

# IMPORTANT TERMS IN YOUR NEXT PHARMA OR TECH DEAL

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# Agenda

- **What** are the important terms?
- **Why** is IP important?
- **What** companies and investors should look for in IP when seeking to acquire a technology or life science asset
- **How** to best position and reinforce your IP (including patents & trade secrets) when seeking a potential M&A deal
- **Where** to find IP red flags in an M&A transaction that can impact the value of the deal
- Q & A Panel

# Disclaimer

- None of the information or opinions discussed today are attributable to our respective organizations, they are only our personal opinions.

## **What** are the important terms?

- **IP Representations and Warranties**
- **Indemnification Obligations/Protection**
- **Restrictive Covenants**
  - Confidentiality
  - Non-Competition
  - Non-Solicitation
- ***Common Theme***: Intellectual Property
- ***Saved for the sequel webinar***: economic terms, employment agreements, privacy and data security

# Why is IP Important?



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# Why is IP Important?

- Establish exclusivity/value
- Evaluate and support deal structure/economics
  - License/Collaboration
  - Royalty
  - M & A
- Identify Risks
  - Shift or mitigate risks
- Assist in Drafting and Negotiations

# What to look for in IP when acquiring an asset

- **Loss of Exclusivity**
  - Regulatory Exclusivity (NCE/BLA/Pediatric/Orphan/Data)
  - Patent Exclusivity
- **Total Portfolio**
  - Types of IP
    - Patents, TM, domain names, copyrights or trade secrets/know-how
  - Breadth and quality of coverage
    - Genus Claims vs Species Claims vs. Picture Claim
    - Timing of Expiration
      - PTA / PTE
      - Double patenting?
  - Upstream in-licenses and necessary sub-licenses
  - Rights to Developments and Improvements

# What to look for in IP when acquiring an asset

- **Competitive Intelligence**

- Likelihood of Competition

- Impact of Type of Product (pharma product vs. medical device vs. software/tech)

- IP impacts LOE more for pharma products than software/tech due to faster product evolution in software/tech

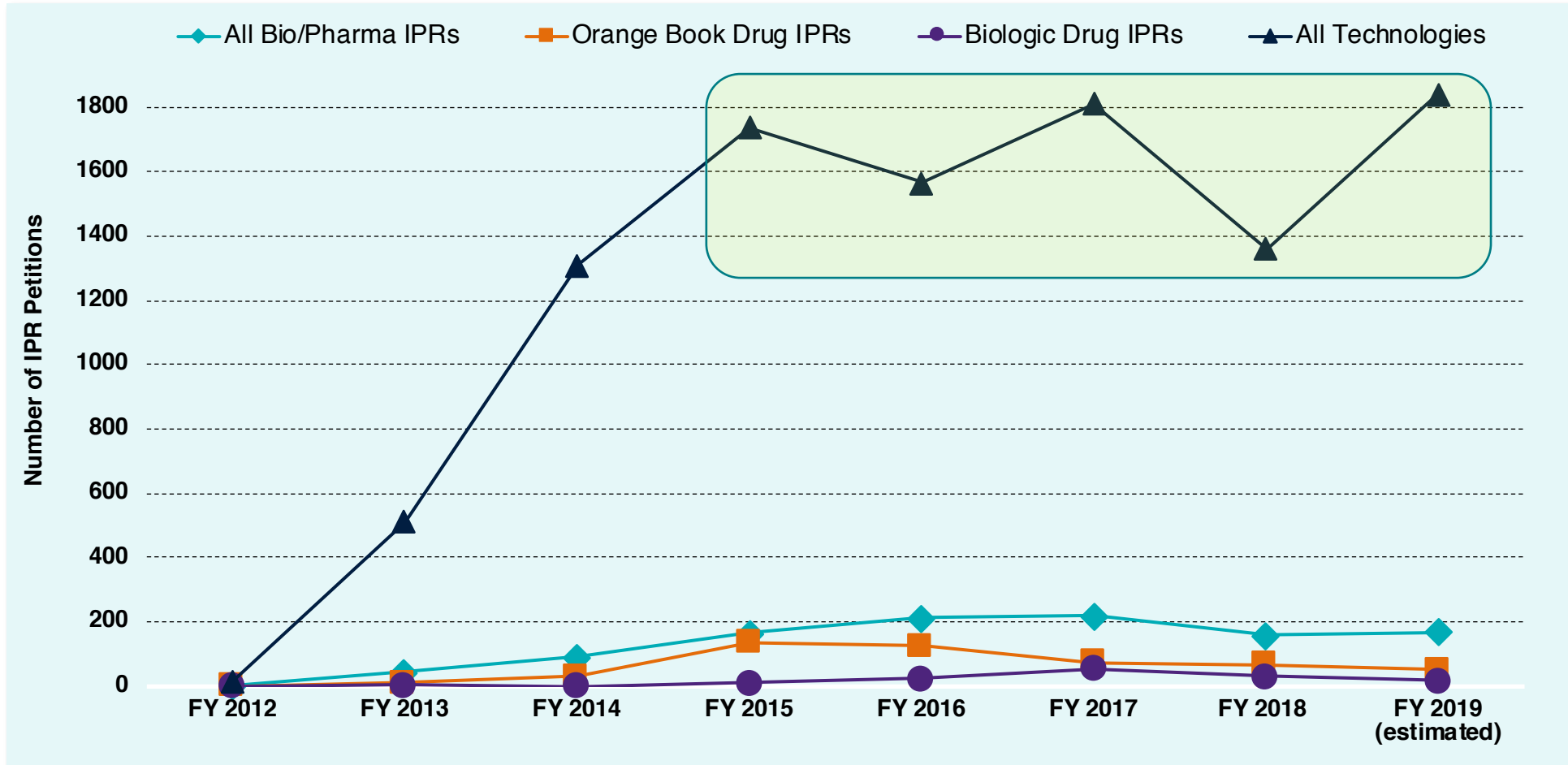
- Weighs into risk calculus, less for pharma and significantly more for med device and software/tech



