

Legal Risk Management in Intellectual Property-Supported Financing: The Role of Court Decisions in the Construction of Secured Transaction Rules

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Abstract: Against the backdrop of the rise of technology-intensive industries and the increasingly significant trend of asset-lightening of enterprises, the financing function of intellectual property as an encumbered asset has attracted great attention. Intangible assets, such as patents, trademarks and copyrights, are gradually entering the field of traditional secured transactions. However, in secured practice, problems such as unclear ownership, fluctuating valuation, enforcement difficulties and lack of harmonization of cross-border regimes frequently occur, constituting the core of the legal risks of intellectual property financing. At the same time, the court's function of interpreting the system and guiding the path in its decisions has become more and more prominent, and has become an important source of rule growth. This article analyzes the representative jurisprudence of China, the United States and the United Kingdom, discusses how the court responds to the key issues of the certainty of the collateral, the effectiveness of the registration and the enforcement path, and summarizes a number of directions for the construction of the system from the logic of the judiciary, and then puts forward the proposal of the path of risk management. The paper argues that the courts have gradually become the actual shapers of the security system at the stage when the rules are not yet clear, and their decisions not only adjudicate individual cases, but also implicitly have a guiding effect on the behavior of future transactions.

Keywords: Intellectual Property Financing; Secured Transactions; Legal Risks; Judicial Decisions; Registry System.

1. Introduction

In recent years, the role of intellectual property rights in enterprise financing has been increasing [1]. Especially under the dual promotion of national policy guidance and market practice exploration, intellectual property rights pledge, transfer of licensing revenue rights, securitization and other financing modes continue to emerge, gradually forming a new type of transaction structure characterized by "intangible assets + financial instruments" [2]. Compared with the traditional security in rem, the mobility and innovation of intangible assets provide a new support path for financing activities. However, the frequent occurrence of disputes in practice also reminds us that the pace of institutional construction has not yet fully kept pace with the development of the market

At present, although China's legal system has recognized that intellectual property rights can be used as collateral there are still significant ambiguities in the establishment of the security right, priority, effectiveness of registration, enforcement and other aspects. How to define whether there is a license conflict of the secured intellectual property rights? Does the security contract need to specify the registration number and authorization status of the subject matter? Does the fact that registration has not been completed mean that the effectiveness of the security is ipso facto ineffective? These questions have not yet been answered in a uniform manner at the legislative level, which greatly affects the legal certainty of market transactions.

At the same time, the court, as an important participant in the operation of the system, in the absence of clear norms, tends to have a substantial impact on the structure of the system through the manner of adjudication of specific cases. Particularly in disputes over intellectual property financing

transactions, judicial practice often becomes a key window for the generation of rules and the harmonization of discretion. From the "determination of the scope of the encumbered property" to the "path of resolution of tenure disputes" to the "logic of remedies for registration failure", the court's way of dealing with the matter has largely reshaped the market's understanding and expectations of the boundaries of the law. The court's approach has largely reshaped the market's understanding and expectations of legal boundaries.

In existing studies, the analysis of intellectual property finance mostly focuses on policy mechanisms and platform construction, and pays little attention to the role of courts in shaping the rules. On this basis, this paper intends to return the research perspective to judicial decisions, reveal how courts intervene in the construction of institutional rules through specific rulings through case law analysis, and extract generalizable legal risk management paths from them, in an effort to establish a closer link between theory and practice.

2. Analysis of Legal Risks in Intellectual Property-Supported Financing

As intellectual property-supported financing has been gradually incorporated into the mainstream financial system, the related legal risk issues have also become increasingly prominent. Compared with immovable property or traditional movable collateral, intellectual property has the characteristics of invisibility, complex legal attributes and strong territoriality which makes the legal risks carried as the subject matter of financing security present multi-dimensional and multi-level characteristics [3].

