

# DROIT PENALE: INDIAN LAW JOURNAL ON IPR

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## CONUNDRUM OF VALUATION OF INTELLECTUAL PROPERTY

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### **Abstract**

*In the 21<sup>st</sup> century 'intellect' forms the core of various industries. It is an undisputed fact that intellectual property is considered as not only the central resource for value creation in various industries but also a distinguishing factor. As Mark Getty correctly pointed out that, "Intellectual Property is the oil of the 21<sup>st</sup> century. Look at the richest men hundred years ago; they all made their money extracting natural resources or moving them around. All today's richest men have made their money out of intellectual property."<sup>1</sup> The realization of value of such property has completely changed the modern economic trends to that extend that in the recent times business spend a considerably hefty amount on research and development and protection of their Intellectual Property Rights.*

Keywords- intellect, industries, property, value, development

### **INTRODUCTION**

*"Intellectual Property has the shelf life of a banana" -Bill Gates.*

While drug companies are willing to spend more than \$2.5 million dollars to protect their newly developed products through patents and the others are in race to establish their trademark, also, there are various others who are reaping the benefits of the seeds already sowed. "The best example of the same is Google with a trademark value of \$44 Billion."<sup>2</sup> Intellectual Property is not limited to just being an asset in the modern world but has diversified its identity to a

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<sup>1</sup> THE ECONOMIST, BLOOD AND OIL, ACCESSED AT < [HTTPS://WWW.ECONOMIST.COM/BUSINESS/2000/03/02/BLOOD-AND-OIL](https://www.economist.com/business/2000/03/02/blood-and-oil)>

<sup>2</sup>FORBES, MOST VALUABLE TRADEMARKS, ACCESSED AT <[HTTP://WWW.FORBES.COM/SITES/SEANSTONEFIELD/2011/06/15/THE-10-MOST-VALUABLE-TRADEMARKS/2/#CC4F4F52C5C6](http://www.forbes.com/sites/seanstonefield/2011/06/15/the-10-most-valuable-trademarks/2/#cc4f4f52c5c6)> (2011).

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competitive edge in the modern competitive world. The United States Patent and Trademark Office conducted a study to estimate the impact of intellectual property on the economy and it identified IP-intensive and concluded that IP-intensive industries supported 45.5 million jobs and contributed \$6.6 trillion in value added in 2014 which is equivalent to 38.2% of the United States GDP.<sup>3</sup> A comparable report using European Union Data concludes that IPR-intensive industries directly employed 56.5 million Europeans, which accounted for almost 26% of all jobs for the period.<sup>4</sup>

The transfiguration of the corporate world from the industrial economy to 'intellect-based business' acted as a catalyst in shifting the focus from administrative and judicial arenas to the business end of such rights. The evolution of the industry has not only impacted its value but has also impacted their character by making them trans-border. Intellectual property forms the basis of the economic value of the business and the exclusive rights can be viewed as an important bargaining chip.

The researcher in the above backdrop aims at bringing out the importance of valuation of intellectual property in the 21<sup>st</sup> century. It tries to arrive at a conclusion that there is a need for business to maintain an ideal intellectual property portfolio and manage the same efficiently. Furthermore, in the above backdrop the study shall shed light on the challenges and issues faced in valuation of intellectual property. The study shall critically analyze the methods of valuation of intellectual property. The primary focus of the study shall be upon the invisible edge provided by intellectual property and the importance of IP portfolio management.

## **INTELLECTUAL PROPERTY IN THE CORPORATE WORLD**

The archaic industrial era has been supplanted by the era of knowledge and technology it has completely metamorphosed the economy as in the modern world "innovation and ideas" have become principle well springs of competitive edge and economic growth rather than natural

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<sup>3</sup> "INTELLECTUAL PROPERTY AND THE U.S. ECONOMY," 2016 UPDATE, USPTO.

