

WIPO Ask the Expert Series

THE FUTURE OF IP FINANCING FOR ECONOMIC GROWTH



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Deconstructing the Question

What do we understand by “economic growth”?

- Increase in the capacity of the economy to produce goods & services.

Deconstructing the Question

What do I mean by “economic growth”?

- Increase in the capacity of the economy to produce goods & services...**by diffusion of technology and wealth**
- Beyond “trickle down” economics, a grassroots empowered spread of wealth by maximization of innovation.

Deconstructing the Question

What do I understand by “IP Financing”?

- Use of IP assets as collateral or leverage. (Access to capital)
 - Leverage: IP value to secure a loan
 - Collateral: the IP itself as security
- IP backed loans (leverage)
- IP securitization (Collateral)
- IP sales / leasebacks

- **Is then a classic license agreement a form of IP backed financing?**

Deconstructing the Question

What do I understand by “IP Financing”?

- IP for royalties **vs** Royalty stream for capital
- University spin-outs (IP for equity)
- Venture financing (IP as semi security)

Deconstructing the Question

What do I understand by “IP Financing”?

- Some notable past attempts:
- IP exchanges (IPIX by Ocean Tomo)
- Patent Auctions
- Aggregators (insurance against NPE)
- Royalty Financing
- Venture financing of pre-emptive anti-dilution
- UCLB’s streamlined licenses

What are the typical problems?

- For Financial instruments to gain traction and grow
 - Liquidity (easy conversion to cash)
 - Fungibility
 - Utility
- Are needed to create a market demand
- Infrastructure and regulation add security and foreseeability to risk management

What are the typical problems?

- IP with its 4 main pillars (patents, copyrights, TM and tradeseecrets) is not a straight forward asset class.
- IP valuation:
 - Difficult & costly
 - Subjective
 - Fluid
- Risk:
 - Lack of understanding of IPRs
 - Risk of nullity actions, cancelation, non-renewal
 - Chain of title
- Difficult to divest (example of France Brevets)
- Validity:
 - Need to protect and police 3rd party infringement
 - Time limits

Today

- In short, compare to value represented by IP assets, IP based financial market is very small.



Tomorrow

- Artificial intelligence
- Power of data, data ownership
- WEB 3.0
- Blockchain and smart contracts
- More SEPs with IoT
- New venture financing models
- “Impact Licensing” and similar approaches
- Global IP standards (the famous “world patent”)

Tomorrow

Artificial intelligence

- Will impact valuation, possibility of real-time value fluctuations.
- Impact on evaluation assessments of IP
- Possibly AI generated new asset classes*
- Impact on monitoring and better risk assessment

Tomorrow

DATA

- New emerging asset class.
- Eventually a 5th pillar of Intellectual Property Rights
- Centralized definition, ownership, enforcement and use (beyond “I know it when I see it”, Justice Stewart 1964)
- With Web 2.0 data is a monetization tool (transacted) under Web 3.0. data is production tool (enabler)

Tomorrow

WEB 3.0

- Decentralized user-based internet
- Content and data: user generated, user controlled, and user owned
- Blockchain based smart contract transactions
- Revenue streams: Cryptocurrencies and tokens

WEB 3.0

Blockchain & Smart contracts

- Immutable and transparent IP ownership chain of title
- Automatization of certain type of license agreements (UCLB 2.0). Particularly relevant with SEPs but also with Crowd funding
- Rise of *IPaS* models (i.e.. Subscription based IP licensing)
- Smart contracts can be linked to blockchain for royalties through cryptocurrency and tokens

WEB 3.0

Tokenization

- Digital representation of value, utility, ownership.
- Also allows overall real utility value to be broken down to single units for digital transactions
- Interoperability of utility tokens with currency or security (equity) tokens.
- Global access



WEB 3.0

Decentralized Financing

- Derivative asset classes (active ingredient patent to pharma licensing future royalty income)
- Direct fund raising without intermediaries
 - DeFI platforms
 - Crowd funding
- Access to market to small actors, SMEs with limited IP portfolios

Tomorrow

WEB 3.0

- Is decentralized good?
- Regulatory and legal actions
- Perception
- Climate impact
- Misuse, criminal activities

Tomorrow

METaverse

- New digital IP class based on traditional pillars (i.e.: trademarks)
- Identities for sale
- Account handles for sale
 - X handle for “Infowars”
- New monetization avenues



Questions & Discussion

THANK YOU

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