Index

A
Accounting
cost principle, 220
principles, 220–224
Actual lost sales, 279–280
Advance pricing agreement (APA), 358
Aggregate industry royalty rates, 254
Alternative market methods, 190f
Alternative technologies, competition, 260
American Bar Association, security interests task force, 319–320
American Intellectual Property Law Association, economic surveys, 299
American Stock Exchange (AMEX), competitive market, 191
Amortization, 223–224
Antitrust concerns, licensing (relationship), 245–246
Apportionment doctrine, 293
Arm’s length standard/comparability, 349–350
Aro Mfg. Co. v. Convertible Top Replacement Co., 272b
Assets
cash flow, 325
securitization, 325–326
process, 327f
valuation methods, 18
Assignments, 36
accuracy, PTO confirmation, 319
comparison, 39t
revenue model, 110–112
tracking, 320
Association of University Technology Managers, 253
Asymmetric information, 193–194
Attorney fees, 298–299
Auctions, 199–202
models, 200t–201t
process, formality, 203–204
B
Background information, 78–79
Balance sheet reports, 221b
Bayes’ theorem, 181–182
Benefit projections, impact, 132b–133b
Best alternative to a negotiated agreement (BATNA), 262b–263b
Best method rule, 350
Billy Pitt’s Pictures, 211
Bilski v. Kappos (U.S. Supreme Court ruling), 30
Black-Scholes inputs, information sources, 171b
Black-Scholes options pricing model, 166–168
adaptation, 173–174
contribution, 168
Blocking patents, 102–103
Bounded rationality, 56
Bristol-Myers Squibb (BMS), patented technology, 329
Broad claims, narrow claims (contrast), 100f
Business landscape, 79

C
Call options, 168–169
purchase payoff, 165f
Capital
attraction, 338
rate of return, 355
Capital-generation qualities, 314
Cash flow
statement reports, 221b
uncertainty, 332–333
Chain of title, 96f
establishment, 96
Chaos theory, 166b–167b
Collateral-focused valuations, 323f
Collateral sales, 277, 279
diversion, 292
doctrine, 296b
Commensurate with income
standard, insertion, 352
Commercial assets, valuation, 122
Company valuation, comparable
transaction method (usage), 206b
Comparability problems, 196–197b
Comparative profits method (CPM), 352, 354
Comparable transactions, 205–207
assets valuation method, 18
method, usage, 206b
Comparable uncontrolled
transaction method (CUTM), 352–353
Compensatory damages,
calculation, 286–287
Competitive exchange, 198–204
asset valuation method, 18
methods
formality, 202–204
strength/weaknesses, 204t
usage, 204
Compulsory licenses, restrictions, 101
Consequences, insertion, 71f, 73f, 147f
Constant discount rate, variable
discount rate (contrast), 156
Continue lawsuit problem,
graphical representation, 71f
Core market methods
alternatives, 207–214
diagram, 190f
Corporation
laws, creation, 316
residual, 242f
Cost-based methods, 224–225
Cost-centric models, 138
Cost methods, 219
Cost of development method,
224–225
critiques/justifications,
225–227
Cost of reasonable alternatives,
227–230
analysis, challenges, 228–229
usage, 229–230
Cost principle of accounting, 220
Cost valuation method, 19
Creditor, public notification, 317
Cross-licensing, 112–114
description, 112–113
strategy, cash flow stream, 114

