
December 2013

The right value of intellectual property rights

Patent, trademarks and design rights generate revenue and can represent a great value in financing, acquisitions or legal disputes. By paying sufficient attention to intellectual property rights (IPR) at management level, the value can be further increased, and by making a proper valuation the IPR can be utilised optimally. The companies in the European Union holding a larger than average number of IPRs generate one quarter of the union's employment and contribute to one third of the gross domestic product. This is presented in a new report from the Office for Harmonisation in the Internal Market and the European Patent Office.

The European companies owning more IPR than the average company account for 26 percent of the employment in the European Union and close to 39 percent of the union's combined gross domestic product. This is presented in a new report published in September by the Office for Harmonisation in the Internal Market (OHIM) and the European Patent Office (EPO). The report shows that IPR can have a great value. However, this value is often underestimated by companies.

It may be easiest to see the value of a patent, a trademark or a design right, when it is licensed out or when it is used to prevent someone from copying a certain product. But the greatest value of such a right may just as well be the possibility to use it as collateral for financing, as a basis for joint research and development or for attracting the right personnel.

There are many possibilities, but IPRs are too often considered as expenses only and not often enough are they put on the balance sheet at their right value as assets. To make a patent application and pursue it before any of the large patent offices can cost large sums, and to later on expand the patent coverage geographically and maintain it adds further costs during a long period of time. To register and maintain a trademark or a protected design in many different countries can require extensive administration.

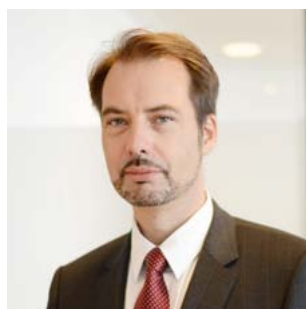
This may lead to an IPR being given a value equal to its costs in the accounts. In fact the possibilities to utilise the IPR in full by out-licensing, complementary in-licensing, as a basis for research and development collaborations, as a basis for new business

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opportunities or similar may make the real value much higher. Valuations according to well-known valuation principles apart from the cost principle are much rarer than they ought to be. By having the IPR being properly valued by knowledgeable and experienced persons the actual value can be established. This may lead to the right being used as collateral for investments, which contributes to strengthening the company further.

This of course requires the company to know its IPR and what the possibilities are, and that this knowledge is placed correctly in the organisation. It is generally not sufficient that knowledge of the company's trademarks can be found in the marketing department and the knowledge of the company's patents is found in the production department or the design department, or even worse only in the patent department. The knowledge must be where decisions are made, so that the value and possibilities of the IPRs are taken into consideration the same way as the company's other assets and means. This must be ensured by company management. By paying sufficient attention to IPRs at management level and by consulting competent lawyers for strategic advice and practical management, many companies would benefit considerably more from their rights.

If you want to take a closer look at the report published by OHIM and EPO "Intellectual property rights intensive industries: contribution to economic performance and employment in the European Union", you can find it [here](#).



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