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THE VALUATION PRACTICE FOR INTELLECTUAL PROPERTY IN MALAYSIA

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ABSTRACT

Background/Aim- Intellectual Property valuation refers to the valuation of property rights for creations of the mind such as patent, trademark and copyright. The selection of valuation approach for Intellectual Property is often difficult as there is a lack of availability of information for this sector. However, there is inconsistency in the recognition and measurement of Intellectual Property. Moreover, valuation practice is always subject to the appraisers' subjectivity. Thus, the purpose of this paper is to identify the criteria for the practice in conducting valuation for Intellectual Property. The data collection by using semi-structured interview was adopted with the certified Intellectual Property valuers who were experienced in the practice of Intellectual Property valuation and been analysed using thematic data analysis. This paper identified the elements for Intellectual Property valuation as practiced by the Malaysian certified Intellectual Property valuers. The findings are beneficial to practitioners in Intellectual Property valuation as well as policy makers in Malaysia Intellectual Property industry.

Keywords: Intellectual property valuation, Technology readiness level, IP assets, Valuation methodology, Investment decisions, Risk management, Commercialization, Decision-making

INTRODUCTION

In the modern age of the globalized world, Intellectual Property (IP) plays a very essential role in our daily life. Anyone who expresses interest in music, movies, sports, games, and even technology devices such as smart phones are all impacted by IP whether or not they are conscious about it. Even though the term IP remains an abstract concept to a huge part of the population in the world, there is no doubt that it impacts the life of every people in the world economically and culturally.

IP helps to drive innovation by serving as an incentive for innovations that can help change our lives (Donohue, 2014). When inventors, artists or scientists gain assertion of having their work protected and rewarded by IP rights, they will be more inclined and willing to produce. The reward of IP rights will fuel musicians to produce a new album or encourage pharmaceutical companies to invest in new drugs and research. Furthermore, IP is critical in protecting the safety and importance of a customer and also boosting the confidence of the customer. IP protection and enforcement prevents counterfeit of products such as music albums and drugs from the customer.

In a business, the business' total assets can be classified into two categories: physical assets and intangible assets, where IP belongs to the latter. Smith & Parr (2005) defines intangible assets as "the remaining elements of a business besides monetary and tangible assets". The authors also classified intangible assets into four categories: rights, relationships, undefined intangibles and IP. The evolution of humanity has few significant paradigms shift throughout the history of humanity, starting from agricultural paradigm to the Industrial Revolution and finally the IP Age (Smith & Parr, 2000). During the Industrial Revolution era, most of the companies' capital and asset are placed in buildings, machines and equipment and the value in these tangible assets signifies the size of the company in those days. Today, most of the biggest companies in the world are valued based on the intangible assets and IP that they possess.

According to the World IP Organization (WIPO), intellectual properties obtain their values from legal protection (WIPO, 2003). The existence of legal protection in IP turns an intangible asset into tradable, such as valuable exclusive assets in the form exclusive property rights, for a limited amount of time. If intangible assets such as ideas, designs and brands of a business are not legally protected by IP rights then they may be used by other parties freely and legally. However, if intangible assets are legally protected by IP rights then they will obtain a value for the business as they become property rights that cannot be used or commercialized without authorization. It should be noted that it is not IP valuation that makes an IP valuable. Instead, IP valuation only reflects the value of IP that derives its value from the market (Aliyu, Kasim & Martin, 2011).

Changes in the global economic environment have influenced the development of business models where IP is a central element establishing value and potential growth. In addition to these systemic changes, many international accounting practices place pressure on firms to recognize and value all identifiable intangible assets of a firm as part of a transaction. As a result, IP is growing in significance in the modern world. In Malaysia, the trend also shows that its numbers is also growing at a rapid pace. As a result of these trends, appropriate valuation of IP, followed by measures to protect that value, have become a key element of the success and viability of a modern firm.

