

Intellectual Property Considerations in M&A Transactions

2023 New Legal Risks Symposium

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Intellectual Property Considerations

- What to Avoid: Case Study #1
 - *Rolls-Royce Motor Cars Ltd.*
 - VW outbid BMW and paid over \$700 million for Rolls-Royce Motor Cars Ltd.
 - Rolls-Royce name and logo were owned by Rolls Royce PLC (aircraft engine division)
 - Rolls-Royce name and logo were subject to a license agreement

Intellectual Property Considerations

- What to Avoid: Case Study #1 (continued)
 - *Rolls-Royce Motor Cars*
 - VW failed to acquire right to use the Rolls-Royce name and logo, which were subject to license agreement
 - Licensor/Rolls Royce PLC (aircraft engine division) then licensed those marks to BMW

Intellectual Property Considerations

- What to Avoid: Case Study #2
 - *Roberts v. Sears, Roebuck & Co.*
 - The “Wrench Case”
 - Dispute between Sears, Roebuck & Co. and former clerk over quick-release wrench that clerk invented in his spare time
 - Dispute lasted 24 years and involved invention, ownership, infringement, fraud, and royalty issues

Intellectual Property Considerations

- Due Diligence Starting Point
 - Forming your team
 - Considering competing interests
 - When to engage outside counsel
 - Authority given to outside counsel

Intellectual Property Considerations

- Due Diligence Starting Point
 - Understand the business interests and tolerance for IP risk
 - Seller's interests
 - Buyer's interests
 - Price impact
 - Time constraints

Intellectual Property Considerations

- Due Diligence Starting Point
 - Understand the nature of the transaction
 - Stock purchase
 - Merger
 - Carve-out
 - Asset purchase

Intellectual Property Considerations

- Due Diligence Documentation
 - Extensive list of all IP from Seller
 - Ensure the IP documentation is comprehensive and complete

Intellectual Property Considerations

- IP Disclosure Schedule Issues
 - Common mistakes:
 - Failure to list all patents and patent applications
 - Failure to list all seller domain names, trademarks, and service marks
 - Failure to list all required license agreements

Intellectual Property Considerations

- IP Disclosure Schedule Issues
 - Common mistakes (continued):
 - Failure to list Seller IP indemnification obligations in contracts with third parties
 - Failure to list all IP claims against Seller

Intellectual Property Considerations

- IP Ownership Issues
 - License agreements
 - Assignments and acquisition agreements
 - Settlement agreements

Intellectual Property Considerations

- IP Ownership Issues (continued)
 - Work for hire agreements/invention assignments
 - Trade secret protection
 - Freedom-to-operate/freedom-of-use

Intellectual Property Considerations

- IP Ownership Issues (continued)
 - Trademark clearance and registration
 - Copyright registration

Intellectual Property Considerations

- IP License Agreements With Third Parties
 - Term
 - Termination rights
 - Anti-assignment clauses

Intellectual Property Considerations

- IP License Agreements With Third Parties
 - Exclusivity
 - Enforcement of IP rights
 - Defending infringement lawsuits

Intellectual Property Considerations

- Seller Warranties and Representations
 - Example of Pro-Buyer Clause:
 - Non-Infringement. The conduct of the business as currently and formerly conducted, and as proposed to be conducted, including the use of the intellectual property assets, the licensed intellectual property assets, and the products, processes, and services of the business have not infringed, misappropriated, or otherwise violated, and will not infringe, misappropriate, or otherwise violate, the intellectual property or other rights of any person.

Intellectual Property Considerations

- Seller Warranties and Representations
 - Example of Pro-Seller Clause:
 - Non-Infringement. Except as set forth in Section 1(a) and Schedule 1(a), to Seller's Knowledge: (i) the conduct of the business as currently conducted does not infringe, misappropriate, or otherwise violate the Intellectual Property of any Person; and (ii) no person is infringing, misappropriating, or otherwise violating any Intellectual Property Assets.

Intellectual Property Considerations

- Seller Indemnification/Defense Provisions
 - Allocating back-end risk
 - Defense costs and fees
 - Indemnification for damages
 - Settlement

Intellectual Property Considerations

- IP-Related Disputes
 - Current lawsuits/proceedings
 - Unresolved third-party claims not in litigation

Intellectual Property Considerations

- IP-Related Disputes (continued)
 - Past settlement agreements
 - Releases
 - Covenants not to sue
 - Non-compete provisions

Intellectual Property Considerations

- Protecting Against Post-Transaction Disputes
 - Seller's disclaimers
 - Seller's warranties and representations limited to agreement
 - Seller disclaims projections or future operating results

Intellectual Property Considerations

- Protecting Against Post-Transaction Disputes (continued)
 - Buyer's acknowledgements
 - Buyer conducted its own investigation
 - Buyer not relying on representations/warranties beyond agreement

The background of the slide features a complex, abstract design. It consists of numerous overlapping gears of various sizes, some in shades of blue and others in shades of orange. Interspersed among the gears are several padlock icons, some of which are open and some are closed. A single smartphone icon is also visible. The overall effect is a sense of interconnectedness and complexity, likely representing the 'legal risks' mentioned in the footer.

Questions?