D
Darvon, intellectual property
pricing transfer, 347
Data comprehension, disassembly
(usage), 84–86
Data development, disassembly (usage), 78–83
Data quality, translation process sensitivity, 68f
Decisions
alternatives, value prediction, 72
consequences, insertion, 71f
exercise, components
(identification), 71, 144–145
map, 80f
nodes, 70
embedded decision nodes, 73
opportunities, value incorporation (importance), 263–264
uncertainties, 71
value, prediction, 146
Decision-tree analysis, 143–149
benefits, 150
decision opportunities, 174–175
sensitivity analyses, conducting, 149–151
Decision trees, 69–75
components/conventions, 70
construction, 70–75
example, 74f
graphical conventions, 70f
usage, 174–185
Decision-tree scenario, shortening, 302
Depreciation, 223–224
Design patents, 27
infringer profits, recovery, 272b
Direct, revealed preference, 207
Direct cash flow
generation, strategies, 133–134
strategies, 114
Direct economic benefits, 5, 104–112
concern, 79–80
flow, 134
Disassembled problems, resolution, 77–78
Disassembly, 67
analysis, 79–83
assistance, 77–78
background information, 78–79
decision trees, relationship, 69–75
exercise, 78–83
process, 69
usage, 75–83
Discounted cash flow (DCF) analysis, 17–18
Discounted future economic benefits (DFEB) analysis, 17–18,
67–68, 121
arithmetic, 124–131
conducting, 84
garbage in, garbage out principle, 131f
inputs, challenges, 131–133
measurement, 125
projected years, 129, 131
sensitivity, 132b–133b
Discounted future economic benefits (DFEB) method, usage, 68, 161
Discount rates
components, 151–154, 152f
contrast, 156–157
conventions, 157–159
earnings measurement, matching, 158–159
estimation, 151–159
disassembly, usage, 78
inaccuracy, 132b–133b
mechanical considerations, 156–159
District Court decisions, *Georgia-Pacific* factors, 290f
*Dowagiac Manufacturing Co. v. Minnesota Moline Plow Co.*, 285
E
Earlier-stage technologies, funding sources, 155
Early-stage technologies, discount rates, 154–156
eBay, Inc., v. MercExchange, LLC, 276b
Economic benefit analysis (EBA), 250, 254–264
process, 254–255
Economic benefits, 5
crossover point, 260f
inquiry, scope, 134–135
sources, identification, 133–134
Economic monopoly, 107–108
Eli Lilly, intellectual property pricing structure, 347–348
Embedded decision nodes, process, 73
Emory University, deal, 331
End-of-year convention, midyear discounting convention (contrast), 157
Enjoyment deferral, discount rate component, 152–153
Entire market value rule, 283–284, 295
Equity securities, valuation, 241, 241b–242b
Equity stakes, 240–241
Established royalties, 289
Excess profits, calculation, 292
Exchange institutions, absence, 192, 197–198
Exclusive licenses, 98
nonexclusive licenses, contrast, 37
Experience curves, 282b
Extended NPV, development, 169
Financial option contract methods, usage, 169–170
Financial ratios, 355
Financial statements, types, 221b
Firm strength, signaling, 115–116
First-to-file inventor, 32
Fixed costs, inclusion, 279
Fixed fees, 236
Forecasts
example, 257t–258t
Forecasts (generation), disassembly (usage), 78
Free cash flow (FCF) benefit, 122b–123b
focus, 17–18
Freedom of Information Act (FOIA), usage, 195b–196b
Future cash flows, uncertainty, 333
Future decision opportunities, value (incorporation), 161
Future economic benefits, forecasting, 136–143
Future net economic benefits projection, 133–143
Future net economic benefits, present value, 124b–125b
Future performance, extrapolation, 143
historical patterns, usage, 139–140
Future returns (forecasting), historical Standard & Poor’s 500 returns (usage), 142t
G
Generally accepted accounting principles (GAAP), 220
Georgia-Pacific Corp. v. United States Plywood Corp. factors, 287–292
substitute products, availability, 291
Goals, articulation/achievement, 203–204
Google, U.S. federal tax liability reduction, 343–344
Gordon growth method, 127–128
Government-funded research, restrictions, 101

H
Hidden information, extraction, 208
Higher-quality data (development), disassembly (usage), 75–83
Historical forecasting methods, problems, 141–143
Historical Standard & Poor’s 500 returns, future returns forecast ability, 142t

