International Bar Association
the global voice of the legal profession

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Hola Friends,

¡Miami está llamando!

I am sure you are looking forward to meeting old friends and making new ones at **the IBA Annual Conference 2022**, in Miami, USA later this month. On Wednesday, November 2, 2022, we are hosting a dinner on behalf of the Section. Would you be able to join us for the event at Serena Rooftop from 1930 to 2230? Details of the event are available at the following **link**. Please book soon as seats are limited… We have a Latin vibe going that evening! So, *fiesta* time.

Now, updating you on a thought-provoking panel discussion that I was a part of recently – *IP/IT issues in M&A due diligence exercises*. In today's digital world, companies are building and accumulating significant intellectual property (IP) portfolios, such as trademarks, other branding assets, copyrights, website pages, patents, artificial intelligence processing applications/modules, trade secrets, secretive recipes, and, sometimes, even a coveted client list. Thus, IP assets make up a core portion of any diligence behind an M&A transaction. And any IP diligence includes IT due diligence too.

The goal of any IP due diligence in an M&A transaction includes determining the IP portfolio of the target, its ownership, its value, its policies and practices, registrations, document retention; past, ongoing or anticipated disputes, IP enforcement actions, and IP compliance environment. If the deal is cross-border, the goal of such IP due diligence also entails understanding the IP laws of relevant jurisdictions. For instance, the lack of 'work-for-hire' concept in Canada, and the lack of patent protection for software in India.

The integrity of the chain of development, acquisition, and transfer of IP from the creator to the eventual beneficial 'owner' often surfaces as the biggest risk in

transactions that involve India. What similar IP risks have you noticed in your jurisdiction? Do problems arise when IP is owned by a third party or jointly owned with a third party?

In carve-out transactions, it is important to inquire whether the IP is owned or used by the target or an affiliate that is not being acquired. Often, it is assumed that even after the IP is transferred, it will continue to be used by third parties or affiliates! Not all such inconsistencies are deal-breakers, but they definitely are red flags.

The disclosures and agreements provided by the seller, while useful, often do not paint the full picture of the target's IP portfolio, assets, and liabilities. It is, therefore, important to understand the proposed deal, the motivations of the parties for exploring and entering into the deal and for seeking more context from all parties, as necessary. Further, it is important to bear in mind market standards and practices while conducting an IP due diligence. It is only then that one can articulate any issues that need to be remedied pre- or post-closing to solidify the buyer's rights and ability to protect the IP being purchased in the M&A transaction.

Where proprietary software is at stake (software being the primary product of the target company), reliance on representations and warranties is not enough. A deeper knowledge of the primary software itself is required. If trade secrets are protected by confidentiality clauses, a privacy and security diligence may be required. This diligence is also relevant due to the digital nature of today's businesses.

I would be interested in learning of any IP, IT, privacy, and security diligence that you have been a part of and how it impacted the overall M&A transaction. We can communicate via email or when we meet in Merida for your Committee's 2022 Annual Retreat from October 27 to 30, 2022 or at the IBA Annual Conference from October 30 to November 4, 2022, in Miami.

¡Te veo pronto!

Un cordial saludo.

Sajai Singh,

Co-Chair, Technology Law Committee

Stay up to date

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