ODUJINRIN & ADEFULU

The New Collateral:

Leveraging Intellectual Property Rights as Security in Nollywood Financing

Introduction

Nigeria's film industry, popularly known as Nollywood, has grown into a global cultural and economic force. It is currently the second-largest film industry in the world by volume, producing over 2,500 films annually.[1] In 2025, Nollywood generated approximately ₦15.6 billion in domestic box office revenue, with blockbuster titles like Behind The Scenes[2] and Oversabi Aunty.[3]

Despite this success, financing in Nollywood remains a major challenge, as productions are mainly funded through personal savings, informal investors, or small grants.[4] To overcome these challenges, it is imperative to unlock innovative financing mechanisms that provide both lender security and capital access for filmmakers. One emerging solution is to leverage intellectual property ("IP") rights as collateral. By treating copyrights, distribution rights, and licensing agreements as legally recognised security interests, filmmakers can access structured financing while investors gain enforceable claims on tangible revenue streams.

This article examines IP as a form of security under existing Nigerian legal frameworks, explores the challenges and methods of IP-backed financing in Nollywood, and suggests recommendations for filmmakers and lenders seeking to leverage IP for structured funding.

Intellectual Property as a Form of Security under Nigerian Law

IP refers to creations of the mind, such as inventions, literary and artistic works, designs, symbols, names, and images used in commerce. IP is protected in law by, for example, patents, copyright, and trademarks, which enable people to earn recognition or financial benefit from what they invent or create.[5]

In Nigeria, IP is broadly categorised into four areas, namely: copyright, trademarks, patents, and industrial designs. However, within the context of the film industry, the use of IP as a form of security is used in the form of collateral. This typically involves pledging a film's copyright or related rights as security for the financing of the film. Here, the Borrower transfers all his or her IP rights in the film to the Lender as security for the loan on the premise that once the debt is repaid, all the IP rights are reversed to the Borrower.

The Copyright Act 2022 is considered the primary law for the protection of films in Nigeria. The Act provides that audiovisual works shall be eligible for copyright in Nigeria and eligibility shall not require formality.[6]

1. US Department of Commerce, Nigeria - Media and Entertainment (2025) https://www.trade.gov/country-commercial-guides/nigeria-media-and-entertainment
2. A 2025 movie written by Funke Akindele alongside Uche Mordi and Collins Okoh, and produced by Funke Akindele and Wendy Uwadiae Imasuen
3. A 2025 movie written and produced by Toyin Abraham
4. Lilian Olubi, 'Financing Nollywood's Global Future' BusinessDay NG (15 May 2025) https://businessday.ng/opinion/article/financing-nollywoods-global-future/
5. World Intellectual Property Organization (WIPO), https://www.wipo.int/en/web/about-ip
6. Sections 2 & 4, Copyright Act, 2022.

Here, audiovisual works encompass cinematographic films, sound recordings, television productions, documentaries, and other moving image productions.[7]

By recognising audiovisual works as protectable IP, the Act deems IP as moveable property that can be transferred by way of assignment, testamentary disposition or operation of law.[8] The ability to license, assign, or otherwise commercially exploit these rights enables copyright to function not merely as a legal protection for creative expression, but also as a valuable commercial asset capable of generating continuous revenue streams.

Additionally, section 222 (2) (i) of the Companies and Allied Matters Act ("CAMA") also recognises IP as a registrable security/instrument for which a charge can be created to be registered within 90 days at the Corporate Affairs Commission (CAC). In the context of film financing, this statutory framework is particularly relevant for production companies that hold copyright in cinematographic works, as it allows such companies to use these rights as collateral for financing.[9]

Methods of Securing Financing with IP Assets in Nollywood

There are various ways in which parties can structure financing using IP assets as security in Nollywood. Some of the common methods include IP-backed lending, securitisation, and IP auctions.

IP-Backed Lending

This method is similar to traditional tangible asset-backed loans. In this arrangement, a filmmaker developing a high-budget feature film could use the anticipated revenue from distribution and streaming rights to secure a loan. Security can be taken either through a legal mortgage or a charge. In Nollywood, a legal mortgage provides a practical way for filmmakers to use their IP as collateral, particularly when it is registered. Here, the copyright or related rights in a film are assigned to the lender, while the filmmaker retains a license-back to continue exploiting the work. Essentially, the filmmaker maintains a beneficial equitable interest in the mortgaged IP through the equity of redemption, ensuring that ownership remains theirs while using the IP solely as security for a loan. Lenders may impose conditions on future use, licensing, or transfer of the IP, but this structure allows filmmakers to access financing without permanently ceding control over their creative works.[10]

7. Section 108 of the Copyright Act 2022 defined audiovisual works as "the aggregate of a series of related visual images with or without sound, which is capable of being shown as a moving picture by means of a mechanical, electronic or other device and irrespective of the nature of the material on which the visual images and sounds are carried and includes the soundtrack but does not include a broadcast.
8. Section 30, Copyright Act 2022.
9. Security interest in IP may also be recorded with the National Collateral Registry (NCR) under the Secured Transactions Movable Assets Act, 2017
10. Deborah Dada, 'A practical financing approach for startups in Nigeria: Utilising IP as security' (19 September 2024) https://businessday.ng/news/legal-business/article/a-practical-financing-approach-for-startups-in-nigeria-utilising-ip-as-security/

