



IP Due Diligence  
IP Rights Information Assessment  
IP Value Assessment

*Assessing and Maximizing Your Intellectual Property*

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## Overview

Thank you for your interest in our IP Due Diligence, IP Assessment and IP Valuation services. This document describes the services provided by the IP due diligence team that are available to your firm and clients. Our team of intellectual property (IP) experts and financial analysts serves law firms, venture capital firms, investment banks, IP owners and licensees, and other parties involved in IP assessment, valuation, acquisition, sale and litigation.

If you represent clients involved in acquisitions, financing or litigation, you are well positioned to identify which of your clients are good candidates for due diligence in the context of financings, mergers and acquisitions, or potential litigation or for IP rights information assessments. Our team will listen to your needs and desired outcomes and will work collaboratively to build sound solutions. In addition, the IP due diligence and assessment team can serve you at a fraction of the cost of traditional law firms or in-sourced providers.

Our group of IP experts and financial analysts create models and processes to attend to your needs and to solidify your immediate, as well as long term, relationship with your client. Our team's objective is to be a valued option on your firm's menu of services and a component of your client IP management strategy.



# IP Due Diligence

Contemplating a transaction to buy, invest, license or extend credit that involves the intellectual property of another? The company must undertake an intellectual property due diligence investigation to ensure that it's getting the perceived value out of the transaction. The thrill of a new venture quickly turns into the pain of buyer's regret when significant investment resources are lost for lack of due diligence.

Are you concerned about a perceived or real threat of litigation or is your client a defendant in a pending lawsuit as an alleged infringer? Are you interested in knowing more about the IP rights held by another for any other reason? Who is the true, legal owner of the IP? Have the IP ownership rights expired? In a merger or acquisition, do all such rights actually transfer? Are the IP rights encumbered by litigation? A due diligence investigation will answer these questions and more, saving the company financial pain down the road.

## **Purpose**

- IP Due Diligence Investigation to Determine the IP Rights Held by Another to Maximize IP Investment Value and Minimize Investment Risk and Liability
- IP Due Diligence Investigation to Improve Management of a Company's Assets, Including Identification of Possible Targets for Sale or License
- IP Due Diligence Investigation to Assist in Your Management of an Allegation of IP Infringement

## **Objectives**

- Preempt distress and disaster by pro-actively evaluating the details of IP rights
- Know exactly what IP assets your company is realizing from the transaction
- Mitigate liability and negligence charges resulting from the failure to investigate
- Maximize corporate strategic planning and profits

More than ever, every business deal counts; the stakes are high. A company depends on making profitable alliances whenever it embarks on a new partnership or licensing venture, or acquires another enterprise or extends credit. In any business transaction that involves IP, a company is relying on the worth of that IP to substantiate the financial success of the transaction. That IP is an asset so long as the company has factored all precautionary examinations into its true merit. An IP due diligence investigation is both a preventative measure against disappointment and calamity and an activist effort to make the most of every transaction. This investigation will advance a company in:

### **Understanding the IP rights and valuation:**

- Identifying the true ownership and control rights of what the company is buying, licensing or financing
- Understanding the economic significance of what the company is buying, licensing or

financing

- Determining the scope of the IP rights (e.g., the scope of patent claims)
- Determining the validity of the IP rights
- Identifying the value of the IP rights
- Maximizing licensing and other business exploitation and development prospects
- Plugging acquired IP assets into new and emerging markets

### **Determining Potential Restrictions, Liabilities or Infringements**

- Safeguarding against buyer's remorse
- Knowing that the history of the IP rights bought or financed is "clear"
- Understanding the obligations the company may be undertaking toward any third parties
- Determining any litigation or financial encumbrances on the IP bought or financed
- Ascertaining any usage restrictions of the IP rights bought or financed
- Ascertaining expiration dates of IP grants, registrations, licenses, and renewals

### **Why Our IP Due Diligence Team?**

- Thorough due diligence is a complex and specialized process
- Extensive experience and expertise lead to asking the right questions for maximizing value
- Our industry specific IP attorneys and our highly experienced M&A team provide professional perspectives and collaborative analysis

### **Our Team**

Our intellectual property attorneys have extensive IP experience and knowledge. Our team has broad business affairs and legal backgrounds in both transactional work and in corporate senior management. Combined, they have more than seven decades of proficiency in managing and licensing rights in large and small companies with massive intellectual property portfolios and in developing business requirements for rights management systems. Their expertise covers patents, trade secrets, trademarks and copyrights in technology, pharma and other sciences, entertainment, publishing and licensing, and many other industries.

