

IP Diligence Readiness: Pass the Audit, Win the Narrative

What kills deals, what drives multiples, and why
neither can be fixed under deadline



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Introduction

Companies that stumble in IP diligence usually don't have a weak portfolio. They have a disorganized one. The gaps that stall deals are rarely about patent quality. More often it's a missing assignment agreement, a license obligation nobody surfaced, or a prosecution history that lives in outside counsel's portal and nowhere else. All of it fixable, if you find it before the investor does.

Preparing well starts with being precise about what diligence evaluates. It evaluates two different things, and they reward different work.

The first is **hygiene**: chain of title, prosecution status, annuities, encumbrances. Hygiene is pass/fail. A clean result earns you nothing; nobody ever paid a premium because the assignments were recorded. A dirty one can reprice the deal or end it. Hygiene is the floor. It decides whether the transaction happens.

The second is your **narrative**: what the portfolio protects, why you filed what you filed, and what it lets you exclude competitors from. A narrative that reinforces the broader business story can support a better multiple — modestly, and only when the strategy underneath it is substantial. It also keeps the other side from writing your story for you. The narrative is the ceiling. It shapes the value of the transaction.

WHAT DILIGENCE EVALUATES — AND WHAT EACH IS WORTH

	EARLY Pre-see — Series A	GROWTH Series B — pre-IPO	MATURE Post IPO / M&A
HYGIENE — THE FLOOR Pass / fail. Clean earns nothing. Dirty can reprice the deal — or end it.	CURSORY Docket pull; founder and inventor assignments; a few hours of counsel time.	FULL AUDIT Chain of title; prosecution; licenses, encumbrances, government rights	DEEPEST Reps & warranties; disclosure schedules; RWI underwriting
NARRATIVE — THE CEILING Drives multiple. Keeps the other side from writing your story for you.	CURSORY Docket pull; founder and inventor assignments; a few hours of counsel time.	FULL AUDIT Chain of title; prosecution; licenses, encumbrances, government rights	DEEPEST Reps & warranties; disclosure schedules; RWI underwriting

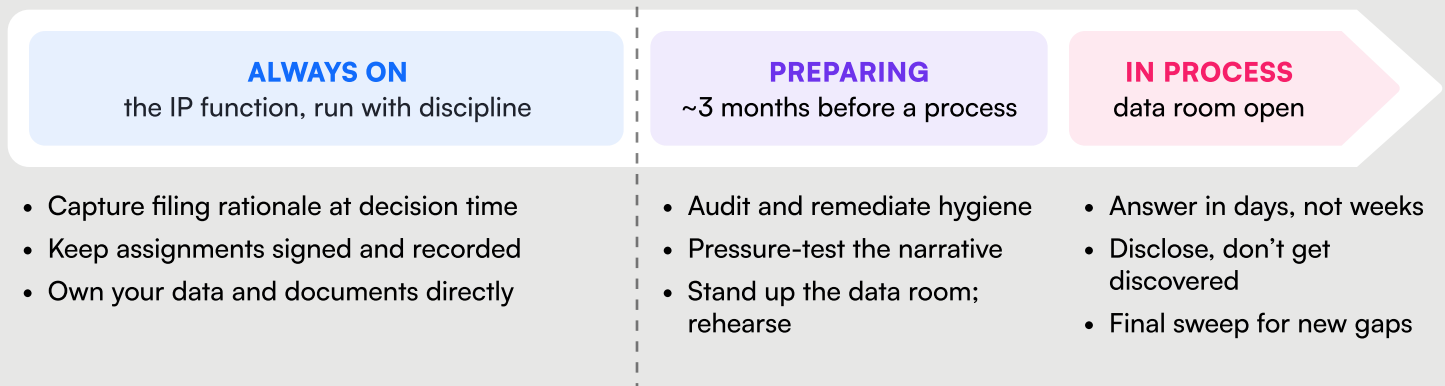
Formal scrutiny of hygiene deepens with stage. The narrative is evaluated at every stage — only the venue and the rigor change.

How hard each gets tested depends on where you are. Formal scrutiny of hygiene deepens with stage: a few hours of investor counsel's time at Series A, a full audit at growth stage, reps-and-warranties depth in M&A. The narrative gets evaluated at every stage, because the earlier you are, the more of your valuation is story. A pre-seed investor may never pull your assignment records. Your moat story, though, will get pushed on in every partner meeting. Only the venue changes — pitch deck, then diligence room, then disclosure schedule.

