COMMERCIALIZING INTELLECTUAL PROPERTY RIGHTS & SIGNIFICANCE OF COMPETITION LAWS

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Abstract

After globalization, the world has altered dramatically. Whether developed or developing, markets play a critical role in all economies. As technology is rapidly improving, the danger of original work being copied and losing its competitive edge is a significant concern, which is necessitating increased protection requirements. Intellectual property rights grant exclusive rights over Intellectual Property, which is intangible. Intellectual property can be a profitable asset for a business product, and service, therefore commercialization of IPR happens at the functional, business, and global levels of companies. Through commercialization, one may get the benefit of a competitive edge, but as this process includes sharing some information with others, it raises concerns among the owner of specific products or services. The law of intellectual property rights and competition are closely connected, and compliance with both is required for effective market functioning. As a result, a regulatory balance must be maintained between the two. IPR creates a monopoly, but competition law prevents it. This research paper examines how an IPR is beneficial, the primary components and concerns of commercialization in Intellectual Property legislation, key business concerns related to IPR, and the relationship between competition and intellectual property law. When it comes to enterprises, the importance of effectively considering and managing the intellectual property problem cannot be stressed. It is a crucial time for corporations or businesses to recognize the value of these rights and put them to work efficiently.

Keywords: Business Concerns, Competition Laws, Commercialization, Intellectual Property Rights, Market.

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1. Introduction

Intellectual Property Rights (IPR) have become an essential component in generating and implementing ideas translated into knowledge and technology to promote innovation and economic success. The goal of competition law\(^1\) is to prohibit businesses from abusing their market dominance by developing, increasing, or retaining it in ways that stifle competition without providing economic advantages.\(^2\) The efficient operation of the marketplace necessitates the application of both intellectual property and competition law. IP laws on one hand grant exclusive rights to the original work and help in getting remuneration as well, and on the other hand, competition law ensures that businesses do not stifle competition or abuse market power in anti-competitive ways.\(^3\) It is essential to highlight that intellectual property impacts a company’s commercial growth. With the help of commercialization, an IPR can get promoted and profit can be earned out of it. Unfair competition in the intellectual property field is addressed in several multilateral agreement transactions involving intellectual property. In India, laws govern trade restrictions, patents, and competition. This study will help us understand the critical components of IPR commercialization, how it is linked with competition, and critical business concerns.

2. What is IPR?

Intellectual Property (IP) refers to the creation of particular works which is tangible.\(^4\) A few examples of IP are symbols, names, images, literary work, artistic works, designs, and so on.\(^5\) Exclusive rights to the creation of the original work are granted under intellectual property rights. The rights include prohibiting others from unauthorized use, reproduction, or selling of such work; it also provides an opportunity to get remunerated out of such work by legal means and grant license of that work. These rights can be either

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\(^{1}\) The Competition Act, 2002 (Act 12 of 2000).


\(^{4}\) Ibid.

possessed by an individual or a corporation. IPR has a significant impact on a country’s economic development as it helps in promoting a good level of competition and encourages industrial and economic growth. There are several benefits of IPR when it comes to its nature. It is tangible, which means it protects the ideas, creation, information, and many other similar forms from getting used in an unauthorized manner and making it available to use commercially, and getting remuneration out of such IP. In legal terminology, Intellectual Property is an asset of the original creator which means it consists of property rights, which can be used in any way by the creator, subjected to a specific condition. The creator has the right to sue in case of unauthorized use under IPR. As the technology is growing at an incredible pace, several alterations, and new terminologies are being added to broaden the scope of IPR.

Two classification modes are used to determine the scope of IPR concerning copyright property and industrial property. Copyright property covers the original literary, dramatic, musical, artistic works, cinematograph films, music and audio-visual works, whereas; industrial property includes patents, trademarks, industrial designs, geographical indications, etc. IPR creates a balance between the interest of the public and the creator of work and opens the door to opportunities is increasing, the market value of such work, making that idea into an asset that can give remuneration in return, differentiation from one product to another is done more easily through it. It is pertinent to note that different IPRs have different benefits and qualities. The types of IPR are mentioned below:

2.1. Copyright

These are the rights given to creators for their works in the artistic and literary fields. As stated earlier, IPR can be owned by an organization and an individual as well, similarly, copyright can also be held either individually or by an