Our IT specialists, who work collaboratively with our attorneys, have extensive experience in IP asset management and analysis for numerous corporations in all process stages -- the incubator, the start-up, and the maturing company offering product.

### **BACKGROUND: Typical Company Scenarios**

- Start-up and mature companies in some industries tend to focus on core competencies and their business and marketing plans for acquisition, revenue growth and profits. IP rights are thought of as secondary --an afterthought--or are sacrificed due to financial constraints.
- IP rights information is scattered across departments and stored by numerous people in multiple silos – file cabinets, documents, spreadsheets and databases – on individual hard

drives, in email that is not catalogued, in individual memories, etc. Potential buyers, investors and creditors need to have all the information gathered and presented in a useful way to understand the full value of the IP rights.

## REPERCUSSIONS: Can Be Mitigated by Due Diligence Investigations

### Ownership of the IP may be in doubt:

- **Example:** A health care company VP recently left the company with a vital corporate URL registered in his name and he held the only password to the website.
- **Example:** A technology start-up has not obtained agreements or assignments for valuable software developments, leaving the IP ownership of the developments in doubt.

### The value of the IP may be less than originally apparent:

- **Example:** A Fortune 500 company acquired older rights, whose assignment terms soon expire, putting the value of the multi-million dollar acquisition in serious doubt.
- **Example:** A technology company failed to file a patent application before presenting data at a public conference, jeopardizing the company's rights to worldwide patent protection.
- **Example:** A company's federally-registered trademark failed to cover all the products marketed under the trademark, causing questionable rights to enter into new markets using the trademark.
- **Example:** The period of confidentiality in a non-disclosure agreement may not have been adequate to protect certain trade secrets prior to commercialization, leaving the door open for a competitor to enter into the market sooner than expected.
- **Example:** The agreements between the media company and some of the most important creators of the IP the company sought to license-out contained "no assignment" clauses, thus squelching the deal.

### Avoiding liability or limiting damages:

- **Example:** An alleged infringer fails to identify an admission made during the prosecution of an issued patent that would have placed the potential infringer's product outside the scope of the patent claims.



# IP Rights Information Assessment

An IP rights information assessment will determine whether the company is managing its IP rights information to maximize company revenue, help protect it from devastating loss of rights, and enhance the value of its IP, while providing strategies for strengthening the consistency of rights information management.

## **Purpose**

Comprehensive Assessment of Rights Information Management to Maximize the Value of Intellectual Property

## **Objectives**

- Gain the ability to quickly evaluate IP rights to seize business opportunities
- Know how to manipulate rights information to exploit rights
- Save time and effort on a daily basis for already stretched staffs
- Identify shortcomings, pitfalls and holes in your IP
- Present your IP rights in a professional format

Most companies own valuable IP. A company must do everything it can to protect its IP assets and gain as much value as possible. However, when managing significant IP in a fast-paced environment, things can fall through the cracks; rights can be lost and value lowered. An IP rights information assessment is an investment that will provide a company with opportunities for:

### **Revenue Enhancement**

- Taking advantage of IP assets to remain competitive
- Developing new business opportunities in emerging markets, including the exploding digital media and digital media distribution avenues
- Licensing, selling or exploiting assets for revenue
- Repurposing or exploiting forgotten/neglected assets

### **Financing & Expansion**

- Discovering under-utilized IP
- Enhancing financing documents, valuations, mergers & acquisitions
- Bolstering balance sheet
- Attracting new investors/business partners

### **Strengthen IP Rights**

- Identifying defects in perfecting ownership rights or other ownership issues
- Discovering any potential patent, trademark or copyright issues prior to asserting rights against an infringer
- Determining defective language in IP-related agreements

