This guidance is tailored specifically for official receivers. It is discretionary and not designed for use by third parties. This version was the most up to date guidance available to official receivers as at 10 March 2020.

39. Intellectual property and other intangible assets

Annexes

Annex A - Template for a written special resolution to be used by the liquidator on changing the name of a limited company in liquidation and informing Companies House of the name change

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Frequently asked questions – Intellectual property and other intangible assets

What is intellectual property?

Intellectual property is the legal right associated with creations of the mind, e.g. artworks, inventions etc. Formal systems exist to protect the legal rights associated with these creations, e.g. copyright, design right, patent and trade mark. Literary, dramatic, musical and published works are covered, as are sound recordings, films, broadcasts and computer programs.

Can the official receiver collect income relating to copyright, recording or performance rights owned by an insolvent prior to insolvency?

Yes, copyright is an asset, therefore existing copyright relating to any work created by an insolvent prior to the making of an insolvency order vests in the estate of the insolvent.

How do I know if copyright still applies?

In the UK the length of time for which copyright protection is afforded is dependent on the nature of the work as follows:

- literary, dramatic, musical or artistic works - protected for 70 years after the death of the author/composer/artist
- film works – protected for 70 years after the death of the last survivor of any of the director, screenplay author or composer of any original soundtrack
- sound recordings and broadcasts - protected for 50 years after the year of release or broadcast

- written works – protected for 25 years after publication

How do I check who owns a copyright on which royalties are due?

Various different societies and organisations exist to collect royalties on behalf of people and organisations holding copyrights, according to whether the company or individual created, performed, recorded or published the work. Full details of all the relevant organisations and who they represent can be found in the Technical Manual guidance.

Can a copyright be licensed or assigned, or the licence sold?

Yes – as copyright is an asset it can be transferred to someone else - either in whole or in part (e.g. where film rights are sold for a novel). Any assignment must be in writing and signed by or on behalf of the assignor. Licensing allows a licensee to carry out specific acts in relation to the copyrighted work, (e.g. produce the DVD for a cinematically released film).

Can the official receiver disclaim a copyright where the royalty income is low or nil?

Yes, the official receiver can consider disclaiming copyright where there is no royalty generated (e.g. the work is unpublished) or the future costs of administering collections under the copyright are likely to exceed any copyright value or income.

What do I do where a bankrupt is due royalty payments for a copyright that has been sold before bankruptcy?

Where a copyright has been sold prior to bankruptcy the copyright and royalty rights cannot be realised as assets as they do not vest in the trustee. Instead, remaining royalty payments due to the bankrupt as a condition of sale can be collected as income, under an IPA or IPO

What is a patent?

Generally patents are a deal or bargain between a state and an inventor – an intellectual property right granted by the government of a country as a territorial right for a limited period. The inventor agrees to make public their invention for it to be freely copied, after the expiry of an agreed period where they had a monopoly over its manufacture, use and sale. In the UK a patent is granted via the UK Intellectual Property Office and lasts for 20 years, but must be renewed to keep it in force.

Does a patent have a value?

A patent can be bought and sold like any other property, it can generate royalties or be subject to a secured loan by way of a mortgage, or the rights to it can be licensed. Where an insolvent owns a patent (which is in force) at the date of insolvency, it vests in the estate and can be realised as an asset, once ownership has been verified. Where a patent has lapsed the official receiver may need to consider restoring it in order to sell it.

Will an insolvent's computer software be realisable as an intellectual asset?

Most computer software used by an insolvent is likely to be a standard package purchased "off the shelf" so will not be a realisable asset. Where an insolvent is using "bespoke" software (written specifically for the insolvent's business) or software produced within the business ("in house") the official receiver should examine any agreements/contracts with the software supplier or in house creator, to ascertain copyright ownership and any intellectual property rights created, also any restrictions on assignment.

What about the re-sale of Microsoft volume software licences?

Where the insolvent company or individual has used a Microsoft volume software package for their business, it may be possible to realise some value by arranging for the licence re-sale through specialist agents

Can a "design" have a monetary value?

Design relates to the outward appearance of a product, rather than to the product itself. Both registered and un-registered designs can be protected, and design rights are an asset that can vest and may have a value. They can also generate income from royalties, which can be collected by the official receiver.

What about trade marks and service marks?

Trade or service marks (e.g. a word, logo or graphic which identifies a product or service) are usually registered (although this is not compulsory) and can vest in an insolvent's estate. Where they are vested, they may be sold as an asset. The licence to a trademark can also be sold as an asset. The insolvent may be in receipt of royalties as a condition of the sale of a registered trade mark, although the trade mark will no longer vest. These royalties should be collected by the official receiver as income, including via an IPA or IPO where appropriate.

Does a company, business or trading name have a value?

Yes, a company, business or trading name, which might also be a trade mark, can have a value and can be sold by the official receiver, if there is sufficient interest. If the insolvent wishes to purchase the name, it should be independently valued by agents where a satisfactory valuation cannot be agreed.

Can the official receiver as liquidator change a company's registered name in order to facilitate a name sale?

Yes, the official receiver as liquidator can change a liquidated company's registered name in order to sell the original name; however they must pass a special resolution on behalf of the company to change the name, and notify Companies House, for the name change to be valid.

What does the official receiver have to be aware of when selling a name?

When transferring the registered or trading name of a company, the implications of the Insolvency Act 1986 section 216 must be considered, i.e. the name is generally prohibited from being used for a period of 5 years by a person who is, or has been, a director or shadow director of the company in liquidation in the 12 months preceding the date of liquidation.

What else does the official receiver need to be aware of when selling or transferring names?

The official receiver must establish before selling or transferring any registered, business or trading name that they will not become liable under the tort of “passing off”, where the name or mark is similar to another business or company or infringes on the goodwill of another company.

What about domain names on the internet – can they be sold or transferred for a value?

Domain names are word sequences, which allow internet users to search and navigate to a specific website. Each domain name is assigned to a specific internet service provider and is registered, and some can be sold for significant amounts of money. Domain names are not owned by the user or registrant, but are licensed by the appropriate registrar for use whilst the licence is paid for. Where a domain name is registered to the insolvent, breaches no trademark and there are no outstanding fees, it can be dealt with as any other asset.

Is goodwill an asset?

In insolvency cases where a former business has ceased, its goodwill is likely to be worthless. Goodwill is only likely to have any value where a business is being sold as a going concern.

Can the official receiver sell a client, customer or patient database?

Client lists, customer or patient databases are potential assets which can be sold, as long as certain requirements are met. Specifically, any buyer needs to understand that the information can only be used for its original intended purpose and its usage must be within the reasonable expectations of the individual concerned. As part of the sale the official receiver should obtain an undertaking from the buyers that they will inform the affected individuals who it is that now holds their information.

What if a buyer cannot be found for the client/customer database?

Where a purchaser cannot be found for the database, or a sale is not able to be concluded, the information held should be deleted or destroyed as soon as it is no longer required, to comply with data protection provisions.

Background and overview

39.1 Intellectual property – general background

Intellectual property is the legal rights associated with creations of the mind such as works of art, inventions, designs or business logos. For a well known national or international company, intellectual property can be one of its most valuable assets. Formal systems for the protection of the rights associated with these creations has developed over time, these being mainly copyright, design right, patents and trade marks.

39.2 Intangible assets – general background

An intangible asset is, literally, as asset that cannot be touched. It includes intellectual property, but also other things such as goodwill, customer information or software, all of which are saleable.

Copyright

39.3 Copyright generally

When an original work is created so, in effect, is the copyright to that work. Its purpose is to give authors of original creative or artistic works the rights to control reproduction, distribution, copying or performance of the work. The types of works that are protected by copyright are many and varied, including original art, literary, dramatic or musical works, sound and film recordings, broadcasts, directories and published works. Original computer programs are also protected by copyright.

39.4 Legislation

The legislation defines the types of work that can be copyrighted[1]. Copyright protection extends to almost anything that can be called ‘a work’, but under the terms of the legislation, for the copyright to be protected certain qualifications must be met[2].

1. Copyright, Designs and Patents Act 1988 sections 1 to 8

2. Copyright, Designs and Patents Act 1988 sections 153 to 156

39.5 Independent development of the same idea

Copyright does not in itself protect an idea, but rather the expression of that idea. If someone else develops an identical or similar idea on a parallel basis, copyright will not protect against this. Copyright only offers the copyright holder protection against the actual copying of their work or idea, or unauthorised use of their idea (e.g. making copies or extracts from the original work without permission)

39.6 Protection afforded by copyright

Unlike other forms of intellectual property, there is no formal registration procedure for copyright. Copyright protection is effective from the date that the work is created and, whilst there are accepted procedures for establishing the originality of the work (such as the author posting a copy to themselves), or depositing a dated copy with a bank or solicitor), the final decision may rest with the courts.

