

APPENDIX K - DUE DILIGENCE CHECKLIST (FOR PURCHASING OR INVESTING IN TECHNOLOGY COMPANY)

1) Patents

- 1.1. List all company owned patents and pending patent applications (U.S. and foreign). For each item show application serial number, title, inventors, filing date, patent number (if any), family relationship (e.g. divisional, continuation, CIP), and status.
- 1.2. List all patents in-licensed by the company from others. For each such patent identify licensor, patent number, licensed goods or services, date of license, royalty rate or other consideration, and include a copy of the license.
- 1.3. List all patents out-licensed from the company to others. For each such patent identify licensee, patent number, licensed goods or services, date of license, royalty rate or other consideration, and include a copy of the license.
- 1.4. List all assignments. For each item show assignee/assignor, patent/application number, date, and reel/frame number of recordation. Assignments must be traceable back to the named inventors.
- 1.5. List all prior art references known to the company, its named inventors, and its IP counsel that may render any company patent claim invalid or unenforceable.
- 1.6. List all patent opinions that the company has requested or received.
- 1.7. List all partners, employees, consultants, and other company-related individuals who might be involved as inventors, and identify employment or other agreements establishing company rights in their inventions.

2) Trademark (including service marks)

- 1.8. List all company owned trademarks, whether registered or not (U.S. and foreign). For each mark show int'l class, goods and services, application serial number, filing date, registration serial number (if any), and status.

- 1.9. List all trademarks in-licensed by the company from others. For each such mark identify licensor, goods or services, date of license, royalty rate or other consideration, and include a copy of the license.
- 1.10. List all trademarks out-licensed from the company to others. For each such mark identify licensee, goods or services, date of license, royalty rate or other consideration, and include a copy of the license
- 1.11. List all trademark opinions that the company has requested or received.

3) Copyright

- 1.12. List all company owned copyright protected works, including software, specifications, books, manuals, notebooks, and other documentation. For each item identify the author(s), and dates of creation, publication, date and serial number of copyright registration or application. For company authorship, identify provisions in employment or other agreements that establish the materials as works for hire.
- 1.13. List all copyright protected works used by the company in its operations.
 - 1.13.1. For computer software, establish that sufficient licenses have been purchased for each computer. Include standard software (e.g. Windows™, WORD™, etc) and specialty software (e.g. CAD programs, accounting packages).
 - 1.13.2. Establish that protocols are in place for preventing employees from: (a) using illegal software on their computers; (b) illegally copying books and articles; and (c) illegally downloading and/or playing music.
 - 1.13.3. List all identifiable public or "open source" materials used by the company in its own software.
 - 1.13.4. List all company software that was distributed without a license.
- 1.14. List all assignments. For each item show assignee/assignor, patent/application number, date, and reel/frame number of recordation. Assignments must be traceable back to the authors.

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- 1.15. List all copyright opinions that the company has requested or received.
 - 1.16. List all partners, employees, consultants, and other company-related individuals who might be involved as authors of copyright protected works, and identify employment or other agreements establishing company rights in their inventions.

4) Trade Secret

- 1.17. Identify all trade secrets owned by the company.
- 1.18. List all procedures used to protect the trade secrets (i.e., limited physical access and egress, restrictions on removing electronic files that contain trade secrets, periodic company meetings to convey and reiterate trade secret policies, deployment, use, and storage of notebooks, and trade secret provisions in employment agreements).
- 1.19. List all partners, employees, consultants, and other company-related individuals who might create or gain access to trade secrets, and identify employment or other agreements establishing company rights in such trade secrets.
- 1.20. Identify all trade secrets brought to the company by its employees, and establish that the company has rights to use such trade secrets.

5) Counsel

- 1.21. List each IP counsel that have provided services to the company over the previous 5 years, and identify the scope of work performed.
- 1.22. Provide estimates of attorney charges per patent for searching, drafting, prosecuting patent applications.
- 1.23. Provide estimates of average page length of utility patent applications, average number of independent claims, average number of total claims, average time from disclosure to filing, and average time to issuance.
- 1.24. Provide justification for provisional / utility patent filing strategies, or absence of same.
- 1.25. Provide justification for foreign filing strategies for patent and trademark filings, or absence of same.

- 1.26. Provide chart showing: (a) number of issued patents; (b) number of pending patent applications; (c) expenditures for patent drafting, filing, and prosecution; and (d) expenditures for patent maintenance for each of the last 10 years.
- 1.27. Provide chart showing: (a) number of registered trademarks; (b) number of pending trademark applications; (c) expenditures for trademark drafting, filing, and prosecution; and (d) expenditures for trademark maintenance for each of the last 10 years.

6) Competition

- 1.28. Describe all IP owned or controlled by any competitors that is material to the company's technology or its business
 - 1.28.1. Include all technology needed or used by the company in the conduct of its operations, which is not public domain but may be patented by others.
 - 1.28.2. Include all marks that are owned by others, and used by the company without license.
 - 1.28.3. Include all copyright works needed or used by the company in the conduct of its operations, that are owned by others and used by the company without license.
- 1.29. List all warning or accusations received by the company from others with respect to possible infringement of their IP rights. Include date of first contact, and date and nature of resolution.
- 1.30. List all warning or accusations issued by the company with respect to possible infringement of its IP rights. Include date of first contact, and date and nature of resolution.

7) Agreements.

- 1.31. Establish that all partners, employees, consultants, and other company-related individuals who did or might create IP for the company have executed appropriate employment agreements.
- 1.32. Demonstrate that procedures are in place for providing accountings, making any royalty or progress payments, and in all other ways complying with terms in license agreements.
- 1.33. Specific agreements that need further evaluation....