

OCEAN TOMO

# TRADE SECRET MANAGEMENT AND MONETIZATION



“In Today’s World, The Most Valuable Thing That Anyone Has Is Technology... The Most Important Thing This Country Can Do Is Protect Its Trade Secrets.”

– JUDGE RUBEN CASTILLO

Intangible assets are now responsible for 80% of all business value, much of which is represented by registered Intellectual Property (IP) – patents, trademarks and copyrights. The most significant remaining assets are a firm’s proprietary know-how maintained as trade secrets.

Reductions in technology life cycles combined with the inherent uncertainties of patent prosecution have recently resulted in a greater emphasis on protecting innovation through secrecy. Indeed, the value and commercial impact of trade secrets can be seen in the growth in trade secret litigation and the size of published settlements and awards.

Ocean Tomo, LLC is an integrated Intellectual Capital Merchant Banc™ firm providing a holistic suite of financial products and services relating to all forms of IP. Our professionals lead the industry in IP centric expert testimony, strategy, investment analysis, risk management, transactional analysis, valuation, research and ratings. In recognition of the above and other recent business trends, we have enhanced our offering to now provide specialized trade secret management and monetization advisory services.



Ocean Tomo is a firm of experienced and dedicated professionals knowledgeable about all financial and operational issues concerning trade secrets. Our services provide clients with opportunities to uniquely realize and leverage the value of their trade secrets as business assets.



## Expert Testimony

All IP disputes, and particularly those involving trade secrets, include complex economic issues that must be clearly communicated to judges and juries. Ocean Tomo professionals have extensive experience as expert witnesses in such matters, and that expertise synergistically benefits from our non-litigation advisory business. Our experts understand that trade secret remedies and their method of calculation can differ from other forms of IP and that the state-of-the-art in this regard continues to evolve based on case law which is often unique to a given State. Examples of such differences can include:

- Calculations of actual loss and unjust enrichment
- The appropriateness of incremental versus fully allocated cost determinations
- A reasonable royalty measure of damages based on, e.g., modified Georgia-Pacific factors

Ocean Tomo has been at the forefront of advancing the state-of-the-art in trade secret damage determinations. Ocean Tomo has been at the forefront of advancing the most accurate and complete trade secret damages determinations based on peer reviewed methods, either from known academics and professionals or of Ocean Tomo's own development. Ocean Tomo's track record includes some of the largest trade secret damages awards and the nation's most sophisticated trade secret owners.

## Strategy

Ocean Tomo's Strategy Business is built upon our unparalleled experience spanning nearly two decades across a comprehensive set of IP driven opportunities. Whether addressing a unique event or IP asset, or ongoing management of a company's entire IP portfolio, we begin with an understanding of management's overall concerns and objectives. Ocean Tomo's Strategy products and services relating to trade secrets are focused on:

**Portfolio development** – using a genus to species approach, we work with clients to identify and inventory their trade secrets, including related core technology and information, as well as next best options, to account for and compile the source and corresponding research and development data required to both protect and transact these IP assets.

**Maintenance** – alongside best-of-breed third-party service providers, Ocean Tomo advises its clients on obtaining escrow/back-up services to ensure that their trade secrets are properly secured, stored and cannot be lost through a single act of theft, hacking or natural disaster.

**Training** – with the benefit of Ocean Tomo led guiding principles approved by senior executives and a proper trade secret portfolio development and maintenance program, our professionals provide managers and line employees with on-site, best practices training to protect the company's secrets and further the company's overall trade secret program.

## Investments

IP-driven investment banking transactions are a frequent subject of news headlines. Key to such mergers and acquisitions is a thorough understanding of the trade secrets being acquired and the measures to protect them. Ocean Tomo professionals work with transaction principals as well as their counsel and bankers to identify and assure protection of such IP assets. Our firm is uniquely capable of adding value to such opportunities through our proprietary products and services as well as our industry leading holistic approach.

## Risk Management

Ocean Tomo applies its expertise in understanding and valuing IP assets to minimize the possibility and impact of adverse events. Specific to trade secrets, Ocean Tomo and its partners offer risk management solutions addressing security, insurance, compliance and documentation of prior use.

Ocean Tomo's Trade Secret Security program is an integrated IP risk management offering which leverages Ocean Tomo's Strategy Services and TSC's Enterprise Security Intelligence Solutions. Ocean Tomo and TSC provide solutions to the challenges that trade secret owners face, including identifying their most valuable knowledge, monitoring and testing the measures to protect their trade secrets, identifying corresponding vulnerabilities, providing executive decision tools and actionable recommendations for mitigating those vulnerabilities and more effectively managing data using TSC's proprietary analytical processes and expertise.

Ocean Tomo brings access to trade secret related insurance protection through a multi-peril policy. A Multi-Peril Intellectual Property (MPIP) insurance policy provides first party coverage for a loss incurred in connection with an insured IP lawsuit. That policy, available as a rider, is for any entity with an IP risk covered under an abatement and/or defense policy. The MPIP policy responds after the final adjudication of a civil lawsuit that directly caused or established the loss of value.

