THE IMMUNITY OF INTANGIBLE ASSETS FROM A WRIT OF EXECUTION: MUST WE FORGIVE OUR DEBTORS?*

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INTRODUCTION

An attorney and her client were diligent and thorough in considering the risks of filing suit against the *ABC* Company (*ABC*). After assessing the net worth of *ABC* to be substantially more than the client's claim against it and weighing the other risks associated with litigation, the client decided to proceed against *ABC*. Now, the end of trial is imminent and it is evident the client will prevail.

Both the client and the attorney are pleased with the probable outcome of the case. The client is particularly anxious to receive the monetary damages it will be awarded as a result of *ABC*'s actions. However, although *ABC*'s net worth is appreciable, *ABC* does not possess sufficient cash to satisfy the judgment, nor does *ABC* possess substantial tangible assets. Instead, *ABC* is a software company whose primary assets are the copyrights to the software products it has developed and licenses. Therefore, additional time and expenditures beyond the issuance of a judgment must be incurred to satisfy the judgment. The attorney asks her client to be patient, but the client's patience is wearing thin—three years have passed since the initial consultation with the attorney on the subject of the litigation.

The client is also confused. Last year, the client lost a lawsuit for a breach of contract action. The client explains that "almost as soon as the gavel came down at the end of the trial," the sheriff came to its facility and seized the company truck, many of the tools used in manufacturing the client's product, and the office computers. The equipment seized was sold a few weeks later, and the proceeds from the sale were used to satisfy the judgment against the client. The client expresses its desire to receive the same kind of expeditious action to acquire its just rewards. The client further comments that significant debt was incurred at a high interest rate to replace the seized equipment and that this trial has already been costly. Addressing the client's valid concerns, the attorney reminds the client that, whether "just" or not, the effect of the applicable law is that satisfaction of the judgment will not occur "as soon as the gavel goes down." Also, the client will incur additional filing costs and attorneys' fees before the judgment is satisfied.

From a client's perspective, the above hypothetical illustrates the problems associated with reaching intangible assets to satisfy a judgment of a monetary award rendered in the client's favor. Absent statutory authority to the contrary, intangible assets,[1] including

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1. An intangible asset is "[p]roperty that is a 'right' such as patent, copyright, trademark, etc., or one which is lacking physical existence, such as goodwill." BLACK'S LAW DICTIONARY 808 (6th ed. 1990).

choses in action[2] and intellectual property rights associated with a patent, trademark, or copyright, are immune from access by a judgment creditor by a writ of execution to satisfy the judgment.[3] The immunity of intangible assets from a writ of execution does not mean that the judgment creditor is without recourse. Rather, the judgment creditor may reach the judgment debtor's intangible assets through alternative procedures.[4]

Reaching an asset for satisfaction of a judgment by a writ of execution is preferred over the alternatives used to reach intangible assets. In a writ of execution, the assets are seized with relative expediency, and the sale of the assets occurs shortly thereafter. The timeliness of the seizure is particularly important where the asset is of a nature that its value may be easily destroyed or diminished by the judgment debtor. Even though intellectual property rights are subject to such destruction or diminution in value, the seizure of such rights through alternative procedures to the writ of execution does not occur with the expediency desired to protect the judgment creditor's interest in those rights. In addition, the alternatives result in added expense to both parties through discovery, hearings, or other activities.[5] Thus, the judgment creditor's interest in maintaining the value of the judgment debtor's intellectual property assets is heightened by the additional expenses incurred. Also, additional expense to the judgment debtor caused by such proceedings reduces the amount recoverable by the judgment creditor in satisfaction of its judgment. As one author stated, "[s]urely many a victor has emerged from exhausting litigation only to learn from her lawyer that collecting the judgment will cost more than the judgment is worth."[6]

It is probably undisputed that the value of intellectual property rights is greater today than in the past. Consider, for example, the expeditious manner in which newly formed countries such as the Czech Republic and Latvia have joined the Patent Cooperation Treaty.[7] Also, the North American Free Trade Agreement (NAFTA) recognizes and provides for consideration of intellectual property rights.[8] Furthermore, due to various factors such as product development costs, lost profits due to non-enforcement of intellectual property rights, and the global economy, the "assessment, procurement, and protection of intellectual property rights have become a priority for management willing

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2. A "[r]ight of proceeding in a court of law to procure payment of [a] sum of money, or right to recover a personal chattel or a sum of money by action" is a chose in action. *Id.* at 241.

3. For purposes of this Note, a writ of execution is the formal process, usually initiated by a writ or decree at or near the time of judgment, whereby the judgment debtor's non-exempt assets are seized by an officer of the court, such as a sheriff, for subsequent sale in satisfaction of the judgment. *Id.* at 568, 1610.

4. *See infra* subpart I.B.

5. *See infra* subpart I.B.

6. William J. Woodward, Jr., *New Judgment Liens on Personal Property: Does "Efficient" Mean "Better"?*, 27 HARV. J. ON LEGIS. 1 (1990).

7. *Listing of PCT Member Countries*, 1155 T.M.O.G. 34 (Oct. 12, 1993).

8. North American Free Trade Agreement Between the Government of the United States of America, the Government of Canada and the Government of the United Mexican States, Chapter 17: Intellectual Property, 1992 WL 486274. Articles 1701-1721 of NAFTA constitute the provisions directed toward "protection and enforcement of intellectual property rights" among its member countries. *Id.* Art. 1701. Some even suggest that NAFTA's intellectual property provisions are "a model" for future trade agreements. *Intellectual Property: NAFTA IP Provisions Called 'Model', Industry Concerned by Cultural Exemption*, 9 ITR 1433 (1992).

to confront the realities of competition."[9] A recent estimate provided by the U.S. International Trade Commission indicates that U.S. companies are incurring a loss of $40 to $60 billion per year due to violations of intellectual property rights.[10] Consider also that, although cases involving infringement of intellectual property rights are not without cost, the monetary damages awarded in infringement cases may be substantial and, in some instances, "represent significant revenue streams for corporations successful in asserting their . . . [rights] against infringers."[11]

In addition to the perceived increase in value in the rights conferred by grant of a patent, trademark, or copyright, the advent of technology may inherently affect the number of entities whose sole or primary assets are classified as intellectual property. The introduction of the personal computer, for example, created a boom in the number of electronics and software companies.[12] The primary assets of many of these companies are intellectual property rights including the protection of mask works, software copyrights, and electronics and software patents. Today, the primary business of thousands of companies is licensing software products.[13]

The importance of intellectual property rights, as reflected by the increase in value of those rights and the prevalence of the number of companies having solely or primarily intellectual property rights as their assets, seems incongruous with the judgment creditor's inability to seize such assets by a writ of execution for satisfaction of a judgment. Yet, for most causes of action, no statutory provision exists to override the common law immunity of intellectual property from a writ of execution. This antiquated distinction of intellectual property from tangible assets has spurred demands for change.[14] Nevertheless, intellectual property still must be seized by procedures other than a writ of execution in most civil litigation.[15]

As previously stated, the alternative procedures to the writ of execution often result in the consumption of additional time and money for the judgment creditor. Further, if the intellectual property assets of the judgment debtor are not seized with sufficient expediency, the judgment debtor may, in the interim period between the issuance of a judgment against it and the actual seizure of the assets, destroy or diminish the value of its intellectual property assets. Thus, the immunity of intellectual property assets from a writ of execution results in special treatment of intellectual property, which appears to

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9. Daniel F. Perez, *Exploitation and Enforcement of Intellectual Property Rights*, THE COMPUTER LAWYER, 10:8, Aug. 1993, at 10.

10. *Id.*

11. *Id.*

12. *See, e.g.*, Otto Friedrich, *The Computer Moves In*, TIME, Jan. 3., 1983, at 14; Daniel P. Wiener, *Closing Down the Garage of the Little Guy*, U.S. NEWS & WORLD REPORT, Aug. 17, 1987, at 45. *See also* Peter Huber, *Software's Cash Register*, FORBES, Oct. 18, 1993, at 314.

13. For example, there are over 12,000 companies having a secondary standard industrial classification (SIC) of computer software development. This number does not include some of the major players in the software industry, such as Microsoft Corporation, who are identified instead as a business services organization. DUN & BRADSTREET ELECTRONIC BUSINESS DIRECTORY, Q3/93, Oct. 29, 1993.

14. Cherie L. Lieurance, *Judgment Creditors' Access to Intellectual Property Rights—Is Simple Execution in Sight?*, 7 WHITTIER L. REV. 375 (1985).

15. *See infra* subpart I.A.

protect the judgment debtor and to hinder the judgment creditor from obtaining a lawfully determined judgment. This "special treatment" which benefits the judgment debtor presents a greater risk in satisfying a judgment if the judgment debtor possesses primarily or exclusively intangible assets, such as intellectual property, rather than tangible assets. The increased risk may result in chilling effects in filing suit or in selecting business partners.

A potential plaintiff filing suit against an entity having primarily intangible assets must consider the risk and the additional costs, both time and monetary, for satisfaction of the judgment. The potential plaintiff may possibly be "chilled" from bringing a legitimate cause of action. Further, in view of this risk, business arrangements may be affected. One entity may be less likely to engage in a business relationship with another entity having intellectual property assets as its primary assets. If the engagement is likely to stimulate disagreement between the parties, the first entity would have an incentive to deal with businesses which hold primarily tangible assets. Thus, "chilling" is also implicated in the selection of a business partner.

Not only are the alternative procedures to a writ of execution costly from the judgment creditor's perspective, they are also costly to the judicial system. Judicial economy is compromised by the requirement to engage in proceedings supplemental to the judgment. Additional filings must be received by the court and, in many instances, the court must accommodate a hearing between the parties. Discussion and discovery of the judgment debtor's assets are better considered at the time of judgment to reduce the time and monetary costs to the courts in determining which of the judgment debtor's assets, including intangible assets, are necessary to satisfy the judgment.

The purpose of this Note is to provide practical guidance to a litigator whose client is considering filing an action against an entity possessing primarily or exclusively intangible assets from which a judgment would be satisfied. Part I provides the historical development of the law regarding the use of the judgment debtor's intangible assets to satisfy a judgment. Part II examines some of the jurisdictional differences that impact the satisfaction of the judgment with the judgment debtor's intellectual property assets. Part III discusses the ability to pursue tangible assets associated with intellectual property rights. Finally, Part IV explores equitable measures that may be utilized in conjunction with the alternative procedures to the writ of execution and the risks involved with the use of such procedures.

