



INSIDE TECHNOLOGY

Managing Patent Transactions: What Makes Good Patent Due Diligence?

Thursday, March 26, 2009

4:00 pm – 5:00 pm

IP MARKETS 2009
FEATURING OCEAN TOMO LIVE IP AUCTIONS



QUALCOMM



Panelist introduction

- Micky Minhas, VP, Patent Counsel, Qualcomm Inc.
- Jeff Miller, Partner, Orrick, Herrington & Sutcliffe LLP
- Natasha Radovsky, Senior Manager, Patent and Technology Licensing/Sales, The Boeing Company
- Michael Thumm, Vice President, Chipworks Inc.

Don't pull a Homer



Trends we see

- Rise in number of patents on the market, number of transactions and players involved
 - Recession
 - More companies who previously would not sell are putting patents on the market
 - Raise cash
 - Focus on core business lines
 - Reduce maintenance fees
 - Over 150 brokers, agents, etc.
- Buyers are raising the standard with respect to purchasing high quality patents
 - Targeted versus bulk buy
 - Based on perceived need in a given area



Corporate buy side due diligence Micky Minhas

Qualcomm's IP strategy

- Business strategy drives IP strategy which feeds back into business strategy:
 - Offensive value
 - Defensive value
 - Deterrent value

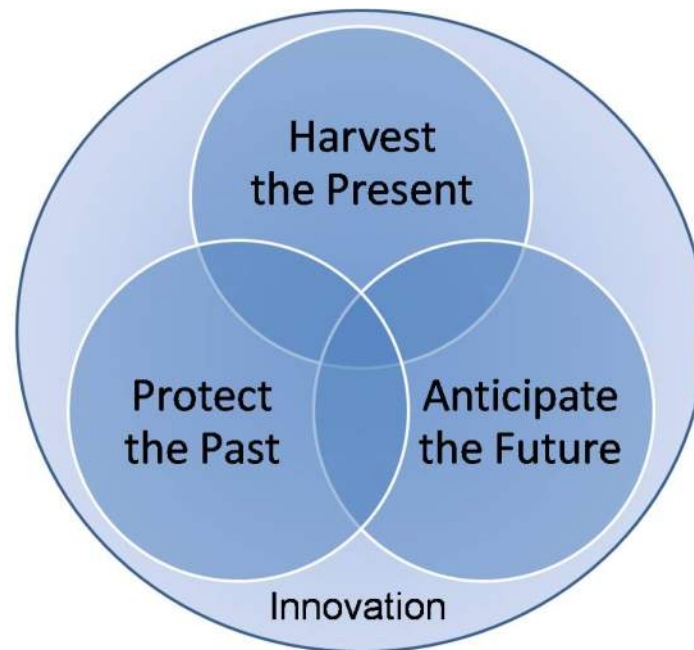


Figure 1: IP Strategy

Elements of good due diligence

- Conduct “forms” of due diligence throughout the evaluation process
 - Course review
 - Claim scope
 - Initial validity impressions
- Additional considerations
 - Full listing of patent assets, US and foreign
 - Assignment documents
 - Ownership documents
 - Security interests, liens
 - License agreements
 - Standards commitments
 - Analyze company relationships, check red flags
 - Close development with another company
 - University relationships



Managing relationships throughout the process

- Identifying and finding patents
 - Brokers
 - Ventures
- Evaluating patents
 - Develop engineering teams that are technology specific (internal and/or consultants)
 - Evaluate patents on basis of infringement read or perceived breadth, validity, encumbrances (standards and licensing)
- Legal and technical opinions
 - Using internal resources
 - Using external resources



Legal due diligence Jeff Miller

The basics – required in every deal

- Ownership
 - Critical to establish that seller owns patent
 - Review contracts with ALL inventors
 - Assignment recorded with PTO?
 - Use foreign associates for any foreign patents
 - <http://assignments.uspto.gov/assignments/>
 - Things to look for
 - Name of selling entity matches assignment documents
 - State of incorporation - Is seller's state of incorporation the same as what is in the assignment documents?
 - Chain of title



