Due Diligence in Transactions Involving Intellectual Property

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The process of gathering information and assessing the merits, issues, and risks associated with a business transaction is called “due diligence,” which is a critical analysis in the acquisition and strategic utilization of intellectual property (IP) assets. Due diligence is a necessary precursor to funding a new venture, and it is critically important in many other business transactions, including mergers, acquisitions, licenses, initial public offerings, and, in many instances, litigation.

Over the last several decades, businesses have placed significantly greater emphasis on developing and protecting their intellectual assets. The results of these efforts are palpable. It has been reported that in 2010, intangible assets accounted for 80 percent of the Fortune 500 companies’ market value. Yet, when conducting due diligence, businesses rarely dedicate a proportionate amount of time and resources to the valuation of IP assets. Given the current economic climate, businesses cannot afford inefficient allocation of resources. Accordingly, those enterprises that make IP due diligence a priority will be much more likely to engage in successful transactions and, in turn, reap profitable returns from their investments.

This article provides an overview of the main principles that every business decisionmaker should be aware of when performing due diligence in transactions involving IP. Each transaction, however, presents a unique set of facts, and there is no one-size-fits-all approach to due diligence. As such, business decisionmakers should consult with due-diligence counsel to develop a strategy that is optimized for each particular transaction at issue.

Understanding a Transaction: Identifying a Company’s Short- and Long-Term Business Goals

Due diligence involves asking questions, interviewing people with knowledge about relevant matters, obtaining and analyzing relevant documents, and obtaining information from independent sources. Before this can be done effectively, it is essential to understand the nature of a potential transaction and the companies involved from both a business-strategy and a scientific-technical point of view, including any time or cost constraints imposed on the information-gathering process. Only by understanding the strategic business objectives of the client can counsel direct due-diligence efforts to identify those issues that may be material to the transaction and to work to resolve those issues in a manner that helps the client attain its business goals. Many times, weaknesses in a company’s IP position can be remedied prior to completing the transaction, but only if those weaknesses are identified by due-diligence counsel who is keenly aware of his or her client’s short-term and long-term business goals going into the transaction.

The nature of the transaction and the companies involved affects the level of IP due diligence that is appropriate under the circumstances. For example, a startup computer software company will typically require more emphasis on IP than will a manufacturer of a well-established commodity. Likewise, the importance of the different types of IP (i.e., patents, trade secrets, trademarks, and copyrights) can vary widely, depending on the nature of the business or industry. If the transaction concerns a publisher or a television news organization, a detailed investigation into its procedures for avoiding copyright infringement would be in order. On the other hand, companies that market consumer products typically require a close look into trademark and design patent issues. Companies in the chemical and pharmaceutical industries require an analysis of trade secret and know-how issues. In the biotechnology and pharmaceutical industries, it is likely that patents also will be a major valuable asset under review. The nature of the transaction, the
companies involved, and their business goals greatly affect the scope of due diligence and also the makeup of the team assembled to conduct the study.

Whether the transaction involves international aspects or only domestic aspects is another factor that must be considered. While one of the goals of the recently passed America Invents Act of 2011 is to harmonize US patent law with the laws of other nations, significant differences still remain. For instance, the United States is generally more liberal in protecting inventions involving biotechnology and business methods than many other countries are. The diagnosis and treatment of human beings is not considered to be patentable in some countries. Licenses that are enforceable in the United States may need to be recorded to be similarly enforceable and to protect the underlying IP in other countries. For instance, the use of a trademark by a licensed but unrecorded licensee can lead to the loss of the trademark right in some countries but not in other countries. In the European Union (EU), one cannot prohibit a trademark licensee from challenging the validity of the licensed mark, whereas that is generally prohibited in the United States. While databases are copyrightable in most European countries, copyright protection for databases in the United States is limited to the arrangement of elements within the database.