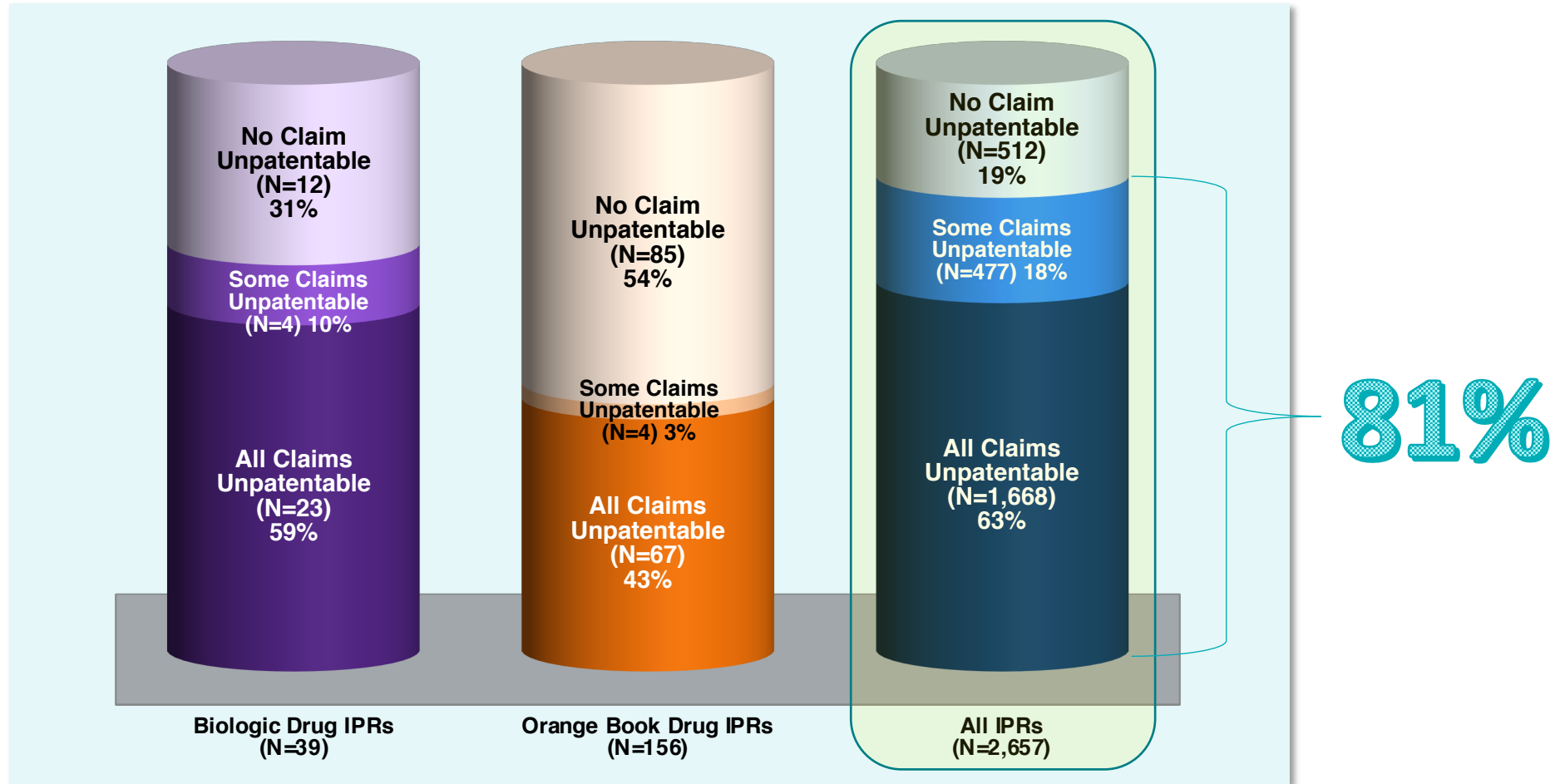
# What to look for in IP when acquiring an asset

