

Financing the economic development through the Intellectual Property assets

IP Finance insights & Institute profile

Torino, 28 May 2009

- **IP Economics & Finance Insights**
- **IP Finance Stakeholders Issues**
- **IP Finance Institute objectives and activities**

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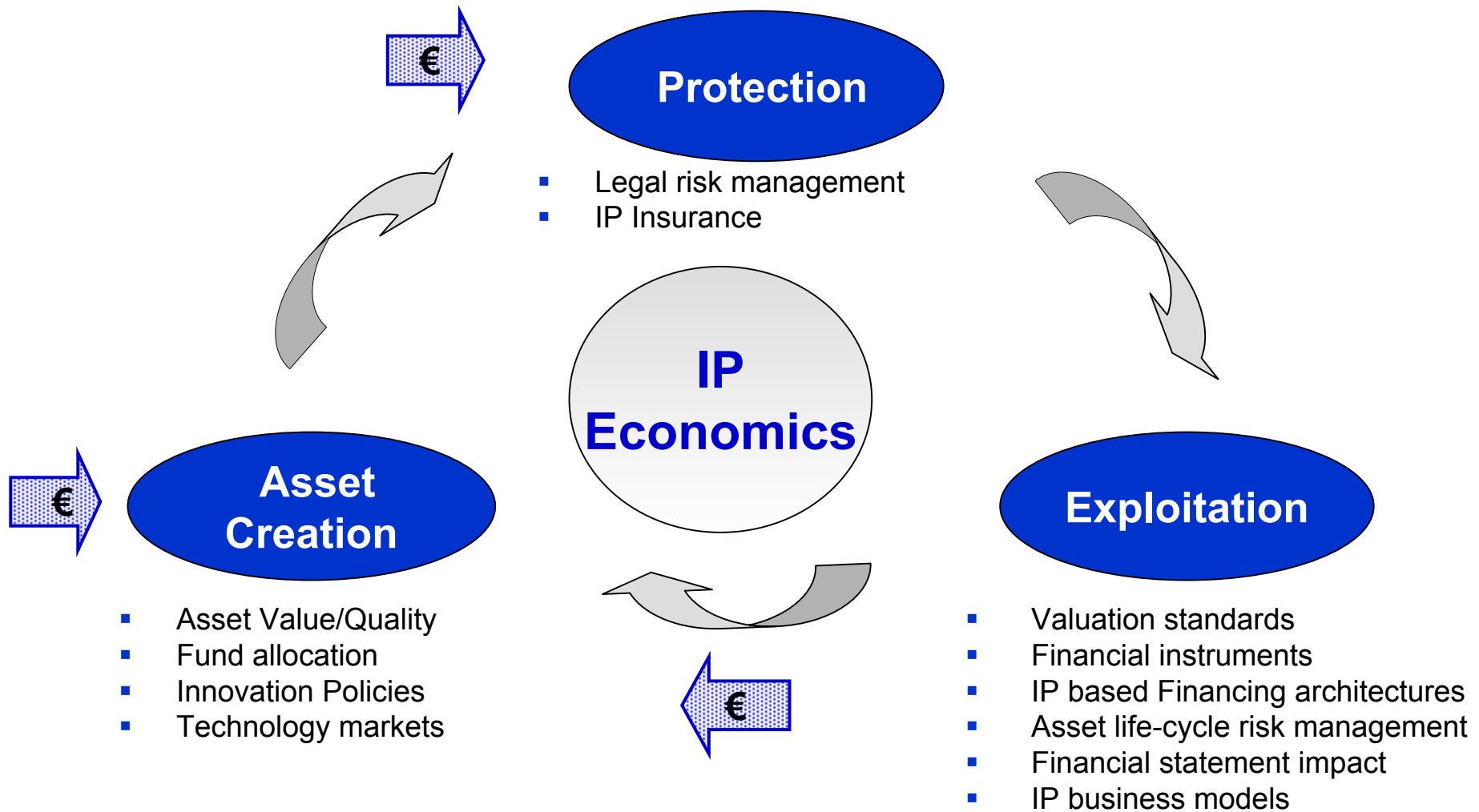
Intellectual Property Assets will play an important role in helping the economy through the current downturn

IP increases the economic value of the organization that owns it

Patents and brands attract investments and funding

**Inventions are worth more if they are patented
(*patent premium*)**

.....but



- The increasing importance of intellectual assets for value creation is reflected in countries and corporate expenditure
- The estimates underscore the large scale of this investments/exp. **between 7.5% and 11.7% of GDP.**

