

World Knowledge Forum 2013

IP Financing for the Creative Economy

From pork-bellies to diamonds to intellectual property, a panel of three IP gurus, George Park, IPVALUE's Director of Development, Jonathan Taub, Acacia Research Group's Executive Vice President, and Choong-soo Park, Intellectual Discovery's Executive Vice President, laid out a framework for the monetization of IP. Those in attendance at the World Knowledge Forum in Seoul might now be better equipped to bring Intellectual Discovery's motto to life: Make the intangible tangible.

Through the proliferation of patent creation and subsequent litigation, what may have seemed to be an infant industry had actually been in practice for the past 600 years, according to Mr. George Park. The advent of the internet and IT served as the fertilizer for what has led to "patent activity growing not just in the United States, but international growth being sky high today."

In order to facilitate organization and maintenance of such patents, Mr. Park also used the growing number of publicly traded patent firms as a litmus representing this global phenomenon. From a handful of firms twenty years ago to the dozen or so in existence today, more would undoubtedly be following to handle the oncoming wave. "From 1987 to 2011, the number of South Korean patents granted in the U.S. has grown from 100 to a little more than ten thousand," he said.

Mr. Taub took on the next step for hopeful IP holders by addressing how people choose to view such patents. "It's all about if you consider IP as the core to your business, not just an afterthought," he said. Monetizing from such a mindset could take two tangible directions through either the sale or the licensing to other corporations. The latter would lead to residual revenues adding to the bottom line, while the sale of a patent "would lead to a blip in evaluation and typically be right back down."

He added that a positive, unintended consequence would be that the firms mentioned earlier would also be beneficiaries through such dealings, ideally leading to greater and sustainable growth for those involved in the future.

"Whatever your business is, if you do business with someone, even if you're on opposite sides of the table, as you do business over time, that helps. You build trust and respect over time. That's what helps get things done," Mr. Taub said.

One concern that the panel succinctly tackled was the obstacle of properly valuing assets that are not as tangible as commodity goods, such as wheat and grain.

Mr. George Park cited the valuation of Kodak's patents that were subsequently sold for five times less than their supposed value, while Mr. Taub countered, "I personally don't see patents as black box, as a mystery. You can value patents. I think the best analogy I can give you is to say that they're like diamonds...there are guidelines, but it does take people who are experts...I see that increasingly happening with IPs."

Mr. Choong-soo Park advocated for IP growth in his home country of South Korea through his firm's efforts to provide an ignition point for native budding IP holders, allowing for additional financial flexibility. "Some [Korean] banks are uncomfortable about offering loans," he said, "...so Intellectual Discovery agreed to buy secured, pledged patents if the creditor defaulted on their loans."

While an increase in IP firms and participants would undoubtedly continue to fuel global patent growth, there was a unanimous call for the role of government to also play a vital role in the movement, even if it meant shrinking that role.

"There are times when a strong government response makes sense, but over time it should step back. If they do too much, it can be detrimental," cautioned Mr. George Park. "In situations where the market is still early, where there are small, medium-size businesses that need business support, need financing, there is a possibility for government help."