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# Intellectual Capital and the Financing Market

**Luigi Amati – CEO META Group**

**THIRD WIPO-INSME INTERNATIONAL TRAINING PROGRAM: FINANCING YOUR  
BUSINESS WITH INTELLECTUAL PROPERTY**

**December 1 and 2, 2010, WIPO Headquarters, Geneva, Switzerland**



**INSME**

INTERNATIONAL NETWORK For SMALL  
AND MEDIUM-SIZED ENTERPRISES



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## **Presenting META Group:**

- 🕒 Consulting: Innovation policies and strategies**
- 🕒 Financing: seed and start up capital**
- 🕒 Services: start up coaching**
  
- 🕒 offices and representation in Europe (Italy, Slovenia, Poland), North Africa (Tunisia), Latin America (Argentina)**

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## **Why does finance have to do with Intellectual Capital?**

- 🕒 It costs money to develop and protect Intellectual Capital**
- 🕒 Most people do not have this money in their pocket so they have to raise it**

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## **Putting SMEs Intellectual Capital in context:**

**Intellectual Capital based Companies (Knowledge Intensive Companies - KICs) are the engine of the knowledge economy**

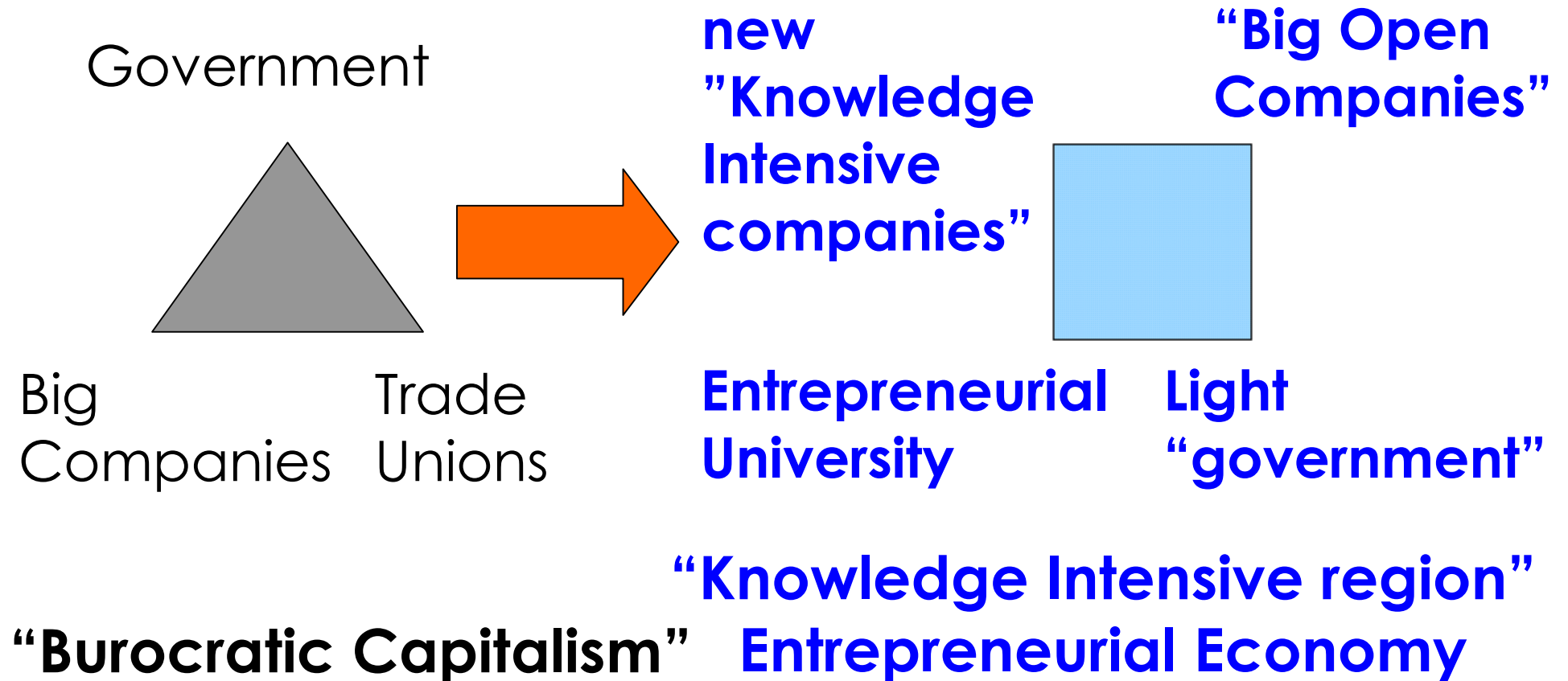
**Knowledge Intensive Companies make our own region (Knowledge intensive regions – KIRS) thrive and prosper**

