Corporate Valuation Services Limited
501-707 Eglinton Avenue West
Toronto ON M5N 1C8
T 416.865.9766 F 416.865.1249
www.corporatevaluation.ca

VALUATION NEWS

Even when laws have been written down, they ought not always to remain unaltered.
Aristotle (384 - 322 BC)

As the summer draws to an end and business picks up, every manager must consider the position of the Intellectual Property Rights (IPR) used by their business. Very few firms do not have them but most managers fail to realize their implications including the value they add to the company.

The most common IPR is know-how, how the business runs, which is legally described as trade secrets. Others are patents, the business name, trademarks and copyrights which encompass everything written or created, from computer code to designs, logos, web pages and more. Some entities license rather than own their IPR; common examples: are software for the systems used to run the business and franchised trademarks for restaurants and a host of other commercial services.

All IPR are significant and, in many cases, especially for technology firms, the heart and soul of the company. Most businesses tend to not account for them; many do not even understand how to identify, much less classify them. When owners sell to outsiders or transfer the firm to their children, problems may arise. Any buyer will want to review the target's IPR portfolio and understand to what extent each element contributes or not to the value.

We live in an information age where over half of all corporate assets are digital or otherwise based on technologies which are usually represented by IPR. In the United States, where the ubiquitous Sarbanes-Oxley Act (SOX) applies, a lack of knowledge and understanding of the firm's IPR could be considered negligence. In that country, SOX gives directors oversight of all financial assets; IPR fall within that law's ambit. It creates an obligation to identify, classify, protect, value and report to the owners, material changes in such items.

Fortunately, there is a solution. For over 20 years, Corporate Valuation Services has been identifying, classifying and valuating IPR in Canada, the United States and over a dozen other countries. Should you need assistance with your own IPR, Jim Catty would be happy to help.

THE TERM VALUE

There are many definitions of value and the differences are not being merely semantics. FASB adopted the "fair value" for financial reporting in 2002. The phrase took on at least two meanings in US GAAP and several more for IFRS. In 2011, nearly all were finally combined into one.

In the US, the AICPA has redefined industry terminology. Phrases such as estimate, conclusion, and calculation of value now differ in the US and Canada; other countries also march to their own drummers. Various courts adhere to their individual definitions. Equally, taxing authorities continue to insist on their own. Professional experience, wisdom, acumen is essential.

With otherwise identical facts, interpretations may vary. If in doubt, call CVS to assist in appraising your clients' situation correctly and advantageously.

James P. Catty, MA, CA•CBV, CPA/ABV, CFA, CVA, CGMA, CFE, Principal Valuator of CVS, is Chair of the International Association of Consultants, Valuators and Analysts (IACVA), a 10,000 member organization with designation-granting authority in 55 countries. With contributors from 13 nations, Jim compiled "Guide to Fair Value under IFRS", published by Wiley, NY, in 2010. In 2011, he wrote "The Professional's Guide to Fair Value", Wiley, NY. Jim keeps completely up to date with the requirements of changing standards and would be delighted to assist with any professional question you may encounter. He can be reached at 416.865.9766, www.corporatevaluation.ca or jcatty@corporatevaluation.ca.