It is impossible to definitively set forth the parameters that will be applicable to every type of due-diligence study. Checklists abound. No checklist, however, can be relied on blindly without due consideration of the company’s business goals and how they relate to the transaction at hand. Every transaction is different. For some due-diligence studies, a particular checklist will be overly broad or deficient; important information may be missed if such a checklist is followed without the exercise of independent judgment based on the short- and long-term business objectives of the company going into the transaction. For some transactions, a particular checklist may also be too detailed, and strict adherence to it could potentially get in the way of consummating an otherwise viable and important transaction. While a sample due-diligence checklist is provided at the end of this article, it is important to keep these considerations in mind.

Although there is no definitive checklist for all studies, IP due diligence generally seeks to gather information to shed light on the following:

- What IP assets does the company have, and are there any problems relating to ownership or control of those assets?
- What is the economic and strategic value of the target IP? To what extent does it provide effective exclusivity in the market for the company’s products or services? What are the potential licensing and other strategic uses of the IP?
- Does the company have potential liability for infringing on the IP rights of others? Can it market its products or services without infringing on the rights of others?

The ownership of IP assets requires a clear chain of title from the inventor, author, or previous owner, and also the recording of assignment documents in the appropriate public records. In many transactions, otherwise valuable IP assets are weakened by the lack of an assignment of all interests from all of the correct inventors, creators, or authors, or by the existence of liens or security interests that encumber the assets. These factors also can affect the ability of a company to control IP. For example, even if there is a very valuable copyright in existence, it may be a joint work whereby each author owns an undivided part of the property. A co-author who is not an employee or not under an obligation to assign ownership can potentially diminish the value of the copyright by granting rights to another entity. In addition, contracts granting rights to IP must be reviewed to identify geographic or other restrictions on a company’s ability to use what it believes to be its portfolio of current or potential IP assets.

The economic value of IP depends on the type of IP and its scope, including whether it is limited by geographical, time, or contractual restrictions. The strategic value of the property depends on how well it fits with the company’s business objectives and whether it can be effectively enforced against others in the industry. The business decisionmaker can evaluate the strategic value after he or she is fully informed of the IP’s character, scope, validity, enforceability, and limitations. Effective due diligence of IP provides critical information based on the scientific and business purpose of the transaction so that the business decisionmaker can make an informed decision about the potential risks and merits of the transaction and, if possible, remedy any weakness so as to guide the transaction toward fulfillment of the client’s ultimate business goals.

Scope of Intellectual Property: Patents, Trademarks, Copyrights, and Trade Secrets

The scope of IP involves widely different substantive issues, depending on the type of property. The scope of a US utility patent, for example, depends on its claims, which are the numbered sentences
at the end of the patent document. The number of claims is much less important than the scope of the claims. A patent with a single claim may be more valuable than a patent with 20 claims. Generally, the broader the claims, the broader the scope of the patent. Breadth alone, however, can be misleading. In the majority of current due-diligence analyses, the most important patent issue is whether the claims of the patent provide a useful scope of protection or whether plans can be easily designed around them. A patent with broad claims may prohibit competition by similar products, yet still not prevent competition by all alternative products. If alternative products can compete effectively with the patented technology but without infringing on the patent, then the patent might have relatively little value even though it covers a broad technical area. It is important to verify a company’s expectation that its patents cover particular products and also to confirm that alternatives are not readily available to compete with these products. In many due-diligence studies, this part of the analysis also involves a determination as to the validity of key patent claims.

While the US Supreme Court recently confirmed that every US patent is presumed to be valid and can only be invalidated in court by showing “clear and convincing evidence,” the fact remains that many patents are found to be invalid in litigation. In addition, there is an increasing trend for competing companies to use the ex parte and inter parte reexamination procedures of the Patent and Trademark Office (PTO) as a lower-cost alternative to litigation to invalidate patent claims, or at least to have a competitor’s patent claims amended to a narrower scope. Recent statistics show that invalidation or amendment occurs in up to about 90 percent of inter parte PTO reexamination proceedings. Moreover, under the America Invents Act, the PTO will soon be promulgating new rules for postgrant review procedures, providing yet another alternative for invalidating US-issued patents. Accordingly, in most transactions, it is necessary for due-diligence counsel to analyze the technology, the prior state of the art, and patent documents to determine the likelihood that a company’s key patent claims can withstand these types of validity challenges.