I
Idealized patent holder, 287
Illiquidity adjustment, discount rate component, 154
Incentive theory, 104–108
Income methods, 121, 161, 219
Income statement, 221b
Income valuation method, 16–18, 248
Incremental economic value analysis, 295b–296b
Independent royalties, 239–240
Indirect, revealed preferences, 207
Indirect benefits, impact, 135–136
Indirect economic benefits, 5, 80–81, 112–116
Industrial Revolution, 316
Industry royalty rates, 250, 252–254
information, sample, 253b
noncomparability, 197
Inflation rate, discount rate component, 153
Information

age marketplace, intermediaries (role), 198
asymmetric information, 193–194
communication, 203
derivation, 177–178
incorporation, 181–185
inputs, usage, 16f
loss, 149–151
problems, 75–76, 192–195
loss, 151
reduction, disassembly (usage), 77–78
Infringement lawsuit defense, 260–261
elimination, 261
Infringer profit, requirement (absence), 296–297
Injunction, leverage, 276b
Input estimates, adjustments, 181–185
Instrumental value, intrinsic value (contrast), 6b
Intangible asset pricing, 351–357
methods, 352–357
recorded value, reduction, 224
transfer, 343
Intangible property, super royalty provision, 351–352
Intellectual property asset characteristics, 326
asset securitization emergence, 326–328
paths, 328f
deals, examples, 329–331
protection, 48
rights, portal, 321b–322b
transformation process, 327–328
Intellectual property-based tax-reduction strategies, 342–344
Intellectual property-based transfer-pricing structure, 346f
detail, 346f
history, 347–348
Intellectual Property Research Associates, 253
Intermediaries
requirement, 197–198
role, 197–198
Inventions
commercial value, 10–11
competitive forces, 106–107
process, operations, 111f
Invention use
patent rights value, decoupling, 11
separateness, 12b
value-generating asset, 9–10
Inventive process, 23
example, 24f
Inventors
correction, 31
free-rider problem, solution, 105
involvement, maintenance,
243–245
Investment capital, access, 315
Iowa Electronic Markets, 213

J
Joint owners (patents), 98–99

K
Kurtosis, 177–178

L
Learning curves
effect, 283f
experience curves, relationship, 282b
Legal relationship
factors/weightings,
determination, 63f
score sheet, example, 63f
Legal rights, bundle
(understanding), 91–92
Lemons problem, occurrence, 194
Licensed patents, 98
Licensees
benefits, identification, 255
competition, increase, 292
consideration, 249
economic benefit, forecast, 259
net benefits, measurement,
255–261
sales performance, factors, 85b
License issue fees, 236
Licenses
agreements, positive/negative aspects, 97b
comparison, 39t
correction, 37
decision, 38
geographic limitations, 38
initial consequences, insertion, 145f
limitations, usage/transfer, 38
price, determination, 246–247
tailoring, 38
Licensing
antitrust concerns, relationship, 245–246
revenue model, 110–112
scenarios, 243–246
Licensor
consideration, 249
not-licensing value (NLV),
determination, 261–263
Liens, 100–101, 319–320
tracking, 320
Linear regression analysis, 140f
Litigation management, 50–51
Litigation revenue model, 108–110
Loan collateral, effect, 324f
Loss aversion bias, 227
Index

Lost profits, 271, 275–285
calculation, 279–285
collection, 286
definition, 276–277
method, 286–287
Lost sales, 276
actual lost sales, 279–280
*Lucent Technologies, Inc. v. Gateway, Inc.*, 287–288
Lump sum fees, 236

**M**
Manufacturers Aircraft Association (MAA), patent pools, 103
Market methods, 189, 219
comparable transactions, 190
competitive exchange, 189
diagram, 190f
Market power
exercising, 104–108
isolation, 135
patent rights, impact, 107f
Markets
patent rights, relationship, 191–198
preference alternatives, 212–214
valuation method, 18
value rule, 283–284
Markov chains, usage, 179–181
Mathematical probabilities, 184b
Maximizing strategy, 52–58
preference, 55
Maximum price, establishment, 227–230
Median patent infringement litigation costs, 299t
Merck, tax-reduction strategy, 339–340
Microsoft
intellectual property, transfer, 343
patents, 113
Midyear discount convention
end-of-year discount convention, contrast, 157–159
results, 158b
Milestone payments, 240
Minimum royalties, 240
Mobile phone purchase, satisficing strategy example, 56b–57b
Model growth patterns, 140–143
Model prior period, 139
Monopolies
English statute, 105b
types, 107–108
Monte Carlo distributions, 178–179
Monte Carlo frequency distribution result
comparison, 178f
sample, 177f
Monte Carlo technique, 175–179
origin, 176b
Monte Carlo visuals, information derivation, 177–178
Motorola/GE capital deal, 330–331
Multisupplier market, market share approach, 280
Music copyright, securitization deals, 329t

