same manner as a mortgagee of immovable property is entitled under the TPA.¹⁰ Implied statutory recognition for mortgage of movables in India can be found in Section 66(3) of the Sale of Goods Act, 1930, which reads:

"The provisions of this Act relating to contracts of sale do not apply to any transaction in the form of a contract of sale which is intended to operate by way of mortgage, pledge, charge or

⁸ *Tehilram Girdharidas v. Longin D'Mello*, (1916) 18 BOMLR 587.

⁹ *Arjun Prasad and Ors. v. Central Bank of India Ltd.*, (1954) AIR 1956 Patna 32.

¹⁰ *Sir Dinshaw Fardunji Mulla*, *Mulla's Transfer of Property Act*, [pg. 386-87] (1949).

other security.”¹¹

Thus, by explicitly stating that a “contract of sale which is intended to operate by way of mortgage”, which is nothing but a mortgage by conditional sale, is out of the scope of an act regulating the sale of movable property, and using ‘mortgage’ and ‘charge’ in the company of ‘pledge’ which is statutorily recognised in the Indian Contract Act, 1872 as only for movable property, there is an implication that mortgage of movables exists in India but is excluded from the provisions of the Sale of Goods Act, 1930 in order to avoid repugnancy with the TPA.

On a combined reading of the fact that movable property includes IP, and movable property can be mortgaged in India, the logical conclusion is that IP can in fact be mortgaged as per the General principles of Indian and Common Law.

C. Practicalities of mortgaging chattels

After establishing that in theory, a mortgage of chattels is indeed possible, it will be pertinent to look into how such a mortgage will unfold in practical scenarios. This assumes particular significance as unlike the mortgage of immovable property, every aspect of which is governed by detailed provisions in Chapter IV of the TPA, there are no codified guidelines as to how a mortgage of movable property is to be effected and its effects on the mortgagor and mortgagee. This is where case laws and treatises come in, a plethora of which have resulted in there being ample clarity on the subject of mortgage of movables.

In the first place, a mortgage of movable property may be effected through either a written agreement or even an oral one, the only requirement being that the agreement should evidence a clear intention on the part of the mortgagor to transfer the interest in the property to the mortgagee in order to secure the payment of a loan thereto.¹² Furthermore, the agreement should be clear that the mortgagee has the right of foreclosure or sale in case of default, depending upon the type of mortgage contemplated by the parties, and that the mortgagor has the right to redeem his property upon payment of dues. If it is an usufructuary mortgage, the mortgagee will have the rights to usufructs and enjoyment of the property also.

In the case of default, the mortgage will have the right to foreclose the movable property

¹¹ Sale of Goods Act, 1930, § 66(3), No. 3, Acts of Parliament, 1930.

¹² Md. Sultan And Ors. v. Firm of Rampratap Kannyalal, (1964) AIR 1964 ANDHRA 201.

mortgaged in case of mortgage by conditional sale or usufructuary mortgage, that is, bar the mortgagor from redeeming his property forever.¹³ This is where a mortgage really sets itself apart from a pledge, insofar as the pledgee only has the right to cause the property to be sold, while the mortgagee can actually retain the property and derive benefits therefrom as the new owner thereof. This is precisely why a mortgage of IP will be more palatable and attractive to lenders than other forms of IP securitisation like hypothecation.

D. Mortgage of IP as per Specific Laws

The aforementioned analysis and conclusion of a mortgage of IP in lieu of mortgage of movables in Section B of the paper can further be strengthened with the aid of specific statutes regulating IP in India which permit/not expressly forbid mortgage of the respective type of IP:

i. The Patents Act, 1970

This Act governs patents in India, and it impliedly recognises the legality of creating a mortgage over patents in Sections 68 and 69, holding that the mortgage of a patent will only be valid if it is made in a written agreement, duly executed, and registered.¹⁴

ii. The Copyright Act, 1957

While the Copyright Act itself is silent over the creation of mortgages or other security interests in copyrights, it does not expressly disallow this and only expressly allows assignment of copyrights under Sections 18 and 19.¹⁵

iii. The Trade Marks Act, 1999

Similar to the Copyright Act, the Trade Marks Act only talks about assignment and transmission of trade marks under Sections 37-45, without expressly forbidding mortgages or other security interests.¹⁶

iv. The Designs Act, 2000

Section 30 of the Designs Act lays down a similar approach as taken by the Patents Act

¹³ Bhupati Mohan Das v. Phanindra Chandra Chakravarty, (1935) AIR 1935 CAL 756.

