



Current Status and Future Prospects of Intellectual Property Finance Development

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Abstract: Intellectual property finance theory is an emerging financial theory that deeply integrates intellectual property and finance. This article first introduces the basic concepts, characteristics, origins, and current development status of intellectual property finance. Then, it elaborates on the main types of intellectual property finance and further illustrates the importance of intellectual property finance for high-quality economic development through case studies. Finally, based on practical experience, this article proposes future prospects for the further development of intellectual property finance. This study not only enriches the theoretical system of intellectual property finance, but also provides useful references and inspirations for intellectual property finance activities in practice.

Keywords: intellectual property finance, intellectual property pledge financing, intellectual property insurance, intellectual property securitization

1. Introduction

The "14th Five-Year Plan" proposes to improve the financial support and innovation system in the future, and encourage financial institutions to continue to explore new technology financial products such as science and technology insurance and intellectual property pledge financing. The Outline for the Construction of an Intellectual Property Power (2021-2035) also emphasizes "actively and steadily developing intellectual property finance" and "standardizing and exploring innovation in intellectual property financing models". Intellectual property finance not only contributes to the commercialization and transformation of intellectual property, but also provides more financing channels for enterprises and individuals to promote technological innovation and industrial upgrading. Therefore, the research and exploration of intellectual property finance has important theoretical value and practical significance[1].

The purpose of this paper is to discuss the operation mechanism of different business types of intellectual property finance, and to provide theoretical support and practical guidance for the healthy development of intellectual property finance. At the same time, this paper will also discuss the innovative models and development trends of intellectual property finance based on the practical cases of intellectual property finance at home and abroad, in order to provide useful reference and enlightenment for the development of intellectual property finance in China.

2. Definition of Intellectual Property Finance

Intellectual property finance is an emerging financial model formed by the deep integration of intellectual property and financial resources. It refers to a financial activity in which enterprises or individuals use their legally owned intellectual property rights such as patents, trademarks, copyrights, etc. as collateral, and after professional value evaluation, apply for financing from banks or other financial institutions. This financial model makes intellectual property not only a legal right, but also an asset with actual economic value that can be converted into cash flow.

3. The Origin and Development of Intellectual Property Finance

3.1 The Origin of Intellectual Property Finance

The origin of intellectual property finance can be traced back to developed countries in the 1970s and 1980s. With the acceleration of global economic integration and rapid technological progress, intellectual property has become an important component of a company's core competitiveness, and the demand for commercialization and marketization of intellectual property is also increasing. In this context, intellectual property finance has emerged as a new financial format.

The exploration of intellectual property finance in China began in the 1990s. In 1995, China promulgated the "Guarantee Law of the People's Republic of China", which stated that intellectual property can be used as the object of pledge rights. The promulgation of the Property Law of the People's Republic of China in 2007 further clarified the legal status of pledging property rights in intellectual property and improved the rules for pledging. In 2008, with the implementation of the National Intellectual Property Strategy Outline, China officially began the pilot work of patent pledge, which also marked the initial practice of combining intellectual property and finance in China[2].

3.2 Development of Intellectual Property Finance

With the rise and development of intellectual property finance, its business scope and form have also been continuously expanded and innovated, from the initial basic business such as intellectual property pledge financing and securitization, it has gradually developed into a variety of business forms such as intellectual property insurance, intellectual property trust, intellectual property investment fund, intellectual property financial leasing and so on.

Intellectual property finance activities in various countries around the world involve various financial fields such as pledge financing, securitization, insurance, capital contribution, and venture capital, for example, the United Kingdom has an active investment industry compared with other countries, and start-ups are more likely to obtain financial support from investors. IP finance activities have a wide range of participants. For example, the Singapore IP Strategy 2030 aims to develop Singapore into a global hub for intangible assets and IP activities and transactions through close collaboration between the government and industry. Countries share the same financial values and goals of intellectual property, and hope to explore various financing channels to help small and medium-sized enterprises and science and technology enterprises lacking physical assets to tide over the development period. In Jamaica, for example, micro, small and medium-sized enterprises (MSMEs) accounted for 97.6 per cent of Jamaica's registered businesses, so the introduction of intangible asset financing mechanisms was more innovative and innovative.

The Chinese government attaches great importance to the protection and use of intellectual property rights, and has formulated a series of policies and measures to encourage enterprises to use intellectual property rights for financing and investment. In the future, with the continuous development of China's economy and the continuous progress of science and technology, intellectual property finance will usher in broader development prospects.

4. Business scope and forms of intellectual property finance

4.1 Intellectual Property Pledge Financing

Intellectual property pledge financing is a new financing model that alleviates the financing difficulties of small and medium-sized enterprises. Specifically, it refers to a financing method in which enterprises use their legally owned intellectual property rights such as patents, trademarks, copyrights, etc. as collateral to apply for loans from financial institutions. This approach achieves effective integration between intellectual property and financial resources through the evaluation, pledge, and loan disbursement of intellectual property, providing more flexible and convenient financing channels for intellectual property owners[3].

4.2 Intellectual Property Insurance

Intellectual property insurance refers to an insurance contract related to intellectual property, aimed at helping enterprises transfer risks and obtain compensation for losses by purchasing insurance from insurance companies during the process of applying for, obtaining, or using intellectual property. It is a form of insurance for intellectual property risks, providing economic support and legal protection for innovators. According to the types of insurance liability, intellectual property insurance can be divided into infringement liability, expense compensation, infringed loss, and financing guarantee.

4.3 Intellectual Property Securitization

Intellectual property securitization refers to an innovative financing method that relies on the expected future returns of intellectual property to raise funds through the issuance of circulating securities in the market. Specifically, intellectual property securitization refers to the process in which the initiating institution transfers its intellectual property or its derivative interests as underlying assets to a special purpose vehicle (SPV), which then uses the asset as collateral and issues asset-backed securities after credit enhancement, in order to achieve the purpose of financing.