And one caveat, because content like this tends to forget it: transactions are not the reason to have IP. Running the company is — protecting the products, the roadmap, the room to operate. Diligence is just the moment that ongoing operation gets priced. The discipline that passes it is the same discipline that runs the IP function well the other fifty weeks of the year.

WHEN THE WORK HAPPENS

Most companies learn a process is coming about one quarter out — everything to the left is what makes that survivable.



When the work happens

Most diligence advice assumes a long, orderly runway. In practice, a term sheet shows up, an inbound acquisition conversation gets serious, and the company learns it's going into a process about a quarter before it starts. Everything below is built around that constraint.

Always on. The only window in which the hardest problems are fixable. Capturing why you filed what you filed, what the claims strategy is, and how the portfolio maps to products is cheap at the moment of decision and nearly impossible to reconstruct under deadline. The same goes for assignment hygiene: an unsigned assignment is an administrative task today and a negotiation with a departed contractor's lawyer two years from now. None of this is diligence prep, strictly speaking. It's running the IP function with discipline, which turns out to be the same thing.

Preparing — roughly three months out. The audit-and-remediate window. Run the hygiene audit, pressure-test the narrative, run the real-time test, stand up the process machinery. Three months is enough to fix paperwork and write down the rationale for what can't be fixed. It is not enough to reconstruct ten years of institutional knowledge. That work either already happened or it didn't.

In process. Nothing gets fixed once the data room is open. Find a gap now and the choice is how to disclose and manage it, with your counsel, before the other side finds it on their own. What you still control is responsiveness: documents in days, narrative answers in the room, and never letting "we'll get back to you" become the pattern the other side remembers.



The floor: hygiene

Hygiene is box-checking, and it can only hurt you. That's why it comes first. Every item is a known question with a knowable answer, and it is far better to find the bad answer yourself than to have it found for you. It also doesn't deserve more attention than it takes to clear, so here is the whole of it, briskly.

Chain of title. Does the company own what it claims to own, provably? That means signed assignments from every inventor, contractor, and co-founder, recorded at the USPTO. Check the [assignment database](#) itself; internal records and USPTO records sometimes disagree, and the USPTO record is the one the other side will pull. Where this breaks down is the period before the IP function existed, when founders and early engineers were building and nobody was thinking about assignments. It's also the first-place investors look.

Prosecution and annuities. Every active application in the state you think it's in: no unintended abandonments, no missed fees, no office actions sitting unanswered, no national-phase windows lapsing without a deliberate decision.

Obligations and encumbrances. Every license in and out, every security interest a lender holds in the portfolio, every joint development agreement with shared-IP terms, any government funding with Bayh-Dole strings. None of these are problems in themselves. Undisclosed, every one of them is.

Disputes. Litigation, IPRs, infringement allegations in either direction, demand letters, whether filed, threatened, or received. In a process the answer becomes a representation you sign, so it needs to be complete before the question is asked.

The checklists in this piece are tagged by the stages where each item applies and by severity: **deal-killers** can end or reprice a process, **drags** slow diligence or weaken the story, and **polish** is rehearsal-level work that shapes how everything else lands.

CAN YOU CHECK THIS BOX?	APPLIES	SEVERITY	IF NOT — THE FIX
■ Every named inventor on every active application has an executed assignment, recorded at the USPTO.	All stages	Deal-killer	Pull the USPTO assignment database and reconcile against internal records; chase signatures now, while inventors are reachable and cooperative.
■ Every founder, early employee, contractor, and advisor who contributed to the technology — named inventor or not — is covered by a signed agreement assigning their IP to the company.	Early, Growth	Deal-killer	Audit the pre-IP-function period specifically; remediate with confirmatory assignments now, before a transaction gives anyone leverage to negotiate.
■ No application has been unintentionally abandoned; all maintenance fees and annuities are current, worldwide.	All stages	Deal-killer	Pull a full prosecution status report, reconcile against your docket, and revive or deliberately close anything in limbo — with the rationale written down.
■ All deadlines for the next 12 months are mapped, and anything requiring a strategic decision — national-phase entries, responses, continuation windows — is resolved before diligence opens.	All stages	Drag	Build a 12-month deadline calendar and make the strategic calls now; a decision forced mid-process is made under the worst possible conditions.
■ Every license (in and out), security interest, joint development obligation, and government-funding right touching the portfolio is documented in one place.	Growth, Mature	Deal-killer	Inventory agreements across legal, finance, and BD; trace any grant funding to specific applications. Lenders' UCC filings are public — the other side will pull them even if you don't.
■ Litigation, IPR, challenge, and demand-letter history is documented with current status.	Growth, Mature	Deal-killer	Compile a complete disputes file with counsel; in a process this becomes a representation you sign.