Patents observe national boundaries. The EU has a system in which a single patent application is processed until it is allowed, and then individual patents having the same text are registered in individual countries. What is commonly called a European patent is not a patent at all, but rather a published application, filed under the terms of the Patent Cooperation Treaty (PCT) of 1970, which must then be filed as an application in each individual country or with the EU before it can be processed into a real patent that provides a measure of exclusivity to its owner. In addition to patents’ being nationally limited, the type of protection varies from country to country.

The value of a trademark depends on the strength of the mark, on whether a registration has been obtained, and on a variety of other factors. Similar to patents, trademarks are essentially limited by national borders. In the United States, trademark rights can be acquired either by actual use or by seeking a registration, whereas in many countries, the first entity to register the mark may have rights superior to those of the first user.

Copyrights, on the other hand, tend to transcend national borders. A copyright created in Hong Kong, for instance, can be valid in New York without any need for registration there. However, some countries restrict the right to sue for enforcement of a copyright or limit the damages that can be recovered in the absence of a registration. Further, because of the way that the statutory copyright law developed in the United States, the date of creation may affect whether or not a work needs a copyright notice when it is first published, whether the life of a copyright was divided into two segments and required a renewal application, and the extent to which licenses can be restricted. Additionally, a grant of exclusive rights in the United States must be in writing, although what constitutes “writing” is liberally construed. In general, highly creative works may be given a broader copyright scope of protection than works that involve only a modest amount of creativity.

Trade secrets have become increasingly valuable to many companies as both a tool for achieving a competitive advantage and as a source of licensing income. Although trade secrets are sometimes given less attention than other forms of IP, their value should not be understated. A jury in the Eastern District of Virginia recently awarded DuPont over $900 million for Kolon Industries’ misappropriation of DuPont’s Kevlar® body-armor technology. A key element in protecting trade secrets is that the effort to maintain secrecy must rise to at least the level of “reasonable effort” under the circumstances (e.g., marking material as confidential, providing physical barriers, providing reminders of secrecy, and conducting exit interviews of departing employees). The extent to which such efforts are in place can affect the status and value of information claimed to be a “trade secret.”
The Due-Diligence Team

The object of due diligence affects not only the scope of the study, but also, the constitution of the team assembled to conduct the study. Due diligence is typically conducted by a team made up of management representatives, company research and development or other technical personnel, attorneys (both internal and external), accountants, actuaries, and appraisers. Each contributes to the overall evaluation of the company or other assets or venture being considered. The team is frequently led by an experienced corporate manager or attorney. Attorneys with expertise in specific areas of the law, such as IP or international taxation, are engaged as needed. Members of the team need to be able to interact with other members and to draw on their expertise as required.

In general, overview discussions should include all team management members. Management’s technical representatives and counsel should handle the IP discussions, particularly if due diligence involves complex patent or trade secret issues with specialized training and experience requirements. It may even be appropriate for an independent third party to be retained to perform all or certain portions of the technical aspects of due diligence, for example, to determine whether a patented biotech process can repeatedly achieve the desired goals or in vivo efficacy.

Inquiries of suppliers and customers should involve management or investment bankers, but contracts with third parties should be reviewed by counsel. Inspection of physical assets and facilities should be conducted by management and its technical staff, investment bankers, counsel, or accountants, and, when appropriate, counsel.

Examination of intangible assets such as patents and trademarks should be conducted by counsel and, for valuation issues, accountants. Review of regulatory approvals and licenses should be conducted by management and counsel.

Title searches, Uniform Commercial Code (UCC) filings of security interests and other liens, PTO searches, and US Copyright Office searches should be conducted through counsel. Major contracts should be reviewed by counsel, although experts may be retained to examine certain types of agreements (e.g., government-contracts counsel may be retained if government contracts are a key part of the assets or business).