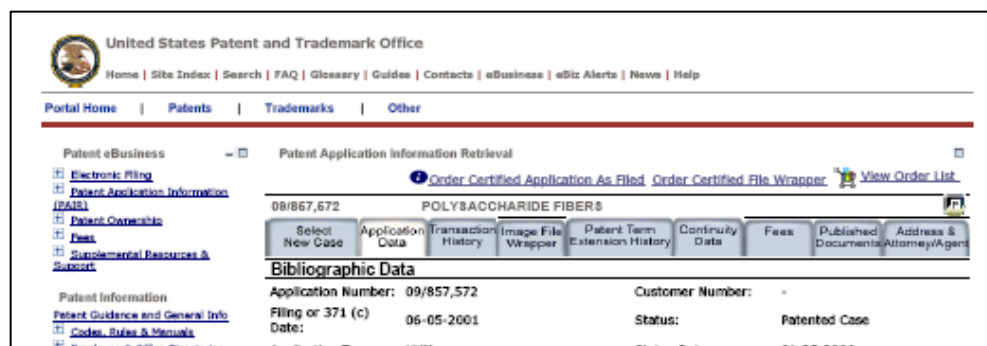
The basics – required in every deal (cont'd)

- Ownership (continued)
 - Make sure selling party still is a legal entity
 - Registrations may have lapsed
 - Get proper documentation for foreign patents at deal close
 - Foreign countries have different requirements for documentation required to transfer ownership of patents
 - Often difficult to get from assignor once deal closes
- Demand to see any license agreements
 - Patent may be licensed (exclusive? non-exclusive?)
 - Large companies have extensively licensed their entire portfolio
 - Reps and warranties?



The basics – required in every deal (cont'd)

- Patent families
 - Does patent have parents or children?
 - Easy to determine using the PTO's PAIR service (and others)



- If so, are the parents/children included in the transaction?
 - Check for Terminal Disclaimers
- Foreign applications?
- Fees
 - Easy to determine using the PTO's PAIR service (and others)
 - Have all maintenance fees and annuities been paid?

The basics – required in every deal (cont'd)

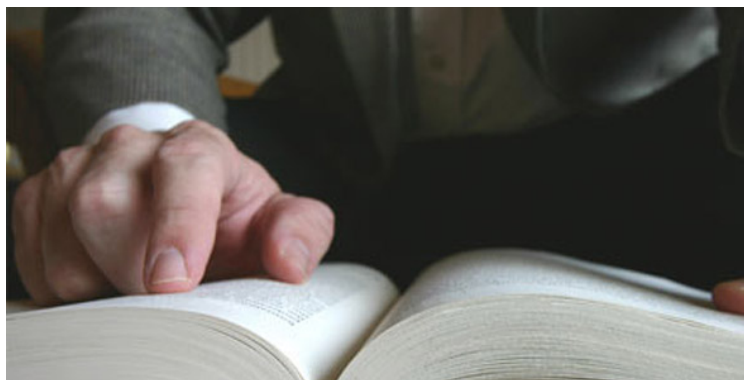
- Prosecution fundamentals
 - Proper inventor declaration filed?
 - PTO sometimes misses this
 - Information Disclosure Statements filed?
 - If not, red flag
 - If possible, search inventors names for non-patent publications to see if all citations from their papers were provided to PTO for consideration

- Claims
 - Check for obvious issues
 - Too narrow?
 - Too broad based on your understanding of prior art?
 - Do claims meet new patentability standards?
 - *In re Bilski*, 545 F.3d 943 (2008)
 - *KSR International v. Teleflex*, 127 S. Ct. 1727 (2007)



Advanced due diligence

- Study specification
 - Any disclaimers/narrowing statements?
- Review prosecution history in detail
 - Responses/amendments
 - Claims amendments (doctrine of equivalents)
- Prior art search
 - Check to see if buying a “pig in a poke”



