

IPMONEY – INTRODUCTION (cont'd)

Intellectual Property Rights as Legal Barrier of Entry

One of the most important contributions of intellectual property rights will be to deter or delay the entry of market competition and prolong the sustainable competitive advantage of the venture. The concept of intellectual property rights as a legal barrier of entry and prolong business profitability is illustrated in figure 2.

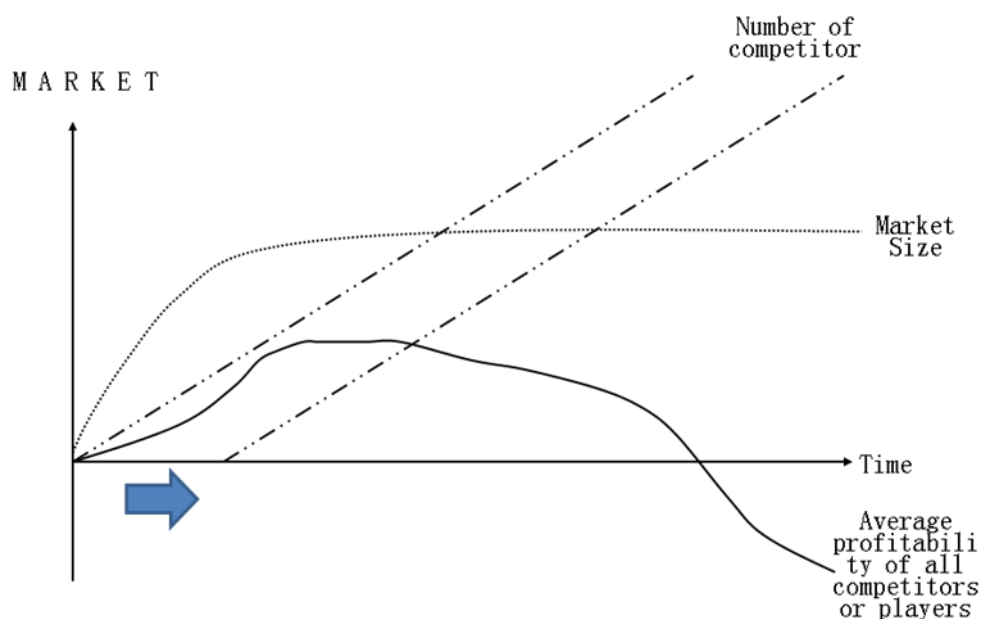


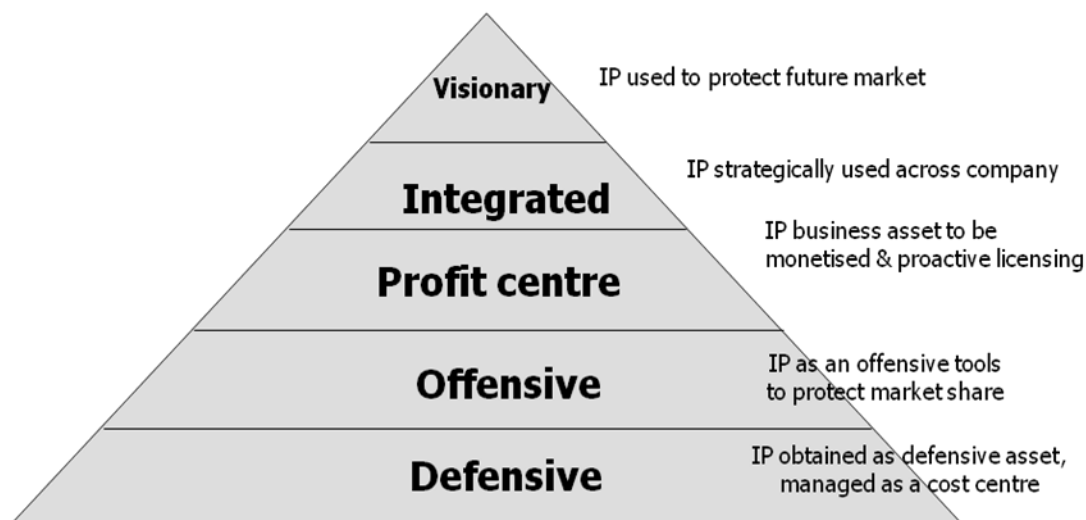
Figure 2: Legal Barrier of Entry

Through enactment of legal barrier of entry to protect the core competence of technology-based enterprises from competitive threats, intellectual property right helps to create a positive net present value to its owners. This role of intellectual property has led not only to market growth but also to the stabilization of markets. When investors see growing markets they then move to capture the economic rents that may be associated with the growth.

The Functions of Intellectual Property Assets

The importance of Intellectual property assets to business ventures can never be overstated. From the basic defensive role, offensive role, profit centre role to integrated business roles, intellectual property assets play strategic and crucial roles in the success of business ventures

The IP value hierarchy



The different functions of intellectual assets are illustrated by the IP Value Hierarchy Pyramid shown in Diagram A. Table 2 further elaborate the functions of IP assets at different level of value hierarchy.

Table 2: Functions of Intellectual Property Assets

<u>Roles</u>	<u>Descriptions</u>
1. Defensive Role	To own and prevent misappropriation / hijacking of one's intellectual property assets by copycats.
2. Offensive Role	To use IP assets to protect market shares and profit through effective legal enforcement of intellectual property assets.
3. Profit Centre	To generate passive royalties income through licensing of Intellectual Property assets.