The ceiling: the narrative

This is the side that can move the number. It is also the side that can't be built in a weekend, because it depends on legal and business context that must be captured while decisions are being made, not reconstructed afterward. It should get most of your preparation time, at every stage.

Investors and acquirers don't want a patent list. A raw count means nothing. They want to understand which patents read on which products, which revenue streams those products represent, what the portfolio lets you exclude competitors from, and whether the filing pattern reflects a strategy or an accumulation. [Gary Raichart, who leads IP valuation work at Kroll](#), frames this as the central alignment question: whether the IP strategy supports where the business is headed, not just where it stands. The same misalignment that creates strategic problems creates diligence problems.

And sometimes the IP is the deal. Jerry Ting, who built the AI contract platform Evisort and sold it to Workday, notes that [many companies are acquired not for the products they sell but for the IP they hold](#). That outcome is reserved for companies that did both halves of this work: the ones who can prove they own it and explain why it matters.

Why the narrative matters more now

Three shifts, all driven by AI, have raised the stakes:

- **Product iteration is faster.** When AI compresses build cycles, product lead stops being a durable moat. Being able to exclude competitors from the key positions in your value chain, and to say which positions and why, becomes a larger share of the IP's worth.
- **Thickets are getting denser.** AI drafting tools and AI-native legal services are collapsing the cost of generating IP. When everyone's portfolio is bigger, volume stops meaning much. What separates you is the ability to explain your strategy and your position within the thicket.
- **Investors can now look for themselves.** AI tools let non-specialist investors run their own landscape analysis on a diligence target. If you don't tell your IP story, the other side will generate one, and a story about your portfolio assembled by a model with none of your context will not be flattering.

The narrative is not a growth-stage problem

It's tempting to treat storytelling as something to grow into once there's a constructive portfolio. In fact, it runs the other way. At pre-seed and Series A, formal IP diligence might be a few hours of counsel time, but the moat story is most of what's being bought. The narrative isn't a document in the data room yet; it's the slide a partner pushes on in every meeting, and it must hold up while staying consistent with what you've filed. An investor who runs a quick landscape check and finds that the moat you pitched isn't the moat you filed has learned something worse than a gap: the story was never connected to the strategy.

There's a compounding argument too. Mapping a five-asset portfolio is an afternoon. Reconstructing a fifty-asset map years later, under deal pressure, is the project that never finishes. The companies with coherent growth-stage narratives are nearly always the ones that started the map when it was trivially small and let it grow with the portfolio.

The institutional knowledge your IP function can't afford not to own

Too often, the strategic context behind your portfolio — prosecution rationale, filing decisions, product mapping — lives in outside counsel's system rather than yours. This whitepaper makes the case for why that gap is a liability, and what it looks like to build an IP function where institutional knowledge stays with the company. [Read the whitepaper](#)

Building it

For each active patent and application, the map should answer four questions: which product, feature, or technology does it read on; which revenue stream or strategic position does that represent; is it protecting today's market or the roadmap; and does it read on what competitors are doing. Then translate the map out of claim language. The narrative that works in the room is told in the investor's vocabulary (revenue flows, margin defense, competitive exclusion, optionality), with the claims chart as backup rather than as the opening. The difference is audible:

"We hold fourteen issued patents and nine pending applications across our core technology."

— versus —

"Three patent families cover the sensor-fusion layer every competitor in our category has to pass through. They map to eighty percent of current revenue and both roadmap products launching next year. The rest is defensive coverage around our manufacturing process — and here's the written rationale for each."



The first answer is a fact. The second is a thesis, and it preempts the next three questions instead of inviting them.

Not every patent will map cleanly. Some are defensive; some predate the current strategy. Document those too, because diligence teams ask about the patents that don't fit as often as the ones that do. The same goes for the inverse — core technology areas with thin coverage, continuations you chose not to pursue. A gap with a written reason behind it is a judgment call. A gap without one is a question you'll be answering live, without warning.

