

## Intangible assets

In the previous section, assets were classified into non-current assets and current assets. This section examines another form of asset, called **intangible assets**. These are non-physical items of value owned by a company that have a lifespan of more than a year.



**Figure 1.** A patent is an example of an intangible asset.

Credit: maybefalse, Getty Images

### Theory of Knowledge

One of the arguments for granting ownership rights over innovations and artistic content is that it provides an incentive for scientists, engineers, artists and others to develop new ideas. If these innovators know that they can get exclusive rights to produce and profit from their ideas for a period of time, they may be more willing to spend time and money to innovate.

However, a compelling argument against ownership of intellectual property is that it slows innovation by preventing innovators from building on the work of others. Many new ideas are not completely original but develop ideas that already exist. Intellectual property protections often block those kinds of innovations.

- Does ownership of knowledge help or hinder innovation?

## Patents

Patents are legal protection given to an inventor of a product to safeguard it from being copied for a specified number of years. The time period is on average about 20 years in most countries. Anyone wanting to produce the product must first get permission from the patent holder, otherwise they could be prosecuted under the law. Because patents grant a temporary monopoly for production, businesses can earn very large revenues for a period. Patents are meant to give businesses an incentive to develop new, innovative products even when significant investment costs are involved. Selling patents to other businesses can also be very profitable.

The value of a patent can be derived in several ways. One method is to calculate the value of a patent's projected net cash flows. You will learn more about these in [Subtopic 3.7 \(/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/the-big-picture-id-39317\)](#) and [Subtopic 3.8 \(/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/the-big-picture-id-39324\)](#).

### Activity

**Learner profile:** Inquirers

**Approaches to learning:** Thinking skills (critical thinking)

Research the dispute between governments, activists and pharmaceutical companies about whether these companies should waive their patent rights to COVID-19 vaccines. You could organise a discussion or a debate about this question in your class using the information you have found.



Figure 2. Covid vaccines have been the focus of a number of patent disputes.

Credit: Joao Paulo Burini, Getty Images

### Copyright ©

Copyright is a form of legal protection given to the producers of literary or artistic works such as music, books, movies, photographs, images, computer software, web pages, audio and art. Copyright protects authors’ and artists’ exclusive right to publish, reproduce, perform, distribute and sell the artistic works.



<div></div> <div>The Harry Potter series of books and films. Source: "Harry Potter Series" (<a href="https://www.flickr.com/photos/45909111@N00/33987957441/in/photolist-TMpaCe-c8x2xw-canucC-canoFU-cantHN-canmnf-c9N4r3-c8EN7W-c8EFgw-c8wu7J-c9N5pu-cantu9-canrDh-cangFA-cang7Y-cankFL-c9N2qf-c8EV1u-c8EUrW-c8EAXA-c8wvMU-canrZU-cannaW-c8EMny-c8EHgd-c8wqVU-c8EKhy-canvME-cansES-canoC7-canrp7-c8ELJj-QhStpy-3kDtR-Ccudgi-5MkAHP-opzRe-canpSh-c8EDcm-canuSU-canuhm-cansQN-c8EDji-2q3vJS-canrko-nAZUU5-7h4o5Q-s4wid9-canr3b-c8wrLfj">https://www.flickr.com/photos/45909111@N00/33987957441/in/photolist-TMpaCe-c8x2xw-canucC-canoFU-cantHN-canmnf-c9N4r3-c8EN7W-c8EFgw-c8wu7J-c9N5pu-cantu9-canrDh-cangFA-cang7Y-cankFL-c9N2qf-c8EV1u-c8EUrW-c8EAXA-c8wvMU-canrZU-cannaW-c8EMny-c8EHgd-c8wqVU-c8EKhy-canvME-cansES-canoC7-canrp7-c8ELJj-QhStpy-3kDtR-Ccudgi-5MkAHP-opzRe-canpSh-c8EDcm-canuSU-canuhm-cansQN-c8EDji-2q3vJS-canrko-nAZUU5-7h4o5Q-s4wid9-canr3b-c8wrLfj</a>)" by Gwydion M. Williams is licensed under <a href="https://creativecommons.org/licenses/by/2.0/">CC BY 2.0</a> (<a href="https://creativecommons.org/licenses/by/2.0/">https://creativecommons.org/licenses/by/2.0/</a>)</div>	<div></div> <div>The Lion King musical and an Source: "The Lion King Lyce" (<a href="https://www.flickr.com/photos/aroberts/47hu8eu-2jnxLTQ-aPGXaP-efypLK-2kENaPGYtD-aPGZYD-aPGZit-294oi-294pf294nr-294ox-294p3-294p9-294oP-2942kQkVHF-efypkv-2j1fKrv-2ja9waD-2mf2ja5zCK-2kLxr5q-2ja8uub-7SrQZZ-2ja92kLBT2g-2j1q5NQ-cKfXdy-2kLBvf42kymMZU-2iw3e1o-23h2uG3-2ja7by2kLxjwfl">https://www.flickr.com/photos/aroberts/47hu8eu-2jnxLTQ-aPGXaP-efypLK-2kENaPGYtD-aPGZYD-aPGZit-294oi-294pf294nr-294ox-294p3-294p9-294oP-2942kQkVHF-efypkv-2j1fKrv-2ja9waD-2mf2ja5zCK-2kLxr5q-2ja8uub-7SrQZZ-2ja92kLBT2g-2j1q5NQ-cKfXdy-2kLBvf42kymMZU-2iw3e1o-23h2uG3-2ja7by2kLxjwfl</a>)" by Andy Roberts is licens (<a href="https://creativecommons.org/li">https://creativecommons.org/li</a>)</div>
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Figure 3. Examples of work protected by copyright.

