

Intellectual Property



Trade Marks law in India

By

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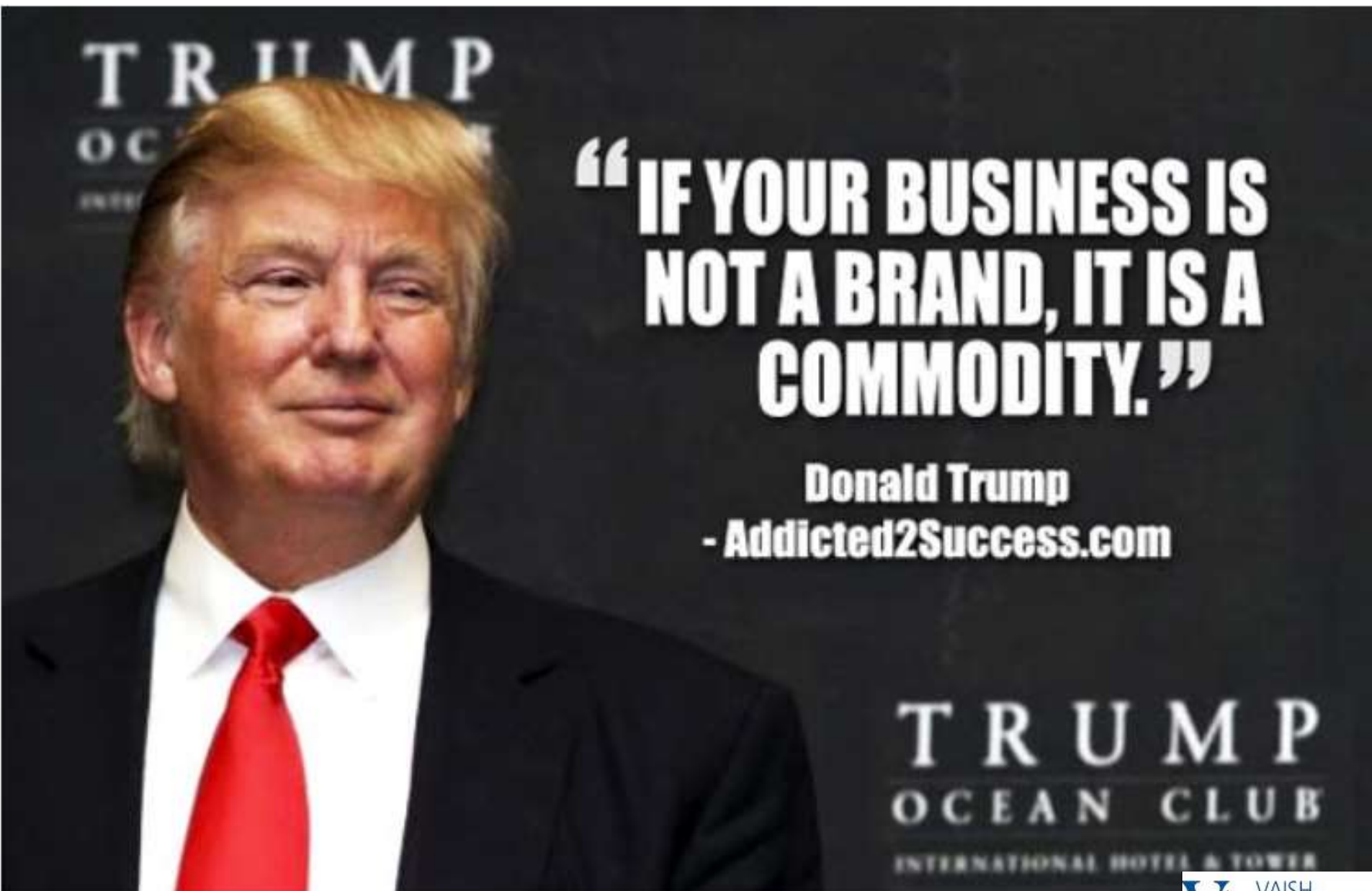
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**“IF YOUR BUSINESS IS
NOT A BRAND, IT IS A
COMMODITY.”**

**Donald Trump
- Addicted2Success.com**

TRUMP
OCEAN CLUB
INTERNATIONAL HOTEL & TOWER

How to Adopt a Trade mark?

- A good trademark
 - Should not refer to CHARACTER or QUALITY of the Goods
 - Should not be a geographical name
 - conflict with other existing registered trademarks.
- Or a trademark in use, Irrespective of Registration
 - i.e. conflict with any pre existing registered or unregistered trade marks in the market.



Types of Marks

- "mark" includes a Sec. 2(1)(m)

- device,
- brand,
- heading,
- label,
- ticket,
- name,
- signature,
- word, letter,
- numeral,
- shape of goods,
- packaging or
- combination of colors or
- any combination thereof.



Types of Trade Marks

- **Generic Marks**
- **Invented/Coined marks**
- **Dictionary words/ names**

– "trade mark" means (Sec. 2(1)(zb))

- a mark capable of being represented graphically and
- which is capable of distinguishing the goods or services of one person from choose of others and
- may include
- shape of goods,
- their packaging and
- combination of colors.



Well Known Trade Marks

Well Known Trademarks & Trans-Border Reputation:

An international entity:

- may/ may not have actual business in India, but;
- whose goods/ services are 'well known' internationally,
- may protect its mark in India under The Indian Trademarks Act 1999.

A trademark acquires "Well Known" status when:

- The mark has acquired an international reputation and goodwill.
- Travelers between India and foreign countries have purchased the goods and bought them into India.
- The goods/ services have been advertised in international magazines, newspaper articles etc. which have circulation in India.



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ACQUISITION OF RIGHT IN A TRADE MARK IN INDIA

- In India, Right in a trade mark may be acquired in any of the following ways:-
 - Registration
 - First Adoption and Long, Continuous, honest, bonafide, uninterrupted use
 - Assignment of a registered or unregistered trade mark.