Due-Diligence Procedure: Obtaining and Reviewing the Information

In the context of a corporate acquisition, basic information about the target company needs to be obtained at an early stage. A great deal of such information is publicly available and can be obtained independently through various online services and database sources. For instance, in the case of pharmaceutical companies, reference to what is known in the trade as the Orange Book, a Food and Drug Administration (FDA) publication, will identify a company’s pharmaceutical products that have been approved for marketing, the key patents that can be infringed on by generic pharmaceutical and other companies wishing to compete in that market, the scope and terms of any remaining FDA exclusivity for the products. The Orange Book can also be used to identify certain competitive products, if there are any.

Based on the business goals and objectives of the transaction, additional information is requested directly from the company. In practice, a separate request relating to IP matters is typical, but this may be combined with requests for information about other aspects of the company. It might also be appropriate to conduct initial interviews with appropriate corporate officers, in-house IP and/or FDA regulatory counsel, key inventors, engineers, artists, advertising executives, and so on. In many cases, the individuals responsible for the company’s core technology are important; such individuals should be identified and the arrangements with them explored. For instance, do they have employment contracts, have they assigned their rights to the company, or have they left the company and joined potential competitors? In some countries, inventors can have a right to receive compensation when a patent is assigned or licensed.

The key products, including detailed specifications, chemical formulas, biological activities, pharmaceutical indications, manufacturing processes, and so on, should be identified so that a determination can be made as to whether any existing third-party patents or published patent applications cover these aspects of the company’s key products. Any licenses covering an end product or its production, including any intermediates used, should be obtained and reviewed. If any specific or unique materials are necessary to the production process, such as plasmids, constructs, or cell lines in the biotechnology arena, their source and any material transfer agreements or other contractual arrangements involving them should be examined. All supply agreements, research collaboration agreements, distribution agreements, and the like should be reviewed to make sure that they are assignable and will survive the transaction, and also to determine whether they are dependent on third-party rights.

Independent contractors, consultants, and grants can be a major source of potential conflicts. Outside companies or individuals may have been utilized in
developing a product or the method by which it is produced, or in obtaining regulatory approval when required. These companies and individuals are usually independent contractors. Consultants employed in connection with a project are also independent contractors. The arrangements with independent contractors must be reviewed to ensure that ownership of any IP resulting from the work done by independent contractors, including clinical trials and consultations, vests in the company. Disgruntled former employees can also be a source of conflicts. It can be useful to review any patents that have been granted to, or patent applications that have been filed by, such individuals to ensure that none of these patents or applications is directed against the products of the company. When doing so, however, it is important to keep in mind that while most patent applications are published 18 months after they are filed, not all applications are subject to being published, and, even when they are published, there is still at least an 18-month gap measured from the initial application filing date.

When feasible, personal inspections by technical personnel should be conducted to reveal aspects of the facilities, products, and processes that are not otherwise apparent to the due-diligence team. A plant visit might also reveal whether appropriate physical security precautions and safeguards are in place, which are factors that can affect the value and scope of trade-secret protection.

A thorough independent investigation should be undertaken in connection with all key assets. For US patent assets, not only should a title search be conducted, but also, the actual assignment documents should be obtained and reviewed because they can contain special provisions not found in the published abstracts of what was recorded. The appropriate state and local UCC records should be obtained and reviewed for recorded security interests. Likewise, title searches for registered US trademarks should be conducted both at the PTO and in the appropriate UCC records; it is especially important to confirm that no mark was assigned apart from its goodwill. Information about US copyright ownership and title issues can usually be obtained by searching the US Copyright Office. The indexing used by the US Copyright Office, however, is based on the information provided by the submitting party, and if two competing copyright claimants use different titles for the same work, the conflict may not be evident. For copyrights of special interest, it is therefore generally advisable to confirm that the copyrights were properly assigned from the author to the company, especially in work-for-hire and joint-authorship situations.