<sup>4</sup>E-BUSINESS, INTELLECTUAL PROPERTY IN MODERN WORLD, ACCESSED AT <[HTTP://WWW.EUBUSINESS.COM/FOCUS/16-10-25](http://www.eubusiness.com/focus/16-10-25)> (20001).

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resources and land. Since, “innovation and ideas” form an integral and valuable part of the economy the rights of ownership of such shall also be enormously valued. “Intellectual Property has been transformed from a sleepy area of law and business to one of the driving engines of a high technology economy.”<sup>5</sup> As one commentator warned, “Companies that do not claim their stake in future will wake up and discover that their competitor owns all patents they need to be on the Web.”<sup>6</sup> The economy is fueled and driven by intellectual property.”

The United States Patent and Trademark office conducted a study to estimate the impact of intellectual property report concluded that IP-intensive industries supported 45.5 million jobs and contributed \$6.6 trillion in value added in 2014, equivalent to 38.2% of U.S. GDP.<sup>7</sup> With evolution of time intellectual property is considered as the very core of corporate success. The primary goal of the Intellectual property regime is to propagate invention and thus the regime works on the premise of maximum incentive for creative people to invent and disclose their invention to the world. It is theoretically based on the ‘given and take’ philosophy. Intellectual Property is the greatest corporate asset in the modern world.

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<sup>5</sup> SABRA, CHARTAND, PATENTS, THE NEW YORK TIMES, 5 APRIL 1999.

<sup>6</sup> JACOB NEILSON, WEB PATENT BONANZA, ALERTBOX, 27 DECEMBER 1998 ACCESSED AT <[HTTP://WWW.USEIT.COM/ALERTBOX/](http://www.useit.com/alertbox/)> LAST ACCESSED AT 23.02.2020 AT 11:28 P.M.

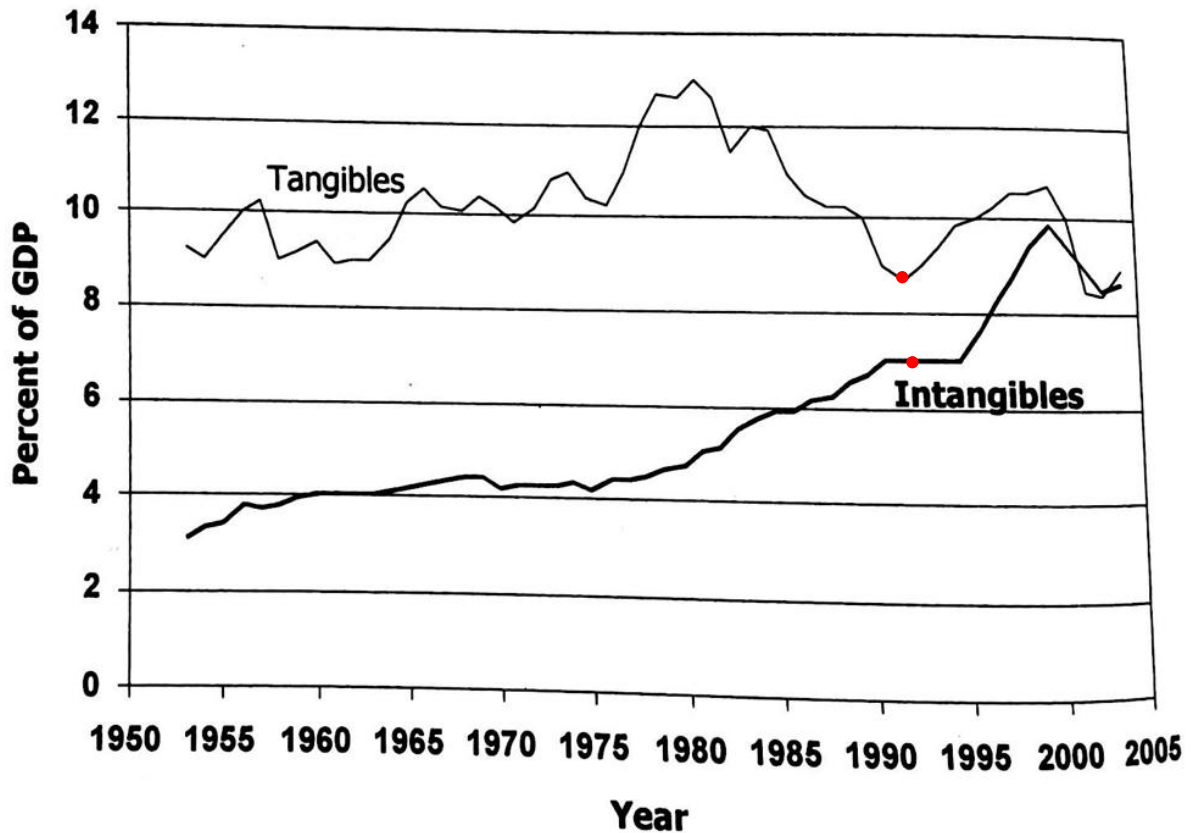
<sup>7</sup> INTELLECTUAL PROPERTY AND THE U.S. ECONOMY, 2016 UPDATE, USPTO.

