

Protecting Intellectual Property in M&A transactions

Dealmakers facing an M&A transaction should know all about what is often the company's most valuable asset: its intellectual property. Understanding how intellectual property rights are involved with M&A is essential given how M&A activity in the intellectual property field has come to dominate these transactions generally. It is key for prospective dealmakers to take every precaution in protecting their IP assets. As such it is of the upmost importance that companies seek professional and comprehensive advice specific to their needs.

William Mulholland is the Principle of William Mulholland + Co Lawyers, a boutique law firm based in Melbourne.

Alistair Gay is a Partner at Keltie LLP, UK and a UK and European Trade Mark Attorney. He co-heads the firm's trade mark practice.

Masaki Ishioroshi is the representative partner of Ishioroshi & Associates.

Please give a brief synopsis of your personal, and your firm's experience advising on IP law.

William Mulholland: "William Mulholland + Co Lawyers has advised a number of clients on IP law for a range of individuals and commercial entities alike. We have assisted companies in dealing with key executive service agreements and confidentiality/restraint documentation to protect proprietary IP from 'walking out the door' as well as dealing with a host of IP issues arising under master service agreements and arrangements with independent contractors."

Alistair Gay: "Keltie LLP is a top-tier London firm of UK and European patent and trade mark attorneys, based in the City of London. We work with a diverse range of organisations globally, in all fields of commerce and technology, providing comprehensive IP services and IP-related consulting services."

Masaki Ishioroshi: "We have provided advice regarding IP law including patents, trademarks, copyrights, and Unfair Competition Prevention Act for many corporate clients inside and outside Japan. We have drafted quite a

number of IP licensing agreements including domestic ones and international ones."

Who is a typical client?

William Mulholland: "Medium to large enterprises, individuals, partnerships, joint ventures, private and publicly listed companies, theatrical producers, entertainers, film producers, start-ups looking at commercialization strategies, industry associations, professional organizations and not-for-profit charitable organisations."

Alistair Gay: "There is no 'typical' client as such. Our clients range from individuals, including celebrities, to SMEs and multi-national corporations, many being household names."

Masaki Ishioroshi: "Business areas of our corporate clients are manufacturers of many kinds of products (electronic devices, mobile phones, and foods), software houses, technology developing companies, international fashion brand houses, chain-style franchise businesses, restaurants, confectionery stores, e-commerce, record company, publishers, or retailers."

What area(s) of Intellectual Property law do you specialise in; and what industry sector(s) do you focus on?

William Mulholland: "Copyright, trademarks, designs, confidential information, restraint deeds and minimizing IP theft, licensing and franchising. Industry sectors include arts, entertainment & media, light industrial, events industry, not-for-profit, transportation, IT, services sector including education, professional services and related services."

Alistair Gay: "The core focus of our business is in the clearance of IP for use (freedom to operate opinions); filing, prosecution, registration and maintenance services; opposition and cancellation proceedings; portfolio management; IP audits and due diligence services; and litigation support."

Masaki Ishioroshi: "Recently one of the areas where I especially have had acquired professional experiences is related to mobile telecommunication business, including providing advice regarding many aspects of legal



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matters with respect to some mobile phone patent pools, cross licenses, technology standardizations."

How does your firm stand out from competitors?

William Mulholland: "Our firm has a specialized, highly personalized and commercially focused approach with the ability to leverage external expertise and counsel as and when required. We have experience in IP law from deal structuring and transactional work to commercial litigation and dispute resolution. We take pride in offering a complete IP law service offering."

Alistair Gay: "We are widely recognised for our no-nonsense, commercial approach to IP matters and our ability to handle international IP projects under extreme time pressure, presenting reports and advice in a concise manner that can be digested easily by other professional advisers and clients alike. In particular, clients have said that we are "professional, commercially astute and knowledgeable" and have "a breadth of sectorial expertise."

Masaki Ishioroshi: "Our firm is a small firm consisted of 6 attorneys and some paralegal

staff. We, therefore, can provide professional advice regarding IP not only for big international businesses but also for small companies that do not afford to retain a big law firm.”

What does an IP adviser bring to the deal table? How important is their role? Please draw upon examples to highlight your answer.

William Mulholland: “Whether a client is looking to conduct a due diligence on the value of a proposed target (such as a web start-up), entering into a license agreement to expand the territorial reach of an untapped market for goods or services, or looking to enter into a full-blown franchising structure to storm a domestic and then global market (e.g. the successful ‘Gloria Jeans’ franchise), an IP advisor is essential to navigate and advise on key aspects of any deal and transactional documentation.”

Alistair Gay: “We can perform various tasks for organisations wishing to acquire IP or to invest in businesses with IP assets, such as venture capitalists. We also work with organisations wishing to attract investment, helping to ensure that their IP assets will withstand the scrutiny of due diligence by potential investors.”

