IP Valuation for Investors

Globalization and increasing competition are forcing today´s companies to a dynamic adjustment of their business to the rapidly changing economic conditions.

Mergers & Acquisitions, Divestments and Open Innovation are the tools to perform these tasks.

The valuation of intellectual property is a key element of these activities , it has become daily business for the IP-Departments of large enterprises

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Valuation – How to do it

- **Cost-based approach:** the value of an IP asset is calculated by quantifying the amount spent on its development.

- **Market-based methods:** the price is determined by referring to prices in similar transactions in the past.

- **Capitalized Value methods:** the worth is calculated as the capitalized value of the expected income.

Cost-based approach:

The value depends on the estimated costs for developing an (equivalent) IP asset, in case of Intellectual Property Rights the costs for a "Design Around" – Solution.

Remarks:

- Historic based
- Does not reflect the worth of the IP in the future

Market-based methods:

The value of an IP asset can be determined from realized prices for similar IP´s in the past.

Remarks:
- Active IP-Market
- Information about transactions

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Capitalized Value methods:

The worth of the IP Asset is calculated as the capitalized value of the expected profit.

- Capitalisation of earnings
- Relief from royalty
- Incremental Cashflow
- Multi Period Excess Earning
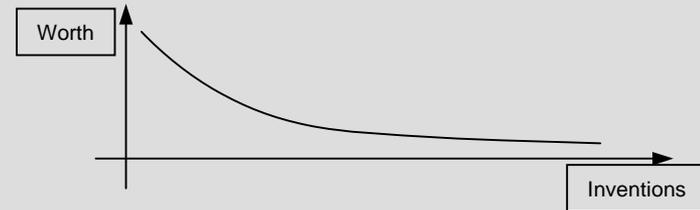- 25% Method (Knoppe- Formel)

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Examples
Valuation of Inventions

- High uncertainty
about the worth

Worth

Inventions

– low effort market based approach for filing
decisions
- „ Competitors View"
- Cost based calculation for transactions

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Examples
Valuation of Patents/Patentapplications

- Legal certainty
- Scope of the claims
- Technical solution
- Market
- 25%-Method

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Overview

Cost-Based M.

Market- Based M

Capitalized Value
M.

Examples

Examples
Valuation of Patentportfolios

- Relevance of Patents in the business field
- Technologic position of the portfolio
- Competitors position
- Relief from royalty
- 25%- Method

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Thank You

For Your

Attention

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