I. Reaching the Judgment Debtor's Intangible Assets

The common law immunity of intangible assets from a writ of execution was firmly established through Supreme Court cases in the 1850s which maintained the English common law view of intangible assets. Over the next century, alternatives to a writ of execution were sanctioned by the courts and made available via statute. This Part examines the development of the law with regard to the appropriate procedure(s) for reaching the judgment debtor's intangible assets to satisfy a judgment.

A. Unavailability of a Writ of Execution

Two cases decided by the United States Supreme Court in the 1850s stand for the proposition that intangible assets are immune from a writ of execution.[16] Both cases centered on the sale of a copperplate engraving utilized to print a map that was copyrighted.[17] A judgment was obtained against the copyright owner and, to satisfy that judgment, the copperplate engraving was sold in a judicial sale following a writ of execution identifying the plate as an asset.[18] The purchaser of the plate claimed that he obtained the right to print and sell maps made with the plate.[19] The Court in the first case determined that, pursuant to common law, the "incorporeal right, secured by the statute to the author, . . . is not the subject of seizure or sale by means" of a writ of execution.[20] Instead, the owner of the incorporeal right could be compelled to transfer the rights for subsequent sale following a creditor's bill[21] so long as such a transfer complied with the requirements of the copyright act.[22]

The immunity of intangible assets to a writ of execution was revisited in the second case, *Stevens v. Gladding*.[23] In *Stevens*, the Court considered whether the right to publish the maps passed with the purchase of the copperplate.[24] Although the Court thought it unnecessary to reconsider the issue of the availability of a writ of execution for a copyright, it did offer some additional justification for its holding in *Stephens v. Cady*.[25] The Court added the following to the common law reasoning:

> [I]ncorporeal rights do not exist in any particular state or district; they are coextensive with the United States. There is nothing in any act of congress, or in the nature of the rights themselves, to give them locality anywhere, so as to subject them to the process of courts having jurisdiction limited by the lines of states and districts.[26]

After all, the United States Constitution granted Congress the power to create patents and copyrights.[27] The Court appeared to be concerned with the logistics of allowing a local

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16. Stephens v. Cady, 55 U.S. (14 How.) 528 (1852); Stevens v. Gladding, 58 U.S. (17 How.) 447 (1854).

17. *Stephens*, 55 U.S. (14 How.) at 528.

18. *Id.*

19. *Id.*

20. *Id.* at 531. Incorporeal rights are "[r]ights to intangibles, such as legal actions, rather than rights to property." BLACK'S LAW DICTIONARY 767 (6th ed. 1990).

21. A creditor's bill is an "[e]quitable proceeding brought to enforce payment of debt out of property or other interest of [the] debtor which cannot be reached by ordinary legal process." BLACK'S LAW DICTIONARY 369 (6th ed. 1990); *see infra* subpart I.B.

22. *Stephens*, 55 U.S. (14 How.) at 531.

23. 58 U.S. (17 How.) 447 (1854).

24. *Id.* at 450.

25. 55 U.S. (14 How.) 528 (1852).

26. 58 U.S. (17 How.) at 451.

27. U.S. CONST. art I, § 8, cl. 8 (granting the power "[t]o promote the Progress of Science and useful Arts by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and

court to exercise its powers at law to reach a federally-conferred right, although the Court apparently had less difficulty with the notion that a local court of equity, as through a creditor's bill, may exercise such power.

The Court had previously considered the proper procedure for reaching an equitable interest of a judgment debtor. Specifically, several years prior to the decisions of *Stephens v. Cady* and *Stevens v. Gladding*, the Court considered the availability of a writ of *fieri facias*[28] against an equity of redemption[29] in *Van Ness v. Hyatt*.[30] The Court ruled that the right of the mortgagor to purchase the property in the event of foreclosure was "nothing more than a contract . . . [,] a conditional right to purchase, which, in effect, was nothing more than a *chose in action*."[31] Because choses in action could not be seized via a writ of *fieri facias*, the sale of the equity of redemption was held to be improper.[32] However, the Court stated that the appellant did have standing in a court of equity for redemption.[33]

Although the Court in *Van Ness* decided the issue by using a contract rights analogy, it first discussed the state of the law at that time regarding the availability of a writ of *fieri facias* for reaching an equitable interest.[34] Absent legislation or a judicial holding to the contrary, the law of the United States was generally the same as England's—equitable interests were not subject to levy by a writ of *fieri facias*.[35] The view that intangible assets are immune from a writ of execution and implicitly immune from a writ of *fieri facias* was voiced by the Supreme Court in a later decision.[36]

The apparent general immunity of intangible assets from any judicial sale as set forth in *Stephens v. Cady* and restated in *Stevens v. Gladding* resulted in the ability of a judgment debtor to hide its assets. Succinctly stated by the Indiana Supreme Court in 1866 in *Keightley v. Walls*,[37] "[a] defendant might be worth millions, and yet, if his wealth consisted of choses in action, he could successfully defy his creditors."[38] However, legislators began to seek alternatives to the writ of execution to reach intangible assets, such as choses in action.[39] For example, in *Keightley*, it was stated that, although generally a court in equity may exercise jurisdiction over choses in action of the debtor,

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Discoveries").

28. A writ of *fieri facias* is a "writ directing the sheriff to satisfy a judgment from the debtor's property." BLACK'S LAW DICTIONARY 627 (6th ed. 1990). Originally, only goods and chattels could be seized by a writ of *fieri facias*. *Id.*; Van Ness v. Hyatt, 38 U.S. (13 Pet.) 294, 298 (1839).

29. An equity of redemption is a right of a mortgagor to save the mortgaged property from foreclosure "after it has been forfeited, at law, by a breach of the condition of the mortgage (*i.e.*, default in mortgage payments), upon paying the amount of debt, interest and costs." BLACK'S LAW DICTIONARY 541 (6th ed. 1990).

30. 38 U.S. (13 Pet.) at 297-98.

31. *Id.* at 301.

32. *Id.*

33. *Id.*

34. *Id.* at 298-300.

35. *Id.* at 298.

36. Ager v. Murray, 105 U.S. 126 (1881); *see infra* text accompanying note 51.

37. 27 Ind. 384 (1866).

38. *Id.* at 386.

39. *Id.*

Indiana does not so permit absent a statute to the contrary.[40] Indiana courts were granted jurisdiction through proceedings supplementary to execution[41] via statute.[42]

B. Alternatives to a Writ of Execution

In 1881, the United States Supreme Court opened the door to alternatives to a writ of execution for reaching the intangible assets of the judgment debtor.[43] The facts of *Ager v. Murray* are similar to the hypothetical posited in the Introduction to this Note. Specifically, a monetary judgment was issued against an individual who owned no real nor personal property in the jurisdiction of the lower court but did own interests in patents which, if sold at a judicial sale, would produce enough money to satisfy the judgment.[44] A writ of *fieri facias* was executed on the judgment, but because the patent owner had no real nor personal assets, the judgment was not satisfied.[45] The patent owner assigned his interest in the patents to his wife and she, in turn, reconveyed all the interest to her husband.[46] The judgment creditor then sought to reach the patent rights of the original patent owner and his wife in satisfaction of the judgment.[47] The Court, in exercising its power of equity, affirmed the order of the lower court that interest in the patents should be sold at a judicial sale to satisfy the judgment, and the patent owner was required to assign his interests to the purchaser.[48] If the patent owner did not voluntarily assign his rights, a court-appointed trustee would execute the assignment.[49]

The Court in *Ager* stated that the rights granted to copyright owners and patent owners "do not exonerate the right and property thereby acquired . . . from liability to be subjected by suitable judicial proceedings to the payment of his debts."[50] To reconcile its holding with the decisions of *Stephens v. Cady* and *Stevens v. Gladding*, the Court emphasized that it was not exercising its powers at law as through a writ of execution, but rather was exercising its equitable powers, which "may be enforced in all cases where the person is within its jurisdiction."[51] Thus, the Court reaffirmed the unavailability of a writ of execution to reach intangible assets of the judgment debtor, absent a statute to the contrary. However, the holding of *Ager* established that a court in equity may seize the intangible assets by other judicial proceedings.

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40. *Id.*

41. Supplementary proceedings, also known as proceedings supplementary or proceedings supplemental, are procedures instituted after an execution that are "directed to the discovery of the debtor's property and its application to the debt for which the execution is issued." BLACK'S LAW DICTIONARY 1439 (6th ed. 1990).

42. *Keightley*, 27 Ind. at 386.

43. Ager v. Murray, 105 U.S. (15 Otto) 126 (1881).

44. *Id.* at 127.

45. *Id.*

46. *Id.*

47. *Id.*

48. *Id.* at 132.

49. *Id.*

50. *Id.* at 128.

51. *Id.* at 129-31.

The law/equity distinction of *Ager* led to the eventual identification of specific alternatives to the writ of execution. Garnishment, creditor's bills, and proceedings supplemental are examples of viable equitable proceedings. Interestingly, a writ of *fieri facias*, a proceeding at law, has also been held a viable alternative, despite the law/equity distinction of *Ager*.[52]

Garnishment is a "proceeding whereby a plaintiff creditor . . . seeks to subject to his or her claim the property or money of a third party . . . owed by such party to defendant debtor, *i.e.*, principal defendant."[53] Choses in action and other intangible assets are subject to garnishment in some jurisdictions.[54] Thus, royalties from intellectual property may be garnished.[55] Intangible assets of the judgment debtor may also be reached by a creditor's bill.[56] Similarly, proceedings supplemental (supplementary proceedings) are used to reach the judgment debtor's intangible assets.[57]

A writ of *fieri facias* has also been utilized for reaching the intellectual property rights of the judgment debtor.[58] Despite the aforementioned holding of *Van Ness* that intangible assets cannot be reached by a writ of *fieri facias*[59] and without reference thereto, the United States Court of Appeals for the Third Circuit in *McClaskey v. Harbison-Walker Refractories Co.*[60] reversed the finding of the district court which held that a writ of *fieri facias* and a special (statutory) writ of *fieri facias* may not be used to reach the judgment creditor's patent rights.[61] Because the *McClaskey* courts did not consider the *Van Ness* case, the reasoning of these courts is worthy of discussion.

In *McClaskey*, the judgment creditor did not proceed by a bill of equity for satisfaction of the judgment from the judgment debtor's patent rights, but sought to reach the patent rights via a special writ of *fieri facias*.[62] The statutory writ of *fieri facias* provided that the sheriff would seize the patent rights for judicial sale.[63] The district

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52. *See infra* notes 58-61 and accompanying text.

53. BLACK'S LAW DICTIONARY 680 (6th ed. 1990). For purposes of this Note, garnishment is distinguished from attachment. Attachment is a proceeding instituted at the time suit is filed or during trial to seize property intended to be utilized to satisfy the eventual judgment. The order for attachment occurs prior to the issuance of a judgment. *Ager*, 105 U.S. at 126.