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8 Supra note 3.
organization.\textsuperscript{11} Copyrights by law are not generally required to be registered, but the option for writing it is open for the creator. Therefore, even if the work is not registered, it is protected by copyright law.\textsuperscript{12}

2.2. Trademark

It is a sign created on a product or service to make it distinguishable from the other options available. It helps maintain good quality, standardization, and uniqueness.\textsuperscript{13} These rights are granted for a certain period but are extendable as per the requirements by paying off the renewal charges. These rights are valid only in the country where it is filed.\textsuperscript{14}

2.3. Patent

It is a right granted for a specific product or service invention for its uniqueness to do something.\textsuperscript{15} To obtain a patent, one must demonstrate that the invention is one-of-a-kind. A patent gives the right to the creator, to choose how others can use such creation. The term for which a patent is granted in India is 20 years,\textsuperscript{16} different countries have different tenures for granting a patent.

2.4. Trade Secrets

This consists of confidential information and can be sold or licensed. Unfair trade practices would be considered if such information was disclosed in a way that was not by sound business practices. Unless the trade secret is revealed in the public domain, it can last for the entire period.

2.5. Geographical Indications

These are the indicators that states from where the product originates. It includes the name of the place. Generally, the period of such registration lasts up to 10 years, which is extendable as per the conditions of the section.\textsuperscript{17}

\begin{flushright}
\textsuperscript{12} Supra note 10.
\textsuperscript{13} Supra note 11.
\textsuperscript{14} Supra note 10.
\textsuperscript{15} Ibid.
\textsuperscript{16} Supra note 10.
\end{flushright}
2.6. Industrial Designs

It consists of aspects of a product’s appearance which are not covered under patents. It is to be noted that the creation has to be unique and no other composition similar has to be available in the market. The nature of Industrial Design should be aesthetics, not utility. The tenure of such a right last up to 10 years.

3. What is the Commercialization of IPR?

Commercialization in simple words refers to introducing new products or services in the market. Around the world, several rules and regulations are made to ensure that Intellectual Property is commercialized and protected. The main motive of the commercialization of IPR is to encourage people to bring new ideas and creations into the market and make it marketable and profitable.

3.1. Tools Involved in the Commercialization

The owner can make money from their IP rights by selling them, assigning them, or engaging in various licensing agreements. IPR serves a critical role as the legal vehicle through which information is transferred or contractual relationships are formed. Internally, knowledge can also be used, in which case IP laws serve to prevent clone competition. There are two main legal paths via which IP owners can monetize their work:

i. Assignment of Intellectual Property
ii. Licensing of Intellectual Property

3.2. Assignment

An assignment is a type of direct sale of IP in which the owner transfers their property to another company in exchange for an advanced payment. It is a legal instrument that transfers IP ownership from one person to another. A formal assignment

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18 WIPO, “Industrial Designs”, available at: https://www.wipo.int/designs/en/#:~:text=What%20is%20an%20industrial%20design,as%20patterns%2C%20lines%20or%20color (last visited on August 24, 2022).
19 Supra note 5.
21 Ibid.
is frequently used to transfer IP ownership. Moreover, an IPR can be transferred in its entirety or part and it is pertinent to note that assigning IP owners should always be done in writing through a legal agreement. Without a written instrument, many IPRs cannot be legitimately transferred.

Assignment agreements are crucial in IPR because they allow intellectual property owners to transfer their intellectual property for Commercial benefits, guaranteeing that the intellectual property may be used for profit. They make use of and utilize the developed IP by allowing the purchaser or assignee to benefit from the assignment rights. These assignment agreements give rise to legal and equitable rights in law and may generate difficulties if they are not carefully worded as required by law.

In addition to abiding by the Rules, to avoid ambiguity, it is crucial to ensure that the agreement clearly defines to whom ownership is vested. The assignment must be lawful, and it must specify the length of time for which the individual will be the IP owner. In the event of a future IP ownership dispute, this would serve as a safeguard.

When IP rights are sold, the ownership of the IP is legally transferred to the new owners. This is because IP legal rights are granted on a country-by-country basis. If the seller (the “transferor”) is assigned, the IP that benefits the seller (the “transferor”) is a sales agreement, and the commercialization process is completed. An assignment’s lump-sum payment must be regarded as a purchase price.