### **Protection from Liability or Infringement**

- Selling the company's IP with peace of mind from potential liability
- Avoiding infringement of others' rights by knowing licensing limits
- Limiting damages by enabling quicker responses to infringement

## Background: Typical Company Scenarios

- IP rights information is scattered across departments – finance, marketing, R&D, operations, sales, legal.
- Numerous people store information in multiple silos – file cabinets, documents, spreadsheets and databases – on individual hard drives, in email that is not catalogued, in individual memories, etc. Companies, investors and creditors need to have all the information gathered and presented in a useful way to understand the full value of the IP rights.
- Institutional and historical knowledge resides in heads of employees and disappears when employees leave or change positions (e.g., a health care company VP recently left the company with a vital corporate URL registered in his name and he held the only password to the website).

## Repercussions

Incomplete Rights Information: It can take too long for potential business partners to get to the correct person or for employees to find the information needed to provide to potential buyers, investors, licensees, creditors or other interested parties. The revenue opportunity may disappear.

**Example:** An established major video production company wanted to jump on an opportunity with a mobile phone carrier. In new distribution services where real estate is limited, the company had to get there first. Yet no one in the business development group could quickly obtain comprehensive rights information. Not having the information on mobile rights at hand delayed the business deal and ultimately caused the company to lose several mobile deals.

Duplicate or Inconsistent Information: Time is wasted, there is the potential for missed revenue opportunities, and impediments to growing revenue can result from ineffective rights management.

**Example:** A company with successive layoffs had insufficient resources resulting in an inability to log all of the rights information or even summary information that – despite dwindling personnel – kept piling up from new deals and contracts. Each time people needed information, they had to track down and read the original contract. Everyone duplicated the same research. Without inputting the rights information summaries in a form that was visible cross-departmentally, the company also risked losing money it should have received from the deal.

Expense vs. Revenue: IP rights are costing the company rather than providing revenue streams.

**Example:** A consumer goods company spent great sums of money each year renewing and protecting patents and trademarks that were no longer used. The cost could have been saved or the IP licensed or sold for additional revenue.



**Assessment Process**

1. Overall project planning: determination of assessment project scope; presentations to executive personnel, if desired.
2. Information collection: time-boxed interviews with select, representative personnel; cross-organization workflow sessions.
3. Information evaluation and aggregation: interview and workflow sessions clean-up; identification of similarities and differences among gathered information; identification of business requirements; ascertainment of additional information gathering needs and/or opportunities.
4. Report generation and presentation: includes summary of findings and recommendations; meetings with executive personnel, if desired.



# IP Value Assessment

At any given time, your firm or client might need or desire a thorough understanding of an intellectual property's product and market potential, as well as its potential resulting short- and long-term value. Although countless hours of human capital, research and resources have been invested into an IP, its potential applicability, longevity and ensuing value must be determined. Difficult, germane questions must be asked and addressed to obtain a clear understanding of underlying economic factors. Our group not only will generate the right questions, we will mine the value-added responses to inform our clients of an IP's potential financial return . . . or burden.

## **Purpose**

- Determine Whether the IP in Question has Real Product and Market Potential, as well as Potential Short- and Long-Term Financial Rewards.
- Determine the Value of IP for Anticipated or Current Litigation.

## **Objectives**

Understand the applicability of the IP, its target industry, its industry place or niche, and see a concrete valuation of the IP potential.

## **Why Our IP Value Assessment Team?**

Researching product and market potential takes extensive resources and time. Our Team has the experience and specialized knowledge to meet these needs.

## **Typical Company Scenario**

Through a purchase, an educational curriculum company has acquired numerous copyrighted lesson plans. The plans are in its vault, but the company lacks the human resources to determine whether the plans are worth dusting off and developing. Our team will find the relevance of the concept in today's learning environment, its direct or indirect applicability, the potential market for the lesson, the longevity of the concept's application, and the likely financial return to the firm.

## **Methodology**

The method of valuing intellectual property depends entirely on its type and stage of development, its duration or longevity, the logical and speculative extensions of its application, the target and size of the market, price elasticity and competition, and the costs of product development, including capital development, maintenance, administrative and marketing. Based on the factors gathered, a model will be developed using the income analysis approach, which then will be tested against scenarios and sensitivities.

