

DUE DILIGENCE

Acquisition of new technology, via licensing, joint ventures, mergers etc. involves the transfer of IP. Due diligence is an information gathering exercise which tests the viability, risks and future probability of the transaction in question.

A due diligence exercise relating to IP assets represents a different challenge to an analysis of a company's physical assets. It should comprise a thorough audit of the seller's IP assets. All registered and unregistered IP rights should be identified and their current status, expiry dates and fee payment histories checked. A buyer of IP assets must satisfy itself that the seller has the legal right to transfer the property in question, for example, as owner or via sub-licensing rights.

The consequences of wrongly assuming that a seller has legal rights to transfer the property are potentially disastrous. Whilst due diligence is usually carried out by a member of the Office of Commercialisation, attached is a checklist that outlines the key considerations in carrying out due diligence which researchers should be aware of.

Due Diligence - Checklist

Key considerations	Comments	Yes	No	N/A
Identification of the rights	Have all Australian and foreign issued and pending patent applications been obtained?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Have key patents and patent applications and their remaining terms been identified?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Have the status and fee payments of all patents and patent applications been checked?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Have Patent Office Register and databases been checked for names of the patentee or applicant and for records of assignments, licences and securities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Are the seller's products within the scope of the patent(s) or the subject of pending application(s)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Has the seller/licensor patented all or only some of its products and services?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Is there any scope for filing further patent applications?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Are all patented products marked with appropriate patent numbers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ownership or title of rights	Have all contractual agreements such as employee agreements, contract research and consultancy agreements, licence agreements, Non-Disclosure Agreements, assignments and third party funding terms been checked?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Are there any restrictions or limitations on the use of the patent or any third party ownership rights?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Is a patent ownership opinion letter required from a patent attorney?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Validity of rights	Have all relevant prior art publications, evidence of prior use, results of prior art and infringement searches, reports and opinions that the seller possesses concerning the validity and enforcement of its patents or patent applications been checked?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Have all past attorney opinion letters regarding validity been checked?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Are there opposition, re-examination or revocation proceedings relating to the patent or patent applications from which copies of any decisions and relevant documentation can be obtained?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scope and strength of the rights	Has the scope of all claims been checked in order to determine the risk of them being "invented around"?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Has all confidential information and know-how been identified and is it secure?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Enforcement of rights and third party infringement	Have written opinions confirming that rights do not infringe those of others been gathered?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Have there been any infringement proceedings by or against the patentee in relation to the patent(s) in the past?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Key considerations	Comments	Yes	No	N/A
Licences	Have copies of all licences and related correspondence been collected?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Have all relevant features of the licence, such as type, scope, term, termination clauses, licensor's rights to improvements, revenue streams and obligations been considered?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Considering the competition	Does the competition or the seller have the market "sewn up", ie. do their IP rights dominate?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Warranties	Have any warranties been sought?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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