

**Institut «Jožef Stefan», Ljubljana, Slovenia**  
**7th International Technology Transfer Conference**  
***“Financing Innovation”***

**identification and evaluation of IP within  
existing/newly created enterprises**

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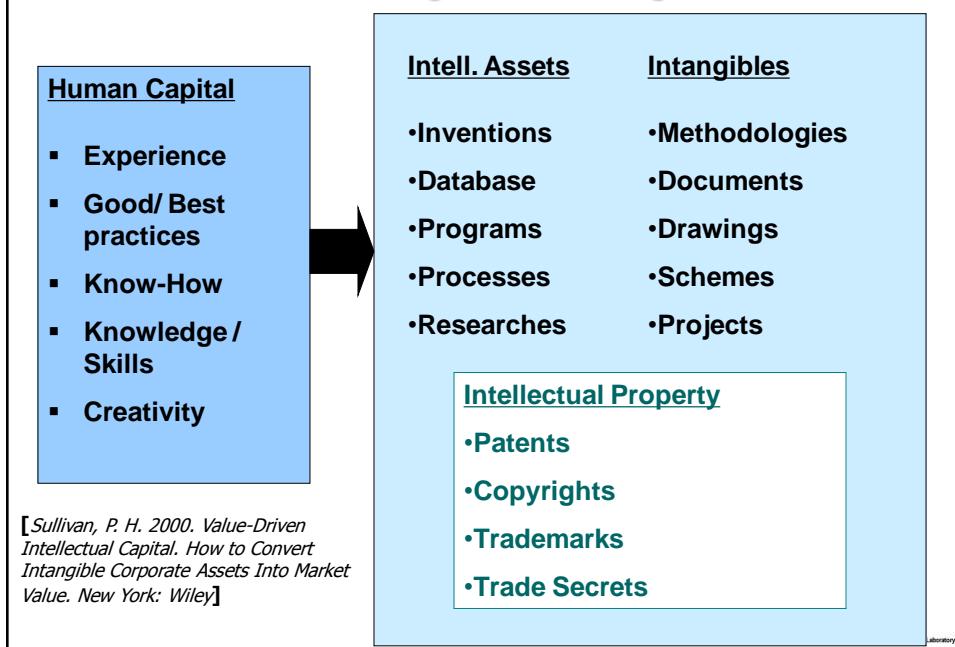
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## Intellectual Property Assets

- Patents and Intellectual Properties in general belong to the so-called **Intangible Assets** that Baruch Lev [1] describes as **non-physical sources of value**, i.e. non-physical generators of future revenues, which can be built through inventions and innovations.
- However, as Patrick Sullivan [2] points out, **Intangibles' economic value depends on the context of use**.
- In particular, Baruch Lev underlines that, in order to create value for enterprises and economic growth, **Intangibles need necessarily to interact with both tangible and financial assets**.
- [1] Lev, B. 2001. *Intangibles Management, Measurement, and Reporting*. Washington, DC: The brooking Institution Press. Italian Ed. 2003. ETAS – RCS Libri.
- [2] Sullivan, P. H. 2002. *Reporting on Intangible Assets*. *Les Nouvelles, Journal of the Licensing Executives Society*. September: 78-81

## Process of creating IP according to Sullivan



In this ecosystem there are (at least) 3 elements for innovation and economic growth

- Industrial Property (R&D, technology, innovation) and surrounding intangibles (HR, Know-how...)
- Exploitation for creating economic value
- Access to financing – Debt / Risk capital (investments / funding)



## Linking IP and Finance:

*A Methodology to recognize the economic value in the business context and communicate it*

**How a patent, or a patent portfolio, or a cluster of various IPRs could impact profitability (profit margin, bottom line, sustainability...)?**

*This is a question for the entrepreneur, who invests in IP for a project, his own enterprise / venture...*



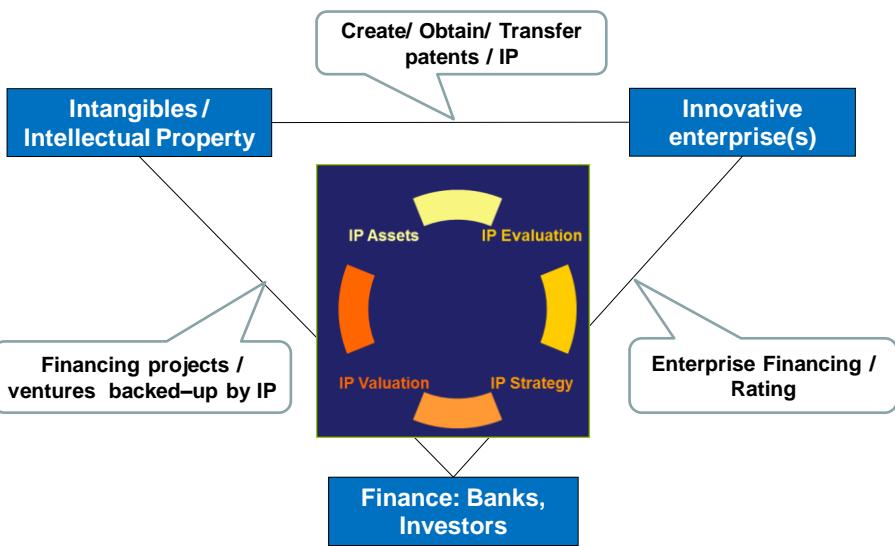
*The bank or the venture capitalist or the investor of a project / venture backed up by IP, (too), would have a similar question*



