Intellectual property in M&A

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This webinar was part of Khaitan's MA Academy Program held on 11 December 2025. The topic of the webinar was "*Intellectual property in M&A*". The presentation was given by Khaitan & Co's IP Partners, Nirupam Lodha and Shailendra Bhandare, and was moderated by our corporate partner Kapish Mandhyan.

The purpose of this paper is to summarise the key points discussed in the webinar. Views expressed in the webinar are those of individual panel members and not of Khaitan & Co. and are subject to the disclaimer set out in the webinar recording.

The webinar aimed to highlight how intellectual property (IP) drives deal value, and how to diligence, structure, transfer and manage IP issues (including India-specific nuances and cross-border considerations).

The session emphasised that IP sits at the centre of transaction scoping and structuring, negotiation strategy, risk and opportunity evaluation and post-closing continuity and long-term growth. The key objective was practical: helping deal teams avoid "last-minute surprises" on IP (the recurring metaphor was to be prepared early rather than scramble at the end).

Key Points Discussed

What is IP in an M&A context? (A practical, layman explanation)

Using a "toy store acquisition" example, the speakers explained that IP in deals commonly includes:

- Trademarks: the store brand and toy brands
- Patents: functional inventions (eg mechanisms of functioning of a toy)
- Copyright: drawings, manuals, comic book content
- Designs: aesthetic appearance of products
- Know-how / trade secrets (unregistered): practical knowledge required to make/assemble/operate products and run processes

Message: The "type" of IP varies by sector (eg pharma, aviation, tech), but the diligence mindset remains similar.

The day 1 (one) IP question for M&A teams

A deal team's first critical questions were framed as a 3 (three)-part check:

1. Is the target's IP exclusively owned by the target?
2. Is it challenged (disputes, oppositions, revocations, infringement claims)?
3. Is it transferable (encumbrances, charges, mortgages or other restrictions)?

The speakers noted that the diligence "lens" changes depending on the engagement (eg acquirer diligence vs warranty and indemnity insurance diligence).

Common mistakes M&A teams make on IP

1. Over-focusing on registered IP and missing unregistered IP (know-how, unregistered copyright, practical trade secrets).
2. Treating IP like any other asset, without accounting for IP-specific transfer formalities and risk nuances.
3. Not involving IP specialists early enough, especially for structuring (assignment vs licensing; JV ownership frameworks; sector-specific constraints).

How to scope IP diligence (what the speakers typically do)

For a typical acquisition, the speakers described a staged approach:

- Searches: confirm what the target owns, whether it has applied for what it should have, and whether there are conflicts with third parties.
- Registrability analysis: a registered right is not always "safe"; a mark may still have issues (including prohibited marks).
- Litigation and challenges: assess infringement suits, revocation/cancellation actions, injunction risk and business impact.
- Encumbrances:
  - Patents and designs may show encumbrances on their registers;
  - Trademarks do not have an equivalent mechanism, so teams should check Registrar of Companies' charge records since IP can be a "movable asset" subject to security.

Special diligence issues in hive-offs and partial business acquisitions

Where only part of a business is acquired and part retained, a major additional issue is:

- Common/shared IP between retained and transferred businesses, requiring a plan for:
  - ownership allocation, and/or
  - licensing arrangements to ensure continuity for both sides.

India-specific issue: "Associated trademarks"

- If two marks are associated (very similar marks for similar goods), they cannot be transferred separately.
- In carve-outs, this can complicate separating brand rights and may require:
  - disassociation, or
  - transferring the associated marks together.
  - Practical note: administrative processing delays can affect timing.

JV-specific IP issues

Joint ventures require a different IP framework than a straightforward acquisition, including:

- Ownership of IP created by the JV, especially improvements to licensed technology.
- Co-branding rules: who owns, controls and enforces the combined branding.

- Exit and termination planning: alignment between the JV agreement and IP licence agreement, ensuring the party taking control post-exit still has continued IP access to operate the business.

How the IP counsel role has evolved

Key shifts over time:

- Accessibility and speed: online systems and databases enable faster, broader searches (including global patent and trade mark checks).
- Reporting style: move from long-form diligence reports to issue-based, materiality-focused reporting (eg top 5 (five) issues and solutions).
- Deal-enablement focus: greater acceptance of alternative models (eg exclusive licensing) when assignment is not feasible or commercially blocked.
- More sophisticated buyer questions: increased focus on:
  - dependency on third-party IP and licence termination risks, and
  - freedom to operate and patentability for pipeline products, especially in tech-heavy transactions.

Forms of IP "transfer" and how they differ by IP type

Two main legal routes:

1. Assignment (sale/transfer of ownership)
2. Licence (permission to use; ownership retained)

Nuances by IP category:

- Trade marks: generally require ownership transfer (temporary assignment concepts are problematic).
- Copyright: a "bundle of rights" that can be assigned by mode, purpose, term and territory.
- Patents and designs: statutory rights requiring registration; assignment and licences both need to be recorded.