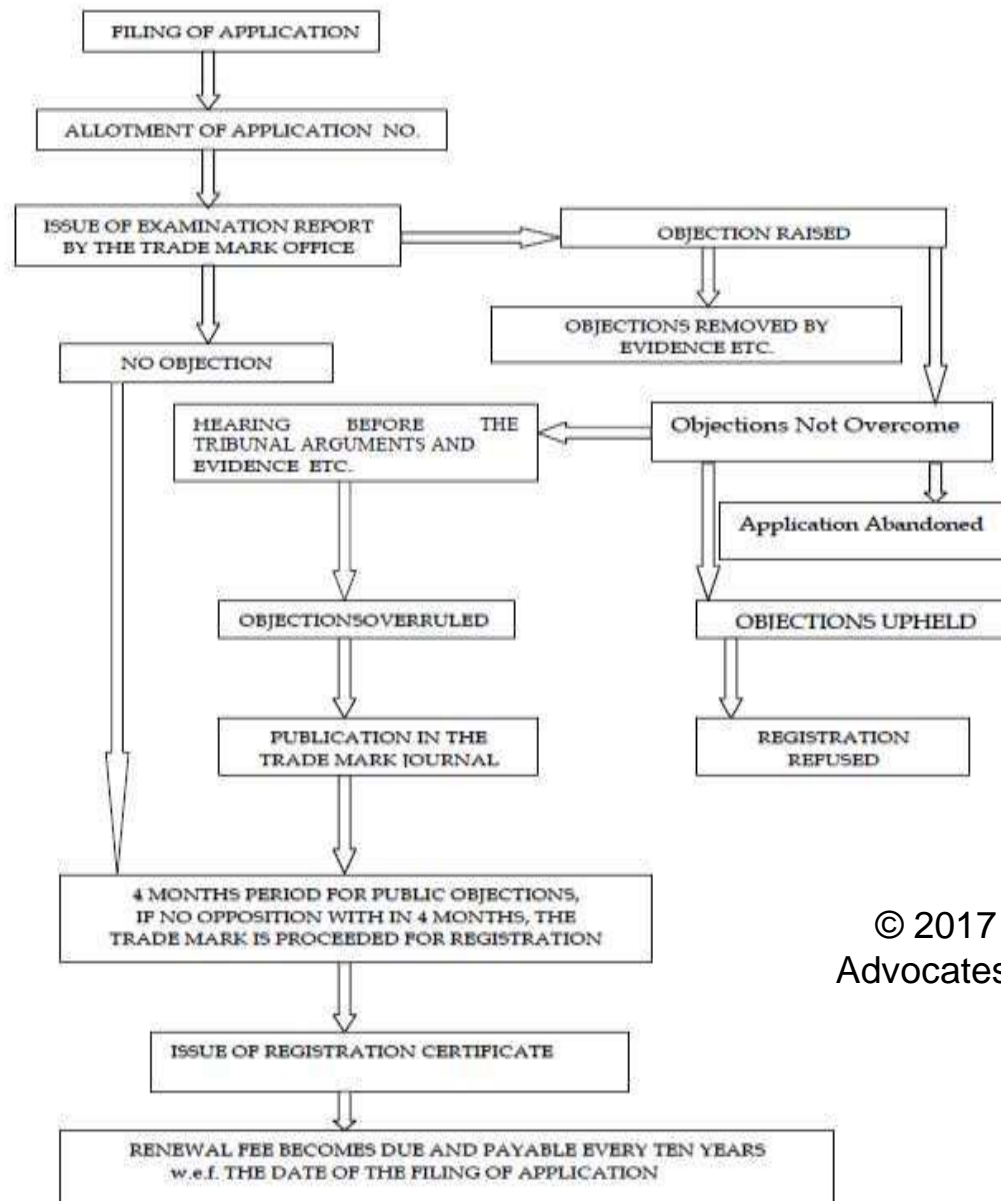


Fake Brands



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Procedure of Registration of Trademark in India

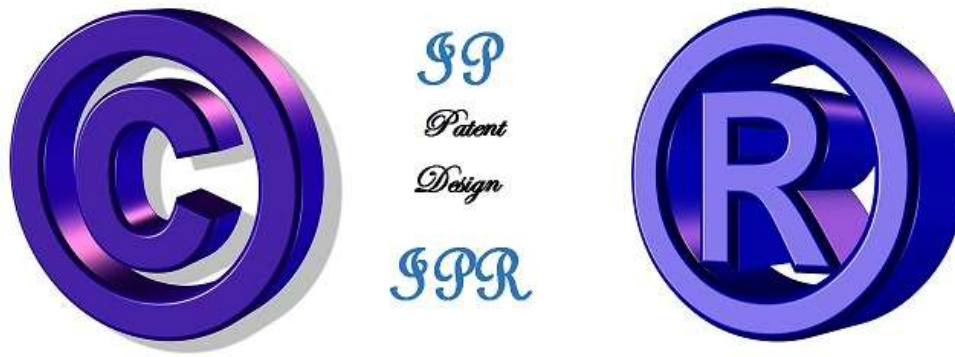


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FORMS OF IP RIGHTS PROTECTED IN INDIA

- Laws relating to Trade Marks / Brands (Trade Marks Act, 1999)
- Laws relating to Copyright (Copyright Act, 1957) Artistic Work, Literary Work, Audio Video Records and Software
- Laws relating to Patents (The Patent Act, 1970)





- Laws relating to Industrial Designs (Designs Act, 2000)
- Laws relating to Geographical Indications. The geographical Indications of (Registration and Protection) Act, 1999
- Laws relating to Internet, Web and Information Technology (Information Technology Act, 2000)
- Domain Names

Ways of Protecting IPR

- ▶ Obtain Statutory protection by **Registering your IP Rights**
- ▶ Keep a **Watch & Vigil** over Potential Violations
- ▶ Keep **Track of your IP Rights & Potential Infringements** from official Databases
- ▶ File **Oppositions**, if come to know about the attempt of Registration a third party during the course of registration
- ▶ In case you miss oppositions because of ignorance or lack of information:
 - **Go for Cancellation of Registration**
- ▶ Publish **Public Caution Notices** in the News Papers about your IP Rights and Statutory Protection, which you may have.
- ▶ On Coming to know about the violation, act immediately and :
 - Seek Legal Help
 - Issue **Cease & Desist Notice**, only on legal advice
 - **Refrain** from directly corresponding with the infringer of your rights
 - Initiate legal action by way of
 - **Civil Suit** in Court
 - **Criminal Action** in Court, only if advised and remedy available
 - Enforcement through Customs
- ▶ **Take the fight to the logical end.**