CAN YOU CHECK THIS BOX?	APPLIES	SEVERITY	IF NOT — THE FIX
■ Every active patent and application is mapped to a product, revenue stream, or roadmap item.	All stages	Drag	Build the map as a living document — one row per asset — and assign an owner. Start while the portfolio is small; it only gets harder.
■ Your pitch materials and your portfolio tell the same story — the moat you claim is the moat you filed.	Early, Growth	Drag	Read the moat slide next to the portfolio map; anywhere they diverge is exactly what an investor's own landscape check will find.
■ Every patent that doesn't map has a documented rationale (defensive, legacy, opportunistic).	All stages	Drag	Spend an hour per orphan asset writing down why it exists; closed questions don't come up in the room.
■ Coverage gaps in core technology areas are identified, with a written decision behind each.	All stages	Drag	Run a gap review against the product roadmap and document either the filing plan or the reason for the deliberate pass.
■ You can articulate, in investor language, what the portfolio lets you exclude competitors from.	All stages	Drag	Draft a three-minute version — value-chain positions, not claim elements — and pressure-test it on someone outside the IP function. At early stage, this is your moat slide.
■ You know how your claims position against your two closest competitors' portfolios.	Growth, Mature	Drag	Commission or build a focused landscape on your top two competitors before the other side builds their own.

What makes both possible: owning the context

Diligence asks two kinds of questions. Logistical ones — send us the docket, the assignments, the license agreements — test whether your data is organized and in a system you control. Narrative ones are harder: why did you abandon the European family on this asset, what's the claims strategy on the core patent, how does this read on Competitor X. These test whether the context behind your data survived the people and law firms who created it. Most companies can eventually answer the first kind. The second is where diligence quietly goes wrong.

One head of IP at a large company, newly moved into a business unit, found himself responsible for a hundred patent families he knew nothing about, cold-emailing engineers before each maintenance payment because the reasoning behind the filings had never been written down. That isn't a failure of the IP leader. It's a failure of the system he inherited. Diligence probes exactly this kind of gap, except the person asking holds leverage over your valuation, and a deadline.

The underlying issue is almost always the same: portfolio data scattered across law firm portals, spreadsheets, email threads, and [one or two people's memories](#). And [every law firm relationship eventually changes](#). Partners leave, conflicts force handoffs, firms restructure, and all of it is happening more often as AI-driven pressure works through the legal market. None of that is a reason to distrust outside counsel. It is a reason to keep the documents, the data, and the rationale behind your portfolio [accessible in a system your company controls](#), so a change in one relationship never turns into a diligence emergency.

Sidebar: the 48-hour drill

Run this before any process begins. Imagine the request arrives today, due in 48 hours:

- A complete list of all patents and applications with filing dates, priority dates, and status
- Organized copies of all issued patents and pending applications
- The product and technology mapping document
- A summary of all deadlines in the next 90 days
- All assignment agreements, organized by inventor
- And two narrative questions: why was protection in [major market] not pursued for [core asset]? What is the claims strategy on your most-cited patent, and how does it position against your closest competitor?

If any of these takes more than two business days, or if the narrative questions require calling outside counsel or a former employee, you've found the gap. Work backward from the slow answer to the root cause.

CAN YOU CHECK THIS BOX?	APPLIES	SEVERITY	IF NOT — THE FIX
■ Filing rationale and claims strategy for key assets are documented somewhere other than people's memories or outside counsel's portal.	All stages	Drag	Capture rationale at the moment of decision going forward; for existing assets, run structured debriefs with inventors and counsel while the context still exists.
■ You could answer "why did you abandon X" or "why no filing in Y" without calling outside counsel.	All stages	Drag	Audit your last ten abandonment and foreign-filing decisions; write down the reasons you can still reconstruct and flag the ones you can't.
■ Complete portfolio data — documents, status, deadlines, agreements — lives in a system the company controls.	All stages	Drag	Establish independent access to everything currently reachable only through counsel's portal; you're not replacing the relationship; you're removing the single point of failure.
■ Someone other than the IP lead could locate and produce the core documents.	Growth, Mature	Drag	Have a non-IP colleague run the 48-hour drill cold; wherever they stall is where the key-person risk lives.



When the process is live

Everything above applies whether a transaction is coming. This last layer only matters once one is roughly three months out, and then in the room. This is logistics — less consequential than hygiene or narrative, but it's the part the other side experiences most directly, and it sets the tone for how every other answer lands.

Stand up the data room before the first request arrives: structure first, then clean, organized copies of the core documents. **Brief outside counsel** on the timeline, the sensitivity, and the expected request format. They'll be getting requests directly from the other side's counsel, and surprises at that interface cost time the company doesn't have.

Rehearse the narrative. There will be a meeting, likely several, where you walk the other side through the portfolio. It should be delivered in investor language, by the person who will present it. And **prepare the hard questions:** challenges, infringement allegations in either direction, IPRs filed or threatened, open matters with uncertain outcomes. These will come. Preparation isn't spin; it's the difference between answering and scrambling.

Can you justify your patent portfolio to the board?