The legal risk in intellectual property financing not only originates from the special nature of intellectual property

rights, but also lies in the natural uncertainty in the transaction structure, clarity of ownership and system suitability when it is used as collateral. This risk presents a multi-dimensional intertwined state, mainly reflected in the following three levels:

2.1. Uncertainty about the Ownership and Valuation of Collateral

The determination of ownership of intellectual property is often plunged into ambiguity due to the complexity of the subject of development, asymmetric registration information or overlapping licensing structure [4]. For example, an invention patent may involve multiple ownership backgrounds such as cooperative development, entrusted research and development, and functional invention, etc., and a single registration certificate is difficult to exhaust the actual boundaries of its rights. In addition, the value assessment of intellectual property lacks a unified mechanism, which is both influenced by the technology life cycle and dependent on the market environment and industrial application scenarios, and the valuation results are highly volatile [5,6]. Once the debtor defaults, the enforcement of a security right often leads to difficulties in creditor satisfaction due to "diminished value" or "valuation errors".

2.2. Fragmentation of the Registration System and Unclear Enforcement Paths

Registration as the establishment of security and counter-effectiveness of the basic link, its normative and publicity is crucial to risk control. China's current patents, trademarks, copyrights and guarantees are under the jurisdiction of

different departments for registration, registration path, content standards and publicity are inconsistent, the formation of system fragmentation pattern. In addition, the registration information is often lagging behind in updating, difficult to retrieve, and not connected to the court enforcement system, resulting in a lack of effective evidence to support the security right holder in claiming rights or raising objections.

More critically, registration does not necessarily mean that the security is effective. In practice, the court may re-examine the clarity of the subject matter of the security contract, the extent to which the registration matches the content of the registration, the impact of the license contract, and other factors, and ultimately rule that the security is invalid or unavailable against third parties. The logic of this decision reflects that although registration is an essential element, it is not the "final guarantee" for the establishment of a security relationship.

2.3. Conflicting Regimes in Cross-Jurisdictional Application

Intellectual property has significant territoriality, and the effectiveness of its registration and the design of its security system are subject to regulation by the laws of various countries. In cross-border financing transactions, different countries on the establishment of security, registration and enforcement of the provisions of the significant differences, if the effective choice of law and the layout of the right, will be very easy to produce judicial conflict. As shown in Table 1, the differences among jurisdictions regarding registration requirements and effectiveness directly reflect the institutional risks of cross-border IP-backed financing.

Table 1. Comparative analysis of IP security interest regimes in the United States, United Kingdom, and China.

Comparative Programs	United States (UCC Article 9)	United Kingdom (Enterprise Act 2002)	China (Civil Code, Security Law)
Whether to register	Recommended registration (not mandatory)	Compulsory registration (Companies House)	Mandatory registration (State Intellectual Property Office)
Whether a written contract is mandatory	Yes	Yes	Yes
Point of entry into force	When the contract is signed or registration is completed	After registration	After completion of registration

Completion of registration of trademark pledge in China does not mean that it can obtain equivalent legal protection in the U.S.; the U.K. requires that a guarantee must be registered within 21 days after its establishment, otherwise it is deemed invalid, while China currently has no rigid restrictions on the time of registration. This kind of conflict between jurisdictions not only increases the risk of law application, but also seriously affects the stability and trust basis of cross-border financing.

3. The Role of Court Decisions in System Construction in Intellectual Property Financing: Comparative Analysis Based on Typical Cases of Three Countries

In the background of intellectual property security system is not yet fully mature, the court's adjudication behavior often has the function of normative supplementation and path guidance. Judicial practice in China, the United States and the United Kingdom shows that, despite the differences in

institutional structure, courts have gradually formed their own jurisprudential logic of adjudication paths when dealing with the establishment of security, conflict of ownership and effectiveness of registration.

3.1. The United States: Expansion of Collateral under Functionalist Orientation

The United States demonstrates a strong functionalist orientation in the logic of adjudicating intellectual property security. Taking the case of *In re Motors Liquidation Co.* as an example, the court held that the right to the proceeds of a patent license could be included in the pool of secured property as collateral and be given priority status in insolvency. This approach goes beyond the traditional formal limitations of property rights and emphasizes the protection of creditors' actual control and expectation of proceeds. It is based not on a direct provision of the law, but on an expansive interpretation of the "general intangibles" of Chapter 9 of the Uniform Commercial Code.