OPPOSITION TO THE REGISTRATION OF TRADE MARKS IN INDIA

FLOWCHART BRIEFLY EXPLAINING THE NORMAL PROCESS OF OPPOSITION OF TRADE MARK

Publication of Trade Mark in the Trade Marks Journal



Opposition to be filed within 4* months
from the date of publication in the trade marks journal
*(No Extension possible)



Opposition to be filed on Form TM-O



COUNTER STATEMENT

Counter Statement to be filed within 2* months on Form TM-O from the date of the receipt** of the notice of opposition from the Registrar of Trade Marks
*(No Extension possible)



**Applicant can also file the counter statement on the basis of the electronic copy of the notice of opposition made available on the website of Trade Marks Registry

EVIDENCE

Evidence in support of opposition or the intimation of not filing evidence to be given within 2* months from the date of the service of counter statement
*(No extension possible)

Evidence in support of application to be given within 2* months from the date of the service of evidence by opponent or the intimation of not filing evidence
*(Extension is not permissible)

Further evidence in reply, if any, may be given within 1* month by the opponent from the date of the service of evidence in support of application
*(no extension possible)

No further evidence allowed

ADDITIONAL EVIDENCE

However, the Registrar can exercise his discretion for further evidence* subject to cost and terms

* This can be done by filing an interlocutory application

HEARING

Upon completion of evidence, the Registrar will give notice to parties of the first date of hearing which shall be at least 1 month after the date of first notice

ADJOURNMENT

If any party wishes to take an adjournment on the date fixed for hearing, the party has to make a request for adjournment on Form-M, at least 3 days before the date of hearing with reasonable cause

*The Registrar may adjourn the hearing and intimate the parties about the next date of hearing.

*More than 2 adjournments are not allowed.

CONSEQUENCES OF NON-APPEARANCE IN HEARING

If any of the party does not appear on the date of hearing or adjourned date of hearing, the Registrar may dismiss the application if the defaulting party is applicant, or may dismiss the opposition if the defaulting party is opponent.



DECISION BY REGISTRAR



Opposition Allowed. Application Rejected

Opposition Rejected. Application proceeds for registration.

- The grounds and reasons for opposing a trade mark:
 - The trade mark is similar or deceptively similar to the trade mark of the Opponent;
 - The trade mark is similar or identical to the registered trade mark or pending trade mark of the Opponent, and is for similar or allied and cognate, goods or services;
 - The trade mark is generic and descriptive in nature;
 - The resemblance of the trade mark to the well-known trade mark of the Opponent.
 - The Applicant has filed the trade mark application malafidely or with bad faith;
 - The Applicant is not the actual owner of the trade mark; and
 - The registration of trade mark is likely to deceive the public or cause confusion.

Is Registration Of IPR Necessary?

NO

In case of

- Trade Mark
- Copyright

YES

In case of

- Patents
- Industrial Designs
- Geographical Indications



RIGHTS CONFERRED BY THE REGISTRATION OF IPR

- Monopoly for the specified period is created in favour of the Registrant
- In case of litigation onus of proof shifts on the opposite party
- Prima facie presumption is raised in favour of the Registrant



IP Enforcement-Remedies

- Civil
 - Infringement
 - Passing off
- Criminal
- Administrative



Civil Action: Reliefs

- Injunctions against future violations
- Civil raids & Seizures
- Damages OR Accounts of Profits
- Delivery up/ Discovery of infringing material / documents
- Preservation of assets



Interim / Interlocutory Injunction

- Often the real remedy!!!
- Objective: To maintain status quo
- Time is of essence
- Factors considered in granting :
 - Prima facie case
 - Balance of convenience
 - Irreparable injury if injunction not granted

Gujarat Bottling Company v. Coca Cola 21 IPLR 201



Ex-Parte Order



- When the matter is extremely urgent
- At a preliminary hearing of the interim application without notice to the answering defendant.
- Granted before the motion for interim injunction is fully heard but for a limited period only.
- After grant of ex parte injunction, the Court must proceed with disposal of the interim injunction application after the defendant has entered appearance.

Ex-Parte Orders

- Injunction;
- Discovery of documents;
- Preserving of infringing goods, document of other evidence related to the subject matter of the suit;
- Restraining the defendant from disposing off his assets in a manner which may adversely affects rights of the IP owner to claim damages, costs or other pecuniary remedies.





Anton Pillar Order

- *Anton Pillar v. Manufacturing Process* (1976) RPC 719
 - Similar to ex parte interlocutory order
 - A court order which provides for the right to search premises and seize evidence without prior warning.
 - used in order to prevent the destruction of incriminating evidence, particularly in cases of alleged trademark, copyright or patent infringements.
 - Sensitive in nature
 - Pre conditions for grant:
 - Extremely strong prima facie case
 - Damage (potential or actual) very serious
 - Clear evidence that defendants have in their possession, incriminating document/ material which they may destroy.

John Doe Order



- Court appointed commissioners to enter the premises of any suspected party and collect evidence of infringement.
- Suspected party may not be named in the suit.
- Indian Courts have conferred expanded powers to commissioners- Roving commissioners
- *Ardath Tobacco Co. Ltd. vs. Mr. Munna Bhai & Ors.*
2009(39)PTC208(Del)

Permanent injunction

- To ascertain rights of the parties
- Remedies for Breach of injunction
 - Police assistance
 - Assistance of administrative bodies



Damages / Account of Profits

- These are mutually exclusive alternative remedies
- Account of profits- An equitable relief
- Damages- for the losses suffered by the Plaintiff on account of the defendant's acts



What may KILL an Infringement Action

- Delay and Laches
- Acquiescence
- Honest and Bonafide
 - Adoption, and
 - Use.
- Difference in goods and services
- Difference in Counter of sale
- Class of Purchasers
- Nature of the Product
- Pricing
- Absence of the element of confusion or deception.

Don't
Delay!