**N**
Narrow claims, broad claims (contrast), 100f
NASDAQ, competitive market, 191
Negotiated agreement analysis, alternative, 262b–263b
Negotiation, 287–292
analytical approach, 292
outcome, estimation, 289–292
Net economic benefits, 122b–123b
flow, 219
focus, 125
revenue forecasts, conversion, 139f
Net present value (NPV) analysis, 162f
   calculation, 161
New York Stock Exchange (NYSE),
   competitive market, 191
Nonexclusive licenses, 98
   exclusive licenses, contrast, 37
Nonnormal data distributions,
   178–179
Nonpracticing entity (NPE) strategies, 108–112
Not-licensing value (NLV) determination, 261–263
   establishment, 263

O
Ocean Tomo/ICAP patent brokerage auction market, 201–202
Opinion sources, diversity, 214
Opportunity costs, discount rate component, 153
Optimizing strategy, 52–58
   preference, 55
Option contracts, 164–168
   definition, 164
   value generation, 164–166
Option-pricing insights, usage, 171–174
Options
   exclusion, 173
   usage, 172–173
Original ownership/assignments, 319
Originator, pretransaction owner, 326
Outcome nodes, 70
Outcome path, value (prediction), 72, 145
Owner patents, 97
Ownership, concern, 318–320

P
Panduit Corp. v. Stahlin Brothers Fibre Works, Inc., 277–278,
   293
   kicker, 294–295
Paris Treaty, 39–40
Patent-backed securitization deals, 331–332
Patent-based start-up, venture capitalist valuation, 84
Patent-based tax-planning strategies, valuation, 337
Patent-based tax-reduction strategies, examples, 339–344
Patent-based transfer-pricing structure, arrangement, 345–347
Patent Cooperation Treaty (PCT), 40
Patented article, patented process (contrast), 9b–10b
Patented component, usage, 256
Patented invention impact, 255–256
   usage, 9b–10b
Patented technology, maturity levels/development needs, 244f
Patent infringements, 284b–285b
   actual lost sales, 279–280
   apportionment, 285
   cases
      damages calculation, legal framework, 271–273
      predominate measure of damages, 286
      costs, increase, 279, 281–283
      damages, 269
      incentivization, 295
      market value rule, 283–284
negotiation, example, 287–292
price erosion, 280–281
remedies, theories, 271
Patenting
preemptive patenting, 114–115
process, diagram, 31f
rationales, theme, 116–117
Patent licenses, 36–38
coverage, 98
extension, 245–246
information (obtaining), FOIA request (usage), 195b–196b
payment structures, 236–246
pricing, 235
principle, 247
zone, 248f
selection tree, 44f
tailoring, 38
valuation methods, 247
Patent licensing and litigation
companies (PLLCs), 109
value, 109–110
Patent-related decisions, 4
Patent rights, 27–28
acquirers, 229–230
commercial value, 10–11
DFEB analysis, 131
exploitation, 103–117
information problems, 192
internal development, 222
invention use value, decoupling, 11
markets, relationship, 191–198
neighborhood, understanding, 102–103
payment structures, 236–246
purchase, 222–223
remaining life, 126
transfer, 36–39, 235
payment methods, 39
prices, determination, 348–358
uniqueness, 196–197
valuation, competitive exchange (usage), 204
value, separateness, 12b
value-generating asset, 9–10
Patents, 23
amortization, 223–224, 224b
anatomy, 32–33
assets
legal relationship,
determination, 62
representation, 60f
assignments, 36
attorney fees, 298–299
attraction, 338
bars, 31
cases, U.S. District Court filings, 26f
chain of title, 96f
claims, 32–33
contrast, 100f
collateral, 317–325
creative decisions, 46–47
criteria, 33–36
damage awards, 269
appeal, 297
ranking, 270t
damages, 297–299
enhancement, 298
history, 273b–275b
decisions, 45–52
map, 80f
valuation analysis benefits, 44
definition, 26–32
direct economic benefits, 104–112
drawings, 32
economic changes, 316
economic importance, increase, 24
economic rights, 105
enforcement, 94–96
validity, 94–96
**Patents (Continued)**