In addition, the owner must consider the following criteria:

i. All expenses, including direct and indirect research and development expenditures, materials, any outsourcing, and IP protection costs;
ii. A component of gain; and
iii. The technology’s or IP’s potential market worth.

3.3. Licensing

Licensing IPR instead of selling them through one or more licensing agreements is a common technique of commercialization. This indicates that the owner has given

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23 Ibid.
authority to another party to use IP under the agreed-upon terms. The license might be a suitable choice if the owner lacks the resources or skills to develop and sell the product or service. In general, the licensee (the IP owner) requires each licensee to pay the licensee a percentage of their outstanding number of sales at regular periods. “Property rights” are the terms that describe these payments.24

Assignment agreements transfer ownership of IP from the assignor to the assignee, whereas license agreements only allow the licensee to use the IP for a set length of time. For any licensing agreement, several variables can be negotiated, including:

i. If the licensee agrees to the supplementary license,
ii. If the licensee’s rights are confined to that licensee or are not exclusive,
iii. What “territory” (as in any country/country) is relevant?
iv. What constraints (if any) exist in the fields of IP application (i.e., uses)?
v. What (if any) constraints exist on exploitation techniques (commercialization, production, R&D)?
vi. What are the time restrictions (maturity criteria) that apply?

vii. What sums should be paid by the licensee (if any)?
viii. What is the royalty rate, and what are the terms and circumstances for other concessions?

The licensee achieves quick company development with minimal capital expenditure by utilizing this, Tool. The licensee’s capacity to use IP, on the other hand, is dwindling.

4. Competition Law and IPR

Competition law and IPR manage the market in two primary areas, consumer welfare and technology transfer. Competition law is controlled by the Competition Act, 2002. The rapid growth of the commercial environment has led to a great impact when it comes to the linkage of IPR and Competition law and made common goals of both the laws. Although both the laws are different, IPR grant exclusive rights to the owner of the work, and on the other hand, competition law prohibits such practices which may decrease

the competitive environment and advocates for protecting the general interest of the consumer.\textsuperscript{25} Section 3(5)(i) of the Competition Act, 2002 deals with IPR in Competition Law.\textsuperscript{26} Competition law keeps consumer welfare the utmost priority and focuses on limiting the monopoly in the market, IP Laws give priority to the rights of creators and grant exclusive rights to them but these are not extended to grant a status of monopoly to the creator. If the IPR holder engages in any anti-competitive behavior or activity, it will be held liable under competition law.\textsuperscript{27}

IPR assists consumers in choosing diverse choices among goods and services by making its appearance distinct and different from the rest of the accessible products, while competition law maintains healthy competition. Therefore, we can say that both laws ensure competition in the situation of commercial environments. But the word “competition” in both laws is used in a different context in IP laws, it is used for competition among innovators or creators and in competition law, it is used to encourage competition and put an end to unfair trade practices. Moreover, it can be concluded that IPR are mere rights that are provided and Competition Law is a regulatory body. It is pertinent to note that competition law creates a balance between the choice of the consumer and the production of such goods and services.

5. **Confidentiality Issues and Its Maintenance**

IPR is termed as a valuable asset. As previously stated, many types of IPR exist to give suitable protection for such IP. It nowadays consists of confidential business data, trade secrets and crucial business relationships.\textsuperscript{28} Due to the nature of such information, it needs to be secured from the competitors as such information can be a valuable asset for them too, due to these many reasons trade secrets are considered very important. In

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\textsuperscript{26} Supra note 1.


simpler terms, a trade secret is something that is going on inside the organization that should not be shared with the outside world, it can be licensed or sold.\textsuperscript{29}

Disclosure and departure are considered as the two main sources by which confidential information may get leaked. Disclosure means that through accidental or deliberate disclosure by corporate officials, trade secrets can be leaked to competitors or third parties, either knowingly or unknowingly.\textsuperscript{30} Departure refers to a situation when executives or key staff from the company exit, which may lead to sensitive business information leaks.\textsuperscript{31} Once the employee exits, he has the right to use skills and knowledge that he has acquired in the due course of time of employment for his living. But it is essential to note that he is not entitled to use such confidential information unless authorized by the employer.