¹⁴ Patents Act, 1970, § 68 and § 69, No. 39, Acts of Parliament, 1970.

¹⁵ Copyright Act, 1957, § 18 and § 19, No. 14, Acts of Parliament, 1957.

¹⁶ Trade Marks Act, 1999, § 37- § 45, No. 47, Acts of Parliament, 1999.

in the context of patents for the mortgage of industrial designs, thus implying mortgages of industrial designs is legal and valid under law as long as procedural formalities have been complied with.¹⁷

v. The Semiconductor Integrated Circuits Layout-Design Act, 2000

This Act protects the innovative layout-designs of semiconductor integrated circuits in India. Sections 20-23 of this Act talk about assignment and transmission of layout-designs, without creating any explicit legal impediment in the way of mortgaging layout-designs.¹⁸

vi. Geographical Indications of Goods (Registration and Protection) Act, 1999

This Act basically protects goods whose prime commercial quality and profitability rests upon their connection or origin to a particular geographic area or place. This is the only IP Act which expressly prohibits the mortgaging or any form of transfer or creation of a security interest in registered GIs under Section 24.¹⁹

Thus, it emerges from the above discussion that it may be safe to mortgage at least two types of IP, namely Patents and Designs, as this is contemplated by the respective acts themselves. However, when it comes to Trade marks, Copyrights, and Layout-designs, the uncertainty created by the absence of any express approval/disapproval of mortgages created over such IPs in the respective statutes may be dispelled by having reference to two general commercial laws, that is, the Companies Act, 2013 [**“Companies Act”**] and the Banking Regulation Act, 1949. Since the primary focus of this article is emerging companies and startups, Section 77 of the Companies Act is a welcome entrance in the analysis of whether IP can be mortgaged.²⁰ As per this provision, companies are permitted to create a charge over their property or assets, whether tangible or intangible.

Since a mortgage is also a form of a charge as per Section 100 of the TPA, this contemplates the legality of mortgages over intellectual property in the case of companies. Furthermore, Schedule III of the Companies Act under clause (j) elaborates what is meant by ‘intangible

¹⁷ Designs Act, 2000, § 30, No. 16, Acts of Parliament, 2000.

¹⁸ Semiconductor Integrated Circuits Layout-Design Act, 2000, § 20 - § 23, No. 37, Acts of Parliament, 2000.

¹⁹ Geographical Indications of Goods (Registration and Protection) Act, 1999, §24, No. 48, Acts of Parliament, 1999.

²⁰ Companies Act, 2013, § 77, No. 18, Acts of Parliament, 2013.

assets' and lists all types of IP, including Trade marks, Copyrights, and even Layout-designs can be included in the ambit of the phrase 'other intellectual property rights.'²¹ This lends credibility to the notion that despite there being no provisions allowing or recognising the mortgage of Trade marks, Copyrights, and Layout designs in their respective legislations, companies can legally do so as per the provisions of the Companies Act.

Furthermore, now that one of the parties in collateralising transactions, that is, the IP owners of debtors, has been adequately expounded upon in terms of legality and validity, the other party, that is, lenders, can also be included. Since the bulk of lenders and creditors with regards to companies is constituted of Banks, the Banking Regulation Act, 1949 may be taken into consideration. Specifically, Section 6 of the said act allows banks to make use of securities in their lending business, and to deal with any such property, right, title, or interest in any such property which is the security for the realisation of debts in the case of default by the debtor who gave the security.²² Thus, this section gives banks powers of a wide amplitude to deal with any securities created in their favour if these arise in their banking business, and this can easily be construed to include intellectual property.