- Enhanced damages, 298
- Example, 35f
- Expiration, 245–246
- Family, valuation, 103
- Funding decisions, 47
- Future decision opportunities, value (incorporation), 174–185
- Government decisions, 51–52
- Holders, 230
  - Ownership, 97–98
- Sales, diversion, 292
- Indirect benefits, extension, 126
- Indirect economic benefits, 104, 112–116
- Information problems, 193b
- Initial cost, recording, 220–221
- Invalidity, 94–95
- Inventive process, 23–24
- Issues, 294
- Joint owners, 98–99
- Legal decisions, 47–52
- Licensed patents, 98
- Litigation
  - Management, 50–51
  - Review, judicial standards, 298f
- Management decisions, 51
- Mobility, ease, 338
- Narrow claims, broad claims (contrast), 100f
- Nationality, 39–40
- Nonobviousness, 34, 36
- Novelty, 35
- Owned patents, 97
- Owner interest, 94
- Ownership
  - Concern, 318–320
  - Identification, 318–320
  - Interest, 93–99
- Pricing agreements, 358
- Prosecution, 49
- Decisions, inventory, 49b–50b
- Real options, relationship, 171–173
- Relevance, 315
- Remaining life, 95–96
- Rights, 107f
  - Description, 99
  - Encumbrances, 100–101
- Royalties, 237t–238t
- Score, 61
- Search, conducting, 101–102
- Securitization, 325–333
- Securitization deals
  - Examples, 329–331
  - Future, 331–333
  - List, 330t
- Settle/defend, decision
  - Finalization, 302, 306
- Settlement offer, acceptance decision, 50f
- Specification, 32
- Subject matter, 28–30
- Sue or settle question, 299–306
- Tax-reduction strategy, 339–340
- Terminal value, role, 126f
- Trade secret protection, selection factors, 48b
- Transfers, invisibility, 337–338
- Trolls, 108–110
- U.S. applications, increase, 25f
- Utility, 33–35
- Valid interest, 94
- Valuation-fluctuation profiles, 323
- Worldwide applications, 25f
- Worth, 320–325

**Patents, decision making**

- Improvement, valuation analysis (usage), 43
- Maximizing strategy, 53
- Optimizing strategy, 53
- Satisficing strategy, 53
- Strategies, range, 54–55
Index

Patents, obtaining absence, direct/indirect benefits, 83t
   direct benefits, 82t
      graphical representation, 83f
      identification, 80
      quantification, 81
   indirect benefits, 82t
      graphical representation, 83f
      identification, 80–81
      quantification, 81
   procedure, 30

Patent valuation analysis, 162
   effort, decision-making effort, 54f
Markov chains, usage, 179–181
   option-pricing insights, usage, 170–174
   principles, 122
   work, real estate appraisal work (comparison), 92b–93b
Patent-valuation effort, decision-
   making strategy, 54f
Patent-valuation setting, information problems, 76b

Patent value creation, functions/decisions
   distribution, 45f
   decline, 324f
   determination method, 15
Perfection, creditor public notification, 317

Performance possibilities method, 129–131

Personal property, security interests (UCC governance), 100–101
Pitt, William (the Younger), 211

Plant patents, 27
Pledges, 319–320
   tracking, 320
Portal for Intellectual Property Rights (PIPR), 322f

Portfolio valuation audit, valuation technique, 58–65
Postprojection period patent performance possibilities, 130f
Potential value, 313–314
Prediction markets, 213–214
Preemptive patenting, 114–115
Prejudgment interest, 297
Preliminary portfolio valuation (PPV) audit
   chart, 64f
      plotting, 62–63
   findings, evaluation, 62–63
   mechanics, 59–65
   reduction, four-step process, 60–63
   uniform score sheet, development, 61
   usage, 59
   valuation technique, 58–65
Preliminary portfolio valuation (PPV) chart, patent asset representation, 60f
Present value (PV) calculation, 158b
Price erosion, 277, 279, 280–281
   competition, increase (impact), 281f
Pricing agreements, 358
Pricing zone, 247

