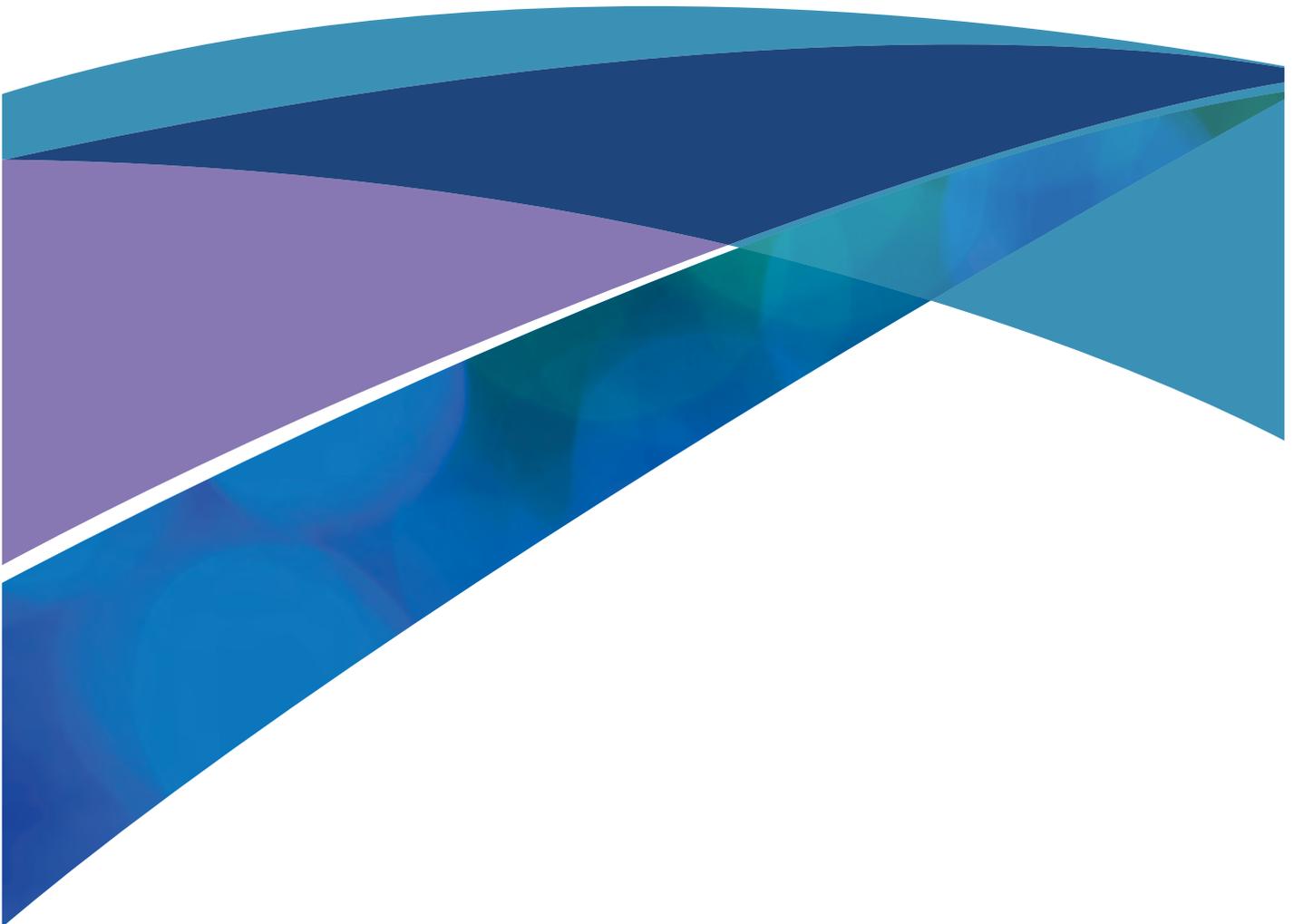




Intellectual
Property
Office

Banking on IP

An Active Response



Introduction

Intellectual property matters. Whereas, in the not too distant past, the majority of business investment was in people or physical things like premises and machinery, today the majority of business investment is in intangible goods, in ideas and creativity. Making sure that our entrepreneurs, innovators and creators can translate their investment in the creation of intellectual property assets into value is key to the UK's long term growth prospects.

