



VALUING YOUR IP

The valuation of IP continues to be a very difficult and complex subject.

Determining the correct value of IP is important for the running of a business (to ensure the value of IP warrants the resources dedicated to its protection), the sale or purchase of a business (to ensure the correct price for both the buyer and seller), accountancy issues (to determine the overall value of a company or for tax purposes) as well as a number of other reasons.

Due to the intangible nature of IP, particularly assets such as know-how, customer lists and business methods, the valuation of IP has always been notoriously difficult. This is made abundantly clear by the fact that no one method is universally accepted as correct.

Generally, methods of valuation fall into three categories:

1. Market based: Value is determined by reference to similar market transactions, However, IP is often sold as part of a larger transaction, making its precise value hard to determine. Additionally, the elements of a transaction relating to IP are often highly confidential.
2. Cost based valuation: Consideration is given to the cost to create or to replace the relevant IP. However, this method is simplistic at best and does not take into account the real time value of the IP, rather just the initial costs of creation or replacement.
3. Valuation based on estimate of future economic benefit: This method includes a number of separate methods within it, such as the relief from royalty method where the value is determined by the royalty a purchaser would be willing to pay for a licence of the relevant IP. Again, these methods are generally based on certain assumptions and, as a result, carry risks.

Valuing IP is undoubtedly not an area with a 'one size fits all' approach or, it would seem, a definitively right answer in any given situation. Producing an accurate valuation requires a detailed understanding of the legal, accounting and financial nature of IP.

Businesses, particularly those that are dependant on IP, would be wise to instruct a specialist IP valuer to carry out a regular review of their IP rights. Collas Crill has worked with leading individuals in the field of IP

WE ARE OFFSHORE LAW

BVI | Cayman | Guernsey | Jersey | London





FOR MORE INFORMATION PLEASE CONTACT:



JASON ROMER

Group Managing Partner* // Jersey

t:+44 (0) 1534 601696 // e:jason.romer@collascrill.com

WE ARE OFFSHORE LAW

BVI | Cayman | Guernsey | Jersey | London