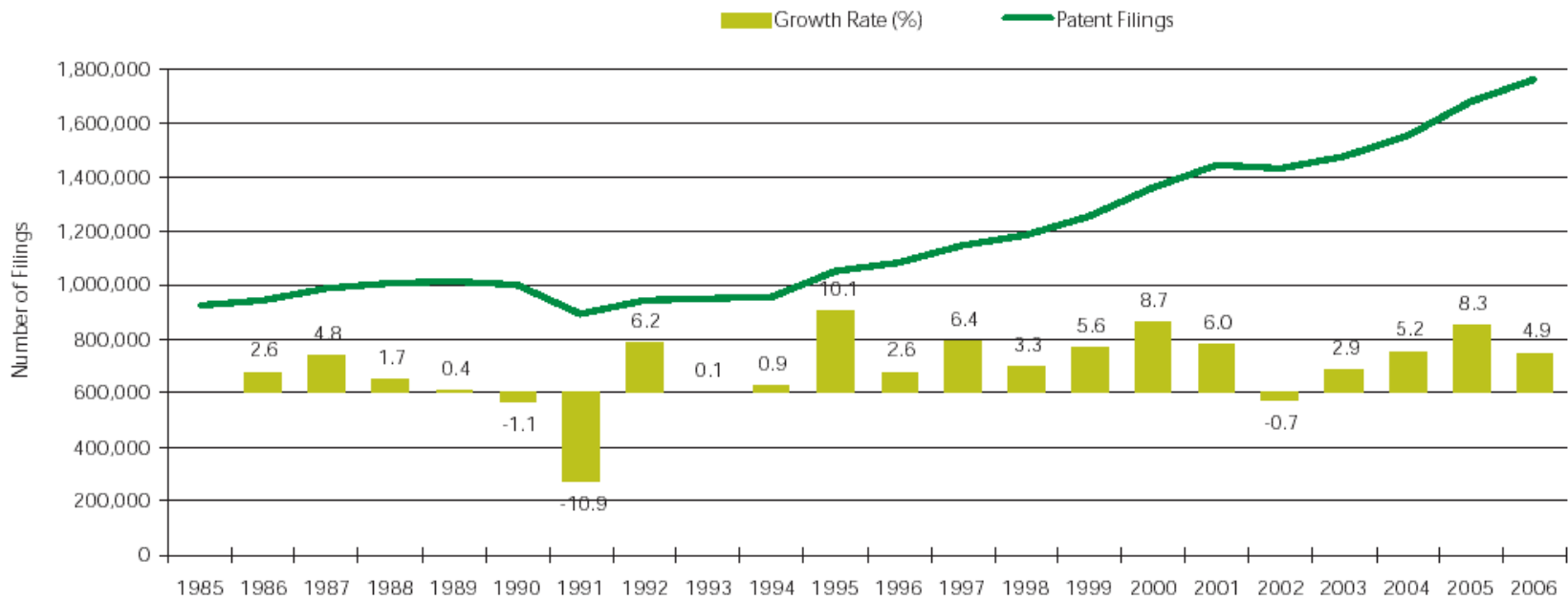
Intellectual asset investment in five OECD countries, by asset category (%GDP)

	US 1998- 2000	UK 2004	Japan 2000- 2002	Netherland 2004	Finland 2005
Computerised information	1.7	1.7	2.0	1.2	1.0
Innovative Property	4.6	3.4	3.7	2.4	4.0
Scientific R&D	2.0	1.1	2.1	1.5	2.7
Mineral exploration	0.2	0.0	0.0	0.0	0.0
Copyright and license costs	0.8	0.2	0.9	0.1	0.1
Other product development, design and research	1.6	2.0	0.7 ¹	0.7	1.1
Economic competencies	5.4	5.0	2.5	3.6	4.1
Brand equity	1.5	0.9	1.0	1.6	1.7
Firm-specific human capital	1.3	2.5	0.3 ²	0.8	1.2
Organisational structure	2.7	1.6	1.2 ³	1.2	1.1
Total intangible assets investment	11.7	10.1	8.3⁴	7.5	9.1

