

Technology Transfer Program & Laboratory Ltd.



WIPO-ITALY International symposium
on Intellectual Property and the competitiveness of SMEs
in the textile and clothing sectors

Intellectual Property between Strategy and Valuation

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*Real Sito Belvedere di S. Leucio - Caserta (Italy)
November 30 and December 1, 2005*

Technology Transfer Program & Laboratory Ltd.

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www.ttplab.com*



We are a technology transfer and consulting company.
The concept was deployed in 2003 within our professional firm,
based in Vicenza, in the "industrial district of the North-East".
TTP Lab was founded in August 2005.

We at TTP Lab offer operational and strategic support to
activities related to technology transfers and innovation,
with a special focus on SMEs.

Within our portfolio of services and activities:

- Exploratory search, selection & analysis of licensable innovative technologies, for transferring from / to SMEs.
- Valuation of innovations and/or intangible assets;
- Exploration & analysis of patenting opportunities;
- Intellectual Property tactics and strategy for optimal IP management and value extraction...

Intellectual Property between Strategy and Valuation

Trends:

- Why an IP evaluation and valuation?
- Why an IP strategy?

Single business cases for:

- Evaluation
- Strategy & Exploitation Plans
- Valuation

An integrated perspective:

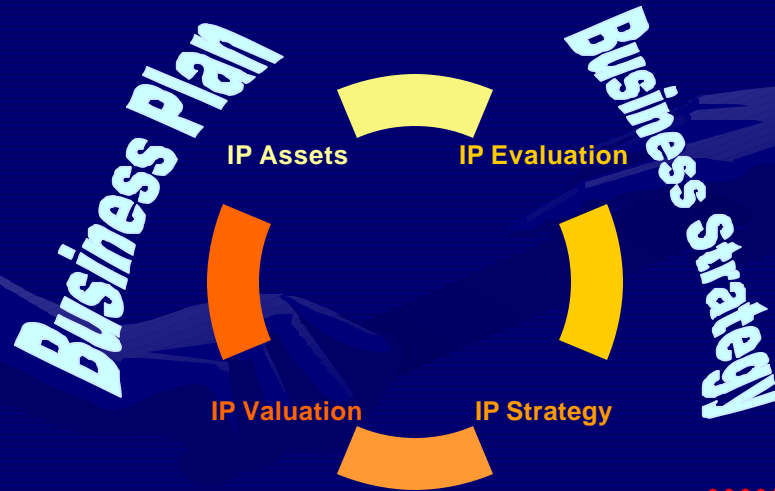
- A case for SMEs

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

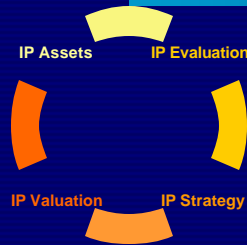
What comes first ?



..... Any idea ?

... It depends !

- In practice we have each of them,
- but
- In theory you need all of them



Let's start with "IP Valuation"

Preliminary questions in IP valuation are:

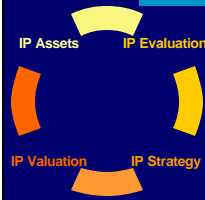
- The reason and the goal of the valuation;
- The characteristics of the Intellectual Property: type of patent/ protection, advancements in the granting/ maintenance process, legal status ...
- Available information: documents, players, context, conditions...

What are we valuing? Why?

- The reasons behind the valuation [**Why we are valuing?**]
- The type of IP asset [**What we are valuing?**]
- The **context and boundary conditions** surrounding the asset

are intertwined and strongly depends on the objectives and specific behaviors, which are at the basis of the IP asset(s)' creation and management.

*The reason and goal of the valuation together with the intrinsic characteristics of the IP asset and the boundary conditions, are generally related to the "strategic" behaviors that prompted the decision to patenting/ registering (**patent intent**), the **type and structure** of the protection (**patenting**), eventually the choices and methods for IP management (**portfolio management**).*



Someone has an IP asset...

- *Luminex, Light emitting fabrics, was born thanks to the collaborations of 3 companies:*

C.A.E.N. (Costruzioni Apparecchiature Elettroniche Nucleari – Viareggio), F.I.T. (Fabbrica Italiana Tessuti – Prato) and Tessitura di STABIO a Swiss company.

