

RADER,

FISHMAN

& GRAUER

PLLC

## Turning Intellectual Property Into Intellectual Capital

Rader, Fishman & Grauer PLLC advances the marketability of intellectual assets for global corporations and emerging enterprises. Our proactive approach to IP management includes strategies for intellectual asset protection, acquisition, exploitation, valuation and dispute resolution.

The firm has developed IP management strategies for U.S. and foreign-based companies in more than 220 countries. Our attorneys and legal specialists include leading experts in all areas of domestic and foreign IP legal practice and intellectual asset management. Our team approach insures that each of our clients is represented by the collective expertise of the firm. This distinction has played a key role in our ability to stay on the leading edge of knowledge and practice.

- Patents
- Trademarks
- Litigation
- Copyrights
- U.S. and Foreign Portfolio Management
- Technology and E-Commerce
- Trade Secrets
- Unfair Competition

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Bloomfield Hills, MI

### Our approach to intellectual property management

Rapid change, new technologies and global commerce have redefined the practice of intellectual property law. Simply obtaining patents, trademarks and copyrights without an IP strategy represents increased risk and missed opportunity.

Intellectual property is one of a company's most valuable assets. While all companies have strategies for maximizing and leveraging their use of capital, they may not have a plan for managing intellectual property.

At Rader, Fishman & Grauer, we believe that intellectual property should be managed in the same way companies manage their capital. As strategic advisors to CEOs and senior executives, we help maximize the value of "intellectual capital." Patents, trademarks, copyrights and trade secrets are key elements of a company's business strategy. Managed effectively, they can protect new product lines, increase market share and head off competition.

The result is maximized opportunities, reduced risk and lower costs leading to a stronger bottom line.

### What is "intellectual capital"?

Patents, trademarks, copyrights and trade secrets are more than intellectual property. They are important assets that can impact a company's viability, market share and competitive edge for years to come.

Intellectual assets — or "capital" — should be managed in the same way companies manage their other capital investments. This includes recognizing the vital role they play in a company's overall business strategy.

### Global marketing

Companies considering marketing goods and services outside the United States need a global intellectual property strategy. In addition, the on-line environment of the Internet creates the potential for any company to have global exposure.

Global considerations should be addressed early in the intellectual property planning process. Otherwise, companies risk being prevented from entering certain overseas markets.



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### IP portfolios: reducing risk / optimizing value

How much does your company spend each on year on intellectual property?

What is the value of your company's intellectual assets?

Too often, management overlooks these fundamental questions. As a result, a company may spend too much on obsolete intellectual property or miss opportunities for strengthening competitive edge.

Effective intellectual property portfolio management should begin with an assessment process, including:

- A "benchmark" inventory and valuation of intellectual assets
- Identification of assets that may not be protected
- Estimate of portfolio maintenance costs

This should be followed by regular meetings of the company's engineering and marketing staffs and senior management.

Communication among these areas is essential to leveraging intellectual assets in the marketplace.

### An interdisciplinary approach

Rapid change, global marketing and growing competition have increased the complexity of intellectual property planning and decisions. As a result, the best legal counsel consists of an interdisciplinary team that can address multiple business and economic issues, including:

- Changing regulations and legislation
- Emergence of new technologies
- Corporate budget restraints

### The changing IP environment

#### Why a strategy is essential

Today, strategies for protecting and maximizing the value of intellectual property are essential to achieving and sustaining competitive edge.

This means companies should not be satisfied with the simple filing of patents, trademarks and copyrights. Managing intellectual property in a rapidly changing environment calls for a dynamic gameplan.

To achieve this, intellectual property legal counsel must perform in a capacity far beyond filing paper. This person must become an active part of a company's strategic planning team that recognizes the critical role intellectual property plays in a company's success. Questions that should be part of the strategic planning process are:

- How can we maximize the value of our intellectual assets?
- Which patents, trademarks, copyrights and trade secrets represent the greatest market potential?
- Are we paying unnecessary fees to protect outdated or unmarketable technology?
- Are there opportunities for generating cash flow through licensing our intellectual property to other entities?

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### Intellectual property on the balance sheet

Shifting from manufacturing to an information-based economy has changed how companies are valued. For many businesses, patents, trademarks, copyrights and trade secrets have become their most valuable assets.

In many cases, the true value of these assets is seriously understated. Reasons to conduct a thorough intellectual property valuation are to:

- Establish a selling price or licensing fee for intellectual property.
- Obtain financing using intellectual property as collateral.
- Assist management in short-and long-term strategic planning.
- Create shareholder value.
- Establish the value of an estate.
- Resolve disputes and calculate damages in litigation.

### Protecting patents in a changing world

In the past, patents offered stable, enforceable protection. Today, procurement and enforceability are dynamic. Technology may be obsolete before issuance, and enforceability is limited by court decisions.