SOURCE: OECD, 2008

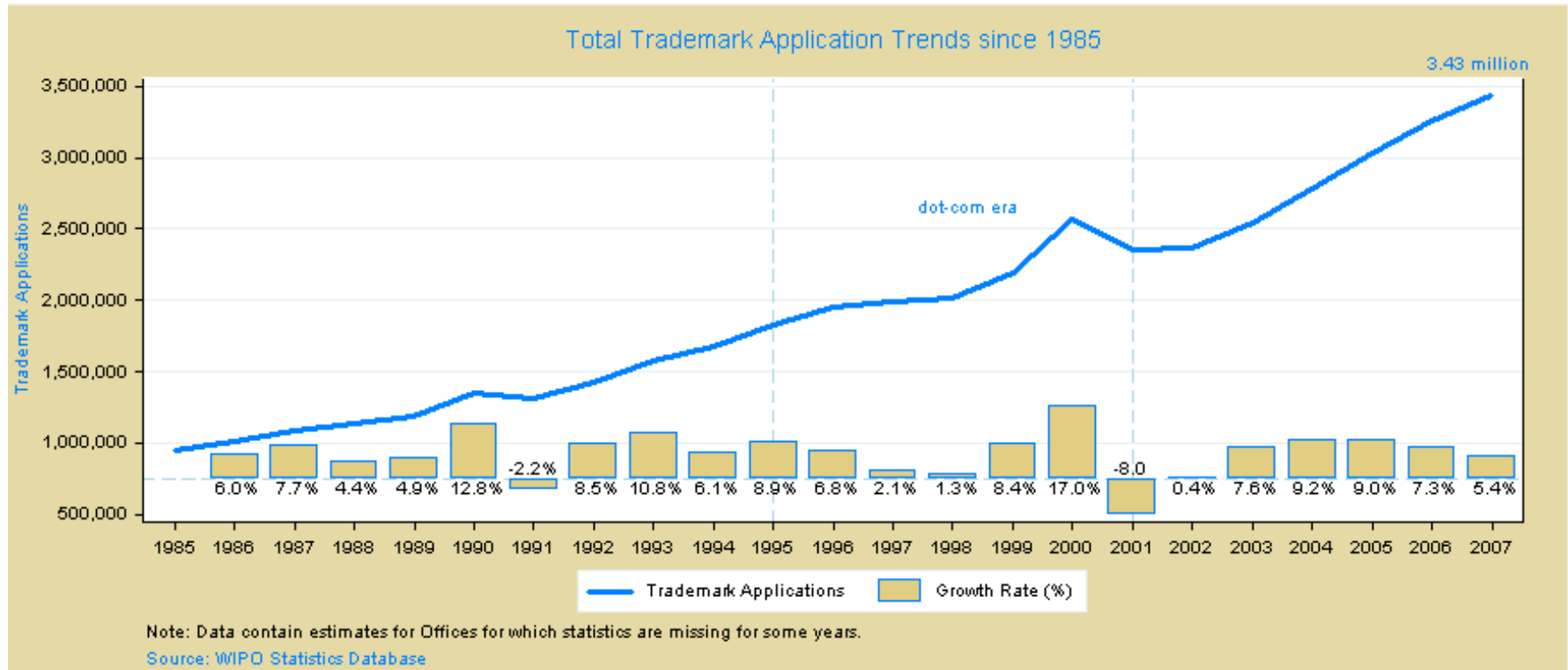
- 1,76 million patent applications filed across the world in 2006 (+4,9%)
 - 425.966 – USPTO
 - 408.674 – JPO
 - 135.231 – EPO
- 727.000 patents granted
- 6,1 million patents in force

Trends in total patent filings, 1985-2006



SOURCE: WIPO – A STATISTICAL REVIEW, 2008

- 3,43 million trademark applications filed across the world in 2007 (+5,4%)
- 2,12 million trademark registrations (+3,5%)
- 16,2 million trademarks in force

