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# Patent/IP Diligence in Technology M&A

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# Meet the Speakers

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"Hey team,  
meet our new V.P. of  
acquisitions & mergers."



# Agenda

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- What Makes Patents Valuable?
- Recognizing a Company that will Create Valuable Patents
- Why Care About Valuable Patents?
- Due Diligence
- Opinions of Counsel

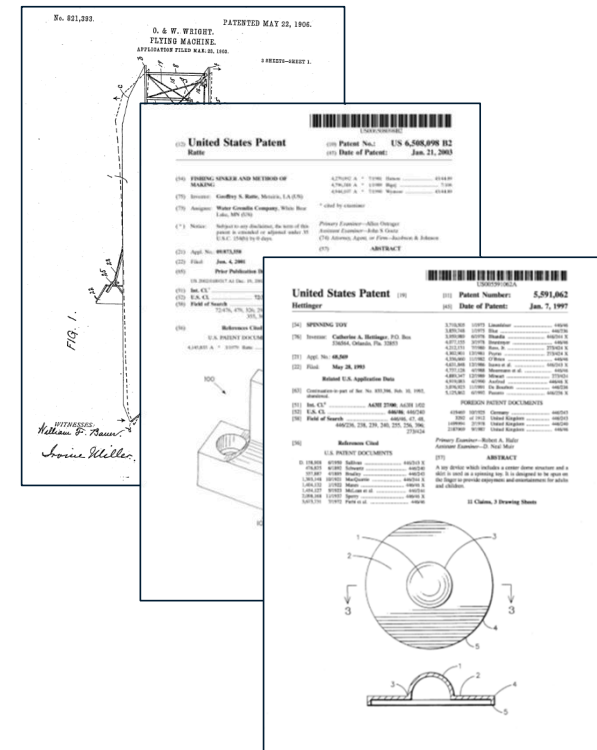
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# What Makes Patents Valuable?

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# Patents 101

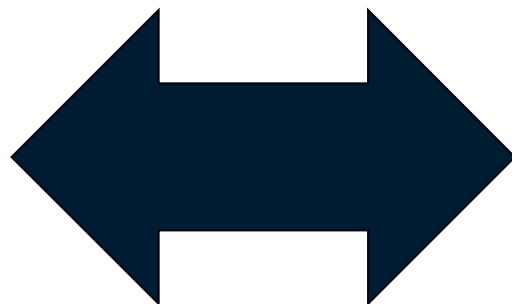
- Patents
  - Exclusionary right – territory, term
  - Useful, novel, nonobvious
  - Figures, specification, claims
- Patent applications
- Continuation applications
- Patent families



# Evaluating Patent Quality

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- Restrictive description
- Specification has a long prior art background
- Closed prosecution



- Robust, flexible disclosure crafted with the future in mind
- Specification tells a compelling story
- Pending continuations

## Evaluating Patent Quality – Read the Claims

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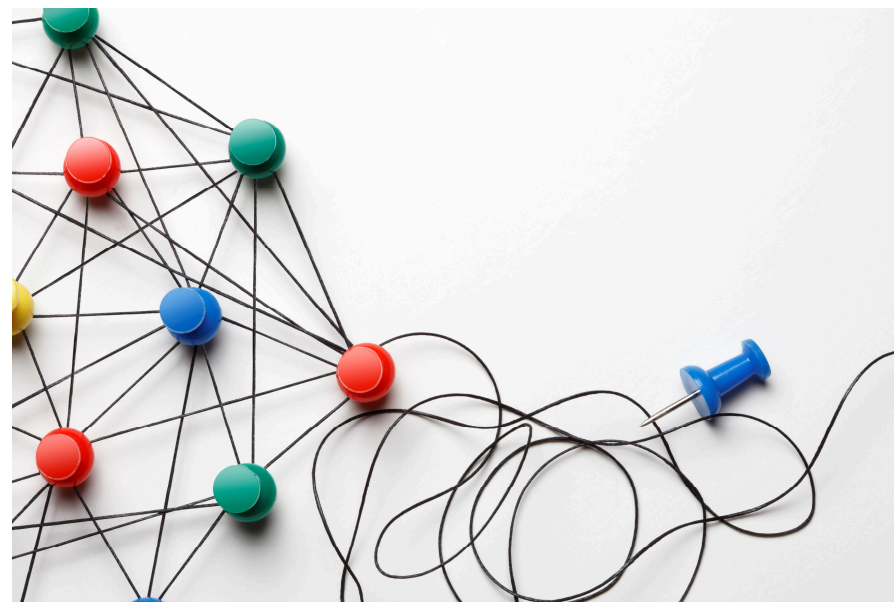
- Varying claim breadth
  - Not readily designed around
  - Covering present products
  - Anticipating where the market is headed
- Claims drafted with infringement in mind
  - Detectable
  - Identifiable infringer(s)
  - Easy to prove