Copyright usually lasts for 50 years after the death of the author, according to the copyright laws signed at the **Berne Convention for the Protection of Literary and Artistic Works of 1886**. In some countries, a copyright can last up to 70 years after the

death of the author. After the term expires, the artworks enter the public domain, which means they are no longer copyright protected.

## Registered trademark ®

A trademark is a distinctive mark, sign or symbol that a company or individual uses to identify or brand itself to distinguish itself from competitors, after registration with the relevant government entity. Examples include the Coca-Cola logo, the McDonald's golden arches, Microsoft Windows, Dangote and Alibaba.com. Any individual or organisation that uses a registered trademark that they do not own can be legally prosecuted.

### Case study

The technology firm Apple is very protective of its trademark – the well-known apple symbol that it uses to identify its products. According to the [Tech Transparency Project \(https://www.techtransparencyproject.org/articles/apples-trademark-bullying-targets-small-businesses-nonprofits\)](https://www.techtransparencyproject.org/articles/apples-trademark-bullying-targets-small-businesses-nonprofits), Apple has filed hundreds of trademark infringement claims against companies with trademarks or names associated with the fruit. The claim is that using a symbol or name similar to Apple's may cause confusion in the minds of consumers. Many of these are filed against companies that have no link to technology or the products that Apple sells, such as jewellery, plumbing and medical services. These companies seem to represent no commercial threat to Apple's business and are unlikely to cause confusion among consumers.

These trademark infringement claims can be harmful for the businesses that are targeted. The targeted businesses must either change their own trademarks and names, or they must hire legal representation that can be very costly. Many of these small businesses cannot afford to fight a large, well-funded company like Apple in court.

Ironically, Apple itself was taken to court in 1978 for trademark infringement. Apple Corp. is the holding company and owner of the Beatles' record label, Apple Records. The two companies fought legal battles over the Apple trademark until 2006, when they finally settled the dispute in court. Apple (the technology company) had to pay Apple Corp. (the music company) millions in their multiple settlement agreements. But eventually the two companies reconciled, with Beatles' music now featured in the Apple iTunes store.

### Questions

1. Define trademark. [2 marks]
2. Explain why Apple would want to protect its trademark from use by other businesses. [2 marks]

## Goodwill

Goodwill is the intangible value of a company derived from its 'good nature' in business. This could be attributed to brand loyalty, patents, talent management, good relationships with customers (and therefore wide customer base), and many other such attributes that give a business a competitive edge over its rivals. The monetary value of goodwill is derived when the selling price of a business is higher than the value of its net assets when the company is acquired or sold.