

Adopting Real Estate Valuation Methods to Value Patents

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Abstract

Although Intellectual Property (IP) is an intangible, as it has no physical substance, in essence it has qualities, which make it tangible. Hence like tangible property, IP can be sold or bought and rented out and in addition to that IP can be used as collateral for financing and refinancing purposes. IP has become a highly marketable and has position within a company's asset portfolio. Hence the need to attach a value to an IP is gaining credence. Of more importance is to value the IP correctly. So far patent attorneys and agents, and accountants are mainly involved in valuing IPs. In light of this, it is argued that the established Real Estate (RE) valuation methodology can be adopted to value IP. This paper is focused on the valuation of patents. The real estate (RE) industry has an established valuation methodology that is universally accepted. Several methods to appraise the value of RE have been determined and adopted throughout the world. This paper studies the attributes, which give value to patent and addresses the adaptation of RE valuation methods to value patent.

Keywords: IP valuation, appraisal, patents, RE valuation methodology