# Evaluating Patent *Portfolios*

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- Patents with strong claims, and robust disclosure
- Breadth of coverage
  - current products
  - future products
  - competitor products
  - industry gaps
- Pending applications
  - allow future patents to be crafted with infringing products in hand



# Evaluating Patent *Portfolios* – Geographic Coverage

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- Protect in the markets that matter
- Coordinate across worldwide prosecution



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# Recognizing a Company *That Will Create* Valuable Patents

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## What to look for.....

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- As an acquirer, you don't need to create valuable patents yourself (at least not before the investment).
- But you should learn to recognize the characteristics of a company that has processes in place to create valuable patents.



# Hallmarks of companies with a valuable patent portfolio

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**Educate** management about patents and the value of a strong patent portfolio. Educate employees about patents and how to incorporate “patent thinking” into their day-to-day activities.

**Cultivate** a pervasive company-wide attitude that patents are vital to the company’s future.

**Harvest** ideas via internal invention disclosure processes (organic) and regular harvesting meetings (focused).

**Select** the best/right ideas for investing in the patenting process.

**Reward** the inventors with payment and recognition.

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# Educate

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- Understanding Patents 101
  - What is a patent? - A right to *exclude* others.
  - What do they protect?
  - Only giant leaps forward are patentable, right?
    - No. Small improvements are patentable, and valuable.
- IMPORTANT: Patents can be good (valuable) or bad (worse than worthless)



# Cultivate

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- Must *believe* at the top that patents are vital to the company's long-term health.
- Upper management buy-in is required to instill this belief into a pervasive, company-wide attitude.



# Harvest

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- **Invention disclosures.** Simple, readily accessible form that starts the patenting process.
- **Patent Group.** Group with technical background and firm understanding of patents, used to progress the patenting process. Meets with engineers to refine/explain invention, creating a more detailed invention disclosure.
- **Quarterly Harvesting Group Meetings.** Basically, brainstorming sessions with individual development/product groups to identify patentable inventions, including not only inventions that were used in a company product or technology but potentially also ideas that were rejected but potentially useful to a competitor (that is, to block a competitor from using) and/or “blue sky” ideas that might not be commercially feasible now, but could be some time down the road. Patent lawyer attends, recording inventions.





# Select

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## Patent Review Committee

- Meets once a month to review and vet patent submissions. Some will be passed on for patenting, others returned for clarification or further work, some rejected.
- Should be a cross-section of the CTO, patent folks, and at least one technology visionary fellow/employee at the company who knows the company's technologies, products, & history cold.
- Must have “mapping” knowledge, about how the company's issued and/or pending patents map to:
  - (a) company's current products/technology (to spot holes),
  - (b) competitors' current products/technology (to assess defensive value of portfolio and potential holes therein), and
  - (c) company's future products/technology (based on roadmaps out 2yrs, 5yrs, and 20yrs)