Hence, the successful exploitation and management of IP portfolios is a key factor related to company business strategies and requires effective management. Research, development, legal, industrial protection application and commercialisation decisions involve measurable levels of risk. An efficient IP valuation facilitates cost effective decision-making and helps those responsible for dealing with the risks

involved. Furthermore, fair IP value is needed for many aspects of financial reporting and accounting, including the reporting of fair value estimates in annual reports.

Thus, this paper focuses on the practice of valuation for IP. The identified criteria would be able to add consistency into IP valuation practice. Kuala Lumpur with an area of 243 km² and 1.78 million population, is chosen as case study area as it is the largest and among the fastest growing metropolitan regions in the South East Asia.

IP as a Business Asset

World International Property Organisation (WIPO) defines IP as refers to creations of the mind: inventions; literary and artistic works; and symbols, names and images used in commerce (WIPO, 2003). IP is divided into two categories: industrial property and, copyright. Industrial Property includes patents for inventions, trademarks, industrial designs and, geographical indications while copyright covers literary works, films, music, artistic works and, architectural design (WIPO 2004).

There are several other literature sources that shape intellectual properties with their own classification but the context remains largely the same. Bainbridge (2006) claims that IP is make up of IP rights, which itself is a product of IP law. These IP rights gives form to IP in the shape of: copyright, rights in performance, the law of confidence, patents, registered designs, unregistered design rights, trademarks, passing off and malicious falsehood. Gallagher (2007) supports the claim by stating that IP is a term that denotes several distinct bodies of law, which include patents, copyrights, trademarks, trade secrets and so-called rights of publicity. Conclusively, the existing literature sources proved that trademarks, patents and copyrights are an integral part of IP.

IP as an Intangible Asset

Intangible assets are defined as all the elements of a business enterprise that exist in addition to monetary and tangible assets (Smith & Parr, 2000). Intangible assets can be differentiated into four (4) categories as follows: rights, relationships, undefined intangibles, and IP. In addition, intangible assets are defined as intangible non – monetary assets that cannot be seen, touched or physically measured, which are created through time and/or efforts and are identifiable as separate assets. Intangible assets include patents, copyright, trademarks, trade names, franchise licenses, government license, goodwill and other item that lack physical substance but provide long term benefit to the company (Monika, Nitu, & Latika, 2013). Table 1 below summarises and explains each of the eleven (11) categories of intangible assets.

Table 1

Categories of intangible assets and its description (Monika et al., 2013)

Intangible Assets	Description
Marketing-related intangible asset	Trademarks, Trade Names, Service marks, Collective marks, Certification marks, Trade dress (unique color, shape, or package design), Newspaper mastheads, Internet domain names and Noncompetition agreements.
Customer-related intangible asset	Customer lists, Order or production backlog, Customer contracts and related customer relationships and Non-contractual customer relationships.
Artistic-related intangible asset	Plays, Operas, Ballets ,Books, Magazines, Newspapers, other literary works ,Musical works such as compositions, Song lyrics, Advertising jingles, Pictures, photographs, Video and audiovisual material, including

	motion pictures, Music videos, and television programs.
Contract-based intangible asset	Licensing, Royalty, Standstill agreements, Advertising, construction, Management, Service or supply contracts, Lease agreements, Construction permits, Franchise agreements, Operating and broadcast rights, Use rights such as drilling, water, air, mineral, timber cutting, Servicing contracts such as mortgage servicing contracts and Employment contracts.
Technology-based intangible asset	Patented technology, Computer software and mask works, unpatented technology, Databases, including title plants and Trade secrets, such as secret formulas, processes, recipes.
Patents	Patents provide exclusive rights to produce or sale new inventions.
Copyrights	Copyrights provide their owner with the exclusive rights to reproduce and sell artistic works, such as books, songs or movies.
Trademarks and Trade names	Trademarks and trade names include corporate logos, advertising, jingles and product name that have been registered with the government and serve to identify specific companies and products.
Franchise licenses	The purchaser of a franchise licenses receives the right to sale certain products or services and to use certain trademarks or trade names. This right is valuable because they provide the purchaser with immediate customer reorganization.
Government licenses	The purchaser of a government licenses receives the right to engage in regulated business activities.
Goodwill	Goodwill equals the amount paid to acquire a company in excess of its net assets at fair market value. It should be noted that while goodwill is technically an intangible assets, it is usually listed as a separate item on a company's balance sheet.