**Being mostly based on intangible assets KICs are faced with many difficulties in raising finance due to uncertainty and asymmetric information**

**Uncertainty is impossible to eliminate but asymmetric information can be reduced**



## Knowledge intensive companies - Knowledge intensive regions



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A matter of culture:



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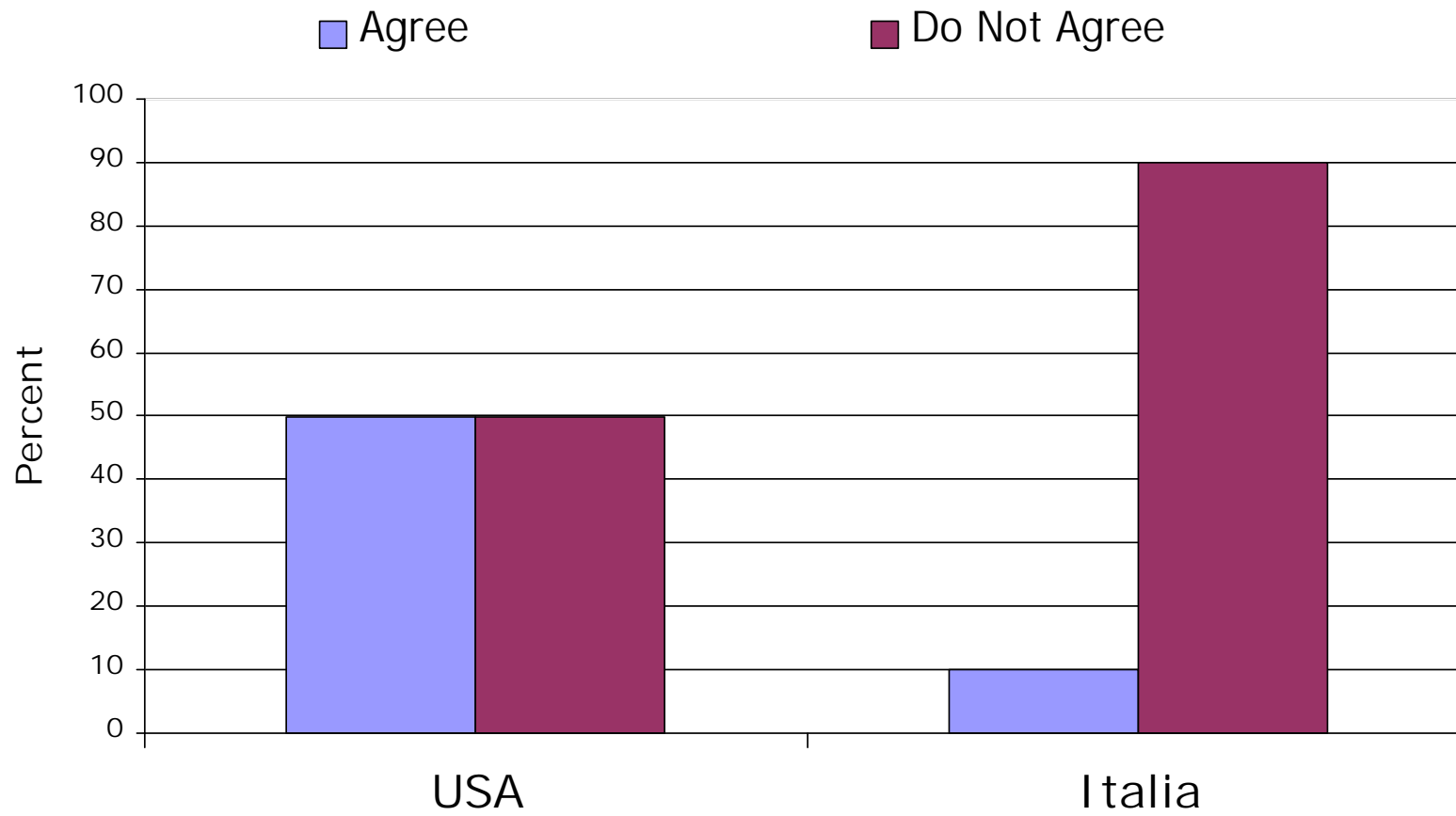
## Who is the Elite?