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Source: Leonard Nakamura, Federal Reserve Bank of Philadelphia<sup>8</sup>

It is a matter of fact that businesses only invest in those assets that deliver the maximum returns or profit in the shortest time possible. The best method to analyze the role of intellectual property in generating corporate profits is by understanding the paradigm shift in the investment pattern. The market value of all publically traded corporations now exceeds the book value of their physical and financial assets by the ratio of 4:1.<sup>9</sup> Thereafter, the aforementioned diagram demonstrates the change in investment pattern in the last fifty years from tangibles to intangibles. Furthermore, if the graph is carefully studied it may be concluded that the investment in intangible is steadily growing at an exponential rate whereas the tangible market undergoes

<sup>8</sup> MARK BLAXILL AND RAPLH ECKARDT, THE INVISIBLE EDGE, PORTFOLIO, (2009).

<sup>9</sup> SCHROEDER AND PETRASH, BUILDING AN INTELLECTUAL ASSET MANAGEMENT CAPABILITY, ACCESSED AT <WWW.DENNEMEYER.COM/DOCUMENTS/DEN-BUILDINGIAM.PDF> LAST ACCESSED ON 01.0.2020 AT 12:24 P.M.

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various fluctuation. Thus, it is crystal clear that Intellectual Property is a better and valuable corporate asset that not only promises returns but is an evergreen market in the modern era. Intellectual property assets are elements of value for its 'legal monopoly'. They provide a competitive edge for the businesses due to such monopolistic value. For example, Company X invents a robot that can perform the most complex surgery with minimal complications and risks in such a case if the intellectual property is adequately protected Company X shall be able to reap its benefits and position itself better in the market.

Intellectual property asset represent a substantial portion of the mark value of Major Corporations from WIPRO to Microsoft to Google or IBM every corporation small or big is the rat race to acquire more and more intellectual property. It is pertinent to note that it is not enough to merely acquire such assets their protection and valuation also plays an integral role. The importance of intangible assets has created an urgent need to value of these assets in many contexts including intellectual property management, acquisitions, sales, joint ventures, and licensing.<sup>10</sup> It is an undisputed fact that various industries in the global village thrive and survive on intellectual property like the biotechnology sector, pharmaceuticals, process based industries etc.