E. Practicalities of mortgaging intellectual property and challenges

Broadly speaking, the procedure and practical application of the theoretical framework of mortgaging IP can be classified under two heads: IP which can be mortgaged as per the specific law in force relating to that form of IP, that is, patents and designs, and IP which can only be mortgaged by companies as per the Companies Act, that is, Trademarks, Copyrights, and Layout designs. As regards the first category, the following procedural formalities and important aspects must be kept in mind:

- The mortgage or creation of any other interest in a patent and design will not be valid unless and until it is effected through a written agreement embodying the terms and conditions thereof.²³
- The mortgagee or any person in whose favour the interest has been created must apply in writing to the Controller-General of Patents, Designs and Trade Marks in

²¹ Companies Act, 2013, Sch. III Clause (J), No. 13, Acts of Parliament, 2013.

²² Banking Regulation Act, 1949, § 6, No. 10, Acts of Parliament, 1949.

²³ Patents Act, 1970, § 68, No. 39, Acts of Parliament, 1970, Designs Act, 2000, § 30(3), No. 16, Acts of Parliament, 2000.

order to get his interest registered.²⁴

- With regard to Patents, such an application may be made even by the mortgagor. However, with regards to designs, the application has to be made mandatorily by the mortgagee.²⁵
- With regard to designs, such application must be filed within six months from the execution of the instrument through which the mortgage is effected.²⁶
- The subsistence of a dispute between parties regarding the vesting of rights by the mortgage of a patent will be a bar in its registration by the controller, and such bar can only be removed after such dispute has been decided by a competent court.²⁷

As regards IP which can only be mortgaged by companies as per the Companies Act, that is, Trademarks, Copyrights, and Layout designs, and for which no procedure or requirements have been contemplated under the special legislation for the IP, Chapter VI of the Companies Act which talks about registration of charges acquires significance. Before delineating these provisions, it needs to be kept in mind that a mortgage is a subset of charges and consequently all the provisions which deal with charges are applicable to mortgages. With that being said, the following prerequisites or procedures are contemplated by the Companies Act:

- A company creating a charge on any of its assets, which as discussed above includes intangibles like IP also, must mandatorily get such charge registered with the Registrar of Companies and get a certificate of registration therefrom, failing which the unregistered charge will not be taken into account by the liquidator or any other creditor.²⁸
- Asides from the company itself, the chargeholder himself is also empowered to get the charge registered by applying to the registrar within the prescribed time period and in the prescribed form.²⁹ Moreover, even in cases where the company itself doesn't create

²⁴ Patents Act, 1970, § 69(1), No. 39, Acts of Parliament, 1970, and Designs Act, 2000, § 30(2), No. 16, Acts of Parliament, 2000.

²⁵ Patents Act, 1970, § 69(2), No. 39, Acts of Parliament, 1970 and Designs Act, 2000, § 30(2), No. 16, Acts of Parliament, 2000.

²⁶ Designs Act, 2000, § 30(3), No. 16, Acts of Parliament, 2000.

²⁷ Patents Act, 1970, Proviso to § 69(2), No. 39, Acts of Parliament, 1970.

²⁸ Companies Act, 2013, § 77, No. 13, Acts of Parliament 2013.

²⁹ Companies Act, 2013, § 78, No. 13, Acts of Parliament 2013.

a charge but acquires a property which is subject to a charge or the terms and conditions or a preexisting charge undergo some change, the aspect of mandatory registration is applicable.³⁰

- With analogous provisions relating to notice and registration under the TPA, a charge on a company's asset duly registered will serve as constructive notice thereof to any person who subsequently acquires such asset.³¹
- Similar to when a charge is created, a company is required to intimate the registrar of the payment or satisfaction in full of any charge previously registered thereunder, and the chargeholder will be given a show-cause notice as to why such payment or satisfaction should not be recorded, failing which the satisfaction or payment will be recorded in the register of charges.³²
- Such powers of the registrar to record a payment or satisfaction in full of any charge previously registered thereunder extend to cases even where no intimation is received from the company and the registrar has received satisfactory evidence to that effect.³³
- If any property subject to a charge is put under the superintendence of a court appointed receiver or receiver appointed from the powers conferred under any instrument, the person in whose favour the receiver is appointed or the powers form the instrument flow, has to give notice of such appointment to the registrar, and notice is also to be given when such an appointment comes to an end.³⁴
- The company who is creating charges over its assets is also required to maintain a register of charges at its registered office with full details of each and every charge subsisting over its assets.³⁵

It is important to note that the provisions wherefrom the aforementioned procedural requirements under the Companies Act flow from have a criminal sanction behind them, with

³⁰ Companies Act, 2013, § 79, No. 13, Acts of Parliament 2013.

