

**Patent Webinar Series**

**Efficient and Effective  
IP Due Diligence**

September 14, 2021

**FISH.**  
FISH & RICHARDSON

# Meet The Speaker

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Principal

# Overview

- **Housekeeping**
  - CLE
  - Questions
  - Materials
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## Efficient and Effective IP Due Diligence

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	<b>DATE</b> Tuesday, September 14, 2021		<b>TIME</b> 1:30 - 2:30 PM ET/ 10:30 - 11:30 AM PT
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**Webinar | Efficient and Effective IP Due Diligence**

Attracting investment, licensing opportunities, and partnerships is often of paramount importance to many companies. In industries where intellectual property (IP) constitutes the bulk of a company's value, the strength of its patent portfolio can make or break its prospects for continued success. When millions of dollars or even entire businesses are at stake, IP due diligence is essential to determining the full value of the IP involved, assessing and evaluating the risks, and determining whether the transaction is in each party's best interests.

**Complimentary Webinar**  
Tuesday, September 14, 2021  
1:30 - 2:30 PM ET

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# The Basics Of Due Diligence

## Due Diligence

due dil · i · gence

noun **LAW**

noun: due diligence

1 reasonable steps taken by a person in order to satisfy a legal requirement, especially in buying or selling something.

- o a comprehensive appraisal of a business undertaken by a prospective buyer, especially to establish its assets and liabilities and evaluate its commercial potential.



# The Basics Of Due Diligence

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- **Who** – Target/ Key Personnel/Team
- **What** – Subject matter
- **When** – Intermediate/Final deadlines
- **Why** – Business purpose
- **Where** – Geographic scope

# Agenda

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## What are the important steps in due diligence?

- Determine business goals and risk tolerance
- Identify team (in-house and outside counsel)
- Review ownership of Target's patents/patent applications
- Critically review Target's patents/patent applications
- Confirm strategies with respect to Third party patents
- Go/no go decision
  - Develop strategies following closing to deal with any problems identified during diligence and/or to further strengthen the Target's patent estate

# The Basics Of Due Diligence

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- **Checklists, checklists, and more checklists**
  - Hundreds of examples
  - Provide overview of helpful information and topics
  - Only a guide; don't blindly follow
  - Tailor your requests to what you need and can't get by yourself
- **Due diligence is only partly about performing diligence**
  - Include the Who's/ What's/Why's/When's/Where's
- **Understand the diligence *before* there is a diligence**
  - Preparation is key



# Fundamental understandings

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- **No two diligences are ever going to be the same.**
- **You will not get everything you ask for.**
- **Timing will change.**
- **You may not get a chance to ask a second time.**
- **Assumptions and conclusions will be questioned down the road.**
- **IP is important to a deal but is not the whole story.**

# Due Diligence – The Asset and Its Value

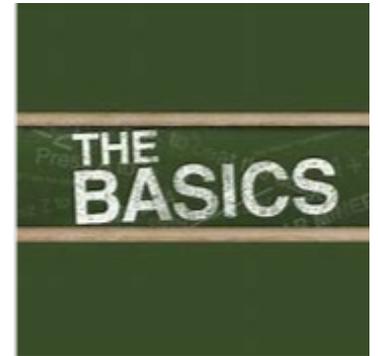
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- **What is the asset**
  - value of the asset?
  - why do you want to buy the asset?
  - benefits and risks of acquiring / not acquiring the asset?
- **Is it a product?**
  - what stage of development?
  - competitive landscape?
  - how does it fit into the your existing portfolio?
  - which features of the product provide a competitive advantage?
- **What would make us walk away from the deal?**

# Basic questions to ask before starting work

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- **What is the business objective?**
  - Short term
  - Long term
  - Risk appetite
- **The business objective will shape the analysis**
  - Can tilt the balance
- **What are the risks?**
  - How to mitigate
- **What are the benefits?**
  - What are the likelihoods of realizing the benefits?
- **Who are the players in the technical field and what generally is going on?**
  - Get a feeling whether litigation is likely / relative risk of injunctions
  - Any litigation / patent challenges going on in the field?



