



Unlocking IP-backed Financing Series

Country Perspectives
The Republic of Korea's Journey



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Ministry of Intellectual Property

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Abbreviations

FSC	Financial Services Commission
IP	Intellectual property
IP SLB	IP sale and license-back
KIIP	Korea Institute of Intellectual Property
KFoF	Korea Fund of Funds
KIPA	Korea Invention Promotion Association
KINPA	Korea Intellectual Property Association
KIPnet	Korea Intellectual Property Network
KIPO	Korea Intellectual Property Office
KOCCA	Korea Creative Content Agency
MOIP	Ministry of Intellectual Property
PCIP	Presidential Council on Intellectual Property
R&D	Research and development
SME	Small and medium-sized enterprise

Executive summary

The Fourth Industrial Revolution and accelerating digital transformation have elevated intangible assets, above all intellectual property (IP), as a primary source of corporate competitiveness. IP finance, encompassing debt, equity and structured financing based on the assessed value of patents, trademarks and copyright, has emerged as a key mechanism for translating innovation into sustainable business growth. For small and medium-sized enterprises (SMEs) and venture companies that often lack tangible collateral, IP finance provides an important pathway to access growth capital that conventional financial markets may not readily provide.

The Republic of Korea is a leading innovation economy, ranking fourth among 139 economies in the Global Innovation Index (GII) in 2025. The country also ranks fourth globally in creative output, reflecting the breadth of its IP base across technology-driven and creative industries.

Since the turn of the century, the Republic of Korea has developed a comprehensive IP finance ecosystem supported by a robust legal and institutional framework, including the Technology Transfer and Commercialization Promotion Act (2000), the Act on Security over Movable Property, Claims, etc. (2010), and the Framework Act on Intellectual Property (2011). These legal foundations have enabled the development of IP-backed financing mechanisms and coordinated policy support, allowing the IP finance market to expand significantly.

The Korean IP finance ecosystem rests on three key pillars:

1. A legal and policy infrastructure enabling IP-backed transactions;
2. The transformation of IP from legal rights into bankable financial assets; and
3. Institutional mechanisms that bridge the gap between the IP and financial sectors, reducing information asymmetry and improving underwriting quality.

Policy instruments such as the IP Valuation Support Program, established by the then Korea Intellectual Property Office (KIPO), and the IP Collateral Recovery Support Program have played a critical role in enhancing valuation reliability and facilitating SME access to IP-backed loans, guarantees and investment.

Beyond technology-based IP, the creative industries in the Republic of Korea are emerging as an important frontier for IP finance, supported by fund-of-funds structures, completion guarantees and content IP valuation systems. These developments demonstrate how proactive government policy and a dynamic creative ecosystem can jointly expand the scope of IP-based financing.

The Republic of Korea aims to transition from a policy-driven model toward a more market-oriented IP finance system. While government interventions have focused on risk mitigation, valuation support and strategic investment, the long-term objective is for commercial financial institutions and private investors to play a leading role in sustaining the IP finance market.

In this report, we examine the evolution of the country's IP finance ecosystem, highlighting its institutional design, key policy instruments and emerging opportunities in technology and creative sectors.

The Republic of Korea's journey

Introduction

The Fourth Industrial Revolution, accelerating digital transformation and the rise of artificial intelligence (AI) technologies have caused a paradigm shift in the economy and industry. This is evident in the growing role of intangible assets, particularly intellectual property (IP), in generating value for companies and industries. To translate innovative ideas and technologies into successful and sustainable businesses, firms must recognize and understand how to capture value from their IP assets. IP finance, whereby firms leverage the value of their IP, plays a crucial role by providing the resources and foundation for growth.

IP finance refers to activities for raising capital, securing loans, monetizing assets or structuring investments on the basis of the value of IP as an asset class. Financial institutions employ various funding modalities, including debt, equity and structured financing, that rely on the assessed value of IP, such as patents, trademarks and copyright. IP finance is an important tool for realizing the economic value inherent in IP and for facilitating the commercialization of innovation. It is especially significant for innovative small and medium-sized enterprises (SMEs) and venture companies as a means of raising the funds required to become successful businesses.

The corporate value of venture companies and SMEs mainly derives from their innovative technologies or ideas. Often, they do not own tangible assets to provide as collateral for financing, which limits their access to capital in the conventional finance market. Against this background, interest is growing in more innovative financing methods based on the value of IP assets to support companies' growth. The Government of the Republic of Korea has been striving to build an IP finance ecosystem and thereby foster its innovation-driven economy.

In this report, we explore the journey of the Republic of Korea toward the establishment of its ecosystem and outline directions for future development.

Innovation and the IP landscape in the Republic of Korea

In 2026, the Republic of Korea ranked fourth among 139 economies in the Global Innovation Index (GII). The country's innovation performance has remained consistently strong over recent years (table 1).

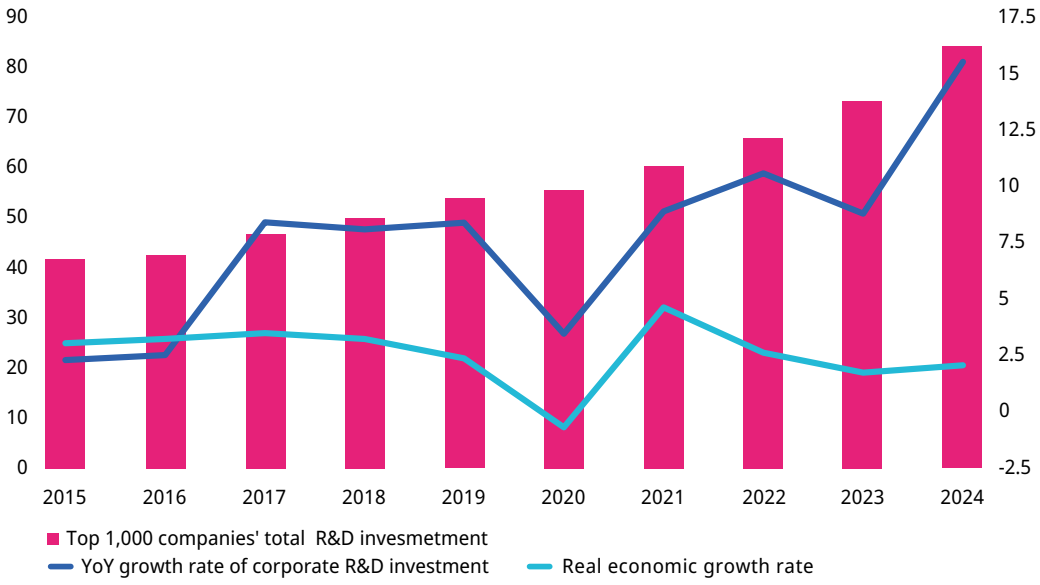
Table 1 Republic of Korea GII ranking (2020-2026)

Year	GII position	Innovation inputs	Innovation outputs
2020	10th	10th	10th
2021	5th	9th	5th
2022	6th	16th	4th
2023	10th	12th	7th
2024	6th	6th	4th
2025	4th	4th	6th
2026	4th	4th	6th

Source: WIPO, 2026.[1]

As of the latest available reporting cycle, research and development (R&D) expenditure as a percentage of gross domestic product (GDP) in the Republic of Korea reached 5.13 per cent in 2024, with total R&D investment surpassing 131.04 trillion Korean won (KRW).[2] The country ranks second globally for gross expenditure on R&D as a percentage of GDP and first for business R&D performance and research talent within businesses. To leverage those world-class R&D inputs and address the gap between knowledge creation and market scale, it is critical to foster the development of innovative companies, including SMEs and venture companies, that can transform those investments into global economic growth and job creation.