## VALUATION OF INTELLECTUAL: IMPORTANCE AND APPROACHES

*“Valuation is an art, not a science” -G.R. Brown*

Value is the representation of all future economic benefits of ownership, compressed into a single payment.<sup>11</sup> It is a matter of fact that wherever assets are involved valuation plays a crucial role in determining the profitability and return rate of such assets. The valuation of Intellectual property is attributed with various complexities has a lot of factors that have to be considered. Thus, there are various ways in which one can value intellectual property. It is pertinent to note that valuation of intellectual property is volatile as it is subject to continual change as the future

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<sup>10</sup> TED HAGELIN, VALUATION OF INTELLECTUAL PROPERTY ASSETS: AN OVERVIEW, 52 SYRACUSE L. REV. 1133 (2002)

<sup>11</sup> RUSSELL L. PARR, INTELLECTUAL PROPERTY VALUATION, EXPLOITATION AND INFRINGEMENT DAMAGES, (5<sup>TH</sup> ED., 2018).

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benefits increase or decrease with the passage of time. Value does not exist in the abstract and must be at all times addressed within the context of time, place, ownership, monopoly, and potential use. Valuation of Intellectual property is always problematic as *“despite the fact that intellectual property is frequently bought and sold, its valuation... generally attracts a degree of skepticism. This arises principally because there is doubt as to whether the value can be measured reliably. This doubt has certainly held back recognition of value of acquired intellectual properties in companies’ financial statements when the property has been acquired along with the business that owns it.”*<sup>12</sup>

Valuation of Intellectual Property is an integral component in not only determining the competitive edge or monetary worth of the company but for also analyzing the worth of such property. In order to create or invent companies usually heavily invest in research and development and after they achieve a breakthrough, investment is made in order to protect such break through. Thus, the inception of the idea was not free of cost and it cost the inventor a certain amount. Thereby, valuation of such property can determine whether the inventor made a loss or profit. However, a large problem is that self-created ‘intellectual property’ does not appear correctly on the balance sheet it may either be overvalued or undervalued in most cases. Generally, creation costs, including legal fees, search fees, artwork, design and creative fees are expensed, not capitalized as per the accepted accounting principles (GAAP).<sup>13</sup>

In the 21<sup>st</sup> century i.e. the era of rampant mergers valuation of intellectual property becomes the need of the hour. It is no secret that in most of the cases the primary goal of mergers and acquisition is to obtain exclusive access to intellectual property rights. Since Intellectual Property is intangible in nature unlike tangible property it can have its economic presence at two different places at once through the medium of licensing, franchising, etc. It is pertinent to note that the value of the asset shall not be based on the asset itself, it must always be cognizant with the value

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<sup>12</sup> CAROLINE WOODWARD, VALUATION OF INTELLECTUAL PROPERTY, PRICE WATERHOUSE COOPERS LONDON, (2006).

<sup>13</sup> BRUCE S. SCHAEFFER AND SUSAN J ROBINS, VALUATION OF INTANGIBLE ASSETS IN FRANCHISE COMPANIES AND MULTINATIONAL GROUPS: A CURRENT ISSUE, FRANCHISE LAW JOURNAL, VOL. 27, No. 3 (WINTER 2008), pp. 185-191, (2008).

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of the business enterprise in which such asset is employed. There is a substantial relationship between the value of business enterprise and the value of its underlying assets. The three most accepted methods for valuation of a business or its underlying intellectual assets are as follows:

- Cost Approach Method
- Value based on Estimates of Future Economic benefits
- Market Approach
- Income approach
- Valuation of intellectual property by industry standards.
- 25 percent rule
- Monte Carlo Method
- Surrogate Measures

The aforementioned are the widely used valuation techniques to value intellectual property assets. Intellectual Property adds value not only because of the potential use but also because it enables the firm to conduct its operations in a more efficient way with the knowledge and reputation gained through development of 'intellectual property' over the passage of time by the firm. Value in an intellectual property is not vested within it since its inception it is created by entrepreneurs through advertising, research and development, support and refinement. An intellectual property is not just a competitive advantage but is a parameter of recognition too as generally consumers associate with a company that is always on its feet to provide better products and services.<sup>14</sup>

## **COST APPROACH**

The Cost Approach is that a prudent investor would pay no more for an asset than the amount for which the asset could be replaced.<sup>15</sup> The cost approach basically measures the value of the intellectual property based on the cost that would be incurred to replace the asset with an

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<sup>14</sup> AS PER OBSERVATIONS OF PATENT AND COPYRIGHT LAWYER, IN WELL-KNOWN INTELLECTUAL PROPERTY LAW FIRM IN INDIA.