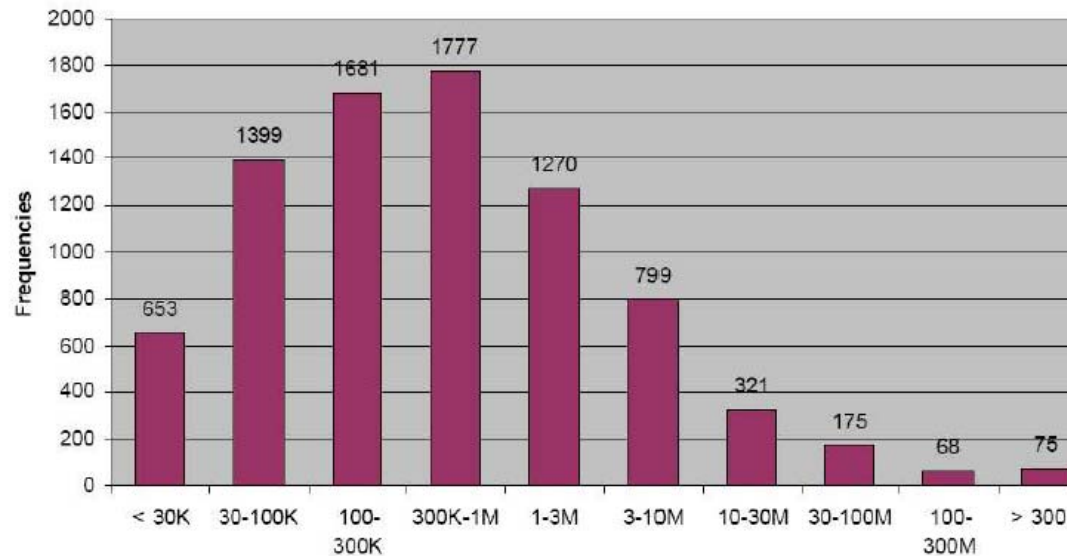


SOURCE: WIPO – A STATISTICAL REVIEW, 2008

A large number of studies pointed out that patents value distribution is highly skewed

- Only a small fraction of patents are economically valuable
- Patents are of little use if they are not implemented in the economy.
- In terms of valuation and licensing, Europe is lagging behind its competitors: Europe is far behind the US as far as the size and fluidity of its market for technology are concerned.

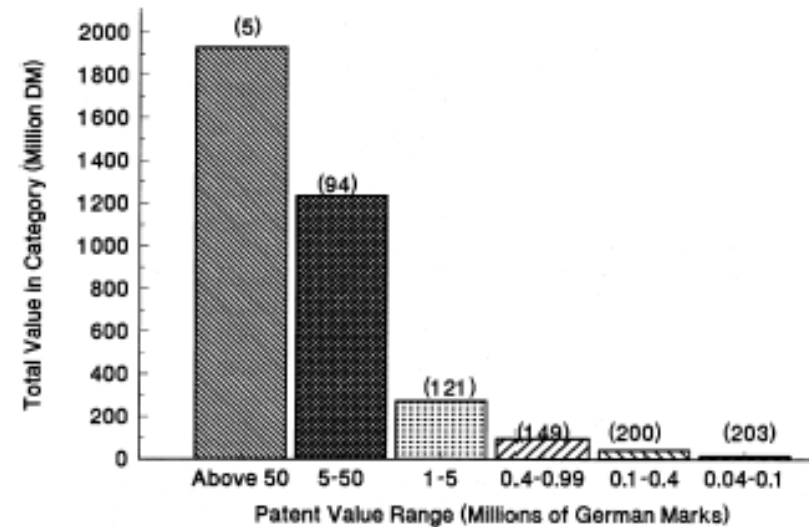
EU patent value distribution



SOURCE: Gambardella, Harhoff, Verspagen. 2008

Value Classes (8217 obs.)