In the last 12 months, the Intellectual Property Office has done much to increase the likelihood that British businesses understand the importance of managing their IP effectively. It has boosted its business outreach activity and worked with key media contacts like the BBC's Dragons' Den to get across the message that those businesses that manage their IP well are most likely to flourish. At the same time, the IPO has worked to make sure that businesses can access the tools and the support they need to manage their IP effectively. It has completely refreshed its business guides, developed new on-line tools and extended its training programmes to those business advisers who, in the past, might have felt ill-equipped to raise IP issues in advisory discussions. It has also negotiated new advisory services from around 250 specialist IP advisors. They will now ensure that, where a business has an IP Audit conducted following a referral through the GrowthAccelerator Programme in England or equivalent programmes in the devolved administrations, the business will also be able to access advice on how to take forward audit recommendations, initially on a pro bono basis. Looking beyond the UK, the IPO has also increased the support and advice available to businesses which trade internationally with a dedicated web page, www.ipo.gov.uk/ip4b-abroad.htm, which includes simple dos and don'ts, frequently asked questions, fact sheets and IP guides for firms doing business in the trickiest markets. In addition the IPO offers IP training for UKTI's International Trade Advisers and has created a network of specialist IP Attachés covering the fast growing markets of China, India, Brazil and South East Asia.

Alongside improvements to the IPO's core rights granting services and to the enforcement infrastructure, these support services will help to ensure that British businesses can both protect and exploit their IP assets in ways that support the UK's return to robust and sustainable economic growth.

But a key barrier remains. In 2013, the IPO commissioned Inngot and Valuation Consulting Limited to investigate whether those who created or owned IP assets could use them to secure the finance they need for company growth. The research drew on a broad range of data and feedback from government, the financial services sector, business advisers and, of course, from creative and innovative businesses. Its report, "Banking on IP? The role of intellectual property and intangible assets in facilitating business finance" found that knowledge assets were not appreciated in mainstream UK lending and that IP was therefore a missed opportunity with millions of pounds worth of business assets whose value was not being leveraged at all, or only being leveraged inadvertently.



The report made two overarching recommendations:

- “A ‘resource toolkit’ must be put in place, sponsored by the Intellectual Property Office and supported by funders, aimed at helping SMEs, lenders and other financiers to make more effective use of the value IP and intangibles represent within businesses. The points for focus are set out below. This toolkit should be accompanied by steps to secure financier commitment to trials, appropriate training/familiarisation, and measures to monitor the economic effectiveness of the support provided. These steps are important to ensure that further measures to assist in value realisation can be identified and a business case built for their implementation.
- The programme must build on existing initiatives. Apart from EFG, there is already government support designed to boost lending through financial contributions to designated funds (the Business Finance Partnership). There are also helpful tax incentives to encourage investment in early stage companies (principally the Enterprise Investment Scheme) and to stimulate greater appreciation of the value in IP (the ‘Patent Box’). All are useful developments which can, and should, play a greater role in raising awareness and appreciation of IP, and putting it to practical use for business innovation and growth. “

The research encouraged development of a ‘common language’ to allow businesses to identify and describe their actual assets in a way that can be understood by lenders. A set of templates could help create confidence that the ownership and quality of IP and intangible assets is understood, to allow for effective due diligence to control costs. This common language together with clear templates and guidance would make it possible to create a proper interest over the assets. Improved access to relevant data would help support IP backed financing and more work was needed to speed up the progress of development of insurance policies, which would increase banking confidence.

The researchers also noted that government support already exists to boost lending, as well as tax incentives to encourage investment and innovation. It underlined the need to ensure any new developments built upon these existing initiatives.