In 1997, the United States issued its first intellectual property asset-backed security based on the future earnings of British singer David Bowie's music copyright, marking the first successful practice of combining intellectual property and finance. Subsequently, Japan and various European countries have also explored intellectual property securitization, and the scope of underlying assets has continued to expand. Currently, it mainly includes three types: accounts receivable from

intellectual property transfer, license fees receivable from intellectual property licensing, and principal and interest receivable from intellectual property pledge loans[4].

As of the end of 2023, China has issued a total of 150 intellectual property securitization products, with a total issuance scale of 33.342 billion yuan.

4.4 Other intellectual property financial services

Other intellectual property financial services include intellectual property investment funds, intellectual property trusts, intellectual property assessment and consulting services, etc. Overall, the scope and forms of intellectual property finance have become increasingly broad and diverse. These businesses and products can not only meet the financing and investment needs of enterprises or individuals in the field of intellectual property, but also provide new vitality and growth points for the financial market. With the continuous development and innovation of intellectual property finance, its business scope and form will continue to expand and improve.

5. Market Practice of Intellectual Property Finance in China

5.1 Practical Cases of Intellectual Property Securitization

In July 2023, Hangzhou High tech Investment Holding Group Co., Ltd. successfully booked the first batch of Hangzhou High tech Zone (Binjiang) Data Intellectual Property Targeted Asset Backed Notes (ABN) for the year 2023 at the China Interbank Market Dealers Association, with an issuance amount of 102 million yuan and a coupon rate of 2.80%. This is the first securitized product in the country that includes data intellectual property rights.

The project is led by the Market Supervision Administration of Hangzhou High tech Zone (Binjiang), initiated by Hangzhou High tech Investment Holding Group Co., Ltd., with Hangzhou High tech State owned Holding Group Co., Ltd. as the obligor to make up the difference, Hangzhou High tech Financing Guarantee Co., Ltd., Hangzhou High tech Financing Guarantee Co., Ltd. and other companies as guarantee institutions, and Hangzhou Bank as the lead underwriter, bookkeeper and fund custodian. A data intellectual property targeted asset-backed bill project is established with 145 intellectual property rights (including 2 data intellectual property rights) as collateral. Through financing, 12 high-tech enterprises in Binjiang District obtained 102 million yuan in financing through trust loans. The final financing cost of bottom tier enterprises is not higher than 2.50%, which is about 50% of the cost of conventional bank loans, greatly reducing the financing cost of small and medium-sized enterprises [5].

5.2 Practical Cases of Intellectual Property Insurance

The Qingdao Intellectual Property Service Center actively explores and practices intellectual property insurance, establishes a patent pledge insurance loan service alliance, and launches a patent pledge insurance loan risk resolution system. The intellectual property evaluation agency conducts a comprehensive evaluation of the proposed pledged patents, transforming from traditional agency to intellectual property operation, serving three types of financial institutions: guarantee companies, insurance companies, and banks. The bank's entire loan risk is transformed into a tripartite sharing system, with insurance companies, banks, and guarantee companies forming a joint guarantee body and sharing risks in a ratio of 6:2:2. From January to September 2022, PICC Property&Casualty Insurance Qingdao Branch insured 37 companies per transaction, helping them obtain bank financing of over 130 million yuan. As of the end of September 2022, a total of 246 companies have been insured, helping them obtain bank financing of over 600 million yuan.

6. Future prospects of intellectual property finance business

6.1 Improve the ecosystem of intellectual property operation

The government should promote the construction of national intellectual property and technology achievement property trading institutions by relevant institutions, establish an intellectual property operation platform that focuses on emerging industries and promotes regional development, smooth intellectual property trading channels, and promote efficient disposal of intellectual property assets. Cultivate specialized, market-oriented, and internationalized intellectual property service institutions, promote the high-quality development of the intellectual property service industry, and provide professional services for the transfer and transformation of intellectual property and financial business.

6.2 Optimize intellectual property financial services

At present, the development of intellectual property financial services in China is led by the government. Therefore, it is necessary to strengthen cooperation between the government and banks, establish and improve management mechanisms,

optimize intellectual property financial services, encourage banks to actively innovate internal management and assessment mechanisms, and promote the implementation of relevant regulatory policies such as separate credit plans and non-performing loan rate assessments. The government should encourage banks and other financial institutions to innovate intellectual property financial products and actively carry out intellectual property pledge loans on the basis of controllable risks [6].

6.3 Consolidate the foundation of intellectual property evaluation

The government should improve policies for intellectual property evaluation and management, and assist in the promotion and implementation of national standards such as the Patent Evaluation Guidelines. Encourage online intellectual property evaluation, develop intelligent products, and optimize the evaluation process. At the same time, relevant departments should do a good job in data collection, analysis, disclosure and utilization, establish a data storage platform, optimize the mechanism of intellectual property transaction price statistics and release, lay a solid foundation for intellectual property evaluation, and promote the development of intellectual property financial services.

7. Conclusion

Intellectual property finance, as an emerging financing method, not only provides more diversified financing channels for innovative enterprises, but also promotes the commercialization and marketization of intellectual property. By pledging, licensing, securitization, and other means of intellectual property, enterprises can transform their intangible assets into actual financial resources, thereby supporting key activities such as research and development, production, and market expansion.

Intellectual property finance has played an important role in promoting the commercialization and transformation of intellectual property, expanding financing channels, promoting technological innovation, and industrial upgrading. In the future, with the continuous development and improvement of the intellectual property finance market, it is believed that it will play a more important role in promoting economic development and technological innovation.

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