54. *See, e.g.*, Baltimore & Ohio R.R. Co. v. Hostetter, 240 U.S. 620, 622 (1916); Sanders v. Armour Fertilizer Works, 292 U.S. 190, 203 (1934).

55. *See, e.g.*, Davis v. Tingley, 9 A. 32 (Pa. 1877); Victory Bottle Capping Mach. Co. v. O. & J. Mach. Co., 280 F. 753 (1st Cir. 1922).

56. *See, e.g.*, *Ager*, 105 U.S. (15 Otto) 126; Kenyon v. Automatic Instrument Co., 160 F.2d 878, 884 (6th Cir. 1947).

57. *See, e.g.*, Keightley v. Walls, 27 Ind. 384, 386 (1866); Coldren v. American Milling Research & Dev. Inst., 378 N.E.2d 870, 872 (Ind. Ct. App. 1978) (holding that patent and contract rights may be reached via proceedings supplemental).

58. McClaskey v. Harbison-Walker Refractories Co., 138 F.2d 493, 497-500 (3rd Cir. 1943).

59. *See supra* text accompanying notes 28-33.

60. 138 F.2d 493 (3rd Cir. 1943).

61. McClaskey v. Harbison-Walker Refractories Co., 46 F. Supp. 937, 938 (W.D. Pa. 1942), *rev'd*, 138 F.2d 493 (3rd Cir. 1943).

62. *Id.* at 937.

63. *Id.* at 938.

court, using *Ager* as authority, opined that the levy of the property by the sheriff through the writ of *fieri facias* was akin to a levy by writ of execution which *Ager* had explicitly deemed unavailable for incorporeal rights.[64] The United States Court of Appeals for the Third Circuit reversed, reasoning that the *effect* of the writ of *fieri facias* was essentially the same as that of a creditor's bill[65] and "that to effect the assignment of a patent it is not necessary to observe a precise formula so long as what is done meets the substance of the requirements of the federal statute."[66]

Both a creditor's bill and a writ of *fieri facias* are invoked by the judgment creditor when the judgment is not satisfied by a writ of execution.[67] Although the judgment creditor in *McClaskey* had the option of proceeding by a creditor's bill, it chose not to.[68] A creditor's bill is an *equitable* proceeding initiated to enforce a judgment.[69] The writ of *fieri facias* is likewise used to enforce a judgment after a writ of execution is unsuccessful. However, as stated in *McClaskey,* it is issued at the request of the judgment creditor.[70] The judgment creditor in *McClaskey* thus referred to the writ of *fieri facias* as "an adequate remedy at law."[71] Therefore, it was probably less difficult and less expensive to achieve the desired result by a writ of *fieri facias* than to complete the equitable proceeding of a creditor's bill.

In *McClaskey*, the circuit court focused on the end result rather than on the means used to achieve that result. The law/equity distinction of *Ager* is applicable to the means of achieving the desired result. The holding of *McClaskey* circumvented the distinction established by the Supreme Court, but the fact that the intangible assets of the judgment debtor cannot be reached until after the judgment is left unsatisfied by a writ of execution remains intact.

Van Ness, as previously discussed, stands for the proposition that intangible assets (equitable interests) cannot be reached via a writ of *fieri facias*.[72] In *Van Ness*, the writ of *fieri facias* was referred to throughout the opinion as an "execution."[73] Though the writ of *fieri facias* is issued after judgment,[74] it is a remedy at law akin to a writ of execution.[75] As previously stated, the court in *McClaskey* did not address the holding of *Van Ness*. Although the law/equity distinction of *Van Ness*, *Stephens v. Cady, Stevens v. Gladding* and *Ager* may not seem "just" given today's view of intangible assets and in particular today's view of intellectual property, at least the law/equity distinction had a justifiable basis. The inclusion of a writ of *fieri facias* as an alternative proceeding for reaching the

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64. *Id.*

65. 138 F.2d at 499.

66. *Id.* at 500. The federal statute referenced, 35 U.S.C. § 47, identifies valid assignments of patents rights.

67. *See supra* notes 21, 28.

68. 46 F. Supp. at 937.

69. *See supra* note 21.

70. 46 F. Supp. at 938.

71. 138 F.2d at 498 n.7.

72. *See supra* text accompanying note 32.

73. Van Ness v. Hyatt, 38 U.S. (13 Pet.) 294 (1839).

74. The writ of *fieri facias* in *Van Ness* was issued seven months after judgment. *Id.* at 297.

75. BLACK'S LAW DICTIONARY 627 (6th ed. 1990).

intangible assets of the judgment debtor makes the law more difficult to accept as "just" because the judgment creditor must wait to seize the assets for judicial sale, even though no such waiting period exists for reaching tangible assets.[76]

As previously mentioned, intangible assets may be immediately available for seizure if statutory authority so provides.[77] Thus, in some civil causes of action, the judgment creditor's interests in the judgment debtor's intangible assets are protected with relative expediency. Bankruptcy proceedings, for example, have provided for seizure of intangible assets for some time.[78] Because immediate seizure of intangible assets is the exception rather than the rule, the judgment creditor's interest in the judgment debtor's intangible assets is afforded different levels of protection depending on the particular cause of action. This cause-of-action dependency, coupled with the jurisdictional differences discussed below, makes the law as applied to intangible assets in general even less consistent and more difficult to justify.

II. JURISDICTIONAL DIFFERENCES/DEPENDENCIES

Whether suit is filed in state or federal court generally has no impact on the alternatives to the writ of execution utilized to levy the judgment debtor's intangible assets for judicial sale to satisfy the judgment. Rule 69 of the Federal Rules of Civil Procedure states, in pertinent part:

> The procedure on execution, in proceedings supplementary to and in aid of judgment, and in proceedings on and in aid of execution shall be in accordance with the practice and procedure of the state in which the district court is held, existing at the time the remedy is sought, except that any statute of the United States governs to the extent that it is applicable.[79]

Therefore, for most causes of action, other than those brought under and act promulgated by the federal government, such as the Bankruptcy Act, state law prevails. Consequently, in preparation for bringing suit, the litigator must become familiar with the applicable state law and properly assess jurisdictional differences if an action may be brought in more than one state. Some issues of concern are: (1) the types of property which

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76. Since *McClaskey*, there has been a split among the states as to whether a writ of *fieri facias* may be used as an alternative to the writ of execution for reaching the judgment debtor's intangible assets. The Delaware Supreme Court, for example, stated that the seizure of equitable interests in stock certificates by a writ of sequestration was closer to sequestration in equity rather than a writ of attachment *fieri facias* and therefore was permissible. Greene v. Johnston, 99 A.2d 627, 636 (Del. 1953); *compare* Burchett v. Roncari wherein the Connecticut Supreme Court held that choses in action may not be seized by a writ of *fieri facias*. 434 A.2d 941, 942 (Conn. 1980). The court in *Burchett* pointed out that the writs of *fieri facias* and *scire facias* are the ancient writs of execution. *Id.*

77. Ager v. Murray, 105 U.S. (15 Otto) 126, 129 (1881).

78. In *Ager*, the Court noted that in bankruptcy proceedings in England, a patent right may be required to be assigned for payment of debts to creditors even though not so stated in the statute. *Id.* at 128. In the United States, the Bankruptcy Act specifically included intangible assets as property to be assigned and sold to pay the bankrupt party's creditors. *Id.* at 129.

79. FED. R. CIV. P. 69.

constitute intangible assets; (2) the procedural alternatives available to reach intangible assets in satisfaction of the judgment; (3) the point in time at which a lien is levied on the intangible asset by such procedures; and, (4) precautionary measures required by law to protect the judgment creditor's interest in the judgment debtor's intangible assets. Each of these issues is presented below.

A. What Constitutes an Intangible Asset?

In determining whether to file suit, a litigator and her client generally consider, as a practical matter, the probability of success in the action. One factor is the ability of the potential adverse party to satisfy the judgment. Hence, an assessment of the potential adverse party's worth is an early consideration. It is also advisable, especially in view of the "special treatment" of intangible assets discussed herein, that the nature of the entity's assets be determined. Moreover, different jurisdictions may define intangible assets differently, and each jurisdiction's definition may be dynamic.

Consider, for example, the holding of *Rowe v. Colpoys*,[80] which modified the common law rule that licenses were not considered "goods and chattels" and, therefore, were not available for levy by a writ of *fieri facias*.[81] The court pointed out that the requirement that "equitable and incorporeal interests were required to be reached by proceedings in equity" had been tempered by the then-recent adoption of the Federal Rules of Civil Procedure, which dispensed with the distinction between courts of law and courts of equity.[82] Considering that no law to the contrary existed in the District of Columbia, the court found no justification for "preserving disparate categories of property, or of rights or interests in property, out of which to satisfy judgments"[83] and held that transferable licenses, such as the license to sell alcoholic beverages, are subject to levy by a writ of *fieri facias* in the District of Columbia.[84]

The definitions of intangible assets among jurisdictions are too numerous for complete exposé in this Note. A few additional examples may be helpful, however. In Illinois, a seat or membership on the Chicago Mercantile Exchange was not subject to execution because it was an intangible asset, not a "good or chattel."[85] In *Utica National Bank & Trust Co. v. Marney*,[86] oil and gas leasehold interests were deemed intangible personal property in Kansas.[87] The court in *Bedingfield v. McLarty*[88] held that hunting and

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80. 137 F.2d 249 (D.C.Cir. 1943), *cert. denied*, 320 U.S. 783 (1943).

81. *Id.* at 250-51.

82. *Id.* at 250.

83. *Id.* at 251.

84. *Id.* Note that *McClaskey* and *Rowe* (*see supra* notes 58-71, 80-83 and accompanying text) were decided in the same year and that both involved the use of a writ of *fieri facias* to seize intangible assets in satisfaction of the judgment. The court in *McClaskey* circumvented the law/equity distinction for intangible assets, while the court in *Rowe* directly addressed the law/equity distinction. *McClaskey* used the end result to justify its holding and did not change the definition of an intangible asset. *Rowe* broadened the definition of property subject to the writ.

85. Rochford v. Laser, 414 N.E.2d 1096, 1102 (Ill. App. Ct. 1980).

86. 661 P.2d 1246 (Kan. 1983).

87. *Id.* at 1248.