- *Luminex is a fabric with a **registered trademark and an international patent application***



... A company, a marketing strategy, an image...

- *Luminex SpA distributes the product and the company is also the owner of international patents and trade-marks*
- *“Luminex is both our company’s name and our **fabric trademark** as well. We presented the fabric Luminex for the first time in Florence during the Pitti Filati tradeshow in January 2002 but it took over three years to develop a product good enough to be presented and most important to be used as a traditional fabric”*

www.yet2.com ; www.luminex.it



Someone else has an IP Asset... even a brand new one...

- **TECHNO TEXTILE,**

From Business Week, 28 September 2005

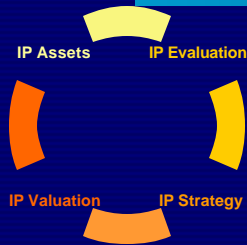
*“Designed by Tine Hertz and Maria Langberg, two students at the Danish Academy of Design, in collaboration with researchers at Risø National laboratory, Powertex is a **prototype** that integrates solar cells into textile. The **patent-pending design** opens up myriad opportunities for flexible, lightweight photovoltaics”.*



... and a word of attention...

- From Andy Gibbs, www.Patentcafe.com

*“In the 1967 movie "The Graduate", the most memorable line was "the future is plastics". Today, I can confidently say that the "the future is marketing". **Too much technology (intellectual property) sits valueless on the shelves** -- while the Ginsu Knife continues to hit respectable sales decade after decade. **Because of technology? Nope, marketing”.***



Someone does not have (yet) an IP asset... Intangibles evaluation

- A clever Italian scientist has created, designed and developed a weight-loaded exercise jacket suitable for both athletic training and resistance training with weight-bearing.
- A medical study has been already conducted and a prototype has been realized.
- In this case there is an **intangible asset**, whose **destiny depends on the protection choices** (type of protection, patent, design, geographic coverage...), **IP evaluation** (prior art search, patent mapping, intended use of the to-be-created IP and exploitation plan)...

... and here the "strategic use" of patents/ IP enters into play...

Defensive



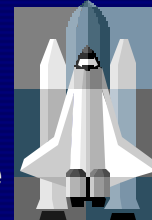
Offensive



Pro-Negotiations
Bargaining chips



Enhancing the
technological image



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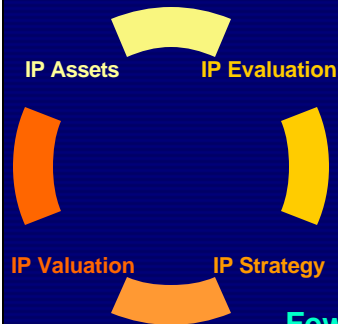
When it comes to Strategy: the case of an SME

- Design, engineering and production of Electro-medical devices and accessories
- Competences, know-how and exploitation of the technologies, which underlie the patented inventions.
- Actual markets: Italy, Europe

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Patent Intent, IP Strategy

Patent Intent	Patenting	Portfolio Management
<p>Defensive intent: Increasing freedom of operations for production and commercialization. Availability of a ticket or Pass in order to access several market segments.</p> <p>Building and promoting image intent of the enterprise within the industry sector.</p> <p>Commercial exploitation via licensing.</p>	<p>Protection:</p> <ul style="list-style-type: none"> -European industrial design registration requests. -Patent application under evaluation. 	<p>IP and Intangible assets comprise different types of IP, i.e. patent, design, brands.</p> <p>IP management is mainly in a defensive perspective, integrated with the overall business vision and objectives of the company, today including also the exploitation potential of Licensing.</p> <p>The IP portfolio is both a key and a weapon ensuring some "design freedom" in the market.</p>



Back to IP Valuation

Few key questions before continuing

- *What asset or bundle of assets is being valued?*
- *Why is this bundle of assets being valued?*
- *What is the **definition of value** being used?*
- *Are there legal, tax, financial or other business implications that will affect **methodology**?*
- *When are we valuing?*

(Anson, 2004: 39)

