FOURTH EDITION

EXCERPT

Intellectual Property Valuation

CASE LAW COMPENDIUM

BVR
What It's Worth

Intellectual Property Valuation Case Law Compendium

FOURTH EDITION

BVR
What It's Worth
111 SW Columbia St, Suite 750, Portland, OR 97201
(503) 479-8200 • www.bvresources.com

Copyright © 2020 by Business Valuation Resources, LLC (BVR). All rights reserved.
Printed in the United States of America.

No part of this publication may be reprinted, reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning or otherwise, except as permitted under Sections 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher or authorization through payment of the appropriate per copy fee to the Publisher. Requests for permission should be addressed to the Permissions Department, Business Valuation Resources, LLC, 111 SW Columbia St, Suite 750, Portland, OR 97201; (503) 479-8200; fax (503) 291-7955; permissions@bvresources.com.

Information contained in this book has been obtained by Business Valuation Resources from sources believed to be reliable. However, neither Business Valuation Resources nor its authors guarantee the accuracy or completeness of any information published herein and neither Business Valuation Resources nor its authors shall be responsible for any errors, omissions, or damages arising out of use of this information. This work is published with the understanding that Business Valuation Resources and its authors are supplying information but are not attempting to render business valuation or other professional services. If such services are required, the assistance of an appropriate professional should be sought.

Editor: Andy Dzamba

Executive Legal Editor: Sylvia Golden

Managing Editor: Monique Nijhout-Rowe

Senior Copy Editor: David Solomon

Chair and CEO: David Foster

President: Lucretia Lyons

Chief Revenue Officer: Lisa McInturff

ISBN: 978-1-62150-217-3 (Print)
ISBN: 978-1-62150-218-0 (PDF)
ISBN: 978-1-62150-219-7 (EPUB)
EPUB ISBN: 978-1-62150-075-9
ISSN: 2766-2136 (Print)
ISSN: 2766-2152 (PDF)

Table of Contents

INTRODUCTION 9

PART I. LATEST INSIGHTS 11

CHAPTER 1. THE EVOLVING LANDSCAPE OF INTELLECTUAL PROPERTY THAT IMPACTS VALUATION 13

CHAPTER 2. SURVEY REVEALS IP ROYALTY DATABASES FAVORED BY VALUATION EXPERTS 19

CHAPTER 3. VALUE OF GLOBAL INTANGIBLES DECLINED DRAMATICALLY IN 2019: BRAND FINANCE STUDY 23

CHAPTER 4. AN INSIDE LOOK AT THE AICPA'S NEW PRACTICE AID ON CALCULATING IP DAMAGES 27

CHAPTER 5. DETAILS OF THE CUT METHOD USED SUCCESSFULLY IN THE AMAZON CASE 31

CHAPTER 6. HOW CHANGES TO TRANSFER PRICING RULES IMPACT VALUATION PRACTITIONERS 37
By Kelvin King, Valuation Research Group (United Kingdom), and Raymond Weisner, Valuation Research Group (United States)

CHAPTER 7. EXAMINING THE CORRELATION BETWEEN IP AND STARTUP VALUATIONS 41
By Efrat Kasznik, Foresight Valuation Group LLC

CHAPTER 8. SELECTING DISCOUNT RATES FOR VALUING EARLY-STAGE INTELLECTUAL PROPERTY 47
By Scott Weingust (Stout), and Mac Hibler, CVA (Stout)

CHAPTER 9. PROFIT APPORTIONMENT IN INTELLECTUAL PROPERTY INFRINGEMENT DAMAGES CALCULATIONS 53
By Brian Buss, CFA, and Doug Bania, CLP

CHAPTER 10. DAMAGES AND RIGHT OF PUBLICITY INFRINGEMENTS 77
By Audrey Wessel, Esq., and Mark Roesler, Esq.