Trade secrets are often licensed, either on a stand-alone basis or as part of a patent or broader IP license. In any such case, the trade secret licensor should consider periodic audits of licensee compliance with applicable obligations relating to, for example, royalties, maintaining secrecy, and accounting for new or improved developments. Given Ocean Tomo's holistic trade secret products and services as well as our substantial auditing experience, we are uniquely suited to conduct compliance audits for trade secret owners. We also provide consulting advice when clients are being audited by third parties.

Recent legislative changes also have heightened the importance of trade secrets. In particular, the prior use defense under 35 U.S.C. § 273 provides that, as to any U.S. patent issued on or after September 16, 2011, an accused infringer may be able to assert, as a defense to infringement, its prior commercial use of the patented subject matter in the United States. Ocean Tomo professionals rely on their holistic approach and expertise to best assure that such protection is readily available to clients.

## Transactions

Ocean Tomo professionals have significant experience in valuing IP assets. Ocean Tomo's trade secret appraisals account for unique value-related aspects of trade secrets, including investments in research and development, life cycle benefits and obsolescence, discount rates and corresponding cash flows. Trade secrets tend to build value when one or more of the following factors exist, and Ocean Tomo uniquely accounts for each of them:

- Specific revenue generation – trade secrets may provide a barrier to entry, a head start or both, each of which enables the trade secret owner to extract premium profits through commercial sales of products and/or services.
- Cost savings – as opposed to a top line revenue benefit, trade secrets may provide operating cost savings that increase operating margins.
- Risk reduction – proprietary know-how maintained as trade secrets often can reduce the risk associated with future cash values, thereby directly increasing net present value of a business or product.
- Time acceleration – utilization of trade secrets may generate cash flows faster than if the owner had to use alternative technology or information.

Often, the valuation of trade secrets will begin with assessing the time, effort and expense to independently develop such know-how, including any delay in market activity during the research and development period. Ocean Tomo appreciates and also uniquely accounts for those circumstances.

Trade secrets can be an integral component to a company's operations and viability. Trade secrets are also increasingly becoming an alternative source of revenue and value recognition through license or a host of other transaction types. Ocean Tomo professionals have significant experience and unique expertise relating to the financial and other business terms of such transactions. In connection with any opportunity to leverage a firm's proprietary know-how or trade secrets, our experience and expertise will help to further the benefits that an owner will realize.



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Mr. Malackowski draws from his experience as a board member of multiple early stage companies overseeing venture capital investments as well as his tenure as an entrepreneur-in-residence with one of Chicago's leading private equity firms to advise operating company clients seeking to diversify their R&D efforts. Mr. Malackowski works with firms of all size to capture, guide and protect emerging third party innovation.





# OCEAN TOMO®

## INTELLECTUAL CAPITAL EQUITY®

## About Ocean Tomo

Established in 2003, Ocean Tomo, LLC provides Financial Expert, Management Consulting, and Advisory services related to intellectual property (IP) and other intangible assets; corporate accounting investigations; regulatory and reporting obligations; solvency and restructuring; and contractual or competition disputes.

Practice offerings address economic damage calculations and testimony; accounting investigations and financial forensics; technology and intangible asset valuation; strategy and risk management consulting; mergers and acquisitions; debt and equity private placement; and IP brokerage.

Our services are built upon more than three decades of experience in the most rigorous venues – state, federal, and international courts. Our financial, market, and technical experts provide a unique understanding of the contributory value of proprietary innovation. This is the cornerstone of our business. This insight permeates every practice and client engagement.

Collectively, Ocean Tomo professionals have:

- Completed over 1000 engagements, including over 300 valuation and 500 financial damages expert testimony engagements;
- Consulted and provided expert testimony on some of the highest profile matters over the past decades;
- Successfully closed hundreds of IP sale transactions with a cumulative transaction value well in excess of \$1 billion; and
- Originated more successful IP monetization solutions than any other firm, including creation of the world's oldest and most successful live patent auction.

Our track record of results spans more than 150 different industry segments. Because our past success provides the best indication of our capabilities, we are proud to serve more than 80% of the AM Law 100® and encourage potential clients to seek references from past clients.

Intangible assets comprise 90 percent of business value but are also subject to significant impairment due to enterprise and regulatory compliance risk. Ocean Tomo assists clients – corporations, law firms, governments, and institutional investors – in realizing Intellectual Capital Equity® value broadly defined.

Headquartered in Chicago, Ocean Tomo has offices in Greenwich, Houston, Jacksonville, Reston, San Francisco, and Shanghai. Subsidiaries of Ocean Tomo include Ocean Tomo Investment Group, LLC, a licensed broker-dealer under Federal and State securities law (brokercheck.finra.org Broker Check CRD #: 172912), OTI Data Networks, LLC and Patent Marking, LLC.