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## The triangle: Intangibles/IP – enterprise – financing



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## Young enterprises or high tech start-ups might only have intangibles...

### *Classes of Intangibles according to IVS 210*

1. **marketing related**, (used primarily in the marketing or promotion of products or services. Ex. trademarks, trade names, unique trade design, internet domain names and non-compete agreements...)
2. **customer or supplier related**, (arise from relationships with or knowledge of customers or suppliers. Examples include service or supply agreements, licensing or royalty agreements, order books, employment agreements and customer relationships)
3. **technology related**, (arise from contractual or noncontractual rights to use patented technology, unpatented technology, databases, formulae, designs, software, processes or recipes).
4. **artistic related**, (arise from the right to benefits such as royalties from artistic works such as plays, books, films and music and from non-contractual copyright protection)

Within each class, assets may be either contractual or noncontractual.

## Highlighting IA / IP and creating value

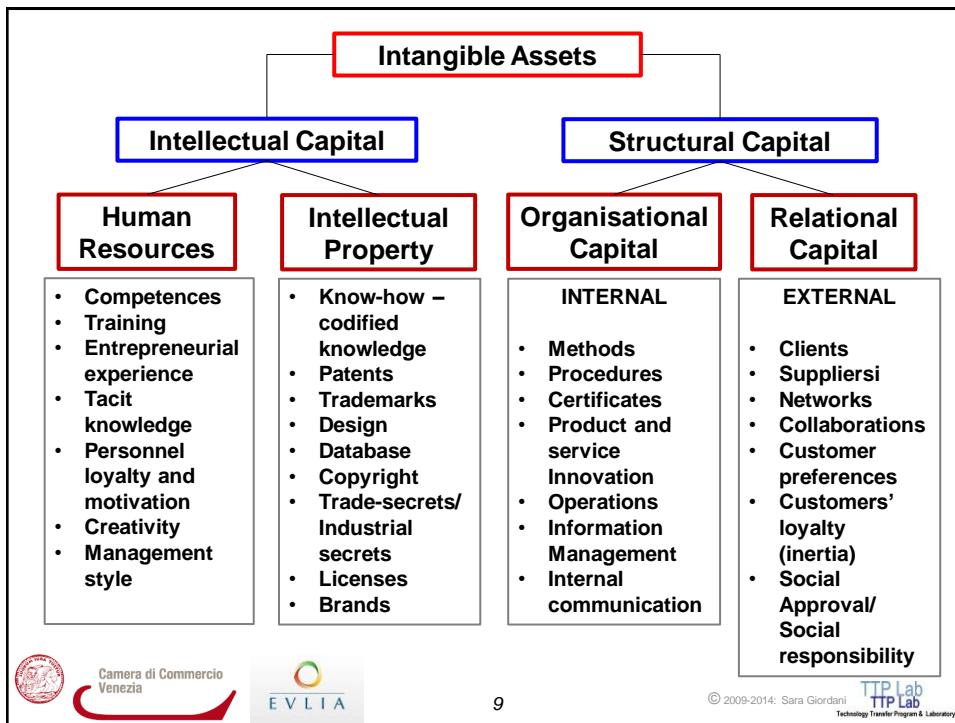
1. **Identify IAs and define their role in the business** (think why they are there, how they have been generated, what they bring to the business...)
2. **Understand the business model / strategy**, (how IA /IP intervene? What strategy? Defensive only?)
3. **Correlate with Finance and Financial statements** (look both at the past and at the future, provisional Balance Sheet and Income Statement)

## Highlighting IA / IP and creating value

1. Identify IAs and define their role in the business (think why they are there, how they have been generated, what they bring to the business...)

IP auditing, IA inventorying and monitoring... There are different tools in support of this task.

Within the EVLIA project a framework for IA selection and analysis has been created...