CHAPTER 11. MUSIC MODERNIZATION ACT: COPYRIGHT CHANGES FOR THE MODERN MUSIC WORLD 93
By Mac Hibler, CVA (Stout), and Lauren Ray (Stout)

CHAPTER 12. MORE UPS AND DOWNS FOR PATENT VALUATIONS IN THE UK AND BEYOND 99

PART II. COURT CASE DIGESTS 101

COURT CASE SUMMARY TABLE 102

COURT CASE DIGESTS 113
3M Innovative Props. Co. v. GDC, Inc. 113
ActiveVideo Networks, Inc. v. Verizon Communications, Inc. 117
Aini v. Sun Taiyang 119
Akamai Techs., Inc. v. Limelight Networks, Inc. 120
Andrew Luce v. Terence Hanrahan 122
Apple, Inc. v. Motorola Mobility, Inc. (I) 124
Apple, Inc. v. Motorola Mobility, Inc. (II) 128
Apple, Inc. v. Samsung Electronics Co. (I) 132
Apple, Inc. v. Samsung Electronics Co. (II) 135
Apple, Inc. v. Samsung Electronics Co. (III) 137
Apple, Inc. v. Samsung Electronics Co. (IV) 139
Apple, Inc. v. Samsung Electronics Co. (V) 141
Arctic Cat v. Sabertooth Motor Group 144
Arista Records LLC v. Lime Group 146
Arlington Industries, Inc. v. Bridgeport Fittings, Inc. 149
AstraZeneca AB v. Apotex Corp. 150
AU Optronics Corp. v. LG Display Co., Ltd. 154
AVM Technologies, LLC v. Intel Corporation (I) 156
AVM Technologies, LLC v. Intel Corporation (II) 158
Baisden v. I'm Ready Productions, Inc. (I) 161
Baisden v. I'm Ready Productions, Inc. (II) 162
Balance Dynamics Corporation v. Schmitt Industries, Incorporated 164
Banjo Buddies, Inc. v. Joseph T. Renosky 165
Basic American, Inc. v. Mounir A. Shatila, et al. 167
Basile Baumann Prost Cole & Assoc. v. BBP & Assoc. LLC 169
Besser v. Ohio State University 171
Bio Rad Labs. v. 10X Genomics, Inc. (I) 172
Bio Rad Labs. v. 10X Genomics, Inc. (II) 172
Bombardier Rec. Prods. v. Arctic Cat Inc. (I) 175
Bombardier Rec. Prods. v. Arctic Cat Inc. (II) 175
Bose Corporation v. JBL, Inc. 178
Brandeis University v. Keebler Co. 179
Brian Andreas v. Volkswagen of America, Inc. 181
Brighton Collectibles, Inc. v. Coldwater Creek, Inc. 183
Brighton Collectibles, Inc. v. RK Texas Leather Mfg. 184
Brocade Communications Systems, Inc. v. A10 Networks, Inc. (I) 186
Brocade Communications Systems, Inc. v. A10 Networks, Inc. (II) 188
Burger King Corporation v. C. R. Weaver; M-W-M, Inc. 190
Cacique, Inc., et al v. Stella Foods, Inc., et al 191
Calloway Golf Co. v. Acushnet Co. 192
Caluori v One World Technologies, Inc. 194
Carbo Ceramics, Inc. v. Keefe 196
Carnegie Mellon University v. Marvell Technology Group (I), (II) 200
Carnegie Mellon University v. Marvell Technology Group (III) 200
Carnegie Mellon University v. Marvell Technology Group (IV) 203
Celeritas Technologies, Ltd. v. Rockwell International Corporation 205
Century Wrecker Corp. v. E.R. Buske Manufacturing Company, Inc. 206
Chico's Fas, Inc. v. Clair 207
Children's Broadcasting Corporation v. The Walt Disney Company, et al. (II) 211
Children's Broadcasting Corporation v. The Walt Disney Company, et al. (III) 212
Collelo v. Geographic Services, Inc. 214
Comcast Cable Communs. v. Sprint Communs. Co. 215
Commonwealth Sci. & Indus. Research Organisation v. Cisco Sys. 219
Crystal Semiconductor Corporation v. Tritech Microelectronics International, Inc. 223
Danmark v. CMI USA, Inc. 225
Dataquill Ltd. v. High Tech Computer Corp. (I) 227