<sup>15</sup> ASHOK K. JAIN, VALUATION OF INTELLECTUAL PROPERTY, 16 IPL NEWSL. 6 (1997).

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identical or equivalent asset. The assumption underlying the cost method of valuation is that the cost to purchase or develop a new asset is commensurate with the economic value that the asset can provide during its life.<sup>16</sup> The only drawback of this method of evaluation is that it undermines the trial and error method that is generally undertaken to invent or create something new. For example, as an inventor Thomas Edison made 1,000 unsuccessful attempts in order to finally invent the light bulb<sup>17</sup>, if the invention made by Edison which was revolutionary in nature was valued on the basis of the cost incurred to recreate it would not justify the 1,000 unsuccessful attempts and would not any manner justify the nature of the invention and the potential use of the same. The approach also ignored the time value of money and cost for maintenance of intellectual property. However, in limited circumstances the approach shall be suitable for valuation of certain kind of intellectual property. It may not help in determining the possible sale value but might certainly aid in determining the licensing or royalty value in certain cases.<sup>18</sup>As this method takes into account the cost of building up the business from scratch, it is more suitable in cases of build-operate-transfer deals.<sup>19</sup>

## **VALUE BASED IN ESTIMATES OF FUTURE ECONOMIC BENEFITS**

Value Based in Estimates of Future Economic Benefits is generally the method adopted for valuation of intangible assets for the purpose of mergers it is also a widely used method.<sup>20</sup> It is the purchase price that is estimated from the past and future economic benefits, called the

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<sup>16</sup> GORDON V. SMITH & RUSSELL L. PARR, VALUATION OF INTELLECTUAL PROPERTY AND INTANGIBLE ASSETS 198 (3D ED. 2000).

<sup>17</sup> SCOTT COWLEY, THOMAS EDISON AND MICHAEL JORDAN WERE FAILURES, BUSINESS INSIDER, ACCESSED AT<[WWW.BUSINESSINSIDER.COM/THOMAS-EDISON-MICHAEL-JORDAN-WERE-FAILURES-2010-9](http://WWW.BUSINESSINSIDER.COM/THOMAS-EDISON-MICHAEL-JORDAN-WERE-FAILURES-2010-9)> LAST ACCESSED AT 01.03.2020.

<sup>18</sup> SUPRA NOTE 13.

<sup>19</sup> H.HARISH AND C SIVIDHA, RATIONALE AND VALUATION TECHNIQUES FOR MERGERS AND ACQUISITIONS, THE CHARTERED ACCOUNTANT, MAY 2004, PP. 1228-1230.

<sup>20</sup> KELVIN KING, THE VALUE OF INTELLECTUAL PROPERTY, INTANGIBLE ASSETS AND GOODWILL, 7 JOURNAL OF INTELLECTUAL PROPERTY RIGHTS 245 (2002).



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‘Discounted Cash Flow’.<sup>21</sup> It analyses the capitalization of historic profits, gross profits, excess profit methods and the relief from royalty.<sup>22</sup> This method of evaluation is preferred over the cost approach as it takes into consideration the future earnings of the business and hence attributes a more apt value to the asset. It also analyses the historic profitability along with the potential of the asset to come at a more realistic value. It is considered at the most accurate and comprehensive technique of evaluation and is the widely accepted and preferred.<sup>23</sup>