In the case of a charge, this could either be fixed or floating over the loan. A fixed charge attaches to a specific asset and could be created over a particular film's copyright or a defined portfolio of works. The copyright remains with the owner, but the lender has a legal claim over the specific IP, and the borrower cannot dispose of or license the work without the lender's consent. A floating charge, by contrast, can cover a filmmaker's current and future IP assets, allowing them to continue exploiting their works until default triggers crystallisation. In both cases, the lender is entitled to the IP where the IP owner/borrower defaults in repayment.

IP Securitisation

IP Securitisation is a financing method where future revenues generated from IP assets are packaged and sold to investors as tradable securities. Essentially, the IP owner pools anticipated income streams, such as royalties, licensing fees, streaming revenue, or distribution rights, into a financial instrument that investors can purchase. Here, the IP rights are transferred to a special-purpose vehicle (SPV), which then issues the tradable securities to investors.[11]

Investors receive payments from the revenue generated by the IP, while the original owner receives an upfront capital injection. This is different from IP-backed lending as it allows filmmakers to access immediate capital without charging their IP assets, effectively monetising projected revenue streams while retaining ownership of their creative works.

To protect the interest of the lender in IP securitisation, it is essential to conduct thorough due diligence to assess the quality of the IP rights being assigned.

IP Auction

In this case, filmmakers can monetise their IP by selling rights to their films, scripts, or soundtracks to the highest bidder. Through a competitive bidding process, filmmakers can attract investors or distributors willing to pay for the rights to exploit the work. The terms of the sale, including purchase price and transfer of ownership or licensing rights, are agreed upon between the filmmaker and the successful bidder, providing an alternative method of generating immediate capital from creative assets.

Challenges in Leveraging IP for Film Financing in Nigeria

There is no doubt that leveraging IP assets as collateral for financing transactions offers significant benefits to filmmakers, including reducing the loan costs and enabling them to retain ownership and control of their IP rights. However, it should be noted that IP-related financing also presents certain challenges that may hinder its effectiveness. One notable challenge is the difficulty of accurately valuing IP rights. Indeed, accurate valuation reduces lenders risk and ensures that filmmakers can access financing that reflects the true commercial potential of their works.

11. Alexander Cuntz, Alessio Muscarnera, Prince C. Oguguo, Matthias Sahli, (WIPO, September 7, 2023) https://www.wipo.int/en/web/wipo-magazine/articles/ip-assets-and-film-finance-how-it-works-in-the-united-states-56463#:~:text=Filmmakers%20in%20the%20US%20also,exploit%20existing%20intellectual%20property%20exclusively

Where the actual value of a film's copyright or related IP is unclear, valuation should be based on the revenue streams directly attributable to the asset, such as projected box office receipts, streaming royalties, or licensing fees.

Another challenge of IP-related financing is that a loan default could result in filmmakers losing their IP rights. Since these creative works are often the primary assets of a production company, such a loss could have severe financial and operational consequences, potentially jeopardising future projects. Moreover, risks such as copyright infringement, the potential obsolescence of a film, licence revocation, or lower-than-expected royalties are effectively transferred to the lender or investor. Lenders must therefore carefully assess these risks, as they can impact the recoverability of the loan and the commercial viability of the financed project.

It is worth noting that using IP assets as collateral remains an emerging practice in Nigeria, particularly within Nollywood. Many lenders remain unfamiliar with the legal and commercial mechanisms for IP-backed financing, which may make them hesitant to accept film copyrights or other IP assets as collateral, thereby limiting access to formal funding for filmmakers.

Our Recommendations

We recommend that filmmakers register their IP rights as the first step in securing financing. Registration not only provides legal recognition and the ability to enforce rights against infringers but also establishes a clear basis for using these rights as collateral for loans. Filmmakers should also insure their IP assets against loss, infringement, or other risks, similar to how tangible assets are protected, to safeguard their creative works and ensure the value of the collateral.

For lenders, it is essential to conduct thorough due diligence before accepting IP as security. This includes verifying ownership, assessing the IP's projected revenue-generating potential, evaluating any existing encumbrances, and considering risks such as piracy, license disputes, or market obsolescence. Lenders should also ensure that security agreements are properly documented and registered, where applicable, to protect their interests. By following these steps, both filmmakers and lenders can maximise the benefits of IP-backed financing while mitigating associated risks.

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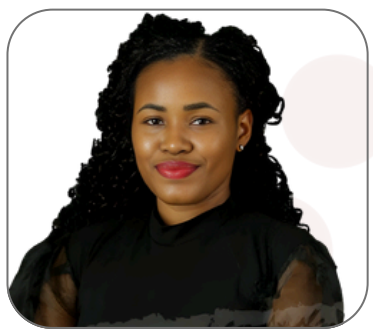

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