Dataquill Ltd. v. High Tech Computer Corp. (II) . . . 230
Davidson v. United States . . . 232
De Lage Landen Operational Services, LLC v. Third Pillar Systems . . . 236
Deflecto, LLC v. Dundas Jafine Inc. . . . 238
DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc. . . . 240
Don McClaran v. Plastic Industries, Inc. . . . 242
Douglas A. Johnson v. Theresa C. Jones, et al. . . . 243
Douglas Dynamics v. Buyers Products Co. . . . 244
Dynetix Design Solutions, Inc. v. Synopsis, Inc. . . . 246
Eagle Group, Inc. v. Mike Pullen . . . 248
Ed Nowogroski Insurance v. Reick, et al. . . . 249
Electro-Mechanical Corp. v. Power Distribution Products, Inc. . . . 250
Energy Transportation Group, Inc. v. Sonic Innovations, Inc. . . . 252
Energy Transportation Group, Inc. v. William Demant Holding A/S . . . 253
Enpat, Inc. v. Budnic . . . 255
Enplas Display Device Corp. v. Seoul Semiconductor Co. . . . 257
Enzo Biochem, Inc. v. Applera Corp. . . . 261
Ergotron, Inc. v. Rubbermaid Commercial Products, LLC . . . 263
Ericsson Inc. v. D-Link Corp. (I) . . . 265
Ericsson, Inc. v. D-Link Corp. (II) . . . 267
Ericsson, Inc. v. Harris Corp. . . . 271
Exmark Mfg. Co. v. Briggs & Stratton Power Prods. Grp. LLC . . . 273
Fairway Dodge, Inc. v. Decker Dodge, Inc. . . . 276
Fashion Boutique of Short Hills, Inc. v. Fendi USA, Inc., et al. . . . 277
Finjan, Inc. v. Blue Coat Systems, Inc. (I) . . . 279
Finjan, Inc. v. Blue Coat Systems, Inc. (II) . . . 283
Flowers Bakeries Brand, Inc. v. Interstate Bakeries Corp. . . . 286
Fractus, S.A. v. Samsung Electronics Co. . . . 287
Fresenius Medical Care Holdings, Inc. v. Baxter International, Inc. (I) . . . 289
Fresenius USA, Inc. v. Baxter International, Inc. (II) . . . 291
Funai Electric Co. v. Daewoo Electronics Corp. (I) . . . 294
Funai Electric Co., Ltd. v. Daewoo Electronics Corp. (II) . . . 295
Geiger v. Creative Impact Inc. . . . 297
George G. Rodrique, Jr., et al. v. Veronica Hidalgo Rodrique . . . 301
Georgia-Pacific Corp. v. United States Plywood Corp. . . . 302
Grove US LLC v. Sany America Inc. . . . 302
Halo Electronics, Inc. v. Pulse Electronics, Inc. . . . 307
Hamil America, Inc. v. GFI, a Division of Goldtex, Inc. . . . 309
Hark'n Technologies, Inc. v. Crossover Symmetry . . . 310
Home Pride Foods, Inc. v. Christopher S. Johnson, et al. . . . 312
Humane Soc'y of the United States v. Perdue . . . 314
i4i Ltd. Partnership v. Microsoft Corp. (I) . . . 317
i4i Ltd. Partnership v. Microsoft Corp. (II) . . . 320
Illinois Tool Works, Inc. v. MOC Products Co., Inc. . . . 323
Immersion Corp. v. HTC Corp. . . . 325
In re MSTG, Inc. . . . 328
Infinity Products, Inc. v. Herbert Quandt and Fabri-Tech, Inc. . . . 331
Info-Hold, Inc. v. Muzak LLC . . . 332
Interactive Pictures Corp. v. Infinite Pictures, Inc. . . . 334
International Star Class Yacht Racing Association v. Tommy Hilfiger U.S.A., Inc. . . . 335
Interplan Architects, Inc. v. C.L. Thomas, Inc. . . . 337
IP Innovation LLC v. Red Hat, Inc. . . . 339
ITT Corp. v. Xylem Group, LLC . . . 341
J&M Industries, Inc. v. Raven Industries, Inc. . . . 344
Joyce v. Armstrong Teasdale, LLP (I) . . . 347
KW Plastics v. United States Can Co. . . . 350
LaserDynamics, Inc. v. Quanta Computer, Inc. (V) . . . 351
Lucent Technologies, Inc. v. Gateway, Inc. (II) . . . 358