Figure 1 R&D investment and growth trends (2015-2024)



Note: Unit = trillion Korean Won
Source: KIAT, 2025.[3]

In 2024, the top 1,000 companies significantly expanded their R&D investment (figure 1). Their aggregate R&D spending reached KRW 83.6 trillion, a 15.3 per cent year-on-year increase. It was the highest growth rate observed between 2015 and 2024 and far outstripped the country's real economic growth rate of 2 per cent in the same year. Growth rates were also strong in the preceding three years (8.9 per cent in 2021, 10.5 per cent in 2022, and 8.7 per cent in 2023), after a slow patch in 2020.

The sustained expansion demonstrates that major Korean corporations continue to prioritize long-term technological competitiveness and innovation capacity, even amid fluctuating macroeconomic conditions.

Table 2 Trends in IP Filings by Company

Year	Type of right	Total	Corporations (total)	Large enterprises	Medium-sized enterprises	Small enterprises
2000–2023	**Total IP**	**9894456**	**4,353,201 (44.0%)**	**1,456,698 (33.5%)**	**513,432 (11.8%)**	**2,383,071 (54.7%)**
	Patents	4368752	2,093,638 (47.9%)	1,032,499 (49.3%)	226,480 (10.8%)	834,659 (39.9%)
	Utility models	430154	128,355 (29.8%)	20,879 (16.3%)	14,217 (11.1%)	93,259 (72.7%)
	Designs	1330602	588,197 (44.2%)	119,591 (20.3%)	52,188 (8.9%)	416,418 (70.8%)
	Trademarks	3764948	1,543,011 (41.0%)	283,729 (18.4%)	220,547 (14.3%)	1,038,735 (67.3%)
2023	**Total IP**	**556600**	**250,668 (45.0%)**	**67,198 (26.8%)**	**22,259 (8.9%)**	**161,211 (64.3%)**
	Patents	243310	124,754 (51.3%)	50,260 (40.3%)	9,760 (7.8%)	64,734 (51.9%)
	Utility models	2746	739 (26.9%)	75 (10.1%)	26 (3.5%)	638 (86.3%)
	Designs	55335	25,969 (46.9%)	3,982 (15.3%)	2,507 (9.7%)	19,480 (75.0%)
	Trademarks	255209	99,206 (38.9%)	12,881 (13.0%)	9,966 (10.0%)	76,359 (77.0%)

Source: KIIP, 2024.[4]

Table 2 summarizes cumulative (2000–2023) and annual (2023) IP filings in Korea firms, disaggregated by IP type and firm size. Two broad patterns emerge. First, corporate filings account for a substantial proportion of total IP filings, with the distribution varying considerably by firm size and type of IP right. Small enterprises account for the largest share of corporate. Trademark and design filings, which are typically associated with product differentiation, branding and market-oriented business activities. By contrast, large enterprises account for a comparatively higher share of corporate patent filings, a pattern that may reflect their greater involvement in resource-intensive R&D activities and longer development horizons. Second, over the cumulative period from 2000 to 2023, patents constitute the largest category of corporate IP filings, followed by trademarks and designs. This distribution suggests that firms seek to protect not only technological inventions but also market-facing intangible assets, with the relative emphasis on different types of IP rights varying according to firm size and business strategy.

Table 3 Comparison of key indicators by breadth of IP holdings

Category	Number of companies	Number of employees	Sales (KRW 100 million)	Sales per employee (KRW 100 million / person)
Companies with IP	35,092	113.984	580.394	3.919
Companies with one type of IP	18,310	61.474	203.835	3.887
Companies with two types of IP	10,586	99.355	406.419	3.890
Companies with three types of IP	6,196	294.149	1,990.415	4.066
Companies without IP	55,291	30.439	77.558	3.603

Note: Indicator values were derived using weighted averages for firms with available data on the number of employees and sales over the most recent five-year period (2019–2023).

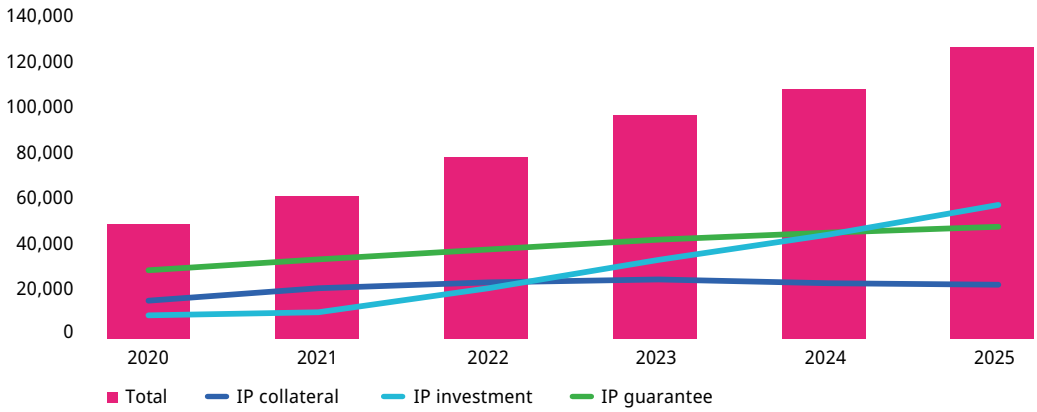
Source: PCIP, 2025.[5]

Table 3 compares firm outcomes by the breadth of IP holdings (patents/utility models, trademarks and designs). Two patterns stand out. First, firms that own IP exhibit higher productivity than firms without: sales per employee are higher for IP-owning firms overall, and increase monotonically with the diversity of IP rights, from one type to two types, reaching their highest levels for firms holding all three types. Second, IP-owning firms account for substantially greater aggregate sales and employment than non-IP-owning firms, indicating an association between IP ownership and larger operating scale. Although the results do not establish causality, they suggest a strong positive association between the presence, especially the diversity, of registered IP rights and firm performance. From an IP finance perspective, portfolio breadth can serve as a practical signal of credit quality and growth potential, and that products tailored to firms with multi-class IP holdings (such as blended collateral or royalty-linked structures) may capture lower risk and higher upside.

Growth of IP finance in the Republic of Korea

The enactment in 2011 of the Framework Act on Intellectual Property (Framework Act) and a regulatory regime for IP financing provided a legal foundation for utilizing IP assets and enabling coordinated support for IP finance systems and practices. Sustained policy efforts and increased private-sector participation have helped to increase the scale of IP finance use in the country significantly.