39.7 Copyright in existence at date of bankruptcy order

Any copyrights already in existence form part of the bankruptcy estate. This means that any income arising under the copyright vests in the estate and can be claimed in full. Also the bankrupt should be advised that future copyrights may be claimed as after acquired property. If the author already has an agreement or contract with a publisher, the publisher should be notified of the bankruptcy order and asked to provide a copy of the agreement or contract, as well as full details of all anticipated income due under the copyright.

39.8 Ownership of copyright

The legislation defines the author of the work to be the first owner[1]. The exception is where the work is created by an employee during the course of their employment when, subject to any agreement to the contrary, the ownership passes to the employer. Similar provisions apply to Crown Servants in respect of works created in the course of their duties[2].

1. Copyright, Designs and Patents Act 1988 section 11

2. Copyright, Designs and Patents Act 1988 section 163

39.9 International conventions relating to copyright

There are two main international conventions relating to copyright protection. These are the Berne Convention for the Protection of Literary and Artistic Works, and the Universal Copyright Convention. The United Kingdom (UK) is a member of both conventions and means that copyright protection for works created in the UK is extended to other countries that are members of the convention.

39.10 Duration of copyright

In the UK the length of time for which copyright protection is afforded is dependent on the nature of the work. Literary, dramatic, musical or artistic works are protected under copyright for 70 years after the death of the author[1]. For films, the protection lasts for 70 years after the death of the last survivor of the director, author of the screenplay or composer of any original soundtrack[2]. Sound recordings[3] and broadcasts[4] are protected for 50 years after the year of release or broadcast and for written works the period is 25 years after publication[5].

1. Copyright, Designs and Patents Act 1988 section 12

2. Copyright, Designs and Patents Act 1988 section 13B

3. Copyright, Designs and Patents Act 1988 section 13A

4. Copyright, Designs and Patents Act 1988 section 14

5. Copyright, Designs and Patents Act 1988 section 15

39.11 Ascertaining a copyright owner

As there is no registration process for copyright, it follows that there is no register available to check or verify the holder of the copyright of a work. In order to ascertain the owner of a copyright the official receiver may have to contact a number of different organisations depending on the nature of the work:

- PRS for music (collecting royalties for composers, songwriters etc)PPLUK (collection of royalties in relation to the copyright of a recording or broadcast of a work rather than the copyright of the work itself)
- The Authors' Licensing and Collecting Society – written works
- Design and Artists Copyright Society – works of art
- Public Lending Right – library lending

39.12 PRS for Music

PRS for Music is a membership organisation for composers, songwriters and music publishers that collects and distributes money (royalties) for the use of musical compositions and lyrics, on behalf of authors, songwriters, composers and publishers, relating to music that is heard in public. The majority of copyright holders whose music has been, or is being, heard in public will be members of the organisation.

39.13 PPLUK

PPLUK is a membership organisation for holders of copyright that licenses the use of recorded music played in public, broadcast on radio, TV or on the internet, and collects royalties relating to recorded music or music videos played in public, on behalf of record companies and performers. It differs from PRS for Music in that it collects royalties relating to the copyright on the recording of the work rather than the copyright of the work itself (for example, the composer would typically be paid by PRS for Music but the singer or musician would be paid by PPLUK).

39.14 The Authors' Licensing and Collecting Society

The Authors' Licensing Collecting Society collects royalties due to writers for what is known as "secondary rights", this is royalties due for the photocopying, broadcasting or recording of written works such as books, published articles or scripts. Unusually, in the field of copyright, there is no organisation with responsibility for collecting royalties relating to "primary rights", that is the royalties on the initial sale of the book. This is usually administered under a commercial arrangement between the writer, publisher and author.

39.15 Design and Artists Copyright Society

The Design and Artists Copyright Society collects royalties relating to the copyright on works of art such as pictures, paintings, drawings, sculptures, photographs and ceramics where the work is reproduced or used in, for example, a television programme or book. The Design Artists Copyright Society also collect royalties relating to what is known as "Artist's Resale Right". This is due on the re-sale of copyrighted works of art after the initial sale by the artist. Where an interested party exists (for example, a relative connected to the subject of an artwork which vests in the insolvent's estate) the official receiver may consider asking that interested party to make an offer for the artwork, taking into account any independent valuations as available. A sale with the consideration payable in instalments may be appropriate in some cases.

39.16 Public Lending Right

The Public Lending Right Act 1979 established a system whereby authors, illustrators, translators, adaptors, ghostwriters and editors are paid a fee in relation to the number of times their book is borrowed from a public library. At the start of the "lending year" (July-June) the Government sets aside a sum of money which is to be used for this purpose and, during the year, a sample is taken of books borrowed from libraries to allow a calculation to be made for the "pence per loan" to be paid to the author. The maximum any one author may receive is currently £6,600 in any one year. The right to receive these monies can be assigned by the author to another party, for example a publisher. There are rules regarding the eligibility of books and authors for registration to the scheme and these can be viewed at the scheme website.

39.17 Copyright as an asset

Copyright is property and therefore the copyright relating to any work created by an insolvent prior to the making of an insolvency order vests in the liquidation estate or trustee of the bankruptcy estate subject to the exclusions relating to the creation of the works in employment as outlined above. Conversely, a company in liquidation or a bankrupt may hold the benefit of a copyright on the basis of these same exceptions. The copyright relating to a work created by a person whilst in bankruptcy may be claimed by the trustee as after-acquired property.

39.18 Sale of a copyright

Where the copyright of an insolvent's work (or a copyright assigned to a company in liquidation or a bankrupt) has vested in the liquidation estate or trustee, the copyright may be sold with the assignment being signed by the liquidator or trustee of the bankruptcy estate as assignor. If the insolvent owes outstanding royalties to the author, the liquidator or trustee may still, subject to the terms of the original assignment, sell the copyright with the outstanding royalties being a provable debt in the insolvency.

39.19 Realising royalties where the insolvent owns a copyright

Royalties may be paid by a publisher or other organisation to the owner of a copyright in exchange for exploiting that copyright. The royalties may be payable under the terms of a licence, with the owner retaining the copyright. In circumstances where a bankruptcy or winding-up order is made against the owner of a copyright,

the official receiver should make contact with the publisher or other organisation paying the royalties and ask them to pay any royalties due to the liquidator/trustee.

39.20 Realising royalties paid as a condition of the sale of a copyright

It may be the case that a bankrupt is in receipt of royalties as a condition of the sale of a copyright. In this case the royalties cannot be claimed as an asset as the copyright does not vest in the estate. Instead, the royalties should be treated as income and can be claimed under an income payments agreement or an income payments order. Royalties are treated as income for corporation or income tax purposes.

39.21 Assignment of copyright

As with any other asset copyright can be freely transferred, either as a whole or for a particular field (for example, the film rights to a novel). Copyright is transmissible by assignment, testamentary disposition (under a will) or by operation of law as personal property[1]. An assignment must be made in writing and signed by, or on behalf of, the assignor[2].

A copyright owner who does not wish to transfer the copyright outright may instead choose to licence its use[3], that is, grant someone else the right to do acts which would normally infringe copyright.

1. Copyright, Designs and Patents Act 1988 section 90(1)

2. Copyright, Designs and Patents Act 1988 section 90(3)

3. Copyright, Designs and Patents Act 1988 section 92

39.22 Licensing of copyright

The copyright, or part thereof, relating to a work may be subject to a licence granting permission to the licensee to carry out certain acts (for example, to produce copies or publicly perform) a work subject to copyright. The licence may be exclusive in that it allows only the licensee to carry out those certain acts (for example, the right to produce the DVD of a cinema released film) or non-exclusive in that a number of parties have similar rights to carry out the act (for example, a number of radio stations with a right to play the same song).

There is no requirement for the licence to be in writing, but an exclusive licensee will have no right to sue infringers unless the licence is in writing and signed by the copyright owner.

Should a licensing agreement be signed or entered into after the date of the insolvency order, the licence is null and void, and the person who was interested in buying the licence should be asked to make an offer to purchase the copyright from the insolvent's estate.