This jurisprudence makes it clear that derivative interests in intellectual property (e.g. license income) can also be the

subject of an effective security, and establishes rules in areas not yet expressly provided for by the system through jurisprudential practice, which fully demonstrates the ability of the U.S. courts to fill in the ambiguous areas of the norms [7].

3.2. The United Kingdom: The Logic of Strong Registration Dominated by Procedural Compliance

In the case of *Re Kaupthing Singer & Friedlander Ltd*, the court held that the guarantee was invalid and not enforceable against the liquidator because registration had not been completed within the time period prescribed by the Companies Act 2006, despite the fact that the contract between the parties was clear and their rights were clear.

This decision highlights the high importance that the English system places on the due process of registration. The court did not base its decision on the "true intention of the parties" or "reasonable expectations of the business", but relied strictly on the formal standard of "registration or non-registration". Although this proceduralist approach may result in a situation where form prevails over substance [8], in individual cases, it has the function of stabilizing the institutional order in terms of maintaining the predictability of financial transactions and the basis of third-party trust.

3.3. China: Clarity Review and Registration Elements in Tandem

In recent years, Chinese courts have demonstrated a gradually converging review logic in handling intellectual property security cases [9]. Taking a trademark pledge financing case heard by the Jiangsu Higher People's Court as an example, the court denied the effectiveness of the security right on the grounds that the registration number of the subject trademark was not clearly set out in the security contract and did not match the registration information of the pledge, emphasizing the dual requirements of "specificity" and "consistency of registration" of the collateral [10].

Instead of adopting the expansive interpretation of functional collateral found in American jurisprudence and relying exclusively on English registration rules, Chinese courts have sought a balance between substance and form: on the one hand, they have required the contract to describe the rights in detail and on the other hand, they have conducted a substantive review of the completeness of the registration process. This adjudicative logic constitutes an important judicial guideline in the early days of the system's construction in the context of current legislation that has not yet been refined.

4. Implications for Legal Risk Management and Strategy Design

Combined with the adjudication practice of the courts of various countries, it can be found that the judicial response to the risk of intellectual property financing is not only embodied in the handling of individual cases, but also lies in the court's guidance of the behavioral expectations and risk distribution of market participants through the normative screening and adjudication tendency. Specifically, this adjudicative governance logic has the following insights for system improvement:

4.1. Contract Clarity is the Primary Premise of Risk Control

Whether it is China's "unclear subject matter" that negates the effectiveness of the security, or the U.S. courts' emphasis on the identifiability of the terms of the security contract, it is clear that the effective establishment of an intellectual property security relationship must be based on a clear description of the scope of the rights. This includes not only the name and registration number of the subject matter, but also information about the status of the rights, the license restrictions, the manner of use and so on. A contractual text that lacks specificity and exclusivity is highly susceptible to rejection in judicial review.

It is recommended that financial institutions introduce "intellectual property due diligence clauses" into the design of the contract, in which the debtor explicitly undertakes that there is no third-party authorization conflict and guarantees that the collateral is independently disposable property. This will help prevent exclusive license or priority claims during the enforcement phase.

4.2. Reform of the Registry and Judicial Admissibility

Although registration systems have different manifestations in different countries, their publicity function and adversarial effect are generally recognized. Under China's current mechanism, different types of intellectual property rights belong to different registration authorities, and the registration process is not uniform, making it difficult to form a unified proof of external rights. The court's compliance check of the registration procedure during the trial is often a mere formality and fails to effectively fulfill its function of filtering institutional risks.

It is recommended to promote the construction of a unified intellectual property security information platform, integrate patent, trademark and copyright security registration into a unified publicity system, and at the same time connect the system to the court adjudication platform to realize the execution linkage. In practice, the court may also take "whether the registration is consistent" and "whether it is searchable" as the prior elements for reviewing the establishment of security rights, so as to enhance the credibility of the system.

