



# **INVESTING IN OR ACQUIRING A DIGITAL ASSETS BUSINESS?**

MAXIMIZING VALUE AND  
MANAGING RISK IN DIGITAL  
ASSETS M&A

(Part 1)



## **VALUE VS RISK**

As valuations increase and investment capital flows into the digital assets sector, the cost of missteps in these areas—especially the risks of cybercrime, regulatory penalties, sanctions, and even criminal consequences—have also expanded significantly.

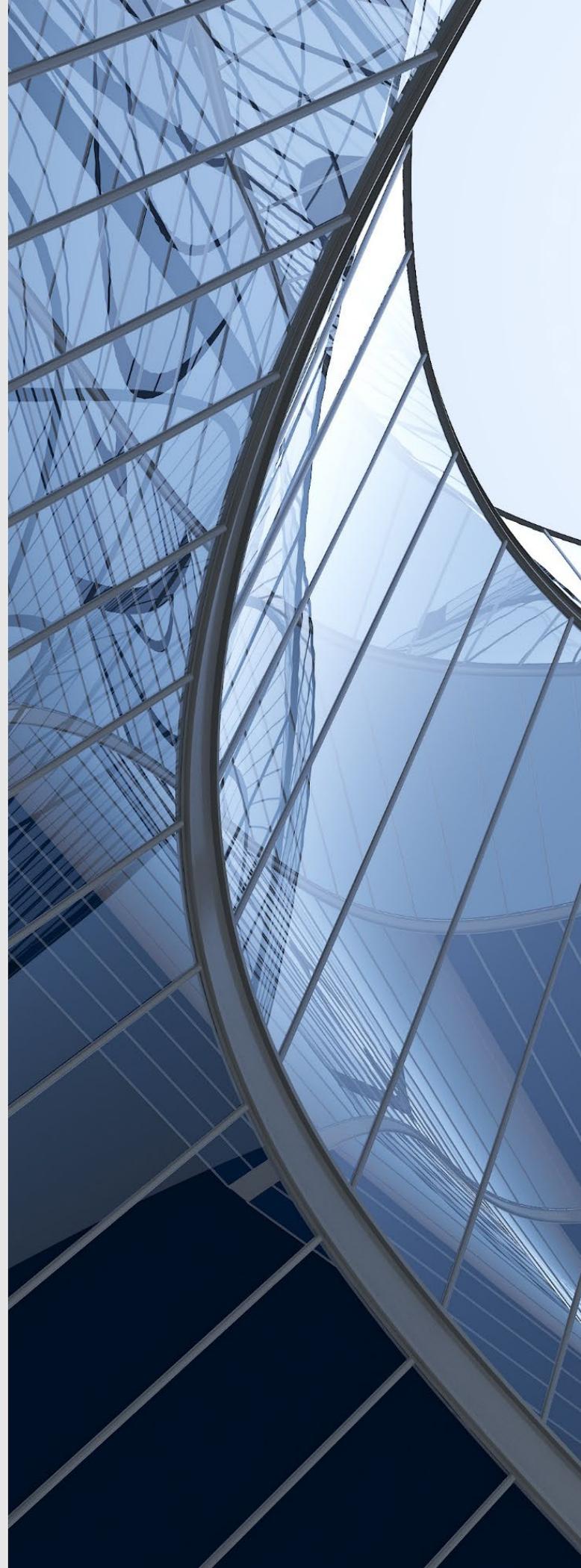
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# VALUE CAPTURE AND RISK MANAGEMENT

Understanding the assets, revenue streams and risks of a target digital assets business is critical to capturing value in any deal.

This requires a deep dive into several key subject areas.

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# **CYBERSECURITY AND INTELLECTUAL PROPERTY**

Part 1 of our series on deals in the digital assets sector focuses on these two critical areas.