# The Diligence Begins – The Team

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- **Is the team built for speed or stamina?**
- **Identify the right people (in-house, outside counsel, AND at the TARGET) . . .**
  - Someone needs to understand the technology
  - Someone needs to understand the business
  - Someone needs to actually be able to assess the risk
  - These ‘someones’ need to be able to talk to one another (and to want to)
  - Decision maker (in-house)
  - Key people involved with development of technology (at TARGET)
- **Who will have access to the information?**
  - Is there a conflict?
  - Is there a potential for misuse of the shared information?
  - Is there a potential for contamination?
- **Who is on the Other Side’s Team?**



# The Diligence Begins . . . The Data Room

- **The data room is the tip of the iceberg**
  - DO NOT LIMIT YOURSELF TO IT
    - The data may seem to put forth a certain message whether intentionally, through incompetence, or because of a genuine disconnect
    - Do not assume that those populating the data room knows what they are doing or why
- **Ask questions!**
  - Get organized first
  - Triage information desired and be ready to explain why we need that information
  - Classify your questions – potentially by topic or by custodian at TARGET
  - Be prepared to move quickly; don't wait to ask a question
  - Expect the other side to say “no”
  - Information can be provided outside the data room



# As you begin, remember some basics ....

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- **Be wary of the unknown/unexplained**
- **Be wary of the things that get in the way**
  - Protective Orders
  - Confidentiality Agreements
  - Attorney-Client Privilege
  - Lack of information/access to the right people
  - Timing of access to answers
- **Be creative in coming up with a work around, with comfort-level answers**
  - Identify back up plans in case the information you receive is not what you'd hoped for or just not available
- **What to make of errors/weaknesses identified in the diligence?**
  - Does smoke = fire?
- **Be aware of the big picture**
  - At each step, ask yourself if we should keep going

# Ownership / Chain Of Title / Licenses

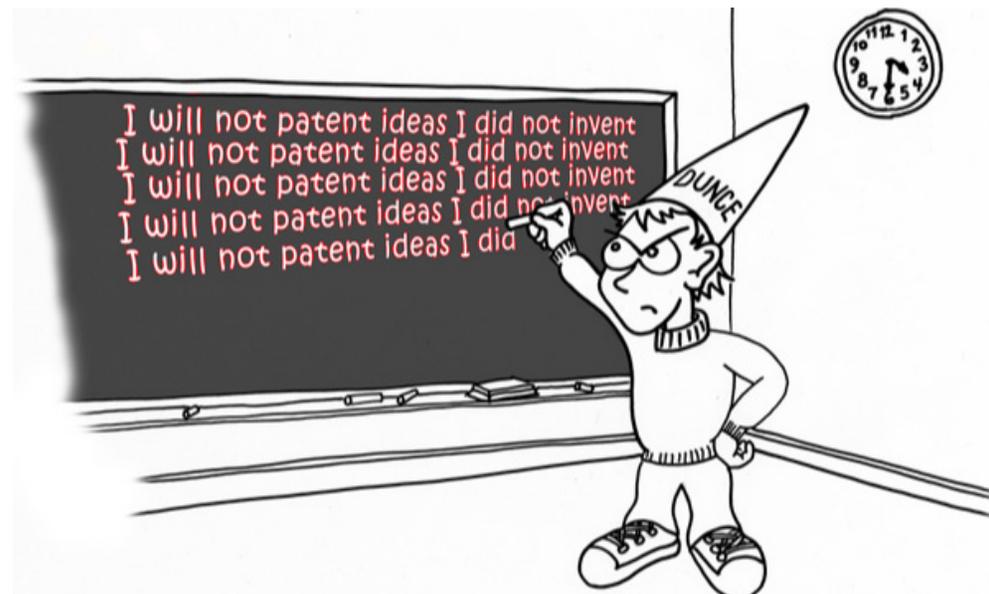
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- **Corporate Structure**
  - Flow of rights clear?
- **Employment agreements**
  - Inventors
  - Former employees
    - **Obligation to assist?**
- **Assignments**
  - promise to assign does **not** cause an immediate transfer
    - “will assign and do hereby assign”
- **Government rights**
- **License agreements**
- **Collaborators, SRAs, JDAs, MTAs**
- **Security interests/releases**
- **Licenses granted to others**



