

A grayscale background image of the Golden Gate Bridge, showing its suspension towers and cables stretching across the water.

Presentation to ACC

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When Deals Go Bad: IP Risks of Failed Business Ventures

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This presentation is provided for informational purposes and does not constitute legal advice.

Discussion Topics

- Big Picture: What Drives IP Risks When Deals Die
 - Business Challenges & Legal Strategies
 - NDA Clauses To Consider
 - Trade Secret Risks
 - Patent Infringement Risks
 - War Stories

Big Picture: What Drives IP Risks When Deals Die

Risks created by moving fast

Competitor may be exposed to
your IP

Risk of “bad” documents being
created

Failure to dispose and destroy
confidential information

Competitors motivated to sue

Participant Poll

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- (1) Does your organization use a standard, form NDA?

- YES

NO

- (2) Can business people enter NDAs without involving the legal department?

- YES

NO

Participant Poll # 2

- (3) Have you ever used a “commercial only” NDA?

- YES

- NO

- (4) When your organization has been the discloser of information, have you ever agreed to a residuals clause?

- YES

- NO

- (5) Have you ever agreed to an NDA of unlimited duration?

- YES

- NO

When Deals Die: Business Challenges & Legal Strategies

Business Challenge

Deal discussions are common. They occur at different scales (major acquisition, joint venture, minor transaction / etc.)

Legal Strategies

- ❖ When to require NDAs
 - Should all NDAs be identical?
 - When to involve the legal department?

- ❖ Targeting NDAs to level of discussion
 - e.g. “commercial only” NDAs
 - Identifying “need to know” individuals

When Deals Die: Business Challenges & Legal Strategies

Business Challenge

Person in-house with the most knowledge is usually the same person leading your development efforts.

Legal Strategies

- ❖ Deal “clean rooms”
 - Typical features of clean rooms
 - Structuring NDAs around use of clean rooms
 - Identifying individuals with access
- ❖ “Residuals clauses” in NDAs
- ❖ Destroy on Demand (recipients prefer “reasonable efforts”)
- ❖ Specify in NDA what types of information will be shared (or otherwise make a record of it)

Patent Infringement Risks

- Exposure to patented technology
- Risk that patented technology gets copied
- For accused infringers, risk of enhanced damages and paying other side's attorneys fees
- Bad jury optics
- Documents prone to showing secondary indicia of nonobviousness – commercial success, long felt need, copying, attempting to solve same problem and failing



When Deals Die: War Stories



Final Takeaways

- Beware before signing NDAs: only use legal-approved NDAs
- Disclose the “need to know” people in advance
 - Ensure you stick to the group
- Legal is the gatekeeper of the clean room
- Document what you disclosed / received
- Document why the deal died
- Training “need to know” people on best practices
- Save a foundational/vision document to support independent development

Thank you for joining us! Questions?



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