

IP STRATEGY

Objectives:-

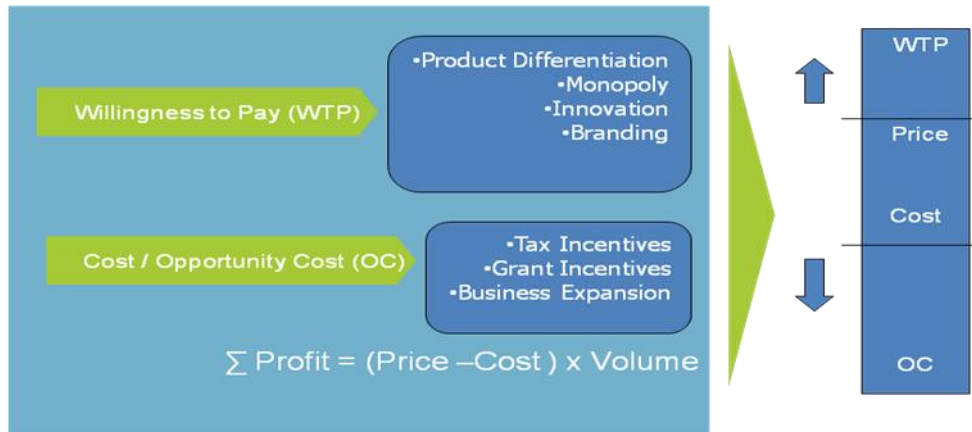
To maximise and optimise the role of IP Assets in enterprises' overall corporate strategy

Overview:-

In today's knowledge based economy, intellectual property assets such as patents, trademarks, design, etc are one of the most important strategic resources of a technology venture. By incorporating the intellectual property assets to the new products and services, the new ventures seek to create value in two ways.

First, the intellectual property assets create value through increasing the willing to pay (WTP) of the customers by making the products or services more innovative, differentiated or branded.

Secondly, more value is created if the intellectual property can help to lower overall operating costs like the manufacturing, market expansion or financial costs. The value creation function of intellectual property rights can be represented by the intellectual property value chart in Diagram 2.2.1.



2.2.1 Intellectual Property Strategy Chart

As profit is a function of the difference between price and cost multiply by volume, an intellectual property based venture can enhance shareholders values by offering unique, differentiated, un-imitable solutions to satisfy the unfulfilled needs of the market place.

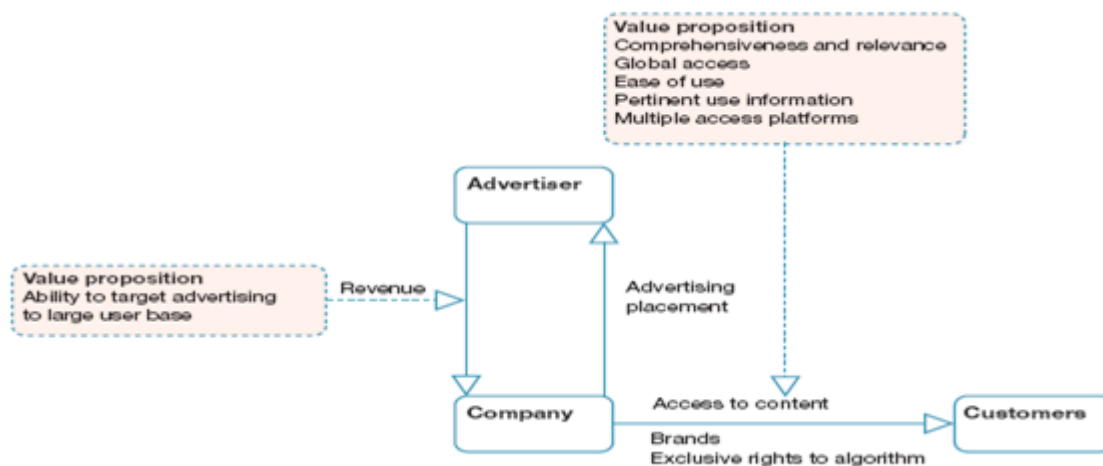
Methodology

During this exercise, enterprises will need to relook into the roles of IP assets in their overall business model. Due to the preferential treatment accorded to IP assets (compared to other classes of asset)

under our tax and accounting system, the IP assets are increasingly becoming more important in the overall corporate strategy planning. To this end, enterprises will be encouraged to modify their business model or revenue model to make IP asset, a centre piece of corporate strategy. There are different ways where a venture can use its intellectual assets to enhance its competitive edge. It can implement the intellectual property rights in its product lines or services and charge a price premium. It could also license the intellectual property assets to third party companies in exchange for royalties. Alternatively, the venture can leverage on the intellectual property assets, e.g. a process patent, to encourage entities in the applicable industry to adopt the process as industrial standard based on a royalty-free or minimum royalty basis for all the interested party. The intellectual property asset owners would benefit from increased volume over the network as a result of the standard being adopted by the industry.

By way of illustration, we can look at the google business model (see Diagram 2.2.2) to see how values are being captured. Google creates willingness to pay by advertiser by having comprehensive and relevant search capability, ease of use, global access, multiple access platform (all these features are protected by patents), global brands (protected by trademark). The revenue is generated when advertisers are willing to pay target advertising to a large user base.

DIAGRAM 2.2.2 : Google Business Model



At the end of the IP Strategy exercise, we hope to produce a improved business and revenue model that corporate structure that utiise IP assets to optimise the overall corporate value.