39.23 Sale of a copyright licence

A company in liquidation or a bankrupt may hold a licence in respect of a work subject to copyright. In theory it may be possible to sell the licence as an asset in the insolvency. Often though, the licensee may have been chosen specifically for their personal skill or reputation and this may make the licence agreement one of a personal nature, which cannot be transferred or sold.

It has been decided that an author may have a personal contract with a company notwithstanding that the constitution of the company or its directors may change[1]. Where an author is to be remunerated either by a share of profits or by royalties, it is usually assumed that a contract is of a personal nature and not assignable. Alternatively, if the author was paid a fixed sum, it is probable that the publisher would have the right to assign the agreement.

In the circumstances where the official receiver wishes to effect the sale of a licence they should obtain a copy of the original agreement in order to establish the nature of the licence and whether or not it is realisable. Licenses which are not of a personal nature may be assigned. It is very likely that legal advice of a specialist nature will be required.

1. Griffith v Tower Publishing Co Ltd (1897) 1 Ch 21

39.24 Disclaimer of copyright

Returns relating to copyright licensing or exploitation can be very low, and unpublished works generate no royalties at all. Unless the work is a bestseller the returns are likely to be low. In these circumstances where there are no interested parties willing to purchase the copyright or licence, it may be appropriate for the official receiver to consider disclaiming their interest in the copyright, particularly when it is considered that copyright can continue for 70 years after the death of the author, requiring potential administration over a long period.

As an alternative an unsaleable copyright relating to films (fiction and non-fiction) and television programmes, and particularly any physical film stock, may be offered to the British Film Institute who maintain and preserve an archive of moving images.

Registered designs

39.25 Registration of design rights

A design relates to the outward appearance of a product or part of a product (such as a component), rather than the product itself. Design does not relate to the way a product works – which would normally be subject to a patent.

The majority of registered design rights effective in the UK are registered through the Trade Marks and Designs Registration Office with the EU Intellectual Property Office, rather than directly with the UK Intellectual Property Office (UKIPO) Designs Registry.

39.26 Registered design

A registered design right provides a legal monopoly right for the outward appearance of an article or a set of articles of manufacture to which the design is applied by any industrial process, provided the design(s) is novel or original ("of individual character").

39.27 Eligibility for registration of a design

In order for a design to be eligible for registration in the UK it must meet the definition of design set out in the legislation[1], be novel and have individual character[2]. Designs which are dictated by technical function[3], are contrary to accepted moral standards[4], have to be reproduced to exact form and dimensions, are not a visible part of the product, or the design is protected (such as a royal emblems, flags or a hallmark), are not able to be registered designs.

1. Registered Design Act 1949 section 1

2. Registered Design Act 1949 section 1B

3. Registered Design Act 1949 section 1C

4. Registered Design Act 1949 section 1D

39.28 First proprietor of a design

The person creating the design is considered to be the first proprietor of the design except in cases where the design was created under a commission or by an employee in the course of employment, in which case the commissioner or employer would be the first proprietor[1].

1. Registered Design Act 1949 section 2

39.29 Protection afforded by a registered design right

A registered design right gives the designer exclusive right to use the design and any similar design. Use of the product constitutes the making, offering, selling, importing, exporting, stocking or licensing of the design[1].

1. Registered Design Act 1949 section 7

39.30 Duration of a registered design

The initial protection afforded by a UK registered design is for a period of five years. Thereafter the registration can be renewed every five years to a maximum registration period of 25 years. The renewal fees (which are payable to the UKIPO) can be paid in the three month period before the due date. If the renewal fee is not paid within six months of the due date then the design registration will lapse and the design will not be protected[1]. This loss of protection means that the monopoly rights to the design are lost, and anyone can use the design whilst the registration is lapsed without having to pay any royalties.

1. Registered Design Act 1949 section 8

39.31 Restoring a design registration

Where a design registration has lapsed due to failure to pay the renewal fee on time, it is possible to restore the design registration by application to the UKIPO. It is necessary for the applicant to satisfy the UKIPO that theyintended to pay the renewal fee on time. Restoration is not available for designs which were applied for before 1 August 1989[1].

If the official receiver is considering making an application to restore a registered design in order to sell it, the UKIPO should be asked to confirm that the time limit for restoration has not expired, though they cannot give any indication of the likely success of such an application. The costs of the application should be taken into account in the negotiations relating to the sale and should not exceed the potential sale proceeds.

1. Registered Design Act 1949 section 8A

39.32 Ascertaining the owner of a registered design

The UKIPO maintains a register of designs that have been granted the protection of registration. The register is available here (https://www.gov.uk/search-registered-design) and gives details of the owner of the design, its renewal date and details of others with an interest in the design.

39.33 Dealing with a registered design as an asset

Once a design is registered it may be bought and sold like any other property, provided the disposition is made in writing and signed by all parties to the transaction. A registered design may also be subject to a secured loan by way of a mortgage. A registered design owned by a company subject to a winding-up order would belong to the liquidation estate. Similarly, a registered design owned by a bankrupt would vest in the trustee of a bankruptcy estate. Where the owner of an unregistered design right (see below) is also the owner of a registered design, it is assumed that any assignment of the design right also includes an assignment of the registered design, unless a contrary intention is shown.

The official receiver should establish ownership of a registered design from the insolvent's records and/or by carrying out a search of the information held at the UKIPO.

Where a registered design (or a registered design assigned to a bankrupt or a company in liquidation) has vested in the liquidation estate or trustee, the registered design may be sold with the assignment being signed by the trustee of the bankruptcy estate or liquidator of the liquidation estate as assignor. The UKIPO should be informed of the change in ownership[1].

1. Registered Design Act 1949 section 19

39.34 Collecting royalties due to the insolvent owner of a registered design

Royalties may be paid by a third-party to the owner of a registered design in exchange for exploiting that registered design. The royalties may be payable under the terms of a licence, with the owner retaining the registered design. In circumstances where a winding-up or bankruptcy order is made against the owner of a registered design, the official receiver should make contact with the third party paying the royalties and ask them to pay any outstanding or further royalties due to the liquidator or trustee.

39.35 Royalties due as a condition of sale of a registered design (collecting income)

It may be the case that a bankrupt is in receipt of royalties as a condition of the sale of a registered design. In this case the royalties cannot be claimed as an asset as the registered design does not vest in the estate. Instead, the royalties should be treated as income and can be claimed under an income payments agreement or an income payments order.

39.36 Sale of a licence to use a registered design

A licence of a registered design may also be sold. The assignment should be in writing and signed by the parties. The UKIPO should be informed of the transfer.

39.37 Protecting the official receiver's interest in a registered design

Where an insolvent owns a registered design, the UKIPO should be informed of the winding-up or bankruptcy order and asked to note the official receiver's interest in the design. The UKIPO should also be asked to provide details of the remaining "life" of the registration – as this could materially affect the value and details of any renewal fees outstanding. Enquiries should be made to establish whether there are any licensees or mortgages of the patent in order that they can be informed of the making of the insolvency order and asked to note the official receiver's interest.

39.38 Valuation of a registered design

The valuation of intellectual property is a complicated and sometimes controversial area and the value will very much depend on circumstances. It is unlikely that the official receiver's local agents will have experience in this field and the official receiver should exercise discretion as to whether or not to employ specialist agents. A specialist in designs may be contacted through The Chartered Institute of Patent Attorneys.

39.39 Jointly owned registered designs

Joint entitlement to ownership of a registered design can arise where there are co-designers or if a share of the design is sold. Where a design is registered to two or more persons they are entitled, unless there is agreement to the contrary, to equal

undivided shares. The interest of each would survive his death as part of his estate. Joint owners may not sell their interest to a third party without the consent of the co-owners.

39.40 European Community registered designs

The rules governing the procedures, processes and requirements for EC design registration are largely the same as those relating to the UK registration process. The guidance given above can be followed in respect of an insolvent that owns an EC design registration. The registration authority in this case is the European Union Intellectual Property Office (EUIPO).

The EUIPO maintains a searchable on-line register.

Unregistered design right

39.41 General information, eligibility and duration of design right

Unregistered design right is a hybrid displaying characteristics of both registered design and copyright. It is similar to copyright in that the protection afforded is automatic and does not require registration. It shares characteristics of registered designs in that it relates to designs, but it differs in that it does not give a total right of design ownership, rather it gives protection against copying. The right lasts for 10 years after the date that an item made to the design is first marketed, up to a limit of 15 years from the creation of the design. Design right is exclusive for the first five years but thereafter anyone is entitled to a licence of the right to make and sell articles copying the design[1].