## **Repercussions**

A company that has purchased IP through a merger or acquisition likely values the non-produced IP as goodwill on its balance sheet without knowing its real financial potential. This goodwill valuation can skew a company's financial situation if it's not valued properly. On the other hand, a diamond hidden on a bookshelf is nothing more than a rock taking up space..



## Bios



### **Theresa Brown, Esq.**

Theresa brings a wealth of knowledge and experience in IP patent and trademark law. She has successfully represented public and privately held companies and non-profit institutions in the biotechnology and pharmaceutical fields for well over 22 years. During that time, she has been with private law firms, including of counsel to an IP law firm in Denver, and in-house counsel for companies in San Diego and Colorado, including Hybritech, Inc., Synergen Inc. and Somatogen, Inc., prior to starting her own consulting practice. Theresa is recognized not only for having built a prominent practice, but also for her reputation for bringing clarity to complex, highly technical challenges and subsequently aligning positive solutions for her clients. Prior to earning a law degree from the University of Colorado School of Law, she was involved in cancer research at Scripps Clinic in La Jolla after receiving a degree in chemistry from the University of California at San Diego.

Theresa is licensed to practice law in Colorado and California and is a registered patent attorney with the United States Patent and Trademark Office. Her specialty includes patent and trademark prosecution, licensing, developing IP portfolios, IP auditing, and case management of patent litigation cases. In addition, she has experience conducting IP due diligence in connection with licensing and acquisition activities. She also taught trademark law as a guest lecturer at a San Diego law school for two years.

As in-house counsel to companies in California and Colorado, she also brings general legal experience, including working closely with outside counsel on employment, environmental, regulatory and SEC matters, as well as negotiating and drafting a variety of agreements such as confidentiality, consulting, sponsored research, clinical trial, co-marketing, distribution, supply, service, purchasing, material transfer, and employment agreements. Her responsibilities also included managing product liability cases and negotiating settlement agreements.



### **Laurie Hughes, Esq.**

Laurie Hughes, an attorney with twenty-five years experience in business affairs, business development, and licensing, is a principal in Hughes-Kessler Consulting, an intellectual property rights consulting firm. She is skilled in developing and executing strategies for both copyright owners and digital content providers.

Laurie was VP Business Affairs & General Counsel for TouchTunes Corporation, the world's largest out-of-home entertainment network. She was responsible for the strategic and operational leadership of departments responsible for music programming, acquisition and distribution of content to the network, copyright research and licensing, contract

administration and royalty allocation and distribution. Her department obtained rights to millions of works and distributed royalties for over 750 million uses each year. She negotiated licenses with all major and large independent record labels and publishers and all three U.S. performing rights organizations. Her department obtained rights from thousands of independent record labels and music publishers.

As Assistant Vice President, Business Affairs at ASCAP she developed industry-wide license agreements that grew existing revenue each year and created new revenue streams.

Laurie began her career at SESAC, where she rose to VP Legal & International Affairs. At SESAC, she served as General Counsel during the transition of the performing rights organization from a sixty-year old family operated firm to an entrepreneurial, investor owned company. She appeared as counsel in Copyright Royalty Tribunal distribution proceedings and testified at numerous state legislative hearings on bills regulating and interfering with copyright licensing and enforcement.

She has been a speaker on rights and licensing at numerous trade and industry association conferences including, the Intellectual Property Law Section of State Bar of California, the World Intellectual Property Organization, Kagan & Associates Pay Per View Summit, the National Speakers Association Annual Convention and many others. She is a member of the Tennessee Bar Association, the Copyright Society of the USA (former trustee), and the Copyright Society of the South.

Laurie has a B.A. in government from Smith College and a J.D. from the University of Memphis. She has also completed negotiation training in intensive summer workshops at the Harvard Law School Negotiation Project.



**Suzanne Kessler, Esq.**

Suzanne, an entertainment and intellectual property attorney and documentary filmmaker, is a principal in Hughes-Kessler Consulting. She began her legal career at Rosenfeld, Meyer & Susman, LLP, a Beverly Hills entertainment law firm, where she worked in the transactional entertainment and intellectual property department, focusing in the film, music, copyright, and trademark areas. She serviced major studios and production companies, music companies, and assorted independent film and television producers and talent.