\textbf{5.1. Employee Confidentiality}

To safeguard from the threats of getting the confidential data leaked, the employer must provide employment agreements and get it signed by the employees. This agreement can be signed by the existing employees as well but they cannot be compelled or forced to sign such agreement. Under this agreement, the clauses related to confidentiality must be appropriately mentioned, in which the terms and conditions of disclosure or non-disclosure must be provided keeping in mind the confidential information.\textsuperscript{32} It is important to remember that after signing such an agreement, the employee must not discuss any information with anyone during or outside of work. The course of employment refers to situations when an employee comes up with an inventive idea while working on the job, the employer might claim it if it was already stated in the contract and the employee had agreed to it. An employer, on the other hand, cannot claim ownership of such IP that is generated outside of the scope of employment. The type of agreement that is to be provided, may depend upon the nature of the disclosure of such confidential information. While there is no formal rule in India that governs confidential

\begin{itemize}
  \item \textsuperscript{31} Ibid.
  \item \textsuperscript{32} “Employee Confidentiality & The Rules”, \textit{available at}: https://businessadvice.co.uk/legal-advice/employee-confidentiality-the-rules/ (last visited on 25 March).
\end{itemize}
information and trade secrets, it is vital to note that a person can be held contractually liable for leaking sensitive information. Moreover, agreements of these kinds are always advised to be in written format. The acknowledgments that are to be mentioned in a well-framed agreement are:

i. The information is confidential; the disclosure is provided in confidence to the recipient; the recipient will not reveal the information to others or use it for their benefit without the prior permission of the information's owner; and

ii. Unauthorized disclosure of information may result in loss and damage to the information's owner, for which the recipient will be held accountable.

The clauses which can be added to make it a well draft are the Assignment clause, Disclosure clause, and Power of Attorney Clause.

6. **Restrictive Practices under IP Licensing**

The word “restrictive practice” refers to illegal methods taken by companies to improve their market position. These tactics can stifle or affect competition in a specific market regarding IPRs. Antitrust and competition laws regulate such corporate activities and ban them when it is proven that they distort or hinder competition in a particular market.³³

Unfair competition is recognized by the Paris Convention for the Protection of Industrial Property, which encompasses not only IP violation but also any other conduct that disrupts a person’s commercial relationships. The Paris Convention has a wide specification that any act of competition in industrial and commercial affairs that is opposed to honest practices constitutes unfair competition. These articles declare that the cornerstone of fair competition is honest practices or good morals, and they define three types of conduct that are considered to be normally illegal in international trade and must thus be forbidden.³⁴

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³⁴ Paris Convention for the Protection of Industrial Property, 1883, art. 10bis.
6.1. Kinds of Restrictive Practices

As previously stated, competition authorities can always remedy restrictive trade practices disguised as intellectual property licensing. Some of the most common restrictive techniques employed in intellectual property license agreements are listed below.

6.1.1. Representation Arrangements and Exclusive Sales

Such tactics restrict the licensee company’s ability not just to organize its distribution system, but also to engage in exclusive sales or representative contracts with any third party other than the licensor or a licensor-designated party. To put it another way, the licensee firm is hampered and reliant on the licensor’s distribution channels.

6.1.2. Grant-back Provisions

The grant-back clauses allow the licensor to receive technical information and improvements. These rules allow the licensee corporation to provide any invention or improvement made in the imported technology to the technology licensor at no cost. The grant-back clauses are categorized as exclusive, nonexclusive, and unilateral.

6.1.3. Restrictions on Field of Use, Volume, or Territory

Restrictions on the field of use allow the licensor to limit the use of the technology or reserve some applications for self-exploitation or third-party exploitation. Minimum production standards or maximum output are two examples of volume limits practices. Higher royalties may be paid beyond a particular production limit, or produced items in a defined container with a certain weight which may be used to regulate production output. As a result, such production constraints may prohibit the licensee business from manufacturing enough to export.