1. Copyright, Designs and Patents Act 1988 section 216

39.42 Exception to design right protection

Design right does not extend to “must fit” designs (for example, a component such as a spark plug for a car where the design of the shape of the plug is dictated by the need for it to fit in a certain type of engine)[1]. This is to ensure that competitors cannot be prevented from copying the features of a design to allow them to connect their

own design to existing equipment designed by someone else. Competitors must not copy elements of the design which are not essential to the fitting.

1. Copyright, Designs and Patents Act 1988 section 213(3)(b)

39.43 Ownership of design right

The designer is the first owner of the design right except in the circumstances that the design is created under a commission or in the course of employment, in which case the commissioner or employer is the first owner[1].

1. Copyright, Designs and Patents Act 1988 section 215

39.44 Design right as an asset

Design right is property[1] and it may be bought and sold like any other property, provided the disposition is made in writing and signed by all parties to the transaction. A design right may also be subject to a secured loan by way of a mortgage. A design right vests by operation of law in the same way as any other personal property. A design right owned by a company subject to a winding-up order would belong to the liquidation estate. Similarly, a design right owned by a bankrupt would vest in the trustee of a bankruptcy estate[2].

In the case that the owner of a design right is also the owner or a registered design it is assumed that any assignment of the design right also includes an assignment of the registered design, unless a contrary intention is shown.

1. Copyright, Designs and Patents Act 1988 section 213(1)

2. Copyright, Designs and Patents Act 1988 section 222

39.45 Royalties an asset where the bankrupt owns a design right

Royalties may be paid by a third-party to the owner of a design right in exchange for exploiting that right. Royalties may be payable under the terms of a licence, with the owner retaining the registered design. In circumstances where a winding-up order or a bankruptcy is made against the owner of a design right, the official receiver should make contact with the third party paying the royalties and ask them to pay any royalties due to the trustee.

39.46 Royalties as income received by the bankrupt as a condition of sale of a design right

It may be the case that a bankrupt is in receipt of royalties as a condition of the sale of a design right. In this case the royalties cannot be claimed as an asset as the design right does not vest in the estate. Instead, the royalties should be treated as income and can be claimed under an income payments agreement or an income payments order. A licence of a design right may also be sold. The assignment should be in writing and signed by the parties.

Patents

39.47 General information as to what constitutes a patent

A patent is essentially a deal, a bargain, between a state and an inventor. It is an intellectual property right granted by a country's government as a territorial right for a limited period. Patents protect new and inventive techniques or technical aspects of products or processes, in return for a monopoly on the manufacture, use, importing or sale of an invention for a given period; by obtaining a patent the inventor makes public their invention (potentially to their competitors) and agrees that it can be freely copied once the term of the monopoly expires.

Patent rights make it illegal for anyone except the owner or someone with the owner's permission to make, use, import or sell the invention in the country where the patent was granted.

39.48 Eligibility for granting of a patent

Patents typically cover new technical or functional aspects to products or processes and are to do with how things work, how they are made or what they are made from. Not every invention is entitled to the grant of a patent. As well as being new, the invention must be inventive and capable of practical application in an industrial sense. Theories, discoveries, rules, methods or artistic works cannot be patented[1], and the invention must not be in the public domain prior to the granting of the patent.

1. Patents Act 1977 section 1

39.49 Identity of person to whom patent is granted

A patent may be granted to the inventor or co-inventors[1], and in the case of an invention created in the course of employment, the applicant may be the inventor's employer[2].

1. Patents Act 1977 section 7

2. Patents Act 1977 section 39

39.50 International conventions relating to patents

A UK granted patent gives protection only in the UK and the Isle of Man. To get protection in other countries would normally require separate applications to be made in each of the countries that protection is required. However, there is an international convention, the Patent Co-operation Treaty (PCT) which allows an application to be filed in one country and protection can be extended to a number of countries which are members of the World Intellectual Property Organisation (WIPO). Additionally, an application may be made to the European Patent Office (EPO) under the European Patent Convention. Similar to the Patent Co-operation Treaty this allows protection to countries which are members of the European Patent Convention.

39.51 Duration of a patent

In the UK a patent is fully effective from the date that the specification of the invention is published by the UK Intellectual Property Office (UKIPO) and this is usually some 18 months after the filing date. In the UK a patent lasts for 20 years, but the patent must be renewed to keep it in force. The first renewal date is the end of the calendar month of the fourth anniversary of the date of the application was filed (not granted). Renewal fees are then due every year for the remaining 15 years that the patent may be in force[1].

1. Patents Act 1977 section 25

39.52 Lapse of patent and restoration

The renewal fees (which are payable to the UKIPO) can be paid in the three month period before the due date or one month after that due date without attracting

penalty charges for late payment. If the renewal fee is not paid within six months of the due date then the patent will lapse and the invention will not be protected[1].

In these circumstances it is possible to restore the patent rights by application to the UKIPO. It is necessary for the applicant to satisfy the UKIPO that they intended to pay the renewal fee on time and they must provide a witness statement or other form of statutory declaration, accompanied by evidence, setting out the circumstances in which the renewal fee was not paid. Such an application must be made within 19 months of the due date of the missed renewal payment[2].

If the official receiver is considering making an application to restore a patent in order to sell it, the UKIPO should be asked to confirm that the time limit for restoration has not expired, though they cannot give any indication on the likely success of such an application. The costs of the application should be taken into account in the negotiations relating to the sale and should not exceed the potential sale proceeds.

1. Patents Act 1977 section 25

2. Patents Act 1977 section 28

39.53 Ascertaining a patent owner

The UKIPO maintains an online patent information and document inspection service, called Ipsum. This service provides free access to check the status of a patent, the most up-to-date information on a patent and access to some documents from published patent applications.

The European patent register is also available via the UKIPO website which also offers another service called Worldwide Espacenet. This gives details of patents filed with, or granted, by, the EPO, the WIPO and over 100 national EPOs.

39.54 Patent as an asset

Once a patent is granted it may be bought and sold like any other property, provided the disposition is made in writing and signed by all parties to the transaction. A patent may also be subject to a secured loan by way of a mortgage. A patent vests in the same way as any other personal property, so where it is owned by a company subject to a winding-up order it can be realised as an asset in the liquidation. Similarly, a patent owned by a bankrupt would vest in the trustee of a bankruptcy estate[1] The official receiver should verify ownership of a patent through the insolvent's accounting records and/or by searching the sources outlined above.

1. Patents Act 1977 section 30(1) to (3)

39.55 Sale of a patent or patent licence

Where a patent (or a patent assigned to a company in liquidation or a bankrupt) has vested in the trustee or liquidation estate, the patent may be sold with the assignment being signed by the liquidator of the liquidation estate or the trustee of the bankruptcy estate as assignor. The UKIPO should be informed of the change in ownership[1]. In the same way, a licence to a patent may also be sold, and any assignment of this licence should be in writing and signed by all parties. The transfer of the licence should be notified to the UKIPO.

1. Patents Act 1977 section 30(6)

39.56 Royalties due to the liquidator or trustee

Royalties may be paid by a third-party to the owner of a patent in exchange for exploiting that patent. The royalties may be payable under the terms of a licence, with the owner retaining the patent[1]. In circumstances where a bankruptcy or winding-up order is made against the owner of a patent, the official receiver should make contact with the third party paying the royalties and ask them to pay any royalties due to the trustee.

1. Patents Act 1977 section 30(4)

39.57 Royalties due as income as a result of the sale of a patent

It may be the case that a bankrupt is in receipt of royalties as a condition of the sale of a patent. In this case the royalties cannot be claimed as an asset as the patent does not vest in the estate. Instead, the royalties should be treated as income and can be claimed under an income payments agreement or an income payments order.

39.58 Protecting a patent

Where an insolvent owns a patent, the UKIPO or other relevant registry (see above) should be informed of the winding-up or bankruptcy order and asked to note the official receiver's interest in the patent. The UKIPO should also be asked to provide details of the remaining "life" of the patent – as this could materially affect the value and details of any renewal fees outstanding. Enquiries should be made to establish whether there are any licensees or mortgages of the patent in order that they can be informed of the making of the insolvency order and asked to note the official receiver's interest.

39.59 Valuation of a patent

The valuation of intellectual property is a complicated and sometimes controversial area and the value will very much depend on circumstances. It is unlikely that the official receiver's local agents will have experience in this field and consideration should be given to the employment of specialist agents. A specialist in patents may be contacted through The Chartered Institute of Patent Attorneys.