Following publication of the research report, the IPO convened a series of roundtable discussions with representatives from the financial services sector, including banks, equity investors and insurers, from the business advisory community, including the IP profession, lawyers, accountants and general commercial advisers, and from a number of SMEs. The events prompted lively and well informed debate with which to test reactions to the report, identify priorities for action and encourage potential delivery partners to step forwards. Within the round table discussions and in other meetings we heard:

- Considerable praise for rigour of the Inngot / Valuation Consulting research and agreement with its principal findings and recognition.
- Strong support for action in particular around:
 - awareness raising: both making sure that businesses understood the need to identify, manage and value their IP assets and had the ability to communicate these to lenders/investors, but also to build awareness of IP asset value within the financial services sector;
 - the development of tools or a framework to support a better dialogue between businesses and financial services professionals. The tools will help businesses to articulate IP they have, how it is secured and how it supports the future cash flow of the business;
 - work to enable the development of markets for trading IP so that value can be better established, with greater transparency. This could include trading platforms for assets, or for licences, either of which would help to establish value, and they need to be transparent enough to build confidence. Several such platforms already exist but awareness and use is not yet widespread; and
 - measures to boost confidence in the use of IP as collateral: including
 - an insurance model for IP which can be used to underwrite loans, and effectively separate business risk from IP risk for lenders. Alongside the other actions this would make decisions at the credit approval stage faster and lower cost; and
 - better information on IP rights, validity, ownership and charges which would underpin both markets and insurance.

This paper summarises the IPO's conclusions, sets out the actions we will take in this area and signals where action is needed by other parties. It also outlines the IPO's intent to work with other bodies promoting new solutions to innovation finance, and to develop a programme which can build the data and experience needed to build confidence.

Building Understanding

A key challenge identified both in the Inngot / Valuation Consulting research report and in the IPO's roundtable discussions was the lack of understanding, in both businesses seeking finance and in the financial services sector, of intellectual property as an intangible asset and of how it could be used to generate cash flow. For businesses, the effect of this lack of understanding meant that IP assets were neither identified nor effectively deployed in business strategy and opportunities to secure their full commercial value were missed. For financiers, it meant that IP assets were not fully appreciated in mainstream lending decisions. As the 'Banking on IP' report concludes:

“ Cash flow, perhaps the chief consideration in debt finance, is often closely connected to a company's IP and intangibles. Despite this, and good evidence to show that high growth, IP-rich businesses are more resilient and perform better than others over time, IP and intangibles are rarely considered in mainstream lending practice. ”

Early action must focus on raising awareness and stimulating an appetite for change within both business and the financial services community.

We know that the very nature of intangible assets means that they are often unseen and overlooked. More than this, we recognise that for a small business facing many competing demands, it can be very difficult to devote time, money and energy towards managing intellectual property, particularly when the benefits of doing so may not be immediately obvious or may seem distant. To stimulate different behaviours within these firms we must therefore create a compelling case for change and demonstrate clearly and credibly how IP can be used to generate revenue, raise finance and grow a business. The IPO will therefore develop a series of real life case studies which show how a business has, through management of their IP, been able to secure finance, attract new business or increase their profitability. It will actively promote these case studies through its own and through partner channels.

In 2013, the IPO developed a number of basic training tools, known as IP for Business, to provide small businesses and their advisors with a basic understanding of IP. These tools will not create IP experts but will give people the basic knowledge needed to recognise potential assets, to identify when expert advice is necessary, and to begin developing strategies for maximising the value of their IP. The IPO will actively promote these products as a building block to improving the understanding and use of intangible assets.

Action

IP for Business



The IPO's suite of tools for businesses and their advisors includes:

IP Basics - a free guide on the different types of IP and how they can be used to add value to a business.

IP Equip - a free interactive e-learning tool to help identify assets which may be protected by IP.

IP Equip App - a free information app to ensure business advisors can have IP information at their fingertips.

IP Health Checks - a series of free basic diagnostics to allow businesses to identify potential risks and opportunities.

IP Master Class - a more in-depth training package, offered in online or face-to-face format, which covers IP and its use in business as well as topics such as enforcement.

Raising awareness through the financial sector will require a strong partnership with the relevant representative bodies. These bodies can help us shape our messages for their members, to ensure that they are relevant and resonate with our intended audience. Working together with the British Bankers' Association (BBA) and its Business Finance Roundtable we will create an awareness campaign to build awareness across the banking industry of the value of intellectual property and the role it can play in growing a business. This will include promotion of our existing IP for Business products, as well as any new products developed directly for this audience. The IPO will also, in co-operation with all the relevant bodies, support any review of bankers' training programmes to identify opportunities for inclusion of IP training.