Figure 2 Size of the IP finance market



Note: Unit = KRW 100 million
Source: KIPO, 2024.[6,7]

The IP finance market in the Republic of Korea has expanded steadily since 2020 (figure 2). Total market volume increased from KRW 4.84 trillion in 2020 to KRW 12.4 trillion in 2025. Growth accelerated notably after 2021, reflecting greater policy coordination and institutional support, with the then Korea Intellectual Property Office (KIPO) leading the way. In 2018, KIPO launched its Comprehensive Policy for the Development of IP Finance (Comprehensive Policy) to lay the foundations for developing and expanding IP-backed financing. It was followed by the Recovery Support Program. KIPO also signed a memorandum of understanding (MoU) with the Financial Services Commission (FSC) and private banks to collaborate on developing the IP finance ecosystem. These initiatives encouraged greater participation by private banks in IP financing and, as a result, the volume of IP-collateralized lending increased rapidly.

The composition of IP finance has evolved over time. In 2020 and 2021, IP guarantees accounted for the largest share of the market, followed by IP-collateralized lending, while IP investment remained limited. From 2021, IP investment increased rapidly, surpassing IP-collateralized lending by 2022 and continuing to expand thereafter.

By 2024, IP investment had reached KRW 4.32 trillion, approaching the level of IP guarantees (KRW 4.41 trillion). In 2025, IP investment increased to KRW 5.64 trillion, exceeding IP guarantees (KRW 4.67 trillion) and becoming the largest component of the IP finance market. In contrast, IP-collateralized lending showed more moderate growth and declined consistently from its peak of KRW 2.32 trillion in 2023, falling to KRW 2.09 trillion in 2025, indicating a structural shift away from collateral-based toward investment-based IP financing. These trends indicate a gradual shift in the composition of IP finance, with a growing role for investment-based financing alongside guarantees, which continue to be important. This reflects a diversification of funding sources and financial instruments. The sustained scale of guarantees and a stable collateral segment indicate continued accessibility for SMEs and ongoing bank intermediation.

Table 4 Size of the IP finance market (2020-2025)

Type / Year	2020	2021	2022	2023	2024	2025
IP collateral	13,784	19,315	21,929	23,226	21,541	20,900
IP investment	7,278	8,628	19,331	31,943	43,166	56,400
IP guarantee	27,327	32,147	36,575	40,931	44,079	46,700
Total	**48,389**	**60,090**	**77,835**	**96,100**	**108,786**	**123,963**

Note: Unit = KRW 100 million[8,9]

As shown in table 4, the overall expansion of the IP finance market highlights the growing role of IP-based financing as a funding mechanism for innovative firms, particularly SMEs, which increasingly can leverage their IP assets for capital access.

Prospects for developing IP finance

Three pillars of the IP finance ecosystem

IP finance involves the use of IP as an asset class for financing, including through IP investments, IP collateralization, IP-based guarantees, and financial instruments based on the value of IP assets. To fully understand its dynamics, a systemic perspective is essential. That helps policymakers and stakeholders to navigate the complexity of IP finance practices and address the challenges involved in developing the IP finance ecosystem. To that end, several core components are needed:[10]

- **IP assets:** Bankable IP assets with demonstrable economic value and legal certainty, enabling their effective use for financing purposes
- **Infrastructure:** A robust legal, institutional and market framework to ensure that IP finance works smoothly
- **Stakeholder engagement and capacity:** The involvement of relevant stakeholders, experts and intermediaries familiar with the characteristics of IP assets and the workings of financial instruments

Legal and policy infrastructure for IP finance

The Republic of Korea has been working to build an IP finance ecosystem since the early 2000s. In 2000, the Technology Transfer and Commercialization Promotion Act was passed to foster the marketing of technologies and technology transfer. In addition, the Act on Security over Movable Property, Claims, etc., and the Framework Act provide the legal basis for using IP as collateral and a governance structure for policy support to enhance IP value and promote its commercialization.

Presidential Council on IP and National IP Master Plan

The Presidential Council on Intellectual Property (PCIP), which was established under the Framework Act, is a cross-governmental committee that formulates national IP strategies, coordinates related policies, including with regard to IP finance, and promotes cooperation between ministries and government agencies on IP. The Framework Act requires the Council to draft a national IP master plan every five years. Those plans have also included provisions on developing the IP finance ecosystem.

Comprehensive Policy for the Development of IP Finance

The Ministry of Intellectual Property (MOIP), formerly KIPO, plays a central role in planning and implementing IP finance policy initiatives and programs, in cooperation with ministries and other government agencies. The aim of its Comprehensive Policy, which was launched in 2018 in collaboration with the FSC, was to foster the development and expansion of IP-backed financing, especially IP collateralization. The Recovery Support Program was set up under the policy to enforce IP security interests in the event of default on IP-backed loans. The policy formed the basis for promoting IP investments through the expansion of IP funds and the diversification of IP fund investment targets. KIPO also reinforced the IP valuation system by further improving

valuation models, modularizing evaluation items, and expanding the number of designated IP valuation entities in the private sector.

Strategy for the promotion of IP finance investment

In 2020, KIPO presented its Strategy for the Promotion of IP Finance Investment, the aim of which was to expand the proportion of IP investment in the IP finance market and shift from government-led, loan-based IP financing to greater private-sector participation. As part of that strategy, MOIP today contributes to the Patent Account in the Korea Fund of Funds (KFoF) to channel capital into IP investment for companies with strong IP or to directly invest in high-potential IP assets.[11]

To implement the strategy, KIPO also developed a pan-government support framework integrating startups and SMEs, financial institutions and designated IP valuation entities. The Government subsidizes IP valuation, supports the development of valuation models and is strengthening institutional infrastructure to facilitate IP-backed financing. The ensuing reduction in transaction costs helps to foster the IP finance ecosystem's expansion.

Community-building for IP finance

The Government has sought to expand the pool of human resources with expertise in IP finance by establishing specialized IP management and finance agencies, and by providing networking platforms, such as the Korea Intellectual Property Network (KIPnet), to build the IP community. The Intellectual Property Valuation Management Center was established within the Korea Invention Promotion Association (KIPA) to support IP finance and valuation. The Government has implemented support programs (table 5) to make those initiatives operational. Thus, the IP finance framework combines valuation support, investment mechanisms, and risk-mitigation tools to reduce market frictions and enhance the scalability of IP-backed financing.

Table 5 Policy support for IP finance

Category	Details
IP valuation support program	Supports the costs of IP valuation that companies must undergo to use IP finance. Target: SMEs. Types: Valuation for IP finance (collateral, guarantees, investment) and for IP transactions/ commercialization.
Contribution to fund of funds (Patent Account)	The Ministry of Intellectual Property (MOIP) contributes to a fund of funds, which then invests in IP investment sub-funds that, in turn, invest in companies holding high-quality IP.
IP collateral recovery support program	When an IP-collateralized loan becomes non-performing, the program supports the disposition of the collateralized IP (purchase/disposal), thereby reducing banks' recovery risk.