39.60 Jointly owned patents

Joint entitlement to ownership of a patent can arise where there are co-inventors or if a share of the patent is sold. Where a patent is granted to two or more persons they are entitled, unless there is agreement to the contrary, to equal undivided shares. The interest of each would survive their death as part of their estate. Joint owners may not sell their interest to a third party without the consent of the co-owners[1].

1. Patents Act 1977 section 36

Plant breeders' rights

39.61 Plant breeders' rights

New varieties of plants may be registered with the Controller of Plant Variety Rights[1] to protect against any person other than the right-holder from producing, selling, importing or exporting the plant variety. The duration of the protection is usually 25 years, but this is extended to 30 years in the case of trees, vines or potatoes[2]. The right can be transferred like any other form of property[3]. The Plant Varieties Rights Office is required to maintain a public register of protected plant varieties[4] [5], and this is searchable by application to the Plant Variety Rights Office.

1. Plant Varieties Act 1997 section 3(1)

2. Plant Varieties Act 1997 section 11

3. Plant Varieties Act 1997 section 12

4. The Seeds (National List of Varieties) Regulations 2001

5. The Plant Breeders' Rights Regulations 1998

39.62 Plant variety rights as assets

Farmers usually buy the seed as "certified seed" for which the plant breeder will receive a premium to take account of the intellectual investment in the development of the plant variety. Farmers may collect what is known as "farm-saved" seed from a subsequent harvest of the initial planting. Use of this farm-saved seed is subject to a

royalty payment and the British Society of Plant Breeders Limited administers collection of these payments on a registration basis. In circumstances where an insolvent holds a plant breeders' right the official receiver should inform the British Society of Plant Breeders of their interest in outstanding royalty payments.

Software

39.63 Software

Computer software is commonly used in an insolvent's everyday business. It is frequently leased and so is not available for assignment by the official receiver as liquidator or trustee. If the software has been purchased "off the shelf" then it is likely to be under license to the insolvent and that license will not be transferable, unless it consists of Microsoft open software licences (see below). Where the insolvent is using bespoke software (i.e. uniquely tailored or designed for their business), the official receiver should examine the agreement entered into with the supplier both for restrictions on assignments and the ownership of copyright. If a software supplier has 'invented' the software for the insolvent's use it is likely that the supplier will retain ownership, rather than it being transferred to the ownership of the insolvent business or individual.

39.64 Software written 'in house'

If the software has been written 'in house' i.e. within the business, this may be problematic. Individuals dealing with software are usually contractors rather than employees and in such case the agreements by which they are engaged should be examined carefully by the official receiver to determine who owns any intellectual property rights created.

There is a source code for every piece of software and the software cannot be sold without this. This code enables the software to be revised and maintained and access to the code will only be permitted subject to the agreement with the insolvent.

Computer programs may be protected with copyright, which is a saleable asset in its own right.

39.65 Re-sale of used Microsoft volume software licences

When dealing with an insolvent company or individual which has used a Microsoft software package for their business, it is possible in some circumstances to realise some value from this software by arranging for its re-sale. Only specific types of Microsoft volume software programs can be realised in this way, the ‘Open’ licence’ (designed for small businesses with as little as five desktop personal computers (PCs), the ‘Select’ and the ‘Enterprise’ licences, which are used by corporate, government and academic institutions needing 250 or more desktop PCs. Domestic software licences held by individuals (e.g. for a home computer) could not be re-sold in this way.

39.66 Use of specialist sales agent to re-sell Microsoft volume licences

Due to the unique nature of the re-sale requirements for such licences, in particular the requirement to comply with Microsoft’s specified terms and conditions, The Service has established a working relationship with a company called Discount-Licensing.com Ltd in order to effect a realisation of such licences; its webpage and full details are available at Discount-Licensing.com. Having identified the disused Microsoft 'volume' software licences, Disclic then brokers a sale or sells or transfers them to businesses which are migrating or experiencing a licence shortfall. The company provides proof of ownership for every purchase and sale and also ensures that Microsoft’s terms and conditions are met in relation to the transfer of ownership of the Licence Agreement and Product Use Rights.

The company can deal with a range of Microsoft application and server products, including Office, Microsoft SQL Server, Exchange and Windows server products and more specialised applications such as Project, Visio, Biztalk and CRM. They can also work with other software manufacturers such as SAP and Blackberry.

39.67 Action by official receiver when dealing with Microsoft volume licences

The official receiver should ascertain at the earliest opportunity the type of software used by the insolvent and whether there is a possibility it can be dealt with by the company.

Where it appears the licence may have a re-sale value, the official receiver should arrange for a letter of authority to be issued to the company, providing it with the authority to make the necessary enquiries concerning the licence information applicable to the licence agreements purchased by the specific insolvent company or partnership. The authority should be limited solely to obtaining details of the licences and does not cover negotiating any sale or transfer of licences, although the

information obtained may eventually assist in the realisation of the value of the used licence through sale or transfer.

Trade and service marks

39.68 General

Trade marks and service marks are signs, graphics (logos), words or shapes which are used to distinguish one trader's goods or services from those of another trader. Trade marks are applied to tangible goods (e.g. a particular shape such as the Jif Lemon bottle) whereas service marks are applied to services such as banking or retailing where there is not always a physical product that can carry the trade mark.

39.69 Unregistered trade marks

A business or individual does not have to register a trade mark, however enforcement of a right to use an unregistered trademark can only be protected under the common law legal action of passing off[1], where someone else uses your trade mark or represents the goods or services as their own. This action is usually difficult to prove and expensive to defend, as "passing off" relies on factual evidence proving:

- the wronged party has a prior claim to the mark e.g. an established reputation and/or goodwill in relation to the use of the unregistered trade mark
- there has been financial or reputational loss or damage due misrepresentation to the public as a result of the mark being used by someone else
- the offending trademark has been confused with the establishing trademark (confusing the public as to who/what is represented by the trade mark)

These issues would be difficult to prove where a new business has created a new trade mark for example, so generally, registration of a trade mark is recommended.

1. Trade Marks Act 1994 section 5(4)(a)

39.70 Trade mark registration

In the UK, trade marks can be registered at the Trade Marks Registry, which is a branch of the Intellectual Property Office.

39.71 Eligibility for trade mark registration

The Trade Marks Act 1994[1] defines a trade mark as any sign capable of being represented graphically which is capable of distinguishing goods or services of one

undertaking from those of other undertakings. A trade mark may, in particular, consist of words (including personal names), designs, letters, numerals or the shape of goods or their packaging. Marks which are capable of graphical representation can be registered even if the mark itself is not a graphic or a word. This may include tunes, packaging shapes or, in some very limited cases, smells. A specific colour might also be considered a trade mark and can be registered as such[2].

1. Trade Marks Act 1994 section 1

2. Societe des Produits Nestle SA v Cadbury UK Ltd [2012] EWHC 2637 (Ch)

39.72 Trade marks which cannot be registered

Certain marks are not eligible for registration on absolute grounds[1]. These include marks which do not meet the legislative definition (see above) or marks which are not distinctive, or considered to be contrary to public policy or accepted principles of morality (e.g. in bad taste). Trade marks which consist exclusively of a sign which, in trade, designates specific characteristics of that trade are also not eligible, nor are trademarks which consist exclusively of the shape of the goods or which represent signs or indications common to the business (although there are some exceptions to this).

Marks which are protected emblems (such as flags or state arms) cannot be registered[2], nor can marks which are deceptive (for example, suggesting that a product is from a particular geographical location when, in fact, it is not). If the use of a mark is prohibited by UK or EU law it also cannot be registered. Other marks are not eligible for registration on relative grounds such as conflict or potential conflict with an existing mark – even if it is not a registered mark[3].

1. Trade Marks Act 1994 section 3

2. Trade Marks Act 1994 section 4

3. Trade Marks Act 1994 section 5

39.73 Trade mark classifications

Trade marks are registered under a classification system[1]. Goods and services are numbered using 45 differently numbered classes, with goods being registered under classes 1 to 34 and services under classes 35 to 45. A full list of all the trade mark classifications and the goods or services they relate to can be accessed on the intellectual property office website.

It is possible for the same mark to be registered to the same owners for different products, or different owners in different classes, as long as there is no risk of confusion (for example, Puma for both cars and sporting equipment).

1. Trade Marks Act 1994 section 34

39.74 Protection afforded by trade mark registration

The proprietor, or owner, of a registered trade mark has exclusive rights to use the trade mark in the United Kingdom and their right is infringed if it is used without their consent[1].