Enforcement- Domain names

- M/s Satyam Infoway Ltd. V. Sifynet Solutions Pvt. Ltd. (2004) 6 SCC 145
SC has held that domain names are subject to the legal norms applicable to other intellectual properties, such as trademarks.
- Yahoo Inc. v. Akash Arora
1999 PTC 201
SC applied general trademark law to the internet.

.com
.net .org
.co.uk
.org.uk
.us .eu
.biz .info
.me.uk .name
et al.

Criminal Remedies- TM

- Falsification of Trademarks / Infringement of copyright is a cognizable offence
- A complaint may be filed before a Magistrate; OR
- Police can register an FIR and prosecute directly; (statutory requirement to obtain the Registrar's approval.
- Registration is not a requirement.
- Imprisonment- 6 months to 3 years
- Fine- Rs 50,000 to 2 lakhs
- Enhanced penalty on subsequent convictions.
- Seizure, forfeiture and destruction of infringing goods/ material for placing before the Magistrate



Statutes Invoked For Criminal Action

- Sec. 103 / 104
 - Trade Marks Act, 1999
- Sec. 63 and 64
 - Copyright Act, 1957
- Sec. 39
 - Geographical Indication of Goods Act, 1999
- Sec. 420
 - India Penal Code
- Sec. 91/93
 - Code of Criminal Procedure



Procedure for Filing a Criminal Complaint & Process

- Criminal Complaint in the Court of competent jurisdiction;
- Pre summoning Evidence, for satisfying the court on the basis of the evidence placed on record, that the allegations by complainant are prima facie maintainable;
- Issue of General/ specific Search and Seizure Warrants, along with directions to police; Raid / Search & Seizure by Police
- Investigation and arrest (if necessary) of accused persons;
- Arguments;
- Summons / Warrants against accused persons;
- Accused Appear and seek bail;
- Framing of charges, after notice of allegations;
- Trial
- Onus of proof is on the complainant



Enforcement Of Intellectual Property Rights Through Customs

Custom Act, 1962 & IPR Enforcement Rules, 2007

- Apart from the various remedies provided under the IP Laws in India, one of the most efficient ways to protect and enforce intellectual property rights is through Custom Act, 1962
- It prohibits import of goods that infringe Intellectual Property at the Custom Borders thereby restricting the entry of the goods infringing Intellectual Property Rights.



What is Protected

IPR Rules 2007 permits a Right Holder to protect the following different types of Intellectual property-

- Trademark
- Patent
- Design
- Copyright
- Geographical Indication

Who is Protected

- RIGHT HOLDER, means
 - a Natural Person or a Legal Entity, which is the **owner** of the protected IP under the Indian IP Laws
 - its Successors-in-Title
 - its Duly Authorized Exclusive Licensee
 - Any other Individual, Corporation or Association authorized by the Right Holder

What is Protected

- Goods which are *made, reproduced, put into circulation* or otherwise used in **breach of the intellectual property laws in India** or outside India and *without the consent of the right holder* or a person duly authorized to do so by the right holder.

What is Protected (Trademark)

- Goods applying False Trademark
- Goods applying False Trade Name
- Goods applying False Trade Description
- Anything that amounts to infringement of a trademark

Procedure for Registration with Custom Authorities

- Filing of Application/Notice by the Right Holder
 - To the Commissioner of Customs
 - At the port of import of goods infringing IPR
 - Requesting suspension of clearance of such goods
- Documents Required
 - Proof of existence of ownership of IPR
 - For Example
 - ❖ Registration Certificate,
 - ❖ Assignment Deed, etc.
- Information to be submitted within 15 days

Procedure for Registration with Custom Authorities

- Notice to be Registered by the Custom Authorities on satisfaction
 - Within 30 days
 - Validity of registration of notice for a period of 1 year
- Right Holder also required to execute Surety and Indemnity Bond with Commissioner of Customs

Benefits of Registration of Notice

- Automatic Suspension of Import of Infringing Goods
- At all the Ports (Custom Borders) in India
- Notice can be given by the Right Holder of the suspected infringing goods
- Commissioner of Customs can *suo moto* suspend the clearance of such infringing goods.

Procedure followed by the Custom Authorities on Suspension

- Confiscation & Seizure of Infringing Goods

Once the infringing goods are seized, notice is given to the Right Holder to join the proceedings-

- Within a period of 10 days extendable by another 10 days
- Within a period of 3 days extendable by another 4 days (in case of perishable goods)

Procedure followed by the Custom Authorities on Suspension

- Disposal of Infringing Goods
 - Once the Commissioner of Customs determines that the goods seized are infringing IPR, they are destroyed.
 - It is subject to “No Objection” Certificate from the Right Holder



Administrative Remedies

- Indian Customs Act, 1962
 - Deals with import/ export of goods including protection of patents, trademarks and copyrights.
- Confiscation of infringing material by Custom Authorities
- Restrictions against parallel importation of goods



Oppositions , Cancellation and Rectifications of IPR

In case the registration has been obtained by

- Fraud
- Misrepresentation
- Wrongly
- Against the rights of some other party / opponent
- Registered by the Registrar erroneously
- Registration prohibited under some law
- Registration is against public policy or morals

When Registration can be Prevented or Revoked / cancelled

CANCELLED!!

CANCELLED!!

CANCELLED!!

- During the Process of Registration – By filing Opposition
- After Registration – By filing Rectification Petition



Protecting Trade secrets in India

- No enactment or policy framework for the protection of trade secrets in India.
- Indian courts have tried putting the trade secrets of various businesses under the purview of various other legislations in order to protect them and also they have tried to define what a trade secret is in various cases

Trade Secrets



The best kept secret
till date

Shhhh...
Keep Silent

IP DUE DILIGENCE



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What is a Due Diligence?

- A fact finding
 - “What are the facts”
- An assessment
 - “What do I think of this”
- A validation or corroboration
 - “Is this what I’m told it is”
 - “am I getting what I understand I should be getting”
- Types of due diligence
 - IP ownership and rights due diligence
 - patent position due diligence (validity and infringement)
 - scientific / technical due diligence



WHEN?

- Acquisition
- License agreement
- Assignment of IP
- Corporate merger
- Financing
- Takeover
- Tax Benefits
- Joint venture



WHY?