As result, companies must develop a proactive patent strategy designed to:

#### Offensively:

- Prevent competition in the same invention.
- Build an intellectual property portfolio.

#### Defensively:

- Prevent patenting/use of the same invention by competitors.
- Create a portfolio for potential cross-licensing if a competitor becomes aggressive.

### Global access to IP portfolios

Easy access to intellectual property information is critical for company executives involved in strategic planning issues. Central to Rader, Fishman & Grauer's intellectual property management is a state-of-the-art information system. Clients can access their intellectual property listings worldwide over a secured network to review customized portfolio updates and access valuable links and databases.

Via the firm's website at [www.raderfishman.com](http://www.raderfishman.com), clients use a password to access their intellectual property portfolios including up-to-the-minute information.

The system not only provides clients with 24-hour access, but also reduces attorney information retrieval time and as a result, cuts legal costs.

### Do's and don'ts of litigation

Today, effective litigation is a series of carefully calculated maneuvers to gain the most solid strategic position for the company. Due to typically high stakes, few disputes end up going to trial. To make the most of a litigious situation,

#### Do:

- Identify how the desired outcome will benefit company goals.
- Calculate and manage every step of the litigation process.
- Make an effort to communicate with the opposing party.

#### Don't:

- Enter into "mindless litigation" without a clear business goal.
- Allow personal emotions to drive business decisions.
- Become isolated by your lawyer.

## Biggest IP management mistakes:

1. Paying too much money to protect obsolete or inactive patents and trademarks.
2. Failing to include input from marketing, sales and engineering in intellectual property decision making.
3. Not leveraging intellectual property assets to achieve competitive advantage.

## Litigation as a strategic business tool

Disputes over intellectual property use and ownership are a reality of our highly competitive business environment. Litigation is a business tool that can be a powerful determinant of a company's future intellectual property value. It can also be a cost-effective way to achieve business goals. If used effectively, litigation can:

- Increase market share
- Pave the way for new product development
- Add substantial value to intellectual assets

To be effective as a business tool, litigation must be focused and well managed.

### 1. Conduct a risk analysis.

- What is the liability of the other company?
- What is the risk of losing?
- What are the issues and counterclaims?

### 2. Analyze the impact on the business.

- How will the situation benefit/harm the business?
- Is this a significant product line?
- What is the potential for damages and how can they be *maximized*? (plaintiff)
- What is the potential for damages and how can they be *minimized*?

## Trademarks – reducing risk / maximizing opportunity

Trademarks protect the words, symbols and images that represent a company and its brands. Today, a proactive trademark strategy is essential given increasing global competition and easy access to company information via the Internet.

There are two main reasons for a proactive trademark strategy. One is to protect company slogans, logos and other such items from the competition. The second is to avoid the risk of possible trademark infringement.

A trademark strategy begins with federal registration. While this is not necessary to establish proprietary rights to a trademark, there are a number of benefits.

### 1. Notice of Claim of Ownership

Federal registration provides constructive notice of the registrant's claim. Without federal registration, another may adopt, use and establish trademark rights in the same or a similar mark in a geographic area remote from the prior user.

### 2. The Right to Sue in Federal Court

By bringing a suit in federal court, one is generally less likely to be subjected to the biases of local judges and juries. In addition, federal cases are heard before judges with normally greater trademark expertise than state court judges.

### 3. Recovery of Profits, Damages, Costs and Attorney Fees

The owner of a federally registered trademark may recover profits realized by the infringer, or actual damages suffered as a result of the infringer's activities.

### 4. Right to Deposit Registration Certificate with Customs.

A federally registered trademark may be protected by U.S. Customs from unauthorized importation of goods bearing a similar mark.

### 5. Criminal Penalties for Counterfeiting a Registered Mark

The Trademark Counterfeiting Act of 1984 makes it a felony to traffic in goods under a "counterfeit" mark, however it applies only to federally registered marks.

### 6. Evidence of Exclusive Right to Use

The owner of a federally registered trademark is at a procedural advantage in proving its case in an infringement action.

### 7. Basis for Foreign Applications

Owners of federally registered marks may be entitled to protection in foreign countries with which the United States has a treaty related to trademarks.

Other representations – such as artwork, photos and use of celebrities – involve other legal considerations under **copyright and rights of publicity laws**.

These too, should be part of a proactive trademark strategy.

### 3. Determine the most cost effective approach.

A detailed budget should be prepared for legal services to handle the litigation. Alternative fee arrangements should also be considered to stay in control of legal costs.

### 4. Communicate directly with the opposing party.

This suggestion may surprise some. In any successful litigation, communication between the two businesses — without the lawyers — is critical. The business people involved should actively discuss how the dispute could be resolved without using more of the litigation budget.