- **Professionals 45%**  
**(Lawyers, Notaries, Engineers, Medical Doctors)**
- **Politicians 25%**
- **Sportsmen 16%**
- **Entrepreneurs 4%**

Source: The Élites in Italy – Laterza 2007



## “Better Work Performance Should Mean Higher Pay”



Source: World Values Survey

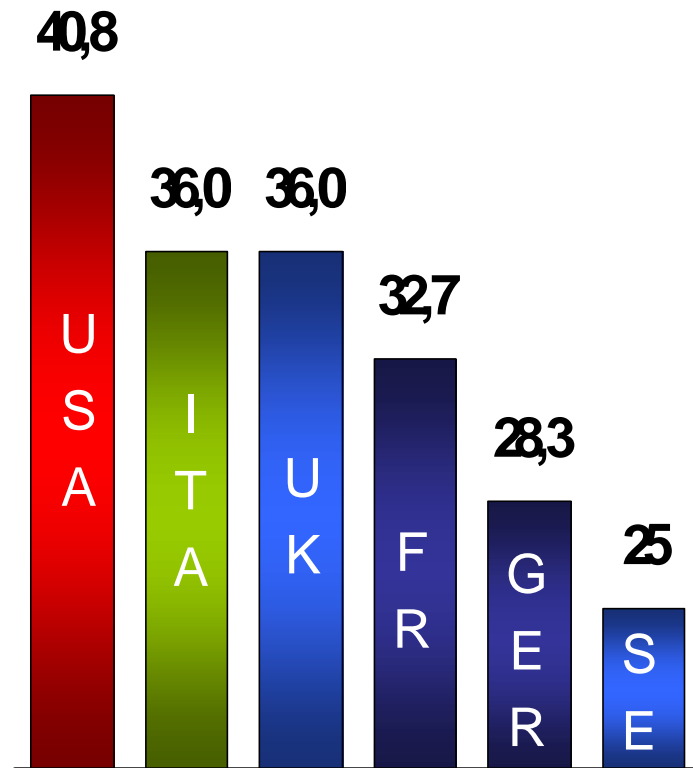


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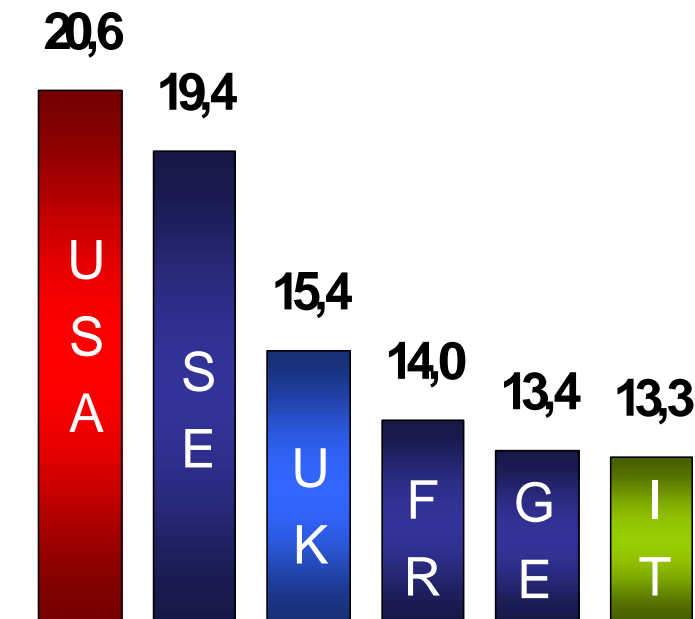
## Social inequality