Lucent Technologies, Inc. v. Microsoft Corp. (III) . . . 361
Lucent Technologies, Inc. v. Microsoft Corp. (IV) . . . 364
Luminara Worldwide, LLC v. Liown Elecs. Co. . . . 367
Mattel, Inc. v. MGA Entertainment . . . 370
McRoberts Software, Inc. v. Media 100, Inc. . . . 372
Mentor Graphics Corp. v. EVE-USA, Inc. (I) . . . 375
Mentor Graphics Corp. v. EVE-USA, Inc. (II) . . . 375
Meridian Mfg. v. C&B Mfg. . . . 379
Michael Bowling v. Hasbro, Inc. . . . 383
Michelle Frantz, et al. v. Charles R. Johnson . . . 385
Microsoft Corp. v. Motorola, Inc. (I) . . . 386
Mirror Worlds, LLC v. Apple, Inc. . . . 390
Mondis Technology, Ltd. v. LG Electronics, Inc. . . . 392
Monsanto Company v. McFarling . . . 394
Monsanto v. Tidball . . . 396
Nilssen v. Motorola, Inc. (I) . . . 397
Nilssen v. Motorola, Inc. (II) . . . 398
Nordock, Inc. v. Systems, Inc. . . . 398
Nucar Consulting, Inc. v. Timothy Doyle, et al. . . . 402
Okun v. Morton . . . 403
Olive v. General Nutrition Centers . . . 405
Olson v. Nieman's, Ltd. . . . 410
On Davis v. The Gap, Inc. . . . 412
Oracle America, Inc. v. Google Inc. (I) . . . 413
Oracle America, Inc. v. Google Inc. (II) . . . 418
Oracle America, Inc. v. Google Inc. (III) . . . 423
Oracle America, Inc. v. Google Inc. (IV) . . . 428
Oracle America, Inc. v. Google Inc. (V) . . . 431
Oracle USA, Inc. v. SAP AG . . . 434
Oyster Software, Inc. v. Forms Processing, Inc., et al. . . . 436
Pandora Jewelers 1995, Inc. v. Pandora Jewelry, Inc. . . . 438
Pawelko v. Hasbro, Inc. . . . 439
Personalized Media Communications, LLC v. Zynga, Inc. . . . 442
Phase 2 Developers, Corp. v. Citicorp Real Estate . . . 443
Polar Bear Productions, Inc. v. Timex Corporation . . . 445
Polaroid Corp. v. Eastman Kodak Co. . . . 445
Poly-America, L.P. v. GSE Lining Technology, Inc. . . . 445
Powell v. The Home Depot U.S.A., Inc. . . . 447
Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc. . . . 449
Pulse Medical Instruments, Inc. v. Drug Impairment Detection Services, Inc. . . . 452
Real View, LLC v. 20-20 Technologies (I) . . . 454
Rembrandt Social Media, LP v. Facebook . . . 457
ResQnet.Com v. Lansa, Inc. . . . 459
Robert J. Pound v. Airosol Company, Inc. . . . 462
Robocast, Inc. v. Microsoft Corp. (I) . . . 463
Robocast, Inc. v. Microsoft Corp. (II) . . . 465
Rolls-Royce PLC v. United Technologies Corp. . . . 467
Saforo & Associates, et al. v. Porocel Corporation . . . 470
Samsung Electronics Co. v. Apple, Inc. (VI) . . . 471
Seatrax, Inc. v. Sonabeck International, Inc. . . . 473
Shonda Brown, et al. v. Ruallam Enterprises, Inc. (I) . . . 474
Shonda Brown, et al. v. Ruallam Enterprises, Inc. (II) . . . 475
Silicon Knights, Inc. v. Epic Games, Inc. . . . 476
Simo Holdings, Inc. v. H.K. uCloudlink Network Tech. Ltd. . . . 480
Simon Property Group, L.P. v. mySimon, Inc. . . . 484
Sloan Valve Company v. Zurn Industries, Inc. . . . 486
Southwestern Energy Production Co. v. Berry-Helfand . . . 490
Spectralytics, Inc. v. Cordis Corp. (I) . . . 494

