

IP Due Diligence Checklist — Cross-Border Transactions (India)

Comprehensive IP due diligence checklist for M&A, investment, and cross-border licensing

HOW TO USE THIS TEMPLATE

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| 1. | This is a working document for international ip documents — fill in all bracketed fields before use. |
| 2. | Review annually or whenever relevant laws, regulations, or business circumstances change. |
| 3. | Keep a signed copy on file and ensure the IP Manager has the current version. |
| 4. | Template only — not legal advice. Consult a qualified IP advocate for your specific situation. |

MODULE 1 — IP OWNERSHIP AND CHAIN OF TITLE

1.1 Founder and Employee IP Assignment. Verify that all founders, employees, and contractors have executed valid IP assignment agreements. Red flags: unsigned or undated assignment agreements; agreements signed after the IP was created; assignments from individuals who were not employed at the time of creation; IP created by overseas employees or contractors under foreign law that may not recognise automatic work-for-hire assignment.

1.2 Pre-Incorporation IP. For transactions involving Indian companies, verify whether any IP was created before incorporation and whether a Pre-Incorporation IP Assignment Agreement has been executed and ratified by the Board. This is a common gap in Indian startup IP portfolios.

1.3 Co-ownership Issues. Check for any joint development agreements, research collaborations, or academic institution partnerships that may have created jointly owned IP. Joint ownership of patents in India means each owner can exploit the patent independently (unlike in some jurisdictions where all owners must consent) — this can significantly affect commercial value.

MODULE 2 — REGISTRATION STATUS AND VALIDITY

2.1 Patent Portfolio Review. For each patent: verify grant status; check renewal fee payment history (lapsed patents are fatal); review claims scope versus the company's actual products; assess strength of the prior art landscape; check for any opposition, invalidity, or revocation proceedings; and verify inventor assignments.

2.2 Trademark Portfolio Review. For each trademark: verify registration status and renewal; check for any oppositions, cancellation actions, or infringement proceedings; verify use in commerce (marks unused for 5 years are vulnerable to non-use cancellation); assess geographic coverage versus actual business territories; check domain name alignment.

2.3 Copyright and Software. Indian companies often have unregistered copyright in software, content, and designs. Verify: (a) Open-Source Bill of Materials — any copyleft contamination can be a deal-breaker; (b) copyright in websites, UI/UX designs, marketing materials; (c) content licences from third-party stock image, font, and music providers; and (d) compliance with all third-party software licences.

MODULE 3 — CROSS-BORDER SPECIFIC ISSUES

3.1 Export Control. Certain technologies are subject to export control regulations under India's Foreign Trade Policy and the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act 2005. Verify whether any patents or technical know-how covers dual-use technology that may be subject to export licensing requirements.

3.2 FEMA and RBI Compliance. IP licensing and assignment transactions between Indian and foreign entities require compliance with India's Foreign Exchange Management Act 1999 and applicable RBI regulations. Royalty payments to foreign entities for technology licences require specific compliance — verify all historical royalty payments were made in compliance with FEMA and applicable RBI guidelines.

3.3 Tax Treatment of IP in Cross-Border Transactions. IP holding structures, royalty flows, and IP transfers between Indian and foreign entities have significant tax implications under the Income Tax Act 1961, DTAA treaties, and OECD BEPS guidelines. Verify arm's length pricing of any related-party IP transactions and check for any transfer pricing adjustments made or pending.

CROSS-BORDER IP DUE DILIGENCE — TRANSACTION-SPECIFIC ISSUES

4.1 M&A; IP Due Diligence — Special Focus Areas. In acquisition transactions, IP due diligence must also cover: (a) Non-compete agreements with founders and key employees — their effectiveness under Indian law and whether they survive the acquisition; (b) Employment agreements — ensure all have effective IP assignment clauses under the law of the employee's jurisdiction; (c) Source code escrow arrangements — are there any obligations to deposit source code with third parties; (d) Data portability and customer consent requirements under DPDP Act 2023 — customer data that cannot be transferred may affect the transaction value; and (e) Regulatory approval requirements — certain technology transfers may require approval from specific regulators in India.

4.2 Investment IP Due Diligence — Investor Priorities. Series A and later investors typically focus on: (a) Clean IP ownership — all IP fully assigned to the company with no gaps; (b) Patent filing status — are any inventions still within provisional window that should be converted to complete specification before investment? (c) Open-source compliance — OSBOM reviewed and clean; (d) Data IP — is the Company's data collection and use DPDP-compliant? Can the data be used to train AI models? (e) Competitive IP landscape — are there dominant patents held by competitors that could block the Company's growth plans?