88. 324 S.E.2d 312 (S.C. 1984).

fishing rights are both intangible assets and also personal property under South Carolina law.[89] An unsecured, unliquidated counterclaim was found to be a chose in action in *In re Great Lakes Steel & Fabricating Industries, Inc.*[90] A vested interest in certificates of deposit is an intangible asset subject to Ohio's garnishment procedures.[91] Similarly, a depositor's interest in her bank deposits was found to be property of nature subject to garnishment or attachment but not subject to a writ of execution under Arkansas law.[92]

Perhaps the only properties universally deemed intangible assets are the rights conferred by grant of a patent, trademark, or copyright. The very definition of intangible assets enumerates these rights.[93] For other property, the litigator should consult the applicable state law, recognizing that the issue of whether or not an asset is intangible may be defined by cases having causes of action that differ from those being considered by the litigator. The litigator must also be conscious of the type of asset (intangible, tangible, goods and chattels, etc.) encompassed within the specific statutes authorizing an alternative procedure to the writ of execution for application to intangible assets.

B. What Alternatives May be Utilized?

The types of procedures available as an alternative to the writ of execution for reaching the intangible assets of the judgment debtor and the specific requirements for such procedures vary among the states. The alternative procedures for a few states are examined in this Note for illustrative purposes.

In Indiana, intangible assets may only be reached by procedures established by statute.[94] The Indiana General Assembly has provided such a mechanism for reaching intangible assets in its proceedings supplementary to execution.[95] Indiana does not recognize a bill in equity for reaching those assets.[96]

One of Indiana's neighbors, Illinois, recognized two procedural alternatives to the writ of execution. Specifically, the judgment creditor could file a creditor's bill[97] or could institute proceedings to discover the assets of the judgment debtor.[98] Today, both procedures have been combined into Illinois' supplementary proceedings.[99]

Under New York law, several procedures are provided for enforcement of money judgments.[100] Included are a delivery or "turn-over" order,[101] an installment payment

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89. *Id.* at 312-13.

90. 83 B.R. 1015, 1022 (Bankr. N.D. Ind. 1988).

91. Park v. Park, 541 N.E.2d 640, 641 (Ohio Civ. Div. 1988).

92. *In re* Frazier, 136 B.R. 199, 202 (Bankr. W.D. Ark. 1991).

93. *See supra* note 1.

94. Keightley v. Walls, 27 Ind. 384, 386 (1866); Coldren v. American Milling Research & Dev. Inst., 378 N.E.2d 870, 872 (Ind. Ct. App. 1978).

95. IND. CODE ANN. § 34-1-44-2 (West 1993).

96. *Coldren,* 378 N.E.2d at 872.

97. Rochford v. Laser, 414 N.E.2d 1096, 1102 (Ill. App. Ct. 1980).

98. *Id.*; Asher v. United States, 436 F. Supp. 22, 25 (N.D. Ill. 1976), *aff'd*, 570 F.2d 682 (7th Cir. 1978).

99. ILL. ANN. STAT. ch. 735, para. 5/2-1402 (Smith-Hurd 1993); ILL. ANN. STAT. S. CT. R. 277 (Smith-Hurd 1993).

100. N.Y. CIV. PRAC. L. & R. 5201-5251 (McKinney 1993).

101. *Id.* § 5225.

order,[102] and appointment of a receiver.[103] Other states, such as California, also permit appointment of a receiver to satisfy the judgment.[104]

Garnishment has been used to reach a vested interest in a certificate of deposit in Ohio[105] and Arkansas.[106] As already discussed, the District of Columbia and Pennsylvania have permitted the seizure of intangible assets by a writ of *fieri facias*.[107]

Thus, the litigator must consult statutory and decisional authority to determine what types of procedures are available to reach the judgment debtor's intangible assets. Obviously, the requirements for such a procedure will impact the cost of reaching the assets as well as the time required between issuance of a judgment and the actual seizure of the assets. If the adverse party is likely to refuse to comply with the judgment, time may be a very important consideration. Also, the cost of the procedure is frequently an issue with the client.

C. When is a Lien Levied Against the Asset?

An important consequence of the specific alternative procedure used in lieu of a writ of execution is the time at which a lien is imposed on the asset. Because the imposition of a lien on an asset establishes the judgment creditor's "claim, encumbrance, or charge on property for payment of some debt, obligation or duty,"[108] the time the lien attaches indicates the level of protection for the judgment creditor's interest in the judgment debtor's assets.

The time at which a lien attaches varies among the states and may depend on the type of property levied. In Indiana, for example, for property reachable by a writ of execution, a lien attaches to that property upon the issuance of an execution.[109] A lien is not secured at that time against property immune from a writ of execution.[110] Unfortunately, in *Coldren v. American Milling Research & Development Institute,* a commonly cited case on the issue, the question of when a lien is secured for intangible assets via proceedings supplementary was rendered moot and not addressed.[111]

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102. *Id.* § 5226.

103. *Id.* § 5228.

104. CAL. CIV. PROC. CODE § 564 (West 1993). California specifically excludes some types of property, including choses in action, from a writ of execution. *Id.* § 699.720. However, intellectual property rights are not enumerated as immune. Nevertheless, the annotations of § 695.010, entitled Property Subject to Enforcement Generally, cite an 1896 case that deems patents as immune from a writ of execution. Intellectual property rights are therefore presumably immune from a writ of execution in California.

105. Park v. Park, 541 N.E.2d 640, 641 (Ohio Civ. Div. 1988).

106. *In re* Frazier, 136 B.R. 199, 202 (Bankr. W.D. Ark. 1991).

107. Rowe v. Colpoys, 137 F.2d 249, 251 (D.C. Cir. 1943); McClaskey v. Harbison-Walker Refractories, 138 F.2d 493, 497-500 (3rd Cir. 1943); *see supra* note 84.

108. BLACK'S LAW DICTIONARY 922 (6th ed. 1990).

109. IND. CODE ANN. § 34-1-34-9 (West 1994); Coldren v. American Milling Research & Dev. Inst., 378 N.E.2d 870, 871 (Ind. Ct. App. 1978).

110. *Coldren*, 378 N.E.2d at 871.

111. *Id.* at 872.

In Illinois, a lien is secured against real property upon recordation of judgment;[112] against personal property when a writ of execution is delivered to the sheriff;[113] and, for intangible assets not leviable by a writ of execution, at the "time a writ of execution is delivered to the sheriff, and not at the commencement of the citation to discover assets proceeding."[114] As stated by the United States Court of Appeals for the Seventh Circuit, "if a lien is given upon tangible personal property by delivery of the writ to the sheriff, a different method of exercising the right of sale should not prevent the similar creation of a lien on intangible property."[115]

A judgment creditor would prefer the *Asher* court's view over that of Indiana because it affords the judgment creditor with some protection prior to the commencement or conclusion of an alternative proceeding. However, time limits to the lien resulting from a writ of execution exist. In Illinois, such a lien is only enforceable for ninety days.[116] Also, if no writ of execution is issued, initiation of the alternative proceeding alone does not result in the imposition of a lien on the tangible or intangible assets sought to satisfy the judgment.[117] When using a citation to discover assets, a lien is not secured until the court orders the delivery of the assets.[118]

In New York, a lien attaches to personal property reachable by a writ of execution at the time the writ is delivered to the sheriff.[119] For real property subject to a writ of execution, the imposition of the lien is dependent upon the docketing of the writ.[120] For supplementary proceedings used to satisfy the judgment, a lien is imposed at the time the order is secured.[121] In a few states, such as California, the judgment creditor may request the imposition of a nonpossessory judgment lien at the time judgment is issued.[122]

These examples illustrate the differences among jurisdictions as to the time at which a lien is imposed on intangible assets. As shown by the state of the law in Illinois, in addition to jurisdictional variations, different assets may be treated differently, even when the same procedure is used to reach the asset. The litigator must, therefore, be cognizant of any special precautionary measures necessary to protect the client's interests.

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112. ILL. ANN. STAT. ch. 735, para. 5/12-101 (Smith-Hurd 1993).

113. *Id.* para. 5/12-111.

114. Asher v. United States, 436 F. Supp. 22, 25 (N.D. Ill. 1976), *aff'd*, 570 F.2d 682, 684 (7th Cir. 1978). For purposes of this Note, citation to discover assets is akin to a creditor's bill.

115. *Asher,* 570 F.2d at 684.

116. ILL. ANN. STAT. ch. 735, para. 5/12-110 (lien on real property); *see also* Rochford v. Laser, 414 N.E.2d 1096, 1103 (Ill. App. Ct. 1980) (liens on intangible assets may expire).

117. Rochford v. Laser, 414 N.E.2d 1096, 1101-04 (Ill. App. Ct. 1980); Barnett v. Stern, 93 B.R. 962, 976 n.5 (Bankr. N.D. Ill. 1988), *rev'd on other grounds*, 909 F.2d 973 (7th Cir. 1990).

118. *Rochford*, 414 N.E.2d at 1104; *Barnett*, 93 B.R. at 976 n.5.

119. Knapp v. McFarland, 462 F.2d 935, 938 (2nd Cir. 1972).

120. N.Y. CIV. PRAC. L. & R. § 5203 (McKinney 1994).

121. *Id.* § 5202(b).

122. CAL. CIV. PROC. CODE §§ 697.550, 697.570 and 697.530; *see also infra* notes 214-20 and accompanying text.

D. Must the Judgment Creditor Take Precautionary Measures?

Differences among the states exist in the type of assets that constitute intangible assets, the alternative procedures available for reaching intangible assets, and the level of protection afforded the judgment creditor before or during such proceedings through the imposition of a lien on the intangible assets of the judgment debtor. There appears, however, to be little, if any, discrepancy in identifying intellectual property (namely, patents, trademarks, and copyrights) as intangible assets, perhaps due to decisions in the early cases such as *Stephens v. Cady, Stevens v. Gladding*, and *Ager v. Murray*.[123] Whatever the reason, the rights conferred by the grant of patents, federal trademarks, and copyrights are at least classified as intangibles. Why, then, are these rights treated differently among the states?

The procedures used and the protection afforded the judgment creditor are variable. Hence, the judgment debtor—the patent owner, the trademark owner, and the copyright owner—is also afforded different levels of protection among the states. If, as stated in *Stevens v. Gladding*, "these incorporeal rights do not exist in any particular State or district; [and] they are coextensive with the United States,"[124] should not the owner be accorded the same rights in every state for the forcible stripping of the owner's federally-granted rights? Without federal guidance, the litigator is free, when an action may be brought in more than one state, to select a forum to gain any advantage she may legally obtain for her client. Further, the United States has set forth procedures for enjoining and stripping the owner's rights in infringement actions—both during trial and at judgment [125]—and for bankruptcy proceedings.[126] Though not every cause of action has a federal counterpart, it seems logical that the United States has an interest in the transfer by the courts of the rights it grants in intellectual property.

