

Royalty Authority

Date: 09/28/2024

By: Certified Patent Valuation Analyst

The Final Determination of the Royalty Rate for the
Delta Gamma Patent Portfolio is 6.5%.

The probability of securing a related licensing agreement is **Good**.

Poor	Fair	Good	Excellent
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This Royalty Authority Report was prepared for:

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The **Delta Gamma** Patent Portfolio is part of Project **HaarMoney**.

Key Patents in Portfolio

The **Delta Gamma** patent portfolio consists of **72** unique patent filings.

General Comments:

HaarMoney's patent portfolio consists of 72 patents (issued and pending) from 17 patent issuing authorities throughout the world. The Company has filed patent applications or has obtained issued patents in the following countries: the United States, the United Kingdom, India, Ireland, Argentina, Australia, China, Japan, Hong Kong, Belgium, Sweden, Italy, the Netherlands, Canada, Switzerland, France and Germany. HaarMoney also has had several patent applications published by the European Patent Office.

The key patent filings are:

	Patent Number
Patent 1	9,623,388
Patent 2	7,963,303
Patent 3	9,149,108
Patent 4	15/912,109
Patent 5	9,839,278

The anticipated remaining lives of these patents are stated as follows:

	Patent Number	Patent Life
Patent 1	7,963,303	4 years, 7 months
Patent 2	9,623,388	6 years, 7 months
Patent 3	9,149,108	5 years, 1 months
Patent 4	15/912,109	4 years, 5 months
Patent 5	9,839,278	4 years, 5 months

Reason why the user thinks these patents are valuable.

I believe that the subject patent portfolio is of high quality. As evidenced by receiving 79 forward citations, the patents read on highly innovative technologies in the hair coloring space. These covered inventions run the gamut from weighing, batch sizing and mixing the appropriate amounts of hair care products to achieve desired hair coloring results; minimizing related waste; attaching scales to input devices (such as computers, phones and iPads) so that exact contents of hair color mixtures can be measured; tracking and storing excess hair color used so that less product will be dispensed in subsequent treatments; and, running an algorithm that instantly determines the combination of one hair coloring manufacturer's products to use to achieve the exact hair coloring profiles the customer achieved when applying hair color products provided by another hair coloring manufacturer.

Below are user comments about the remaining patent lives.

HaarMoney's U.S.-issued patent portfolio has approximately 10.1 years of remaining life from the date of the issuance of this Patent Valuation Report. Half of HaarMoney's patent portfolio (11 of the Company's 22 U.S. patent filings) is expected to expire in March of 2029. (The '455 patent is expected to expire just a bit earlier on February 10, 2029.) Two patent filings—the '108 patent and the '324 patent application—are expected to expire in May of 2034. (See the two Charts immediately below. The patent expiration dates and times to expiration marked in red as per the Chart labeled "Patent Expiration Analysis" are estimates as they relate to patent applications.)

The least effective life of this patent portfolio will expire in **4 years and 5 months**.

The average effective life of this patent portfolio will expire in **5 years and 3 months**.

The longest effective life of this patent portfolio will expire in **6 years and 7 months**.

Which Industries Are These Patents Directed Towards?

The Key Industries that these patents are targeting and/or resemble are:

	Industry	Weighting
Industry 1	Software	3
Industry 2	Household Products	2
Industry 3	Apparel	1
Industry 4	Select Industry	Select
Industry 5	Select Industry	Select

More Insight Into Industry Categorization

HaarMoney Technologies has developed a robust hair color management system as well as a hair color conversion system. This product is basically software directed towards maximizing the reach of beauty (hair coloring) products. The LaRu is a suite of tools that helps hair stylists and hair colorists more accurately devise hair color mixtures that meet the requests of customers. Hair care professionals at salons access LaRu through computers, iPads and telephones. Each unique user (hair stylist or hair colorist) has his own unique PIN for logging in, which helps maintain better records of customer color treatments as well as product usage.

Operating Profit Margin Analysis

We believe the operating profit margin of the business unit selling our patented invention is (or will be) **18%**. We are **70%** confident in the commercializer of our patented invention reaching that operating profit margin.