## MARKET APPROACH

The market approach is direct and easy to comprehend in nature. It is also known as the ‘Industry Standard Ranking’ as it attempts to value an intellectual property asset by reference to royalty rates in similar past transaction. Information on royalty rates is available from a number of different sources such as articles on royalty rates and licensing terms, specific publications, price lists, contracts filed with the Securities and Exchange Commission and court decisions in infringement cases.<sup>24</sup> It measures the present value of the future benefits by obtaining a consensus of what others in the marketplace have judged it to be it.<sup>25</sup> The only drawback in this method is that before applying the method one must ensure that there is an active public market and an exchange of comparable properties contemporaneous to the valuation date. Thus, if a product is unique and non-existent in any market across the globe the same cannot be value through this method. There are five components to a ranking method: (i) scoring criteria; (ii) scoring system; (iii) scoring scale; (iv) weighting factors; and (v) decision table.<sup>26</sup> These five components are used to calculate a composite score for an asset. The major disadvantages of the ranking method of valuation are the identification of comparable (benchmark) intellectual property asset transactions, the subjectivity of the criteria, and the translation of the composite score into a royalty rate or dollar adjustment. Furthermore, comparability is as much of a

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<sup>21</sup> IBID.

<sup>22</sup> MANDAVI SINGH, INTELLECTUAL PROPERTY: THE DOMINANT FORCE IN FUTURE COMMERCIAL TRANSACTIONS COMPRISING MERGERS AND ACQUISITIONS, 2 IJIPL (2009) 180, (2009).

<sup>23</sup> SUPRA NOTE 19.

<sup>24</sup> ROBERT C. MEGANTZ, HOW TO LICENSE TECHNOLOGY 56 (1996).

<sup>25</sup> SUPRA NOTE 10.

<sup>26</sup> RICHARD RAZGAITIS, EARLY-STAGE TECHNOLOGIES: VALUATION AND PRICING 97 (1999);

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challenge in the ranking method as it is in the other methods for the same reasons.<sup>27</sup> Thus, valuing a tremendous trademark like Coca-Cola cannot be easily accomplished using the market approach.<sup>28</sup>

## INCOME APPROACH

The income approach is based on the income producing capability of a property, thereby it values the property based on the present value of the net economic benefit (i.e. cash receipts less outlays) to be received over its life.<sup>29</sup> It primarily deals with the amount of money to be received, the time period and the attached risks. It also considers the concept of discount rate and rate of return to come at a more precise and realistic amount. The approach is like future economic benefits. The only distinguishing factor is that in this method the risk of receiving the expected benefits and the decreasing time value of money is also accounted for. The approach is a rather sound approach even though it may be mathematically complex.

## 25 PERCENT RULE

The 25 percent Rule as the name suggests is the most simplest and flexible method of valuation wherein the licensor must receive 25 percent of the licensee's gross profits from the licensed technology.<sup>30</sup> It is not mandatory for the percentage to be 25, it may be adjusted upwards or downwards to take into account the respective investment made by parties and the risk involved.<sup>31</sup>

## MONTE CARLO METHOD

The Monte Carlo Method is primarily used as a refinement of the income method.<sup>32</sup> It assigns range of values and probabilities, the frequency of each value. Using the aforementioned the specific net present value (hereinafter referred to as 'NPV') are calculated plotted to provide an

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<sup>27</sup> SUPRA NOTE 9.

<sup>28</sup> SUPRA NOTE 10.

<sup>29</sup> SUPRA NOTE 24.

<sup>30</sup> GORDON V. SMITH & RUSSELL L. PARR, VALUATION OF INTELLECTUAL PROPERTY AND INTANGIBLE ASSETS 198 (4D ED. 2004).

<sup>31</sup> SUPRA NOTE 25.

<sup>32</sup> F. PETER BOER, THE VALUATION OF TECHNOLOGY 297-98 (1999).