4.3 Post-Transaction IP Integration. After a cross-border acquisition or merger, IP integration tasks include: (a) Updating ownership records at all IP registries globally; (b) Integrating IP policies, employee agreements, and vendor agreements to the acquirer's standards; (c) Identifying redundant IP (overlapping patents or trademarks across the merged entities) and making pruning decisions; (d) Consolidating IP management systems and docketing; and (e) Briefing the surviving entity's IP team on all IP assets, pending proceedings, and critical deadlines from the acquired entity.

IP DUE DILIGENCE REPORT FORMAT AND DELIVERABLES

5.1 Structure of an IP Due Diligence Report. A comprehensive IP due diligence report for a cross-border transaction should contain: (a) Executive Summary — a one-page summary of key findings, critical issues, and overall IP health assessment; (b) IP Asset Inventory — a complete list of all IP assets, registration status, jurisdiction, and ownership; (c) Chain of Title Analysis — a document-by-document review of assignment and licence agreements establishing the company's title to its IP; (d) Open Source and Third-Party IP Analysis — OSBOM review and assessment of all inbound IP licences; (e) Litigation and Dispute History — all IP-related proceedings, past and present; (f) Red Flags — specific issues that affect deal value or require remediation before closing; and (g) Recommendations — specific actions to resolve identified issues, with estimated costs and timelines.

5.2 Due Diligence Data Room Structure for IP. Organise the IP section of the due diligence data room as follows: Folder 1: IP Registration Documents (patent certificates, trademark certificates, registration files); Folder 2: Assignment Agreements (founder assignments, employee agreements, contractor assignments); Folder 3: Licence Agreements (inbound licences, outbound licences, registered user agreements); Folder 4: IP Policies (employment IP policy, open-source policy, trade secret register); Folder 5: Prosecution Files (pending application files, FER correspondence, examination history); Folder 6: Enforcement (cease and desist letters, opposition files, litigation documents); Folder 7: Valuation (IP valuation reports, IP-backed financing documents); and Folder 8: Third-Party Notices (any IP claims received). Organise documents in chronological order within each folder.

SECTOR-SPECIFIC IP DUE DILIGENCE CONSIDERATIONS

6.1 SaaS and Software Companies. For SaaS and software business IP due diligence: (a) OSBOM is mandatory — copyleft contamination in production code is a deal-breaker for most acquirers and institutional investors; (b) verify copyright ownership of all code — confirm whether offshore development teams' IP has been properly assigned under their local law; (c) check for Section 3(k) limitations on software patents in India — Indian patent protection for software is narrower than in the US; (d) review all customer agreements for IP ownership clauses — do customers have any claim to customisations or derivative works? And (e) assess data IP — is there a proprietary dataset that provides competitive advantage? Is its collection DPDP-compliant?

6.2 Biotech and Pharma Companies. For biotech and pharmaceutical business IP due diligence: (a) verify that Section 3(d) of the Patents Act 1970 does not bar key pharmaceutical patents (mere new forms of known substances without enhanced efficacy are not patentable in India); (b) check for biological material deposits at recognised IDA facilities; (c) review clinical trial data ownership and rights to use regulatory submissions; (d) verify patent term extension eligibility and status; (e) check for compulsory licence risk on public health grounds under Sections 84 and 92 of the Patents Act 1970; and (f) review any government-funded research IP obligations.

6.3 Consumer Brand Companies. For consumer brand companies: (a) trademark coverage across all channels (e-commerce, physical retail, exports) must be verified; (b) geographic coverage of trademark registrations versus actual and planned distribution territories; (c) design registrations for distinctive product packaging and trade dress; (d) licensing programme for any brand licensing or franchise arrangements — registered user agreements in place? (e) domain and social media handle portfolio — are all key variants owned? And (f) history of brand enforcement — has the company policed its marks consistently? Inconsistent enforcement can be argued to constitute abandonment.

6.4 Deep Tech and Hardware Companies. For deep tech, hardware, and IoT companies: (a) patent landscape analysis — are there dominant players with blocking patents? (b) standards compliance — any FRAND obligations on standard essential patents? (c) supply chain IP — do component suppliers impose IP restrictions through their supply agreements? (d) export control — does the technology require dual-use export licences? (e) government contracts — any IP ownership obligations arising from government funding or procurement? and (f) FTO in key manufacture-and-export jurisdictions — where will the product be manufactured and sold?