Royalty Base

Prices of the Smallest Sellable Units (SSUs) on Which the Patented Feature will Reside

Product	Average Selling Price (in \$s)	Percent of Volumes Sold	Approximate Number of Patents From Others Placed on the SSU
1	\$75	30%	4
2	\$125	50%	10
3	\$50	10%	3
4	\$150	10%	15
5	\$	%	

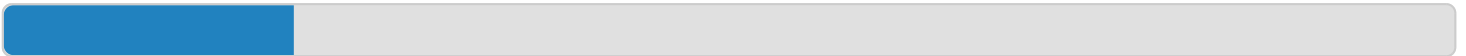
Total Royalty Return Analysis

User Inputs and Rationale

Note: The numbers resulting from moving the sliders are part of a formula. Those numbers do not represent direct premiums or discounts to the preliminary royalty rate. If you think that any of the issues below should have no impact on the royalty rate, please set that metric to 0.0.

Apportionment

(Range: -0.25 to 1.00)



Value: 0

Comments

“All of the presumptive licensee’s additional revenues from commercializing HaarMoney’s patents would fall to the bottom-line. Since no new activities would be undertaken by the licensee, no other aspect of the licensee’s business would be deserving of apportionment.”

Exclusivity

(Range: -0.25 to 1.00)



Value: 0.75

Comments

“Exercising the subject patents, especially those related to color conversion, would help enable a licensee to become a de facto exclusive provider of hair color products at the salons it serves. Thus, it seems to me that a licensee would be more akin to an exclusive licensee than a non-exclusive licensee.”

Fields of Use

(Range: -0.25 to 1.00)



Value: 0.25

Comments

The only field of use appropriate for licensing the subject patents is to providers of hair coloring products.

Other Rights Conveyed in the Transaction

(Range: -0.25 to 2.50)



Value: 2.25

Comments

“HaarMoney is positioned to provide acquirers or licensees with its software, data, know-how, negative know-how, manuals, channel relationships, and interviews with its colorists.”

Novelty of the Technology

(Range: -0.25 to 1.00)



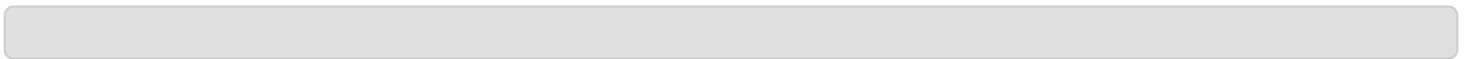
Value: 0.75

Comments

The patents read on a novel invention in that hair coloring from one provider could be matched to hair coloring provided by a competitor.

Patent Strength

(Range: -0.25 to 1.00)



Value: -0.25

Comments

“The patents are well-drafted and are considerably self-referential, thus rendering the licensing or acquisition of large swaths of HaarMoney’s patent portfolio enticing, if not necessary. The subject patents are well-tailored to read on the inventions. The claims are collectively broad and reflect the recapturing of previously surrendered inventions. On an aggregated basis, the claims were barely narrowed during prosecution. The risks of damaging prior art surfacing in the midst of any possible invalidation attempts are low due to the tremendous amount of prior art that has already been disclosed. The prosecution of the subject U.S. patents was extremely rapid and clean. The patents enjoy significant remaining lives.

Detecting infringement is easy and HaarMoney’s patents enjoy a high sustainability in opposition score. In light of the Company’s continuation applications, the opportunity for claims development remains. The large size of HaarMoney’s patent portfolio conveys value as premiums are typically placed on larger patent portfolios; HaarMoney’s patents provide it with a variety of avenues to exclude competitors from the markets the Company is pursuing. However, the patent examiners were more lax in their examinations relative to their peers and there are some troubling words used in the specifications.”

Proclivity of Licensor to License

(Range: -0.25 to 1.00)



Value: 1

Comments

HaarMoney is highly receptive to licensing out its patents as well as selling such patents.