Goal:**Action**

Building Understanding

What we will do

Our Goal: To promote a greater understanding of IP within businesses seeking finance and the financial services sector.

The IPO will:

- Actively promote improved understanding of IP and its value to business to SMEs and lenders through its IP for Business tools.
- Develop a series of real life case studies which show how a business has, through management of their IP, been able to secure finance, attract new business or increase their profitability. It will actively promote these case studies through its own and through partner channels.
- Working in partnership with the BBA and its Business Finance Roundtable, promote understanding of IP across the financial services sector, including frontline business managers.
- In co-operation with all the relevant bodies, support any review of bankers' training programmes to identify opportunities for inclusion of IP training.

Supporting a Productive Dialogue

Successive reviews of SME growth potential in the UK, culminating in the most recent “SME Journey towards raising external finance” (BMG Research for BIS, October 2013) have pointed to gaps in financial skills in many businesses. A lack of awareness of funding options, dependence on a single supplier, and absence of contingency plans are among the findings. At the same time the IPO’s own research shows that only a minority of smaller businesses fully understand the role and importance of IP, although scores since our earliest survey in 2006 have shown some improvement as a result of outreach and education work.

The consequence of the limited understanding of intangible assets within both the small business and the lending community, is that businesses struggle properly to identify and explain the value of their intangible assets and banks are unable to recognise their full potential within financing decisions. In all of our discussions we have heard a very strong message that the IPO needs to lead the way in the development and promotion of tools which will enable a more productive dialogue between lenders and their potential clients. This chapter outlines how we will respond to this message by developing a toolkit geared to:

- Helping lenders and businesses talk the same language;
- Encouraging and guiding businesses to document their IP assets ahead of any application for finance; and
- Helping businesses to develop more effective IP management and commercialisation strategies.

The first step will be to develop common terminology, so that lenders and businesses can talk the same language. The finance and IP worlds are both full of terms not readily understood by the lay person and which can be misused or confused. As a first step to developing a common understanding the IPO, working with businesses and the finance community, will develop a glossary of accepted definitions to be used when describing and valuing IP and intangible assets.

This common language will form a foundation on which we will develop templates and guidance which will help business accurately to document their IP assets in a way that supports the decision making of a potential lender. We recognise that most lenders already use standard templates or application forms for client businesses seeking finance. We will therefore seek to produce templates for IP related assets that can either be directly incorporated into this existing documentation or which can be used as a databank for information likely to be required by lenders.

In recent years, the IPO has worked hard to ensure that its business guides reflect the needs of modern businesses. It is still the case, however, that the majority of IP guidance is focussed on protecting IP assets with more limited information on how a business might seek to commercialise its IP or manage that commercialisation to generate the reliable cash flow likely to be of most interest to a potential lender. The toolkit will therefore include guidance and support on developing an effective IP management and commercialisation strategy for taking IP from an idea through to a profitable business. This will include, within the topic of IP management, guidance on effective due diligence, including topics such as identifying any existing infringement, how likely any rights are to be held valid in court, identifying existing licensees, or indeed whether the owner of the IP requires licensing of another's IP.

A key part of this guidance will be to build business understanding of the range of financing options available. As the Inngot / Valuation Consulting report commented "The majority of UK SMEs who seek finance see their bank as the first port of call". It is likely that the relatively low level of financial skills in many SMEs means that few look beyond their bank to asset-based lending option, mezzanine finance or equity finance opportunities such as crowd funding or more traditional venture capital. A number of organisations – government departments, business representative organisations and the financial institutions themselves – have, over the years, produced a range of useful guides on sources of finance. For example the 'Better Business Finance' website (www.betterbusinessfinance.co.uk), managed by the British Bankers' Association (BBA) in collaboration with its business and finance partners, offers simple, accessible and intelligible hints and tips on preparing for a successful finance application that will be valuable to any small business seeking finance. Typically, however, these existing guidance tools fail directly to address the particular needs of IP-rich businesses. The IPO will therefore seek to work in partnership with high street banks to develop and communicate improved guidance on finance options for IP rich businesses.

