

Due Diligence

Intellectual Property Due Diligence

When seeking funding, companies may inaccurately convey their intellectual property position. It is only through effective due diligence that the real position can be determined.

Stage 1 - Intellectual Property Rights (IPR) Report - What patent rights does the Company have?

An Intellectual Property Rights (IPR) Report is a vital check that can confirm whether any patent rights (patent and / or patent application) have been filed and who is recorded as the registered owner of the rights. This can clarify the patent rights which a Company owns and enable an accurate record of the patent rights held by a Company to be established.

We estimate our charges to prepare such a Stage 1 report, for a typical life science SME with around 2 to 4 patent families which have entered a limited number of national phase territories, will be around £1000 (estimates are provided exclusive of VAT).

This would include:

- Independent validation of the patent rights to:
 - ❖ Confirm existence and bibliographic details of patent rights;
 - ❖ Confirm geographical territories in which patent rights are filed;
 - ❖ Confirm patent rights pending / in force where available from online databases;
- Independent validation of ownership:
 - ❖ Identification of inventors on filed patent rights;
 - ❖ Identification of recorded applicant / proprietor;
 - ❖ Discussion of any chain of title / perceived ownership issues;
- Indication of key cost points of patent rights.

The basic check may be extended by including one or more of the following options shown overleaf. Cost estimates could be provided in relation to each option.

Further options include:

- Independent validation of:
 - ❖ Trade mark rights (Registered Trade Marks or Trade Mark applications);
 - ❖ Design rights (Registered Design Rights or Registered Design Right applications);
- Independent validation of whether patent or trade mark rights are pending / in force where information not available from online databases;
- Identification of challenges pending against patent or trade mark rights at Intellectual Property Offices;
- Identification of Licenses/IPR sharing agreements/securities over patent or trade mark rights (based on official registers);
- Independent validation of the transfer of ownership of any patent or trade mark right (this would be performed in conjunction with a solicitor);
- Company and / or inventor name searches to determine whether further patent or trade mark rights are held.

Stage 2 - Initial Qualitative Assessment

- What do the patent rights cover?

Once the patent rights of a Company have been determined, knowledge of the nature of each of the rights, what they cover and their importance to the business plan allows the commercial significance of the rights to be understood.

Our estimate to prepare a Stage 2 report, for a typical life science SME with around 2 to 4 patent families, would be in the region £2000 to £4000.

This would include:

- A review of the claim scope as pending in relation to European and US patent rights;
- Identification of key patent rights which are central to the business plan;
- Discussion of the scope of protection or probable scope given the commercial product/service;
- A brief summary of patent rights including discussion of possible weaknesses of patent rights with respect to scope of protection (or probable scope if patent application).

Further options which you may wish to include:

- Consideration of lifespan of patent rights in relation to commercialisation objectives.
- If we have access to the Company, an IP Audit with the Company to identify unregistered Intellectual Property Rights, such as:
 - ❖ Unregistered Trade Mark;
 - ❖ Design (Unregistered) ;
 - ❖ Copyright;
 - ❖ Know How.

Stage 3 - Validity Assessment

- How strong is a patent right?

The value of a patent right depends on the scope of its claims and the chance the claims have of being upheld if challenged.

A claim of a patent right can be challenged as lacking novelty and / or inventive step, based on the information (prior art) available to the public prior to the filing date accorded to the claim. A validity assessment of the claims in view of the prior art can provide further certainty as to the strength of a patent right, and thus an increase in the value of such a patent right.

A validity assessment requires consideration of the patent right being assessed and of the examination / prosecution history of the patent right. Additionally, it requires consideration of the prior art against which the patent right is being assessed. In view of this, each estimate will depend on the particular facts.

However, generally we would estimate the preparation of a validity assessment would be based on a charge of around £2000 to £4000 to consider the patent right being assessed and its respective file history and around £500 to £1000 per prior art document considered in the validity assessment.

A validity assessment would include:

- Determination of patent right on which assessment is to be made;
- Review and consideration of patent right and of examination / prosecution history of patent right;
- Provision of details of prior art documents considered and relevance to pending claims of patent right;
- Provision of validity assessment for claims of patent right considered;
- Discussion of scope of claims with respect to the commercial Product/Service and validity assessment.