Degree of Competition Between the Licensor and Licensee

(Range: -0.25 to 1.00)



Value: 0

Comments

“The relationship between HaarMoney and presumptive licensee(s) is akin to an inventor and promoter. HaarMoney is clearly an inventive company and has no illusions or appetite to attempt to rival very large promoters such L’Oreal or Revlon.”

Potential to Convoy Sales Post-License

(Range: -0.25 to 1.00)



Value: 0.5

Comments

The salons that use the HaaMoney product should be able to sell additional bottled hair accessories such as conditioners, shampoos, coloring products, brushes and the like. However, these sales are relatively infrequent and generate little revenue.

Provenance

(Range: -0.1 to 1.00)



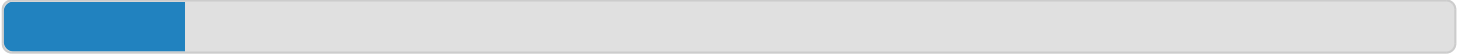
Value: 0.4

Comments

“There is nothing special with respect to the provenance of the subject patents.”

Upfront Fees or Equity Investments

(Range: -1.00 to 1.00)



Value: -0.75

Comments

No upfront fees or equity investments are contemplated.

Milestone Payments

(Range: -1.00 to 1.00)



Value: 0.25

Comments

No milestone fees are contemplated.

Probability of Securing a Licensing Agreement Analysis

How Extensively Has the Problem Addressed Been Mentioned in the Media?

(Range: 0% to 100%)



Value: 80

Feel Free to Discuss the Criticality and Urgency of Remediating the Problem Addressed by the Subject Patents

The subject patents do not appear to address a significant pain point.

Where are you with respect to negotiating a licensing agreement?

Negotiating Term Sheet

Additional Comments About Where Negotiations Stand:

HaarMoney has several NDAs signed with large potential licensees.

If You Are in the Early Stages of Seeking a Licensee, What Steps Are You Taking to Find a Suitable Licensee?

HaarMoney hired an investment banking firm to advance discussions with potential licensees.

How Many Forward Citations Have the Subject Patents Received?

79

Who Are Some of the Large Companies/Potential Licensees That Have Forward Cited the Patents?

ColorCulture Network, General Electric, L'Oreal, CLiCs, Cosmetic Technologies, Coty, Anheuser-Busch Inbev, Coloright and Shimano.

Have the Executives of Any of the Forward Citing Companies Announced That They Are Seeking Patents or Inventions Covered By Your Patents?

No

Patent Publication Dates:

	Patent Number	Publication Date
Patent 1	7,963,303	09/2/2015
Patent 2	9,623,388	05/25/2021
Patent 3	9,149,108	07/4/2018
Patent 4	15/912,109	11/13/2014
Patent 5	9,839,278	4/15/2020

The average publication date is 2/28/2017.

The Forward Citation Score is 3.4.

Definitions of Slider Metrics

Slider	Analytics Considerations
Apportionment to Patents	How much of the value of the contemplated transaction is due to the patents versus other tangible/intangible assets? (CPVAs should refer to the slides dealing with the Excess Earnings Method.) Intangible assets that could deserve apportionment include quality of management, prestige of investors, economies of scale, network effects, switching costs, regulatory approvals, bottlenecks, extent of data collected and interpreted, test results, subscriptions and brand value. More of these types of intangible assets usually results in less apportioned value to the subject patents. Often younger companies apportion more of their enterprise value to patents because they have fewer of these kinds of intangible assets.
Exclusivity	Exclusive licensing agreements typically carry higher royalty rates than non-exclusive licensing agreements. Varying degrees of exclusivity can be granted with respect to territory, fields of use (discussed below), customers, and time horizon. Also, when patents are believed to be infringed, a discount is usually imposed on royalty rates charged to licensees.
Fields of Use	Generally, the more fields of use (industries) granted to licensees, the higher the royalty rate. This is especially true when the operating profit margins in the designated fields of use are robust.
Other Rights Conveyed in the Transaction	The more rights conveyed in the transaction, the more value needs to be apportioned away from the patents. Other fields of rights conveyed with patent licenses, include rights to trade secrets, trademarks, copyrights, domain names, consulting services, know-how, negative know-how, data, training materials and manuals. However, if such rights are made part of the governing licensing agreement, a premium may be merited.
Novelty of the Technology	The more novel and useful a patented technology is versus the cost-benefit profile of older modes, the higher the royalty rate usually is. The Diffusions of Innovations Theory is a good construct to make such an assessment. So too, is the time it takes the inventor/assignee of such technology to license out such technology.