Guidance will also be needed for financial services staff. Many of the banks, business advisers and businesses who participated in the IPO's roundtable discussions commented that frontline bank staff were typically banking generalists who had a broad, but relatively shallow understanding of the issues surrounding small business financing. Few had any understanding of IP and, although many had personal development objectives, all would struggle to devote time to lengthy training programmes. By the same token, entrepreneurs are also time poor, with many competing issues to prioritise. If we are to succeed in raising the understanding of IP across both of these communities we must ensure that any learning offer is simple, not too time consuming, and delivers clear, visible benefits.

For entrepreneurs the requirement is for a relatively straightforward framework or logic which leads from the type of IP asset identification already delivered in the IPO sponsored 'IP Audit' programme, to an account of how IP underpins business cash flow and value. For the Financial service community the framework needs to have readily understandable links to their normal criteria for business sustainability, loan affordability and business risk.

Many participants at roundtables were aware of a number of existing tools to help value IP assets. We do not want to use valuable resource reinventing existing good quality tools and guidance, but we recognise that, too often, those who might find it useful are unaware of it. The IPO will therefore collate information on any existing tools and, if the copyright owners are willing, assess their value for inclusion within the toolkit.

Testing new approaches will be an essential part of progress. The IPO will work with Nesta and Big Innovation Centre to develop and test new models for innovation finance. Nesta is currently setting up a new "innovation, entrepreneurship and growth lab" that aims to experiment with different approaches to increase innovation. The Big Innovation Centre (BIC) has begun the process of developing an "Innovation Finance Hub" as a vehicle for trialling different types of investment finance in innovation based businesses. The initiatives by Nesta and BIC are welcome, and the IPO will encourage others with similar objectives.

Together with Nesta, BIC and other partners, the IPO will look for opportunities to test:

- Methods for assessing 'investment readiness' of innovative enterprises which are IP rich;
- Models to communicate the importance of IP in future cash flow for firms seeking finance;
- Approaches to funding models for IP rich enterprises;
- Ways to build bank, and other lenders, capacity to take account of IP in credit decisions.

Case Study

Lancaster University

Philanthropic crowd-funding of IP through the 'valley of death'

Too many inventions stall in the 'valley of death' between academic research and industrial application due to difficulties in raising funding. Lancaster University is trying a new model to overcome this waste by trialling internet-based public crowd-funding to progress world-leading patent-protected medical research.

Many people have relatives or friends suffering from degenerative brain diseases, including Alzheimer's disease and Parkinson's disease. Professor David Allsop and his expert scientific team hope to use crowd-funding to allow them to develop their work on diagnosis and treatment of these diseases, so that practical interventions may eventually be delivered to patients by the NHS. By using crowd-funding to aggregate small donations, the team hopes to allow many people to contribute and to make a significant difference to research. The team will develop best practice guidelines for philanthropic crowd-funding to help other universities successfully to use this technique.

In March 2014 the IPO, through its Fast Forward competition, awarded funding to Lancaster University to support the trial of this alternative funding model within the medical sector.



Unless the new toolkit has the support of users it is unlikely to drive the change in business finance behaviours we want to see. Although the IPO will lead the development of new tools and guidance we recognise that we will need to work in partnership with representatives of the banking sector, investors, SMEs and the IP profession to steer the development of these products and ensure that they are fit for purpose. We will therefore seek to develop tools and guidance within a small working group which includes people from these different groups. We will also look to conduct early, small group, user trials which allow tools and guidance to be fine-tuned in response to feedback.

Goal:**Action**

Supporting a Productive Dialogue

What we will do

Our Goal: To enable a more constructive dialogue between sources of finance and IP-rich business.