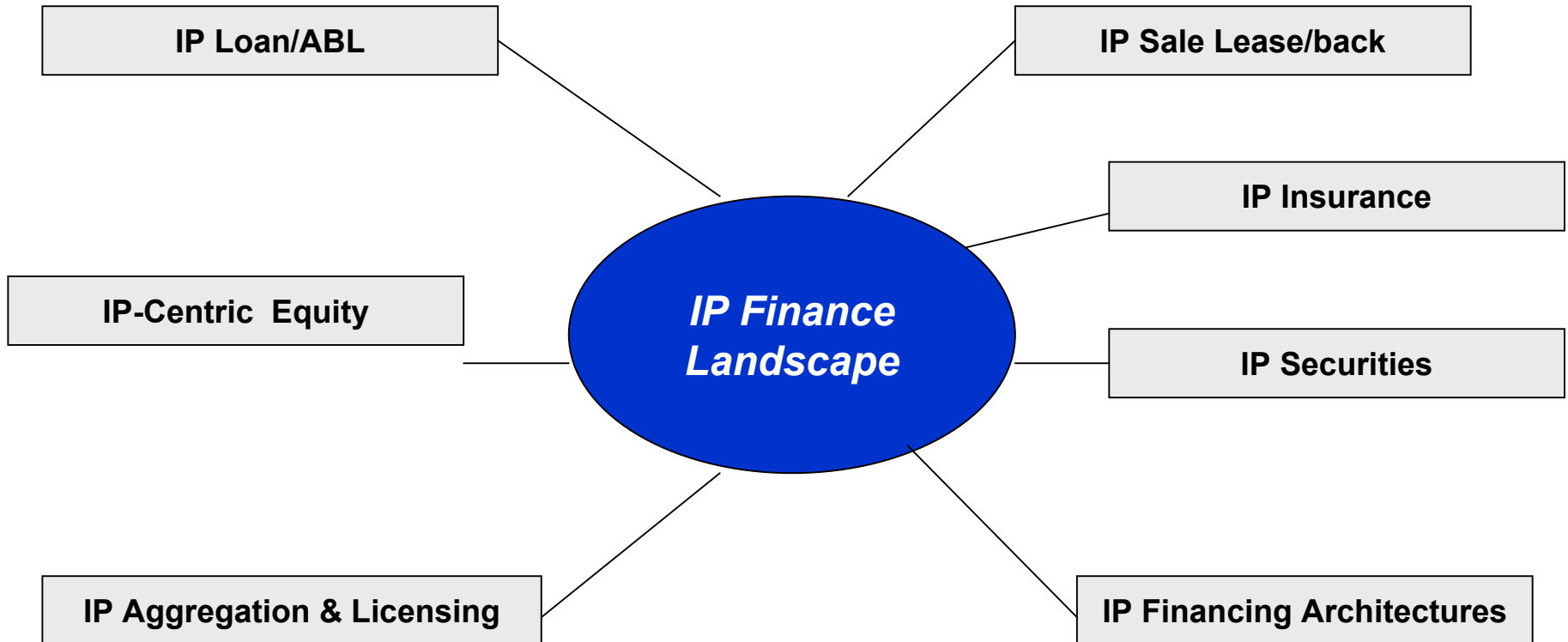
Distribution of German patent values.

