



How can you invest in a business without confirming it has the IP strategy it needs to succeed?



“Due Diligence Audit is a health check specifically designed to confirm whether the company you are planning to invest in has obtained appropriate IP protection for their innovation”

Today, the innovation at the heart of a business will play a huge part in a business’ valuation and will ultimately influence your decision on whether to invest and if so, how much you will invest.

Before you make any decisions, it’s always best to ask an expert to cast an eye over the business to make sure the promised innovation is protected by a solid IP strategy. More importantly, you need to make sure the business owns its IP and has protected it in line with its business plan. With so much at stake you simply cannot afford to place your complete trust in any claims the business has made.

Our unique and proprietary Due Diligence Audit has been designed to provide that expert eye.

Essentially, it is a health check that will confirm whether the company you are planning to invest in has obtained appropriate IP protection for their innovation, their products and, ultimately, the successful execution of their business plan.

We will map your potential investee’s existing IP protection to the list of products and services it offers. This will provide an initial confirmation that they have what they say they have and have taken the right steps to protect their IP. This will maximise the likelihood your investment will generate the return you want it to.

At the same time, we will also identify any gaps and/or any redundant IP rights so you can work with the business to formulate a more practical, relevant and cost-effective IP strategy going forward, to maximise the return on your investment.

What is the Due Diligence Audit?

The process itself is simple.

We begin by investigating the existing IP rights (patent applications and granted patents, registered designs, trade marks and any other unregistered rights such as database rights and copyright) owned by the company you’re interested in. We will then assess which are relevant to their existing products and activities.



We then investigate the scope and limitations of the existing IP rights to ensure they provide the required protection in the industries and geographies the business will need to trade within to succeed.

The end result is you will have an overview of all the rights associated with the business in question. This information is absolutely crucial as it may either confirm or change your decision to invest or influence the size and terms of your investment.

Alongside the overview, we will offer some recommendations as to what additional work you might want to consider to strengthen the business' IP strategy (and better protect your investment) going forward.

What will we find out?

Although every audit is different the underlying objective of a Due Diligence Audit is to find out:

- If the company is managing its IP efficiently
- Is the management of the company's IP centralised, organised and in-sync with their business plan?
- Are there clearly defined procedures within the company for identifying and protecting innovation?
- The best way to exploit the IP to maximise the return on your investment

- Does the IP map to the value chain of the commercial products/ processes, such that it can be leveraged effectively?
- Do the company's technical staff possess a basic knowledge of IP? For example, do they know that disclosing a new idea can prevent patent protection from being obtained?
- If the plan is to license the technology, could anything prevent that happening?
- If the plan is to sell the technology to a larger corporate, is that possible without the buyer having to purchase any other assets?
- Is the company maximising all of the other available benefits (e.g. regulatory data exclusivity)?
- If and how the IP can be enforced so your investment will hold up to potential challenges
- Is there a system in place to monitor the activities of any parties who could prevent progress?
- Does the company know what to do if their rights are infringed by another party?

Once you have the answers to these, you will have the invaluable specialist insight required to truly assess the level of risk associated with a potential investment.



“Due Diligence Audit will provide invaluable specialist insight required to truly assess the level of risk associated with a potential investment”

Which business critical decisions will the Due Diligence Audit help you make?

Ultimately, the Due Diligence Audit will give you a summary of the business' current IP position. It will also provide an experienced professional opinion as to whether, from an intellectual property point of view, the foundations of the business are sound and equipped to deliver the commercial success promised in their pitch.

Over and above that, the results will also allow you to decide:

If the price is right

The Due Diligence Audit will determine exactly what IP exists, whether the company actually owns it, whether the required rights are in place to support their business plan so they reach the agreed exit and you enjoy the expected returns.

Once you have that information, you can decide whether the valuation you are looking at is the correct one and if it isn't you can use the insight to negotiate the right price.

If the company's IP portfolio needs to be strengthened

As the Due Diligence Audit will summarise the company's current IP situation, you will immediately be able to see whether the company has obtained all of the appropriate IP protection and understand how seriously they take IP.

The audit will also uncover any gaps in their protection and any potential problems. We will also clearly set out what you should do to resolve those issues so they don't damage your investment in any way.

If the company's IP strategy needs to be refreshed

Our Due Diligence Audit will ascertain whether the company has an IP strategy that will ensure their IP is robust enough to underpin the company's commercial strategy and has the structure in place to manage that strategy effectively moving forward.

Where the IP strategy isn't consistent with the business plan or could potentially leave parts of the business exposed, we will make necessary recommendations as to what the business should do to rectify the situation.

It is also important to point out that this can't be a one-off intervention. To ensure the business you have invested in remains fully protected, you need to encourage them to conduct regular reviews to ensure that their IP strategy remains fit-for-purpose and is being followed.

What is next?

One of the most attractive properties of our Due Diligence Audit is that the cost is not based upon the time it takes to complete it.

This cost is fixed and includes all of the interviews required as well as the subsequent calls and emails required to answer any questions that may arise during the audit.

It also covers the final report outlining our findings. This is what will help you reach a final investment decision as it will cover:

- How does the IP support the business plan?
- The status of the company's current IP portfolio and the protection it provides
- Any 'red flags' we find in the company, its IP portfolio and its IP strategy

Our final report is an extremely effective risk management tool designed with one purpose in mind: to give you the final insight you need to either confirm your decision to invest, or save you from making a costly mistake.

If you would like us to undertake a Due Diligence Audit into a business you are interested in or would like to find out more about the process and how it will help you reach the right decision, please email gje@gje.com or call +44 (0)20 7655 8500 today.

Due Diligence Audit is part of GJE's ConsultIP portfolio. ConsultIP is a unique range of consultancy services for companies and investors that help to answer fundamental questions about IP and how best to use that IP commercially and strategically.



Gill Jennings & Every LLP

The Broadgate Tower
20 Primrose Street
London EC2A 2ES

T +44 (0)20 7655 8500

F +44 (0)20 7655 8501

www.gje.com