Products
   price restrictions, 246
   pricing, 106f
   S-shaped life-cycle curve, 141f

Profit-level indicators, 355b
Profits, loss, 271, 275–285
Profit split method (PSM), 352, 355–357
Projected units, sale, 148b, 149b, 150f
Projections
development, analytical analyses (usage), 143–151
elements, reassembly, 147
exercise, components (identification), 144–145
model, revenue/cost forecasts (development), 138–139
revenue-centric set, example, 136b–137b
starting point, decisions/uncertainties, 145
Projects, decisions, 46f
Property monopoly, 107–108
Publicly disclosed patent transactions, absence, 194–195
Pulmonary arterial hypertension (PAH), treatment (drug effectiveness), 6–7
Purchased patent rights, 222–223
Put options, 168–169

Q
Quantity accretion, impact, 281f

R
Rates of return (ROR), venture capital requirements, 156t
Ratio analysis, 205–207
Real estate appraisal checklists, 92
work, patent valuation work (comparison), 92b–93b
Real options, 168–170
analysis, option value (incorporation), 163f
example, 169f
patents, relationship, 171–173
stock call option, comparison, 170b
valuation, financial option contract methods (usage), 169–170
Real options theory, limitations, 163
Reasonable alternatives analysis, cost (challenges), 228–229
Reasonable royalties, 271, 285–297
damages, expansion, 293–297
determination, 288–289
method
   damages calculation, 286–287
   popularity, increase, 286
   Regression analysis, 139–140
Reasonable royalties, 271, 285–297
damages, expansion, 293–297
determination, 288–289
method
   damages calculation, 286–287
   popularity, increase, 286
   Regression analysis, 139–140
Research & development (R&D) funding royalties, 240, 244
project, prioritization, 4
Research project, funding, 47f
Residual PSM, comparison, 357
Residual valuation method, 209–211
stock price indication method, comparison, 210–211
Return on investment (ROI), projection, 47
Revenue-centric models, 136
Revenue forecasts, conversion, 139f
Right to exclude, 27–28
restrictions, 101
Risk, discount rate component, 153
Rollback calculations, performing, 73, 147
Round Island, LLC, 343
Royalties, 237–240
established royalties, 289
minimum, 240
patents, 237t–238t
rates
   formal valuation techniques, 248–264
   industry royalty rates, 250, 252–254
Royalty Pharma AG pharmaceutical patents, 330
Index

Royalty Pharma AG, Zerit deal, 329–330
Royalty-rate negotiations, 84
RoyaltySource, 253
Rules of thumb, 250–252, 293
Running royalties, 238–239
impact, 249

S
Satisficing strategy, 52–58
example, 56b–57b
phone/plan selection, example, 57f
preference, 56
Satisficing technique, impact, 252
Scenarios, probabilities
(determination), 145f
Science landscape, 79
Secured lending process, efficiency, 317f
Secured loans, patents collateral, 317–325
Security agreements, 317
Sensitivity analyses, conducting, 149–151
Settle lawsuit problem, graphical representation, 71f
Settlement offer
rejection, cost, 74b
Settlement offer, acceptance decision, 51f
Shadow pricing, 208–211
Shelving, strategies, 243
Shop rights, transfer, 101
Single entity, invention operations, 111
Single-patent product, example, 256, 259
Special-purpose vehicle (SPV), 326
Start-up companies, development stages, 155t
Start-up licenses, 240–241
Start-up negatives/positives, 240, 241
Stated preferences
alternatives, 212–214
method, process, 212–213
State Industries Inc. v. MorFlo Industries, Inc., 278
Stock call option, real option (comparison), 170b
Stock price indication method, 210–211
Strategic importance
factors/weightings, determination, 61f
score sheet, example, 62f
Sue or settle question, 299–306
Super intangibles, 351–352
Super royalty provision
commensurate with income standard, insertion, 352
intangible property, relationship, 351–352
Surrogate valuation measures, 211–212
Synergistic patent rights, 103
impact, 102