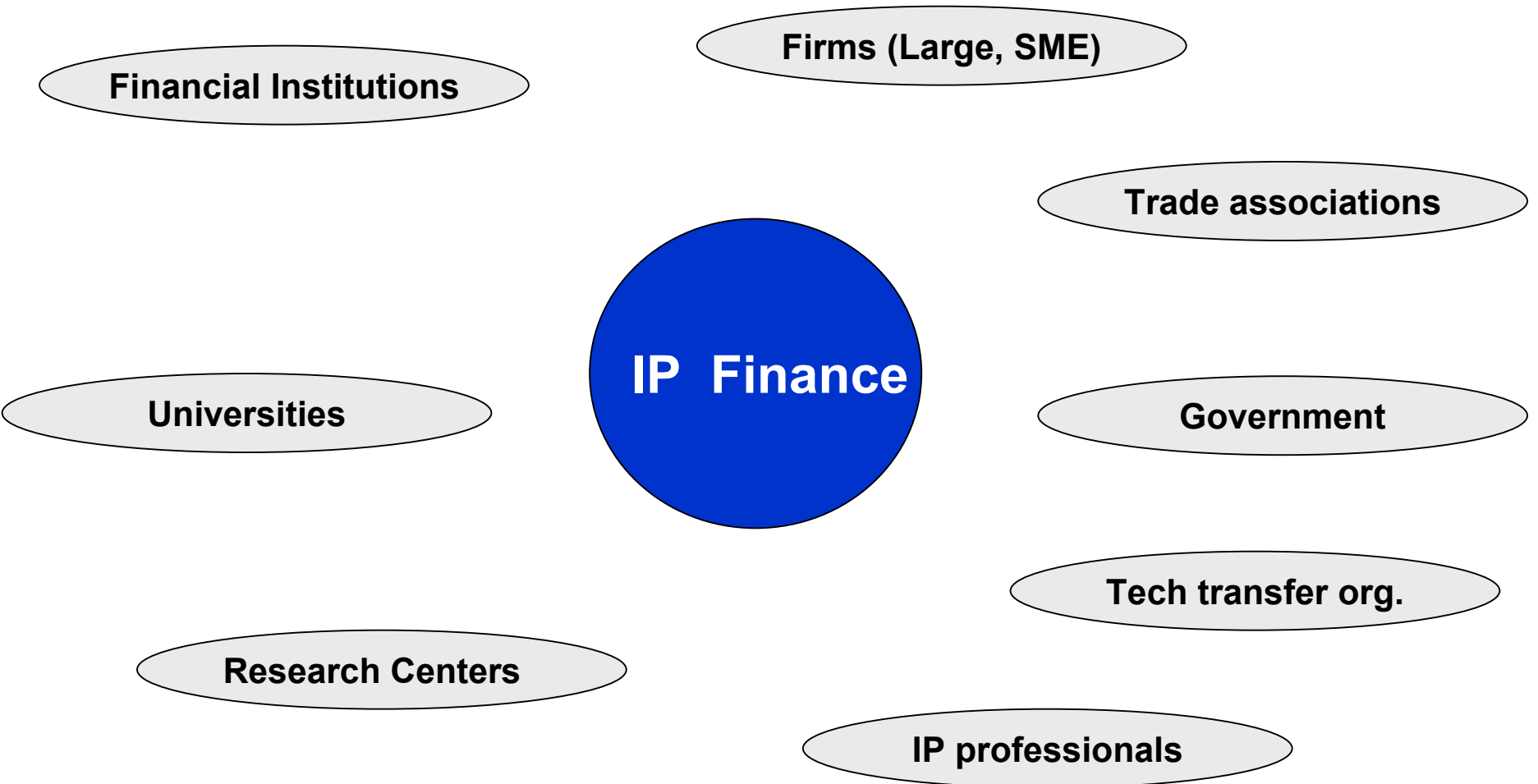


SOURCE: Harhoff, 2000

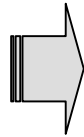
IP Finance

Financial instruments and solutions based on intellectual property assets value



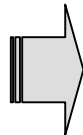


Large corporations



- IP assets portfolio management
 - Active monetization processes
 - Risk management policies & processes
- Linkage of the IP Strategy and Business/Technology strategy
- IAS/IFRS compliance

SME



- IP Economics awareness and basic IP management culture
- Increase the technology intelligence capabilities
- Use the IP asset as collateral to raise funding
- Communicate the hidden value to business-financial community

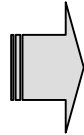
- Although IP is an ever-more important asset class, **executive don't believe their companies are extracting its full value**
- **IP is a core strategic asset:** the focus is shifting from litigation to managing and enhancing its value
- Companies are making incremental improvements to their IP management, but **they need to move faster**

Percentage of executives who think IP management is very important or important to the success of their company



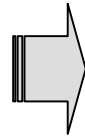
Source: EIU 2007 Global Survey

Financial Institutions



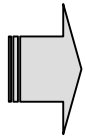
- Full understanding of the IP asset economics
- Size the market potential for IP-based financial solutions
- Upgrade of the risk management practices
- Design specific financial solutions
- Set-up dedicated valuation units
- Develop IP Insurance