- To ascertain IPRs used in the business
- What is the value
 - Hence level of risk
- Who owns it
 - could I sue or could someone sue me?
- Better exploitation of IP
 - licensing in or out of technology
- Risk Minimisation



WHO?

- In case of all types of corporate ventures, both parties should undertake the due diligence.
- In case of licensing agreement
 - Both licensor and licensee.
 - Licensor, to ascertain the licensee's ability to pay the licensor or exploit the licensed IP
 - Licensee, to ensure that the licensor has the power to grant the license.
- Similarly, In case of assignment agreements, both the assignor and the assignee should conduct the due diligence on each other.



Purpose

- Primary Purpose
 - Determine value of IP assets
 - Typically in terms of competitive advantage
- Secondary Purposes
 - Subject matter itself
 - Clear chain of title/Ownership
 - Scope of rights
 - Territory
 - Validity of rights
 - Infringement concerns addressed/Freedom to Operate



Purpose

- Assessment and Minimization of Risk
- To ascertain that it can provide reps and warranties that Licensee will ask for
- To ascertain who are the beneficiaries of the license, or who is the Licensee/user (scope of the enterprise)
- Ensure third party contracts/licenses are being supervised and managed efficiently
- IP Policies and Procedures
- To ascertain Licensee's ability to pay/exploit
- To ensure technology is protected under foreign laws

Valuation of Intellectual Property

IP Audits should be conducted to ascertain the value of IPRs which are used in each department eg

- Manufacturing- patents, design, trade secrets
- Research- patents, trade secrets
- Marketing- trademarks, copyright



Valuation of Intellectual Property

- Legal entitlements
- Other factors
- Use a qualified valuator

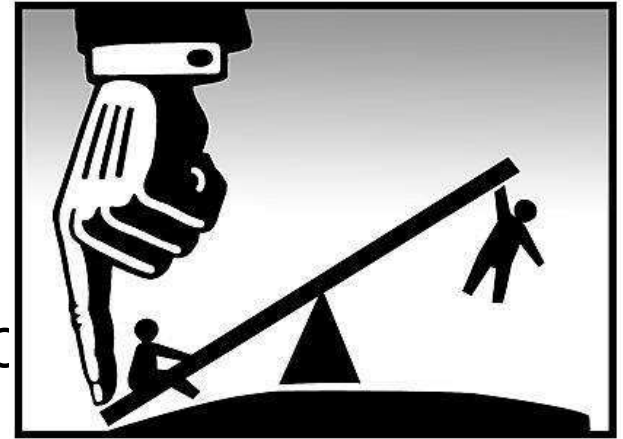


Diligence and Valuation

- Diligence information will assist in determining value of intellectual assets
- Determine value of intellectual assets in context of overall Target value
- Forcing Target to resolve diligence issues increases value of intellectual assets

Competitive Advantage

- Product/Process Review
 - Existing
 - Pipeline
- Value Propositions
 - What provides competitive advantage (C
- Examine patents
 - CA covered by claims (pending and/or issued)
 - Ease of Design Around
 - What about design changes (drift)
- Patent Searches/Analysis



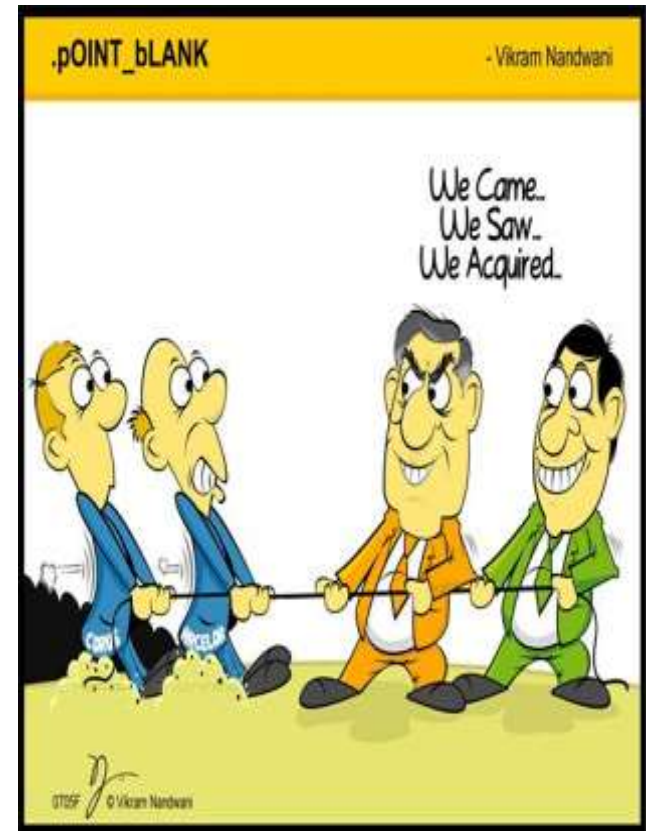
Due Diligence in M & A

- Identify all I.P. of target
- Confirm target's rights in the I.P.
- Confirm validity and enforceability of I.P. rights
- Identify intellectual capital not formally protected
- Identify relevant third-party I.P.
- Take curative steps to minimize risk
- The investigation of the assets and liabilities and the business undertaking



Due Diligence in M & A

- Why?
 - Determining the advisability of the transaction
 - Minimizing the risk of exposure for the target client
 - Formulating a proposal for the transaction
 - Structuring, negotiating and drafting representations and warranties that do not expose the client to risks and exposure identified during the process
 - Determining if closing conditions can/will be met



THE ART OF CONDUCTING IP DUE DILIGENCE

- The owner of IP will want to disclose as little as possible during the discussion stage, especially concerning important inventions.
- The buyer of the IP will want to know as much as possible.
- The owner can have a due diligence room where the buyer can go and inspect all relevant documents, but may forbid the buyer to make copies of the same.
- This will help the buyer to ascertain the exact value of an IP.
- Eventually the party (buyer or owner) who is in a stronger bargaining position will decide the amount of information to be given for the due diligence.
- All information exchanged at this stage can be covered under a suitable confidentiality and non-disclosure agreement.