Spectralytics, Inc. v. Cordis Corp. (II) 496
Spine Solutions, Inc. v. Medtronic Sofamor Danek, Inc. 498
SSL Services, LLC v. Citrix Systems, Inc. 499
State Contracting & Engineering Corp. v. Condotte America, Inc. 502
Steve J. Rooney v. Skeet'r Beat'r of Southwest Florida, Inc., et al. 503
Sunoco Partnership Mktg. & Terminals L.P. v. U.S. Venture, Inc. 504
SynQor, Inc. v. Artesyn Technologies, Inc. (I) 508
SynQor, Inc. v. Artesyn Technologies, Inc. (II) 508
SynQor, Inc. v. Artesyn Technologies, Inc. (III) 511
Taylor Bean Whitaker Mortgage Corp v. GMAC 513
The Three Boys Music Corporation v. Michael Bolton, et al. 515
Total Containment, Inc. v. Environ Products, Inc. 516
Troy Shockley v. Arcan, Inc., et al. 517
TXCO Resources, Inc. v. Peregrine Petroleum, LLC (In re: TXCO Resources, Inc.) 518
Tyco Healthcare Group LP v. Ethicon Endo-Surgery, Inc. 521
U.S. Valves, Inc. v. Robert F. Dray, Sr., et al. 525
Uniloc USA, Inc. v. Microsoft Corp. (I) 526
Uniloc USA, Inc. v. Microsoft Corp. (II) 528
University of Pittsburgh v. Varian Medical Systems, Inc. 532
Unleashed Magazine, Inc. v. Orange Co., Fla. 534
Utah Medical Products, Inc. v. Graphic Controls Corporation 537
Vernon v. Cuomo 538
Versata Software, Inc. v. Internet Brands, Inc. 540
Versata Software, Inc. v. SAP America, Inc. (I) 542
Versata Software, Inc. v. SAP America, Inc. (II) 545
Virnetx Inc. v. Cisco Systems, Inc. (I) 548
VirnetX, Inc. v. Cisco Systems, Inc. (II) 550
Volterra Semiconductor Corp. v. Primarion, Inc. 553
Von der Ruhr v. Immtech International, Inc. 557
W.L. Gore & Associates, Inc. v. GI Dynamics, Inc. 558
Warsaw Orthopedic, Inc. v. NuVasive, Inc. 561
Wellogix, Inc. v. Accenture, LLP 564
Western Diversified Services, Inc. v. Hyundai Motor America, Inc. 566
WesternGeco LLC v. ION Geophysical Corp. 567
Whitserve, LLC v. Computer Packages, Inc. 569
Wordtech Systems, Inc. v. Integrated Networks Solutions, Inc. 572
World Wide Prosthetic Supply, Inc. v. Robert J. Mikulsky 574
Zaxis Wireless Communications, Inc. v. Motor Sound Corporation, et al. 575
Zinn v. Seruga 576

Introduction

Valuing intellectual property is a complex endeavor that requires special skills. Intellectual property has become an increasingly important asset to factor into the valuation of companies. Research has shown that, during the past 30 years or more, the value of intangible assets, much of it being intellectual property, has risen from representing some 17% of the market value of the S&P 500 companies in 1975 to about 87% by 2015. Valuators who develop expertise in this field have professional opportunities in many settings, including patent and trademark litigation, federal tax cases, shareholder disputes, and bankruptcy proceedings, as the new, fourth edition of BVR's *Intellectual Property Valuation Case Law Compendium* shows.