Universities

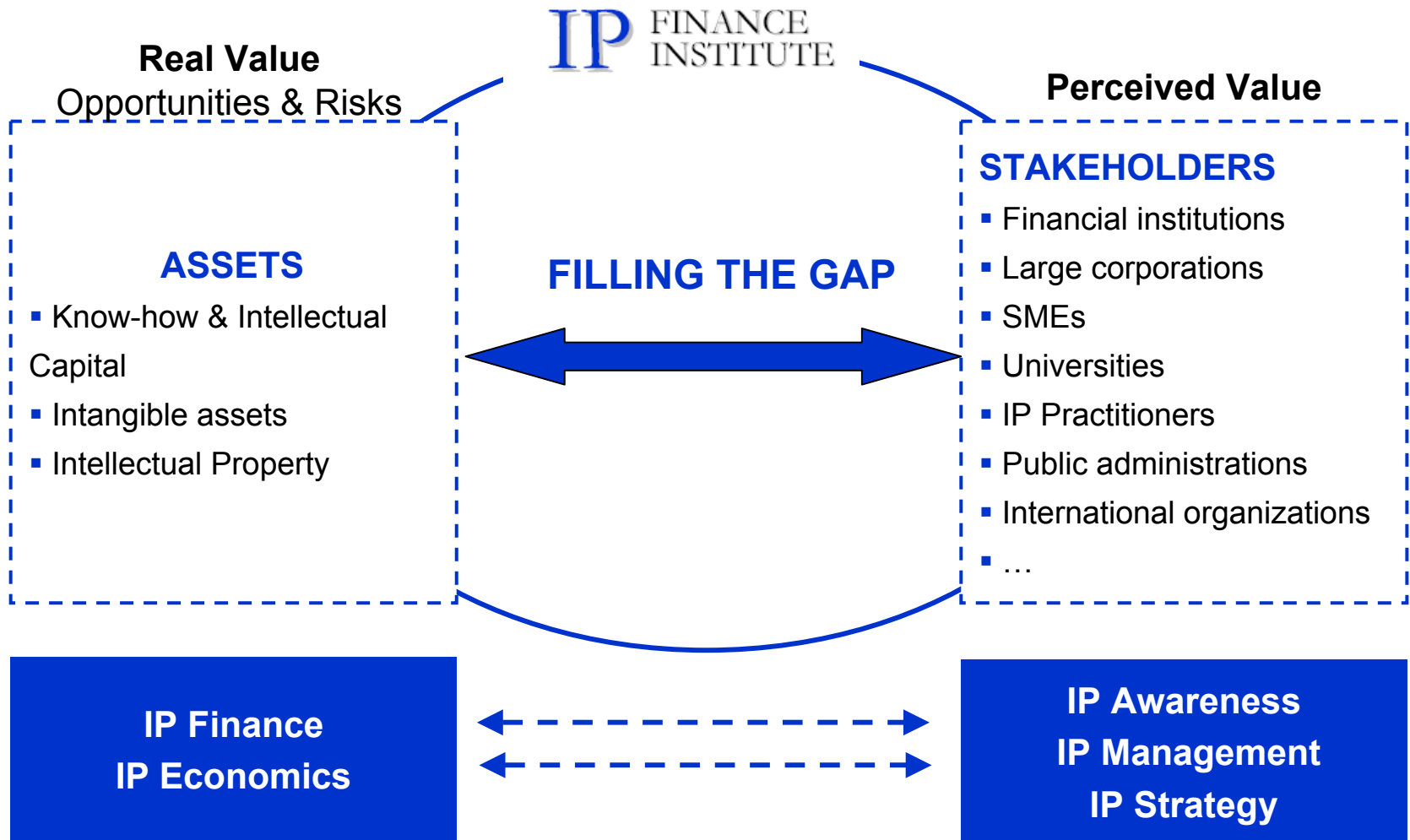


- Full understanding of the IP asset economics
- Knowledge asset value communication to business-financial community
- Innovative fund raising strategies

Research organization



- Full understanding of the IP asset economics
- IP assets as core output
- Increase technology intelligence and know-how/patent bundling



**The Intellectual Property Finance Institute (IPFI)
is the first European research and competence centre
completely focused on IP Economics & Finance**

**IPFI is a non-profit organization which promotes and develops
know-how transfer, research initiatives and projects about
the IP as an economic asset and its use in IP-based financing solutions**

**IPFI provides knowledge and expertise to develop the awareness and
the understanding of Intellectual Property Economics in order to foster
cooperation between different stakeholders**

To support a widespread adoption and implementation of best management & financial practices of intangible and intellectual property assets

To support the development of financial solutions based on intellectual property value in terms of financial and technical methodologies, instruments and best practices.

To increase the intellectual property value of firms through initiatives such as asset monetization (patent, trademark, know-how, design,...) and innovative financial services (IP-backed financial services).

The Institute merges multidisciplinary skills of subject matter experts and researchers from academic, financial, industrial and IP professional world. The starting staff will be reinforced organically and by voluntary professional contribution.

The current body of knowledge and expertise includes researches, case studies, best practices, valuation methodologies, risk management, IP asset analysis by industry and cluster, IP-based financing instrument structures, presentations, IP intelligence infobases.

It has been provided by the IPFI founders:

Innovation Studies Group of the Politecnico di Torino DSPEA

ICM Research, the Intangible Equity Research unit of ICM Advisors

- **IP-based financing market demand by industry and cluster (technology markets)**
- **IP-based financing solutions**
- **IP risk management methodologies for firm and financial institutions**
 - **IP valuation standards**
 - **IP insurance**
- **Business models for IP exploitation**
- **IP Asset Valorisation for Small and Medium Enterprises (SMEs)**
- **Research and Engineering Know-How Demand**

The Institute in 2009 will develop researches and knowledge transfer activities on 3 areas

- **IP value by industry/technology cluster** (global and regional) and IP finance demand
 - **Clean tech projects**