Source: KIPO, 2024.[12]

The key components of the legal and policy framework for IP finance in the Republic of Korea are:

- **Act on Security over Movable Property, Claims, etc. (2010):** Governs the use of IP as collateral; provides for improved registration mechanisms to prioritize security interests.
- **Framework Act:** Establishes a comprehensive policy framework for promoting IP utilization, including its use in financing, and mandates the creation of national strategies to support IP creation, protection and utilization.
- **Comprehensive Policy:** Provides for IP collateralization, the creation of the Recovery Support Program, strengthened valuation infrastructure, and the promotion of IP investment through diversified funds and greater private-sector participation.
- **National IP Master Plan:** PCIP-led plan coordinating cross-government actions, including measures to develop IP finance.

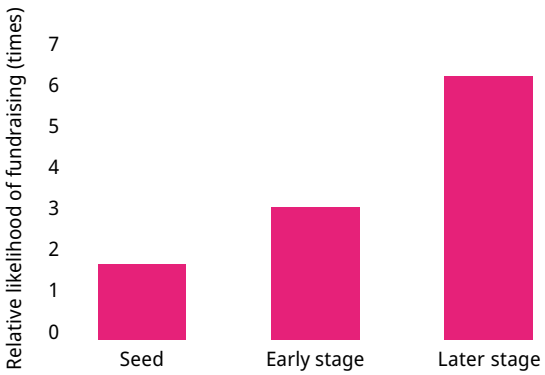
Developing and leveraging bankable IP assets

For financing purposes, IP assets must be viewed not in terms of static legal rights but as monetizable financial assets. A portfolio of IP assets that has economic value and can generate revenue can be seen as a bankable asset. Bankability means the degree to which an asset or project is acceptable for financing, as assessed by lenders and investors on the basis of risk, return and legal enforceability.[13]

A bankable IP asset is characterized by being legally sound, financially valuable and appropriately risk-managed, enabling its use for IP finance. Bankable IP assets can attract capital and support sustainable financing structures. The concept of bankability bridges IP and finance, enables capital formation, and creates a virtuous cycle that supports the further development of high-value IP assets.[14]

In the case of patents, the strength of the IP asset depends, among other factors, on the scope of claims and on registration in key international markets. MOIP therefore runs programs that support IP R&D and patent applications at the national and international levels, providing IP consulting services to SMEs and venture companies. As IP comes to be seen as an asset class for financing, corporate awareness of the economic value and quality of IP assets will grow, resulting in an increase in the supply of IP assets with financially viable characteristics. The supply of high-value, strong IP assets is a key condition for developing the IP finance ecosystem.

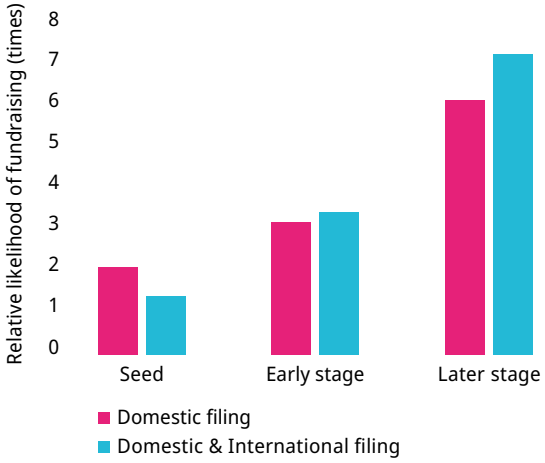
Figure 3 **Impact of patent or trademark filing activity on the likelihood of startup fundraising by investment stage**



Source: PCIP, KIPO, KIIP and KDI School of Public Policy and Management, 2025.[15]

Figure 3 presents the estimated effect of patent or trademark filing activity on the likelihood of startup fundraising across different investment stages. The analysis is based on a dataset of 2,615 startups, covering 31,182 observations between 1999 and 2025. The results indicate that startups that have applied for patents or trademarks are much more likely to secure investment funding than those that have not. Moreover, the impact of IP activity increases as startups mature. The likelihood of securing funding rises from 1.7 times at the seed stage, to 3.1 times at the early stage, and 6.3 times at later investment stages, suggesting that IP becomes increasingly important to investors as firms move to more advanced stages of development.

Figure 4 **Impact of domestic and international IP filing on the likelihood of startup fundraising by investment stage**



Source: PCIP, KIPO, KIIP and KDI School of Public Policy and Management, 2025.[16]

Figure 4 examines how the geographic scope of IP protection affects investment outcomes and whether it influences the likelihood of startups obtaining finance. Specifically, it compares startups that apply for patents or trademarks only domestically with those that pursue domestic and international filings. The results show that the impact of IP filings differs across investment stages. At the seed stage, startups that have filed only domestic applications exhibit a higher likelihood of securing funding (1.9 times) compared with those that have filed domestic and international applications (1.2 times). That pattern may reflect the relatively small number of early-stage startups that pursue international filings.

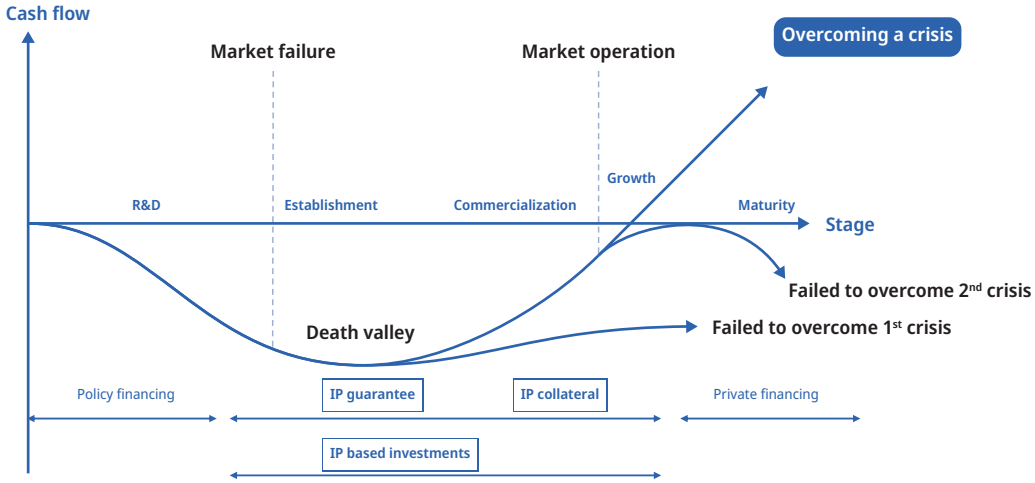
However, as startups progress to later investment stages, international IP activity becomes increasingly associated with fundraising success. At the early stage, the likelihood of securing funding increases to 3 times for domestic filings and 3.3 times for combined domestic and international filings. At later stages, the effect becomes more pronounced, with funding likelihood increasing to 5.9 times for domestic filings and 7.1 times for startups with domestic and international IP filings.

