



IP Diligence: In-house Counsel Perspective

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IP Diligence

- Stage 1: Patents
 - Do you really own what they want?
 - Does it have intrinsic value?
- Stage 2: Freedom-to-Operate
 - Can you continue to make what you make?
 - What licenses might you need?
- Stage 3: Licenses/Royalty Stack
 - What encumbrances do you have - known and unknown?

Stage 1: Patent Estate

- Patents and Pending Patent Applications
 - Published applications/patents
 - Non-confidential
 - List/PDF file
 - Unpublished applications
 - Confidential
 - Patent counsel only - preferably outside counsel
 - Special confidentiality agreements
 - Do not distribute - make them “visit” the documents
 - Later stage: selected scientist(s), if requested
- Assignments
- *Help them understand how the patent estate supports the technology; focus on the clinical product(s)*

Stage 2: Freedom-to-Operate

- Highly Confidential
 - Oral discussions with selected attorneys only (if at all)
- Provide copies of documents you've reviewed
 - Don't sort for "relevancy"
- Double-team discussions, if possible
 - Partner with your outside counsel
- ***Provide Data, not Conclusions***
 - Let the other side draw their own conclusions

Written Opinions

- Whether to obtain, in view of *in re Seagate*?
- Whether and when to share?
 - Only at the very end of negotiations
 - Only under a “Community of Interest” or “Common Interest” Agreement
 - With only 1 or 2 parties at most
- ***Better to discuss, not document, Freedom-to-operate issues***

Stage 3: Licenses/Royalty Stack

- Discussions - highly confidential
 - Limit to counsel, if possible
- Check agreement before disclosing
 - Confidentiality provisions may preclude disclosure to third parties without permission
 - Draft agreements prospectively with this in mind
- Redact financial terms in early stages
- ***Don't provide speculative summary tables***

Organization

- Many documents - start early!
 - If you wait until you receive a “diligence list,” it’s almost too late!
- Consider using an Electronic Data Room
 - Convenience - both sides
 - Some provide PDF production service
 - Ability to limit access/distribution
 - Provides archive of persons who have seen documents

Summary/Lessons Learned

- Organize well in advance
 - Next time, I'd use an electronic data room.
- Teach/organize your team
 - Frequent team meetings (daily) to update
- Use outside counsel to the max
 - This is not the time to skimp on fees!
 - Take advantage of their offices in other cities
- It will end...

someday.
Deloitte.

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