Slider	Analytics Considerations
Patent Strength	The Patent Valuation Gauntlet is a great framework for determining the strength of a patent. Some of the primary indicia of patent strength include low prior art risk, broad claims, ease of detecting infringement, the ability to further develop claims through open continuations, having already sustained invalidity challenges, a positive sustainability in opposition score and early priority dates.
Proclivity of Licensors to License	When the licensor's business model is licensing dependent, the royalty rates are lower than cases in which the licensor is reluctant to license out its patents.
Degree of Competition Between the Licensor and Licensee	Royalty rates are higher when one competitor licenses to its archrival who competes in the same market than when the licensor does not compete with a licensee that operates in a different market.
Potential to Convoy Sales Post-License	Licensors are often willing to license out a given patented technology for low royalty rates when the licensee is highly likely to need to make accompanying purchases of other products from the licensor company.
Provenance	Patents that have an impressive provenance behind them are more likely to attract the interest of licensees and those licensees are likely to pay higher royalty rates than if the patents in question were not of impressive provenance.
Upfront Fees or Equity Investments	The more compensation a licensor receives in the form of upfront payments or equity investments from the licensee, the lower the running royalty rates are likely to be.
Milestone Payments	The more compensation a licensor stands to receive from achieving milestones from the licensee, the lower the running royalty rates are likely to be. The correlation between milestone payments and royalty rates is not as tight as the correlation between upfront fees/equity investments and royalties.

Are you interested in diving deeper into royalty analysis for the Delta Gamma Portfolio?

Certified Patent Valuation Analysts can provide further insight and context into what reasonable royalty rates should be as well as how patent licensing agreements should be structured. Each CPVA has their own engagement scope, research processes, and rate structure. The CPVA directory is available [here](#).

Also, feel free to reach out to David Wanetick for referrals or further guidance. David Wanetick created the CPVA program and the Royalty Authority service and can be reached at dwanetick@cpva.info or 609-919-1895 ext. 104.

Disclaimer

Royalty Authority Reports do not guarantee that its determinations of royalty rates will be agreed to by any licensors or licensees. Reliance should not be placed on Royalty Authority Reports, and we accept no liability for our Reports. Clients of Royalty Authority are advised to conduct their own research into royalty rates and to consult with their own advisors before negotiating royalty rates.

Certified Patent Valuation Analyst

Certified Patent Valuation Analyst (CPVA) is a unique designation that indicates you have attained a high degree of proficiency in the methodology of valuing patents and emerging technologies.

This designation can help you advance in your career as an intellectual property manager, licensing executive, technology transfer professional, business development executive, patent agent, or patent attorney. If you are an accountant or valuation professional, the CPVA designation can help you attract more clients and grow your business.

Holders of the CPVA designation have access to the Patent Valuation Gauntlet worksheets and are eligible to stamp their valuations as having been run through the Patent Valuation Gauntlet.

The following are among examples of patent valuation engagements that CPVAs may wish to entertain:

Patent Sales	Collateralization of Loans	Grant Applications
Patent Purchases	Bankruptcy	Patent Auctions
Equity Investments in Companies	Divorces	Patent Assertion
Company Acquisitions	Transfer Pricing	Partnership Disputes
Spin-Offs	Placing Patents in Holding Companies	Estate Planning
In-Licensing of Patents	Patents Becoming Part of Standards	Litigation Financing
Out-Licensing of Patents	Technology Transfer Agreements	Moving Patents Across Borders
Cross-Licensing	Capital Raises	Measuring Returns on R&D

**For further information about becoming a
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