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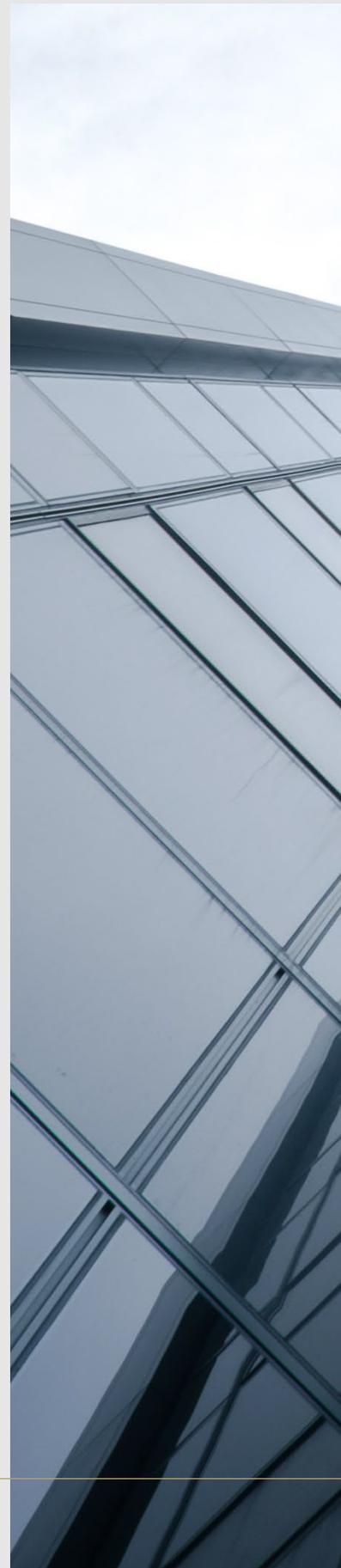
## **CYBERSECURITY**

Digital-native businesses exist primarily in cyberspace, which means that a serious cyber threat is also an existential one.

Cybercriminals also disproportionately target digital assets because digital assets can usually be transferred globally, seamlessly, and irreversibly

# CYBER INCIDENT COSTS AND CONSEQUENCES

- Stolen keys, crypto or fiat
- Theft of data or trade secrets
- Damaged reputation & loss of trust





# CYBERSECURITY SAFEGUARDS AND FOCUS FOR VALUE CAPTURE

- Audit smart contract design
    - Assess cyber program and governance
    - Examine methods of digital assets storage
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## **INTELLECTUAL PROPERTY**

Digital asset business are built on intellectual property (IP), including innovative software and algorithms and proprietary data. For that reason, IP should be a major focus in any deal and a significant driver of value.

There are different legal rights and considerations (and risks!) that relate to different types of IP.





## **IP FOCUS: AI-GENERATED CODE AND CONTENT**

Many US legal protections (such as copyright) are not available for AI-generated works.

For a digital assets business that relies on AI, a key area to watch is court systems that are hearing disputes over IP rights in training data and how those disputes evolve.

## **IP FOCUS: OPEN SOURCE SOFTWARE AND SMART CONTRACTS**

A trend in the digital assets industry—particularly in the Ethereum developer ecosystem—has been to open source the foundational smart contracts for on-chain businesses.

If the target business relies on smart contracts as part of its business, the terms of both inbound and outbound open-source licenses must be compatible with current usage and as it may evolve over time.

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## **IP FOCUS: IP THEFT FROM BLOCKCHAINS**

IP-related activities on blockchains—such as selling rights to IP on a blockchain through smart contracts—can increase the risk of IP theft, damage to brands, and loss in market value of the business.

If legal rights for these valuable assets are not clearly defined and recorded, businesses may not have protections in place to maintain the value in their digital assets IP.

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The background of the slide features a dark blue and black color scheme with various financial data visualizations. In the top left, there's a table of stock prices with columns for stock symbols (e.g., ZECUSD, ADAUSD, BCHUSD) and their corresponding values (e.g., 1854.09, 1850.09, 1845.97). Below this, there are several line charts and bar graphs in various colors (red, green, blue, yellow) representing different market metrics or trends. The overall aesthetic is that of a professional financial dashboard or trading platform.

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