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DETERMINATION OF ROYALTY RATES FOR TECHNOLOGY LICENSING

Intellectual properties are at the very core of corporate success. Properties such as patented technology and world-class trademarks are the basis for capturing huge market share, commanding premium prices, and maintaining customer loyalty. Companies possessing such assets will grow and prosper. Those without access to intellectual property will stagnate for a while in low-profit commodity businesses and eventually fade out of existence. Future success therefore requires that companies somehow gain access to intellectual properties. They must create them, buy them, or arrange to license them. As a result, licensing will play a dominant role in future corporate deal making. At the core of these strategies will be intellectual property—especially technology.

Companies are seeking to expand product lines, increase market share, minimize new product development costs, expand market opportunities internationally, and reduce business risks. Companies are also seeking to create corporate value for investors. All of this is accomplished by exploiting patented technology. It is important also to consider the consequences of not having access to advanced technology. Without it, profits are low, growth is lacking, and corporate value is lost.

Corporate managers realize more than ever that access to intellectual property is key to their ability to create corporate value and, more important, key to continued corporate survival. The forces driving the licensing and joint venturing of intellectual property include time savings, cost controls, and risk reduction.

Licensing is a common means by which to gain access to new technology that a company needs. It is also a new source of revenue and profit for companies owning valuable technology wishing to license it out to others. Whether licensing in or out, appropriate royalty rates must be determined to associate with licensing technology. This book is about royalty rates.