- **Risk of Contested Proceeding/Litigation**
  - Invalidation vs. Infringement (Freedom to Operate)
    - Dangers of PTAB IPR/PGR re Invalidation
      - Technology dependent
    - Freedom to Operate risk also technology dependent
      - Pace of innovation and development; changes in patent law
  - Ex-US Markets – e.g., EU Patent Oppositions
    - Reviewed to evaluate validity
- **Current and Settled Litigations**
  - Settlement agreements
  - Positions taken during span of litigations
  - Outside counsel eyes only

# What to look for in IP when acquiring an asset



# What to look for in IP when acquiring an asset



# What to look for in IP when acquiring an asset

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# What to look for in IP when acquiring an asset

- Takeaways

- Determine Loss of Exclusivity
- Examine Vulnerability of Patents
- Identify Breadth and Scope of IP
- Clear Freedom to Operate
- Avoid “Buying a Lawsuit”
- Determine the Likelihood of acquiring IP
- Consider the Ability to Enforce IP
- Confirm structure and economics make sense in light of IP realities

# How to best position IP when seeking a deal



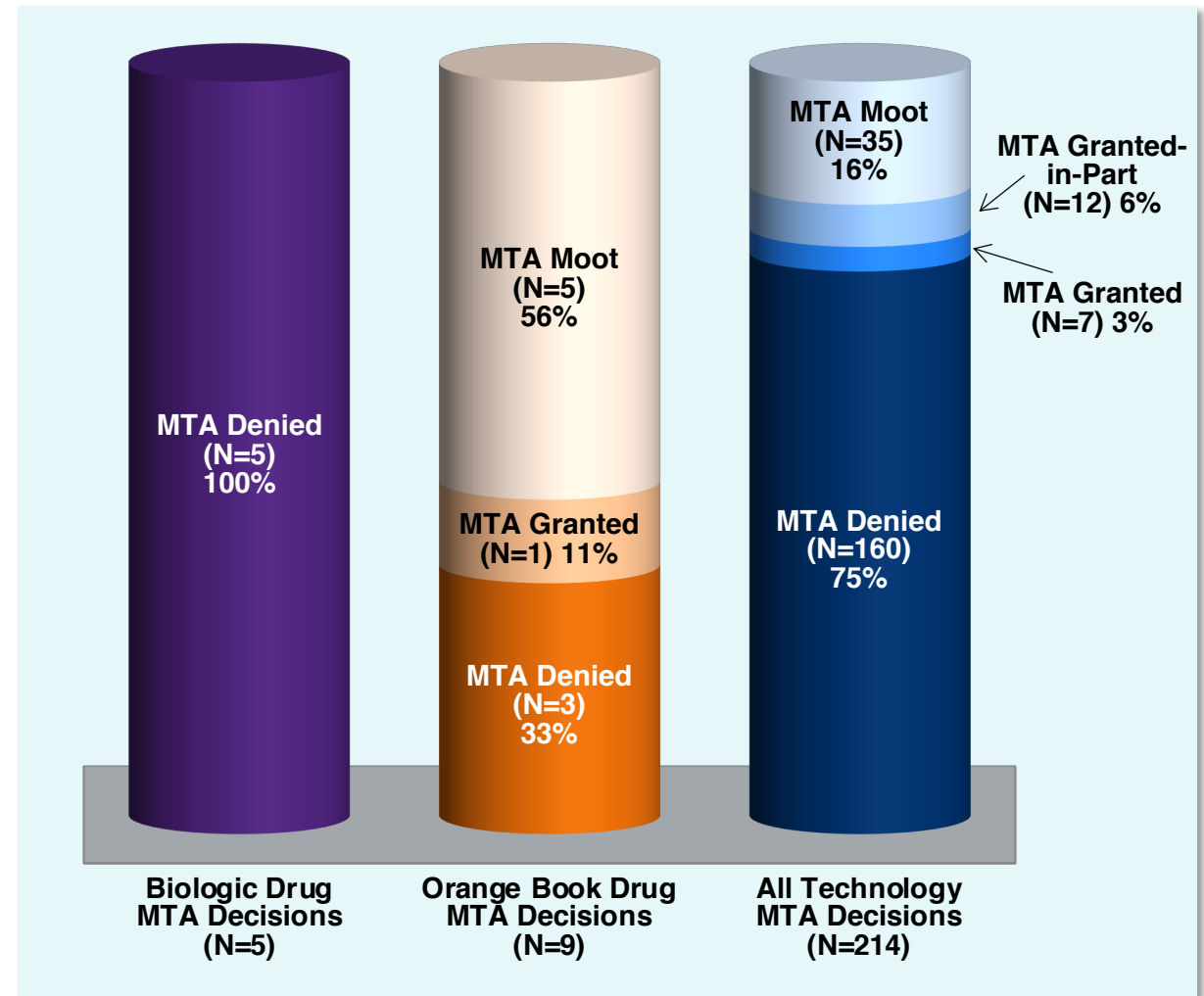
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# How to best position IP when seeking a deal