1. Trade Marks Act 1994 section 9

39.75 International conventions and protection relating to trade marks

Registration of a trade mark with the UK Intellectual Property Office affords protection only in the UK. Apart from making separate applications in each country in which protection is required, there are two methods by which a trader can protect a mark in more than one country using a single application:

- apply for a European Community trade mark with the European Intellectual Property Office which gives protection in all European Union countries
- apply for registration in countries that have signed the Madrid Protocol through the World Intellectual Property Office (WIPO). This can be effectively joined with an application to the OHIM and extended to other nominated countries

Applications to the OHIM or the WIPO can be channeled through the UK Intellectual Property Office.

39.76 Duration of registered trade mark

The initial period of registration is for a period of 10 years, and can be renewed every ten years thereafter indefinitely[1]. The first ever registered trade mark, the Bass red triangle, was registered in 1875 and is still a live registration. If the mark is not renewed it will lapse and the protection will cease. If a mark is mistakenly allowed to lapse it can be renewed, for an additional fee, within six months of the date that it lapsed.

1. Trade Marks Act 1994 section 42(1)

39.77 Considerations when seeking to restore and sell a trademark

If the official receiver is considering making an application to restore a trade mark registration in order to sell it, the Intellectual Property Office should be asked to confirm that the time-limit for restoration of the trade-mark has not expired. They are unable, though, to give advice on the likely success of such an application. The costs of the application should be taken into account in the negotiations relating to the sale and should not exceed the potential sale proceeds.

39.78 Revocation of a trade mark registration

A trade mark can be revoked (removed from the register) where it has not been put to genuine use within five years of being registered, or has become the generic name (that commonly used for a product or service in a particular trade) in consequence of the activity or inactivity of the trade mark owner. It can also be removed where its usage is likely to mislead the public as to the nature, quality or geographical origin of the goods or service with which it is associated. A third party can apply for a registered trade mark to be revoked if it can be demonstrated that any of these revocation criteria apply[1].

1. Trade Marks Act 1994 section 46

39.79 Ascertaining a trade mark owner

The owner of a trade mark is known as a proprietor for the purposes of the registration process. The Intellectual Property Office maintains a searchable database of trade marks which covers marks for which an application for registration has been made, are currently registered or where registration has ceased (https://www.gov.uk/search-for-trademark). The information available includes a reproduction of the mark, the status of the mark (registered, lapsed, etc.) the classes of goods for which it is registered, relevant dates (application, renewal, etc.), the name and address of the proprietor and details of any agents acting.

39.80 Trade marks as assets

A registered trade mark is an item of personal property[1] [2] as is an application for a trade mark. Trade marks can be assigned, pass under a will or by operation of law as property separate from the goodwill of the business. A registered trade mark may be used as security for a loan or other finance by way of a charge or other mortgage[3]. A registered trade mark or application for a registered trade mark held by an insolvent forms part of the estate of a company in liquidation and also vests in the trustee of a bankruptcy estate.

1. Trade Marks Act 1994 section 2(1)

2. Trade Marks Act 1994 section 22

3. Trade Marks Act 1994 section 24

39.81 Sale of a registered trade mark

Where a registered trade mark (including a trade mark assigned to a company in liquidation or a bankrupt) has vested in the liquidation estate or bankruptcy trustee, the trade mark registration may be sold, with any assignment being signed by the liquidator or trustee of the bankruptcy estate as assignor. The Intellectual Property Office must be informed of the assignment for it to be valid[1].

1. Trade Marks Act 1994 section 24

39.82 Royalties due for use of trade mark by a third party

In addition, royalties may be paid by a third party to the owner of a registered trade in exchange for exploiting that trade mark. The royalties may be payable under the terms of a licence, with the owner retaining the trade mark[1]. In circumstances where a winding-up order or bankruptcy order is made against the owner of a trade mark, the Official Receiver should make contact with the third party paying the royalties and ask them to pay any royalties due to the liquidator or trustee.

1. Trade Marks Act 1994 section 28

39.83 Royalties due to a bankrupt following sale of the trade mark

It may be the case that a bankrupt is in receipt of royalties as a condition of the sale of a registered trade mark. In this case the royalties cannot be claimed as an asset as the trade mark does not vest in the estate. Instead, the royalties should be treated as income and can be claimed under an income payments agreement or an income payments order.

A licence of a trade mark may also be sold. The assignment should be in writing and signed by the parties. The Intellectual Property Office should be informed of the transfer[1].

1. Trade Marks Act 1994 section 25

39.84 Protecting a registered trade mark

Any person who becomes entitled to a trade mark by virtue of the making of a court order (including winding-up and bankruptcy orders) is obliged to inform the Intellectual Property Office of their interest in the mark[1].

Where an insolvent owns a registered trade mark, the Intellectual Property Office should be informed of the winding-up order or bankruptcy order and asked to note the Official Receiver's interest in the trade mark. Enquiries should be made to establish whether there are any licensees or mortgages of the patent in order that they can be informed of the making of the insolvency order and asked to note the Official Receiver's interest.

1. Trade Marks Act 1994 section 25

39.85 Valuation of trade marks

The valuation of intellectual property is a complicated and sometimes controversial area and the value will very much depend on circumstances. It is unlikely that the official receiver's local agents will have experience in this field and consideration should be given to the employment of specialist agents. A specialist in trade marks may be contacted through The Chartered Institute of Trade Mark Attorneys.

39.86 Joint ownership of a trade mark

A registered trade mark may be granted to two or more persons jointly and, subject to agreement to the contrary, each of them is entitled to an equal, undivided share in the mark. Each proprietor is allowed to use the mark without the consent of any of the joint owners, but the mark may not be licensed or assigned without the consent of the joint owner(s)[1].

1. Trade Marks Act 1994 section 23

Names used by companies and individuals

39.87 Introduction to names

This part provides information concerning business, trading, registered and domain names and trade marks, primarily in relation to companies. It outlines the procedures required to enable a company to change its name, to enable a sale of the "old" name and also, highlights areas where the official receiver may need to take action. This could be where a company's name is changed immediately before liquidation, or

where the name has a possible re-sale value. In both cases the official receiver may need to consider the implications and restrictions arising, particularly with regard to section 216 of the Insolvency Act 1986 regarding company name re-use. It also examines the tort of “passing off” in relation to the re-use or re-sale of a name or trade mark. Further, actions the official receiver needs to take when dealing with domain names are examined, these include dealing with possible disputes and the valuation and sale of the domain name.

39.88 Business, trading and registered names used by companies and sole traders

A business usually has (at least) one name by which it is publicly identifiable. A limited company is also required to have a legal, registered name, which may or may not be the name under which it generally trades. In the case of a sole trader, the business trading name may be simply the trader’s own name, or a close variation of it. Alternatively, a trading style relevant to their business may be used. In addition, many limited company and sole trader businesses now also use a domain name to give access to a website through which their business can be advertised or goods and services sold online. This name will often have a close connection or similarity to the business’ trading name.

39.89 Trade or service marks as a business name

Trade marks (see above) are usually attached to the products or services offered by a business rather than to the business itself. However, particularly in the case of service marks (which are trade marks used to advertise a service rather than a product), there may be an overlap between the trading name and the service or product (e.g. The Post Office). Section 216 restrictions (see below) should also be considered where the trade or service mark is also the name of the company’s business.

39.90 The tort of “passing off”

Where the official receiver is considering selling a registered, business or trading name they must establish before any sale is agreed, whether a claim for the tort of “passing off” is likely should the name sale go ahead, as the potential time and monetary costs involved in defending a claim may negate any value in selling the name. The three key elements for there to be a valid action for the tort of “passing off” are:

- that the claimant's goods or services have acquired goodwill in the market and are known by some distinct name, distinguishing mark or other indicator;
- there is a misrepresentation by the defendant (even where it was unintentional) leading, or likely to lead, to the public believing that the goods or services offered by the defendant are goods and services offered by the claimant; and
- that the claimant has suffered or is likely to suffer damage as a result of the defendant's misrepresentation[1]

1. Reckitt & Colman Products Ltd v Borden Inc (No. 3) [1990] 1 All ER 873

39.91 Initial name searches required to prevent potential "passing off" claims

The official receiver should undertake a variety of searches to establish any similar business or trading names, including:

- The Companies House register.
- The Intellectual Property Office's website which provides a facility to search for registered trade marks (see above)

Other factors which should be considered by the official receiver are:

- whether the other business is in the same geographical area;
- whether they are in the same trade or business; and
- whether there is any likelihood that the other business would suffer if the business or trading name was sold.