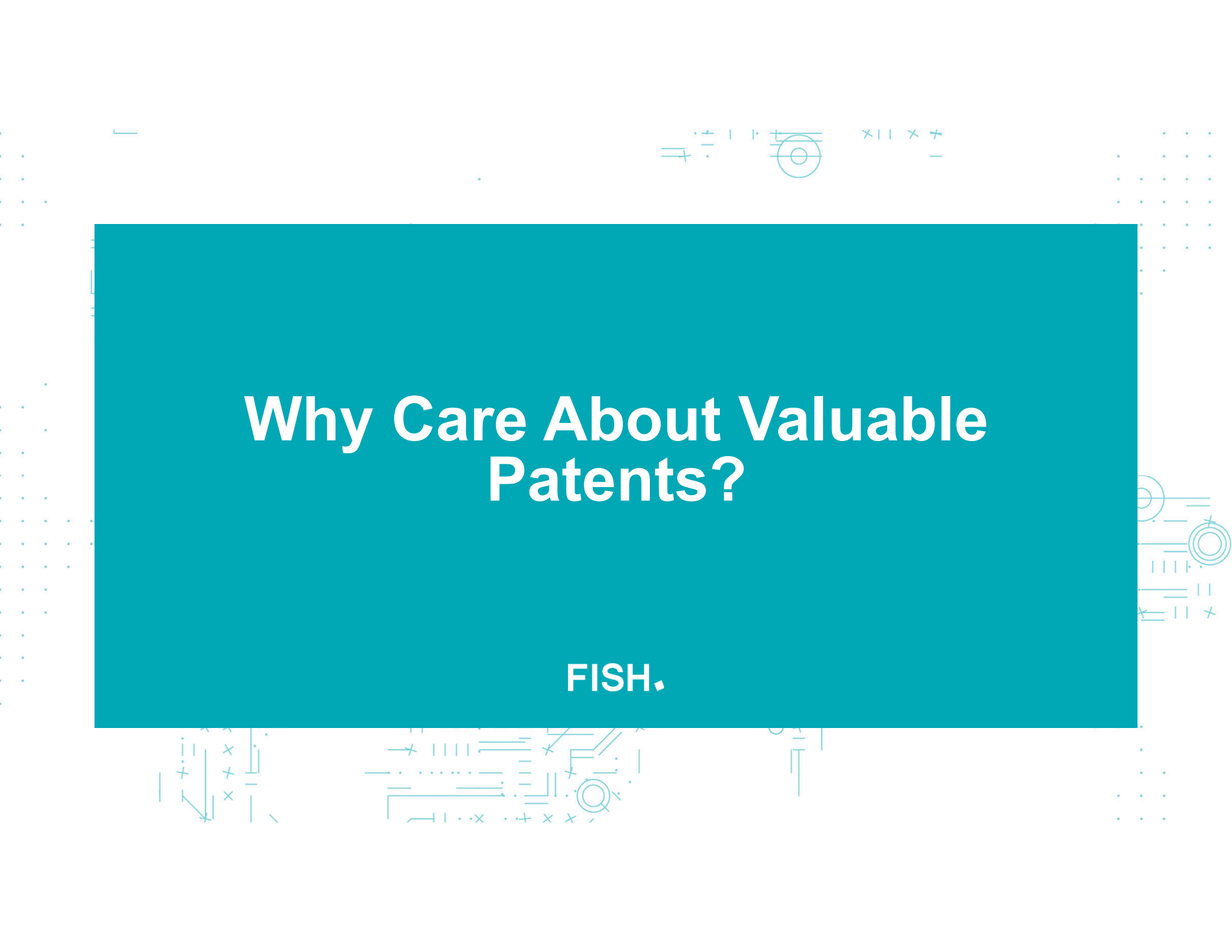


# Reward

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- Set up a rewards program with different levels of rewards for submitting an Invention Disclosure Form, filing patent application, obtaining an issued patent, etc.
- Instill a culture of praise and recognition for patent prolific employees. Should include reward ceremonies, company announcements, patent wall of fame, plaques, etc.



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# Why Care About Valuable Patents?

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# How do you generate value from patents?

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- **Marketing**
  - Patents give investors and the market confidence.
  - Let the world know. You need to mark your products that practice your patents anyway.
- **Licensing**
  - Patents are property, created out of thin air. Rent it out, particularly if not using and no plans to use.
- **Litigation**
  - Protect your market. Enforce your right to exclude by suing competitors.
  - Deter future litigations.
  - If sued or threatened, use your patents to level the playing field and to equalize the risk.



# Marketing Examples

## Innovation Meets Italian Craftsmanship

Sensi Sandals are designed to deliver superior comfort and hygiene in any environment.

### 100% Waterproof & Easy to Clean

Made from lightweight, durable, colorfast PVC that's soft against the skin, our sandals are non-porous, machine washable, and dishwasher safe. Just wipe them down and let them air dry.

### Patented Sensi Drainage System

A network of perforations and side ports allows water, sweat, and dirt to escape as you walk, while cooling air circulates underfoot—keeping your feet fresh and comfortable.

Dyson cordless vacuum is different. Thanks to the Dyson digital motor, they move effortlessly from surface to surface.

Patented Dyson cyclone technology captures fine dust.



1/8/2026

## From Concept to Counter: P&G Drives Skincare Innovation with OLAY Cleansing Melts.

**Our integrated R&D, IT, and Product Supply collaboration transformed a decade of patented water-free science into a market-ready, sustainable skincare solution.**

# Licensing Example

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- A visionary vet
  - Starts an RFID pet tag business long before there is an established market
  - Pursues an aggressive patenting strategy
  - After 5-10 years, owns a broad and deep patent portfolio that includes seminal patents in RFID animal tag technology
  - After strategic patent licensing and enforcement activity, dominates the worldwide market for RFID animal tags



# Litigation Examples

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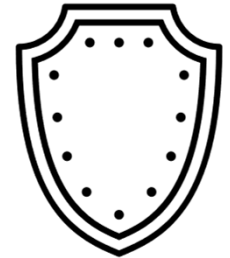
- **Offensive**

- U.S. manufacturer of ink-jet printing technology inundated by knock-off imports from overseas. After an 18-month ITC action, obtains order banning all infringing imports, protecting its U.S. market.