During six years at Universal Music Group (UMG), she was the Director of Business and Legal Affairs for A&M Records and UMG corporate in Los Angeles and served as Vice President of Business Development for UMG's Nashville operations. At UMG Nashville, Suzanne led business and legal affairs for the Nashville-based record labels: MCA Records, Mercury Records, and Lost Highway Records. In addition, while at UMG, both in Los Angeles and Nashville, Suzanne helped develop new media strategies and facilitate intellectual property anti-piracy efforts.

Suzanne graduated from Brown University with honors in English, earned her master's degree

in documentary film production from Stanford University, and her law degree from Stanford Law School. At Stanford Law School, she was awarded first prize in the Nathan Burkan Memorial Competition for excellence in copyright law research and writing, sponsored by ASCAP.

Suzanne is the former Chair of the Nashville Bar Association (NBA) Entertainment and Sports Law Committee and was recently honored with the President's Award from the NBA. Additionally, Suzanne is an Adjunct Professor at Vanderbilt University Law School, teaching Entertainment Industry Transactions and Intellectual Property Licensing within the Technology and Entertainment Law Program. She has appeared as a guest speaker at many prominent entertainment industry conferences and is affiliated with a variety of legal and entertainment organizations (e.g., the American Bar Association, the Tennessee Bar Association, the Nashville Bar Association, the Los Angeles County Bar Association, the Copyright Society of the South, the Country Music Association and the Academy of Country Music). Suzanne is on the Membership Committee of the American Bar Association Entertainment and Sports Law Forum.

Her recent documentary film credits include work with the A&E Network, Nashville Public Television (national PBS affiliate), and the Viacom-owned CMT (Country Music Television).



**Laurie Rhoades, Esq.**

Laurie Rhoades began her career in corporate law and only later came to the field of intellectual property law. After several years at the U.S. Copyright Office, she returned to Denver, Colorado, where she opened her law practice, specializing in copyright, trademark, and licensing law. She has currently been practicing intellectual property law for over 20 years. As well as practicing, she has taught copyright law both to lawyers and lay people and in-house to clients.

While at the Copyright Office, Laurie represented that office in the Clinton Administration's study on the intersection of copyright law and the internet and the tension that has continued to grow between the copy "right" and copy "left" adherents.

When Laurie began practicing in Denver, there were few Colorado lawyers specializing in intellectual property law, with the exception of a thriving patent bar. Her practice today includes publishers, authors, artists, software developers, and musicians. Her firm has developed a specialty of handling legal aspects of matters for filmmakers and currently represents a number of independent filmmakers.

**Dave Skinner**

Dave has over 35 years of experience in information technology and operations as an architect, engineer, technologist, manager, and entrepreneur. He has an unusual breadth of experience, not only in terms of technology (hardware, software, systems, storage, telecommunications, operations) but also in terms of the size of organizations in which he has served (from start-ups to

over 200,000 employees) and the combination of business and technical roles he has played. Dave served as VP of Engineering at LeftHand Networks (Boulder, Colorado), then an early-stage storage systems start-up that is now the leader in iSCSI SAN storage solutions. LeftHand Networks was acquired by Hewlett-Packard in 2008. While at LeftHand, he initiated major changes in engineering processes and organization that resulted in dramatically shorter product release cycles, higher product quality, and enhanced customer satisfaction.

Prior to LeftHand, he served as a senior architect at Sun Microsystems after it acquired Redcape Software (Boulder, Colorado), where he was the co-founder and CTO. At Redcape, Dave created and productized the concept of policy-based storage management, which later became the Sun Jiro (TM) platform. In previous positions, he served as CTO at Fujitsu ASG and also held various senior engineering and management positions at StorageTek.

Dave is a long-time member of both the Association for Computing Machinery (ACM) and the Institute of Electrical and Electronic Engineers (IEEE), and has served as the chair of several IEEE standards committees. He has a BSEE from the University of Colorado at Boulder and has completed graduate courses at both CU and UCLA in electromagnetics, computer science, and telecommunications.