The results suggest that, although domestic IP activity alone can support early-stage financing, broader international IP strategies become increasingly important as startups mature and seek larger-scale investment.

Spectrum of financial structures for IP finance

An effective IP finance ecosystem requires diverse financial instruments. As firms face distinct capital needs at different stages of growth and IP assets vary widely in their nature, monetization pathways and risk profiles, the structure of IP finance must be tailored to the company's growth lifecycle and the characteristics of its IP portfolio.

Figure 5 Stages of business maturity and IP finance



Source: FSC and KIPO, 2018.[17]

Startups and SMEs often face financing gaps, the "valleys of death", as they move from R&D and establishment into commercialization and early growth (figure 5). Cash flow is negative or uncertain, and private capital undersupplies funding, creating a high risk of failure before the business reaches market traction. Equity financing provided by accelerators and venture capitalists can support early-stage firms; but firms cannot rely solely on equity because of dilution concerns.

IP guarantees address the first gap. By underwriting a portion of bank lending based on assessed IP value, public guarantee schemes de-risk loans for firms that lack tangible collateral. That provides working capital for establishment and initial commercialization, improving early-stage survival prospects.

As firms mature, IP collateralization provides the subsequent financing channel. Secured lending against IP assets reduces lenders' loss in the event of default and supports larger, cheaper credit for scaling. Once product-market fit is evident, equity or quasi-equity that prices IP-linked cash flows (such as royalties and brand value) finances expansion. Together, those instruments create a graduated capital pathway. They progress from guarantees to collateralized credit and IP-anchored investment, which mitigates market failure and improves growth prospects through to maturity.

Specific IP-based financial programs in the Republic of Korea (table 6) render the conceptual progression outlined in figure 5 operational by aligning financial instruments with firm maturity, risk profiles and sources of capital. In particular, the structure differentiates between publicly supported guaranteed schemes, bank-based collateralized lending, and market-oriented IP investment vehicles.

Table 6 Types of financial programs based on IP valuation

Type	Eligible targets	Details of financial support	Partner organizations
IP-guaranteed loan	Firms at the initial stage of IP commercialization	Guarantee limit: KRW 1 billion; typical issuance KRW 200-300 million per case	KODIT, KIBO, SCGF, etc.
IP-collateralized loan	Firms in IP commercialization and early revenue generation	Loan size: KRW 300 million-2.0 billion per case	Commercial banks
IP-based investments	Companies seeking IP-based investment	Investment determined via IP valuation: KRW 1-5 billion per case	Venture capital (VC); Fund of Funds

Source: FSC and KIPO, 2018.

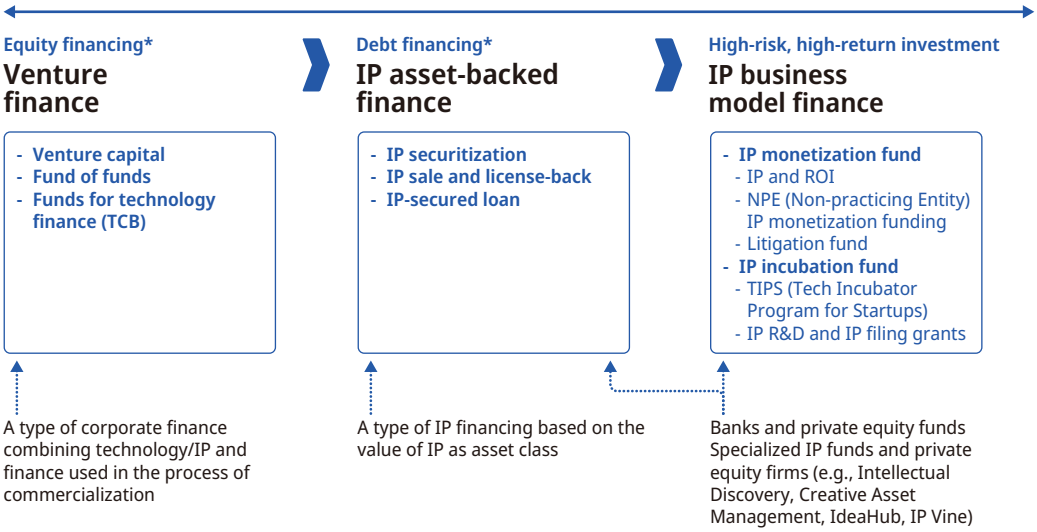
The effectiveness of the IP finance programs outlined in table 6 depends fundamentally on the legal and economic characteristics of the underlying IP assets and the maturity of IP commercialization and company business models.

Assets used in IP finance are legal rights in various forms, such as patents, trademarks and copyright. They have distinct characteristics in terms of legal entitlement and protection. Financial institutions must therefore understand the different types of IP and design financial structures and products to harness their economic value.

The structure of financial products needs to accommodate and capture the characteristics of the IP and the nature of revenue streams generated from the IP assets, alongside the funding needs of the company in question.

The forms of cash flow generated from IP assets vary depending on the stage of IP commercialization. In addition, the availability of an IP portfolio that can serve as underlying assets for financing should be considered when structuring the financial product. Therefore, in line with the stage of IP development and commercialization, IP finance needs to take various forms, such as IP-based guarantees, IP sale and license-back (IP SLB),[18] IP-backed loans (debt financing), IP investment (equity financing) and IP securitization.[19]

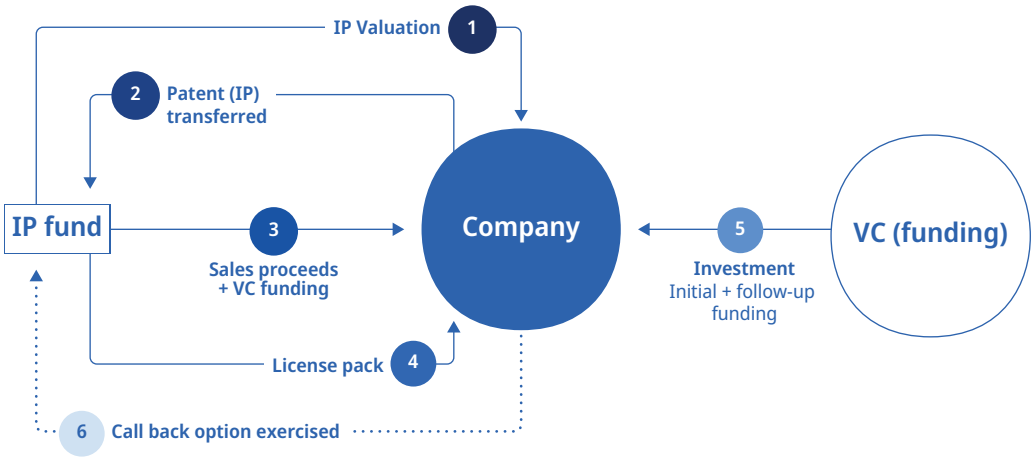
Figure 6 Spectrum of IP finance structures



Source: Choi et al., 2013.[20]

Figure 6 shows the spectrum of IP finance structures in the Republic of Korea. In the early stage of IP finance development, IP SLB emerged as one of the first instruments applied. It is a structured transaction in which the owner of an IP asset sells the IP to obtain funds, typically to an investor or fund, often via a special-purpose vehicle (SPV), and simultaneously secures a license to continue using that same IP for a defined period and scope. The appeal is that the original IP owner (seller) unlocks immediate liquidity from an intangible asset without interrupting ongoing use of the IP in business operations. In IP SLB deals, the original seller (who becomes the licensee) also retains an option to repurchase the IP at the end of the license term. This arrangement is particularly attractive when companies need capital but wish to preserve operational continuity. Figure 7 illustrates how IP SLB transactions work.