6.1.4. Price Fixing

A Price-Fixing clause in an IP license refers to the practice of the licensor reserving the right to set the sale or resale price of a product made using imported technology. The price-fixing provisions may cover the price fixed by the licensor on items produced using transferred technology. Horizontal pricing cartels involving numerous technology providers or recipients may likewise be involved in price-fixing.
6.1.5. Export Restrictions

Export restrictions may include limitations or prohibitions on the export of items made with the transferred technology. These requirements impose restrictions on the export of such items to certain markets, as well as permission to export to specific markets and the necessity of prior export approval. The limitations that have a direct impact include a total ban on goods exports. The licensor may put limits on the licensee, such as prohibiting or allowing export to one or more designated countries or locations. Exporting just certain items may be prohibited or permitted under certain limitations.

6.1.6. Tie-in Arrangements

The licensee must get raw materials, replacement parts, and intermediate goods for use with licensed technology exclusively from the licensor or its nominees, according to tie-in terms in intellectual property licensing. These provisions also require the licensee to use the licensor’s staff. The primary motivation for the licensor's employment of tie-in clauses appears to be to maintain an exclusive right to provide essential processed or semi-processed materials, maintain quality control, and increase their profit margin.

6.1.7. Non-Competition Clauses

In intellectual property licensing, the non-competition provision restricts the licensee's ability to engage in agreements to use or acquire competitive technologies or goods that are not provided or designated by the technology supplier. These provisions have an impact on the acquiring company's capacity to compete directly or indirectly. Some non-competition provisions, which may have an immediate impact, require the licensee business to refrain from manufacturing or selling competitive goods or from acquiring competing technology. Non-competition provisions, which may have an indirect impact, obligate the licensee not to collaborate with competitor businesses or pay higher royalties if it sells or makes competitive goods.

6.1.8. Restrictions on R&D

The licensee’s research and development policies and activities are usually restricted under such constraints. The employment of such provisions impacts the licensee’s technical development potential, either directly or indirectly. Such constraints also limit a licensee’s ability to conduct its research and development programs. These
prohibitions also apply to provisions that compete directly with the licensor’s research and development efforts.

6.1.9. Restrictions after Expiry of Arrangements

Such tactics restrict the licensee company’s ability not just to organize its distribution system, but also to engage in exclusive sales or representative contracts with any third party other than the licensor or a licensor-designated party. To put it another way, the licensee firm is hampered and reliant on the licensor's distribution channels.

6.1.10. Restrictions after the expiry of Industrial Property Rights

When a patent term expires under an intellectual property licensing agreement, the knowledge and innovation protected by the patent become public domain, and any interested party can utilize the patent without restriction. When a technology provider imposes any limitation after the period of intellectual property rights has expired, the restriction is judged to be a restrictive trade practice.

7. Auditing of IP

IP audit is a systematic examination of a company’s IP that it owns, uses, or acquires to assess and manage risk, correct errors, and apply best practices in IP asset management.35

IP audit assists a company in creating or updating an inventory of its IP assets, as well as analyzing the following:

i. How the IP assets are used or underused?
ii. Whether the business’s IP assets are held by the firm or by third parties?
iii. Whether these IP assets infringe upon others’ rights or others infringe upon these rights?
iv. What measures must be done about each IP asset, or a portfolio of such assets, to support the company’s relevant business goals?

It may be beneficial for the lawyer to begin by giving management and key staff a broad review of IP and finding strategies to protect and strengthen a company’s current

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IP rights. The IP audit then transfers IP-related information from firm management in charge of research, development, sales, and marketing. Any important personnel who develop or are familiar with the company’s technology are also encouraged to participate.

Discussions can begin with a review of the company’s IP portfolio and competitive position in the marketplace for firms with advanced IP expertise, followed by a more detailed investigation of IP problems of special concern for companies with advanced IP knowledge. The most thorough audits include monetary worth estimations for IP and procedures and extensive suggestions for dealing with IP in the future.

7.1. Types of IP Audit

IP audits are divided into three categories:36

i. General-purpose IP audits

ii. Event-driven IP audits

iii. Limited purpose targeted IP audits

7.1.1. General-purpose IP audits

A general-purpose IP audit37 can be performed at various times, such as when the firm is forming or when new policies or marketing strategies are being implemented. In this approach, the general-purpose IP audit is more appropriate in all situations. The results will help the company to get a better direction and approach, in case the company is new or planning major re-organization.