# Inventorship

- **Who?**
  - Employees
    - **Former employees**
      - Current relationship – hostile? aggressive?
      - Beware of what you are buying
  - Collaborators
  - CROs
  - Changes in inventorship
- **Where?**
  - Foreign filing licenses
    - **US and ex-US**
    - **CRO work**
- **When/how occurred?**



[The Patent War: Is it killing innovation? - ExtremeTech](#)

# Freedom To Operate

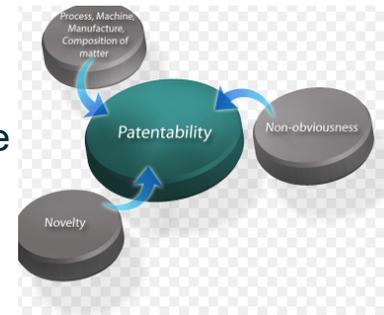
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- **Has it been done by other side?**
  - Does it sound reasonable?
- **Scope – geographic / time frame / breadth of analysis**
- **What to ask for from TARGET?**
  - Do not ask for other's FTO report/opinions
  - Fine to ask questions
- **Do your own FTO**
  - Include in-house technology specialists to develop search strategy and assist in evaluation results
  - Affirmatively look for patents by competitors / inventors /collaborators



# Portfolio Overview

- **By Product or Program**
- **Breadth of coverage**
  - Did there appear to be a clear strategy behind the filings?
  - Consider the scope of coverage – both by types of IP / claims and geographic coverage
    - **Do claims cover Target's product/service?**
  - Claims that can be enforced v the right defendant
- **Validity – 101, 102, 103, 112**
  - IDS, search reports; 1.132 declarations
  - Prior art (public disclosures, earlier filings, scientific publications, website, SEC filings)
  - On-sale bar / Double patenting / §101
- **Miscellaneous**
  - Maintenance fees / Filing deadlines / Small/micro entity status / Foreign filing licenses / Export controls / PTA and PTE/ Patent marking
- **What is TARGET planning to do in the field**
  - Future innovation v further development?
  - Are key personnel staying or leaving?



# Loss Of Exclusivity

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- **Timelines, timelines, timelines**
  - Predicted LOE is typically a key consideration
  - What might change predicted LOE?
  - Compare market to LOE dates
  - What is worst case LOE that would still support doing the deal?
- **Regulatory exclusivity analysis**
  - Intersection with patent
- **Patent Term Extension**
  - Which patent?
  - Why?
  - Intersection with PTA



# Big Picture

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- **Focus on key value drivers**
  - Products
  - Jurisdictions
- **Prioritize ownership, inventorship, LOE, FTO, contractual and validity questions**
- **Don't limit yourself to what you're being told / information provided by other side**
- **Work closely with the business, (R&D and others) to understand the value proposition, risks, and competitive landscape**
  - Don't go down rabbit holes that are not important to the deal; decide what is/is not important **before** diligence starts
- **Identify solutions, alternative fixes, and opportunities**
- **Triage issues and generate recommendation based on ALL of the information**
  - Level of detail?
  - Any caveats?



# After the diligence

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- **Perform remedial activities identified during diligence**
  - Record assignments / correct inventorship / file IDSs
- **Record documentation confirming changes in ownership**
- **New POA's required?**
- **Outside counsel**
  - Does deal create a conflict?
  - New engagement letters?
- **Establish chain of communications with Target's employees, etc.**
- **Transfer and update docketing information**
  
- **Also good time to review pending applications worldwide to determine they still serve important business purpose**

# How To Deal With Unreasonable Timelines

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- **Understand rationale behind timelines**
- **Provide timing expectations – to Target, team and in-house**
- **Build a team that you can trust**
  - Divide and conquer
  - Sanity checks
  - Varied expertise and experience
  - Brainstorming solutions
- **Communicate, communicate, communicate**
  - Bring everyone together if possible
- **Have an end deliverable in mind before you begin and structure accordingly**
  - Intermediate deadlines/deliverables
- **Prioritize key value drivers and risks**
- **Understand what must be done now v later and how this should impact output from diligence**



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# Thank You!

Please send your NY CLE forms to [mcleteam@fr.com](mailto:mcleteam@fr.com)

Any questions about the webinar, contact Makayla Mainini at [mainini@fr.com](mailto:mainini@fr.com)

A replay of the webinar will be available for viewing at <http://www.fr.com/webinars>

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