Figure 7 IP SLB and VC investment case studies



Source: Bae, 2022.[21]

Korean IP SLB transactions have been implemented in sectors such as smartphone fingerprint recognition technology and window-cleaning robot technology. In some cases, IP sale-and-license-back arrangements were combined with venture capital investment, enabling companies to complete product development, increase sales volumes and support further research and development activities.

Challenges in developing the IP finance ecosystem

Overcoming information asymmetry: IP valuation

A key challenge in implementing IP finance is the limited familiarity of financial institutions with IP, which creates significant information asymmetry between IP-holding companies in need of funding and the financial institutions that supply it. For that reason, reliable IP valuation frameworks and services are crucial to developing the IP finance market. MOIP and related agencies are striving to develop valuation models and improve the expertise and reliability of IP valuation institutions. Key strategies in that regard include:

(1) Designated IP valuation entities: MOIP designates IP valuation entities that are eligible under Article 28 of the Invention Promotion Act. Eligible institutions must possess the necessary expertise, technical evaluation capabilities, professional personnel and facilities to perform IP valuations. By 2025, 32 specialized IP valuation entities (seven public and 25 private) had been designated to support IP-backed financing. They include government-linked financial and credit agencies, public research and testing institutions, commercial banks and a variety of private specialist firms such as patent law firms, a credit rating agency and evaluators affiliated with industry. Such diversity of players helps to ensure that valuations reflect the different dimensions of IP, thereby broadening the supply of and deepening confidence in IP valuation services.

(2) IP Valuation Management Center: The Center, designated by MOIP, was established under Article 31-6 of the Invention Promotion Act. The Center performs quality reviews of samples and feasibility examinations upon external request. It also provides research, education and data services relating to IP valuations.

(3) Development of valuation models and guidelines: MOIP and other agencies, such as KIPA, have endeavored to develop and disseminate IP valuation models and guidelines to professionalize the market and establish best practices for consistent, comparable assessments.

(4) Integration of technology: SMART5 (System to Measure, Analyze and Rate Patent Technology), developed by KIPA, provides automated, data-driven patent evaluations using patent databases in the Republic of Korea, the United States, Europe, China and Japan. It draws on information such as patent specifications, bibliographic data and administrative records, enabling companies and financial institutions to identify valuable patents quickly from large portfolios and supporting more efficient patent evaluation and management. SMART5 provides approximate range information on patent value in the form of grades. In 2026, KIPA completed development of SMART VIX, an AI-based online IP valuation system designed to provide more specific price-based assessments better suited to financing and transaction purposes.[22]

(5) IP Valuation Support Program: The program subsidizes the cost of IP valuation, which is a key prerequisite for utilizing IP-based finance, primarily for SMEs. It supports valuation for various purposes, including loans, guarantees, investment, IP transfer and commercialization.[23]

(6) Valuation Information System (IP-Hub): KIPA operates the Valuation Information System, commonly referred to as IP-Hub. This digital platform integrates and manages IP valuation reports and related data to enable efficient and systematic examination and oversight of valuation assessments, particularly for patented inventions.

The aim of all these initiatives is to make IP valuation more consistent and reliable, which in turn will support the growth of the IP finance system. To date, patents and technological inventions have been the primary valuation anchors and collateral assets; the valuation methodologies and financial instruments developed thus far have largely reflected the characteristics of patent-based rights. However, the groundwork is also now being laid for trademark valuation and brand-backed financing mechanisms.

Figure 8 Valuation process for IP-backed loans



Source: Jo, K.S., as reproduced in *IP DAILY*, "What Are the Essential Requirements for Intellectual Property (IP) to Qualify for Financial Loans?", 30 December 2020.

In the Republic of Korea, the valuation process for IP-backed loans begins with project screening and contractual engagement between the valuation expert and the financial institution, followed by the formation of a multidisciplinary assessment team comprising technology, legal, market and commercialization experts (figure 8). After due diligence and research across those domains, a formal valuation report is submitted to the bank for lending decisions.

Mitigating recovery risk for IP-backed loans

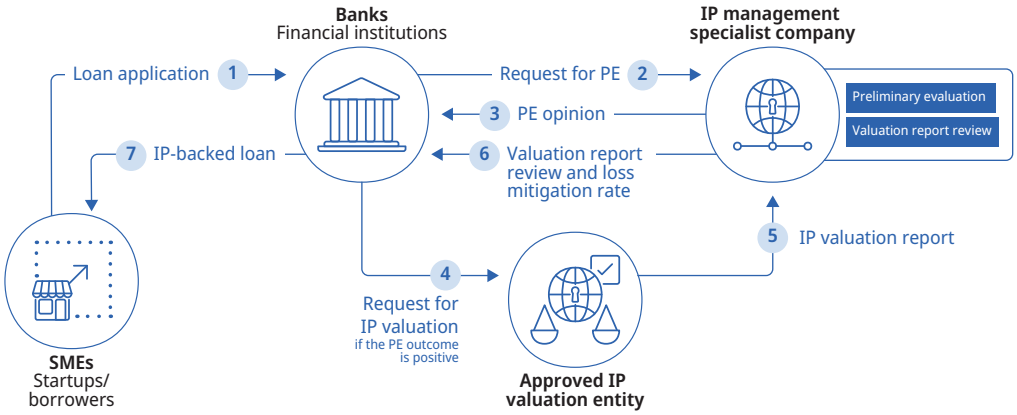
IP-backed loans pose a recovery risk in the event of default. Such loans are secured on the realizable value of the IP assets as collateral. If a borrower defaults, the lender may be unable to recover the principal through IP collateral sale, owing to an immature secondary market for IP transactions.

IP Collateral Recovery Support Program

Recognizing recovery risk as a barrier to the growth of IP finance, particularly for IP-backed loans, the Government introduced its Recovery Support Program in response to lending banks' concerns (figures 9A and 9B). The program's primary function is to mitigate risk for financial institutions involved in IP-backed loans by purchasing defaulted IP collateral and facilitating its monetization through licensing or sale.

The program's structure delivers several outcomes: it provides upfront predictability for lenders through a preliminary evaluation and a preset loss-coverage rate; reduces loss severity through structured recovery mechanisms; creates operational capacity to dispose of and monetize defaulted IP professionally; and supports ecosystem development by standardizing valuation and establishing an exit channel for IP collateral.

