

Morgan Lewis

# 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

# I. 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:

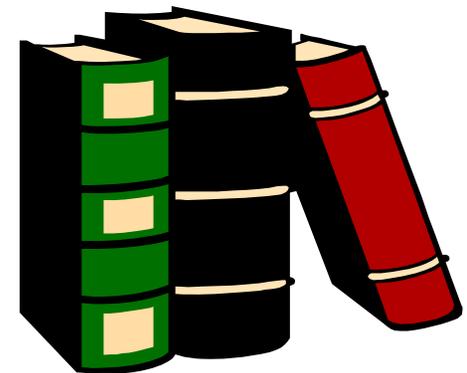
- Employment Agreements, Research Agreements, Consulting Agreements, Joint Venture Agreements, Sales Agreements, Distributor Agreements, Indemnification Agreements, Tolling Agreements, Government Contracts, Franchise Agreements, Licensing Agreements, and Interference Settlement Agreements

## 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
  - Lack of IP Markings

# 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

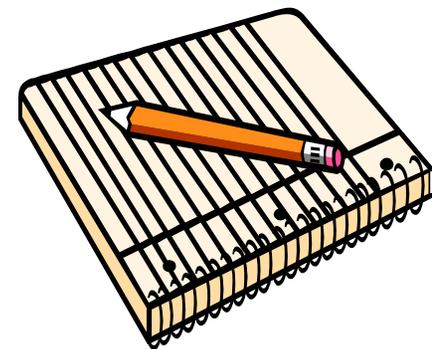
- Ownership
  - Review
    - Public Records
    - Creation
- Knowledge Qualifiers
- Efforts

# 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

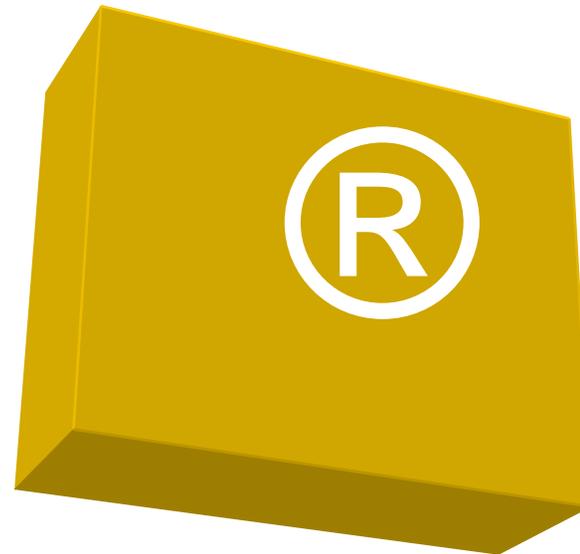
- Trademarks
  - Foreign Filings
  - Domain Names
- Copyrights
  - Benefits of Registration

# Registered Intellectual Property

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

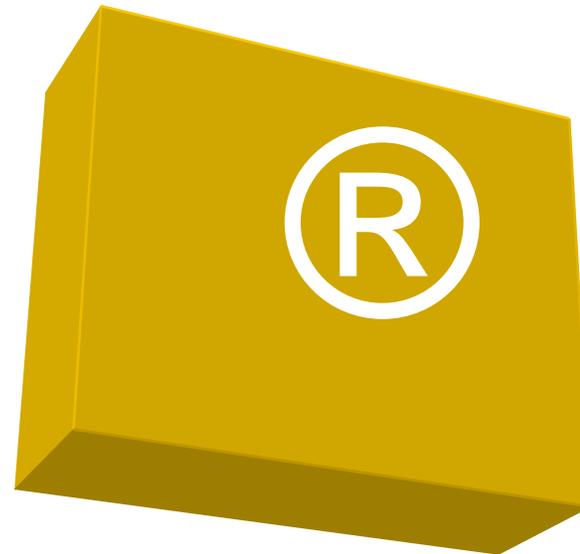
# Representations and Warranties

- 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

# Licensor 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