



# A 100+ Years of Success at Risk

## CASE STUDY –CBBT1

### **Service:**

Technology Diligence – on code, IP and operations

### **Client:**

A large non-tech distributor buying a technology company

### **Requirement:**

Perform due diligence on a technology acquisition to include core product, architecture, processes, staffing, patents and ability to integrate with acquirer.

### **Situation:**

A large non-technology distribution company was making its first acquisition of a SaaS model software company. This was a necessary move in order to preserve the competitive position and health of this longstanding market sector leader.

The client had a sophisticated IT department that built and maintained its operating IT systems, but had no experience with the processes necessary to build or operate a software company. The seller professed significant intellectual property that was represented in numerous patents and filings. Finally, there was open source software that had been liberally used to build the target's system. The Client required the comfort of an independent third party review of product, potential liability of the open source code, and current status of the patent portfolio before proceeding with the acquisition.

### **Scope:**

Staffing: 12 person days

Deliverable: An oral presentation with follow up findings in a formal document and a PowerPoint presentation to the Board of Directors.

### **Discovery:**

The first discovery was that the target product was, operationally sound and scalable. It had been designed and coded well.

However, development processes and procedures were found to be lacking in formal protocol but otherwise effective for a small development team. More formalized processes would become necessary moving forward.

The open source code was scanned using the Black Duck Software tool set and analyzed by a Semaphore expert. While a number of conflicts were discovered it was determined that all of the conflicts could be addressed and remediated without substantial effort or future liability.

The patents were reviewed by our in-house technology experts and a patent attorney and were found to be in stunning disarray. Of the eleven patents, only one was required to remain current, two were pending final determination with a recommendation that world-wide protection be sought rather than just a US filing. The remainder could be abandoned as they afforded no protection or market advantage. The patents were deemed to be less valuable than originally determined.

### **Outcome:**

1. The deal was consummated.
2. An immediate program was instituted to formalize development and QA process.
3. An open source code policy and procedure was implemented.



4. Remediation of the current code was undertaken.
5. Acquired company CTO and senior development staff were retained in whole.
6. The deal price was altered to reflect the diminished value of the patent portfolio.