

CONTENTS

Note to the Reader: Chapters or sections not in the main bound volume (*Intellectual Property: Valuation, Exploitation, and Infringement Damages*: 978-0-471-68323-0) are indicated by “(New)” after the title. Material new to or modified in *this* supplement is indicated by an asterisk (*) in the left margin in the contents and throughout the supplement.

PREFACE		xvii
<hr/>		
PART I	VALUATION	1
CHAPTER 1A	INTELLECTUAL PROPERTY LANDSCAPE (NEW)	3
	1A.1 80% of Corporate Value Is Intellectual Property and Intangible Assets	4
	1A.2 Over Seven Million Patents	6
	1A.3 Corporations Own the Most Patents	7
	1A.4 All Industries Are Patenting Inventions	8
	1A.5 Trademarks	10
	1A.6 Trademarks Are Supported with Huge Ad Spending	11
	1A.7 Copyrights	12
	1A.8 Trade Secrets	12
	1A.9 Business of Licensing	15
CHAPTER 1B	U.S. CONGRESS FLIRTS WITH DISASTER (NEW)	25
	1B.1 Patent Litigation Venue	27
	1B.2 Patent Infringement Damages	27

	1B.3	Injunctions for Only Competitors	29
	1B.4	Harming Our Only Economic Advantage	31
CHAPTER 12A		RISK-ADJUSTED CASH FLOWS (NEW)	32
	12A.1	Required Rates of Return	33
	12A.2	Capital Asset Pricing Model	36
	12A.3	Build-Up Method	41
	12A.4	Venture Capital Rates of Return	42
	12A.5	Probability of Success	45
	12A.6	Conclusion	49
CHAPTER 12B		DEALING WITH RISK AND UNCERTAINTY IN INTELLECTUAL PROPERTY VALUATION AND EXPLOITATION (NEW)	51
	12B.1	Risk versus Uncertainty	53
	12B.2	Decision Analysis and Decision Trees	55
	12B.3	Decision Tree Components and Conventions	56
	12B.4	Monte Carlo Techniques	63
	12B.5	Markov Chains	66
	12B.6	Obtaining Information from Indirect Observation: Shadow Pricing	70
	12B.7	Bayesian Analysis	72
	12B.8	Option Pricing Models	75
	12B.9	Limitations on Rationality in Decision Making: The Effects of Perception and Biases on Decision Making	78
	12B.10	Conclusion	79

CHAPTER 14A	RIGHTS OF PRIVACY, PUBLICITY, AND CELEBRITY PERSONA (NEW)	81
	14A.1 Introduction	81
	14A.2 Legal Underpinnings	84
	14A.3 Trademark Rights	87
	14A.4 Copyright	88
	14A.5 Legal Uncertainties and Solutions	90
	14A.6 A Photography Issue	91
	14A.7 Conclusion	93
CHAPTER 14B	INTELLECTUAL PROPERTY AND INTANGIBLE ASSET VOLATILITY (NEW)	95
PART II	LICENSING	101
CHAPTER 27A	ROYALTY RATES AND LICENSE FEES FOR TECHNOLOGY (NEW)	103
	27A.1 Royalty Rates	104
	27A.2 Per Unit Royalties	107
	27A.3 Royalties Based on Profitability	108
	27A.4 License Fees	109
	27A.5 Medical Device Industry Royalty Rates	111
	27A.6 Medical Device Industry License Fee Distribution	112
	27A.7 Conclusion	114

* CHAPTER 27B	LICENSE FEES AND ROYALTY RATE FREQUENCY FOR TECHNOLOGY (NEW)	115
	27B.1 Real Deal Royalty Rates	116
	27B.2 Per Unit Royalties	118
	27B.3 License Fees	119
	27B.4 Conclusion	120
* CHAPTER 27C	ROYALTY RATES AND LICENSE FEES FOR PHARMACEUTICALS AND BIOTECHNOLOGY (NEW)	121
	27C.1 The Parties—Licensing between Corporations Dominates	122
	27C.2 Royalty Rates	122
	27C.3 License Fees	124
	27C.4 Key Technologies	125
	27C.5 Developmental Stages of Technology	126
	27C.6 Conclusion	128
CHAPTER 33A	THE MAGNITUDE AND MEANING OF ROYALTY MISREPORTING (NEW)	129
	33A.1 Introduction	129
	33A.2 “Why?” versus “How?”	130
	33A.3 Math Errors: 5% Error Rate	133
	33A.4 Royalty Rate Errors: 4% Error Rate	134
	33A.5 Transfer Prices: 4% Error Rate	136
	33A.6 Unreported Benchmarks and Milestones: 5% Error Rate	137
	33A.7 Unreported Sales: 16% Error Rate	138

33A.8	Disallowed Deductions: 9% Error Rate	138
33A.9	Unreported Sublicenses: 17% Error Rate	139
33A.10	Questionable License Interpretation: 40% Error Rate	139
33A.11	Conclusion	140

CHAPTER 33B	INTELLECTUAL PROPERTY AUDIT AND MANAGEMENT (NEW)	141
33B.1	Introduction	142
33B.2	Intellectual Property Is Important	142
33B.3	But Intellectual Property Is Frequently Mismanaged	143
33B.4	Why the Intellectual Property Dichotomy?	143
33B.5	The First Step: An Intellectual Property Audit	144
33B.6	From IP Audit to IP Management	146
33B.7	Insufficient Approaches	147
33B.8	A New Intellectual Property Management Paradigm	148
33B.9	Available Tools	148
33B.10	Benefits of Intellectual Property Management	149
33B.11	When to Do an Intellectual Property Audit	150
33B.12	How to Do an Intellectual Property Audit	152
33B.13	Software Solutions to Make the Job Easier	155
33B.14	Conclusion	158

CHAPTER 35A	QUANTIFYING REASONABLE ROYALTIES: THE ENTIRE MARKET VALUE RULE (NEW)	163
CHAPTER 45	NEW MEASURE OF INFRINGEMENT DAMAGES—FUTURE DAMAGES (NEW)	175
	45.1 Royalty Rate for Future Damages	177
	45.2 What About Future Lost Profits?	188
CHAPTER 45A	CONTINUALLY EVOLVING PATENT DAMAGES (NEW)	189
	45A.1 Post-Verdict Royalty Rates	190
	45A.2 Optimize Your Patented Technology or Lose It	195
	45A.3 Litigation-Based Licenses	198
* CHAPTER 45B	THE 25% RULE IS DEAD (NEW)	203
APPENDIX G	MORE SAMPLE ROYALTY RATE INFORMATION (NEW)	207
APPENDIX H	TRADEMARK ROYALTY RATES (NEW)	235
APPENDIX I	PHARMACEUTICAL AND BIOTECHNOLOGY ROYALTY RATES (NEW)	253
APPENDIX J	TELECOMMUNICATIONS ROYALTY RATES (NEW)	277
* APPENDIX K	ELECTRICAL AND ENERGY ROYALTY RATES (NEW)	313
INDEX		347