



PROGRAM MATERIALS

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Intellectual Property (IP) Contract Due Diligence 101

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Intellectual Property (IP) Contract Due Diligence 101

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Agenda

- ▶ Identify appropriate IP definitions that should be included depending on the type of contract.
- ▶ Discuss relevant questions to be asked when licenses are to be included in a contract.
- ▶ Highlight the key representations and warranties to be aware of from the buyer/acquirer and seller/owner perspectives.
- ▶ Understand when and how IP indemnification clauses should be utilized.
- ▶ Understand when and how confidentiality and non-disclosure clauses should be included in a contract and whether to have as a separate agreement.

WHAT IS INTELLECTUAL PROPERTY?

- Patents
- Trademarks
- Trade Secrets
- Copyrights
- Also may include
Confidential/Proprietary Information



IP Definitions

- Registered and non-registered IP?
- Domestic and international IP?
- Require IP to be reduced to writing to be covered? Also include know-how?
- Include specific definitions of certain IP, such as patent number or trademark?

Licenses

- Subsidiaries/affiliates of licensee licensed?
- What IP is being licensed?
- What license rights does licensee require?
- Do third parties working with licensee need access to licensed IP?
- What is the term of license?
- What is fee for license? How will it be paid?



Patent Licenses Appropriate When

- ▶ The parties are settling a patent dispute;
- ▶ Two parties seek use of the other's rights (cross license);
- ▶ The licensee wishes to obtain an advantage over competitors by licensing the rights to a superior patent that it did not, or was unable to, invent;
- ▶ The licensor wants to generate revenue from its patent portfolio; or
- ▶ A licensor is distributing a commercial product on a mass scale (in which case, a "mass market license" such as clickwrap, browsewrap, label or shrinkwrap license, may be appropriate)).

Trademark License Benefits

- ▶ Creating additional revenue streams
- ▶ Strengthening the trademark and brand awareness
- ▶ Introducing a new product under its established brand
- ▶ Obtaining or maintaining trademark registration based on the licensee's trademark use
- ▶ Having another company manufacture its branded products
- ▶ Taking advantage of the licensee's established business and/or operational capacity to enter a new business/market, territory, channel of distribution, demographic market, co-branding, aligning interests with an infringer by licensing it the trademark

Reps and Warranties

- IP ownership
 - Seller – avoid making reps and warranties about ownership before owning IP or after date of closing
- IP infringement
 - Seller – limit exposure
 - Buyer/acquirer – place burden on seller to lose something significant if reps and warranties untrue



Reps/Warranties - Examples

- ▶ Capacity to grant rights
- ▶ Title and validity
- ▶ Non-infringement
- ▶ Goodwill
- ▶ Authority to enter into agreement

Indemnification

- Seller
 - Know what you are agreeing to indemnify
 - Limit time in which required to indemnify
 - Cap indemnification obligation
 - Push for control of defense of claims



"It's all here in the fine print. You're not covered against huffing and puffing."

Confidentiality and Non-Disclosure

- Define separately or as part of IP definition
- Consider whether one-way or two-way
- Define what constitutes a breach and whether it can be cured
- Exceptions for independent (prior) knowledge or publicly available information
- Time limitations



Key Takeaways

- ▶ Important to start with how IP needs to be defined in a given contract so that the parties are on the same page as to what is being covered and what is excluded.
- ▶ Use the checklist of items to consider when fleshing out details of an IP license.
- ▶ Negotiations related to IP indemnification should include addressing the scope and survival of indemnification.
- ▶ Scope of non-disclosure obligation may differ from contract to contract; important to define so that parties know when a disclosure constitutes a breach and whether a breach can be cured.

Questions? Contact Me.

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