³¹ Companies Act, 2013, § 80, No. 13, Acts of Parliament 2013.

³² Companies Act, 2013, § 82, No. 13, Acts of Parliament 2013.

³³ Companies Act, 2013, § 83, No. 13, Acts of Parliament 2013.

³⁴ Companies Act, 2013, § 84, No. 13, Acts of Parliament 2013.

³⁵ Companies Act, 2013, § 85, No. 13, Acts of Parliament 2013.

hefty fines and imprisonment prescribed.³⁶ As such, it is in the interests of the company creating a charge over its IP assets via the Companies Act route to undertake strict compliance with the procedures prescribed thereunder.

III. INTERNATIONAL PERSPECTIVE

A broadening of perspective from within the confines of the Indian jurisdiction to the jurisdiction of other countries would serve any legal enquiry well, more so an enquiry primarily concerning intellectual property, which is substantially regulated in the same way across the world, especially in Common Law jurisdictions which this paper will now make reference to. To make a fruitful comparative analysis possible, Singapore, the United Kingdom [“UK”], Canada, and the United States [“US”] have been chosen, as these countries are a fairly accurate microcosm of other common law countries.

A. Singapore

Singapore adopts a largely similar approach to mortgage of IP, with both general law and specific laws allowing for mortgages in IP in specific conditions. However, there are of course subtle distinctions, as the country is more business centric and commercially inclined than India. As far as the specific law is concerned, their Patents Act allows for not only a mortgage of patents, but also a mortgage of an application for a patent, as also a mortgage of a licence granted by the patentee, going so far so as to even allow a mortgage of a sub-licence granted by the licensee to a sub-licensee.³⁷ This is obviously different from the Indian Patents Act, wherein only a mortgage of the patent itself is permitted. However, the two countries converge insofar as the mortgage agreement is mandatorily required to be reduced to writing and signed by the mortgagor.³⁸ A divergence again appears when the aspect of registration of such mortgage in the patent is examined; as discussed in Section II, sub-section E of this paper, a mortgage of a patent in India is to be mandatorily registered with the concerned authority. Per contra, in Singapore, a mortgage of a patent or application for a patent does not mandatorily need to be registered, but nevertheless, registration is encouraged and is a common practice as it clothes the mortgagee with additional protection against third parties not directly privy to the

³⁶ Companies Act, 2013, § 86, No. 13, Acts of Parliament 2013.

³⁷ Patents Act, 1994, § 41(2), § 41(4)(a) (Singapore).

³⁸ Patents Act, 1994, § 41(6) (Singapore).

mortgage agreement between the owner of the patent and the mortgagee.³⁹

As far as the general law is concerned, their Civil Law of 1909 and their Companies Act fill in the gaps where the patent act is silent or inapplicable, as in the case of types of IP beyond patents. The Civil Law permits the creation of charges, including mortgages, over all choses in action,⁴⁰ which by definition includes intangibles like IP which require court intervention for their full enjoyment,⁴¹ and this position is strengthened in the case of companies by the Companies Act which adopts a largely analogous approach to India when it comes to allowing and regulating charges over the property of a company. Charges are defined to include mortgages, and are expressly permitted to be created on various types of IP like patent, trademark, copyright, design, etc.⁴² Similar to India, such charges must be mandatorily registered with the Registrar, failing which they will be void against the liquidators or creditors of the company.⁴³