The International Valuation Standards Council (2017) (IVSC 2017) defined intangible asset as a non-monetary asset that manifests itself by its economic properties. It does not have physical substance but grants rights and/or economic benefits to its owner. Intangible assets have their own characteristics such as market position, ownership, image and, function, which separate them from one another. Intangible assets are classified differently into the following categories, which are: marketing-related, customer-related, artistic-related, contact-related and, technology-based (IVSC 2017). Intangible assets are more likely to bring in more value than tangible assets, as they usually add to a company's future worth (Smith, 2015).

Types of Intellectual Property

The basic types of IP can be classified as summarised as follows:

Patents

A patent is the legal process whereby technology is turned into controllable property with defined rights associated with its ownership (Smith & Parr, 2000). The right conferred by the patent grant is the right to exclude others from making, using, or selling the invention. Burge (1999) describes a patent as a "negative right." He explains as follows:

“While the right of ownership in most personal property is a positive right, the right of ownership in a patent is a negative right. It is the negative right to exclude others from making, using or selling the patented invention... Indeed, in making, using or selling his own invention, the inventor may find that he infringes the patent rights of others.”

Smith & Parr (2000) classified patent into 4 different types of patents, which includes utility patent, plant patent, design patent and animal patent. Furthermore, MyIPO defines patents as an exclusive right granted for an invention, which is a product or a process that provides a new way of doing something, or offers a new technical solution to a problem.

Trademarks

Trademark is defined as a distinctive sign that identifies certain goods or services produced or provided by an individual or a company (WIPO, 2003). Its origin dates back to ancient times when craftsmen reproduced their signatures, or “marks”, on their artistic works or products of a functional or practical nature. Over the years, these marks have evolved into today’s system of trademark registration and protection. The system helps consumers to identify and purchase a product or service based on whether its specific characteristics and quality – as indicated by its unique trademark – meet their needs (WIPO, 2003). Trademark is also defined as includes any word, name, symbol or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured by others (Smith & Parr, 2000). In addition, MyIPO defined trademark as a sign which distinguishes the goods and services of one trader from those of another. A mark includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral or any combination of these (Kim, 2015).

Copyrights

Smith & Parr (2000) states that copyright is something that protects the expression of an idea, not the idea itself, just as a patent does not protect an idea but rather its embodiment in a product or process. Copyright protection commences from the time when that expression is fixed in some tangible form, even prior to its publication, not the time at which some application is accepted by the federal government. In fact, full copyright protection is present whether the work is registered with the Copyright Office of the Library of Congress or not. A copyright owner may reprint, sell or otherwise distribute the copyrighted work, prepare works that are derived from it and assign, sell, or license it. In addition, MyIPO states that copyright is the exclusive right to control creative works created by the author, copyright owner and performer for a specific period governed under the Copyright Act 1987.

Industrial Design

MyIPO defines industrial design as features of shape, configuration, pattern or ornament applied to an article by any industrial process which in the finished article appeal to the eye and are judged by the eyes. Industrial design is protected under Industrial Designs Act 1996 in Malaysia, which is enforced by MyIPO.

Geographical Indication

MyIPO defines geographical indication as a sign used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin. Geographical indication is protected under Geographical Indications Act 2000 in Malaysia, which is enforced by MyIPO.

Integrated Circuit Layout Design

MyIPO defines integrated circuit layout design as the three-dimensional disposition of the elements of an integrated circuit and some or all of the interconnections of the integrated circuit or such three-dimensional disposition prepared for an integrated circuit intended for manufacture. Integrated circuit layout design is protected under Layout-Design of an Integrated Circuit Act 2000, which is enforced by MyIPO.

Trade Secret

WIPO (2003) defines trade secret as any confidential business information which provides an enterprise a competitive edge. Trade secrets encompass manufacturing or industrial secrets and commercial secrets. Contrary to patents, trade secrets are protected without registration, that is, trade secrets are protected without any procedural formalities. Consequently, a trade secret can be protected for an unlimited period of time.