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indication of the most likely NPV.<sup>33</sup> The advantage in adopting this method of valuation is that one can easily find out the maximum and minimum NPV. However, in order to proceed with this method, one has to ensure that all the required information is present. The method also recognizes the variation in NPV and the possible causes thereby it helps come at a figure that is more suitable to the present scenario. However, the method is time consuming, takes a lot of effort and is extremely complex mathematically.

## **SURROGRATE MEASURES**

Surrogates Measures are generally used to value patents by reference to the patent itself. The three most common types of surrogate measures are the number of patents issued to a company, payment of patent maintenance fees, and prior art citations. These measures have been shown to correlate, on average, with a firm's market value, suggesting that investors use these measures explicitly or implicitly in making investment decisions.<sup>34</sup> However, the Surrogate measure has limited applicability as in certain cases it is completely misleading and ineffective.

## **STRATEGIES FOR OBTAINING COMPETITIVE EDGE**

Intellectual Property has a life cycle of its own just like humans wherein an innovative idea is materialized, it is put in a concrete so as to apply for protection, protection is granted to such innovation, the asset is maintained and benefits are reaped out of it unless one day it dies. Thus, Intellectual Property just like a child must not only be protected but also must be handled with due care. The life of Intellectual Property is not eternal and thus, strategist is employed to reap the maximum benefits. Intellectual Portfolio management is an art that cannot be mastered by everyone.

It is well-established in the research earlier that in the global village intellectual property is the major driving force of economic development and growth. The growth of the more well-known innovative companies such as Google or Apple demonstrates the value of capitalizing on

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<sup>33</sup> IBID.

<sup>34</sup> SUPRA NOTE 9.

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innovations.<sup>35</sup> The famous controversy of Apple in China is a well-known example of what mismanagement of intellectual property can cost a company. Not only had Apple been sued for illegally selling unlicensed products on Apple Store it face a hard time protecting its own intellectual property leading to piracy. <sup>36</sup> It is a well-known fact that Microsoft and IBM are thriving by its efficient portfolio managements.

According to a survey by the Boston Consulting Group, innovation is a key strategic focus for many companies with 72% of executives ranking it as a top-three priority.<sup>37</sup> Thereby, it is important that employment and innovation must be kept at bay in order to ensure there are no disputed claims in the right to ownership. The relationship between invention and business must always be close and they both must not be artificially or superfluously connected to each other. Thus, one must ensure that the idea has a practical applicability that can be exploited with business-centric innovation efforts; one must create a market-driven innovation without encroaching upon the intellectual property assets of other. Corporations owning Intellectual Property must realize the potential business avenues from it. There are various strategies that can be used to exploit the intellectual property efficiently.

Cross licensing is one of the commonly used corporate strategies wherein a license is granted in a situation in which each party holds a patent or technology that effectively prevents the other party from exploiting its own technology.<sup>38</sup> Intellectual Property Securitization is a vastly used mechanism to encash the value of the property immediately by serving it as collateral for bonds and bank loans. In 2000, Royalty Pharma arranged the securitization of the patent for the HIV-drug Zerit.<sup>39</sup> It allows for unbundling of risk that is associated with intellectual property and the

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<sup>35</sup> RON CARSON, GET YOUR ASSETS IN GEAR: ALIGNING IP STRATEGY AND BUSINESS STRATEGY, BUILDING AND ENFORCING INTELLECTUAL PROPERTY VALUE 2008, WIPO, (2008).

<sup>36</sup> TIM WORNSTALL, APPLE SUED IN CHINA FOR IP PRIVACY, FORBES 20<sup>TH</sup> MARCH 2012 ACCESSED AT <[HTTPS://WWW.FORBES.COM/SITES/TIMWORSTALL/2012/03/20/APPLE-SUED-IN-CHINA-FOR-IP-PIRACY-OR-HOW-TO-SOLVE-CHINESE-IP-PIRACY/#70A4FCD06119](https://www.forbes.com/sites/timworstall/2012/03/20/apple-sued-in-china-for-ip-piracy-or-how-to-solve-chinese-ip-piracy/#70a4fcd06119)> LAST ACCESSED ON 01.03.2020 AT 5:48 PM.

