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WORLDINTELLECTUAL
PROPERTYORGANIZATION

**SECONDIINTERNATIONAL FORUMON
CREATIVITYANDINVEN TION –ABE TTERFUTUREFOR
HUMANITYINTHE21ST CENTURY**

organizedby
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CONDITIONSFOR SUCCESSFULECONOMICANDSOCIALUSEOF
INVENTIONS ANDINNOVATIONS

SEEDCAPITALINVESTMENTFORINTELLECTUALPROPERTY
COMMERCIALIZATION

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OUTLINE

1. About 50 to 80 percent of the market value of modern business is due to intellectual property (IP) assets. Universities and research and development (R&D) organizations are potential sources of valuable IP. However, the creation of wealth from IP is a challenge for universities and R&D organizations. To create wealth from IP it is necessary to understand investment in new technology and new technology-based enterprises.
2. An analysis of five different modern companies shows the importance of investment for creating new IP and hence value. However, the innovation pathway from new ideas to the marketplace is very difficult. There are several stages of investment and value creation. The amount and source of investment funds available for each stage of development is related to the level of commercial risk at each stage. The early stages are high risk and the later stages of a business are low risk.
3. At the very early stages of R&D in universities and R&D organizations, government funds are usually used. The extent of IP development is typically first proof of technology principle and initial IP protection. Without further investment, basic licensing of the IP rights is normally the extent of the value achieved. An investment of seed capital can facilitate development of the principle, further IP creation and protection, and the potential to establish an investment ready company. With the investment of more funds, additional development occurs and more value is created and at the same time investment risk is reduced. This leads to attractive 'value propositions' for future investors. Investors will want to "exit" at some later stage to obtain returns consistent with the amount invested and the level of risk. A successful end result is wealth creation by the IP originators and company founders.
4. Commercialization choices for IP are influenced by the availability of investment funds and also by the character of the technology prospects. Prospects that will not sustain a business on their own are more suitable for licensing. Prospects that have wide applicability, large growth potential and a sound management team are potential candidates for new technology ventures. In both cases, having strong IP protection is highly desirable.
5. An investment fund manager must spread the risk by having a portfolio of "projects." Some of these will ultimately fail but overall the portfolio should deliver a profitable return on investments made.
6. Suggestions are made for a planned path to profit from IP:
 - a) identify and evaluate opportunities for commercialization (deal flow);
 - b) select the best prospects and construct business plans;
 - c) harmonize technical and commercial strategies;
 - d) provide incentives and rewards for value creators;
 - e) protect potentially valuable intellectual property;

- f) invest to reduce risk and create value propositions (with more IP);
- g) create wealth through deals;
- h) properly manage a project portfolio and seed capital funds.

[End of document - Powerpoint presentation follows]