Figure 9A The IP-backed loan process

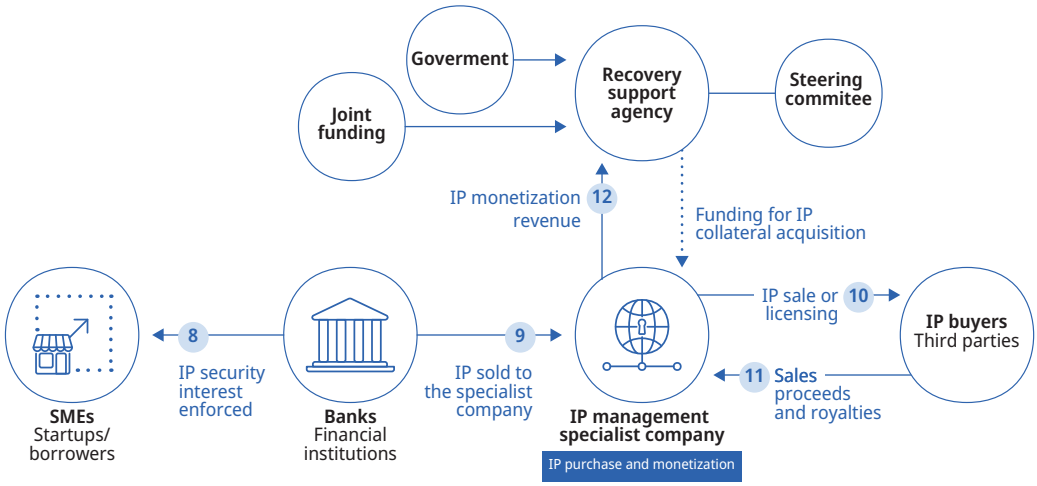


Source: Modified and updated from FSC and KIPO, 2018, to reflect the current structure.[24]

Under the program (figure 9A), SMEs (borrowing companies) apply for bank credit (1) secured by IP. The bank requests a preliminary evaluation from the IP management specialist company (2), which determines whether the case qualifies for recovery support (3). Where the outcome is positive, the bank commissions a full valuation from a designated IP valuation entity (4), which submits its report to the specialist company (5). The specialist company reviews the report and determines the applicable loss mitigation rate, which ranges from 30 to 50 percent (6), after which the bank may provide the IP-backed loan (7).

The agency in charge of the scheme coordinates the program and finances its costs, while government and joint funding supply the scheme's capital, under the oversight of a steering committee. If a default occurs (figure 9B), the bank enforces its IP security interest (8) and the IP management specialist company may acquire the IP from the bank (9), using funding provided by the agency for IP collateral acquisition, and monetize it through sale or licensing to third-party IP buyers (10), generating sales proceeds or royalty income (11). IP monetization revenue then flows back to the agency (12).

Figure 9B IP recovery and monetization if a default occurs



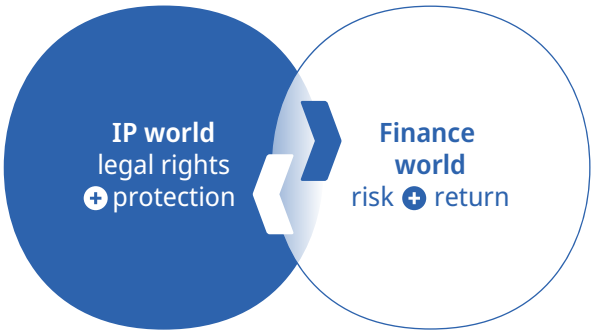
Source: Modified and updated from FSC and KIPO, 2018, to reflect the current structure.[24]

The program is under constant review to address limitations and enhance efficiency.

Capacity development for IP finance: awareness, institutions and human capital

IP finance brings together two domains that operate according to different logical premises, each with their own language. In the world of IP, the emphasis is on rights, scope of protection and enforceability; in the world of finance, decisions turn on risk, return and recoverability. When those worlds meet, "translation" is required to turn claims, ownership and enforceability of IP assets into cash-flow potential, downside risk and collateral value. Without this translation, information asymmetries persist, underwriting quality suffers and capital does not flow efficiently to IP-rich firms.

Figure 10 Two worlds: IP and finance



Source: Choi, 2018.[25]

Market participants with dual IP-finance expertise are therefore key to developing the sector. Such experts act as intermediaries between IP-holding firms and lenders/investors. They convert technical and legal attributes into financeable metrics, design appropriate instruments and manage monetization pathways. Building this talent pool and the institutions that employ it (such as specialized valuation entities, IP monetization experts, recovery agencies and IP fund managers) is essential to bridging the gap between the two worlds, reducing information asymmetry, improving price and risk management, and scaling IP finance sustainably. It is in this context that IP finance and management has developed, and specialized IP valuation institutions have been designated to facilitate IP finance transactions.

Emerging IP-specialized investment, monetization and asset-management firms such as Intellectual Discovery, The Creative Asset Management (formerly Idea Bridge Asset Management) and IPVINE have conducted numerous transactions across diverse structures, including IP investment and monetization projects, IP SLB, IP securitization and IP collateral recovery, thereby accumulating field-specific know-how and practical experience in IP finance.

To raise awareness of IP finance in the IP and finance communities, IP finance-related subjects have been included in courses and programs run by the Korea Banking Institute, Korea Institute of Financial Investment and Venture Capital Training Centers. In addition, conferences and forums, such as KIPnet, the IP Finance Forum (IPFF) and the Korea Intellectual Property Association (KINPA), are organized to provide opportunities for information-sharing and networking among specialists and participants from IP, finance and other fields.

KIPnet was established to enhance collaboration and policy development across government, industry, academia and IP-related organizations; it serves as an integrated cooperation channel for generating, protecting and utilizing IP.

The IPFF is a platform for policy dialogue and stakeholder collaboration, bringing together government, financial institutions, industry and experts to advance IP finance best practices.

To foster the development of the IP finance ecosystem, it is essential to resolve the issues that arise in the course of actual IP finance transactions through case experience and the accumulation of know-how. As those issues are addressed, the institutional infrastructure for IP finance can be fine-tuned accordingly, and the professionals and entities engaged in IP finance transactions can gain the hands-on experience needed to further develop the ecosystem.

IP finance in the creative industries

The use of IP finance in the creative industries is growing, supported by the country's strong global innovation performance. That growth is driven by the synergy between government policy and a vibrant, market-driven creative ecosystem. Institutions such as fund-of-funds structures, guarantee schemes for completion of work, and valuation systems have been developed to provide structured financial support for the creative sector, while collaborative production, global partnerships and active engagement by private investors are thriving. As a result, the Republic of Korea is developing financial structures that leverage content IP as a core asset in the creative industries.