Plant Variety Rights

Plant Variety Rights (PVR) are an internationally recognized form of IP used to protect unique plant varieties. The application of PVR is similar in principle to the IP protection offered via copyright on books and music and to patents on a wide range of innovative products including biological material. The PVR system delivers protection and stimulates further innovation in plant breeding. By ensuring varieties awarded PVR are freely available to others for use in future breeding programmes. This access is known as the 'breeder's exemption'. The PVR system allows plant breeders to collect royalties on the production and sale of seed of their protected varieties. PVR is registered differently in countries all over the world. In Malaysia, the Department of Agriculture (DOA) has been registering fruit clones since the early 1930's and was officially as to be the National Registrar of Varieties in 1994 by the Ministry of Agriculture. The responsibility in implementing the PNPV Act 2004 has been entrusted to the DOA Malaysia.

IP Corporation of Malaysia (MyIPO)

The IP Corporation of Malaysia (MyIPO) is an agency under the purview of the Ministry of Domestic Trade, Co-operatives and Consumerism, is responsible for the development and administration of IP rights (IPR) system in Malaysia. Its task is to provide strong legal infrastructure and an effective administrative regime to enhance greater creativity and exploitation of IP. To respond to the development of IP at domestic and global levels, the Division was corporatized on 3 March 2003 and known as the IP Corporation of Malaysia (MyIPO), with the enforcement of the IP Corporation of Malaysia Act 2002 (Act 617). The Objectives of MyIPO are: *establishing a strong and effective administration; strengthening intellectual property laws; providing comprehensive and user-friendly information on intellectual property; promoting public awareness programmes on the importance of intellectual property; and, providing advisory services on intellectual property.*

As shown in Table 2 and Table 3, the business activities on application and granted of IP especially for patents and trademarks are increasing over time in Malaysia. The trend has significant impact to the IP value and commercialization.

Table 2

Total number of patents applied and granted in Malaysia from 2006 to 2015 (MyIPO 2017)

Year	Application			Granted		
	Malaysia	Foreign	Total	Malaysia	Foreign	Total
2006	531	4,269	4,800	187	6,562	6,749
2007	670	1,702	2,372	338	6,645	6,983
2008	864	4,539	5,403	198	2,044	2,242
2009	1,234	4,503	5,737	270	3,198	3,468
2010	1,275	5,189	6,464	204	1,973	2,177
2011	1,136	5,423	6,559	335	2,057	2,392
2012	1,160	5,867	7,027	308	2,193	2,501
2013	1,269	6,081	7,350	305	2,386	2,691
2014	1,439	6,321	7,760	381	2,381	2,762
2015	1,375	6,532	7,907	360	2,548	2,908
Total	10,953	-	-	2,886	-	-

Table 2 presents the trend of total number of patent applied and patent granted in Malaysian from year 2006 till 2015. Over 10 years, there is significant increase on patent application in Malaysia from just only 531 number of applications in year 2006 to 1,375 number of application to year 2015. However, number of patent granted over 10 years was very low. From total number of 10,953 applications only 2,886 or 26% patents were granted over 10 years (MyIPO, 2017).

Table 3

Total number of trademarks applications and registrations in Malaysia from 2006 to 2015 (MyIPO, 2017)

Year	Application			Registration		
	Malaysia	Foreign	Total	Malaysia	Foreign	Total
2006	11,209	12,840	24,049	5,651	10,108	15,759
2007	12,289	13,605	25,894	8,108	17,382	25,490
2008	12,562	13,472	26,034	9,049	18,798	27,847
2009	12,810	11,260	24,070	5,438	9,534	14,972
2010	13,099	13,271	26,370	5,642	8,652	14,294
2011	13,001	15,832	28,833	10,201	13,618	23,819
2012	14,044	17,832	31,876	9,765	16,311	26,076
2013	14,705	17,520	32,225	9,777	17,202	26,979
2014	15,400	19,171	34,571	10,467	16,961	27,428
2015	15,940	19,983	35,923	10,529	18,271	28,800