Masaki Ishioroshi: “There are a lot of things that an IP adviser should and can do. First he/she needs to assess ownership, validity, duration, and other factors of the related intellectual property rights. It is also necessary to review which portions or areas of the relevant business are covered by relevant intellectual property rights. If the main business of the targeted company is related to licensing of IP (whether such company is a grantor or a grantee), review of license agreements is also important. Concerning an agreement, the term, exclusivity, geographical areas and business areas covered by the agreement, validity of such agreement (including conflict with antitrust laws), and other factors need to be checked.”

Why is a company’s intellectual property such a valuable asset? What steps should a company take in protecting their IP?

William Mulholland: “A company’s IP is one of its most important assets because it can be the basis for driving the company’s value proposition, asset base and its brand equity ranking. The very first thing a company should do is to conduct an IP Audit so that it can methodically identify the IP assets it has on hand. Such an audit needs to be comprehensive and include registrable rights (eg trade marks), non-registrable rights (eg copyright) and equitable

rights (eg confidential information, trade secrets etc). Once an audit has been conducted then a company can seek the necessary advice from an IP advisor in prioritizing and developing a strategy for the protection and commercial exploitation of its IP asset base.”

Alistair Gay: “The success of many businesses, particularly in the technology sectors, is underpinned by their innovative products and services. Unless that IP is cleared for use, to ensure that third party rights are not infringed, and subsequently protected where the IP is clear for use and registrable, the investment of the company in its research, development, marketing and promotion of its products and services may be lost, or used by competitors to their advantage. Our specialists clear IP for use and deal with the filing and prosecution of IP for registration on a daily basis. We also advise on IP management issues including reviewing internal IP policy, IP disclosure and review processes and competitor analysis.”

Masaki Ishioroshi: “There are many reasons one if which is; If such company’s intellectual property is a patent or patents that cover the entire area or the core of its business, such company would be able to exclusively carry on such business in a market. A company should do many things to protect their IP. First it has to identify intellectual property that it has or possibly has. Of course as to registerable property such as a patent, if it is applied or registered, it is easily identified. But taking a closer look at the business that the company currently conducts, other intellectual property could be found. It should be considered how such intellectual property could be protected. For some filing an application for a patent, a trademark or other registerable right could be proper or effective. Some could be more effective if it is kept confidential as a trade secret than if it goes public e.g., by applying for a patent.”

Companies involved in M&A often overlook the intrinsic value of their own IP? Why is this? How are you able to assist prospective clients in this way?

William Mulholland: “During an M&A process some companies in a flurry of excitement overlook the value of an intangible asset base, which on occasion is not as easily valued or measured, in favour of tangible and realizable assets. For other companies, it can be simply an oversight or basic failure to grasp the value of an IP asset base and how extensive it can be.”

Masaki Ishioroshi: “There are many reasons. For example, in a Japanese company,

in principle, intellectual property rights are not recorded as assets in its balance sheet unless such IP is bought from others. Another reason seems to be that some important portion of their own IP is limited to know-how of their business so even their top management does not recognize the value of such IP. One of the way in which we can assist our clients is to help them make clear what IP they currently have whether it is registered or not, and also is to help them find out their unnoticed but valuable IP worth protecting by means of interviewing them from a professional legal viewpoint and reviewing in detail their business.”

What are your predictions for IP law in your jurisdiction over the coming months?

William Mulholland: “In Australia we will start to see the effect of the Personal Property Securities Act 2010 (Cth) (PPSA) and the introduction of the Personal Property Securities Register (PPSR) having an impact on business including those businesses that license, commercialise or deal in IP. Personal property includes intangible assets such as designs, patents, plant breeder’s rights, circuit layouts, copyright and any right under the law of a foreign country that corresponds to the rights previously mentioned. Any business engaged in licensing/franchising or looking at corporate structuring for the commercial exploitation of IP will need to take advice on the impact of the PPSA and any registration requirements under the PPSR.”

Alistair Gay: “The recent changes in procedure and resulting success of the Patents County Court (“PCC”), which can handle claims relating to intellectual property (trademarks, designs and copyright – not just patents), has given IP owners a cheaper and more streamlined forum for litigation than litigation before the High Court. With greater choice of forum/procedure and the availability of cheaper litigation, it is more important than ever that those companies have their IP in good order: cleared for use and, where appropriate, registered.”

Masaki Ishioroshi: “Japanese Patent Act was amended on May 31, 2011 and is expected to enter into effect in 2012. The amendment this time will enable a licensee of a licensed patent to assert their license against the subsequent owner of such licensed patent without the said registration. We believe that this amendment could further contribute to promoting technology innovation, exploitation of patents.”