- **Open prosecution**
  - Continuations and Divisionals
- **Motions to Amend**
- **Supplemental Examination**
- **NDA/CDAs and Trade Secrets**
  - Documenting your Trade Secret
- **Typical practices**
  - Involve IP group early in the process
  - CDA in place between the parties
  - Access to confidential information
  - IP opinions
  - Non-binding term sheets

# How to best position IP when seeking a deal

- **The PTAB started a pilot program for MTA practice on March 15, 2019**
  - Provides patent owners the option to receive preliminary guidance from the Board on its MTA
  - Allows patent owners to revise MTA after receiving petitioner's opposition and/or after receiving PTAB's preliminary guidance





## **How** to best position IP when seeking a deal

- **If the transaction is already proceeding, get your (black) ducks in a row:**
  - **Anticipate diligence requests**
    - Know your FTO landscape
  - **Confirm inventions assignments and NDAs**
  - **Review accuracy of representations and warranties**
  - **Prioritize key IP, but identify additional IP as well**
  - **Negotiate material contract thresholds**

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# How to best position IP when seeking a deal

- Takeaways

- Obtain Additional Patents from existing families
- Fix Existing Patents in the PTO
- Strengthen Confidentiality Provisions
- Don't let IP be the obstacle
- Know what you have, Know what you are representing

# Where to find IP red flags in deals



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# Where to find IP red flags in deals

- **Reps & Warranties**

- IP Rep, underqualified and overreaching
- Title to Assets (aka Assets and Properties) Rep

- **Indemnification**

- Piece-meal negotiation

- **Between signing and closing**

- Overly-restrictive covenants
- Consequences of disclosure schedule updates

- **Restrictive Covenants**

- “Business” definition

# Where to find IP red flags in deals

- **Inventorship**

- Title, assignability and ability to control the IP exclusively

- **Undisclosed Prior Art**

- **Claim Scope**

- Lack of Picture Claim
- Lack of Genus Claim

- White space for offensive development or defensive coverage

# Where to find IP red flags in deals

- **Vulnerabilities**

- Method of Treatment and formulation claims
- Double Patenting
- Patentability
  - §101 Issues for Tech and Biologics
- Bayh-Dole Compliance

- **Rights and Obligations**

- In-licensed and Out-licensed obligations
- Third party IP
- Importance of FTO

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# Where to find IP red flags in deals

- **Takeaways**

- Mind your “Business” definition
- Don’t let specifically-negotiated provisions be undercut
- Know the Business Objectives
- IP is a Value Driver, not a Deal Killer

# Questions?



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