

came to something less than \$800 per patent. But little weight can be given to these capital, not income valuations, because the companies would be inclined to understate them, both for conservative bookkeeping, and to reduce taxes now that heavy income taxation makes more profitable to "expense out" each year's outlays for inventions and patents, than to show these as capital assets acquired, on whose cost income tax would be payable. It would be interesting to find such reports before 1940 or 1913, when income taxes were much lower. But as to *royalties received* from patents the companies would seem to have no reason to alter their reporting; so we give it in table 5. But their true patent income received must be considerably reduced by patents bartered for cross-licenses, or to a pool, instead of being licensed for cash.

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TABLE 5.—*Patents held and royalties received by American corporations with the most patents*[Calculated from Federico, and *Moody's*, NOTE ¹⁷⁰]

Company	Patents held	Designation: Royalties or as stated	Royalties per patent held	Percent of gross income
Average ¹⁷¹	1,084		\$1,223	1.604
Total—17 corporations	18,487		22,613,000	(1)
American Cyanamid Co.	2,872	Royalties, licenses and service charges.	1,890	6.12
Westinghouse Air Brake	2,108	Royalties income.	529	4.28
Dow Chemical Co.	1,884		860	1.317
Monsanto	1,747		68	.214
U.S. Rubber Co.	1,469	Net royalties received.	246	.382
Deere & Co.	1,233		138	.477
Allis Chalmers.	914		509	.98
United Aircraft Corp.	821	Net royalties, etc.	1,725	1.87
Gulf Oil Corp.	770		1,720	.33
Budd Co.	758	Royalties income.	1,760	6.59
Pittsburgh Plate Glass.	743		4,030	2.545
Firestone Tire & Rubber.	705		1,232	.697
Sylvania Electric Products.	632	Royalties and license fees.	1,186	2.755
Cutler-Hammer.	565		111	.398
Stewart-Warner Corp.	530		253	1.12
Libbey-Owens-Ford Glass.	523		1,639	1.041
North American Aviation	213		16,860	5.91

¹ \$1,410,176,000.

[135] The royalties received, from patents the corporation licensed, make no great showing, as Melman agrees,¹⁷² although a better one than the valuations. They amount to \$1,223 per year per patent owned, and to 1.6% of the corporations' gross income, about 23 millions for 17 corporations, whose gross income was 1.4 billions. Some fees for selling know-how are included. The companies reporting their royalty income are likely those to whom it was more considerable. How much additional value they derived from the holding rather than the licensing of patents, and from exchanging rather than selling licenses, we can but dimly guess. From the minority of patents reported on to Sanders, the net returns would seem higher than from our differently based calculation ¹⁶⁶ (§ 131).

[136] It has been pointed out ¹⁷³ that "Although the courts have been fairly adamant in refusing to prescribe royalty-free licensing and patent dedication, this remedy has been used widely in consent