

Transferring Intellectual Property

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Four Major Steps

- I. Due Diligence Investigation
- II. Correction of Defects Prior to Transaction
- III. The Transfer Agreement
- IV. Post-Transfer Issues



Due Diligence Investigation

- The Scope of the Investigation is Determined by:
 - Technology Considerations
 - Amount and Type of Information
 - Time Constraints
 - Risk Level
 - Development Potential

Freedom to Operate

- 3rd Party Rights
 - Risks of Willful Infringement
 - Scope of 3rd Party Rights
- Export Control
 - Compliance Procedures and Licenses

Ability to Protect Products and Markets

- Identify Scope of IP
 - Review
 - Copies of All Patents, Trademarks, Copyrights and Pending Applications
 - Searches, Reports and Opinions
 - Maintenance and Renewal
 - Key Employees

Ability to Protect Products and Markets

- Ensure Ownership of IP
 - Review
 - Title Recordation
 - Restrictions/Limitations
 - Security Interests

Ability to Protect Products and Markets

- Determine Strength/Weakness of IP
 - Review
 - Covered Products or Services
 - Licenses
 - Strategic Patents

Ability to Protect Products and Markets

- Determine Use of IP
 - Review
 - Enforcement History
 - Notice
 - “Worked” Foreign Patents
 - Lapse of Use

Ability to Protect Products and Markets

- Review Transferor's IP Procurement Procedure
 - Evaluation Procedures
 - R&D Records
 - Work-for-Hire Provisions

Ability to Protect Products and Markets

- Review Documentation and Information Dissemination Procedures
 - Document Retention
 - Protection of Confidential Information

Ability to Protect Products and Markets

- Review Trade Secret Management
 - Identify Trade Secrets
 - Identify Procedures
 - Review Documentation
 - Review Confidentiality Agreements

Due Diligence

- Review Agreements Affecting Intellectual Property Assets
 - Issues: Assignability, Required Consents, Termination, Restrictions, Improvements and Non-competes

Documents to Review:

- Employment Agreements, Research Agreements, Consulting Agreements, Joint Venture Agreements, Sales Agreements, Distributor Agreements, Indemnification Agreements, Tolling Agreements, Government Contracts, Franchise Agreements, Licensing Agreements, and Interference Settlement Agreements

II. Correction of Defects Prior to Transaction

- Typical Defects:
 - Incomplete Assignment
 - Defect in the Chain of Title
 - Ownership with Affiliate
 - Risk of BFP
 - Liens or Encumbrances
 - Inadequate Patent Disclosure
 - Lack of Confidentiality

III. The Transfer Agreement

- Definitions and Other Terms

- Intellectual Property

- Scope

- Broad vs. Narrow
 - Know-how, Technology and Proprietary Information
 - Legal Rights



The Transfer Agreement

- General Provisions
 - Time Limitations
 - Damage Limitations
 - Exclusions

Representations and Warranties

- Ownership
 - Review
 - Public Records
 - Creation
 - Knowledge Qualifiers
 - Efforts

Ownership

■ Patents

- Granted to Inventor, Unless Hired to Invent
- Necessary Assignments

■ Copyrights

- Work or for hire 17 U.S.C. § 101

■ Licenses

- Assignability
- Termination

Registered Intellectual Property

- Identification
- Maintenance and Renewal
- Patents
 - Patent Cooperation Treaty
 - “Provisional” Patent Applications



Registered Intellectual Property

- Trademarks
 - Foreign Filings
 - Domain Names
- Copyrights
 - Benefits of Registration

Registered Intellectual Property

- Security Interests

- “General Intangibles”
- Search both UCC State Records and Records of the USPTO and Copyright Office

- Licenses

- Exclusivity

Representations and Warranties

- Validity
 - Patents
 - Utility
 - Novelty
 - Nonobviousness
 - Prior Art
 - Trademarks
 - Prior use
 - Strength of Mark



Representations and Warranties

■ Protection

– Trade Secrets

■ Reasonable Steps

- Confidentiality Agreements
- Limited Access
- Accounting For All Copies
- Encryption
- Legends and Notices

■ Former Employers



Representations and Warranties

- Noninfringement
 - Patents
 - Unintended Infringement
 - Interpretation
 - Trademarks
 - Unknown Prior Use
 - Copyrights
 - Originality
 - Trade Secrets
 - Independent creation

Representations and Warranties

- Noninfringement

- License Rights

- Shrink-wrap
 - Unique License Agreements
 - Assignability
 - Consent
 - Strategy
 - Direct License
 - Patent Licenses are nonassignable unless otherwise provided

Representations and Warranties

- Rights to Required Intellectual Property
 - Unknown 3rd Party Patents
 - Future Use

Indemnification

- Allocation of Risk
- Coverage
 - Intellectual Property Rights
 - Limitations
 - Known Risks
 - Limit Foreign Exposure

Indemnification

- Expenses
 - Attorney Fees
 - Damages or Settlement
 - License Fees or Royalties
- Notice and Cooperation
- Timing

Indemnification

■ Remedies

- Reimbursement
- Right to Modify or Obtain a License
- Right to Terminate

■ Exclusions

- Combined Technology
- Alteration or Modification

IV. POST-TRANSACTION ISSUES

■ Recordation

– Purpose

- Priority Over a BFP
- Patents and Trademarks
- 35 U.S.C. § 261
 - Record within 3 Months From the Date of Execution
- Copyrights
- 17 U.S.C. § 205
 - Record within 1 Month or Prior to the Recording of the Subsequent Transfer

Documents Suitable for Recordation

- Assignment
- Security Agreement
- Merger Agreement
- Change of Name Certificate
- License Agreement
- Foreclosure Statement
- Lien
- Contract

Requirements for Recordation

- IP Transfer Document (certified true copy or original)
- Cover Sheet
- Applicable Fee
- Special Situation
 - Name Changes/Mergers
 - Security Interests/Licenses
 - Foreign Filings

IV. POST-TRANSACTION ISSUES

■ Bankruptcy

- Licensor Petitions for Bankruptcy
 - The Intellectual Property Bankruptcy Protection Act
 - If Rejected Licensee May:
 - Terminate the License and File for Damages,
or
 - Retain Rights Under the Agreement

Licensors Petitions for Bankruptcy

- Consider Whether an Executory Contract Makes Sense
- Make Sure License is Covered by §365(n) of the Act
- Separate Royalty and Licensor Service Contacts
- Respond to a Decision to Reject License Agreement

Licensee Petitions for Bankruptcy

- Assignment of the License Agreement
 - Non-exclusive Patent License
 - Exclusive Patent License