4.3. Explore Risk Prevention Mechanisms for Security Structures

Many security failures stem from negligence in the design of the transaction structure. For example, the failure to clarify the exclusivity of the license agreement, the failure to set up a disposition clause that provides for the termination of the contract upon default, and the failure to clarify the path of disposition of the collateral after the debt is in default, etc. The courts have frequently pointed out these structures in their decisions. These structural deficiencies have been frequently pointed out by the courts in their decisions, indicating that the contractual form alone is not sufficient to control risks.

Therefore, it is recommended that a "pledge enforcement agreement" or "early authorization transfer mechanism" be set up in the contract to clarify the disposition path of the security right holder in case of debt default. It is also recommended that the security right holder may apply directly for registration of the transfer, third-party auction or

technical operation of the escrow in certain circumstances, so as to enhance the enforceability of the encumbered assets.

4.4. Importance of Judicial Guidelines for Uniformity of Decisions

At present, China lacks authoritative judicial interpretations or typical guiding cases in intellectual property security jurisprudence. There are some differences in the interpretation of contracts, the determination of the validity of registration and the definition of the scope of collateral by local courts, which may lead to the uncertainty of the system of "different judgments in similar cases".

It is suggested that the Supreme People's Court should strengthen the summarization of intellectual property financing cases and issue typical case guidance to clarify the court's decision-making thoughts on the core issues of registration effectiveness, contractual terms standard, and the definition of collateral, so as to gradually establish a unified decision-making standard in practice, and to provide market participants with a clear and stable institutional expectation.

5. Comparative Law Perspectives on System Differences and Paths to Global Convergence

The core issues of intellectual property secured financing system in different jurisdictions present their respective technical paths and jurisprudential basis. Through the comparison of China, the United States and the United Kingdom, it can be found that, although there are significant differences in their system design and judicial logic, a certain trend of convergence is also revealed in the key system aspects.

In the determination of the scope of the collateral, the United States law emphasizes that the security right can be directed to "intangible property in the broad sense of the word", the court through the expansion of the interpretation of the Uniform Commercial Code, Chapter 9 of the "general intangibles" provisions, so that, including patent license proceeds, technology improvement rights and other derivatives. By expanding the interpretation of the "general intangibles" provision of Chapter 9 of the UCC, the Court has made it possible to include derivative interests such as patent licenses, proceeds, and rights to technological improvements. This function-oriented approach to property definition has expanded the scope for intangible asset financing.

In contrast, in the UK, formal compliance is the centerpiece, with company law setting strict standards for registration timeframes, registration obligations, and registration content. Registration is not an option, but an obligation; failure to register has no effect on rights. Courts also generally follow the logic of proceduralist review and do not base their final judgment on the substance of the contract. This model emphasizes the priority of legal stability and order maintenance.

China is still in the stage of system integration and path exploration. In form, it borrows from the British and American registration system, but in practice, it presents a logic of adjudication that takes into account both formal and substantive review. The court pays attention to the completion of registration, as well as whether the terms of the contract are specific and whether the collateral is clear, and gradually builds the basic framework of "clarity-registration-enforceability".

In terms of cross-border application, the three countries also face similar dilemmas. The geographical character of intellectual property determines that there are natural barriers to the cross-border application of secured transactions. Although the United States has a relatively mature security registration mechanism, it still relies on bilateral treaties and recognition procedures for extraterritorial enforcement; the United Kingdom emphasizes the sovereignty of its courts based on its common law tradition; and China has not yet established a systematic cross-border security coordination mechanism.

However, the logic of the courts of the three countries is consistent in its core value orientation - emphasizing certainty of rights, effectiveness of registration and enforceability of transaction structures. This common ground provides a possible path for the global harmonization of legal rules on intellectual property security.

