What is "intellectual property"?

Intellectual property (IP) refers to creations of the mind: inventions, literary and artistic works, symbols, names and images. It is the transfiguration of intellectual knowledge into private property. IP concerns knowledge-based assets from the commercialization of "creations of the mind." Intellectual knowledge encapsulates knowledge as a core competency. IP as a basis for business is about knowledge transfer, innovation, and creative destruction.

Managing IP to extract business value is a new and still evolving field. The greatest advances have been made in North America and Europe, where companies seek to use their IP to create more strategic value.

A path to strategic value

Increased speed to market and profitability relating to the IP; much it would cost to recreate it given current rates.

Cost-based, market–based, and income-based valuations.

There are three methods of valuing intellectual property: cost-based, market–based, and income-based valuations.

Cost-Based Valuation

This approach is based on a comparison with historical expenditures on research and development, which allows for an estimation of the present value of future earnings. Costs may include salaries, benefits, and other expenses related to the development of the IP.

Market-Based Valuation

This method relies on the market's perception of the value of the IP. It takes into account the selling price of similar IP in the market and can be used to determine the market value of the IP.

Income-Based Valuation

Income-based valuation involves forecasting the future income that the IP will generate. It considers factors such as sales revenue, profit margin, and market growth projections. The income approach is particularly useful when the IP is not actively traded in the market.

A summary of the valuation methods:

<table>
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<tr>
<th>Valuation Method</th>
<th>Justification</th>
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<tr>
<td>Cost-Based</td>
<td>Historically linked to research and development costs, provides present value</td>
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<tr>
<td>Market-Based</td>
<td>Market's perception of value, based on similar IP transactions</td>
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<tr>
<td>Income-Based</td>
<td>Forecasts future income to generate value</td>
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A patent is defined by the PTO as "the grant of a property right to the inventor," providing the owner "the right to exclude others from making, using, or selling the invention for a limited period." As compared to other types of intellectual property, patents are among the most valuable, costly, and difficult to obtain.

A trade secret, by definition, is proprietary or business-related information that a company or individual uses or to which it is entitled. It can be protected by non-disclosure agreements and may include trade information, such as recipes, formulas, and manufacturing processes. Trade secrets can be protected for as long as the information is held confidential.

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Another important element in the discussion of intellectual property valuations and protection in the modern economy is the issue of competitive intelligence, which involves the acquisition and analysis of information about competitors' activities to gain a competitive advantage.

Intellectual Property Enforcement

There are three types of IP enforcement products:

- IP Infringement Coverage: This insurance provides protection against legal costs and losses due to infringement of IP rights.
- IP Enforcement Coverage: This insurance protects against damages or losses resulting from IP infringement.
- IP Infringement & Enforcement Coverage: This type of insurance combines IP infringement and enforcement coverage.

Changes in the global economic environment have influenced the development of business models where IP is a central element of the success and viability of a modern firm. Federal Reserve Chairman Ben Bernanke recently validated this perspective, stating that intellectual capital is the new currency of the modern economy.

A company's strategic asset is of paramount importance as an enticement to do so. If IPR did not exist, only the welfare state would benefit from the transfiguration of intellectual knowledge into private property.

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Copyright

Copyrights protect original works of authorship, including literary, dramatic, musical, and artistic works. Copyright protection now applies to any original work of authorship immediately from the time that it is created.

Trade Marks

Trademarks protect the use of unique symbols, words, or combinations thereof that are used to identify and distinguish the goods or services of one enterprise from those of others in the same or closely related trade.

A trade mark, by definition, is a sign or symbol that is used by a manufacturer or merchant in order to connect its goods or services with a particular corporation, brand, or individual. A trade mark is an intangible asset that is represented in the financial statements as intangible assets.

The first type of risk transfer product is insurance. There are three types of insurance products:

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