

What is Your Intellectual Property Worth?

by Timothy Nichols

Intellectual property rights (“IP”) such as copyrights, patents, trade secrets, trade dress, and trademarks, can give any business a competitive edge. For instance, IP can be used to protect valuable goods and services, combat illegitimate and counterfeit products (including on e-commerce platforms) and increase income and market share. A common problem, however, is that many businesses are unclear as to what IP they have and what value it brings. So how can your business better realize the full value of its IP?

A great place to start is by conducting an IP audit. An IP audit is a systematic review of the IP owned, used, or acquired by a business. IP audits can help:

- Assess, preserve and enhance IP
- Correct flaws in IP rights
- Identify risks that a business’s products or services infringe a third party’s IP
- Develop informed strategies.

Several factors can affect how to conduct an IP audit such as the nature of the business, the kinds of IP the business has, or the type of entity, for example. But, three basic steps should be part of almost any IP audit.

1. The first step is to **identify what IP your business owns and uses**. Such IP may include registered patents, copyrights, and trademarks owned by the company, domain names, and third-party licenses. Also included will be IP that businesses tend to overlook such as employee inventions, common law trademarks, know-how, training manuals, packaging, databases, and product improvements. It is also helpful to itemize what IP might be labeled external.
2. The second step is to **determine whether your identified IP has a remaining useful life, whether it is enforceable, and whether it conflicts with any third party IP rights**. You can then assign an importance rating to the IP based on factors such as exclusivity, life expectancy, and whether or not the IP is embodied in core products or technologies.
3. The third and final step is to **conduct some form of IP valuation**. As a starting

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point, you can try to calculate how much time would be required to develop these IP assets from scratch or estimate how much a competitor might pay for them. Alternatively, an excellent question to ask is how much will it cost to replace the asset if your company lost it, what income can the IP generate or what income can be traceable to the IP, and, if needed, potential IP enforcement costs? If monetary value is a key concern, the valuation process may involve an accountant or economist who has dealt with IP valuation issues.

Upon completion of the IP audit process, you should be able to present an inventory of your business's IP and determine the best IP strategy, the likely costs, risks and benefits of that strategy, and whether you are likely to infringe any third party IP rights.

In conclusion, understanding the value of your IP is good for business. IP can help identify your business's strengths and weaknesses, and to make your business more profitable and attractive to investors, potential licensees, and potential buyers.