Technical due diligence

Mike Thumm

Questions technical due diligence tries to answer

- Does the patent portfolio have value?
 - Are the inventions being practiced?
 - Are the inventions being practiced in a marketplace that you care about
 - Are the inventions being practiced by a particular player in the marketplace you care about
 - Can you prove the inventions are being used?
- All things being equal, evidence of use is the best indicator of patent portfolio value



Who performs technical due diligence

- Performed by in-house technical experts
- In-house experts work with external suppliers where
 - Specific technical or market knowledge is required
 - Technical capabilities are required
 - Resource limitations
- Key is to have the right internal / external mix



Factors impacting depth of technical due diligence

- Size and price of portfolio being acquired
- Purpose of patent portfolio acquisition
 - Targeted acquisition for a negotiation or possible litigation
 - General strengthening of overall portfolio
- Depth of technical due diligence
 - Sniff test
 - Patent review – various depths
 - Evidence of use
 - Prior art/prior use

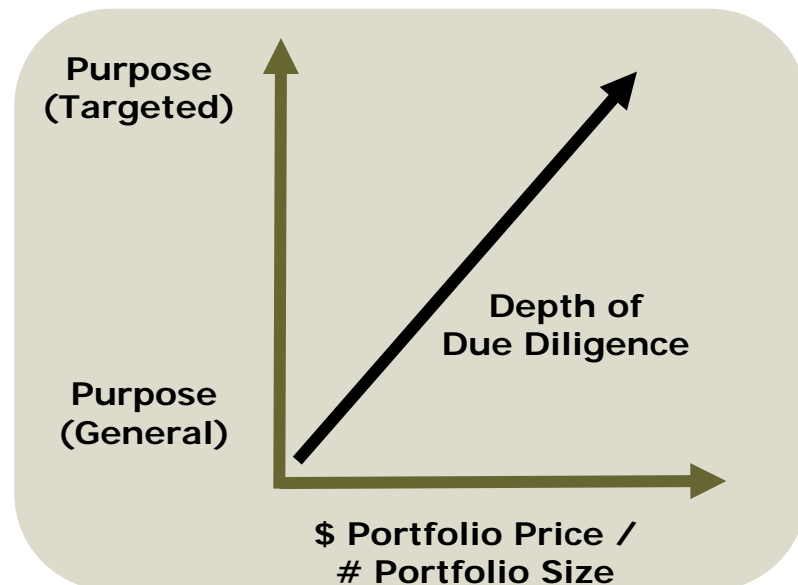


Figure 1: Technical due diligence scale

Technical due diligence best practice case studies

- **Case 1 – Objective: Improve cross-licensing position**
 - Company A has exhausted their own portfolio but still needs more claim charts to keep piles even and extend revenue coverage
 - Best practice: Company A purchased patents that are used in Company B products as proven by technical due diligence – evidence of use

- **Case 2 – Objective: Create counter-claim**
 - Electronics OEM company A sued by niche consumer product company B
 - Electronics OEM company has no patents in company B technology area but needs something against company B to file counter-suit
 - Best practice: Company A purchased patents that are used in Company B products as proven by technical due diligence – evidence of use

- **Case 3 – Objective: Launch assertive licensing campaign**
 - Company A considering the purchase of patents to expand licensing program into new markets
 - Best practice: Company A purchased patents that are likely being used in the new market as proven by technical due diligence – patent reviews

Corporate sell side due diligence Natasha Radovsky

Sell side due diligence

- Ownership
- Title
- Assignment documentation
- Chain of title
- Foreign counterparts
- Family members
- Maintenance Fees
- Potential liens mortgages, UCC filing claims



Sell side due diligence (cont'd)

- Encumbrance review
 - Other licenses (exclusive, non-exclusive, sublicensing rights, etc.)
 - Other agreements
 - Purchase Orders
 - Government contracts
 - Funding source
- Patent is adapted as Industry Standard
- Inventors' availability for tech assist
- File history review – no crazy memos



Audience Q&A

Thank you!

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