T
TAEUS Online Patent Exchange, 202
Tangible assets
backing, 318
depreciation, 223
recorded value, reduction, 224
Taxes, reduction
government effort, 338
strategy, focus, 337
transfer-pricing structures, impact, 344–345
Tax Reform Act of 1986, 351
Terminal multiple method, 128–129
Terminal value, 125–131
  calculations
    patent-specific approach, 129–131
    patent valuation problems, 127–129
  development, satisficing method, 128f
  role, 126f
Trade secret protection, patent
  selection (factors), 48b
Transfer pricing, 344–348
  related-party transaction, 350
  rules/regulations, 348–349
  structures, 344–345
    flowchart, 345f
  25:75 allocation, example, 253f
  25 percent rule, 250–252
    arbitrariness, 252
    origins, 250b
    theory (Goldscheider), 251
Two-supplier market, 279–280
Tynax, 202

U
Uncertain benefits, impact, 136, 138
Uncertainties, 193–194
Uncertainty
  assumptions, 300
  discount rate component, 153
  initial decision, 145
  probabilities, determination, 145–146
Uncertainty nodes, 70
  probability, determination, 72f
Uncertainty probabilities,
  determination, 71–72
Uniform Commercial Code, article
  9
    impact, 100–101
    system, 317
Uniloc USA Inc. v. Microsoft Corp., 251, 293
Units
  projections, 147f
    sale, 148b, 149b, 150f
    sales, range (prediction), 147f
Up-front fees, 236
U.S. Federal District Court
  Decisions, median damages, 270f
U.S. Internal Revenue Code, section
  482, 348–349
  arm's length standard/
    comparability, 349–350
  intangible assets, pricing,
    351–357
  purpose, 349
U.S. Patent Act
  amendment, 272b
  assignment provision, 96
  patent damages, history,
    273b–275b
  Section 284, 287, 297
  Section 285, 299
  valuation techniques, 279
U.S. Patent and Trademark Office
  (PTO)
    maintenance fees payment, 94
    patent application, 30
Utility patents, 26–27
  maintenance fees, payment, 94
  U.S. patent maintenance fees, 95t
V
Valuation, 3
  assessment, foundation
    (translation exercise), 7f
  concern, 320–325
  decision-making exercises,
    limitations, 20
  development, 3–4
  equivalency exercise, 44f
Index

exercice, components (identification), 71
expert analysis, 13
income methods, usage, 121
mechanics, 320–324
methodologies, 16–19
interrelationship, 19
overview, 17t
methods
cost/precision, contrast, 226f
information inputs, usage, 16f
misconceptions, 12–15
patent role, limitation, 4
preparation, 91
problem, disassembly, 67
process, 7–8, 13–14
ratio, 205
rationality, limitations, 20
subject matter, identification, 9–11
team, usage, 86
tool, 224–227
Valuation analyses
elements, 67
investment amount, 52–58
numbers, usage, 7b
output, 13–14
patent impact, patentee strategy, 117t
result, precision (generation), 15
usage, 43
variables function, 8f
Value
capital-generation qualities, 314
contrast, 6
creation, functions/decisions (distribution), 45f
decline risk, management,
324–325
definition, 5–7
generation, portfolio
management (usage), 58
increase, 99f
intrinsic qualities, 313
placement, 46f
result, 13–14
accuracy, quantitative/mathematical approach, 14
reassembly, rollback
calculations, 73
unlocking, 313
Variable discount rate, constant
discount rate (contrast), 156–157
Venture capitalists (VCs)
invention use/patent rights
valuation, combination, 10
improvement, 12b
patent-based start-up valuation, 84
Venture capital requirements, 156
W
Weighted average calculation, 148b
Willful infringement, 298
Window Tax, usage, 211
Z
Zerit, deal, 329–330
Zocor/Mevacor arrangement, 339–340
decision-tree analysis, 342f
worth, 340b–342b