In recent years, the UNCITRAL Legislative Guide on Secured Transactions in Movable Assets and the Cape Town Convention have facilitated the process of harmonizing security regimes for movable assets on an international scale. The EU is in the process of establishing the Unified Patent and Uniform Enforcement Court (UPC) mechanism, and the U.S. is also promoting the acceptance of the UCC system for the registration of foreign rights. If China wishes to play an institutional role in regional financial cooperation, it should actively participate in the synergy of rules and promote the establishment of a mutual recognition mechanism for intellectual property security registries under the framework of the Regional Comprehensive Economic Partnership Agreement (RCEP).

On the whole, although there are differences in the paths taken by countries, the logic of adjudication and system design point to the three core requirements of a secured financing regime for intellectual property: clear rights, standardized registration and predictable enforcement. This constitutes the institutional basis and consensus boundary for the future convergence of global rules.

6. Conclusion and Recommendations

As a typical new type of financial instrument, the construction of rules for intellectual property financing does not begin with legislation, but often precedes court decisions. The function of normative screening and logical unification revealed by judicial practice has become an important fundamental force for the construction of legal order in the context of an imperfect system and highly complex market.

Through the examination of the representative jurisprudence of China, the United States and the United Kingdom, it can be seen that the courts, in responding to the core issues of intellectual property security, have shown both the path dependence of institutional inheritance and the adaptive response to market demand. In the absence of clear legislative support, the courts have gradually established a number of operational rules and norms, such as contract specificity, rigidity of registration procedures, licensing exclusivity review and enforcement path predetermination. Although these rules are not directly regulated by national legislation, they have gradually acquired a quasi-institutional status due to their applicability and consensus in decisions.

This logic of practice shows that courts do not exist only as dispute resolution organs, but play an important constructive role in the construction of the rules system. Therefore, the process of generating a secured financing regime for

intellectual property cannot be understood in isolation from the institutional function of court decisions. Each judgment not only decides the attribution of rights, but also outlines the outline of the system rules.

Based on the above observations, this article puts forward the following four suggestions, with a view to providing path reference for the improvement of China's intellectual property secured financing system:

First, a unified registration mechanism and information disclosure system.

The current decentralized registration structure is not conducive to the clarity of rights and the realization of counteracting effects. It is recommended to build a unified security registration platform under the framework of the State Intellectual Property Office (SIPO), to integrate the patent, trademark and copyright registration systems, and to set up a data sharing mechanism with the enforcement system of the People's Courts.

Second, promote the standardization of security contracts and risk disclosure mechanism.

As the core foundation of the security relationship, the contract should standardize the format, refine the content and set up complete default disposal provisions. It is recommended to establish a "Model Intellectual Property Security Contract", which specifies the key contents such as the identification of collateral, disclosure of license status and transfer agreement.

Third, strengthen the systematic organization and standard guidance of court decisions.

For the current phenomenon of different judgments in different cases, it is recommended that the Supreme People's Court selects typical cases to form a judicial interpretation or guidance on intellectual property security, and to unify the judgment on issues such as "the establishment of security", "the logic of registration defense", "the path of enforcement" and so on. Judgment" and other issues of the decision standard, enhance the stability and predictability of the judicial system.

Fourthly, China should actively participate in the coordination of regional rules and the synergy of international systems.

China should use RCEP as a platform to promote mutual recognition of security registries, recognition of judgments and coordination of applicable laws within the region; and at the same time, consider gradually docking with frameworks such as the Cape Town Convention and the Hague Convention on Choice of Court, so as to create a good institutional environment for cross-border financing of intellectual property security.

The creation of a system often begins with the spontaneous accumulation of practice, which is then generalized and solidified by court decisions and ultimately systematized by legislation. In the highly complex and rapidly developing

institutional field of intellectual property finance, active judicial intervention is not only reasonable but also necessary.

7. Conclusion

Law never comes before reality, it is built up little by little in specific economic structure, market behavior and institutional conflicts. Intellectual property financing, as an institutional field with both frontiers and complexity, its development trajectory will not be accomplished overnight. In this process, the adjudicative behavior of courts is not only a response, but also a creation. The rules may not be made by them, but the contours of the system, but often in their judgment gradually clear.

And our combing and reflecting on this judicial practice is both an academic obligation and an institutional responsibility.

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