Filing patents and building a defensible portfolio are not the same thing. Hear from deep tech IP attorney David Ashton on what separates a filing from an asset, why every patent should be tied to a revenue stream or strategic rationale, and what it looks like to build IP that justifies itself when scrutinized. [Read the profile](#)

CAN YOU CHECK THIS BOX?	APPLIES	SEVERITY	IF NOT — THE FIX
■ The data room structure exists and is at least partially populated.	Preparing, In process	Drag	Create the folder structure today, even if it's empty; populating a structure is a task, inventing one under deadline is a scramble.
■ Outside counsel is briefed on the timeline and expected request format.	Preparing, In process	Drag	One call, before the process opens; agree on who routes what and how fast.
■ The portfolio narrative has been rehearsed by the person who will present it.	Preparing, In process	Polish	Run it live in front of the CFO or CEO; if it doesn't land with them, it won't land with the other side.
■ Answers to the standard hard questions are written down and accurate.	Preparing, In process	Drag	Draft them with counsel; in a process these answers end up next to your representations, so accuracy beats polish.
■ The hygiene audit has been refreshed to capture anyone hired or engaged — and anything filed or lapsed — since it was first run.	In process	Drag	Run a short delta audit: new inventors, new contractors, new office actions, new deadlines since the original sweep.
■ Document requests are being answered in days, not weeks.	In process	Drag	Triage daily, assign owners per request, and track turnaround — responsiveness is itself a diligence signal.



The work that gets priced

Most IP work is invisible to the business. Diligence is the moment it isn't, when every filing decision and every piece of context, captured or lost, gets weighed by people with direct leverage over the outcome. Clean hygiene won't raise your price, but it removes every reason to lower it. A narrative, told well, can move the number. It also guarantees the story in the room is yours.

Neither can be built under deadline. That's the honest takeaway. Diligence readiness isn't a sprint or a project; it's what falls out of an IP function that captures its own context, controls its own data, and runs with discipline whether a process is coming. By the time you find out one is, it's been coming for a while.

Summary: the diligence readiness checklist, by timeframe

Organized by when the work has to happen, not by an imaginary 12-month runway. Most companies get about a quarter's notice; the "Always" list is what makes that survivable.

ALWAYS | BEFORE YOU KNOW A PROCESS IS COMING

- Capture filing rationale and claims strategy at the moment of decision, in a system the company controls
- Keep assignments executed and USPTO-recorded as inventors join — especially anyone touching technology before the IP function existed
- Maintain the product-and-technology map as a living document, including rationale for assets and gaps that don't fit
- Keep the pitch and the portfolio telling the same story — the moat you claim is the moat you filed
- Maintain independent access to all portfolio documents and data, outside of counsel's portal
- Keep prosecution, annuities, and a 12-month deadline calendar current

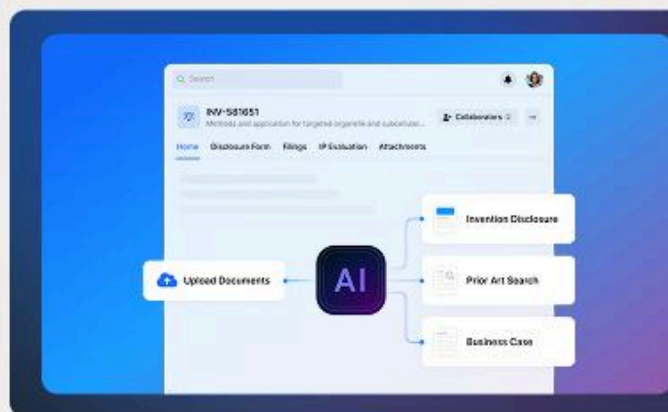
THREE MONTHS OUT | PREPARING FOR A PROCESS

- Run the full hygiene audit: chain of title, prosecution, annuities, encumbrances, licenses, government rights, disputes
- Remediate what's fixable; document rationale for what isn't
- Pressure-test the narrative in investor language; map claims against your two closest competitors
- Run the 48-hour drill, including the narrative questions
- Stand up the data room; brief outside counsel; rehearse the portfolio narrative; draft answers to the hard questions

IN THE ROOM | ONCE THE PROCESS IS LIVE

- Answer document requests in days; triage daily with named owners
- Disclose and manage any gap you find — before the other side finds it independently
- Final sweep: new hires since the audit, new office actions, new deadlines
- Deliver the narrative — rehearsed, in their language, with the claims chart as backup

This guide is about making sure what you have is clean, explainable, and producible. If the more pressing problem is a portfolio growing slower than your R&D, that's covered in the companion piece: [What to Do When R&D Outruns IP](#).



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