<sup>37</sup> SUPRA NO 35.

<sup>38</sup> AJAY CHANDRU AND JAYANT KUMAR, WALKING THE INTELLECTUAL PROPERTY TIGHT ROPE, (2009) 2 GNLU L.REV. (OCTOBER) 1, (2009).

<sup>39</sup>DAVID S. RUDER, STRATEGIES FOR INVESTING IN INTELLECTUAL PROPERTY, 112 (2008).

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capital market into concise forms so as to ensure that the company does not take a big hit at its failure.

Insurance of intellectual property is widely being adopted as a risk management strategy. It is a matter of fact that every market is volatile and subject to risk and in such situations to attract investors must ensure that their risk is minimized as in some cases where the intellectual property assets are the ground on which the business stands the entire business can be reduced to ashes upon failure of such assets or due to any sudden change in market. Insurance is the best way to not only mitigate the risk but also an effective way to transfer such risk. It is pertinent to note that one must always opt for intellectual property specific insurance to mitigate risk efficiently.

It is also important to maintain an intellectual property portfolio as it makes maintenance of the asset easier. It is pertinent to note that each company shall have its own strategy to protect its intellectual property and to exploit its assets. It is not necessary that strategy of one company shall apply to other. The best example of the same was given by David Kline and Marshall Phelps in their book 'Burning the Ships: Transforming your companies culture through Intellectual Property Strategy' wherein the authors clearly stated that if the strategist of IBM had applied the same strategies for Microsoft the strategies would have failed and Microsoft would have suffered heavy losses. Thereby, it is important that each company crafts its own strategy to keep itself afloat and progressing.

## **CONCLUSION**

Where the mankind sleeps over the usage of inventions, the inventors keep being unsuccessful at inventing and creating. Intellectual Property Right, an intangible and valuable right of an inventor. With the evolution of capitalism and industrialization, it became an asset of Corporate World. An intellectual property right was established to provide monopoly and exclusivity to the inventor. However, in contemporary world, the valuation of intellectual property has become an essential tool of economy. A monopoly right and its value at one point of time was a mere

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reward of creativity has changed its course to the value of creativity of minds of many individuals and their associations and thereby an era has come where the monetary reward has become synonymous to success.

The legislations and judiciary have established and continue to evolve each paradigm of intellectual property rights for the encouragement of creativity of minds of the people. However, such priceless creativity must be valued in monetary terms to give some tangibility to it. While considering the valuation, the capitalism stepped into so deeply that the valuations have become a key part of the Goodwill and valuation of the business. This has not only been fruitful but in certain cases has created a hollow when the valuations are done far beyond the tangible currency. The economic sphere of the world which is defined by Gold and Currency has somewhere lagged behind and now indirectly controlled by the intangible numbers of valuation. Hence, too much valuation of intangible assets certainly causes instability to the sphere of economy. The systems and methods had to be defined for the valuation; however, the greed of over valuation always results into failure of businesses and industries. In the similar manner as the continuous growth of economic chart affects the stagnant chart of ecosystem, similarly over growth of valuation of intellectual property is also affecting the charts of economics. The excess of royalty, valuation, risk factors of an intellectual property shall bring instability to the economic system. Therefore,

- a. The valuation growth of economy should not be hugely dependent upon the intangible economic valuation of intellectual property.
- b. The asset value of intellectual property should be regularized.
- c. The insurance of risks of an intellectual property should be maintained.
- d. The methods of valuation of intellectual property should evolve considering the economic charts.
- e. Anything in excess is dangerous, hence, neither the too much growth nor the too much valuation is good for the economic sphere of the world.

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Intellectual property right is a right in the form of reward and must be construed in the same manner considering the hardship of individual involved in finding or creating that creativity or invention.