Types of licences discussed:

- Exclusive licence: only licensee can use; even licensor cannot use
- Sole licence: one licensee, but licensor can still use
- Cross-licensing: mutual licensing arrangement (illustrated by automobile co-branding example)

Deal timing reality: execution vs recordal

A practical point repeatedly emphasised:

- Parties often make execution of assignment deeds and filing applications a Condition Precedent to closing.

- The recordal completion by the registry is typically not a Condition Precedent because it can take significant time (often many months, even up to 1 (one) year).
- In competitive/bid situations, parties may even move to:
  - Condition Subsequent structures, and
  - reliance on transitional services and post-closing completion mechanisms to get the deal done.

India-specific IP legal quirks highlighted

1. Copyright assignment "deeming" rules:
   - If term and territory are not specified, assignment is deemed to be for 5 (five) years and India-only.
   - Non-exercise of assigned copyright within 1 (one) year can cause the assignment to lapse, subject to contracting out mechanisms.
2. "Work made for hire" pitfalls: US-style clauses may not work in India without a proper written assignment framework.
3. Trademarks: first-to-use system: registrations are important, but prior use can prevail; buyers should preserve evidence of legacy use.
4. Trade mark assignment with goodwill vs without goodwill:
   - "Without goodwill" can require advertisement and waiting periods, impacting deal timelines.
5. Patents Act restrictions in licensing: concerns around coercive bundling and limitations around "exclusive grant-back" structures were flagged as points requiring careful drafting.

Cross-border / outbound transactions: what changes

When acquiring global IP portfolios, practical differences include:

- Need for local law advice on recordal formalities and execution requirements (some jurisdictions require both parties to sign, unlike certain Indian processes).
- Treaty/jurisdiction constraints can affect transfers (eg international registration issues if the acquirer's jurisdiction is not a treaty signatory).
- Use of foreign databases and staged approaches to manage cost, with targeted engagement of foreign counsel where required.

IP litigation and M&A deal risk (how to manage it)

The speakers recommended focusing on:

- Interlocutory injunction risk as the most immediate business-stopper in India.
- Damages exposure and potential liability if the litigation outcome is adverse.
- Challenges to validity/exclusivity (revocations/cancellations) which can undermine the deal rationale.

Deal tools discussed:

- Holdback of consideration until interim relief is decided, and/or

- Specific indemnities linked to litigation outcomes.

They also noted that transfer of IP can still proceed despite ongoing litigation, though disclosure may be required in recordal processes.

Trademark "objected" vs "opposed" (why it matters)

- Objected: an examination objection raised by the Trade Marks Registry (common; not always alarming).
- Opposed: a third-party adversarial challenge; requires deeper attention, particularly if paired with litigation or legal notices.

Registered vs unregistered IP (core distinctions)

- Patents and designs: must be registered to exist/enforce.
- Trade marks: unregistered marks can still be powerful in India due to prior-use rights.
- Copyright: registration not mandatory; focus is on documentation establishing ownership and assignment.

Transferring unregistered IP (especially know-how)

- Unregistered rights can be assigned contractually, but know-how requires more than paper transfer:
- actual handover of materials/processes, and often
- training and transition support to ensure the acquirer can operationalise the business post-closing.

Specific performance and licences in India (high-level position shared)

- Licences are permissions and can be practically vulnerable to revocation disputes.
- Specific performance risk exists because courts may treat certain commercial contracts as "determinable" (historically limiting enforceability), though judicial thinking may be evolving toward a narrower meaning of "determinable" (terminable at will, without cause).

Key Takeaways

1. Bring IP counsel in early (structuring stage), not only at diligence stage.
2. Do not ignore unregistered IP (know-how, trade secrets, copyright ownership chains).
3. Separate "execution" from "recordal" in deal planning; recordals often take time and should be handled as post-closing, where appropriate.
4. Carve-outs and hive-offs need extra IP planning, especially for shared IP and associated trade marks.

5. JVs require a clear IP architecture: background IP, improvement IP, co-branding, enforcement and exit.

6. Treat litigation as a deal variable: focus on injunction risk and use holdbacks/specific indemnities to allocate risk.

7. India-specific quirks can derail timelines (goodwill language, copyright assignment rules, associated marks, first-to-use regime).

8. Outbound deals require local law checks on formalities, treaty constraints and post-closing mechanics.

Conclusion

The webinar reinforced that IP is often the value-driver of modern transactions and needs early, tailored and jurisdiction-sensitive planning. Effective IP diligence goes beyond verifying registration certificates: it requires understanding business reliance on IP (including third-party IP), ensuring transferability (including know-how handover), anticipating disputes, and structuring solutions that enable deal closure while managing risk through contractual tools and post-closing implementation.