39.92 Changing a company name prior to winding-up

A company may change its name[1], and (prior to liquidation) this will usually be either by a special resolution of its shareholders[2], or less commonly, by the use of a suitable provision in its articles of association[3]. Neither Table A nor the model articles for private companies limited by shares[4] automatically contain such a clause, so it is not likely the official receiver will often encounter a company having this provision in its articles.

Directors may call a general meeting of the shareholders to enable the resolution for a change of name to be passed, however a director's power to act in the company's affairs ceases upon the making of a winding-up order, therefore they are not in a position to call a meeting of shareholders following liquidation. In some cases where a company's registered name has been changed either shortly before or after the winding-up order, the official receiver may have been consulted or have been aware

of the change of name, which could have been effected as part of the sale of all or part of the company's business by e.g. an administrative receiver.

1. Companies Act 2006 section 77(1)

2. Companies Act 2006 section 78

3. Companies Act 2006 section 79

4. Companies (Model Articles) Regulations 2008 schedule 1

39.93 Registration of change of name and effective date of change

Whilst a resolution may have been passed for the name of a company to be changed, for the change to be effective it must be registered by Companies House and a new certificate of incorporation issued[1] [2].

1. Companies Act 2006 section 80

2. Companies Act 2006 section 81

39.94 Shareholder resolution to change a company name without reference to the liquidator

Official receivers have encountered problems where the company name is changed after the winding up proceedings have commenced. Members of a company may seek to transfer the registered name without advising the official receiver or liquidator or obtaining their consent, and thus avoid paying any consideration for the goodwill attached to the company's registered name. The shareholders achieve this by passing a resolution to change the name of the company in liquidation, and then use the name vacated by the company in liquidation for another limited company. Shareholders in a company acting unanimously have at common law the ability to waive irregularities to achieve informally a result which would otherwise require the observance of a specified procedure. This means that, where all other requirements are met in full, there may be nothing the official receiver can do to stop or amend the change, as it has been lawfully made.

39.95 Companies House registration of a change of company name

Companies House has confirmed that where a request to register a change of the name of a company in compulsory liquidation is received, its practice is to contact the liquidator. This is to establish, before the application is registered, whether the liquidator approves of the change of name and whether the resolution is valid. Once Companies House is satisfied the resolution is valid, it registers the change of name and issues a certificate of incorporation in the company's new name (the company's registration number remains unchanged). An application can then be made to court to change the title of the liquidation proceedings.

39.96 Applying to court to amend the title of the insolvency proceedings

In the event that the official receiver becomes aware that the registered name of a company in liquidation has been changed, the official receiver should make an application to court to change the title of the insolvency proceedings, including a direction that this new title be used in future. The new title should follow the format below:

XYZ Limited formerly known as ABC Limited (company number 1234567) (IN LIQUIDATION).

The application can be made without notice and should be supported by a short report explaining how the change of name came to be effected and including, as exhibits, a record of the resolution (if any) and certificate of incorporation showing the change of name.

39.97 Consequences of failing to apply to change title of insolvency proceedings

Failure to apply to change the title of the insolvency proceedings following a company name change may leave the official receiver open to allegations of defamation as in the course of the liquidation, they would be referring to the wrong company. It is important that the electronic case record is updated as soon as possible after the official receiver is made aware of the new registered name, and from then on only the new name of the company should be used.

If the change is not made it may cause difficulties for the official receiver when applying for release, as the application for release will refer to a company that is not in liquidation. It could also potentially lead to the wrong company (the company

which is now known by the old company name) being dissolved in error, following the conclusion of the liquidation.

39.98 Insolvency Act provisions to be considered by the official receiver following the change of a company name

The official receiver should consider the following provisions where a company's name has been changed:

- Section 207 (transactions in fraud of creditors). This section might be relevant if there is a value attaching to a company name and the shareholders who effect the change of name are also officers of the company
- Section 208 (misconduct in the course of winding up). This section might be relevant if an officer of the company, having knowledge of the passing of a resolution, does not disclose such information to the official receiver
- Section 216 (restrictions on the re-use of a company's name) – see below

39.99 Restrictions to be considered by the official receiver when selling or transferring a registered, business or trading name

A registered, business or trading name used by a limited company may have a value, and the official receiver may seek to sell or transfer one or all of these names following liquidation. They should be aware that certain restrictions need to be considered, e.g. a limited company may not have a registered name which is the same as or very similar to a name already appearing in the registrar's index of company names[1] [2].

Before offering the company's name for sale the official receiver should also ensure that the name has not been registered by a third party as a trade mark or that they are likely to be sued under the tort of passing off.

1. Companies Act 2006 section 66(1)

2. Companies Act 2006 section 67(1)

39.100 Section 216 restrictions

Section 216 prohibits a person who is, or has been in the 12 months prior to the date of liquidation, a director or shadow director of the company in liquidation, from

using (for a period of five years) a name which is the same or similar to the name (registered or trading) of the company in liquidation.

These restrictions should obviously be considered where the directors or shadow directors of the company in liquidation are to be involved in the management of the new company purchasing the name of the old company.

39.101 Notice required of name sale

The purchaser, prior to acting in circumstances which would otherwise contravene the section 216 prohibition, must give notice to every creditor whose name and address is known to them (or is ascertainable on the making of reasonable enquiries) and also publish the notice in the Gazette. The purchaser may give and publish such notice prior to the sale of the business, but the notice must be given and published no later than 28 days after that sale is completed.

The notice must specify the following:

- the name and registered number of the insolvent company
- the name of the person (subject to the prohibition)
- that it is their intention to act in all or any of the ways which would otherwise be subject to prohibition in connection with, or for the purposes of, the carrying on of the whole or substantially the whole of the business of the insolvent company
- the prohibited name[1]

1. rule 22.4

39.102 Removal of requirement to obtain leave of the court

If the name of the company represents the whole or substantially the whole of the business of the company in liquidation, or if the sale of the name is part of a sale of the whole of the business, then the purchaser must follow the procedure outlined in the Rules[1] in order to avoid contravening the section 216 prohibition.

Any person who correctly follows this procedure may then act without the leave of court required under the legislation[2]. The notice is seen as being prospective in that its effect is from the date of the notice, and is not retrospective. Any actions carried out by the directors of the successor company prior to the issue of the notice may leave them open to an allegation that they have contravened section 216 and to personal liability for debts incurred[3] [4].

Any sale of the name in this respect should be conditional on the requirements of the legislation[5] being followed and a note to that effect should be included in the sale contract.

1. rule 22.4

2. section 216(3)

3. section 217

4. Churchill & Churchill and First Independent Factors and Finance Ltd [2006] EWCA Civ 1623

5. rule 22.5

39.103 Leave of court required - name not representing the whole of the business

If the name of the company does not represent the whole or substantially the whole of the business then the exemption offered in the legislation does not apply and an application for leave of court to use the name will be required[1]. In these circumstances, the prospective purchasers should produce evidence to the official receiver that such application has been made and no sale of the name should be concluded until leave has been obtained.

Please see the section 216 guidance for further details.

1. section 216(3)

39.104 Liquidator's authority following a winding-up order

A company's liquidator (following the making of the winding-up order) assumes all decision making authority on behalf of the company, including that held previously by shareholders, such as the power to pass a resolution.

The legislation provides the liquidator with substantial powers to sell the company's property in a winding up and to wind up its affairs and distribute its assets. No reference is made to the obtaining of shareholder approval[1].

Further, for example there is no need following the winding-up order for shareholder approval to be obtained to enable the liquidator to effect substantial property transactions, something ordinarily requiring shareholder approval[2] [3] [4].

1. schedule 4 Part III

2. section 191

3. section 192

4. section 193

39.105 Use of agents to value a company's registered name

Whether the sale is to be made to the former directors of the company in liquidation or to an un-connected party, and the name appears to have a considerable value (perhaps, because it is well known), or a valuation cannot be agreed between the parties, agents should then be engaged to provide an independent valuation. The potential purchasers should meet the costs of the valuation and agents should not be instructed until the official receiver is in receipt of funds, or a written undertaking to provide funds to cover the costs. A chartered surveyor or an accountant may carry out the valuation.

39.106 Procedure to allow the official receiver as liquidator to change the registered name

Where the official receiver is seeking to realise the value in the registered name of the company in liquidation by sale or transfer to a third party (having taken into consideration any potential restrictions regarding the re-use of the name as detailed above, they will need to draw up a special resolution to change the name. Annex A to this chapter provides a template with suggested wording for the liquidator to use.

The liquidator has the authority to sign the special resolution without the consent of the contributories (shareholders) or any need to call a shareholders' meeting to pass a resolution for the name change.