The first section of the Compendium provides valuation specialists with a range of articles from leaders (individuals and groups) on the evolving landscape and thinking about intellectual property as well as analysis of technical valuation-related issues. The second part of the compendium includes 206 case digests of court decisions in which intellectual property valuation and expert testimony took center stage.

The Compendium serves both valuation experts who are looking for the big picture as well as those looking for analytical tools to apply the legal principles that control the valuation of intellectual property in infringement suits. The array of articles covers professional guidance on how to calculate IP damages, transfer pricing rules, and how expert testimony and methodology played out in the landmark *Amazon* case, as well as key requirements, including the apportionment requirement, that experts need to satisfy when calculating damages in patent and trademark infringement cases.

Moreover, the IP-specific case digests include analysis of the many foundational patent and economic damages cases, and their progeny, including the *Uniloc v. Microsoft* case that invalidated the venerable 25% rule, the *Laser Dynamics* case and its analysis of the entire market value rule, and the *VirnetX* case in which the court rejected the use of the Nash bargaining solution and fine-tuned the apportionment requirement in calculating a reasonable royalty. Many of the digests also center on the admissibility requirements applicable to expert testimony under Federal Rule of Evidence 702

and *Daubert*. There are digests related to all the lawsuits that made headlines in the past 10 years involving the tech giants, Apple, Microsoft, Google, and Motorola, as well as discussions of the lesser-known cases that equally contributed to making law or refining our understanding of valuation-related law in the IP area.

In addition to the digests, BVR provides readers with access to the courts' full opinions for all cases featured in this compendium. We invite you to go to bvresources.com/IPCases2021 and log in to access the decisions.

I hope that this Compendium becomes a go-to resource in your IP valuation research library.

Respectfully,

Sylvia Golden
Executive Legal Editor
Business Valuation Resource

Business intelligence at your fingertips.

About Business Valuation Resources

Every informed stakeholder in business valuation, performance benchmarking, or risk assessment turns to Business Valuation Resources (BVR) for authoritative deal and market data, news and research, training, and expert opinion. Trust BVR for unimpeachable business valuation intelligence. BVR's data, publications, and analysis have won in the boardroom and the courtroom for over two decades.

Deal & Market Data

- DealStats
- Cost of Capital Professional
- Valuation Benchmarking Platform
- Guideline Public Company Comps Tool
- BIZCOMPS
- Economic Outlook Update
- FactSet Mergerstat/BVR Control Premium Study
- Stout Restricted Stock Study™
- Valuation Advisors Discount for Lack of Marketability Study
- ktMINE Royalty Rate Data & License Agreements
- First Research Industry, State & Province Profiles
- BizMiner Industry Financial Reports
- Mergerstat Review & Mergerstat Review Monthly
- Butler Pinkerton Calculator – Total Cost of Equity and Public Company Specific Risk Calculator
- Vertical IQ - U.S. and Canada Industry Profiles
- RCReports

Guides, Books & Reports

- Digital Library
- Guides & Books
- Special Reports
- Legal Compendiums
- Yearbooks

Training & CPE

- Webinars
- Web Workshops & Special Series
- Desktop Learning Centers
- Self-study CPE
- eLearning courses

News & Research

- BVResearch Pro
- Business Valuation Update
- BVLaw
- Economic Outlook Update
- Business Reference Guide Online

Learn more about all of our offerings at:
bvresources.com