7.1.2. Event-driven IP audits

The scope of an event-driven IP audit is often substantially narrower than that of a broad or general-purpose IP audit. Furthermore, the nature and scope of an audit are determined by the event in question, as well as the time and resources available to do it. An event-driven IP audit is commonly dubbed “IP due diligence”38 when done to analyze, as objectively as feasible, the worth and risk of all or a part of a target company’s IP assets. Later in the session, “IP due diligence” is covered.

37 Ibid.
7.1.3. **Limited purpose targeted IP audits**

A limited purpose audit has a significantly smaller scope than the other two categories and is carried out on a tighter timeline. These audits are usually conducted on a case-by-case basis. They are usually employed to support a legal stance or the value of a piece of IP.

7.2. **Who Conducts an IP Audit?**

The question of who should perform such an audit has no hard and fast rules. Nevertheless, for an audit to be effective, it should be conducted by a team that comprises IP experts and representatives from key technical areas of the organization as needed. The IP audit team should have a basic understanding of the product lines, the relevant business environment, and the company’s future aspirations so that the audit remains focused on IP assets with the greatest economic value.³⁹

External expertise may or may not be included in the audit team. If it does, then all external members of the audit team and all internal audit team members should sign non-disclosure agreements before beginning an IP audit.

7.3. **Preparation of an IP Audit**

7.3.1. **Clarity towards the Purpose**

Before an IP audit can begin, everyone involved must clearly understand why the audit is being undertaken. The circumstances that lead to an audit and the form and scope of the audit are all influenced by the reason for the audit. Furthermore, the amount of time and money available for performing an audit will impact how the audit is handled and the final result.⁴⁰

7.3.2. **Background Research**

Once the purpose of the audit and the resources available to carry it out are apparent, one of the most important steps in performing the audit is to learn about the

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⁴⁰ *Supra* note 38 at 17.
organization, what it does, and where it wants to go. It is a prerequisite for drafting an audit plan, which will serve as the audit’s foundation.

7.3.3. Putting Together a Plan for IP Audits

After conducting the essential background research, the audit strategy must be prepared. This will outline the audit plan’s aim, scope, duration, budget, and who will be accountable for certain aspects of the audit. In general, it will cover the following areas:

i. The specific areas of the business to be covered, such as divisions, lines of business, affiliated or non-affiliated agency operations;

ii. The audit scope, such as only registered assets or a broader scope;

iii. The audit timetable;

iv. The responsible individual for each part of the audit;

v. The layout of the final audit report to be produced.

7.4. Conducting an IP Audit

7.4.1. Begin with a thorough checklist

A typical IP audit begins with a thorough checklist that is customized for the kind and scale of the company’s operation, applicable IP laws of the relevant countries, the audit’s desired purpose(s), and the audit’s expected outcome(s). Using a checklist reduces the odds of missing one or more important phases in the process. The relevant section of the thorough checklist should be given to each member of the audit team. The audit team should gather, examine, and arrange data to generate a thorough, company-wide IP audit report that reflects the whole development and decision-making process for each of the company’s products and operations.41

7.4.2. Examining various contracts and agreements

Identifying and assessing the sufficiency of relevant clauses in all agreements that impact IP protection is an important aspect of an IP audit.42 The following agreements may be included, Licensing agreements; Assignment agreements; Employment and Independent Contractor Agreements; Joint Venture & Collaboration agreements; R & D

41 Supra note 36.
Grants; other agreements; Technology transfer agreements; Design and Development agreements; Settlement agreements; Franchise agreements; Royalty agreements; Marketing agreements; Distribution/Distributorship agreements; and Sales representative agreements.

7.4.3. Auditing IP Assets

This level consists of four phases:

i. Identifying and documenting IP assets;

ii. Determining ownership and legal status of IP assets;

iii. Detecting IP rights violation; and

iv. Taking the appropriate procedures to create and preserve IP assets.

7.4.4. Procedure Post IP Audit

Applying the recommendations of an IP audit. Assess and examine if the company’s IP assets are achieving its strategic objectives, and if not, what should be done to alter that, at this point, one technique that might be useful is to divide the IP inventory results into three groups:

Group 1: Techniques, inventions, and ideas critical to your products and services, as well as the markets one has chosen to serve.

Group 2: Intellectual assets that have tremendous promise but are not essential to one’s business.

Group 3: ‘Assets’ that, on the whole, appear to be of little value to one’s organization or anybody else.

