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**THEME II: PARAMETERS FOR ASSESSING THE VALUE OF INDUSTRIAL
PROPERTY ASSETS - VIEWPOINT OF A PROFESSIONAL CONSULTANT ENGAGED
IN VALUATING INDUSTRIAL PROPERTY ASSETS**

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**Maximising the Value of
Intellectual Property**

Structure of the Presentation

- Importance of strategic use of intellectual property
- Direct exploitation of intellectual property
- Indirect exploitation of intellectual property
- Organisational structure
- The role of valuation

Treating intellectual property as an independent business

- Intellectual property is an asset rarely declared on the balance sheet
- Effective exploitation of the intellectual property requires a full understanding of its technical, financial and marketing implications
- Investment in intellectual property can be costly and risky with no assurance of a return on the investment
- Exploitation depends on:
 - value of the intellectual property to the company and to the market
- importance to the business of individual IP v. portfolio
 - structure of the organisation: marketing v. technical focus
 - protection against infringement in the market

Making Money from Intangible Assets

Strategic objectives include:

- competitive protection
- design freedom
- litigation avoidance
- basis for establishing alliances and joint ventures

There are two types of generic methods for exploiting intangible assets:

- direct exploitation
- indirect exploitation

Direct Exploitation

The company should exploit its intangible assets directly if:

- the intangible asset is core to the business or is too intrinsic to separate
- the necessary resources to exploit are present
- there is risk in allowing access to others
- potential royalties will be too low

Value may be maximised by:

- increasing volume
 - increasing price
 - extensions
 - geographic
 - product
 - distribution
 - improving internal structure
-

An Example of Brand Extension Opportunities

In a recent engagement, we were asked to look at ways of extracting value from a household name in the fashion/design industry. A particular focus was on opportunities for brand extension, as illustrated below:

Distribution channel	Product range	Customer segment	International coverage	Brand dilution
Current shops	Existing range	Existing customer profile (design-conscious/affluent/professional)	UK	
Shops in shops			France	
Direct mail	Brand extensions (maintain integrity)	Middle range	Japan	
"Brand" goods in other stores			Germany	
Franchise	Different products Different price & quality	Down-market	Other	
Licence				

Indirect Exploitation

Generally, indirect exploitation should occur when the owner is unable or unwilling to exploit the value of the intangible asset directly. There are four main types of indirect exploitation:

- sale
- licensing
- joint venture
- franchising

Why indirect exploitation?

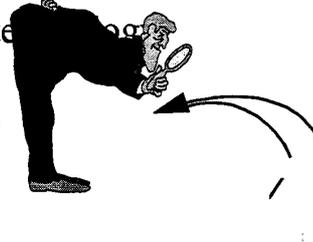
- To gain profits from a product with minimal risk & cost commitment;
- To test and develop an untapped market for future exploitation by direct investment;
- To gain profits from a product that is peripheral to the company's core business;
- To gain access to secondary, less profitable, markets;
- To overcome government restrictions on imports;
- To keep the licensor 'friendly' and unlikely to become a competitor;
- For the potential prospects of "technology feedback".

Breaking down the barriers between R&D, finance and marketing

Examples of stakeholder conflicts

Research & Development

- Further development of the technology



Finance

- Short term profitability
- Meeting of targets



Marketing

- Brand exploitation



Shareholders

- Dividend income
- Capital growth

Communication problems

There are often communication problems because:

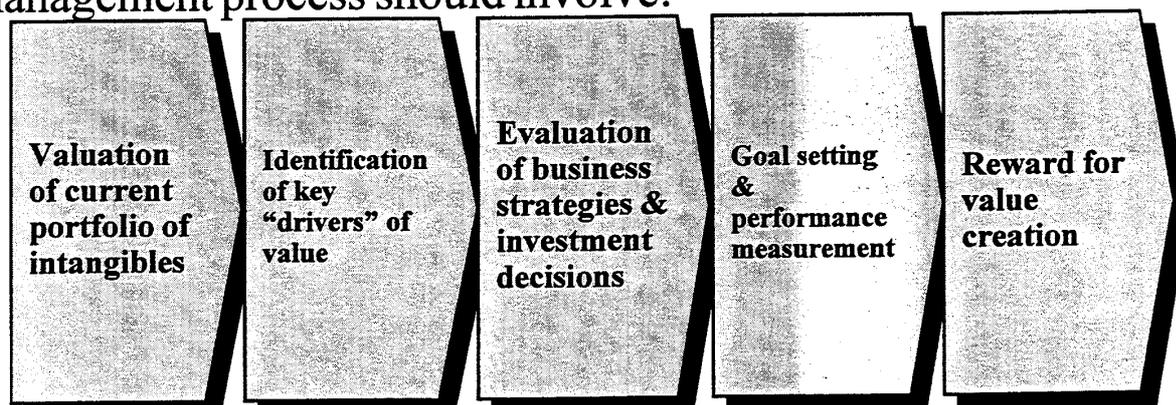
- Different language
- Incongruent performance measures
- Personalities
- Culture

Structure of the Organisation

- Integration of commercial and technical aspects of IP into a *profit centre* with a marketing focus
- Segregation of responsibilities: sales, marketing, R&D, finance, legal
- Define corporate strategy on the exploitation of intellectual property
- Structure of the intellectual property portfolio:
 - define content in terms of dimension, value, income/cost, technology
 - focus on developing or mature products
 - focus on core competencies or diversification
 - offensive or defensive strategic objectives
- **Alignment of IP strategy with the company's business strategy**

From Intangible Asset Valuation to Intangible Asset Management

The valuation of intangible assets should play an integral role in the process of managing and growing intangible assets. The management process should involve:



The key elements of this process are that it:

- involves all key stakeholders
- revolves around a cross-functional framework and language common to finance and marketing and R&D
- incorporates rigour and discipline
- uses quality and relevant data