

Prevention and Intellectual Property

Business reorganizations or acquisitions of companies often require the performance of a legal due diligence on the target in order to get the most complete picture of it. The due diligence process typically includes a series of investigations, including with respect to the intellectual property titles held by the target (portfolio of intellectual property rights) and, as the case may be, used by it (contractual audit).

Most of the time, an IP due diligence reveals surprises...that are generally unpleasant.

Indeed, in the absence of any dedicated legal resources, it is common to see that the intellectual property titles of a company do not receive any special attention and/or are not subject to any specific management policy.

As such, it frequently turns out that the intellectual property titles claimed by the relevant company:

- are no longer valid; this happens, for example, when the titles have not been renewed and fell in the public domain;
- are valid but are not/no longer its property. It is not unusual to find out that the registration of an industrial property right has not been made by the company itself but by a natural person, e.g. a corporate officer or former corporate officer of the company, or else by an external service provider, without any subsequent contracts formalizing the assignment of such rights to the relevant company;
- are indeed valid but less relevant (e.g. coexistence of the company's trademarks with third-parties' trademarks that are similar, identical or tolerated) or unenforceable (e.g. for lack of registration with the relevant authorities of contracts pertaining to intellectual property rights).

In that case, the lawyer conducting the due diligence will have to regularize the situation in a hurry, precisely at a moment where time will be of the essence and play against the company, and where its leeway to negotiate will be reduced.

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Experience shows that lack of attention to, and supervision of, intellectual property titles often causes irreparable damage. And the relevant company then realizes, belatedly, the economic value of intellectual property rights.

Such rights lie indeed – increasingly – at the heart of business life and are likely to constitute the most important and valuable assets of companies.

It is, therefore, recommended to carry out an “upstream” IP due diligence. This will help better identify the intellectual property needs of the company, maintain its portfolio of intellectual property rights, and optimize the use of such rights.

In summation, with respect to IP rights, as with everything, an ounce of prevention is worth a pound of cure!

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