Total	135,059	-	-	84,627	-	-
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Table 3 presents the trend of total number of trademarks applied and trademarks registrations in Malaysian from year 2006 till 2015. Over 10 years, there is significant increase on trademarks application in Malaysia from just only 11,209 number of applications in year 2006 to 15,940 number of applications to year 2015. However, number of trademarks registration over 10 years was very low. From total number of 153,059 applications only 84,627 or 63% trademarks were registered over 10 years (MyIPO, 2017)

The Valuation Approach of IP

Valuation is defined as the process of determining market value. An estimation of the price of exchange in the market-place (Adair et al., 1996). Maliene et al. (2010) stated that for any valuation method in order to have validity, it must produce an accurate estimate of the market price. The method should therefore reflect the market culture and conditions at the time of the valuation. In addition, French (2004) states that valuation is a process for the determining the property value by assessing influence of all these economic, social, legal, physical and political factors on the price.

According to Smith & Parr (2005), anyone who intends to deal with valuation issues must draw on a body of knowledge that has been refined over time in connection with the appraisal of real estate property. These are the same body of knowledge that is also used extensively to appraise other tangible assets such as works of art, machine, and gemstones. Thus, these same bodies of knowledge are equally appropriate for IP and intangible assets.

Turner (2000) stated a set of parameter to be defined when carrying out IP valuation, which includes: what is the IP valued, for whom is the valuation being done, what is the purpose of the valuation, the date of the valuation and, what valuation method is appropriate for the circumstances. The IP valuation approaches is summarized as in Table 4.

Table 4

The Approach to IP Valuation

No	Approaches	Description
1	Market approach (Smith & Parr, 2005)	The market approach is the most direct and the most easily understood appraisal technique. It measures the present value of future benefits by obtaining consensus of what others in the marketplace have judged it to be. Under the market approach, the value of an intangible asset is determined by reference to market activity.
2	Cost approach (Smith & Parr, 2005)	The cost approach seeks to measure the future benefits of ownership by quantifying the cost of replacement, which is amount of money that would be required to replace the future service capability of the subject property.
3	Income approach (Smith & Parr, 2005)	The income approach focuses on a consideration of the income-producing capability of the property. The theory is that the value of property can be measured by the present value of the net economic benefit (cash receipts less cash outlays) to be received over its life.

MATERIALS AND METHODS

Qualitative approach was used as the method in obtaining data for the research. Qualitative approach is chosen as it is the most precise approach as it requires in depth study and understanding on the practice of IP valuation from insights of the selected certified IP valuers who have been experiencing conducted IP valuation. Thus, semi-interview has been chosen as the research strategy for data collection as it allowed the research to acquire more accurate results. 6 sets of interview question were distributed to 6 respondents identified, who are all valuers with experience in IP valuation. Furthermore, in order to increase the credibility of the research, 4 of the interviews were conducted with the certified IP valuers who were registered with MyIPO. The reason for this categorization is to obtain different perspective from different side of IP valuer in the industry.

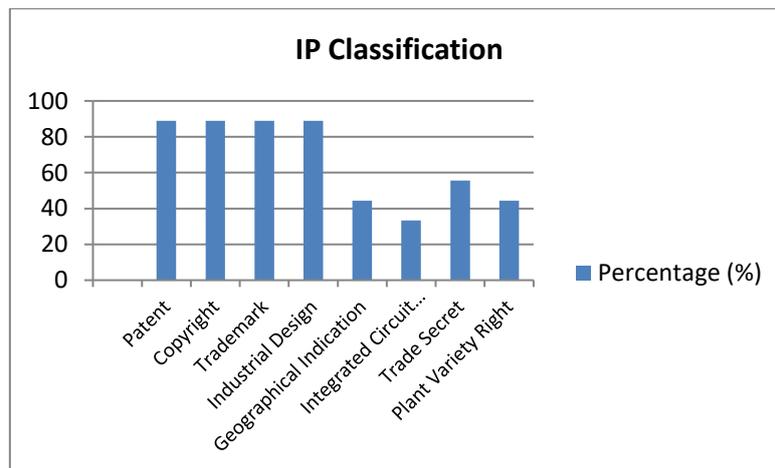
The data obtained from the interview were analysed using Thematic Network Analysis (Attride-Stirling, 2001). Thematic network analysis is a process of deriving themes from textual data and illustrating these with some representational tool is well established in qualitative research. Thematic analysis involves the identification and analysis of themes and patterns of similarity within qualitative research (Braun & Clarke, 2006). The procedure of thematic network does not aim or pretend to discover the beginning of arguments or the end of rationalizations; it simply provides a technique for breaking up text, and finding within it explicit rationalization and their implicit signification. All the elements are divided into three themes: global theme, organizing theme and basic theme.