At many times during his career, Dave also has served as a consultant to various technology companies and industry groups, providing advice, strategic planning and architecture services. He has also taught software engineering methodology and programming languages professionally to a number of prominent technology companies. Dave has spoken at numerous industry conferences and events, including keynote speeches at ComDex. His work within established companies as an individual contributor and manager, as an entrepreneur, as an independent consultant, and also as a leader of industry groups gives him valuable experience in IP management and conflict resolution.

## **Neil Krauss**

Neil Krauss is currently the Assistant Vice Chancellor for Business and Finance, University of Denver. Neil has created, negotiated, managed and reported on numerous IP corporate contracts and agreements, working with the management of a multi-million budget. He manages corporate contracts, external business relationships with developers, Denver City Council members, and neighbors. Another major responsibility of Neil's is to facilitate and create a strategic external communication product and internal marketing strategies.

Neil's professional talents blend creative financial consulting and development skills with proven professional communication and management results. He specializes in developing and implementing management solutions in complex business situations.

As a financial consultant, Neil works with entrepreneurs on strategic corporate financial development, fashioning production models that roll into financial statement development. He developed and maintains financial and production models for several start-up corporations.

Neil uses his two Master's degrees (M.S. in Finance and M.A. in International Studies from the University of Denver, with a focus on international economics and development) towards creating and implementing solutions to corporate challenges. He is tested fluent in French language. Neil earned his Bachelor of Journalism degree from Missouri, and in a previous career, was an award-winning newspaper investigative reporter and editor.

### **Craig Dinan**

Craig manages MessageWatcher, an e-mail archiving, surveillance and e-discovery business. Craig works closely with MessageWatcher clients and their attorneys to fulfill e-discovery requests. Prior to joining MessageWatcher, Craig was the Chief Financial Officer at a software and information technology services company serving broker-dealers and registered investment advisors. Craig spent over ten years in finance-related roles including due diligence work and acquisition analysis for NCR Corporation, StorageTek, and ManagedStorage International. Craig also is the founder of Flexible Designs, Inc., a financial services company serving over 300 banks nationwide and a web-based office products company, both of which continue to operate profitably. Craig has a B.S. in Finance from the University of Colorado and an M.B.A. from Colorado State University.

### **Guy Coffey**

Guy Coffey first saw the importance of business conflict from a corporate perspective. This importance was magnified when he noticed that many conflicts in business arise directly or indirectly from financial challenges. Additionally he saw a great need for an outside, third party to provide an objective professional analysis of the financial situation and work collaboratively with the parties for a pragmatic and workable solution.

Guy's prior experience includes eight years of work for Waste Management, Inc., prior to going back to graduate school for a Masters in International Management degree at Thunderbird School of Business. Subsequent to this, he worked for a German aerospace company and Deutsche Telecom in management positions, which included the analysis of companies for acquisition. His advanced studies and experience in forensic accounting have proven to be valuable tools in the deep analysis of financials. Guy is respected as a leading expert in business valuations and financial analysis of businesses.

Guy's experience in finance analysis, coupled with his unique ability to identify and communicate the meaning of the financial information, helps our clients reach win-win resolutions.

### **Mary Whetstine**

Mary Whetstine has over 20 years of business experience in the financial, education and transportation arenas. Her extensive background has enabled her to assist corporations in the areas of financial analysis, evaluation and development. Prior to earning her Executive MBA at

Daniels from the University of Denver in 2002, she worked as a senior trader and member of the client relations team for Charles Schwab & Co and a consultant with Acquest Management.

She has worked with numerous Fortune 500 companies in diverse sectors, including private education and transportation. Also, Mary has served on several boards of directors and been involved in grant writing. Mary is currently the associate director of network office operations, working in evaluations and corporate growth strategies. More recently, the work has evolved into compliance to SEC regulations.

One of Mary's business passions has been to utilize her extensive financial knowledge to strategically guide individuals and corporations through challenges and conflicts towards excellence, and with an emphasis on ethics.





*Assessing and Maximizing Your Intellectual Property.*

**IPMG**

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