QUESTIONS TO BE CONSIDERED DURING IP DUE DILIGENCE

- Nature of the IP in question, i.e., whether it is a patent, trademark, copyright or design.
- How is the purported owner in possession of the IP, i.e., whether it has been assigned or licensed or whether it is being used in infringement of any third party rights.
- Status of the IP in foreign jurisdictions.
- Search of the relevant IP registries is a necessary step to be taken in this regard, but might be time consuming at least as far as foreign jurisdictions are



Factors

- Cost and time of conducting the due diligence
- Nature of the transaction
- Nature and value of the intellectual property
- Nature of the target's business
- Intended use of the intellectual property after the transaction



STEPS IN DUE DILIGENCE

- Identification of IP
- Information Gathering
- Analysis
- Documenting the Transaction



IDENTIFICATION



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Understand the IP that Exists

- Registered intellectual property
- Unregistered intellectual property



Registered Intellectual Property

- Patents
- Trademarks
- Copyrights
- Industrial designs
- Domain names
- Integrated circuit topography
- Plant breeders' rights



Unregistered Intellectual Property

- Inventions
- Trademarks
- Copyright
- Trade secrets
- Goodwill
- Moral rights
- Personality rights



INFORMATION GATHERING



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Information Gathering- What

- Anything that could materially affect the value of the client or its IP position:
- Examples:
 - Potential or actual litigations that could result in exposure
 - Agreements material to the company's business that may be affected by change of control
- Specifically
 - IP portfolio
 - Company policies and practices
 - Types of agreements
 - Provisions in agreements
 - Litigation/arbitration/mediation
 - Claims/threats of infringement

Information Gathering- How

- Checklist
 - Letter requesting documents
 - Data Room
- Independent Investigations
 - PTO, Copyright Office
- Interviews
- Site Investigations



Site Investigations

- Intellectual property management practices
 - identification
 - protection
 - commercialization
- Infringement mitigation practices
- Identify intellectual property used by target
 - locate relevant documents
 - review of operations and products and services



ANALYSIS



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Important Areas of Concern

- Ownership
- Licensing
- Infringement



Ownership



- Verify ownership
 - Assignment records
 - Recordation
 - Subsequent conveyances/contracts (not recorded?)
 - Chain of Title
 - Corporate name changes
 - Mergers
 - Holding Company v. Operating Companies
- Search public archives and cross-reference
- Unreleased security interests
 - Should be released?

Ancillary to Ownership

- Inventorship
 - Ensure comfort level with inventors named on patents
 - If Target is a university spin-out or other start-up, interview inventors
- Government Rights
 - If government sponsored technology
 - If government market
 - Ensure proper notice and reporting to government if applicable

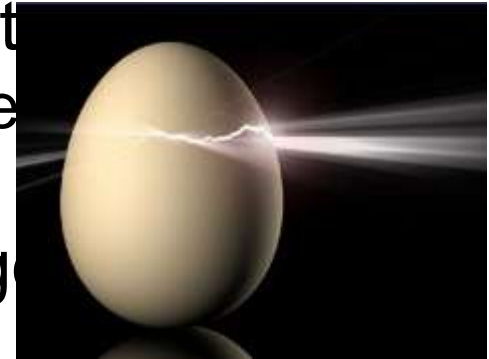
IP Licenses

- Review Target's IP licenses
 - Exclusive v. non-exclusive
 - Field of Use restrictions
 - Who owns Improvements
 - Who enforces rights
 - Licensor necessary party
 - Term
 - Any unusual provisions
 - Make sure licenses are assignable
 - If silent and non-exclusive, default is not assignable
- If “no assignment” clause
 - Consider stock deal (without dissolving target afterwards), or
- Get permission
- If not important to deal, don't necessarily let it drive the form of the deal



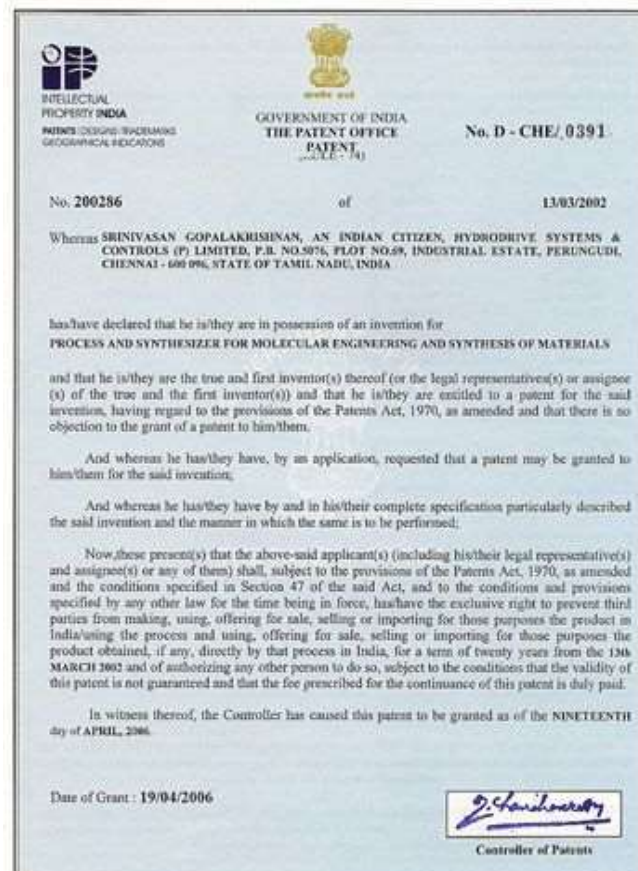
Infringement Concerns

- More relevant for early stage Target
 - Freedom To Use Opinions of Counsel
 - Reps/Warranties
- Search Quality versus Project Budget
 - Can get very expensive
 - As with most things, the more thorough, the more expensive
 - File History Reviews
 - Opinions
 - Territory searched (U.S., Europe, Asia, etc...)
- Consider design changes contemplated
 - How blocked in will you be?
- Deal Breaker



Patent Analysis

- Identify all patent assets
 - Patents, pending applications, abandoned applications and patents, licenses
 - National and foreign
 - Current and previous companies
 - Owner /Assignor/ Assignee licensee / licensor