RESULTS AND DISCUSSION

Theme 1: Classification of IP

Figure 1

Classification of IP



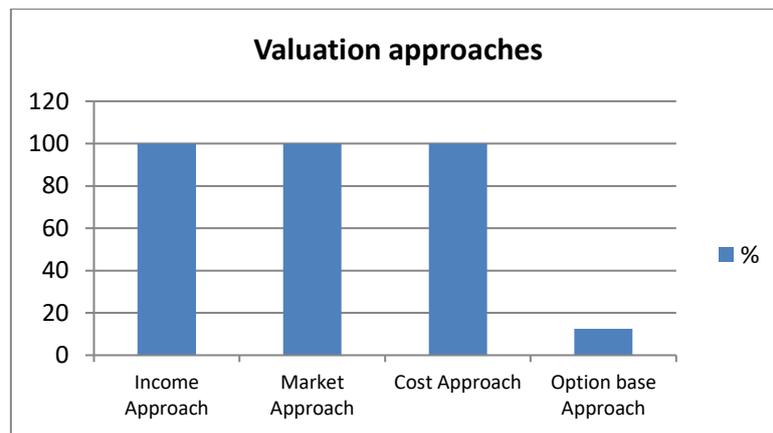
Findings from the interview surveys with the certified IP valuers in Kuala Lumpur, reveal that four (4) main types of IP for business are Patents; Copyright; Trademark; and Industrial Design. Other types of IP which are considered essential for business are Trade Secret; Plant Variety Right (PVR); Geographical Indication and Integrated Circuit Layout Design (ICLD). These findings are aligned with five (5) main types of IP as recognized by WIPO which namely; Copyright, Patents, Trademarks, Industrial designs and Geographical indications. All respondents agreed unanimously that the intellectual properties in Malaysia consist mainly of copyright, patents, trademarks and industrial designs. Plant variety rights

(PVR) is less known because as instead of registering it with MyIPO, PVR is registered under Ministry of Agriculture and Agro-based Industry (MOA) in Malaysia through Department of Agriculture (DOA). Another type of IP which is known a geographical indication is not so commonly seen in Malaysia. Geographical indication refers to a product or service that indicates a location where people will regard the product higher if that product comes from a location famous for producing it. It requires a certain association to control the quality and is not easily claimable as it needs time for people to recognize it.

Theme 2: Selection of valuation approach

Figure 2

Selection of valuation approach



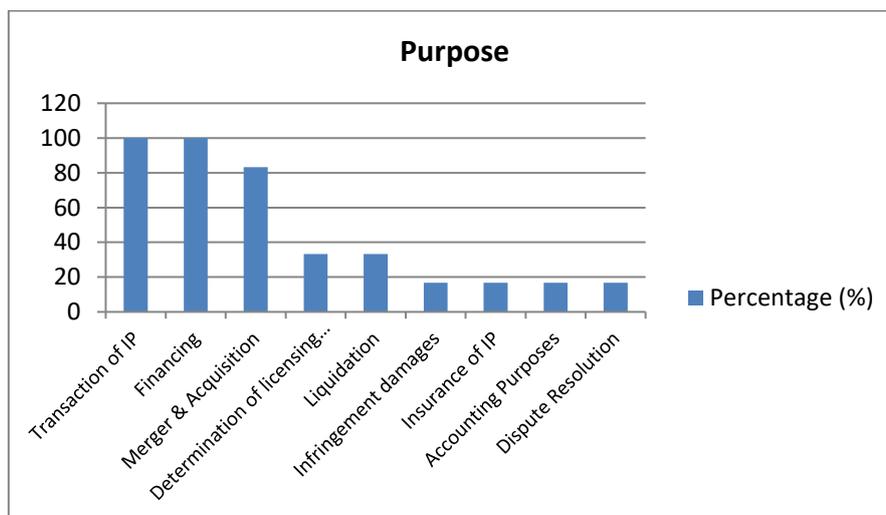
As shown in Figure 2, the findings confirm on the selection of approaches that most commonly used in valuing IP. These three main valuation approaches are: income approach; market approach; and, cost approach.

