



ERIC M. BRUSCA, PH.D. IS A PARTNER AT MARSHALL, GERSTEIN AND BORUN LLP. HIS PRACTICE FOCUSES ON BIOTECHNOLOGY PATENT PROSECUTION FOR A RANGE OF COMPANIES, FROM LARGE PHARMA TO START-UPS AND UNIVERSITIES. FOR OVER A DECADE HE HAS ASSISTED CLIENTS WITH STRATEGIC PORTFOLIO MANAGEMENT IN THE US AND FOREIGN JURISDICTIONS.

HE CAN BE REACHED AT 312-474-6628 OR AT EBRUSCA@MARSHALLIP.COM.

IP

By Eric M. Brusca
September 2, 2014

IP due diligence: Important questions to address before pulling the trigger on a transaction

This checklist provides some key questions a party (in this case a potential acquiring company) may ask early in the due diligence process

Parties that are considering acquiring a company, or buying, selling and/or licensing intellectual property, need to have a full understanding as to which IP assets are part of the deal and the value and risks attached to those assets. IP due diligence is a legal exercise wherein an IP portfolio (e.g., patents, copyrights, trademarks) of a target company is defined and analyzed. Among other considerations, the strength, scope and enforceability of the IP and the ownership rights surrounding the IP are carefully examined. This article highlights some of the key aspects parties may consider and provides a checklist of some of the more important questions and considerations parties should address when undertaking an IP due diligence investigation.

Initially, the parties involved in the potential transaction and negotiation must identify the products or services involved, and establish whether the existing IP covers those products or services. Once a comprehensive list of IP assets has been established, IP counsel may begin digging deeper into the various IP portfolios. Status and enforceability of IP, ownership,

freedom to operate, pending or potential litigation(s) or third party challenges, and licensee/licensor relationships are among the broad categories that should be thoroughly investigated. To that end, the following list provides some key questions a party (in this case a potential acquiring company) may ask early in the due diligence process.

IP due diligence checklist questions

- ◆ Does COMPANY own or license all rights necessary to make, use, sell or offer for sale its proposed products?
- ◆ Are all patents licensed to or owned by COMPANY in force and are all applications licensed to or owned by COMPANY pending? Are all annuities and maintenance fees fully paid up?
- ◆ Are there any defects or significant gaps in patent coverage for any COMPANY products?
- ◆ Has inventorship been determined and have assignments been filed in each of

COMPANY's owned or licensed patents? Has there been any dispute regarding inventorship or ownership of COMPANY's owned or licensed IP? Is any IP jointly owned with another entity?

- ◆ Has COMPANY done a freedom to operate search, and are there any patents that COMPANY has asked in-house or outside counsel to review further? Has a freedom to operate opinion been received by the COMPANY?
- ◆ Has COMPANY received any letter suggesting that licenses to any third party IP should be taken? Has COMPANY received any other correspondence threatening an IP dispute?
- ◆ Is COMPANY planning to challenge, or has it challenged, any third party's IP rights?
- ◆ Have any of COMPANY's owned or licensed patents been challenged in litigation or in adversarial patent office proceedings, such as

interference, opposition, inter partes review or reexamination?

- ◆ Does COMPANY have any material trade secrets? What measures are in place for maintaining their secrecy?
- ◆ Have any inventors left COMPANY, and are they on good terms with the company? Do all of COMPANY's employees sign employment agreements assigning their IP?
- ◆ What in-licensed IP does COMPANY have? What other parties have a license to or right to use this IP? What is the field? What out-licenses has COMPANY made?

- ◆ Do the COMPANY's standard vendor/MTA agreements include provisions for IP ownership by COMPANY?
- ◆ Are all U.S. trademarks owned or controlled by COMPANY currently in commercial use in connection with the goods and services identified in their respective registrations? Are any of COMPANY'S trademarks being threatened or opposed in any legal or administrative proceeding and/or are there any threatened or actual claims of trademark infringement being made against the COMPANY?

IP due diligence should be designed to provide a clear understanding of

the assets and liabilities involved and, as a result, enable the acquirer to negotiate, make an offer, or back away from a transaction. As can be gleaned from the above list, numerous topics must be examined as part of an IP due diligence investigation. A checklist can be an invaluable tool to organize and examine the IP of a target company.

DISCLAIMER: The information contained in this article is for informational purposes only and is not legal advice or a substitute for obtaining legal advice from an attorney. Views expressed are those of the author and are not to be attributed to Marshall, Gerstein & Borun LLP or any of its former, present or future clients.