The IPO will:

- Lead development of an IP finance toolkit, in collaboration with business and the financial services community. The toolkit will include:
 - A glossary of accepted definitions to be used when describing and valuing IP and intangible assets;
 - Templates and guidance to help businesses accurately identify and describe their IP assets in a way that prepares them for finance applications and supports the decision making of a potential lender;
 - Guidance on developing an effective IP strategy, commercialisation of IP and effective due diligence processes;
 - Improved guidance on finance options for IP rich businesses;
 - Appropriate existing tools and guidance
- Conduct early, small group, user trials which allow new tools and guidance to be fine-tuned in response to feedback.

Growing Financial Confidence

Business finance decisions rely on confidence: lender confidence that funds lent will be returned; on investor confidence that they will make a sufficient return on their investment; and, when things go wrong, on the confidence that asset values, when sold, will be sufficient to recoup any financial outlays. However, both the 'Banking on IP' report and our subsequent discussions with financial services sector contacts showed that, although better understanding and valuation of IP assets will help, confidence would remain low without the emergence of affordable and effective risk mitigation solutions, without improvements in the IP marketplace and underpinning improvements in IP data flows and valuation practices. As the Executive Summary to the report comments:

“ access to appropriate insurance policies to guard against unforeseen events could greatly increase banking confidence in adding further weight to IP and intangibles within the lending decision. ”

And

“ the development most likely to transform IP and intangibles as an asset class is the emergence of more transparent marketplaces where they can be traded. ”

This chapter of our response to the report signals what the IPO will do to encourage development of the marketplace and the development or use of risk mitigation tools.

Reducing Risk

Lender or investor exposure to risk can be reduced either by sharing risks with other parties or by applying an appropriate insurance policy.

Risk Sharing

UK businesses can already access a number of risk sharing tools. For example:

- **The Enterprise Finance Guarantee Scheme:** The Enterprise Finance Guarantee (EFG) is a loan guarantee scheme to facilitate lending to viable businesses that have been turned down for a normal commercial loan due to a lack of security or a proven track record. The delivery of EFG, including all lending decisions is fully delegated to the lender who decides whether EFG is appropriate and confirms eligibility. The UK Government provides a guarantee to the lender but has no role in the lending decision making process.
- **The European Investment Bank Risk Sharing Finance Facility** helps to lower the risks associated with long term research, development and innovation projects by sharing those risks with promoters, banks and others

The new British Business Bank runs the Enterprise Guarantee, as part of a wider remit to improve the functioning of finance markets for small and medium-sized businesses in the UK. It does not lend directly to business - instead it provides funding and guarantees to private sector finance providers ranging from banks to venture capital funds, in all it has around £4bn of capital to deploy. It is a key element of the Government's Industrial Strategy geared to making the UK the best place in Europe to start, grow and finance a business.

IPO research evidence confirms the role of IP rights improving survival rates and productivity for young innovative firms in the UK, just as it does in other markets. IPO will reach out to the operators of existing risk sharing schemes to see how this, and other market based evidence can be used to take IP into account in credit scoring in ways which are likely to reduce risk overall. Steps towards this could include:

- Identifying IP backed business propositions from firms, which have passed all the bank lenders tests for creditworthiness except collateral, as a specified category under the coverage of the Enterprise Finance Guarantee scheme, if they can show how IP underpins their future cash flow.
- Including similar IP backed business propositions in discussion with the British Business Bank to ensure its interventions are appropriate for these types of firms

Although both the Business Bank and EIB tools are potentially valuable, our discussions with businesses, business representative organisations and business advisers suggests that there is a low level of awareness of them, which means that they are not always used. We also heard a number of concerns that even where they were brought into play, they suffered from the same poor understanding of IP assets. The IPO will reach out to those organisations providing financial risk sharing tools to promote a better understanding of IP issues and assets.

Case Study

Abertay University

Investing in Digital Assets

Persuading investors and lenders to recognise the asset value of digital Intellectual Property can be challenging when small, creative games development companies attempt to secure working capital to grow.