The reasons for adopting these three approaches because of a good valuation report needs to conform to the International Financial Reporting Standards (IFRS) and International Valuation Standards Council (IVSC). The findings also acknowledge that those 3 valuation approaches are conformed to the IP valuation model for certified IP valuer trained by the MyIPO. However, the findings also revealed that the selection of valuation approaches is mainly influence by the purpose of valuation the IP. When it comes to income generating IP, it is undisputed that *income approach* is the mainly used because income approach provides the highest value and client always wants their IP to be valued to its highest value. *Market approach* is considered as the secondary approach, if ever used, only to support with the value obtained from income approach. Meanwhile the findings conclude that the cost approach is used to perform valuation on non-income generating IP. Two situations involving valuation using cost approach: non commercialization of an IP; or/and, IP with insufficient information to calculate and value using income approach. The findings also claim that the use of cost approach is avoided as it does not really represent the true value of an IP and is only used if there is no commercialization for the IP. On the other hand, *the cost approach* is usually used for business startups with no income stream to provide as 5 years of historical data of income stream is needed in order to perform a good valuation using income approach. Lastly, three (3) valuation approaches that are commonly used in the valuation of IP are same as in the literature search. However, the findings acknowledge that there is an approach called option-based approach but the approach is not commonly used for IP valuation in Malaysia.

Theme 3: Purpose of valuation

Figure 3

Purpose of valuation



As shown in Figure 3, the findings conclude that the most common purposes for IP valuation are: *Transaction of IP; Financing; and, Merger & Acquisition*. Even there are many reasons for an IP valuation, the *transaction* of IP is one of the most common purposes as the request for performing the valuation of IP transactions is high whether it is from the buyers or the sellers. It is because a buyer and seller are exposed to different degree of risk in an IP transaction. A proposed purchaser may have higher risk as they are not sure how the IP would perform in future as IP market can be very volatile. On the other hand, the risk is significantly lower for an IP owner. *Financing* or raising fund is another purpose for people to seek IP valuation especially using IP as collateral for debt financing. However, the findings note that financial institutions in Malaysia do only accept the standard collaterals but do not accept IP as collateral.