B. United Kingdom

Since Singapore largely inherits the Common Law tradition as exemplified by the UK, it is not surprising that the legal position of mortgages of IP is not much different in the UK. So much so, the Singaporean Patents Act verbatim reproduces the British Patents Act in terms of the legality of mortgaging of a patent, its procedural aspects, and the position of registration vis-à-vis mortgages of patents.⁴⁴ However, the UK is more mortgage friendly when one has reference to their laws for other forms of IP beyond patents; unlike Singapore, and even India for that matter, the British Trade marks and Registered Designs Acts expressly provide for creating charges on these IP.⁴⁵ In India, the Trade marks act is silent over mortgaging trademarks, while in Singapore, both the Trade marks and Registered Designs Act are silent. All three countries are silent over mortgaging copyrights in their respective acts, which is an interesting aspect and will be dealt with in the conclusion of this paper. The British Companies Act also adopts a similar approach to India and Singapore by allowing a company to create a charge on all its assets, including various types of IP, provided such a charge is registered.⁴⁶

³⁹ Patents Act, 1994, § 43(1), § 43(3) (Singapore).

⁴⁰ Civil Law, 1909, § 13 (Singapore).

⁴¹ Re Bank of Credit and Commerce International SA (No 8) [1998] AC 214 (appeal taken from B.C.C.I.).

⁴² Companies Act, 1967, § 131(3) (United Kingdom).

⁴³ Companies Act, 1967, § 131(1) (United Kingdom).

⁴⁴ Patents Act, 1977, § 30, § 33 (United Kingdom).

⁴⁵ Trade Marks Act, 1994, § 24 (United Kingdom) and Registered Designs Act, 1949, § 15B (6) (United Kingdom).

⁴⁶ Companies Act, 2006, § 859A (United Kingdom).

C. Canada

From here onwards, it starts getting interesting, as both Canada and the US are federal states with a significant level of autonomy to the provinces and states respectively, with the consequent effect that there are two levels of laws which any party to a mortgage of IP has to navigate and comply with. In Canada, the legality of creating a mortgage over IP can be deduced from the various Personal Property Security Acts [**“PPSA”**] which govern security interests in personal property in Canada, and are province specific, with each province having its separate PPSA. However, the substantial provisions remain the same in all PPSAs, and the settled position is that intangibles like IP are included within the ambit of ‘personal property’,⁴⁷ with the logical corollary that they can be mortgaged since a mortgage is nothing but a particular type of security interest.⁴⁸ A person acquiring a security interest in some IP in the form of a mortgage must get his security interest registered with the relevant personal property security registry. In addition, registration of the security interest with the federal IP specific registry is optional but encouraged as it strengthens the hand of the secured creditor against any potential default in the future.⁴⁹

D. United States

In the US, the problem of a dual system of laws and rules to comply with is to a large extent foregone by the enactment of the Uniform Commercial Code [**“UCC”**], more specifically Article 9 of the UCC which governs the creation of security interests in personal property in the US.⁵⁰ Beyond the UCC, the interplay between federal IP specific laws and the UCC differs according to the type of IP under question. For instance, a security interest in a registered copyright in the form of a mortgage has to be registered under the federal statute at the US Copyright office, while that in an unregistered copyright has to be registered under the UCC with the relevant state authorities.⁵¹ Similarly, while the Patents Act does not explicitly mandate registration of a security interest with the US Patents and Trademark office, it is advisable to do so along with the requisite UCC state filing in order to undertake the most extensive

⁴⁷ See Personal Property Security Act, RSO 1990, c P.10.

⁴⁸ *Santley v Wilde* [1899] 2 Ch 474.

⁴⁹ *Registering And Discharging Intellectual Property Security Interests*, available at: <https://www.mondaq.com/canada/trademark/642522/registering-and-discharging-intellectual-property-security-interests>, (last visited on Mar. 12th, 2025).

⁵⁰ Uniform Commercial Code, 1952, art. 9 (U.S.).

⁵¹ Copyright Act, 1976 (U.S.).

perfection of the security interest in the form of a mortgage of a patent.⁵² Therefore, the on-ground position for registration of mortgages of IP is the same as Canada; even if dual federal and provincial/state registration is not mandatory, it is certainly encouraged in order to clothe the mortgagee with the most protection.

