

## Using a Multi-faceted Virtual IP Deal Room System in an M&A Transaction

In any acquisition or merger transaction, conducting due diligence on a target company's patent portfolio is critical. In some cases, a company's patent portfolio is its most valuable asset. In performing due diligence, legal counsel is required to carefully review the target company's patent case files. The review typically focuses on three areas:

- (i) Ownership of the patents: are there any ownership concerns? Are there any licensees? Have the proper assignments been filed?
- (ii) The strength of the claims: are there any prosecution history estoppel issues? Have any infringement claims been filed by third parties?
- (iii) Expiration issues: have the patent maintenance fees been paid?

Legal counsel will need to review thousands of pages in order to complete a proper review covering these and other potential issues. In M&A transactions where the target company has several thousand pending and issued patents in paper files, this can be a daunting task. To complicate matters, many of these deals need to be completed in a short time frame, which adds additional pressure to legal counsel. Moreover, after the transaction is completed, patent case files need to be seamlessly integrated into the acquiring company's document management system. New technology in the form of patent-centric virtual Intellectual Property Deal Rooms

(IPDR's) that can also extract data from traditional document management systems are now available to assist companies to make the due diligence and document integration process more efficient and effective for legal counsel.

### Traditional Paper Intensive Practice

Traditionally, in an M&A transaction, legal counsel of the target company make their patent paper case files available to counsel for the acquiring company. In many cases, the acquiring company's legal counsel will also request file wrappers from the USPTO to insure it has obtained all pertinent documents for review. Due to the time and resource constraints, the documents are typically made available in hard copy at the target company's place of business or, if outside counsel is prosecuting the cases, at the place of business of the target company's outside counsel.

There are several challenges with this paper-based approach: first, it can be costly and burdensome for a target company to provide access to its files at its company location. In a typical merger, the patent cases that are being transferred in the merger must be properly segregated from the patent cases that are not being transferred. This will take significant time and effort by administrators and attorneys, especially in transactions where hundreds or thousands of cases are involved. Second,



also provide a work activity feature that enables the target company to track what actions are being performed in the application by attorneys or administrators that are conducting the due diligence review. Other features that are important to an IPDR system are: quick uploading/data population features such as drag and drop, secure access functionalities, and full text search capabilities, coupled with document commenting, editing and collaboration through the entire process.

### **A Win-Win: Using an IPDR system to integrate documents between different document management systems**

A recent example illustrates how an IPDR system can be a win-win for both an acquiring and target company. It is exemplified in a recent acquisition between two large pharmaceutical companies.

*Company A* (Acquirer) desired to expedite the integration of *Company B's* (Target) patent portfolio which consisted of several thousand patent case files into its document management system, which was a different system than that of *Company B*. However because the deal was awaiting federal regulatory approval the patent documents needed to be staged on a separate secure server and not integrated into *Company A's* document management system until approval was granted. In addition, the patent documents needed to be broken out, mapped and prepared for integration into *Company A's* document management system on the day regulatory approval was granted. *Company B*

desired to retain control of the patent documents should federal approval of the acquisition be denied.

In this case, *Company B* had an electronic document management system in which all of its patent documents were contained in electronic format. This allowed *Company B* to quickly retrieve all of its patent case files and provide them to *Company A* in a digital format. A neutral third party vendor was hired to “stage” all of *Company B's* patent cases in a secure IPDR system. Access to the system was granted only to *Company B's* legal counsel and agents pending regulatory approvals. All of the patent documents were broken out and uploaded into the tri-fold view case file format of the IPDR system. All of the patent cases and documents were then mapped to *Company A's* existing document management system. A bulk uploading module was used to upload the patent documents into *Company A's* document management system.

How did this benefit the parties? Immediately upon receiving governmental approval, all of the patent cases were seamlessly loaded into *Company A's* document management system allowing *Company A's* legal counsel to immediately view and manage the new patent cases on its own system. *Company A* realized an immediate return by using the IPDR system to seamlessly integrate all of the new patent cases into its workflow process, saving significant expense and eliminating the risk of compromised IP rights. By having all of their patent case files

already digitized and staged on a neutral third party site, Company B saved the time and significant expense of: segregating and/or copying the pertinent patent case files, making them available to potential acquirers in a secure location, and extending the length and cost of the due diligence process.

### **Summary**

In today's innovation economy, intellectual property rights can take center stage in an acquisition. Global offices and remote workers demand a digital solution in the due diligence arena, enabling rapid communication and collaboration on mergers and acquisitions. A patent-centric solution addresses these demands, and also provides a neutral third-party patent document management system prior to closing. And for the acquiring company, using an IPDR for an acquisition enables the patent counsel to meet due diligence duties, minimize the transition period and seamlessly integrate patent case files from disparate document management systems, post closing.

To learn more about IPDR systems, send us an email at [switch@cscinfo.com](mailto:switch@cscinfo.com), or call 800-927-9800.