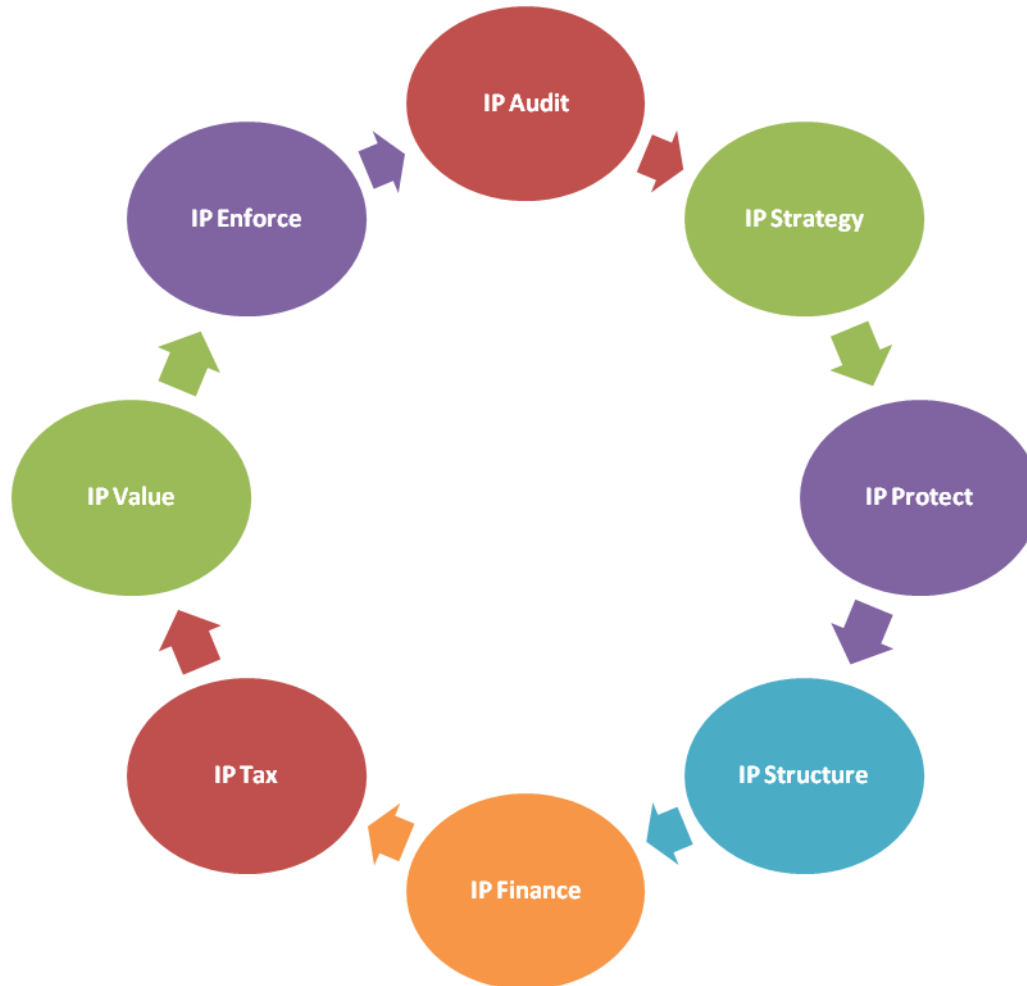
The Integrated Roles of Intellectual Property Assets



<p>4. Integrated Role</p>	<p>To employ Intellectual Property assets strategically to enhance the company profitability and shareholders through the following ways:-</p> <p>(a) Marketing :</p> <p>To increase market shares through the monopoly rights conferred by intellectual property Assets. For example, Tetrapak dominated the packaging industry for perishable drink through its vacuum packing process patent.</p> <p>(b) Branding :</p> <p>To enhance the reputations in the market as innovative company offering unique products. For example, Canon ran advertisements to inform the public that it is the second largest filer of US patents to show that the company is in the forefront of products innovation.</p> <p>(c) Safeguard Product Differentiation and Innovation :</p>
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	<p>To protect products and/or service differentiations from unauthorised copying and dilution. Nike, for instance, is able to maintain its products differentiation in branding, design and functions through trademarks, patents and industrial design protections.</p> <p>(d) Business Expansion :</p> <p>To expand the products / services globally through licensing or franchising of intellectual property assets. MacDonald Inc is able to expand by an average rate of three outlets a day through franchising its business models and bundles of intellectual property assets including the MacDonald trademarks, the operating processes and manuals which are protected by patents and copyrights.</p> <p>(e) Tax Planning :</p> <p>Many tax incentives are promulgated by governments in different jurisdictions to spur investments in activities that lead to the creation of intellectual property assets like R&D and branding and this should be taken advantage of by owners of intellectual property assets.</p> <p>(f) Capital Raising :</p> <p>Likewise, many governments in different jurisdictions award R&D grants to develop new intellectual property assets and Intellectual Property Commercialisation grants to promote Intellectual Property Based ventures. These grants carry very low or zero cost of capital. If fully capitalised, these grants will add tremendous value to a technology venture. Moreover, intellectual property assets is one of the most significant assets owned by a technology based venture that attracts venture capital funding.</p>
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IPMONEY: PINTAS IP-MONETIZATION FRAMEWORK



Through the IPMoney Framework, the author attempts to show the way whereby IP owners can manage, protect and monetise their IP assets and effectively realise the full potential of IP assets in creating shareholders value.