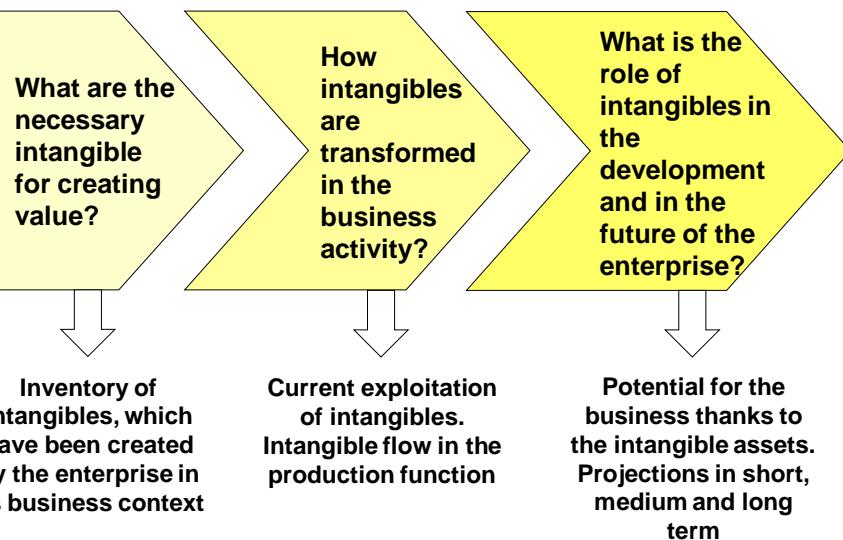
## Objective: Identifying how the intangible assets of the enterprises create value

- Utilization of intangible resources
- Exploitation perspectives and percentage
- Business plan? Business model?
- Trade, exchange mechanisms/ intangibles exploitation
- Levers for creating value: enterprise internal factors
- Enabling conditions to create value: External factors of the business context
- Value enhancement initiatives

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## Role of intangibles



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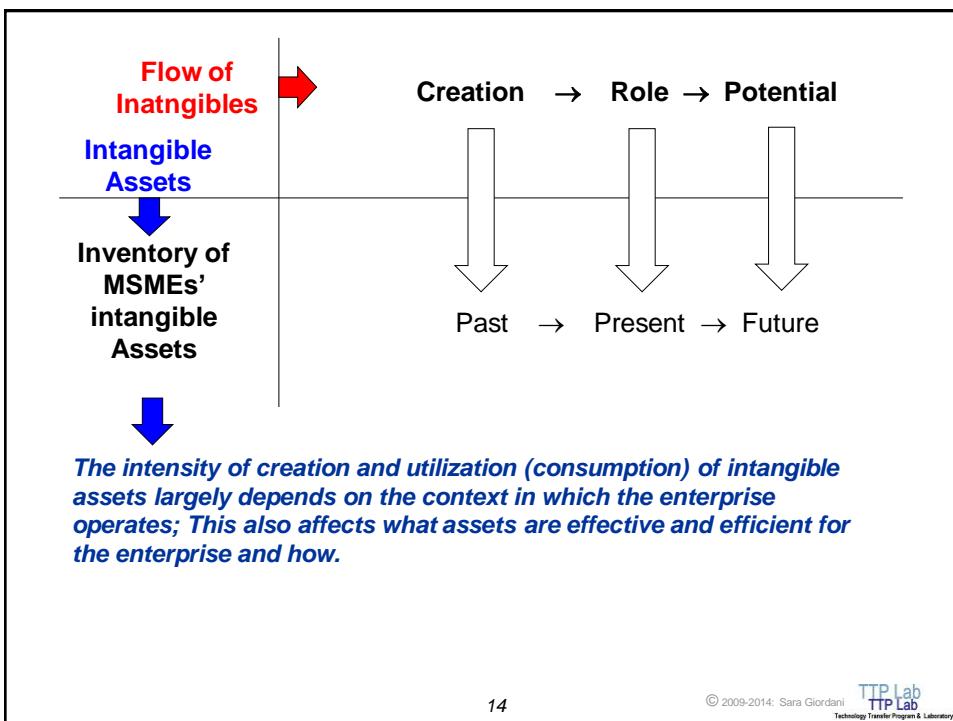
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## The dynamics of IA within enterprises

- The objective is to locate, understand and identify the intangible assets of the enterprise, which:
  - Have been created (**Creation**). What the enterprise own/ has, i.e. the inventory of intangible assets
  - Have a role/ function in the enterprise and create value (**Functioning**). Their role in the production function of the enterprise
  - Have the potential of generating future cash flows (**Planning**). Their ability to create value today and in the future, in relationship with what the enterprise trades, exchanges or sells
  - Have a value or provide advantages that can be transferred to third parties (**Transferability**). The residual possibilities to transferring those assets to third parties