The court's jurisdiction over the intellectual property rights of the judgment debtor may also be an obstacle to reaching the assets. If a court does not have jurisdiction over the owner of a federally-conferred intellectual property right, the court has no jurisdiction over the right.[127] For example, in the case of *Independent Film Distributors v. Chesapeake Industries,* the court was asked to consider whether, under New York state law, a lien was imposed on a British company's copyrighted plays when movie reels of the plays were sold at a judicial sale.[128] The sale followed a default judgment against the British company and its U.S. distributor after the distributor failed to pay a film laboratory for the processing of negatives and the manufacturing of prints.[129] Although the New York court had jurisdiction over the tangible objects, *i.e.*, the movie reels, the court held it had no jurisdiction over the British company's copyrights because it had no jurisdiction

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123. Stephens v. Cady, 55 U.S. (14 How.) 528 (1852); Stevens v. Gladding, 58 U.S. (17 How.) 447 (1854); Ager v. Murray, 105 U.S. (15 Otto) 126 (1881); *see supra* subparts I.A., I.B.

124. *Stevens*, 58 U.S. at 451.

125. *See infra* notes 182-91 and accompanying text.

126. *See supra* note 78.

127. Independent Film Distrib. v. Chesapeake Indus., 148 F. Supp. 611, 614 (S.D.N.Y. 1957), *rev'd*, 250 F.2d 857 (2d Cir. 1958) (The Second Circuit questioned the imposition of the lien under the New York statute.).

128. *Id.* at 614.

129. *Id.* at 613.

over the British company. Therefore, no lien could be levied on the copyrights.[130] Although no issue of jurisdiction arises if the judgment debtor is the owner of intellectual property rights to be used to satisfy the judgment, the court is without jurisdiction if the judgment debtor's intellectual property rights are contractually granted by an owner not within the court's jurisdiction. Therefore, the litigator must be cautious to bring the action in the proper forum if the intangible assets anticipated to be used to satisfy the judgment are granted by a third party. For patents, trademarks, and copyrights, the appropriate public records should be consulted. For other intangible assets, such a determination may be difficult due to the absence of an accessible record.

The imposition of a lien on intangible assets is a concern not only to the judgment creditor trying to reach those assets. Knowledge of any lien on intangible assets is also important to the purchaser of such assets at a judicial sale. The purchaser should be apprised of all claims or encumbrances on the property purchased.

Property to be sold at judicial sale may be encumbered. Consider, for example, the case of *Kenyon v. Automatic Instrument Co.*,[131] where an inventor had assigned the rights to his patent to a company while reserving a right to royalty payments from the sale of each machine covered by the patent.[132] The patent was sold at a judicial sale conducted by a court-appointed receiver.[133] The court held that the inventor's right to royalty payments passed with the sale of the patent from the original assignee to another company through the receiver.[134]

In the bankruptcy action of *In re Spitzel*, title to pens held in inventory by the party in bankruptcy passed to the bankruptcy trustee.[135] The bankrupt party was under a license from the manufacturer of the pens, and the license contained conditions regarding the sale of the pens.[136] The court held that the trustee was bound by the terms of the license in selling the pens to satisfy the debts of the bankrupt party.[137]

These cases represent the types of encumbrances that may be associated with intangible and tangible assets. Although the judgment creditor in these cases was not prevented from reaching the assets, the purchasers were hurt by the encumbrances. Thus, let the buyer beware.

III. Reaching the Tangible Assets Associated with Intellectual Property Rights

Intellectual property may be different in at least one respect from other types of intangible assets. Unlike the typical chose in action, contract right, or license, intellectual property rights are often coupled with tangible assets. For example, patent rights may be embodied in a machine or chemical composition. The legal rights of intellectual property

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130. *Id.* at 614.

131. 160 F.2d 878 (6th Cir. 1947).

132. *Id.* at 880, 883.

133. *Id.* at 883.

134. *Id.* at 884.

135. *In re* Spitzel, 168 F. 156, 156 (E.D.N.Y. 1909).

136. *Id.*

137. *Id.* at 156-57.

are independent from that of the tangible property associated therewith: "Intellectual property rights do not encompass rights to any tangible property embodying or derived from such rights and, conversely, rights to tangible property do not include intellectual property rights associated with that property."[138] Thus, the immunity of intellectual property does not, as discussed below, apply to the tangible property associated with the intellectual property rights.

A. Tangible Assets Associated with Copyright

A copyrighted work is usually distributed on tangible media such as paper, audio or video tape, computer diskette, or compact disc. In addition, a tangible object may be used to duplicate the copyrighted material for subsequent sale. Recall that a copperplate engraving used to print a copyrighted map was the subject of litigation in *Stephens v. Cady* and *Stevens v. Gladding*.[139]

In *Stephens v. Cady*, the Court held that the engraving could be sold via a writ of execution, but the copyright could not.[140] In *Stevens v. Gladding*, the Court held that the exclusive right to print and publish the map granted by copyright did not attach to the engraving and, thus, was not sold nor transferred to the owner of the engraving.[141] The Court stated that "there is no necessary connection between [the plate and the copyright]. They are distinct subjects of property, each capable of existing, and being owned and transferred, independent of each other."[142] Although the plate was sold at a judicial sale for the benefit of the judgment creditor, the purchaser ended up with a plate, which only had value as scrap until the copyright to the map expired. In fact, the purchaser could have suffered additional loss because he had duplicated and sold copyrighted material, *i.e.*, maps made with the plate, but a jury found the purchaser not guilty of infringement.[143] Again, let the buyer beware.[144]

More recent cases have also recognized the distinction between copyright and associated tangible objects: master disks used to reproduce records are separate from the copyright of the recording;[145] materials used to furnish a copyrighted map puzzle are separate from the copyright thereon;[146] and motion picture negatives for copyrighted movies are tangible objects independent of the copyright.[147] While the tangible objects

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138. Thomas L. Bahrick, *Security Interests in Intellectual Property*, 15 AM. INTELL. PROP. L. ASS'N Q.J. 30, 32 (1987).

139. *See supra* notes 17-24 and accompanying text.

140. Stephens v. Cady, 55 U.S. (14 How.) 528, 531 (1852).

141. Stevens v. Gladding, 58 U.S. (17 How.) 447, 453 (1854).

142. *Id.* at 452.

143. Stevens v. Gladding, 60 U.S. (19 How.) 64, 65 (1856).

144. *See also* Knickerbocker Toy Co. v. Winterbrook Corp., 554 F. Supp. 1309, 1324 (D.N.H. 1982) (The purchase of a copyright pattern for Raggedy Ann and Andy dolls does not result in the transfer of the copyright to the purchaser.).

145. Capitol Records, Inc. v. Mercury Record Corp., 109 F. Supp. 330, 333, 338-339 (S.D.N.Y. 1952), *aff'd*, 221 F.2d 657 (2d Cir. 1955).

146. Platt & Munk Co. v. Republic Graphics, Inc., 315 F.2d 847, 854 (2d Cir. 1963).

147. Walt Disney Prod. v. United States, 327 F. Supp. 189, 192 (C.D. Calif. 1971), *modified on other grounds*, 480 F.2d 66 (9th Cir. 1973), *cert. denied*, 415 U.S. 934 (1974).

associated with copyright may be seized for judicial sale by a writ of execution, a purchaser of those tangible objects should understand that it does not necessarily receive the copyright associated with those objects as a result of the acquisition.[148]

B. Tangible Assets Associated with Patent Rights

Tangible objects that are the subject of a patent may be created. In *Wilder v. Kent*,[149] two patented machines were sold by a judicial sale held subsequent to the issuance of a writ of execution.[150] The patent owner claimed that, pursuant to *Stephens v. Cady* and *Stevens v. Gladding* (copyright cases), the purchase did not result in a grant of right to the purchaser to use the patented machines.[151] The court held that although the purchaser did not acquire a right in the patents by purchasing the machines, "[b]y implication he is invested with a license to use that particular machine."[152] As a practical matter, the court recognized that the tangible property had no value unless a license to use the property passed to the purchaser.[153] This holding seems inconsistent with *Stephens v. Cady* and *Stevens v. Gladding* where the purchasers also ended up with tangible objects having no value because no rights passed with them.

On the other hand, the sale of the patented machine in *Wilder* is probably more akin to the acquisition of copyrighted materials, such as copies of the map in *Stephens v. Cady* and *Stevens v. Gladding*. Sales occurring subsequent to a writ of execution do not violate the owner's copyright.[154] However, copyrights do not encompass an exclusive right to use as do patents.[155] Further, if an entity holds a patent to a process for which an unpatented machine is developed to execute and that machine is sold after a writ of execution, there appears to be conflict as to whether the purchaser of the machine acquires a license to use the patented process pursuant to *Wilder* or whether the tangible object used to execute the process is useless without a license from the patent owner to use the process pursuant to *Stephens v. Cady* and *Stevens v. Gladding*. In addition, if an entity holds a design patent and the molds used to manufacture the patented design are sold, does the purchaser obtain a license to manufacture the design by acquiring the molds or are the molds useless to the purchaser unless the purchaser obtains a license to manufacture the patented design?

Pursuant to 35 U.S.C. § 154, the patentee of a machine or composition is granted "the right to exclude others from making, using or selling the invention throughout the United

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148. The distinction of copyright and the material objects embodying the work is now codified in 17 U.S.C. § 202 (1988).

149. Wilder v. Kent, 15 F. 217 (C.C.W.D. Pa. 1883).

150. *Id.* at 217-18.

151. *Id.* at 219.

152. *Id.*

153. *Id.*

154. *See* Platt & Munk Co. v. Republic Graphics, Inc., 315 F.2d 847, 854-55 (2d Cir. 1963) (Sale of a copyrighted object at a judicial sale does not mean that the purchaser infringed the copyright.); *see also* 17 U.S.C. § 109 (1988) (Generally, the lawful owner of a copy of the copyrighted work is free to "sell or otherwise dispose" of the copy possessed.).

155. *See* 17 U.S.C. §§ 106-120 (rights conferred in copyrighted works) and 35 U.S.C. § 154 (rights conferred to patentees).

States. . . ."[156] For a patented process, the patentee is granted "the right to exclude others from using or selling throughout the United States, or importing into the United States, products made by that process. . . ."[157] Patentees of design patents are granted the same rights to exclude as are granted for machine or composition patents.[158] Thus, with regard to use of the invention, the rights conferred for machine and composition patents, process patents, and design patents are essentially identical.

Some distinction does exist regarding the type of tangible objects that are associated with the various types of patents. In all instances, a product that embodies the invention may be made. A patented machine, a product made using a patented process, and a patented object for which a design patent exists embody inventions for which the patentee has exclusive rights. Pursuant to *Wilder,* a court would likely permit the purchaser of these embodiments to use them without violating the patent owner's rights.

