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Building Strategy for maximizing IP Value: IP Due Diligence

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Due Diligence

- The term due diligence describes a general duty to exercise care in any transaction.
- It spans investigation into all relevant IP-related aspects of the past, present, and predictable future of the business of a target company
- A due diligence should be used to investigate and evaluate a business opportunity
- Due Diligence of one's own IP asset

Reasons for conducting a due diligence regarding the general aspects of the business, including the following:

- Confirming that the business is what it appears to be;
- Identifying potential "deal killer" defects in the target and avoiding a bad business transaction;
- Gaining information that will be useful for valuing assets, defining representations and warranties, and/or negotiating price concessions; and
- Verifying that the transaction complies with investment or acquisition criteria.

A due diligence should be done as part of the pre-licensing considerations and must always be done in any merger and acquisition deal.

- It is necessary to identify, understand and manage IP risks inherent in the commercialisation of IP.
- Eg. in the case of licensing -investigate whether the patent to be licensed
 - Has clear ownership has been renewed
 - it can be exploited without infringing another patent

Due Diligence Risks

- Value of the deal may be reduced
- Transaction may be delayed while due diligence defects are fixed
 - Parties may become disinterested
 - VC may move to other opportunities
- May necessitate a second negotiation with the joint owner
 - IP owner may have to compromise
- IP defects may be discovered that result in the deal being abandoned altogether

Due Diligence Benefits

- Defects that the licensee, venture capitalist or IP buyer would have discovered, are instead discovered by the IP owner/manager
 - Time to fix issues/defects/gaps/wrinkles
- There is a reduced possibility that the licensee's, venture capitalist's or IP buyer's due diligence may result in the deal being devalued, abandoned or delayed.
- The bargaining position with a joint owner is also strengthened
- Opportunity to the IP owner to prepare an IP map, and to present it to the licensee, venture capitalist, or IP buyers.
- Finalises the deal much quicker, with less likelihood of the deal being delayed, abandoned or renegotiated.

IP Map

- IP mapping is essentially competitor intelligence wherein the intellectual property profile of companies is assessed .
- Mapping to help take informed key management decisions regarding business strategy, product development, R&D investment and Mergers & Acquisitions.
- Such as technology mapping, role players, country profiling etc. It typically identifies:
 - each component of the IP
 - the inventor or creator of each component
 - the current owner or licensee
 - each link in the chain from inventor to owner or licensee
 - cross references to each supporting document that validates each link in the chain from inventor to owner or licensee, such as an employment contract, collaboration agreement, joint venture agreement, assignment from a student, assignment from a contractor, consultancy agreement, licence, material transfer agreement, consent from a joint owner, etc.
 - prior art citations
 - forward citations

Gaining comprehensive understanding of Patent Landscape

- Which companies own patents, trademarks & designs in your area?
- Who owns the most patents, trademarks & designs?
- Where have they been active recently?
- What strategy can we infer from this activity?
- What new players are emerging?
- Where do you have IP leverage?
- Where do you have IP exposures?

Making discoveries in the Patent Landscape

- What is the history of technological evolution in my area
- Which patents represent fundamental discoveries?
- Which patents are merely incremental improvements?
- Who are the key inventor teams?
- Which inventions are now in the public domain?

Charting the way forward

- Which markets can we enter?
- Which markets should we avoid?
- Where should we invest our scarce R&D resources?
- Which companies could help protect and complement our IP?
- Which companies wouldn't enhance our IP portfolio?

Patent Mapping is modest investment which can both minimise potential risks and identify significant opportunity

- Avoid or limit potential litigation
- Prevent competitors encroaching on your markets
- Identify IP assets that can be more fully exploited
- Prevent wasting R&D resources in overly competitive areas
- Acquire companies that strengthen your strategic IP position

What is your IP Roadmap?

THANK YOU

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