- **Defensive**

- Small pre-IPO software company was building a small but successful business with positive long-term prospects and a robust patent portfolio. Large software company sues on unused patents. Small company responds with its own patent infringement case on a small, but important feature of Big company's key product. Leverage drives the parties to favorable settlement.



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# ***Due Diligence Process***

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# The Actual Diligence

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So, we're twenty-five slides in, are you going to talk about the actual due diligence?

Obviously, yes. But diligence is different depending on what side you are on

- **Offensive.**
  - Establishing value
  - Looking for landmines
  - Finding Solutions
- **Defensive.**
  - Establishing trust
  - Supporting Value
  - Finding Solutions



# Offensive Diligence

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- (almost) every company being acquired says:  
“Our IP is extremely valuable and we don’t use other people’s IP”
- They are almost always wrong.
  - How much are they wrong?
  - How much does it matter?
- Offensive Due Diligence is about valuing the target patent portfolio
- But not forgetting that you are buying the liabilities along with the value

# Valuing their Portfolio

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- **Information gathering**
  - Patent application and their files
  - Patent assignment docs
  - Product differentiators and value generators
  - Employment agreements (current and former)
  - Manufacturers or partners
- **Patent due diligence**
  - What they have and what they could realistically get
    - *Claims v. Specifications*
    - *Living v. dead patent families*
  - Ownership
    - *Are all assignments vested now?*
    - *Are patents assigned to company or founders?*
    - *Are there unnamed inventors?*

# Looking for Landmines

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- **Understanding the risks is as important as understanding the value**
- **Any ownership issues on the company's own patents**
- **What are the litigation risks?**
  - Competitor patents
  - Standard Essential Patents
  - Patent assertion entities
- **Manufacturers / Partners / Suppliers**
  - What rights do they have?
  - Can they create problems if you change providers
- **Departing Employees / Executives**

# Defensive Diligence

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- **Plan ahead (if you can)**
- **Patent harvesting and routine filing practices**
- **Audit employment agreements and patent assignment docs**
- **Monitor suppliers' and partners' filings**
- **Keep potentially valuable patent families alive**
- **Seek opinions of counsel for potential issues**
- **Don't try to hide the “warts”**

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# Finding Solutions

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- **Patent due diligence is not meant to end deals**
- **Proper valuation of IP v. other business assets**
- **Escrows**
  - Based on milestones or event of concern
  - Based on time
- **Agreements to remain with the company post acquisition**
- **Opinions of counsel on problematic items**

# *Opinions of Counsel*

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# What is a Freedom-to-Operate (FTO) Analysis?

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- Patents give exclusionary rights
- Patent infringement
  - “[W]hoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States, or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.” (35 U.S.C. § 271)
- Freedom to Operate analysis
  - Risk assessment of the likelihood of infringing / avoiding valid claims of others’ patents

# What is a Freedom-to-Operate (FTO) Analysis?

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- Involve counsel
- Identify a set of potentially applicable active patents
- Compare the claims of those patents to the product/feature in question
  - “**Literal infringement**” means the proposed product includes every element of a claim
  - The “**doctrine of equivalents**” (DOE) expands the coverage of claims to include equivalents of the claim elements, e.g. performing the same function, in substantially the same way to achieve the same result
- Consider invalidity issues in addition to non-infringement issues

# Communication About FTO Analysis

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- Oral opinion
  - Did the FTO analysis address one patent or a limited number of patents?
  - Can the company's executives/decision-makers fully understand the technology/legal advice so as to reasonably act upon it? Can it be memorialized (internally)?
- Summary spreadsheet
  - Addressing a greater number of search results, or different sets of patents for independent features of the product design?
  - Consider supplementing with a formal oral opinion to highlight the details of a subset of the patents?
- Detailed slides/presentation
  - Is there a need to focus on images/prosecution history from a subset of the patents?
  - Is there a need to provide legal advice on case law/statutory language?
- Formal opinion letter(s) from counsel
  - Is the legal advice sought in response to a "cease-and-desist" letter?
  - Are there other reasons to memorialize the legal opinion?

## Wrap Up: Patent Diligence During M&A

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- Patents don't matter for all investments, but for some they can be critical.
- Having patents alone is not enough.
- Need to assess whether quality of existing patents and patent applications *add value*.
- Patenting practices, procedures, and culture can provide helpful indicators about a company's portfolio strength and usefulness.
- A good diligence requires a skeptical but solutions-focused approach.
- FTOs are a risk-assessment snapshot, not a freedom guarantee.



Questions?

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# Thank You

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