

Due Diligence

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Summary

This white paper describes due diligence investigation as it relates to intellectual property. K&K clients benefit from K&K attorneys' extensive experience with procedural and substantive intellectual property law during every step of obtaining and enforcing intellectual property rights.

Due diligence investigations are usually conducted in conjunction with an investment or transaction, such as a licensing deal, merger, or acquisition. Depending on the situation at hand, the investigation could also include an assessment of the copyrights, patents, trademarks, trade secrets, and any other intellectual property of the target company and an independent investigation of each property's potential liabilities, potential weaknesses and strengths, logistical information (filing dates, expiration dates, maintenance fees, assignment records, etc.), prosecution history and related prior art, ownership information, and inventorship. The following provides a broad overview of some of the issues unique to each branch of intellectual property.

Patents

In a due diligence investigation involving patents, the investigation could include a review of the patents, patent applications, invention disclosures, and their associated file histories. The investigation could reveal issues with inventorship, claim amendments, prior art references, and possible prosecution history estoppel. The due diligence investigation could also include reviewing ownership agreements, ensuring that the chain of title is continuous and correct, assessing whether any third parties have a security interest in the subject patents or patent applications, and verifying that all issue and maintenance fees have been paid. Depending on the investigation, a review of the records in both in the U.S. Patent and Trademark Office (USPTO) and in any Uniform Commercial Code (UCC) filings may be warranted. In some cases, a review of any patent pending or patented products covered by an issued patent may also be warranted to check for proper markings and compliance with company standards.

Copyrights

In a due diligence investigation involving copyrights, the investigation could include a review of copyrighted works of commercial value. The investigation could reveal issues with authorship and ownership of such works. For example, the investigation could include verifying that employees and consultants executed express assignments of the copyrights to the apparent copyright owner. The due diligence investigation could also include reviewing ownership agreements, ensuring that the chain of title is continuous and correct, assessing whether any third parties have a security interest in the subject works, and verifying that all registrations were completed properly. When the subject works include software, the investigation could include reviewing any licenses in which the subject works were named (or should have been named). In some cases, the investigation may warrant reviewing the works for proper copyright notices.

Trademarks

In a due diligence investigation involving trademarks, the investigation could include a review of registered marks (both domestic and foreign) and common law marks. The investigation could include verifying ownership and licensing agreements, ensuring that the chain of title is continuous and correct, assessing whether any third parties have a security interest in the marks, and verifying that all registrations were completed properly. If the marks are involved in a licensing agreement, the investigation could include verifying that the goods and services associated with such marks meet specified quality standards. The due diligence investigation may also warrant reviewing the products, promotional materials, websites, and other materials for proper trademark markings and assessing whether any potential infringements may be identified. In cases involving products imported from a foreign country, the investigation could include an inquiry into whether

any of the registered trademarks were recorded with U.S. Customs.

Trade Secrets

In a due diligence investigation involving trade secrets, the investigation could include a review of the procedures and protection systems in place to maintain the trade secret. For example, the investigation could include a review of employment agreements, employee handbooks, standard operation procedures, licensing agreements, confidentially agreements with third parties, and security measures related to the trade secret.

If you are interested in additional information on the topic of due diligence, or if you have any questions, please contact a K&K attorney. K&K offers an array of services in the areas of intellectual property including patents, trademarks, copyrights, trade secrets as well as intellectual property litigation and enforcement. Further information on these and other services is available at www.kk-llp.com.

About Klemchuk Kubasta LLP

Klemchuk Kubasta LLP is an IP boutique law firm offering a full array of intellectual property related services, including litigation and enforcement of all forms of intellectual property, as well as registration and licensing of patents, trademarks, trade dress, and copyrights. The firm also provides legal services relating to trade secrets, unfair competition, domain names, e-commerce, privacy policies, Internet law, commercial litigation, and business litigation. Located in Dallas, Texas, Klemchuk Kubasta LLP supports a diverse client base ranging from individuals and startups to established market-leading companies. Through its Virtual IP CounselSM and Virtual General CounselSM programs, the firm also has experience with technology incubators and pre-first round financing technology start-ups. Klemchuk Kubasta LLP also serves as local counsel for IP and commercial litigation cases pending in Texas, including the federal courts in the Northern and Eastern Districts of Texas. Additional information about the firm and its attorneys may be found at www.kk-llp.com.

About Darin M. Klemchuk

Mr. Klemchuk, an intellectual property trial lawyer, focuses his practice on patent, trademark, copyright, trade secret, and other intellectual property litigation and enforcement. In addition, Mr. Klemchuk has extensive experience representing clients in commercial and business disputes, particularly software development, trade-secret, and non-compete disputes. Named by D Magazine as one of the "Best Lawyers in Dallas," in Intellectual Property for the third year in a row (2007-09), Mr. Klemchuk also focuses on intellectual-property licensing and technology agreements and serves as local counsel for out of state plaintiffs and defendants involved in patent, trademark, copyright, IP, and commercial litigation in the state and federal courts in Dallas, Texas. Learn more about

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About Kelly J. Kubasta

Mr. Kubasta, an intellectual property attorney, has substantial experience in all aspects of IP, with a particular emphasis on patent, trade dress, trademark, and unfair competition litigation. Mr. Kubasta is also skilled in counseling clients on strategic development and utilization of IP assets; negotiating and drafting technology transfer agreements such as software, dealer/franchise, and co-branding agreements; developing and maintaining patent, trademark, and copyright portfolios; constructing Internet e-commerce policies; and resolving domain name disputes through ICANN or the ACPA. In addition, Mr. Kubasta serves as local counsel in patent, trademark, trade dress, copyright, and unfair competition litigation in the federal courts in Dallas, Texas. Learn more about

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