*Gini Index (income inequality)*



## Social mobility

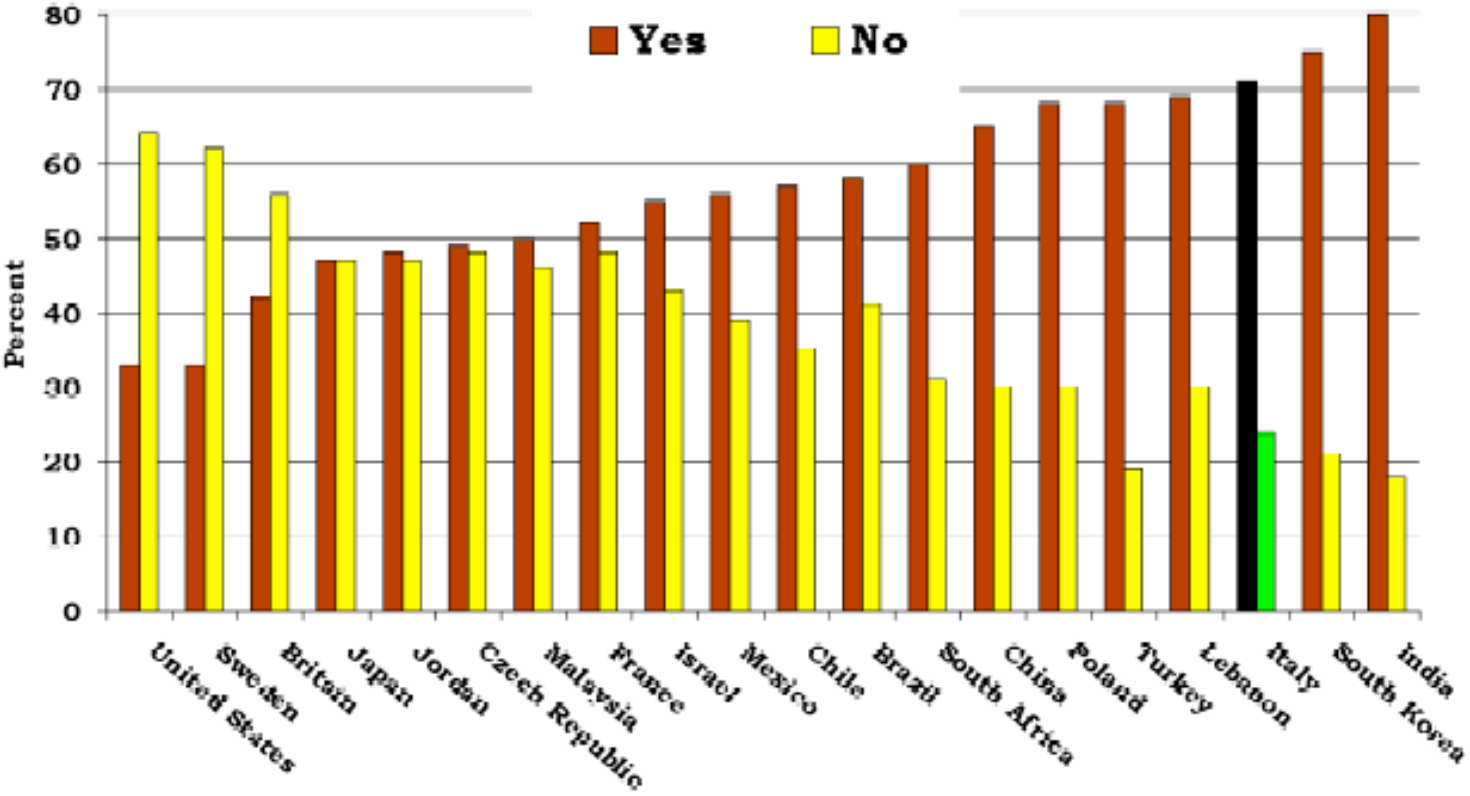
*Percent of people born in a working-class family that reaches a higher class*