The official receiver as liquidator should sign the resolution and complete and sign Companies House form NM01. This form, together with the signed resolution and appropriate fee should be sent to the Registrar of Companies. The Registrar will then agree the company's name change, releasing the old name which can then be sold for the agreed consideration.

39.107 Bankruptcy - business (or trading) names

A trading name used by a sole-trader in bankruptcy may be sold to a third party as part of a sale of the whole of the business or in its own right. When considering this, official receivers should consider whether there is any possibility of a likely action under the tort of "passing off" (see above) if they intend to sell the business or trading name to a third party, especially where they are aware of any other business with a similar name (. It is considered inappropriate to seek any payment from the

bankrupt for the re-use of a trading name as they are under an obligation to trade using or disclosing the name under which they were made bankrupt[1].

1. section 360

Domain names

39.108 Domain names and their use

A domain name is a word sequence or “string” which can be entered into an internet search engine to gain access to a specific web site. A domain name represents an internet protocol (IP) resource (the name of every organisation, individual, personal computer, server computer, website or any other service connected to the Internet. It has to be uniquely defined (identified) so that others wishing to make contact can do so without the risk of communications being misdirected. Each domain name is assigned to a specific internet service provider (ISP). The domain system is used to translate the address of the ISP into words. Domain name registration is now big business and nearly every domain name is registered, and some change hands for a significant amount of money.

The Internet Corporation for Assigned Names and Numbers ICANN is responsible for awarding contracts to registries to operate top-level domain names.

39.109 Top level domain names

A top-level domain is the last part of an internet domain name, that is, the letters which follow the final dot of any domain name. Each country has its own two-letter top domain name.

The .uk top-level domain was first used in the 1980's and at that time a voluntary group managed the .uk domain names. By the early 1990s commercial companies started to sell domain names to companies. As demand for domain names registration grew the voluntary group could not cope and Nominet UK (a private, not for profit company limited by guarantee) was set up to manage the .uk top-level domain.

39.110 Realising domain names held under licence

Domain names are not actually owned by the user or registrant. They are effectively a licence from the appropriate registrar to use the domain name during the period

paid for with title for the domain name always belonging to the registrar. Details of the registrant’s rights to use and transfer the domain name will be provided in the appropriate registrar's terms and conditions.

If the domain name is registered to the insolvent, breaches no trademarks and has no outstanding fees it can be dealt with as any other asset. The name has little intrinsic value but there are various auction sites on the web which can give an indication as to the value of the name and deal with its transfer for value if the official receiver considers it would benefit the creditors of the insolvent estate.

39.111 Verification of the registration of domain name.

A registration certificate is issued by the internet service provider ISP in respect of each domain name registered. This certificate should verify proper registration to a named person. The official receiver should endeavor to recover this certificate from the insolvent’s records and if this certificate cannot be found enquiries should be made from the relevant internet service provided. The ownership of a domain name may be established by reference to the web-site www.who.is.

39.112 Verify the domain name value

Certain firms will provide a professional valuation of a domain name over the internet and these can be used to test the value. Depending on the costs involved and the value of the domain name the official receiver should consider seeking more than one valuation.

39.113 Sell or transfer the domain name

If the domain name has a value the official receiver should arrange for its transfer. Some local agents used by official receivers have experience in transferring domain names. In addition there are numerous auction sites brokering domain names on the internet. The amount of commission charged and the buyer reach varies between sites. In order to transfer the name to the purchaser the registration certificate is required. If this cannot be found Nominet UK should be contacted for guidance on transferring domain names without the registration certificate.

39.114 Action where domain name has no value

Where a domain name has no value, the registration may be cancelled subject to the registrar's terms and conditions or left to lapse at the end of the registration period.

Goodwill

39.115 Definition of goodwill

A key definition of the term “goodwill” was given in the House of Lords on 20 May 1901[1]:

"What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and disadvantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom. It is the one good thing which distinguishes an old-established business from a new business at its first start.".

1. IRC v Muller & Co Margarine Ltd (1901) AC 217

39.116 Types of goodwill

The three primary types of goodwill have been generally established as:

- inherent goodwill - generated by the location of the property rather than the carrying on of a particular business. This may be because of the attractiveness of the address (such as in a well regarded part of town) or the strategic location (next to a main road or in the town centre)
- personal goodwill - which is generated by the personality, special skills or reputation of the person carrying on the business
- free goodwill - which relates to the success of the business generated by historical reputation, the quality of staff or existing contracts

39.117 Goodwill - value unlikely following insolvency

Goodwill is valued based on the advantage or reputation a business has acquired due to the quality of its product and/or service and/or the holding of a respected brand name. Where a business has ceased to trade, its goodwill will usually be worthless. If a director, partner or bankrupt includes goodwill in a statement of affairs or other document the official receiver should seek an explanation as to its inclusion as an asset.

39.118 Valuation and sale of goodwill

The valuation of goodwill is difficult because of its vague nature. The value is very much dependent on the particular circumstances of the business and is only likely to be an issue where an insolvent's business is being sold as a going concern and the goodwill will only have a value if the purchaser is willing to pay an additional sum for goodwill.

The costs associated with the sale of the goodwill (and the business as a whole) should be provided by the potential purchaser, and it is recommended that at least one independent valuation be provided by the purchaser at their own expense.

Client, customer and patient databases

39.119 Confidential information as an asset

Confidential information can be intellectual property but it is covered by informal protection, under the general legal right to confidentiality and by confidentiality protection provisions in contracts as well. Three tests are required to satisfy whether information is subject to confidentiality protection:

- must by nature be confidential;
- must have been told or conveyed to the recipient in circumstances in which an obligation of confidence arose (e.g. it must be obvious what was being imparted was confidential)
- its unauthorised use would be detrimental to the owner

39.120 Client, customer or patient databases

Some businesses, particularly those providing a service requiring periodic repetition such as private clinics, dentists, opticians or vets, will be in possession of a list of clients or patients, often held in the form of a computerised database. Whilst the client information held on the database may well be confidential, this database is also a potential asset, which may be sold for the benefit of the insolvent estate.

39.121 Information must only be used for its original purpose

When personal information covered by the DPA is collected from individuals initially it should be clear to them what it will be used for. When a database is sold, the seller

must make sure that the buyer understands that they can only use the information for the purposes for which it was originally collected. Any use of this personal information should be within the reasonable expectations of the individuals concerned. So, when a database is sold, its use should stay the same or similar e.g. if a database contains information obtained for the provision of dental treatment, the database should only be sold to another dentist providing similar dental treatments. Selling it to a business for a different use is likely to be incompatible with the original purpose and likely to go beyond the expectations of the individuals.

39.122 Database purchaser must be made aware of its original purpose

The buyer of any database should be made aware that they can only use the personal information on it in line with the purposes for which it was originally collected. The official receiver will need to inform any buyer what these purposes were when they buy the database. If the buyer wants to use the personal information for a new purpose, they will have to get consent for this from the individuals concerned. As the original collector of the information, the seller, in this instance the official receiver, has a responsibility to ensure that the personal information is used properly. The official receiver can achieve this by making it clear to the buyer what the information can or cannot be used for.

39.123 Individuals on database to be informed of change of ownership

If a database is sold affected individuals must be told who now has their information. This should be done as soon as practicable, giving contact details for the new owners and confirming that the personal information obtained will only be used for the same purposes as before. If the buyer wants to use the information in a new way then this will also provide an opportunity to ask individuals for their consent. Before selling the database the official receiver will need to ensure that buyer undertakes to inform all individuals that they now hold the information.

39.124 Length of time information on database may be held

The DPA requires that any personal information held should be adequate, relevant and not excessive, and that it should not be kept for longer than is necessary[1]. The official receiver should inform the new owner of a database that they will be required to decide how much of the information supplied on the database they need to keep.

Any unnecessary personal information should be deleted. Personal information should not be held simply on the basis that it might become useful one day.

1. General Data Protection Regulation article 4

39.125 Sale of a database – specialist advice may be required

Although most of the obligations relating to the sale of a database fall on the buyer, the official receiver should not enter into any sale lightly, and certainly not without ensuring that the buyer understands their obligations and that these are covered in the sale documentation. It is likely that specialist/legal assistance will be required to protect the official receiver's position and this should ideally be funded by the prospective purchaser.

39.126 Action required where database cannot be sold on

If no potential buyers can be found for a database or if the official receiver decides not to proceed with its sale the information held should be deleted or destroyed as soon as it is no longer required.