Process patents and design patents may be associated with another type of tangible object—an object used to execute the process or to duplicate the invention. For process patents, a machine or series of machines may be needed to execute the process. For design patents, molds may be used to duplicate products embodying the patented design. These tangible objects are akin to the copperplate of *Stephens v. Cady* and *Stevens v. Gladding.* A court would not likely imply a license to use the patented process or to duplicate the patented design by acquisition of the aforementioned tangible objects. To imply a license would result in granting the purchaser the intellectual property rights of the judgment debtor for as long as the tangible object is able to execute the process or to duplicate the design. The foregoing discussion reveals that, in actions that implicate the intellectual property rights of patent owners, the ability to acquire valuable tangible assets varies according to the type of tangible object possessed by the judgment debtor.

C. Tangible Assets Associated with Trademarks

Trademarks are also associated with tangible objects. A trademark is presented on goods or on media such as tags and labels, signs, product brochures, and the like. More importantly, a "trademark is a form of property which exists in connection with the goodwill or tangible assets of a business."[159] A trademark may be transferred in connection with the goodwill of a business without transferring the tangible assets of the business.[160] Thus, a trademark and its associated tangible assets are independent from each other. However, a trademark is not independent from the intangible asset of goodwill because a trademark may not be transferred without the transfer of the business

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156. 35 U.S.C. § 154 (1988).

157. *Id.*

158. *Id.* § 171 (1988).

159. Adams Apple Distrib. Co. v. Papeleras Reuinidas, S.A., 773 F.2d 925, 931 (7th Cir. 1985) (citations omitted). For purposes of this Note, goodwill is an intangible asset representing the value of the business in excess of the value of the business's assets. Goodwill is reflected in factors such as the business's location, reputation and employees. BLACK'S LAW DICTIONARY 694-95 (6th ed. 1990).

160. *Adams Apple Distrib. Co.,* 773 F.2d at 931 (citing Money Store v. Harriscorp Fin., Inc., 689 F.2d 666, 676 (7th Cir. 1982)).

or goodwill.[161] Therefore, although a trademark may be sold by an involuntary judicial sale,[162] it cannot be sold without the accompanying sale of the goodwill.[163]

D. Are the Inconsistencies Justifiable?

Because tangible assets associated with intellectual property rights are independent from the intellectual property, those tangible assets may be sold pursuant to a writ of execution. However, the value of those tangible assets may be insignificant in many instances. The law regarding the sale of the tangible assets associated with intellectual property inconsistently values the tangible objects associated with patent rights. Thus, the likelihood of deriving financial benefit from the sale of these tangible objects depends on the type of intellectual property owned by the judgment debtor. It also depends on the status of the judgment debtor's business. If, for example, the judgment debtor owns a patent for machines and has several of those machines in its inventory, the judgment creditor will be permitted to expediently satisfy a portion of its judgment upon the judicial sale of the machines following a writ of execution. If the judgment debtor has no such machines, the judgment creditor's only recourse is a procedural alternative to the writ of execution for the subsequent judicial sale of the patent. Similarly, satisfaction of a judgment from a software company possessing as its primary assets the copyright in its software products must be attained through alternative procedures. Finally, because a trademark cannot be conveyed with the judicial sale of the business, a purchaser must be found to buy both the business and the trademarks.

These differences may impact a business's contractual decisions. A savvy business person may be more inclined to enter into business arrangements with a patent owner engaged in making and selling its patented machine or composition than with a software company because the business person has a greater likelihood of obtaining money damages from the patent owner. Further, the savvy business person would consider how legal remedies are affected by the type of intellectual property assets owned by the potential opposing party.

IV. Equitable Measures to Protect The Judgment Creditor's Interest

Sir Edward Coke (1552-1634) said, "Reason is the life of the law, nay the common law itself is nothing else but reason . . . . The law, which is perfection of reason."[164] The immunity of intellectual property and other intangible assets from levy by a writ of execution seems to be without reason or, at the very least, founded on imperfect reasoning. Accepting Sir Edward Coke's view of the law, the law relating to the judicial sale of intangible assets is similarly unreasonable.

This Note has discussed practical matters for consideration by the litigator prior to the filing of a cause of action against an entity possessing intangible assets to be used to

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161. *Id.*; Jacobs, Bell & Baumol v. Curtis, 556 A.2d 817, 818 (N.J. 1989).

162. *Adams Apple Distrib. Co.*, 773 F.2d at 931.

163. *Jacobs, Bell & Baumol*, 556 A.2d at 818.

164. The Oxford Dictionary of Quotations 148 (2d ed. 1955) (quoting from Institutes: Commentary upon Littleton, First Institute, § 138).

satisfy a judgment. The litigator should be aware of jurisdictional differences, including property classified as an intangible asset; the procedures used to reach intangible assets; and, the time at which a lien attaches to the intangible assets. Also, the ability to reach the tangible assets associated with intellectual properties should be considered. This section of the Note focuses on what, if any, interim equitable relief may be available to protect the judgment creditor's interest in the judgment debtor's intangible assets until they are seized.

A. General Equity Principles

Initially, a law/equity distinction served as the basis for the immunity of intangible assets from levy via a writ of execution.[165] Now, the law permits the use of procedures at law, such as a writ of *fieri facias*. However, the judgment creditor must still wait before the intangible assets can be seized. Thus, an inequity between tangible and intangible remains. Because equity is "[j]ustice administered according to fairness . . . [and] denotes the spirit and habit of fairness, justness and right dealing,"[166] litigators may consider equitable measures to protect the judgment creditor's interest in the judgment debtor's intangible assets during the time delay.

Equity is not without bounds, however. For example, "[i]nadequate damage and irreparable injury are not synonymous."[167] Nonetheless, we are not concerned with the inadequacy of a remedy for a particular cause of action; rather, the focus is on providing the judgment creditor with protection when using the alternative procedures.

Equity also does not, absent a statute to the contrary,[168] authorize a court "to seize, or otherwise provisionally impound, assets for application upon a money demand that is not secured by a lien on such assets and has not been reduced to judgment."[169] Thus, equitable measures prior to judgment are generally impermissible;[170] this rule of law applies to both tangible and intangible assets.

Although no action may be taken prior to a judgment, common law has provided for an actionable wrong if a judgment debtor fraudulently transfers its assets to avoid satisfaction of the judgment.[171] However, if a debtor disposes of its assets, the judgment creditor may be without recourse in satisfying the judgment even though the wrong is

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165. *See supra* subpart I.B.

166. BLACK'S LAW DICTIONARY 540 (6th ed. 1990).

167. Jador Serv. Co. v. Werbel, 53 A.2d 182, 186 (N.J. 1947).

168. *See infra* subpart IV.B.

169. W.W. Allen, *Jurisdiction of Equity to Sequester, Seize, Enjoin Transfer of, or Otherwise Provisionally Secure Assets for Application Upon a Money Demand Which Has Not Been Reduced to Judgment*, 116 A.L.R. 270, 271 (1938). *See also* Alder v. Fenton, 65 U.S. (24 How.) 407, 411 (1860) (defendants permitted to dispose of their property after commencement of suit against them because plaintiff had no legal right to such property).

170. The lower Pennsylvania courts in the 1890s recognized "cautionary judgments." *Allen*, *supra* note 169, at 296. If plaintiff suspected that the defendant might take action that would diminish plaintiff's ability to recover money damages, plaintiff could seek a pre-judgment cautionary judgment, which usually required defendant to pay money to the plaintiff. *Id.* at 296-97. Pennsylvania courts later dispensed with the cautionary judgment and adopted the law of other jurisdictions. *Id.* at 297.

171. Kane v. Sesac, 54 F. Supp 853, 862 (S.D.N.Y. 1943).

actionable. Nevertheless, the belief that such disposition is "wrong" may justify the use of equitable measures to protect the judgment creditor's interests.

Standing in opposition to the judgment creditor's desire to protect its interest in the intangible assets of the judgment debtor is the right of the judgment debtor to constitutional procedural due process.[172] The constitutionality of a prejudgment garnishment proceeding was challenged in *Sniadach v. Family Finance Corp. of Bay View*.[173] The procedure was instituted at the request of an attorney[174] prior to obtaining a judgment against the debtor.[175] The Wisconsin procedure was found unconstitutional because no notice nor opportunity to be heard was provided to the wage earner prior to the garnishment of her wages.[176]

In another case, the Supreme Court upheld the constitutionality of a writ of sequestration available to a holder of a mortgage or lien.[177] As in *Sniadach,* the procedure at issue was in a prejudgment *ex parte* seizure, but differed from the *Sniadach* procedure in many respects, including the nature of the interest at stake with greater due process concern given to the wage earner of *Sniadach*.[178] Thus, prejudgment procedures may or may not satisfy procedural due process requirements depending upon the particular procedure implemented.

Many of the due process concerns may be dissipated by actions employed after judgments. However, property is an interest protected by the Due Process Clause; therefore, any equitable measures employed to protect creditor's intangible assets must comply with the requirements of the Due Process Clause.[179]

Generally, a court exercising its equitable powers is afforded discretion. Although the complaint itself may identify specific relief, if the specific relief is unavailable, a court of equity may grant other relief as appropriate.[180] A court of equity may even grant monetary relief if the remedy at law is uncertain, incomplete, or insufficient.[181]

It is under these general guidelines that equitable measures utilized in conjunction with alternative procedures to a writ of execution are explored. No *ex parte* prejudgment proceeding is proposed in light of the rules presented above. Rather, the equitable powers of a court using recognized procedures are explored.

B. Equitable Remedies for Certain Causes of Action

For some causes of action, specific equitable remedies have been defined by statute. Other causes, such as infringement, are predicated on the violation of the rights associated

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172. U.S. CONST. amend. V (This amendment applies to the states by U.S. CONST. amend. XIV, § 1.).

173. 395 U.S. 337 (1969).

174. *Id.* at 338.

175. *Id.* at 340.

176. *Id.* at 341-42.

177. Mitchell v. W.T. Grant Co., 416 U.S. 600, 619-20 (1974); *see supra* text accompanying notes 173-176.

178. *Mitchell*, 416 U.S. at 614-19.

179. *See infra* text accompanying note 240.

180. Filson v. Fountain, 171 F.2d 999, 1002 (D.C.Cir. 1948), *rev'd on other grounds*, 336 U.S. 681 (1949).

181. *Id.* at 1003.

with intangible assets. Courts address intangible assets in these cases in a well-defined manner. A survey of the manner in which the courts deal with the intangible assets in these cases will allow later consideration of those mechanisms for use in other causes of action.