Patent Analysis

- Searches
 - patent number
 - owner
 - target
 - related companies
 - key employee or principal
 - inventors
 - interests recorded against title
 - provincial personal property registry



Patent Analysis

- Confirm Status of Patent Assets
 - Confirm term including extensions
 - Confirm payment of maintenance fees and annuities
 - Confirm status of applications (published, dates for action)
- Claims analysis
 - scope of the claims
- Validity analysis
- Infringement analysis
- Patentability analysis



Patent Analysis

- Confirm Nature of Rights
 - Review assignments / license agreements
 - Review ownership issues
 - Review employment agreements, joint development agreements, government contracts
 - Analyze conception records
 - Laboratory notebooks, R&D memos
 - Identify blocking patents (right to use v. exclude)

Patent Analysis

- Confirm Nature of Rights
 - Identify products (target and third-party) covered by patents
 - Confirm marking
 - Review prior art search and disclosure practice
 - Consider updated prior art search
 - Target's assessment of rights / value

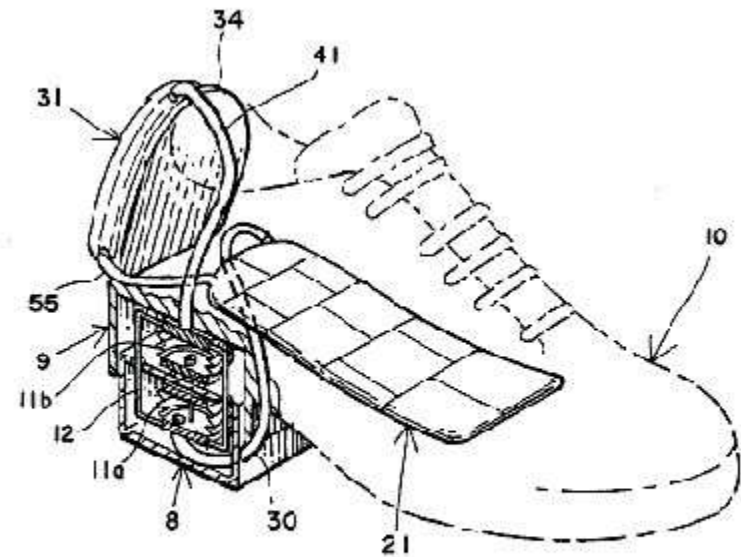


FIG. 2

Patent Analysis

- Confirm Nature of Rights
 - Review offensive actions against third parties
 - Resolution
 - Estoppel issues
 - Reasonable royalty issues
 - Confidentiality
 - Term



Patent Analysis

- Analyze defensive trespass issues
 - Review all legal opinions (freedom to operate, non-infringement, invalidity)
 - Identify all past, present and future I.P. litigation
 - Review closed cases
 - Review pending cases
 - Review notice letters
 - Consider whether additional legal opinions are merited

Trademark Analysis

- Identify all Trademarks
 - Registered, Unregistered, pending applications, abandoned applications
 - National and foreign
 - Current and previous companies
 - Owner / Assignee/Assignor/licensor



Trademark Analysis

- Searches
 - trademark
 - Owner
 - target
 - related company
 - predecessor company
 - interests recorded against title
 - provincial personal property registry



Trademark Analysis

- Geographical Extent
- Infringement analysis
- Registrability review
- Validity analysis
- Use review
 - different trademark
 - different wares and services
 - statutory use



Trademark Analysis

- Assignments in proper order
- Renewals timely filed
- Opposition/cancellation proceedings
- Classes
- Third party use
- Policing/Licensing
- Protests
- No encumbrances/liens



Copyright Analysis

- Searches
 - title
 - owner
 - security interest
 - author



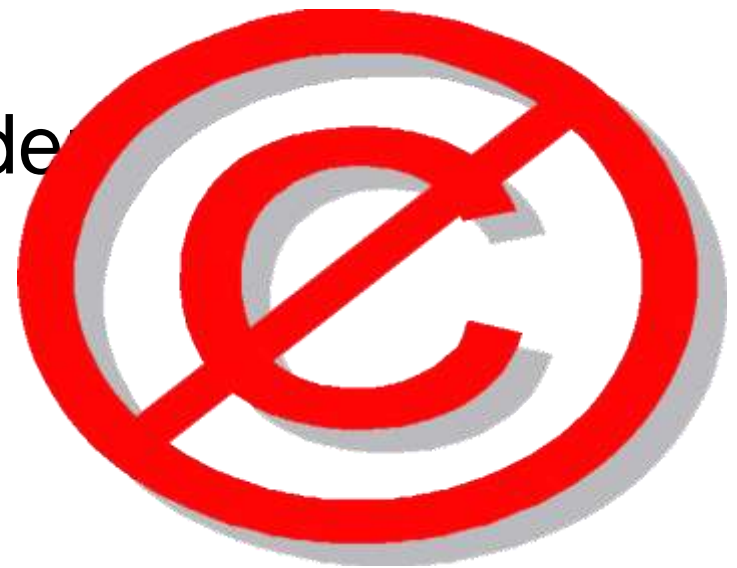
Copyright Analysis

- Identify all Copyrights
 - Registered and pending applications,
 - Not Registered
 - Commissioned
 - Owner / Assignee/Assignor/licensee / licensor
 - Date of First Publication
 - Term



Copyright Analysis

- Ownership
- Scope of Rights (exclusive, non-exclusive)
- Registrations in Proper Order
- Rights Transferable
- Assignments in proper order
- Licensing
- Moral rights
- Grants Effective
- No encumbrances/liens



Industrial Designs Analysis

- Identify all Industrial Designs
 - Registered, pending applications, abandoned applications and licenses
 - National and foreign
 - Current and previous companies
 - Owner /Assignor/
Assignee licensee /
licensor



Industrial Designs Analysis

- Confirm Status of Industrial Design
 - Confirm term including extensions
 - Confirm payment of maintenance fees and annuities
 - Confirm status of applications (published, dates for action)
- Claims analysis
 - scope of the claims
- Validity analysis
- Infringement analysis



Domain Names Analysis

- Review registration records
- Verification of record owners
- Service agreement
- Assignments in proper order
- Status of registration and renewal
- Domain names which contain a significant trademark
 - are they registered
 - who owns them