Safeguarding Confidential Technical and Business Information

Before or concurrently with any information request, a suitable confidentiality agreement between the client and target companies should be in place. Sensitive commercial and technical information likely must be disclosed between the companies, and care must be exercised to maintain its confidentiality. If the transaction is not closed, the disclosing party may be concerned that the receiving party may improperly use the information, and the receiving party may be concerned about the difficulty of proving independent development. Further, competitors or potential competitors are often involved in such situations, and this involves antitrust laws, namely Sections 1 and 2 of the Sherman Act, Section 7 of the Clayton Act, and Section 5 of the Federal Trade Commission Act in the United States, or the relevant provisions of EU antitrust law (Articles 85 and 86 of the Treaty of Rome). This concern is illustrated by the US Department of Justice’s 2011 antitrust lawsuit to block the recent merger of AT&T and T-Mobile.

Access to competitive information is necessary to evaluate the likelihood of antitrust consequences. At the same time, appropriately restricting such access can avoid problems in the event that the transaction is not completed. To the extent that it is practical, information can be compartmentalized so that only specified members of the due-diligence team are allowed access to particular categories of information. This will eliminate or at least minimize the likelihood that problems relating to an incomplete transaction will arise.

The importance of appropriately restricting access also arises in situations that involve information protected by the law from disclosure to others under the attorney-client privilege doctrine. Thus, during preliminary or follow-up interviews, and in connection with requests for documents, consideration should be given as to whether to elicit responses that could potentially waive the company’s attorney-client privilege.

The Attorney-Client Privilege Doctrine in Due Diligence

By definition, the attorney-client privilege applies to communications from a client when an attorney, acting as such, is gathering information from the client (without the presence of third parties) for the purpose of rendering legal advice or services or is
rendering legal advice to the client. Disclosure of opinions of counsel, for example, could be deemed a waiver of a company’s privilege with respect to the subject matter of those opinions. A waiver was found to have taken place in one case when the “parties took no steps to safeguard the privilege” and the prospective seller “sought commercial gain, not legal advantage, through disclosure of its lawyer’s advice.” In other cases, the disclosure of information during arm’s-length negotiations between joint venturers waived the privilege.

The general definition of the attorney-client privilege (confidential communications between the client and his or her attorney, who is obtaining information for rendering legal advice or services or rendering legal advice) provides guidance about how to proceed so as to maintain the privilege. The attorney may wish to consider having a written request for legal advice from the client, because this may make it easier to establish the existence of an attorney-client relationship. The presence of certain third parties during interviews can vitiate the privilege and can dictate the exclusion of some members of the due-diligence team (members who are not acting as attorneys or within the management-control group of the client) from certain discussions and information gathering, if only to avoid raising a question about privilege relating to whether information was shared with anyone other than the attorney and the “client.”

In the United States, sharing information between entities that have a community of interest is generally protected by the attorney-client privilege. One court defined a community of interest as situations in which separate corporations “have identical legal interest with respect to the subject matter of a communication [and the] key consideration is that the nature of the interest be identical, and not similar; and be legal, not solely commercial.” The scope and effect of the community interest doctrine varies depending on jurisdiction and can work as an exception to the general rule that disclosure of otherwise privileged information to third parties results in a waiver of privilege.

The formation of a community of interest may be inferred from merger-acquisition negotiations. In one case, the disclosure of a patent opinion of a target company to a potential acquiring company was found not to have waived the privilege. Both companies involved in a due-diligence situation have a legal interest in ensuring that there is clear title to the IP involved and in avoiding infringement on the IP of others. This understood common interest should, in most circumstances, be sufficient to maintain the privilege based on the community of interest between the companies. Nevertheless, it is best not to leave anything to inference. In another case, a court found that there was no privilege because of a failure “to prove that the parties to [license] negotiations shared an identity of interests such to invoke the common interest doctrine.” It is therefore prudent to include an appropriate “whereas” clause in the confidentiality agreement or in other preliminary communications between the companies so as to establish their community of interest. If the contemplated transaction is completed, the acquiring company may of course wish to assert the attorney-client privilege for itself, rather than causing a waiver of it in the course of conducting due diligence for the potential transaction.