7.5. Building IP Value

Dynamic IP asset managers have utilized IP audits to increase business value in a variety of ways. The following are some of the most prevalent methods:

i. Increasing the value of IP assets.

ii. Increasing the value of existing intellectual property assets.

iii. Lowering the expense of third-party intellectual property disputes.

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iv. Using IP assets to create value from product marketplaces.

v. Developing non-core revenue sources.

vi. Increasing income by licensing key business assets.

vii. Increasing the value of corporate deals

viii. Lowering the cost of inactive IP assets.

ix. Getting tax deductions for donating IP assets.

x. Lowering the cost of new product development (product clearance).

xi. Assessing an acquisition or investment target's intellectual property assets (due diligence).

xii. Evaluating the direction and strength of the company.

xiii. Identifying previously untapped business potential.

xiv. Finding new business opportunities

8. Due Diligence of IPR in a Corporate Transaction

IP due diligence is part of a bigger due diligence audit to assess a company’s viability. Before purchasing or investing in a target company’s IP portfolio, the financial, commercial, and legal benefits and risks are assessed. In simple words, IP due diligence provides in-depth insight into the risk and value of intangible assets. Therefore, IP due diligence is important as it maximizes the valuation of these kinds of assets, helps in maintaining and boosting the balance sheet of the business or company, and also reduces the chance of risks involved by revealing such issues. Generally, IP due diligence is conducted in many situations some of which are as follows:

8.1. Mergers and Acquisition

In a planned acquisition or sale of IP, an IP audit provides a foundation for evaluating the risk and value of applicable IP assets.

8.2. Financial transactions

Before engaging in a financial transaction involving IP, such as an initial public offering or private placement of shares, substantial stock acquisition, or before acquiring

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45 Supra note 38 at 6.
a security interest in IP, IP due diligence is critical, as all of these have an impact on IP ownership.\textsuperscript{46}

8.3. Purchasing or selling a corporate division, or transferring Intellectual Property

IP due diligence ensures that the transfer or assignment fits the respective business objectives of both parties when conducted separately by both.\textsuperscript{47}

8.4. Introduction of a new product or service in the market

It helps in addressing any potential infringement or freedom to operate issues associated with the introduction of such a product or service.

8.5. IP Licensing

IP due diligence helps in making sure that no similar license exists, necessary rights are given and the scope and extent of such license are maintained.\textsuperscript{48}

8.6. How IP due diligence is conducted?

To get the most effective results, more time is required in this procedure and the involvement of professionals in this field. Each transaction is unique, the requirements of conducting IP due diligence depend on case-to-case bases due to the uniqueness of transactions.\textsuperscript{49} There is a need to set up a proper team of professionals to conduct this test, a checklist of essential terms and clauses must be prepared beforehand with good research and knowledge. A proper verification test has to be performed to safeguard any discrepancies that may arise. Some basic requirements that are generally required to be involved are:

8.6.1. Identifying IP assets

The assets are intangible; it is essential to identify the kind of asset.

8.6.2. Check for IP ownership and existence

Several questions concerning ownership and existence must be asked to determine IP asset transferability and available rights.

\textsuperscript{46} Id. at 21.
\textsuperscript{47} Ibid.
\textsuperscript{48} Supra note 44.
\textsuperscript{49} Supra note 38.
8.6.3. *Awareness of the appropriate territory and terms*

There is a need to check the validity or tenure of the rights available and identify the type of territory limitations.

8.6.4. *Third-Party claims*

Make sure there are not any third-party claims, as at times third parties may get many benefits out of it unknowingly.

**9. Conclusion**

The protection of IPR is a great concern. It has to be made sure that the right laws are enforced on IP. Registering and protecting IPR is both expensive and time-consuming. These procedures, however, are critical in nature because they set the groundwork for IPR commercialization. Most intelligent businesses understand the need to safeguard confidential data, trade secrets, and know-how. However, preserving and securing confidential information receives scant attention. According to research, many organizations are unaware that their most valuable intellectual assets are walking out of their front doors and over the street to rival competitors. They must acknowledge this fact and take steps to safeguard the company’s most significant strategic assets. As a result, it is necessary to comprehend all the advantages and disadvantages of IPR and competition legislation.