Trade Secret Analysis

- Analyze substantive trade secret
- Analyze ownership/development issues
- Analyze confidentiality practices
 - Employment agreements
 - Non-disclosure agreements
 - Use of “Confidential” markings
 - Notice to employees of confidential nature
 - Practices for dissemination of information
 - Security precautions



Litigation Analysis

- Review copies of all cease and desist or demand letters
- Assess risks, exposure of actual and threatened litigation:
 - Indemnification (both ways)
 - Worst case scenario if client is defendant: Effect on business
 - Likelihood of success
- Review *all settlement agreements* concerning IP
- The claim not brought by the client may be as important as the one brought by or against the client



DOCUMENTING THE TRANSACTION



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DOCUMENTING THE TRANSACTION

DRAFTING TIPS

- Relevant Sections of Purchase Agreement:
 - Definitions
 - Assets
 - Intellectual Property
 - Scope of Transfer
 - Representations and Warranties



DOCUMENTING THE TRANSACTION

DRAFTING TIPS

- Some typical representations and warranties:
 - Here are some lists of all the IP seller owns, has licensed from someone else and has licensed to someone else (see disclosure schedule)
 - Seller hasn't given any IP or rights away unless it's disclosed
 - Seller owns or has acquired sufficient rights to exploit the works in the way it is doing so currently
 - Good and marketable title
 - No liens or judgments



DOCUMENTING THE TRANSACTION

DRAFTING TIPS



- More Reps and Warranties:
 - All registrations and applications to government entities with respect to IP are valid and in full force and effect and all registration and renewal fees due up to closing are paid.
 - Right to use computer systems and software
 - No pending, threatened claims against seller unless disclosed
 - Seller not violating any third party rights unless disclosed
 - Third party not violating any Seller's rights unless disclosed

DOCUMENTING THE TRANSACTION

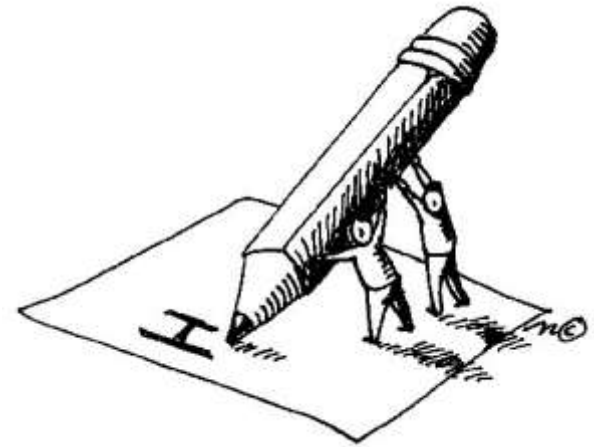
DRAFTING TIPS

- Yet MORE typical reps and warranties:
 - Domain names and trademarks are still in full force and effect as of closing and no pending or threatened challenge to domain names, opposition, cancellation, etc. as to trademarks
 - Assignability of contracts, rights thereunder
 - Owns rights to customer information, supplier information or other lists included in the IP assets being sold

DOCUMENTING THE TRANSACTION

DRAFTING TIPS

- Qualifying reps and warranties:
 - As to time period
 - As to materiality
 - As to seller's business
 - As to particular agreements' effect on the seller's business "taken as a whole", or "Individually"
- Disclose, disclose, disclose!



DOCUMENTING THE TRANSACTION DISCLOSURE SCHEDULES

- You have discovered that a number of the contracts you've reviewed, in particular the software development agreements and licenses, contain a requirement that your client obtain a consent to their assignment to a third party.
- How do you recommend that the agreement deal with this?
 - Disclosure schedules
 - Itemize all the contracts
 - Seller will exercise “reasonable best efforts” to obtain consents

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Legal Due Diligence - Encumbrances

- Is there anything that detracts from the ability to make deals freely with this IP?
 - Is there a security interest granted over the IP ?
 - Mortgage
 - Charge
 - Is there a joint owner ?
 - Patents: one owner cannot assign without the consent of the other (except US)
 - Copyright: all copyright holders must act jointly, neither can act alone
 - Does someone have an option over the IP
 - Does someone have a right of first refusal
 - Is there an obligation to manufacture in a particular country or state ?
 - Does the owner have an obligation of confidentiality



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Defective Due Diligenc



- Possible adverse impact:
 - Discovery of a joint owner that has inflated commercial expectations and puts your capital raising or deal at risk
 - Non-Renewal of trademark
 - Delays in capital raising or deal
 - Financial terms renegotiated by assignee / investor / licensee given the risks of discovered and previously undisclosed defects
 - Know-how not transferred



Goddard Cartoon ©

EXAMPLE

- In 1998 when Volkswagen was negotiating to acquire the automotive operations of Rolls Royce. VW paid £479 million for these operations, only to find that it had acquired no rights in the valuable Rolls Royce trademark. *The mark went to BMW,* which had separately negotiated to acquire the trademark rights.



Advantages of Due diligence



- Economic life of property
- Lifecycle of technology
- Nature of property - how is it used
- Legal protection of property
- Tax benefits
- Forecast of revenue and operating profits attributable to property
- Level of research and development needed to maintain property
- Cost of developing competing property

Advantages of Due diligence

- Any restrictions on exploitation
- Logical extension of property for other uses
- Extent of brand loyalty
- Extent of investment needed for property to become commercially viable
- Analysis of key people associated with property
- Extent of functional and/or technological obsolescence (e.g. software to hardware)
- Transferability of property
- Dependency on raw materials used by the property



Duties of an active IP Owner

- **IP Owner should undertake its own due diligence as part of preparing IP for a capital raising or deal**
 - Discover its own defects
 - Plug them up first
- **Prepare**
 - **IP & Contracts Map**
 - Identifies every inventor
 - Identifies every link in the chain of ownership and rights
 - Employee to Employer
 - Assignment or license from collaborator
 - Assignment from student
 - Ownership provisions in an MTA
 - Assignment from a contractor
 - Demonstrates that the IP Owner has the ownership (or rights) to deal with the IP in the deal proposed





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