What is IP financing and why is it so important?

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IP Finance Webinar and Ask the Expert Series

May 10, 2024
IP and intangible assets as drivers of value

- Intangible assets held by firms worth c. $62 trillion in 2023 (up 8% YoY)
- Account for up to 90% of company’s assets (in major indices e.g., S&P 500)
- Total investment share of intangibles increased by 29% in 25 years (decreased by 13% for tangibles)

Sources: WIPO (2024): Global Innovation Index.
McKinsey (2021): Getting tangible about intangibles: The future of growth and productivity?
Introduction to IP finance
What is IP finance?
IP as credit facilitator

IP as underlying asset

Focus on financial value and cash generation of the IP (e.g., predictable royalty streams)

IP as signal for creditworthiness

Strong IP rights as signal for quality of business model and ability to service loan
Changing role of IP in lending

SECURITY W/O BENEFIT
- Catch-all provisions
- Lender takes security over *all assets*

COMFORT
- Understand business better, encourages repayment

COLLATERAL
- IP value determines size of the loan (borrowing capacity)
  - Usually not full value
### Which IP is bankable?

IP needs to support cash flows that can be used to repay a loan

**Attributes:** *identifiable, separable, and owned by the business*

<table>
<thead>
<tr>
<th>Easier to finance</th>
<th>Harder to finance</th>
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<tbody>
<tr>
<td>Patents</td>
<td>Trade secrets (which may need to be disclosed to use as security)</td>
</tr>
<tr>
<td>Registered trademarks</td>
<td>Unregistered trademarks</td>
</tr>
<tr>
<td>Revenue-generative creative assets</td>
<td>Other creative assets</td>
</tr>
<tr>
<td>Revenue-generative software code</td>
<td>Data (due to ownership and consent issues)</td>
</tr>
<tr>
<td>Registered industrial designs</td>
<td>Unregistered designs</td>
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Some examples of IP finance

**IP with clear value outside the company, even if the business fails**
- A well-known brand
- A patent portfolio that can be easily implemented

**IP that is central to a business’s activities**
- Catalogue of licensed music or film
- Royalty-generating software license

**IP that currently generates predictable revenue**
- Catalogue of licensed music or film
- Essential patents to comply with a popular standard

**COLLATERAL**
Security interest in the IP is taken. If the company defaults/fails, the lender or investor can liquidate the IP assets.

**SALE AND LEASEBACK**

**ENHANCED CASHFLOW LOAN**

**SECURITIZATION**
IP assets sold to Special Purpose Vehicle (SPV). SPV creates securities that can be sold to investors.

Adapted from: OECD (2022): Secured lending for SMEs: Making effective use of registries and intangibles, pg. 39
IP finance on the ground
Sources:
WIPO (2024): Country Perspectives, China’s Journey
IAM (2023): South Korea’s IP-backed lending market growth exceeds targets. KIPO commissioner on patent policy priorities and becoming a ‘top 3’ IP nation.
IP finance on the ground – Corporate perspectives

American Airlines Group Inc

American Airlines pledges brand and slots to secure $1.2bn loan

$1 billion of the notes will be secured by a first priority lien against the American Airlines brand and related trademarks and IP and $200 million will be in secured by existing incremental capacity under our LaGuardia-Regan National Collateral. The IP notes allow us to incur up to another additional $4 billion of first-lien debt.

Sources: Financial Times, Motley Fool

23 Jul 2020
IP finance on the ground – Lenders engaging

**NatWest launches Intellectual Property-based lending to fuel high growth businesses**

NatWest Group has launched a new lending proposition for high growth businesses to enable them to lever off the value of their Intellectual Property (IP).

**HSBC UK launches next level lending for next level tech businesses**

HSBC UK has today launched an exciting new ‘Growth Lending’ offering for high growth tech businesses in the UK, following the UK Government’s call for additional investment in the sector.

**HSBC UK adds £100m to tech Growth Lending Fund**

Sources: HSBC, NatWest, UK Tech News
Challenges to IP finance
Challenges of IP finance

- Valuing intangibles is hard
- Intangibles aren’t always visible
- Not encouraged by regulators
- High transaction costs
- Hard to liquidate
WIPO’s activities in IP finance
Unlocking intangible asset finance

1. **Raise the profile of intangible asset finance**
2. **Reveal what is happening on the ground**
3. ** Equip participants in the finance and valuation ecosystems**

- **IP Finance Dialogue** series to create a platform for conversation on intangible asset finance
- **Expert Consultative Groups** to take technical Deep dives (first one in 2023 on IP valuation)
- **Country reports** to build the evidence base and reveal what’s happening on the ground
- **Economic studies** on creative industry, commercial trends
- **Equip the community** to improve use of IP for financing (e.g., toolkits and guides such as the Hands-on Guide on IP Finance and trainings such as IP valuation)
- **Moving into implementation** of on the ground projects (e.g., IP Finance Pilot)
November 21, 2023

A platform where valuation and IP professionals, industry leaders, policymakers, entrepreneurs and investors convened to explore alternative strategies and novel approaches to unlock intangible assets and IP finance.

>2’200 people followed the event
Coming from more than 100 countries

35 speakers from 5 continents
shared their vision, experiences, and challenges in IP finance from different sectors like:

European Commission, EUIPO, IP offices
World Bank, International Trade Center, IVSC
Aon, UBS, HSBC, Natwest, Deloitte, KPMG

For more information, visit:
Country Perspectives on IP Finance

PUBLISHED
- China
- Jamaica
- Luxembourg
- Singapore
- Switzerland
- Türkiye
- United Kingdom

UPCOMING
- Austria
- Brasil
- Canada
- Mexico
- South Korea
- Visegrád Four
WIPO’s Hands-on Guide on IP Finance

Equipping those engaged in IP finance

- Template-based to help IP owners prepare for discussions with lenders
- A focus on bankable IP and setting expectations for transactions
- Examples of companies with different IP strategies

Focus on debt finance

- Preparation: Getting your portfolio in order
- Application: The lending process
- Decision: Deal structure and terms
- Implementation: What happens after the deal
Key takeaways

- Growing number of opportunities to use IP as a financial asset

- Taking advantage may require effort and education... **WIPO is working with the community to facilitate**

- People are figuring this out and are starting to **consider IP and related intangibles for financing**
For more information about WIPO’s work in the area, visit:

or scan: