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INTELLECTUAL PROPERTY DUE DILIGENCE IN MERGERS AND ACQUISITIONS: AN OVERVIEW

AUTHORED BY - GAURAV SAGAR
Amity Law School, Amity University, Patna

ABSTRACT

This paper looks at the role of intellectual property IP due diligence in Indian mergers and acquisitions where intangible assets increasingly drive enterprise valuation. It lists audit steps, such as checking title checking validity and enforceability doing freedom-to-operate reviews and making sure everything follows Indian IP laws. The analysis points out red flags—such, as unassigned IP, open-source compliance problems and pending litigation—that directly affect deal value and negotiation. In the end the paper shows how careful IP diligence and proactive internal audits reduce risks create good indemnities and help meet post-acquisition goals.

KEYWORDS

Intellectual Property, Due Diligence, Mergers and Acquisitions (M&A), Intangible Assets, IP Risk Assessment, Corporate Transactions.

INTRODUCTION

Intellectual property has become a factor in determining how much a company is worth in today's economy. With technology and innovation driving markets IP rights are now, among the most important assets a company can have. When companies merge or are acquired, they often bring together. Pass on these intangible assets to create better business opportunities. To make sure the value and legal standing of these assets are real and solid companies must do IP due diligence. This process helps both buyers and sellers avoid hidden problems and protects the long-term value of the deal.

WHAT IS IP DUE DILIGENCE?

Property due diligence is a detailed look at a company's intellectual property holdings. These include trademarks, patents, software code, copyrights, trade secrets, domain names and any license agreements that go with them. The purpose is to find out how strong the company is in

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the market if the rights can be enforced legally and if there are any problems or issues with these assets before a big business deal is finished. This check makes sure all the rights are still active and can be used. It also looks at whether the company has done all the paperwork and paid any fees that are needed. It checks that the areas and time periods where the rights are protected match the company's long-term business plans. It also checks who owns the rights if there are any restrictions and if there are any assets that are not registered like trade secrets or special knowledge. It also looks at whether the company can operate without breaking any laws checks the contracts looks at the chances of being involved in a lawsuit and suggests ways to protect the company with warranties and financial promises. This full check gives business information and stops unexpected problems from happening after the deal is done. This is especially important in growing markets like India, where technology and new ideas help make a lot of the value, in business deals.

Why IP Due Diligence Is Critical in M&A?

In M&A transactions intellectual property often holds the biggest part of a target company's real commercial value. Software companies depend on their code and algorithms. Pharmaceutical companies rely on patent protection. Consumer brands get their market strength from trademarks. Media companies build their income from copyright ownership. When buyers look at a target, they do not just check a list of ownership. They want to know if the company can legally use, protect and make money from these assets for years to come. That is why property due diligence has become a key part of legal reviews in M&A deals in India.

The main goal of IP diligence, in M&A is to confirm that the company truly owns the assets. It also aims to find any risks. It checks whether the company follows all laws and regulations. It makes sure the intangible assets will keep working well after the deal closes. Legal teams go through registration documents. They check for any pending challenges or oppositions. They look at the history of ownership. They review agreements where employees and founders assigned their rights. They examine third-party licenses. They check if open-source software is being used properly. They also assess any possible disputes. Any problem found during this process can change the deal's price. It can affect the terms of the contract. It may lead to indemnity clauses. It can even impact the overall success of the transaction.

Thorough diligence is equally important in cross-border deals. International investors—particularly those from jurisdictions with strict IP enforcement regimes like the U.S., Europe, and Japan—require clear proof of asset ownership, active maintenance, and full compliance with local Indian IP laws before committing capital.

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Key Steps in the IP Due Diligence Process

1. Cataloguing and verifying the IP Portfolio

I want to build an inventory of every registered IP asset and every unregistered IP asset. That means I will audit records, R&D logs, contracts and official filings with the Indian Patent Office, the Trade Marks Registry and the Copyright Office.