IV. CONCLUSION

In light of the National IPR Policy rolled out by the Government of India in 2016, the collateralisation of IP assets for business's capital requirements and adequate valuation thereof has been made an important objective to foster a conducive environment for IP rights in India.⁵³ However, in order to actually fructify such a vaunted objective, major structural changes in the subsisting legal framework are required, such as formulating a IP collateralisation specific legislation repealing the general provisions in the current IP laws, as IP are unique assets which require distinct provisions for their effective use as collateral. Moreover, such a law would also do wonders for the awareness of the general business community vis-à-vis the possibility and feasibility of utilising their IP assets as collateral for raising capital.

There are more areas where structural changes are needed. For example, the lack of mandatory registration of copyrights under the Copyright Act, 1957 has made banks wary of accepting copyrights as collateral since there is no unified register wherefrom the banks can clearly trace the ownership and title of the IP so as to ensure the loan-seeker has a valid title over the IP. This 'tracing of title' is very significant and is one of the primary reasons why land is the most popular collateral for mortgages, as the mandatory registration of most transfers of land under the Indian Registration Act, 1908 provides a public register to record all titles and transfers of land. This can be rectified by improving the Central Registry of Securitisation Asset Reconstruction and Security Interest of India ["CERSAI"], wherein every financial institution is mandated by the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ["SARFAESI"] to register their security interests in any asset or property.⁵⁴ Since the definition of 'property' in Section 2(1)(t)(v) includes intangibles like IP,⁵⁵ this can provide banks with a reliable source for tracing the title of IP. However, the register at

⁵² Patent Act, 1952, § 261 (U.S.).

⁵³ Ministry of Commerce and Industry (Department of Industrial Policy & Promotion), *National Intellectual Property Rights Policy, Objective 5.11.1* (2016).

⁵⁴ Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, § 13, No. 54, Acts of Parliament, 2002.

⁵⁵ Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, § 2(1)(t)(v), No. 54, Acts of Parliament, 2002.

the moment contains all kinds of security interests and not just mortgages, thus making it difficult to navigate and locate specific mortgages created on IP. Thus, categorising the CERSAI as per the various kinds of security interests would be immensely helpful in furthering the cause of IP collateralisation in India.⁵⁶

In this regard, guidance may also be sought from other countries where mortgage of copyrights is legal and practiced. Lack of mandatory registration of copyrights is common across most countries as this is obligated by the Berne Convention for the Protection of Literary and Artistic Works (1886),⁵⁷ to which most countries are signatories to. However, this impediment to the successful adoption of copyrights as a collateral in mortgaging transactions has been dealt with differently in different jurisdictions. For example, the bar on mandatory registration of copyrights by the Berne Convention can be circumvented by making the security interests in a copyright to be mandatorily registrable instead of making the very copyright mandatory to be registered, which is what has been done in the US. Similarly, Canada has overcome this problem by a dual system of registration wherein a security interest in a copyright needs to be registered at the provincial level and the federal level, in the former from the perspective of the security interest, and in the latter from the perspective of the copyright itself. India can gather some insight from examples such as these.

In conclusion, as this paper has demonstrated, the fallibility of the notion that mortgages can only be made on immovable property under the provisions of the TPA, or even that mortgages beyond the TPA can only be made on movable tangibles, can be challenged and overridden by the arguments and authorities advanced above. In conclusion, rapid proliferation of mortgaging IP would be a boon for the thriving business ecosystem in India consisting mainly of innovative startups with their intellectual property as the most prized assets, and a nudge in the right direction is all this paper hopes to provide.

⁵⁶ *IP Financing in India – Part I: Perfection of Security and (Non) Registration of Copyright*, March 21, 2023, available at <https://spicyip.com/2023/03/ip-financing-in-india-part-i-perfection-of-security-and-non-registration-of-copyright.html/> (last visited on Mar. 20th, 2025).

⁵⁷ World Intellectual Property Organisation, Berne Convention for the Protection of Literary and Artistic Works: Paris Act of July 24th, 1971, as amended on September 28, 1979, WIPO publication no. 287 (E).