For infringement of federally granted intellectual property rights, the remedies available to the owner of those rights are defined by statute. Specifically, remedies for infringement of a patent right include injunctions,[182] monetary damages,[183] and attorney's fees.[184] For trademark infringement, remedies include injunctions,[185] monetary damages, costs and attorney's fees,[186] and destruction of infringing articles.[187] Remedies for copyright infringement include injunction,[188] impoundment and disposition of infringement articles,[189] damages and profits or statutory damages,[190] and costs and attorney's fees.[191] Special remedies for particular types of copyrighted materials are also set forth in 17 U.S.C. § 510 (alteration of programming by cable systems),[192] for example, and remedies for infringement of mask works are disclosed in 17 U.S.C. § 911.[193]

Injunctions are a common equitable device utilized in infringement actions to ensure that no further infringement occurs.[194] Of course, the intellectual property rights of the plaintiff are at issue in infringement actions. A breach of contract action, where the contract is a license granting rights associated with intellectual property, is another cause of action in which the court is likely to impose equitable relief at judgment. In *PRC Realty Systems, Inc. v. National Ass'n of Realtors, Inc.*,[195] for example, the licensee was found to have breached its agreement with the licensor. The equitable relief granted to the licensor placed restrictions on the licensee with regard to the sublicenses it had granted.[196]

When an intangible asset is not at issue in the case but is to be used to satisfy a monetary judgment, few statutory provisions exist to override the immunity of those assets from a writ of execution. As previously discussed, bankruptcy is one such cause of action.[197]

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182. 35 U.S.C. § 283 (1993).

183. *Id.* § 284.

184. *Id.* § 285.

185. 15 U.S.C. § 1116 (1993).

186. *Id.* § 1117.

187. *Id.* § 1118.

188. 17 U.S.C. § 502 (1993).

189. *Id.* § 503.

190. *Id.* § 504.

191. *Id.* § 505.

192. *Id.* § 510.

193. *Id.* § 911.

194. *See, e.g.*, Intel Corp. v. ULSI System Tech, Inc., 995 F.2d 1566 (Fed. Cir. 1993), *cert. denied*, 114 S.Ct. 923 (1994).

195. 766 F. Supp. 453 (E.D. Va. 1991), *aff'd in part, rev'd in part*, 972 F.2d 341 (4th Cir. 1992).

196. *Id.* at 462-63.

197. *See supra* note 77.

C. Equitable Measures

With the intent of protecting the judgment creditor's interest in the judgment debtor's intellectual property assets to satisfy a judgment, four equitable measures are considered in this Note as potential candidates for use with alternative procedures to a writ of execution. Considered are: (1) a preliminary injunction or temporary restraining order; (2) issuance of a freeze order; (3) imposition of an equitable lien; and, (4) an injunction at the conclusion of the civil suit.

Two equitable measures commonly used in infringement actions are the preliminary injunction[198] and the temporary restraining order.[199] An *ex parte* temporary restraining order is granted at the commencement of trial without providing notice to the defendant.[200] Temporary restraining orders are justified because "[i]mmediate action is vital when imminent destruction of the disputed property, its removal beyond the confines of the state, or its sale to an innocent third party is threatened."[201]

The key to the use of both of these measures is that either the conduct or the property restrained is at issue in the case. Thus, when the issue is the infringement of intellectual property rights, restrictions may be placed on the defendant from taking further action that constitutes additional infringement[202] or from dispensing with tangible objects associated with the right allegedly infringed.[203]

For a civil action in which the intangible assets of the defendant are not the subject of the suit but are expected to be reached in satisfaction of the ultimate judgment,[204] the general rule is that judgment must first be rendered prior to exercising equitable action to secure the possible interest of the judgment debtor in those assets. However, there is some contrary movement in the courts in limited circumstances.[205]

Although a preliminary injunction is generally "not permissible to secure post-judgment legal relief in the form of damages,"[206] an equitable remedy may be secured with a preliminary injunction.[207] Courts have frozen a defendant's assets to secure

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198. A preliminary injunction is one "granted at the institution of a suit, to restrain the defendant from doing or continuing some act, the right to which is in dispute." BLACK'S LAW DICTIONARY 784-85 (6th ed. 1990).

199. A temporary restraining order is "[a]n emergency remedy of brief duration which may issue only in exceptional circumstances and only until the trial court can hear arguments or evidence." *Id.* at 1464.

200. *In re* Vuitton et Fils S.A., 606 F.2d 1, 3-4 (2d Cir. 1979).

201. *Id.* at 4.

202. *See, e.g.*, Payless Shoesource, Inc. v. Reebok Int'l. Ltd., 998 F.2d 985, 987, 991 (Fed. Cir. 1993).

203. *See, e.g., In re Vuitton et Fils S.A.*, 606 F.2d 1. In this case the defendant was a member of a network of individuals who infringed the plaintiff's trademark rights. *Id.* at 2. When one of the infringers was sued, it would transfer its counterfeit merchandise to another member of the network, resulting in a "shell game" that made the plaintiff's rights difficult to enforce. *Id.* Because the plaintiff made a sufficient showing of this network, the Second Circuit ordered the district court to grant an *ex parte* temporary restraining order. *Id.* at 3, 5.

204. *See supra* notes 182-91 and accompanying text.

205. *See* FSLIC v. Dixon, 835 F.2d 554, 560 n.1 (5th Cir. 1987).

206. *Id.* at 560.

207. *Id.*

equitable relief for the plaintiff by imposing a preliminary injunction in a trademark infringement action where the plaintiff prayed for equitable relief in the form of an accounting of assets,[208] by granting restitution in an action against banking officers allegedly engaged in illegal lending practices,[209] by imposing a constructive trust on property in a case involving alleged Racketeer Influenced and Corrupt Organizations Act (RICO) violations,[210] and by ordering rescission in a Federal Trade Commission (FTC) case wherein the defendants allegedly violated the FTC's Franchise Rule.[211] These cases also illustrate that, although not all the assets of the defendant may be necessary in view of the equitable relief sought, essentially all the defendant's assets may be frozen by a preliminary injunction.[212]

In view of these cases, the nature of the cause of action and the type of relief prayed for apparently dictate whether the court may grant a preliminary injunction to freeze the defendant's assets, including the intangible assets. As stated in *Reebok International, Ltd. v. Marnatech Enterprises, Inc.*, "[t]he authority to freeze assets by a preliminary injunction must rest upon the authority to give a form of final relief to which the asset freeze is an appropriate provisional remedy."[213] An asset freeze is not appropriate merely to preserve assets for application to monetary damages that may be awarded.[214] Therefore, in general, a preliminary injunction will not be granted to restrict the actions of the defendant in disposing of or diminishing the value of its intangible assets.

The third equitable measure that could possibly be imposed is an equitable lien on the intangible assets of the defendant. The lien could be either: (1) statutory; or (2) equitable. As discussed previously, jurisdictions vary on the point at which a lien is levied on intangible assets when enforcement proceedings alternative to a writ of execution are utilized to reach the judgment debtor's intangible assets. Therefore, the imposition of a lien by the court prior to or at the time of judgment may be desirable to secure the judgment creditor's interest in those assets.

As discussed by Mr. William J. Woodward, Jr., the legislatures of some jurisdictions have passed statutes permitting the imposition of a lien on intangible assets.[215] The judgment creditor is permitted to place a lien on the personal property, including intangible property, of the judgment debtor with relative ease.[216] Although such liens have been criticized for the problems they create in bankruptcy cases and cases involving secured lending under Article 9 of the Uniform Commercial Code,[217] such statutes benefit

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208. Reebok Int'l, Ltd. v. Marnatech Enter., Inc., 970 F.2d 552, 562-63 (9th Cir. 1992).

209. *Dixon*, 835 F.2d at 562-63.

210. Republic of the Phil. v. Marcos, 862 F.2d 1355, 1364 (9th Cir. 1988), *cert. denied*, 490 U.S. 1035 (1989).

211. FTC v. H.N. Singer, Inc., 668 F.2d 1107, 1113 (9th Cir. 1982).

212. *See Dixon*, 835 F.2d at 565 (leaving defendants an allowance to pay attorneys' fees) and *Marcos*, 862 F.2d at 1358 (leaving defendants an amount sufficient for attorneys' fees and normal living expenses).

213. Reebok Int'l, Ltd. v. Marnatech Enter., Inc., 970 F.2d 552, 560 (9th Cir. 1992) (quoting *Singer*, 668 F.2d at 1113).

214. *Id.* at 560 (citing DeBeers Consol. Mines, Ltd. v. United States, 325 U.S. 212, 220 (1945)).

215. Woodward, *supra* note 6.

216. Woodward, *surpa* note 6.

217. Woodward, *surpa* note 6.

the judgment creditor who has secured judgment in a civil suit. Although only available in some jurisdictions, the statutory lien provides a useful tool for protecting the judgment creditor's interest in the intangible assets of the judgment debtor.

In some actions, courts may be granted the equitable authority by statute to impose a judicial lien on the property of the defendant. Consider, for example, *United States v. Ross*[218] wherein the court appointed a receiver for the assets of the defendant to oversee the payment of income taxes.[219] The court had the authority to grant a preliminary injunction including the receivership by Section 7403 of the Internal Revenue Code to enforce a lien on the property.[220] In considering whether to require the defendant to deliver its property to the receiver, the court stated that it had "no doubt of [its] power to do so. There is a perfect analogy between an action such as this and the familiar judgment creditor's action to reach assets which are not subject to levy of execution."[221] This, then, raises the question of whether a court may impose, absent a statute to the contrary, an equitable lien on the judgment debtor's intangible assets prior to the commencement of the alternative proceedings to secure the monetary damages awarded.

An equitable lien has been imposed on a business's trademark in both Illinois[222] and New Jersey.[223] Both jurisdictions considered the equitable lien an appropriate equitable remedy for securing the judgment creditor's interest in the trademark(s) of the judgment debtor.[224] Although the equitable lien does not "give the lienholder an in gross property right to the trademark itself," it is "a charge on property for the purpose of security."[225] Because the trademark may not be sold separately from the business or goodwill,[226] the equitable lien assists the judgment creditor in making its claim to the potential purchaser known. It does not transfer ownership of the trademark to the judgment creditor.

From these cases, an equitable lien is apparently a viable equitable measure available to the judgment creditor to secure the intangible assets of the judgment debtor to satisfy the judgment. The point in the proceedings at which a court may grant an equitable lien is uncertain;[227] however, if the judgment creditor is permitted to present information at trial regarding the assets of the judgment debtor, a court will possibly impose an equitable lien at the time the judgment is issued. Upon grant of such a lien, the judgment creditor should then record the lien in order to put others on notice of the lien. In the case of patents and trademarks, for example, the lien should be recorded by the United States

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218. 196 F. Supp 243 (S.D.N.Y. 1961), *order modified*, 302 F.2d 831 (2d Cir. 1962) (appointment of receiver affirmed).