2. Verifying Ownership and Title

I want to trace the chain of title to confirm that the company holds ownership of all key assets. I also want to ensure that all work created by employees, founders, contractors and agency partners is properly assigned to the company and I want to check ownership or licensing terms for any potential restrictions, on transferability.

3. Evaluating Asset Validity and Status

Confirm that all registered trademarks, patents, and copyrights remain active, valid, and legally enforceable. Check for pending oppositions or invalidation challenges, track upcoming expiration dates, and verify that required renewal fees and maintenance filings are fully current.

4. Conducting Freedom-to-Operate Reviews

Evaluate current and planned products or services to ensure they do not infringe on thirdparty rights. Run thorough database searches across relevant markets to uncover potential conflicts early and outline clear risk-mitigation strategies.

5. Infringement and Dispute Analysis

Find any competitor infringement, against the company's assets. Judge the real chance of enforcement. Look at possible litigation to estimate damages, injunction risks and commercial fallout.

6. Regulatory Compliance and Record Maintenance

Verify that all statutory compliance filings, renewal fees and registry updates are executed on schedule. Establish internal tracking systems to monitor upcoming deadlines manage asset maintenance and satisfy RBI or cross-border regulatory requirements for IP licensing and technology transfers.

7. Identifying Red Flags

The diligence process often shows red flags. These can include missing IP assignment deeds, rights held under founders' names instead of the company expired patents, ongoing opposition claims, violations of open-source licenses, hidden legal disputes or inconsistent use of the brand. Finding these problems early is crucial. They usually mean the purchase price must be adjusted or specific indemnity protections must be put in place. Sometimes an escrow arrangement is needed to protect the deal.

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8. Preparing for an IP Due Diligence Review

Companies planning a fundraising round or sale should perform internal IP health checks well in advance. Updating assignment agreements, renewing active registrations, and organizing ownership files helps prevent costly deal delays. Maintaining a clean IP register shows governance maturity, while reviewing global filing plans prepares the enterprise for international expansion.

Legal and Regulatory Framework in India

- Patents Act, 1970 – patents and utility protection
- Trade Marks Act, 1999 – brand names, logos, non-traditional marks
- Copyright Act, 1957 – literary, artistic, software, and creative works
- Designs Act, 2000
- Companies Act, 2013 – disclosure, compliance, and transfer implications
- Information Technology Act, 2000 – domain names, software, and data protection
- Competition Act, 2002 – anti-competitive licensing practices

Industry-Specific IP Due Diligence Considerations

The focus of property due diligence changes a lot depending on the industry and what kind of core assets the target company owns.

- For startups and early-stage tech companies the audit centres on making sure ownership is clear. It checks inventor assignment agreements. Confirms that all inventions made by founders or contractors have been fully transferred to the company.
- For software and technology businesses the review looks closely at software architecture, source code ownership, proprietary algorithms and open-source software compliance. The goal is to avoid problems with licenses, like copyleft that could force unwanted disclosures.
- In the media and entertainment sector the evaluation focuses on copyright ownership. It also looks at moral rights waivers, broadcasting rights, performance licenses and distribution agreements.
- In manufacturing and industrial sectors, the due diligence pays attention to manufacturing processes, design patents, utility models, technical know-how and trade secret protection. It also checks that patents are actively maintained in the markets.

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Conclusion

In an economy shaped by technology, innovation and strong branding intellectual property is the foundation of business value and commercial success. When companies look to merge or acquire another checking IP registration is the first step. A full IP due diligence process includes freedom-to-operate analyses, infringement assessments, prior art searches and market landscape reviews. These steps give dealmakers a picture of the target's intangible assets.

Uncovered legal issues, missing records or unclear ownership can slow down a deal lower the valuation or even cause the transaction to fall apart. On the hand thorough IP due diligence cuts down legal risk gives companies more power, in negotiations and protects their investments. Bringing in IP experts early helps identify compliance problems write strong warranties and indemnities and ensures smooth transfers of assets after the deal closes. In the end treating IP audits as a part of deal preparation helps businesses unlock the full value of a transaction and build a long-lasting competitive advantage.

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