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**“your future is not depending on you”**



Source: Pew Global Attitudes Survey, Oct. 2007



**Innovation:** to have a seat in the sun in the global knowledge economy we have to:

produce knowledge

+

exploit knowledge



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The dimension where this process takes physically place is regional ...



## A knowledge intensive region:

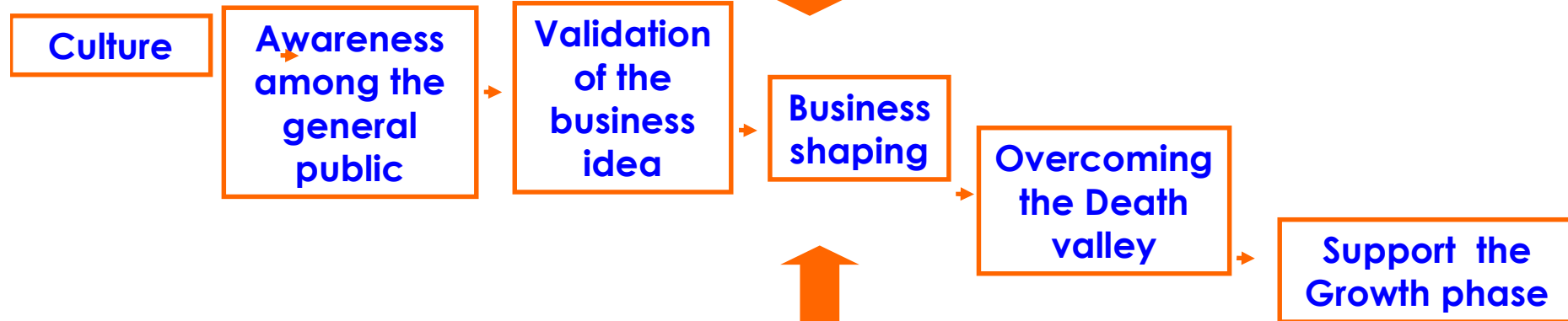
- 30 – 45 minutes driving range to go to work, where dialects, traditions and culture develops
- actors or spectators? Choice is to be an input node of the global network or an input-output node
- can only give output if we produce original knowledge and are capable of translating it into exportable products

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## Building the Intellectual Capital Ecosystem

Awareness campaigns, marketing and communication  
Finding and developing Entrepreneurs  
Transform their ideas into businesses



Education and Training  
Advisory services  
Access to finance  
Facilities (accelerator Science and Technology Parks)

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## **New companies and especially knowledge intensive companies: why bother?**

- New companies create 50-70% of new employment
- 2-3% of these (the KICs) creates 50% of new employment and almost 100% of growth
- Nokia alone has changed Finlandia phisionomy and perception, Google and Facebook are changing the way the world communicates and is informed

(Where Will The Jobs Come From?, Kauffman Foundation, November 2009)



## **Silicon Valley but also Ferrara:**

- Leylan Stanford, Patrizio Bianchi
- Google, Pharmeste



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## **Why a guide on Financing SMEs Intellectual Capital?**

- 🕒 KI SMEs are vital for a wealthy economy**
- 🕒 we need to lower the barrier and make finance and SMEs understand better on this key topic**
- 🕒 there are many different types of intellectual capital**
- 🕒 there are many sources of finance**
- 🕒 there are many types of valuation methods**
- 🕒 there are many types of companies in many different development stages**



## **Intellectual Property Financing and Monetization for Entrepreneurs, SMEs, Lenders and Investors**

### **o Part A – The overall perspective**

- o 1. Introduction: An international perspective**
- o 2. Financing the knowledge intensive companies: the Innovation Ecosystem**