In matters involving foreign inquiries, care must be taken to understand the scope and limitations of the privilege in other countries. US courts may apply foreign law in accordance with conflict-of-law considerations; foreign law may not provide for any attorney-client privilege. For instance, asking British counsel for information about ongoing patent litigation would likely not be privileged. British law provides that an inquiry is privileged if the inquiry is made after litigation is commenced or in contemplation of litigation, and also is for the purpose of obtaining legal advice in the litigation or obtaining information and evidence for use in the litigation. Due diligence does not typically satisfy the latter requirement.

**Conclusion**

Before a due-diligence study can be conducted effectively, it is essential to understand the nature of the potential transaction and of the companies involved from both a business-strategy and scientific-technical point of view. Only by understanding the business objectives of the client can counsel direct due-diligence efforts toward identifying those issues that may be material to the transaction and work to resolve those issues in a manner that helps the client attain its business goals.

Due diligence seeks to determine the existence, ownership, and control of IP assets, the economic and strategic value of the IP, and the potential for liability for infringing on the IP rights of others. The economic value usually depends on the type of IP and its scope, including limitations of geography or time, or potential contractual restrictions. The strategic value of the property depends on how well it fits in with the business objectives and whether it can be effectively enforced against others in the industry.

It is important that counsel conducting IP due diligence complete not only a thorough investigation, but also, one that is guided by an understanding of the client’s business goals and a sensitivity to the confidential and privileged nature of the information involved.
Conducting due diligence as outlined in this article will maximize the likelihood that material issues will be identified and, if possible, remedied before closing a transaction, a time when such issues are typically most easily remedied. Due diligence as outlined here will also minimize the possibility that the investigation might unduly interfere with consummating an otherwise viable transaction or cause problems based on a lack of sufficient planning regarding the disclosure of privileged and confidential information.

Suitable arrangements as to confidentiality should be made, but even so, some disclosures should be compartmentalized among the team members and limited so as to avoid breaches of confidentiality and the waiving of any attorney-client privilege that would otherwise exist. The due-diligence team may wish to use the following checklist, modified to fit the transaction under consideration, as a guide to the inquiries to be made.

**Due-Diligence Team Checklist**

### Patents
1. Obtain technical descriptions of products, including formulations and manufacturing processes. Review key FDA or other regulatory communications pertaining to the products.
2. Assess the company’s procedures for identifying patentable inventions and designs, and for ensuring that applications are timely filed. Determine whether the procedures are followed and are appropriate and effective under the circumstances.
3. Obtain a complete list of the company’s US, international, and foreign patents and patent applications, both utility and design.
4. Obtain confirmation that the company has recorded assignments (when applicable) for all US and foreign patents and patent applications.
5. Determine whether the company has assigned or granted security interests against any patents or patent applications.
6. Obtain patent maintenance and annuity fee records. Obtain confirmation from independent sources. Identify patents that are expired and/or no longer enforceable.
7. For patents of special interest, request all prior art in the company’s files. Determine whether there are any validity issues that would justify further prior art searches and analyses or other investigations, such as verifying data and test results relied on during prosecution before the PTO.
8. Obtain any correspondence from the company accusing others of infringing on its patents and/or offering licenses under the target company’s patents. Consider whether any matters justify further negotiations and/or litigation.
9. Identify any actual or threatened litigation/claims against the company, such as cease and desist letters. Assess the merits of all such allegations against the company. Identify all license offers made to the company. Identify the current status of any ongoing proceedings or negotiations. Obtain copies of settlement agreements and releases.
10. Identify and review all license agreements, covenants not to sue, supply agreements, and indemnification agreements.
11. Review the results of patentability and right-to-use searches conducted or commissioned by the company. Consider whether to request corresponding legal opinions, keeping in mind that disclosure of such opinions may potentially waive the attorney-client privilege.
12. Review all records of audits conducted by or against the company pursuant to any type of IP license agreements and/or research and development agreements.
13. For US patents of special interest, obtain assignment records from the PTO and conduct UCC searches. Engage foreign counsel to confirm ownership and clear title to foreign patents of special interest.
14. Search for patents and patent applications in the names of key personnel, consultants, and principal clinical trial investigators to ensure that the patents and patent applications were assigned or licensed to the company.
15. For patents of special interest, when further investigation is justified, obtain prosecution histories from the PTO (engage the assistance of foreign counsel for foreign patents) and analyze the claim scope in light of claim terms, patent specification, prosecution history remarks, and potential avenues for competing design around strategies.
16. Check employee, consultant, clinical trial investigator, and officer agreements to confirm obligations to assign US and foreign rights.
17. Conduct freedom-to-operate searches for the company’s products and processes, including use of manufacturing intermediates and contemplated future products and processes. Assess the results of the searches.