## Phases/ Steps

- RECOGNISING
  - Identify the intangible assets, both the ones in uses and the ones not in use, to obtain an inventory
- ANALYSING
  - Explore the role and the function of intangible assets in the business activity and their impact on the supply chain and on the market
- EVALUATING
  - Robustness of intangibles
  - Impacts: added-value, competitive positioning, competitive advantage
  - Future perspectives: potentials, sustainability...
  - Considering transferability, both for additional cash flows (e.g. via licensing), and for selling to third parties



## Complete check-up

**HUMAN RESOURCES**

1. Level (quality and quantity) of entrepreneurial experience
2. Training of personnel and alignment of competencies/ expertise with business objectives
3. Tacit knowledge (key employees)
4. Personnel/ employees loyalty and motivation

**INTELLECTUAL PROPERTY**

1. Codified knowledge, know-how. Own databases
2. Proprietary information and technologies. Trade/ industrial secrets and their management.
3. Inventions: awareness and protection
4. Trademarks and brands: management
5. Design: awareness and protection
6. Copyright

**ORGANISATIONAL CAPITAL**

1. Methods/ codified procedures for production / services delivering
2. Certificates
3. Internal/ project management system
4. Administrative system

**RELATIONAL CAPITAL**

1. Systems/ mechanisms for attracting new clients
2. Management systems of client portfolios
3. Management systems of supplier portfolios
4. Collaborations

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## Analysis and evaluation framework

Intangible Assets	Creation	Functioning	Planning	Trasferring
Human Resources				
Intellectual Property				
Organisational Capital (internal)				
Relational Capital (external)				



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## Moreover, evaluation and decision making processes run differently

- Enterprises
  - Forecasting – looking at the future
  - Stage-gate approach
  - Use indicators through a checklist, assign scores
- Banks
  - Rating – looking at the present (past)
  - Investment grade
  - Use indicators, assign weights and scores

## How do patents/ IPR fit the two approaches?

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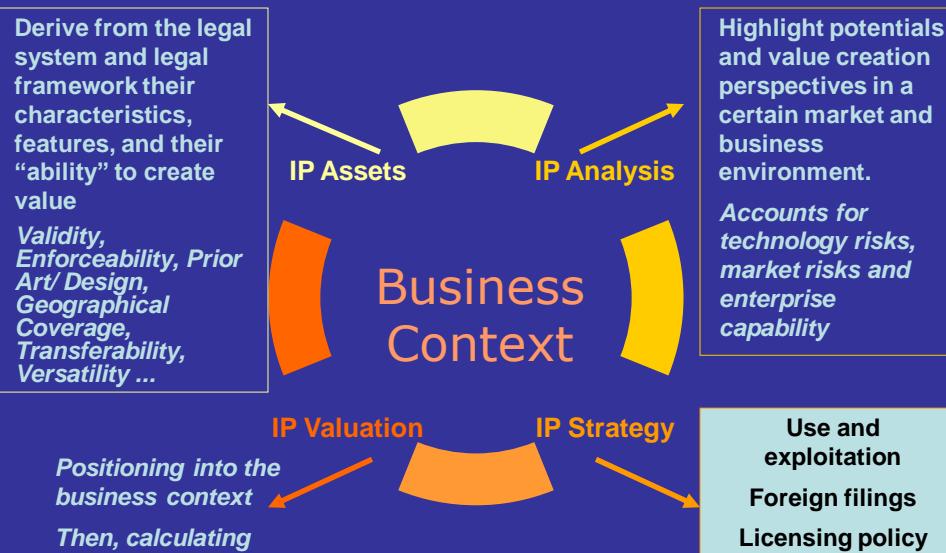
## Including IA analysis into the business plan

- Highlight business status, business needs and perspectives
- Cracking the IAs role and function in the business / strategy. E.g. for old and new intangibles, describe the role of IA, existing or to be created, within your enterprise (creation, use, exploitation, valorisation, etc.) in the next years
- Developing a business plan model, which includes IAs analysis, (which is understandable by SMEs and agreed and accepted by the banks), e.g. Describe the role and function od IA to support your offer
- The process starts with the analysis and ends with the delivery of the complete business plan, (robust, credible, effective and reliable)

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## Valuation implies an integrated perspective...



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## A final thought...

- “Building value”, somehow building or structuring of an evaluation and valuation method, mirror a **strategic intent** development path and a process of **creating and managing IP assets**, when both the IP process and strategic path converge in a **business plan to be exploited**:
- **Within the enterprise** where the IP assets have been created;
- **Within external companies**, where the IP assets have been transferred in return of royalties;
- In a “pure” commercial transaction, where the IP asset is **traded “as is”**.

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# Thank you!

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