

## IP STRATEGIES THAT INCREASE THE VALUE OF EMERGING/PORTFOLIO COMPANIES

### What is the Role of IP in Corporate Transactions?

- It is an asset—often valued for its potential rather than its worth today
- It is part of your story—helps you execute your business plan
- Investors, partners, or acquirers will want to hear this story
- Lawyers advising the investor/acquirer will drill down into your IP to see if there are holes in your story

Intellectual Property can also be a source of liabilities

- Risk of infringing third party IP can KILL deals...or at least adversely affect valuation
- Even a weak demand letter can frighten investors

### What Do Investors and Acquirers Do?

They conduct due diligence

- Business, technical, and legal perspectives
- How much diligence is done?
  - Acquisitions by big companies will require much more than other transactions
  - How crowded and litigious is your field?

### How Do We Conduct IP Due Diligence?

Asset/Liability approach - similar to an IP balance sheet

- Inventory IP assets
  - Identify IP assets
  - What do they cover?
  - Do they support the story?
  - Does the company have clear title to them? – If not, they can go from assets to liabilities
  - Strengths and weaknesses
- Inventory IP liabilities
  - Third party rights in patent, trademark, copyright
  - Open Source

### Make Your IP Stand Out

Don't wait for due diligence to start preparing

- If you act early, you can:
  - Drive your intellectual property assets in a direction that will best support your business strategy
  - Minimize your intellectual property liabilities
  - Maximize validity and breadth of IP

### Drive Your IP Assets to Support Your Story

Develop an IP Plan that:

- Supports your business plan
- Puts you in a position to sell your story to investors/partners/ acquirers



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What is your current market proposition?

- What will it be in 6 months? 2 years? 5 years?
- Where can you most effectively put up barriers to entry against competitors?
  - Core? Fence IP?
  - Which form of IP will best protect the features and are they protectable and/or patentable?

### What is an IP Plan?

It describes how IP will support your business:

- Offensive uses of IP—How will you create barriers to entry that keep competitors behind you
- Defensive uses of IP—How will you keep control of the important aspects of your business—keep customers?
- IP liabilities—How will you avoid the potholes

### Track the Plan Over Time

Regularly Update and Check Your Progress Against Your IP Plan

- Make sure your plan stays up to date
  - Is your business model *not* changing (unlikely)?
- Are you achieving your goals?
  - Do you have the visibility into the business to create the right IP assets?
  - Are your patent applications progressing?
    - Has the PTO or other Patent Office put a crimp in your plans?

### Execution, Execution, Execution!

Form an active IP Review Committee:

- Meet regularly – once a month to once a quarter
- Assign someone to manage IP on the inside
- Take stock of the business, e.g., has there been a change of direction, are there new products, competition moving into our space, etc.
- Include Marketing/Sales as well as CTO/Engineering in Committee
- Continually fine-tune/update your IP Plan to drive your IP assets and liabilities toward your plan

### The IP Review Committee Also Can:

- Push contributors for Invention Disclosures for key new technologies/product differentiators
- Select which innovation warrants, from IP and budget perspectives, patent application filings and which should remain secret
- Decide whether and when to perform patent clearance searches
- Choose whether and how to deploy Open Source
- Identify Licensing or Partner/Consultant issues
- Uncover employee issues:
  - Have any employees gone to competitors/partners?
  - Have you hired employees/partners away from competitors?
  - Will any of them reuse code or trade secret information?

### Special Issue: Freedom to Operate Studies

- Threshold Issue – Should you perform one?
  - It could help you to identify problems early, when they might be fixed inexpensively (and before they turn up in due diligence)
  - Or, it could cause more problems than you are prepared to handle
- How do you perform one?