### Trademarks
1. Review all products and marketing, promotional, and packaging materials of the company to determine trademark usage.
2. Obtain copies of all US and foreign trademark registrations and registration applications.
3. Identify all assertions of trademark infringement, trade dress infringement, dilution, or unfair competition made by or against the company.
4. Determine whether any trademarks have been recorded by the US Customs Service by or against the company.
5. Obtain records of any US opposition or cancellation proceedings and equivalent foreign proceedings.
6. Review all material trademark renewal records.
7. Obtain results of trademark searches conducted by the company.
8. Confirm ownership and clear title to company trademarks, trade names, and domain names. Conduct independent title searches at the PTO and in appropriate UCC records.
9. Identify and resolve any potential domain name disputes.
10. Review assignments, licenses, covenants not to sue, and security documents, when appropriate.
11. Identify any marks of the company that may have been abandoned.
12. Identify procedures employed by the company for quality control monitoring of licensee use of trademarks.
13. Conduct independent searches for trademarks of special interest.

Copyrights
1. Identify all of the company's copyrights of interest.
2. Review all material work-for-hire agreements and consultant contracts.
3. Evaluate the company's policy for identifying and protecting its own copyrights.
4. Evaluate the company's policy for avoiding infringement and obtaining copyright clearance to protect against infringement claims.
5. Identify all assertions of copyright infringement by or against the company.
6. Review all copyright assignments, licenses, and other transfers. Review records at the US Copyright Office for copyrights of special interest.
7. For all transfers of material copyrights, determine which individual aspects of the copyright were transferred.
8. Check employee, consultant, and officer agreements for acknowledgement of employee status for copyright purposes, and so on.

Trade Secrets
1. Obtain a list of the company's material trade secrets.
2. Determine whether appropriate confidentiality and noncompete agreements are in place, especially with respect to key personnel.
3. Evaluate the adequacy of hiring and exit interviews procedures. Review records for key personnel.
4. Evaluate secrecy policies, including physical security, employed by the company.
5. Evaluate security policies for computer software and electronic data.
6. Consider the impact of recent arrivals or departures of key personnel.
7. Review know-how licenses and other technical assistance agreements, indemnification agreements, and confidentiality agreements.

Miscellaneous
1. Consider any potential improper anticompetitive effects or antitrust scrutiny under the circumstances.
3. Determine whether key technologies and other IP rights have been transferred to one or more government agencies, such as via US government purpose-rights provisions.
4. Consider the applicability of other types of IP, including semiconductor chip protection, right of publicity, plant patents, domain name registrations, and so on.
5. Assess the adequacy of insurance coverage against IP infringement claims.
6. Consider the character of key licensed rights with respect to, for instance, exclusivity, field of use restrictions, geographic restrictions, and royalty rate structures.
7. Consider appropriate language for public announcements relating to the transaction.