The Investing in Digital Assets project will work with a portfolio of grant supported games developers to identify a framework of distinguishable assets of intellectual property. Each case examined will be scrutinised by technical consultants, legal specialists, investors and lenders to develop best practice for asset recognition in this area. A wide range of issues will be evaluated including code and digital asset housekeeping, third party rights and other encumbrances, the impact of intangibles such as the extent to which individual creative input is separable from legal ownership and also ways discrete assets might be repurposed. The overall impact will be to encourage potential investors to have greater confidence in digital assets created by the games industry, helping to stimulate higher flows of working capital and growth in the sector. In March 2014 the IPO awarded funding, through its Fast Forward competition, to the Abertay University to take forward this work.



**Abertay
University**

Risk Insurance

Where IP assets are used as collateral in debt finance, lender risk is perceived to centre around a significant shortfall in asset value. A significant concern for both business borrowers and lending institutions, in the wake of media coverage of individual cases, is that these actions will involve significant cost and – as borrowers take anti-infringement enforcement actions which prompt counter-claims that their IP is invalid – could mean that the value previously ascribed to IP assets is dramatically reduced, in some instances to nothing at the same time that resources elsewhere in the company are being eroded by legal costs. Although a number of providers exist, the Banking on IP report concludes that:

“ The UK IP insurance market ... is currently immature with a comparatively small number of specialist underwriters and brokers providing services at what businesses have historically regarded as relatively high cost. ”

The high costs associated with IP insurance today result from poor business understanding of IP risks and low levels of demand for IP insurance products typically sought principally by those firms which consider they face a significant risk of litigation. The IPO sees significant market potential for insurers to develop a mass market offering, which would allow risk to be spread across higher volume provision.

Whilst litigation is never going to be a cost or risk free option, the new landscape provided by the transformation of the Patent County Court into the IP Enterprise Court is beginning to make an impact. The IP Enterprise Court has provided access to justice at a more proportionate cost for SMEs by providing a cap on the risk to which they are exposed. This has reduced overall costs for SMEs and allowed them to assess the risk of litigation far more effectively than before. The IPO is currently scoping work to build upon this by encouraging greater use of alternative dispute resolution mechanisms, which are cheaper and quicker than court proceedings. These steps will reduce the potential liability faced by insurers, as well as giving greater certainty on the risk faced. In turn this should lead to a reduction in the cost of 'before the event' insurance, thus creating a virtuous circle whereby the reduced cost of premiums encourages greater take up of insurance, which in turn drives down the costs of insurance.

Case Study

Insurance can also play a role where a lender provides money to a business on the basis of an IP portfolio and the business subsequently defaults. In this situation, it would normally be for the lender to claim and dispose of any collateral within the loan agreement but, because the opportunities and risks associated with IP are less familiar to many lenders, we know that many doubt whether IP will deliver sufficient security to cover the debt. A number of new insurance models are emerging to cater for this, for example the services offered by M•CAM (see box) to underwrite IP and other intangible assets. We see opportunities for the development of similar offerings within the UK – as do existing US providers.

More generally, if lenders were to make insurance an accepted practice in lending where IP assets are the principal collateral this would develop a market in risk assessment and insurance policies, leading to economies of scale and a better understanding of risk. The introduction of new approaches within the UK is clearly a matter for individual companies within the insurance industry, but to encourage progress the IPO will facilitate discussions between lenders, businesses and insurers to share thoughts on the market potential and to determine whether there is a role for government in accelerating developments.

Based in Virginia, M•CAM, Inc. underwrites the value of IP portfolios. M•CAM provides a valuation of a portfolio of patents which it is prepared to insure, based on its own risk assessment and management know-how. The bank then pays an insurance premium and lends up to the insurance value. In the event of a default, M•CAM takes title to the IP, settles the debt and uses its expertise in IP markets to sell the IP. The company also uses its risk assessment know-how to support other insurers.



The IP Marketplace

A lender's decision to accept IP as collateral for finance rests, ultimately, on its confidence that, in the event of a default, they will be able to sell the IP to cover the debt. Although we know that trade in IP assets is growing, with trade in IP licences now representing over 5% of all global trade worth some £600 billion a year¹, lenders are concerned that there is no mature marketplace within which IP assets can be sold in the event of default. A number of current developments within the UK will help this (see box). In addition we understand that a number of sectors are exploring ways of creating market places for IP and ways of matching potential users with IP that may be available either for sale or license. Some of these platforms are purely for licensing whilst others are matching IP and expertise to support business growth, for example the National Centre for Universities and Business, working with the Research Councils, HEFCE and the Technology Strategy Board are developing a collaborative online platform, which joins up university research and expertise with the needs of business.