### **o Part B - The perspective of the entrepreneur and the financial intermediary**

- o 3. New Companies - using Intellectual Capital, Intellectual Property to raise VENTURE CAPITAL (VC) Financing;**
- o 4. Existing Companies - using Intellectual Property to Finance LOAN, SECURITIZATION, SALE AND LEASE BACK**

### **o Part C – Legal and Technical: IP Due diligence, Valuation and Taxation**

- o 5. Due Diligence of IP at the level of the company**
- o 6. Valuation**
- o 7. Accounting and Taxation of IP**



# 1. Introduction: An international perspective

- o From a tangible to an intangible economy;
  - o the information/knowledge-driven economy in an increasingly ICT driven environment; networked; internationalized; open innovation;
  - o role of tangible property, intangibles and Intellectual Property (IP) in competitive strategy of a business;
- o Introduction to IP: a legal/business perspective
- o Business Case For Knowledge Management; Role of IP Asset Management in Knowledge Management; Intellectual Capital Management as Part of Knowledge Management Initiatives
- o Basics of Entrepreneurship
- o Basics of Strategic Business Management
- o Basics of Finance for Entrepreneurs and Business Managers
- o Basics of Risk Management

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## **2. Financing the knowledge intensive companies: the Innovation Ecosystem**

- 🕒 Public Financing of Research & Development
- 🕒 National System of Innovation
- 🕒 Private Financing of Research & Development
- 🕒 Role of Intermediaries (IP intermediaries, Innovation Intermediaries, Business Intermediaries, and other Intermediaries) in Financing of Innovation, start-ups and SMEs

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### **3. New Companies: using Intellectual Capital, Intellectual Property to raise VENTURE CAPITAL (VC) Financing**

- 🕒 Entrepreneurial Teams and IP Assets the key investment decision factors for VC firms
- 🕒 New Companies and the financing gap
- 🕒 Being Investor (Intellectual Capital) ready
- 🕒 Start ups and venture capital: case studies

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## **4. Existing Companies: using Intellectual Property to Finance LOAN, SECURITIZATION, SALE AND LEASE BACK**

- o IP Financing and Export/Import Financing Support
- o IP Financing based on Trademarks; brand valuation; case studies
- o IP Financing based on Patents; portfolio of patents; technology valuation; case studies
- o IP Financing based on Copyright; portfolio of copyright and related rights; case studies
- o IP Financing based on Industrial Designs; case studies
- o Using Intellectual Property as Security in key jurisdictions worldwide: Current Practice, Difficulties and Issues
- o Monetizing IP assets; securitization of IP assets
- o Intangible Collateral and the Financing of Innovation
- o Evolution and Regulation of Security Interests over Personal Property
- o Introduction to Insurance for Business Managers; Title Insurance and IP Financing; Litigation Insurance and IP Financing
- o International law – commercial laws of IP

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## **5. Due Diligence of IP at the level of the company**

- 🕒 Role of IP Due Diligence and/or IP Audit in IP-based Financing

## **6. Valuation**

- 🕒 Business, Economic and Valuation Issues: Introduction to basics of Valuation: An International Perspective; examples
- 🕒 Introduction to basics of Valuation of Intangibles: An International Perspective
- 🕒 Introduction to basics of Valuation of IP Assets: An International Perspective
- 🕒 Introduction to basics of Valuation of IP Assets in Licensing transactions and/or Litigation: An International Perspective; case studies

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## **7. Accounting and Taxation of IP**

- ① Introduction to basics of Accounting: An International Perspective
- ① Introduction to basics of Accounting of Intangibles: An International Perspective
- ① Introduction to basics of Financial Reporting by Companies: An International Perspective
- ① Introduction to basics of Reporting of Intangibles by Companies: An International Perspective
- ① Introduction to taxation of intangibles and IP assets: An International Perspective: Transfer Pricing; IP holding companies;





**Thank you for listening**

**Luigi Amati**

**[luigi.amati@meta-group.com](mailto:luigi.amati@meta-group.com)**

**[www.meta-group.com](http://www.meta-group.com)**