A validity assessment can be based on only documents identified by you or we can carry out prior art searches as required. If we conduct searching on your behalf, searches can be scoped using a combination of agreed keywords, classification codes, in relation to specific companies and specific territories, and budget.

A full validity assessment will involve conducting searching of the prior art literature. If searching is required, once the scope of the searching to be undertaken has been determined, an estimate of our charges to conduct and review such searching would be provided.

Further options which you may wish to consider including in such a validity assessment, might be:

- A review of the claim scope of the Company's patent rights in different territories;
- To obtain validity assessments specific to key commercial territories.

Prior to starting work on any such validity assessment, we would discuss your requirements and provide you with our estimated costs for providing such an assessment.

Stage 4 – Freedom to commercialise assessment

- What patent rights have others got?

Patent rights provide their owners with a right to stop certain actions of others. Owning a patent does not grant the owner the right to commercialise the invention of the patent rights without threat of infringement of third party rights.

A freedom to commercialise assessment can be conducted based on knowledge of the product /service to be commercialised to determine if licences will be required to commercialise the product / service without the threat of infringement litigation or if the proposed product / service can be designed around such infringement threats.

As will be appreciated, the results of such an assessment can influence the value assigned to a patent right should royalty burdens from licences require to be taken into account or should it be decided to design around a third party right.

Our estimate to prepare a freedom to commercialise assessment, would be based on an initial charge of around £500 to £1000 and a further charge of around £1000 to £2000 per document considered in determining the freedom to commercialise assessment.

A freedom to commercialise assessment would include:

- Determination of patent rights of a third party on which the assessment is to be based and the geographical territory of interest;
- Determination of whether patent rights of a third party are granted and still in force;
- Discussion of scope or probable scope of patent rights of third party with respect to commercial Product/Service;
- Freedom to commercialise assessment for Commercial Product/Service in relation to the patent rights of the third party;
- Discussion of availability of licences / design around where appropriate.

A freedom to commercialise assessment can be based on only patent rights identified by you or we can carry out searches as required. If we conduct searching on your behalf, searches can be scoped using a combination of agreed keywords, classification codes, in relation to specific companies and specific territories, and budget.

A full freedom to commercialise assessment will involve conducting searching. If searching is required, once the scope of the searching to be undertaken has been determined, an estimate of our charges to conduct and review such searching would be provided.

Further options which you may wish to consider including in such a freedom to commercialise assessment might be:

- Determining the validity of any claims of patent rights of a third party considered to present a risk in allowing commercialisation of the Product or Service;
- Determining the availability of any licences needed to allow commercialisation and the royalty burden such licences will bring. This would be undertaken with a solicitor.

Stage 5 – Patent Attorney’s Report

As will be appreciated, depending on the amount of prior work conducted, our charges to prepare a Patent Attorney’s Report suitable for use in a prospectus for a Company listing will vary. Further, the actual details required to be provided in the report may vary from case to case. In view of this, prior to starting work on any such report, we would discuss your requirements and provide you with our estimated costs for providing such a report.

Typically such a report may include:

- Brief summary about Murgitroyd & Company and our standing;
- An executive summary setting out the Intellectual Property (IP) held by the Company;
- Summary of scope of the Patent Attorney’s Report;
- Introduction to technology;
- Discussion of IP strategy;
- Discussion of commercial Product / Service;
- Listing of IP owned by the Company;
- Discussion of Inventorship and title of patent rights;
- Discussion of validity of patent rights held by Company with respect to particular territories;
- Discussion of any technology licensed by the Company or to which license will be required to commercialise the invention;
- Strategy to pursue further protectable IP;
- Discussion of any relevant third party rights.

Further options we can provide:

- Identification of key staff in Company (inventors), based on previous patent rights;
- Assessment of strength / scope of competitor's intellectual property;
- Strategic advice for further filing / prosecution of intellectual property rights (i.e. patents, trademarks, unregistered or registered design right, copyright or know-how).