



# Tips & Insights

## **Your Patent Portfolio: Tips and Insights for Successful Due Diligence**

**Cory Bell and Lulu Wang, with Nitin Virmalwar**

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# WHEN ARE DUE DILIGENCE AND FREEDOM-TO-OPERATE INVESTIGATIONS IMPORTANT?



MERGER



ACQUISITION



LICENSE



JOINT  
VENTURE



INVESTMENT

# WHAT HAPPENS DURING DUE DILIGENCE INVESTIGATIONS?

## Scope

- What IP assets are being acquired?

## Rights

- Does Target have proper rights?

## Risk

- Avoid buying a lawsuit
- Freedom to operate (FTO)?

## Value

- Strengths and weaknesses of IP
- Future business objectives

# THE “HOW”: PUBLIC INFORMATION



Assignment records



File histories



SEC filings and other public statements



Worldwide litigation or patent office proceedings

# THE “HOW”: CONFIDENTIAL INFORMATION



R&D materials, competitive analysis, employee agreements



Trade Secrets (software, customer lists, proprietary processes)



Licenses, agreements, settlements



Calls between both sets of IP counsel



Claims, threats, legal opinions

# HOW TO DETERMINE BEST PRACTICES ON TIGHT TIMELINES AND BUDGETS

- ✓ Size of the deal
- ✓ Importance of IP to the deal
- ✓ Timing for completion of investigation
- ✓ Budget
- ✓ Process: NDA, Term Sheet, Purchase Agreement
- ✓ In-house team or outsource?
  - Avoid cross-contamination with separate teams



# SCOPE: IP COVERAGE

What IP rights does the Target have related to the business?

✓ Types of protection

- Patents
- Trademarks
- Copyrights
- Trade secrets
- Know-how?

✓ Geographic coverage

✓ Term

✓ Does IP cover the Target's business?



# RIGHTS: OWNERSHIP/ENCUMBRANCES

- ✓ Ownership and inventorship
  - Assignments
  - Security interests
  - Employee agreements
  - JV agreements
- ✓ In-bound and out-bound licenses
- ✓ Contracts impacting assertion/licensing
  - Settlements, covenants not to sue
- ✓ March-in rights?

## RISK: WHAT ARE THE POTENTIAL EXPOSURES?

- ✓ Exposure known to Target
- ✓ Exposures unknown to Target
- ✓ Open-source software

# VALUE: ASSESSING PATENT PORTFOLIOS

- ✓ Coverage
- ✓ Validity
- ✓ Enforceability
- ✓ Exclusivities
- ✓ Potential for competitor to fall outside patent claims or design around IP?
- ✓ Opportunities to improve or leverage IP portfolios after transaction?

# BE MINDFUL OF ATTORNEY-CLIENT PRIVILEGE

- ✓ Challenges: when and how to disclose, to whom, and to what degree
- ✓ Beware: reliance on common-interest exception could result in waiver of privilege
- ✓ In-house counsel privilege and dual hats
- ✓ Foreign attorneys and patent agents

# NON-US LAWYERS AND PRIVILEGE: How Does it Work?



Communications that **touch base** with the **United States** are controlled by **U.S. privilege law**

*Astra Aktiebolag v. Andrx Pharm., Inc.*, 208 F.R.D. 92  
(S.D.N.Y. 2002)

Related to matters **solely** involving a **foreign country** will be governed by the applicable **foreign** statute

**Question:** Does the foreign jurisdiction provide a type of privilege that is comparable to the U.S. attorney client privilege?

**Question:** Did it involve an attorney (U.S.)?

If the foreign law allows an attorney or lawyer (non-U.S.) to refuse to disclose communication in a court proceeding, then under principles of comity, a U.S. court will treat communication as privileged.

# WHAT'S PRIVILEGED, WHAT'S NOT

- Privileged

- Opinions of counsel on patentability, inventorship, FTO
- Informal opinions including strategy memos for responding to patent office, attorney notes, time entries, etc.
- Internal communications such as invention disclosures, Patent Committee meeting minutes

- Not privileged

- Prior art or other information (including declarations) disclosed to the Patent Office, non-substantive transmittal letters, pending patent applications, patent assignment documents, FDA submissions
- Facts
- Publicly available material
- Communications not involving lawyer even if discussing legal tasks

## BEST PRACTICES FOR PRESERVING PRIVILEGE

- ✓ Ask Target to disclose known patent and/or assignees without providing privileged information (just the facts)
- ✓ Wait until late in process before disclosing
- ✓ Oral communications
- ✓ Involve U.S. attorneys
- ✓ Consider jointly hiring outside counsel to create common interest

# FOLLOW-UP ACTIONS AND FREEDOM-TO-OPERATE OPINIONS

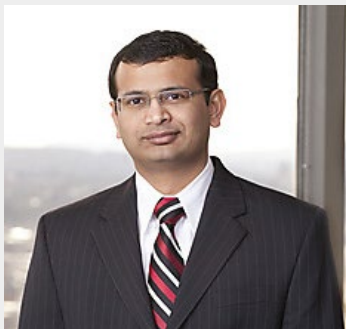
- ✓ In-house vs. outsourced
- ✓ Scope of search
  - ✓ Search firms, USPTO Database, other proprietary databases (e.g., Derwent innovation)
- ✓ Written opinions or oral?
- ✓ Timing – when to get them
- ✓ Updates



# IP DUE DILIGENCE TOP TAKEAWAYS



# Your Presenters



## Nitin Virmalwar is Head of IP at Stoke Therapeutics

Nitin is a former-scientist turned lawyer with passion for drug discovery and development. Practicing IP law for over 15 years, Nitin has been on both sides of the diligence table for a variety of transactions. Early in his career, Nitin was an IP analyst for a venture capital firm (Imprimatur Capital), he later worked as a patent attorney at a boutique IP law firm (Cantor Colburn) before transitioning to in-house counsel roles. Recently, he was in-house counsel for BlueRock Therapeutics which was acquired by Bayer Pharmaceuticals after a long diligence process. Currently, he is Head of IP at Stoke Therapeutics in Cambridge, MA.

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## Cory Bell is a partner in Finnegan's Boston Office

Cory focuses on post-grant practice and litigation with an emphasis on computer and electronic technologies. Cory has represented parties in hundreds of IPR trials. His litigation experience includes matters before U.S. district courts and ITC, including matters relating to video decoders. Cory also founded the firm's media technology group.

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# Your Presenters



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Lulu represents life sciences clients in due diligences, freedom-to-operate investigations, global prosecution, patent litigation, and post-grant proceedings. Lulu manages and defends patent portfolios involving diverse technologies, including antibodies, cancer biology, diagnostics, endocrinology, gene editing and CRISPR, gene therapy and AAV, immunology, microbiology, neuroscience, recombinant molecules, and synthetic biology.

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Questions?

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