219. *Id.* at 246.

220. *Id.* at 245.

221. *Id.*

222. Adams Apple Distrib. Co., v. Papeleras Revinidas, S.A., 773 F.2d 925, 931 (7th Cir. 1985).

223. Jacobs, Bell & Baumol v. Curtis, 556 A.2d 817, 818 (N.J. 1989).

224. *Adams Apple Distrib. Co.*, 773 F.2d at 931; *Jacobs, Bell & Baumol*, 556 A.2d at 818.

225. *Adams Apple Distrib. Co.*, 773 F.2d at 931.

226. *See supra* notes 159-63 and accompanying text.

227. In *Adams Apple Distrib. Co.*, the trial court granted the plaintiff's motion for an equitable lien after the damages trial. 773 F.2d at 927-28. In *Jacobs, Bell & Baumol*, the equitable lien was imposed as a result of the judgment creditor seeking to have the trademark sold at a judicial sale at the conclusion of the determination of the amount of monetary damages due. 556 A.2d at 817.

Patent and Trademark Office.[228] For copyrights, the lien should be recorded by the Copyright Office.[229]

In their willingness to impose an equitable lien, some courts demonstrate their understanding of the frustrations experienced by judgment creditors in trying to reach the intangible assets of judgment debtors. In addition to an equitable lien, a judgment creditor may wish to impose further restrictions on the judgment debtor's intangible assets. Such restrictions may include, for example, a moratorium on the efforts by the judgment debtor to devalue the intangible assets. The options available depend on the specific alternative procedure(s) available in the jurisdiction.

In New York, there are two statutory provisions that allow the judgment creditor to impose restrictions on the judgment debtor's property.[230] The first of these provisions permits restriction as soon as the case is decided and before judgment.[231] Under this procedure, the future judgment creditor may begin to inquire about the future debtor's assets.[232] The second provision constitutes a restraining notice that is issued after judgment.[233] Therefore, in New York, the judgment creditor may have statutory recourse to protect its interests while engaged in supplementary proceedings.

In Indiana, the creditor may not institute supplementary proceedings until after a writ of execution has failed to satisfy the judgment.[234] Also, the judgment debtor is granted a hearing before a lien is placed on the property.[235] Because a hearing is required before the judgment debtor's property is levied, it is unlikely that the Indiana courts would be willing to impose any restrictions on the disposition of the intangible assets of the judgment debtors during the primary trial, *i.e.*, the civil suit.

The supplementary proceedings of Illinois differ from those of Indiana. First, the procedure "may be commenced at any time with respect to a judgment which is subject to enforcement."[236] The procedure is commenced by service of a citation by the clerk of the court on the judgment debtor (or a third party who holds the judgment debtor's assets).[237] Through the citation, as well as by the court during the supplementary proceedings, the judgment debtor may be prohibited from disposing of or devaluing the property sought in satisfaction of the judgment.[238] Thus, no hearing is first required before the court imposes restrictions on the judgment debtor's assets. It is therefore possible in Illinois that the judgment creditor may request that supplementary proceedings be commenced at the time judgment is issued in the civil suit and that the citation include

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228. 35 U.S.C. § 261 (recording assignments for patents) and 15 U.S.C. § 1060 (recording assignments for trademarks).

229. 17 U.S.C. § 205 (recording assignments for copyrights).

230. N.Y. CIV. PRAC. L. & R. 5222, 5229 (McKinney 1993).

231. *Id.* § 5229.

232. *Id.*

233. *Id.* § 5222.

234. IND. CODE ANN. §§ 34-1-44-1, 2.

235. IND. CODE ANN. § 34-1-44-7.

236. ILL. ANN. STAT. S. CT. R. 277(c) (Smith-Hurd 1993).

237. ILL. ANN STAT. S. CT. R. 277(b) (Smith-Hurd 1993); ILL. ANN. STAT. ch. 735, para. 5/2-1402 (Smith-Hurd Supp. 1994).

238. ILL ANN. STAT. ch. 735, para. 5/2-1402(d) (1), (2) (Smith-Hurd Supp. 1994).

restrictions regarding the disposition or devaluation of the judgment debtor's intangible assets.

If such restrictions are imposed at the time of judgment, a judgment debtor may object on the basis of procedural due process. The debtor may assert that a hearing is required prior to the imposition of the restrictions, as in Indiana. However, a hearing is not always required prior to seizure of the property, much less prior to the imposition of restrictions.[239] Furthermore, the due process requirements for prejudgment seizure have been summarized as follows:

> (1) the availability of *ex parte* prejudgment seizure must be limited to situations where plaintiff has established that the property to be seized is of a type that can be readily concealed, disposed of, or destroyed;
> (2) the plaintiff must allege specific facts based on actual knowledge supporting the underlying action and the right of plaintiff to seize the property;
> (3) the application for the order of seizure must be made to a judge rather than a clerk;
> (4) the defendant has a right to a prompt, post-seizure hearing to challenge the seizure; and,
> (5) the defendant must be able to recover damages from the plaintiff if the taking was wrongful and to regain possession of the seized items by filing a bond.[240]

If the opportunity of the judgment debtor to be heard during supplementary proceedings renders the restrictions on the judgment debtor's assets a "prejudgment seizure" (*i.e.*, pre-supplementary proceedings), the requirements of procedural due process appear to be met by Illinois' supplementary proceedings statute and rules. They require that the judgment creditor make the proper assertions, that the judge request the commencement of the proceedings upon a sufficient showing by the judgment creditor, and that the defendant is allowed to challenge the seizure at the supplementary proceedings.[241] It is likely that the judgment debtor may have a cause of action against the judgment debtor in the event the restrictions were unduly imposed because the supplementary proceedings do not "affect the rights of citation respondents [judgment debtors] in property prior to the service of the citation upon them. . . ."[242] However, because the supplementary proceeding does not violate the procedural due process rights of the judgment debtor, commencement of the proceedings at the time of judgment is a viable equitable measure for consideration by the litigator.

In conclusion, several equitable remedies may be utilized in conjunction with the alternative proceedings used in lieu of a writ of execution for reaching the intangible assets of the judgment debtor. First, a preliminary injunction may be used to secure post-judgment equitable relief where the cause of action and post-judgment equitable relief

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239. *See supra* text accompanying notes 177-81.

240. Paramount Pictures Corp. v. Doe, 821 F. Supp. 82, 87-88 (E.D.N.Y. 1993) (citing Mitchell v. W.T. Grant Co., 416 U.S. 600 (1974)).

241. ILL. ANN. STAT. S. CT. R. 277 (Smith-Hurd 1993); ILL. ANN. STAT. ch. 735, para. 5/2-1402 (Smith-Hurd Supp. 1994).

242. ILL. ANN. STAT. ch. 735, para. 5/2-1402 (Smith-Hurd Supp. 1994).

concerns the property. This preliminary injunction may include a freeze order as to the disposition of essentially all of the defendant's assets. Second, an equitable lien may be imposed against the intangible assets of the judgment debtor. Third, it may be possible in some instances, consistent with the alternative proceeding(s) of the jurisdiction, to initiate the alternative proceeding and to impose restrictions on the disposition of the assets when a judgment is issued. Such a remedy acts as an injunction issued at time of judgment. However, the equitable lien and the "injunction" issued at judgment may not be viable in all jurisdictions. Further, a court may not exercise its equitable powers over the owner of intellectual property rights when the court does not have jurisdiction over the owner.[243]

CONCLUSION

Numerous reasons justify a change in the law with regard to the immunity of intangible assets from levy by a writ of execution. First, the law in this area should be more consistent than it is today. For example, jurisdictional differences exist for the type of property that constitutes an intangible asset, the particular procedural alternative(s) available, and the point in time at which the judgment creditor is granted a lien on the assets to secure its interest in the assets. When the intangible assets of the judgment debtor are the federally-conferred rights in patents, trademarks, and copyrights which do not differ among the states, the law from jurisdiction to jurisdiction is particularly inconsistent.

Second, because tangible objects associated with the intellectual property rights are considered independent from the rights, the ability to secure these tangible objects by a writ of execution favors certain types of judgment debtors over others.

Third, the ability to reach the intangible assets is dependent upon the nature of the cause of action because statutory provisions are necessary to override the immunity of intangible assets from levy by a writ of execution.

Further, although it may be possible to ask a court to exercise its equitable powers to protect the judgment creditor's interest in the judgment debtor's intangible assets, even the imposition of equitable measures does not yield consistent protection to the judgment creditor. Such measures are claim-dependent and vary among jurisdictions. It is also possible that the judgment creditor has such recourse through statutory grant.

Other justifications for eliminating the immunity of intangible assets from a writ of execution include judicial efficiency and resulting "chilling" effects. By requiring intangible assets to be reached by supplementary proceedings, creditor's bills, and the like, the courts are burdened with additional proceedings to enforce monetary judgments awarded against entities having intangible assets as their primary or exclusive assets. Although the judicial system would likely continue to evaluate the assets of the judgment debtor to subject the judgment debtor's intangible assets to the writ of execution, the enforcement proceedings require additional filings and may, in some instances, be redundant with respect to information provided during the civil suit. The evolution of the business world has led to an increase in the value of intangible assets and, in particular, intellectual property. Also, technology has spurred an increase in the number of entities

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243. *See supra* text accompanying notes 127-31.

whose sole assets are its intellectual property rights. Therefore, the judicial system would benefit from being able to reach intangible assets by a writ of execution.

Two types of "chilling" may result from the immunity of intangible assets to a writ of execution. First, suits may be not filed against wrongdoers if the plaintiff is not able to sustain the additional costs associated with enforcing a judgment in its favor or if the wrongdoer's costs associated with enforcement of the judgment have a significant adverse impact on the amount of assets available to satisfy the judgment. Second, businesses, if aware of the difficulty in reaching intangible assets, may refrain from doing business with entities having primarily or exclusively intangible assets.

These problems could perpetuate indefinitely. Immunity is the rule, not the exception; and, the states have not generally promulgated legislation to overrule that immunity. Rather, alternative equitable proceedings, which vary from state to state, have been the only means by which intangible assets may be seized for an involuntary judicial sale. The United States has particular interest in the removal or transfer of intellectual property assets as the rights are primarily federally-conferred. The justifications for a change in the law may, therefore, call for a federal statute providing guidance or standards for the use of such assets to satisfy a judgment. Alternatively, a model civil procedure code for adoption by the states could be useful, but would not be as effective as a federal statute since each state would have to adopt it. However, this alternative may be more appropriate for intangibles other than federally-conferred intellectual property rights. In the interim, the litigator should be aware of the problems he or she may face in satisfying a judgment from an entity whose primary assets are intangible.