Case Study

Developing the IP Marketplace

Current Developments

The ACID Marketplace provides an online trading platform within which buyers can view designs created by ACID Members, supported by an enhanced ACID Design Databank and tracking system developed from IP Tracker. It provides a conduit between designers and design buyers where members can exhibit existing and new products and prospective design buyers can register to view.



ICAP Patent Brokerage ICAP Patent Brokerage matches IP buyers and sellers in the USA, Asia and Europe using a range of market mechanisms including auctions, private sales and more innovative approaches such as 'Covenant Not To Sue' and Strategic Patent Buying.



Easy Access IP, developed by the University of Glasgow, King's College London and the University of Bristol, provides access to a portfolio of free IP through simple one page licensing agreements, designed to provide a fast-track route for the transfer of knowledge and expertise, making it easier for universities and industry to work together.



IP Asset Values

The growth of a more transparent marketplace for IP would improve access to finance for business by improving market confidence around asset values and providing a means by which lenders can dispose of assets in the event of a default. Recent work in Europe has highlighted the difficulty in valuing IP in that each intangible asset is unique, and quite possibly highly innovative, making direct comparisons between different assets impossible. Increasingly open and transparent trading of IP will increase the data available and in turn provide greater confidence to lenders.

We see rising interest in open data on business performance linked to IP ownership and use, which will need developing to provide the degree of shared information which can underpin a market. The IPO has started discussion with Open Corporates on the extent to which its planned patent and trademark data publication will help, and will encourage developments. There is also an increasing number of IP data based analytical services on IP risk and value, available to subscribers who wish to be active market participants (eg Aistemos). These are initiatives that depend on good data, which the IPO can promote, and good intelligence and analytics which will be driven by innovation in a competitive market.

The IPO hopes that through continued education and awareness raising the understanding of market operators will develop to a level at which such trading platforms are able to operate effectively. The IPO will undertake an assessment of the trading platforms currently in existence to see how effective these are and whether there is more that government could be doing to remove barriers to their development.

Goal:

Growing Financial Confidence

What we will do

Our Goal: To create the systems to give lenders confidence in assessing the value of IP and the risks involved in lending against it.

Action

The IPO will:

- Encourage dialogue between insurers and lenders with a view to developing appropriate insurance policies;
- Undertake an assessment of existing IP trading platforms;
- Reach out to operators of existing risk sharing schemes to see how IP can be taken into account in credit scoring in ways which are likely to reduce risk overall.

Conclusion

The UK has a rich heritage of innovation and inventiveness. Making sure that our entrepreneurs, innovators and creators can translate their investment in the creation of intellectual property assets into value is key to the UK's long term growth prospects, but research shows that IP-rich businesses can struggle to access the finance they need to build success.

In 2014/15 the IPO will therefore focus attention on improving the ability of IP-rich businesses to secure access to growth finance - by building understanding of IP in the business and the financial services communities, by enabling a more productive dialogue between businesses and lenders, and by building greater confidence in the value of IP assets as collateral. In particular it will:

- Actively promote improved understanding of IP and its value to business to SMEs and lenders through its IP for Business tools;
- Develop a series of real life case studies which show how a business has, through management of their IP, been able to secure finance, attract new business or increase their profitability;
- Work in partnership with the BBA and its Business Finance Roundtable to promote understanding of IP across the financial services sector, including frontline business managers;
- Lead development of an IP Finance toolkit, in collaboration with business and the financial services community, including templates and guidance on identifying and managing IP assets;
- Encourage dialogue between insurers and lenders with a view to developing appropriate insurance policies;
- Undertake an assessment of existing IP trading platforms;
- Reach out to operators of existing risk sharing schemes to see how IP can be taken into account in credit scoring in ways which are likely to reduce risk overall.

Concept House
Cardiff Road
Newport
NP10 8QQ

Tel: 0300 300 2000
Fax: 01633 817 777

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