Investment funds and support programs for the creative industries

- **The Korea Fund of Funds (KFoF):** The Fund provides indirect investment for cultural content production, reducing risks and facilitating investments in projects in creative industry. KFoF allocates funds to cultural content production through specialized accounts, such as the Cultural Account and Film Account. Those accounts operate as feeder funds, channeling investment into sub-funds that target specific sectors including film, music, games, animation and broadcasting. The Fund's primary investment targets include: (i) content SMEs and venture firms that own (or have secured rights to) original content IP; (ii) projects that utilize IP where the content planning/production company either solely owns the IP or co-owns it with a distributor; and (iii) SMEs and venture firms engaged in the distribution and licensing of original content IP.
- **K-content Media Strategic Fund:** In 2024, the Government launched the K-content Media Strategic Fund, worth KRW 600 billion (approximately $454 million), to support domestic production studios in adapting popular Korean IP across multiple formats (such as movies, dramas and webtoons).
- **Content guarantees and subsidies:**
  - The **Korea Creative Content Agency (KOCCA)** provides loan guarantees and interest subsidies for creative projects, particularly in broadcasting, video production and animation. Those measures reduce financial risks for content creators and attract private investment.
  - For instance, the **Cultural Industry Completion Guarantee** helps to ensure funding for projects nearing completion, reducing risks for lenders.
  - Specialized support programs like bid bonds, contract guarantees and debt guarantees are provided by the **Korea Content Financial Cooperative** to assist small cultural content companies that are unable to secure conventional loans.
- **Content IP valuation and commercialization:**
  KOCCA conducts content value assessments to facilitate financing for IP-related content and the commercialization of creative works. For example, the movie *The Roundup* benefited from KOCCA's value assessment-linked fund, enabling investment in the project and leading to box office success.
- **Networking and investment facilitation:** A content pitching platform that connects creators with investors through IP pitches and demo days. Events like the "KNOCK, Demo Day" and "Content IP Market" provide opportunities for content companies to showcase their IP to potential financiers.

Sustainable IP finance: from policy-driven to market-driven

For IP finance to be sustainable, there must be a shift from policy-driven government support programs to a market-driven system. The Korean Government has endeavored to build the IP finance ecosystem and address market failures by providing public funds and supporting the development of the legal and regulatory infrastructure for IP finance transactions. Finance-related initiatives have focused on recovery support to mitigate lender risk; valuation support to facilitate access to IP-based financing; and investment in IP assets and IP-driven companies.[26]

However, the ultimate goal of IP finance policy is to establish a sustainable, private-sector-led IP finance ecosystem by facilitating the voluntary engagement of private financial institutions in IP finance markets, together with the active participation of IP-holding entities. Such a shift to market-driven financing requires conditions conducive to more active participation by private capital in IP finance transactions.

Key strategies to support the transition include:

- Creating and expanding portfolios of bankable IP assets
- Diversifying financial products to meet funding needs
- Developing reliable IP valuation services
- Accumulating industry experience and know-how in IP finance
- Raising awareness among investors and financial institutions
- Encouraging active participation by IP-holding entities (companies and universities)

Multilayered credit enhancement and risk-sharing: A tiered credit-enhancement framework that combines internal measures (including overcollateralization, reserve accounts, subordination and performance covenants) with external support (such as guarantees/insurance, recovery facilities and third-party liquidity) helps to secure credit ratings, strengthens financial institutions' confidence in IP-linked assets and lowers funding costs. By anchoring risk dispersion in market mechanisms, such as tranching, syndication and secondary trading, the structure broadens investor participation and supports scalable IP investment.

Public-private partnership: A balanced division of roles between the public and private sectors is essential for an effective transition to market-driven IP finance. Government should lead infrastructure building, establishing legal and regulatory frameworks, valuation standards, data systems and education, in order to address market failures and reduce transaction costs. The private sector should lead financial product development, pricing, execution and market expansion, leveraging competition and innovation to meet diverse funding needs. Such public-private complementarity will accelerate scale-up while safeguarding market integrity and investor confidence.

With the transition to a market-driven system, IP finance can evolve into a sustainable and effective instrument for advancing innovation and supporting an innovation-driven economy.

Case studies

IP-based investment case[27]

Company sector:
AI semiconductor (ultra-high-speed, ultra-low-power NPU chip development)

Company location:
Seoul, Republic of Korea

Type of IP rights used:
Patents (three core semiconductor technology patents)

Value of the transaction:
KRW 2.6 billion investment based on IP valuation

Detailed description of use of IP-based finance:
The company develops ultra-high-speed, ultra-low-power neural processing units (NPUs) required for large language models (LLMs) and generative AI. The firm secured KRW 2.6 billion in investment after investors recognized the value of the three core patents. The funds were used to recruit high-level research personnel and accelerate R&D activities. The company subsequently demonstrated its technological capabilities by winning three innovation awards at CES (Consumer Electronics Show) 2024.

IP-backed debt financing case[28]

Company sector:
Secondary battery assembly equipment

Company location:
Gyeonggi-do, Republic of Korea

Type of IP rights used:
Patents (seven secondary battery technology patents)

Value of the transaction:
KRW 10 billion IP-backed loan based on an IP valuation of KRW 17.1 billion

Detailed description of use of IP-based finance:
The company secured an IP-backed loan using seven battery-related patents as collateral following a patent valuation of KRW 17.1 billion. The KRW 10 billion loan was used to support corporate operations and business expansion. As a result, the company achieved more than a two-fold increase in sales and operating profit compared with the previous year. Export performance also doubled, increasing from $90 million to $190 million, and the company received the "$100 Million Export Tower" award at the 60th Trade Day of Korea.

IP-based guarantee case

Company sector:
Marine engineering and electric propulsion systems for ships

Company location:
Jeollanam-do, Republic of Korea

Type of IP rights used:
Patents (five shipboard lithium battery charging and discharging control technology patents)

Value of the transaction:
KRW 500 million loan supported by a 100 per cent IP guarantee

Detailed description of use of IP-based finance:
The company develops electric propulsion systems and eco-friendly ship propulsion technologies. To expand into new business areas, the company required additional development and commercialization funding but faced difficulties obtaining finance through traditional banking channels. Through the SMART5 patent evaluation system operated by KIPA, the company's Marine Lithium Battery Charging and Discharging Control Device technology was evaluated as BB grade. Based on that IP valuation, the company received an IP preferential guarantee from the Korea Credit Guarantee Fund (KODIT), which enabled it to secure a KRW 500 million loan. The financing supported the early-stage development and commercialization of electric propulsion systems for ships and helped to address initial production and scale-up challenges.

IP sale-and-license-back (SLB) case

Company sector:
AI voice-recognition technology (for robotic applications) and speaker-recognition/authentication software

Company location:
Seoul, Republic of Korea

Type of IP rights used:
Patents relating to AI speech-recognition and speaker-recognition/authentication technologies

Value of the transaction:
Through an SLB transaction, a company undergoing rehabilitation used its patents to raise around KRW 2 billion in working capital, which subsequently supported its business normalization.

Detailed description of use of IP-based finance:
The company is an AI-based voice-recognition technology company that developed speaker-authentication software and initially launched its business successfully. However, the COVID-19 pandemic and an adverse business environment drove it into insolvency, leading to corporate rehabilitation proceedings. Through the IP SLB transaction, the company was able to repay debt and expedite the rehabilitation process, which led to business normalization and enabled it to raise KRW 2 billion in working capital.

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