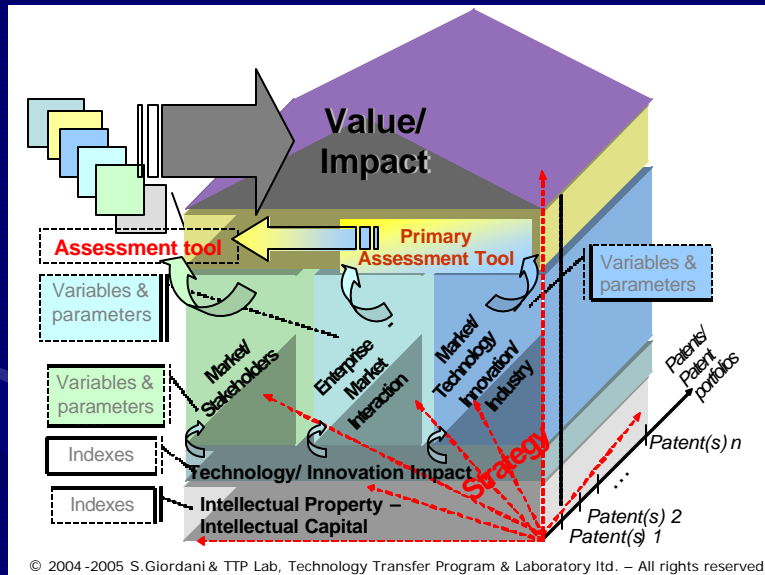
IP Valuation: Toward an integrated view

- *IP Assets: Legal framework.*
- *Evaluation: Linking with tangible assets, intellectual capital, and complementary assets*
- *Market - Marketing – Enterprise/ market interaction*



Value Creation

Strategy means cutting across IP Assets, Evaluation pillars, Market & Enterprise.



IP Valuation: Our vision

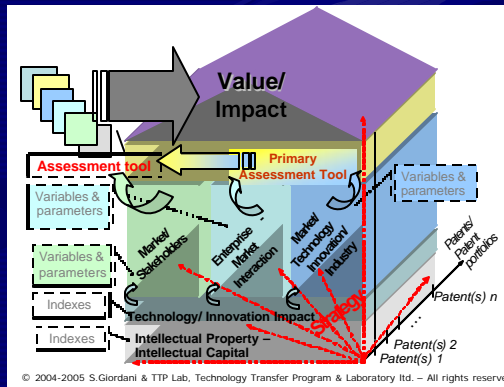
- Before applying a valuation method, the asset goes through a **scoring method**.
- The criteria, indexes, scores and weights provide a first **valuation grid**.
- Patent intent, patenting, patent strategy, portfolio management reveal **strategy & value creation patterns**, which can be more or less coherent, more or less applicable and/or actually applied in the context and framework of reference for the valuation.

"An intuitive correspondence between IP valuation and value creation"

The “bricks & mortar” for building the:

- valuation framework,
- business strategy,
- Value creation perspectives.

There are about 100 indicators which help us building a grid, a valuation matrix, capable to highlight and map out the plus and minus of the asset under analysis.

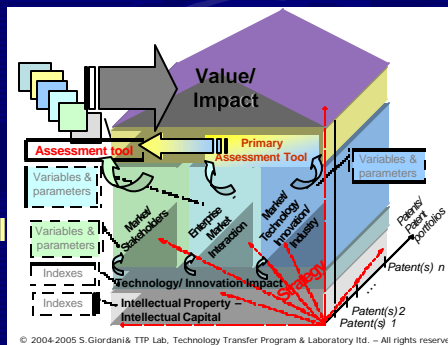


When it comes to Valuation: the case of an SME

Industry Sector: Water treatment

The patent family together with other IPs, like registered designs and trademarks, is managed in a defensive and integrated perspective

The patent family went through the valuation process to be used as collateral with informal investors for company shares allocation among partners.



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”**.

Re-thinking now Mr. Peter Cordsen's, - Director of Danish Innovation Center, - opening sentence of his speech on IP Valuation:

« Unfortunately, there is no easy or single answer to the question:

“What is the value of a certain industrial property asset?”

The value of any invention is highly dependent on a complex set of conditions and circumstances, and there are examples that it can go up and down overnight. »

[WIPO Asian Regional Symposium, 1997]

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Thank you
for your attention!

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