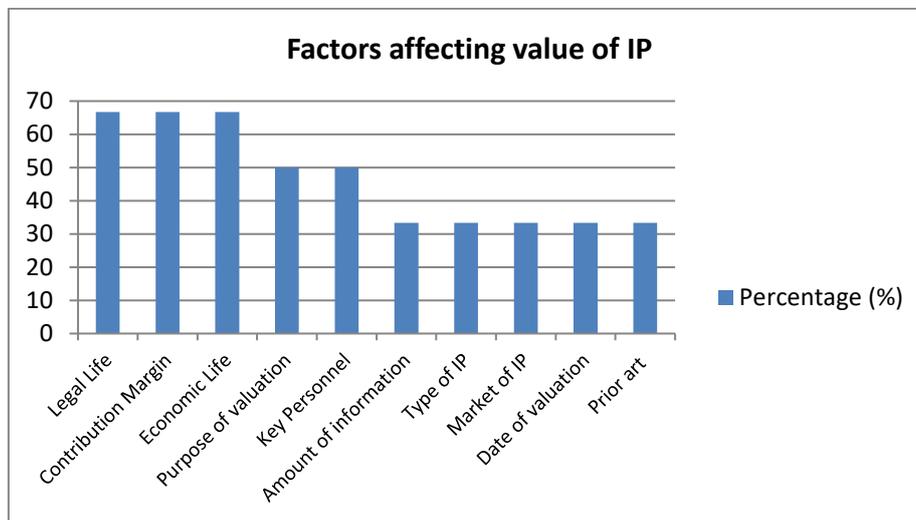
To fill the funding gap, the Malaysian government established the Malaysia Debt Ventures Bhd (MDV) through the Ministry of Finance. MDV was established to provide project financing facilities to ICT companies to finance procurement of the necessary project inputs, capital expenditure and working capital. In addition to debt financing as mentioned, another form of financing would be equity financing. The findings identified that IP owners would also seek for IP valuation to obtain equity funding by providing financial injection through equity share to the interested investors. *Merger and acquisition (M&A)* is also one of the purposes people look for IP valuation. The findings suggested that when a company intends to purchase a company which has IP assets, they need to know whether the price offered by the seller is worth as in some cases, the value of the IP asset basically determines majority of the worth of a company. The findings also revealed other purposes of IP valuation for seeking IP valuation in Malaysia: *the determination of licensing rate; liquidation; accounting purposes; dispute resolution; infringement damages; and, insurance*. The value of IP in dispute resolution is very important as the compensation needs to be determined if there is a dissolution of a partnership. The compensation would be paid based on the amount of share and the value of the whole business, including the assets and IP. An IP valuation for infringement damages would be performed to determine the value someone needs to pay for damages. The findings also claim that the value obtained from infringement would be substantially different from transaction of that IP. This is because value obtained from transaction is considered to be the fair value while value that needs to be paid for infringement damages is not the fair

value. Lastly, the findings received dissenting views on IP valuation for insurance purpose as at the moments, the insurance companies in Malaysia are not provide insurance facilities for intangible assets.

Theme 4: Factors affecting value of IP

Figure 4

Factors affecting value IP



As shown in Figure 4, the most affecting factors for IP valuation are: *Legal life*; *Contribution margin*; and, *Economic life*. *Legal life* means how many years of protection left on the IP, in other words it means how much time is left until the registration of the IP expires. An IP valuer should first check out on IP legal protection before proceed to figure out the protection expire date.

The findings also agreed that an IP without proper protection will be no value and a valuer cannot project the income to perpetuity. This could affect the value obtained from the valuation. *Economic life* is another most affecting factor that would affect the value of an IP.

As opposed to legal life, economic life of an IP means the period of time that an IP can bring in or generate revenue to its owner effectively. The economic life of an asset is always shorter than its legal life. Findings also revealed that a technical copyright, such as software, may have a short economic lifespan and this will lead to a higher royalty rate. In addition, it is very important to understand the business life cycle to grasp the economic life of an IP. Some trademarks, such as McDonald's and KFC, can have very extended economic life. It is asserted that the factors affecting IP valuation from the findings are consistent with the literature: legal life and economic life. This is a testament to the practice of valuation for IP in Malaysia as both legal life and economic life are categorized as the most affecting factors for IP valuation. The findings also acknowledge additional affecting factor for IP valuation which is the *Contribution Margin*. This factor has been considered as one of the most affecting factor for IP valuation in Malaysia, though the factor was not found in the existing literature.

CONCLUSION

IP is increasingly being recognised in Malaysia. The setting up of the Intellectual Property Corporation of Malaysia (MyIPO) as a governance body to supersede the IP business activities has increased the awareness of the significance of IP as valuable intangible assets in Malaysia. This paper has discussed and identified the components of practice in conducting IP valuation. This paper highlights on significant findings for further reference to the certified IP valuers in Malaysia. The findings suggest that undertaking IP valuation requires the certified IP valuers to determine: the classification of IP under valuation, valuation approach to be used, the purpose for which valuation is needed and factors affecting IP valuation. This paper has built up a new way of conducting IP valuation that leads to the improvement of IP valuation practice in Malaysia.

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