



Patents as collateral for Singapore companies

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Patents were first used as collateral to secure financing by Thomas Edison in the late 1880s. Edison used his patent for the incandescent electric light bulb as collateral to secure financing to start his company, the General Electric Company. Since Edison's use of his patents as collateral, intellectual property has been used as collateral in the United States. Although the use of intellectual property as collateral did not gain popularity in the late 1800s with Edison's use, it has become quite popular in recent years.

A patent is a right granted to the owner of an invention that prevents others, without the owner's permission, from making, using, importing, or selling the invention. A patentable invention includes a product or a process that gives a new technical solution to a problem, or a new method of doing things, the composition of a new product, or a technical improvement on how certain objects work. A patent has a term of 20 years from the date of filing, subject to the payment of annual renewal fees. One main thing to think about when using patents as collateral is the fact that patent protection is territorial. If filed and granted in Singapore, a patent is only enforceable within Singapore and therefore, the protection is only afforded to a patent owner within Singapore.

On April 8, 2014, Singapore announced details of a new financing scheme aimed at helping local businesses secure bank loans by using their patents as collateral. The Intellectual Property Office of Singapore (IPOS) is the agency that implements this scheme and hopes that this will spark the interest of local companies.

Companies interested in availing themselves of the scheme must be local enterprises incorporated in Singapore and use a granted patent as collateral. As part of the approval process, their patent will be valued by a member of an IPOS-appointed panel, which includes valuation companies, that is, American Appraisal Singapore, Consor Intellectual Asset Management and Deloitte & Touche Financial Advisory Services. The panel will determine the worth of the patent to help banks decide on how much to lend. Three local banks — DBS, OCBC, and UOB — are currently participating in the scheme.

This 2-year plan by IPOS will involve the Singapore government sharing the default risk with participating banks. The banks will start accepting loan applications under this scheme from late second quarter of this year until April 2016. Interest ranging from 3.5

to 7.5 percent will be charged for loans of between 1 and 6 years. This rate is lower than the interest charged to smaller companies seeking unsecured loans, which is 8–10 percent.

IPOS chief executive Tan Yih San, during the scheme's launch, said: "What we are (doing) is to work with the banks to recognize intangible assets, which is not quite something that is readily available in the loan market today." He added that the scheme will open opportunities for companies to grow and expand not just locally, but overseas as well.

During the same event, Indranee Rajah, Senior Minister of State (Law and Education), said: "There is a growing trend of businesses being valued based on intangible assets. According to a report by Brand Finance, 42% of enterprise value in Singapore was in intangible assets in 2012, up from 35% in 2011. With IPOS' new IP Financing Scheme, businesses can monetize their IP assets," she added.

There are several advantages of using intellectual property as collateral.

One advantage is that intellectual property can be more secure than other forms of collateral. Most investors only invest in intellectual property that is receiving licensing royalties. The royalty payments are the ultimate source of cash that repay the loan. Hence, there is a consistent source of cash flow to repay the loan through licensing, and therefore, lower the risk of default. Another advantage is the increased return the owner of the intellectual property earns. Using intellectual property as collateral increases the owner's return through increased leveraging. Many royalty streams are collected in one lump sum rather than over time, and this lump sum can then be invested in future or current projects that have a higher return than the cost of financing.

On the other hand, risk is the main disadvantage in using intellectual property as collateral. However, this can be minimized through proper loan structure.

As Singapore is increasingly becoming a technology-driven, knowledge-based economy, the use of intellectual property as collateral will become popular moving forward.

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Venture funds in Malaysia

Multimedia Development Corporation (MDeC) Sdn Bhd, Malaysia

<http://www.mscomalaysia.my>

Product development and commercialization fund (PCF)

Product development and commercialization fund (PCF) is aimed at assisting local MSC Malaysia (formerly the Multimedia Super Corridor) status companies to accelerate the development and commercialization of innovative, market-driven product/solutions/services as well as increasing the creation of intellectual property for commercialization.

About PCF

- Funding based on competitive bidding on targeted technology CALL areas — funds the best set of projects from a larger pool of bids;
- Is a performance-based fund, that is, applicants spell out realistic and achievable technical and commercial targets. Disbursements of PCF are based on reimbursement basis upon meeting the said technical and commercial targets;
- Supports market-driven, innovative product development with high commercial potential — applicants are encouraged to gather and address market demand as well as identify pilot implementation(s); and
- Supports end-to-end funding as it covers product development and commercialization costs.

The MAC3 Fund

The MAC3 Fund (formerly known as MaC3 Co-Pro Fund) is a funding support designed to help innovative local companies to develop, produce, and co-produce content in the areas of animation, game, digital film with visual effects (abbreviated as VFX) components, beyond entertainment (education, simulation, and training content), high-end technology deployment (film technology, editing and coloring, digitization), and digital music that will contribute to the overall development of Creative Multimedia Industry and MSC Malaysia.

MSC Malaysia innovation voucher

MSC Malaysia innovation voucher is a program designed to increase collaboration between Malaysia's public and private institutions of higher learning (IHL) and research institutions (RI) with MSC Malaysia status companies, so as to tap into each other's capabilities and strengths. This serve to create a cultural shift in the business community's approach to innovation as companies can tap into experts/talents residing outside the company. The innovation voucher is a financial incentive worth of RM10,000 awarded to qualified MSC Malaysia status companies to support collaborative research and

development (R&D) projects from the approved collaborators. These collaborative R&D activities would then facilitate the transfer of know-how from the collaborators to the MSC Malaysia status companies and vice versa. In turn, this will lead to the production of innovative prototypes, quality products, and potential intellectual property (IP) creation.

UX innovate program

UX innovate program is an initiative by MDeC to create awareness on user experience (UX) among local Information & Communication Technology (ICT) and new media companies to enhance customer satisfaction and ultimately help improve the sales volumes of products or services. The program includes financial incentive awarded to qualified MSC Malaysia status companies to assist companies in getting access to in-depth training and mentorship by the experts in the UX field. Be prepared to experience exciting and highly interactive workshops, increase your skills with UX gurus, and most importantly, learn how to structure and design your products around the needs of your customers.

UX is one of the most prominent aspects of technology-driven products today, with the apparent consensus being that premium experience resulting in positive user response is critical to a product's success. At its heart, UX design is about effectively addressing the needs and circumstances of your users, to produce an interface that is comfortable and even joyful to use. As if that was not enough to tackle, your users' needs are always changing, as people continually evolve their expectations and technologies.

Technology acceleration program

Technology acceleration program (TAP) is an initiative by MDeC to establish channels and partnership with leading technology providers to support early adopter program for companies to innovate in cutting-edge technologies for new sources of growth. In an effort to assist and accelerate the development process of market-driven local products, MDeC is focusing on increasing the adoption of big data analytics among MSC Malaysia status companies. TAP offers a RM5,000 financial incentive to qualified MSC Malaysia status companies in getting access to a focused and in-depth big data analytics training and mentorship by the experts in the big data analytics field. Be prepared to experience exciting and intensive workshops with big data experts, and most importantly, learn how to develop big data analytics application and groom your own data scientists and data analysts.