

Intellectual Properties and Debt Finance for Startups

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Abstract This paper is an attempt to answer whether we can utilize intellectual properties for the financing of startups and why that is so. In order to tackle these questions, we conducted a questionnaire survey for startups and fund providers in Japan. Based on the results of this survey, we will examine how intellectual properties are actually used for their financing and why they are used in such a way.

1 Introduction

In general, securing funding is crucial for a business. This is especially true in the case of a startup, whose business has not yet developed and thus cannot produce enough money to sustain itself. At the same time, however, it is not an easy task to obtain financing from fund providers for the same reason—the business of a startup is still in its infancy and thus the risk of providing money is extremely high.

In such a situation, fund providers need more return on their money than in the situation where they provide funds for big enterprises or stable businesses. They cannot obtain high returns when they use debt financing—i.e., lending money to a startup which must repay the money with interest—since the interest rate is usually fixed at the time of the contract. Moreover, startups usually do not own enough tangible assets for use as collateral.¹ For these reasons, debt financing for startups usually does not function well. Thus, startups as well as fund providers are often

¹See Berger and Udell (1998), pp. 613–673.

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dependent on equity financing, i.e., investing money in a startup, obtaining shares in it, and therefore obtaining high returns when the business succeeds (by selling the shares and/or by receiving dividends).

Does this mean debt financing for startups is totally unnecessary? The answer is no for several reasons. One reason is that not all countries have a well-established IPO market. If a mature IPO market exists in a country, then it is relatively easy for a startup in that country to obtain funding because an investor—such as a venture capital or an investment fund—can easily sell the acquired stocks when the startup's business turns out to be successful, and thus will be more willing to invest his/her money in startups. Conversely, an investor will be less willing to invest in startups if there is no IPO market, and thus it will not be easy for startups to secure sufficient funds from investors. Another reason is that even though an IPO market may exist, there may be various difficulties regarding IPO: the market conditions may not be so good, the stock market may be controlled by the government, and so forth.

Thus, startups may prefer debt financing. Moreover, there is another reason for startups to prefer debt financing, namely maintaining secure control of their businesses. If a startup is heavily dependent on equity financing, the control right of the business may fall into the hands of investors and thus the founder of the company may lose his/her power. Startups may prefer debt funding in order to avoid such a situation. For fund providers, there are other reasons to let startups use debt financing. A debt provider could secure a certain amount of money as the repayment on the principal and interest even when the business is not so successful. For an investor (the provider of equity financing), a much higher return could be expected by letting startups use debt financing when the startup's business is very successful, since the interest rate is usually fixed and thus the rest of the profit goes to investors and founders (the leverage effect).

We can understand from the above that debt financing for startups is especially important in countries where financial industries are in their infancy. For example, Japan until the 1980s (or even in the 1990s) was in such a situation. The IPO market for startups did not exist until 1999 (two new markets for startups were established in 1999, one being the Tokyo Stock Exchange and the other, the Osaka Stock Exchange), and the financial system had been heavily dependent on banks or other types of banking institutions (such as credit associations, credit cooperatives, and agricultural cooperatives). Though several venture capitals were established even in the 1960s and the 1970s, their activity was somewhat limited. A survey on newly established Japanese manufacturing companies shows many still dependent on banking institutions, and about half of the funds for starting businesses came from banking institutions.²

Of course, Japan is not the only such case. In China, for example, the IPO market is still in its infancy, and the number of venture capitals is limited.

²See Sakakibara et al. (2000), <http://data.nistep.go.jp/dspace/bitstream/11035/817/1/NISTEP-RM073-FullJ.pdf>. Accessed 15 May 2017.

Thus China is now trying to find a way to provide money for startups by using debt financing. Even in the U.S., it was pointed out that debt financing has been important for small businesses.³

Then, several questions arise. As we have already pointed out, startups in Japan often prefer equity financing because of the risks, insufficient collateral, and so forth. How can we meet their needs? One idea for this was the use of intellectual properties as collateral—so-called “IP-backed lending” or “IP-based lending.” This is often the case when a startup does not have enough tangible properties but has intellectual properties such as patents or copyrights (especially those for software). Banking institutions can provide money in various ways by using IPs as collateral. Thus, it would be beneficial for startups in Japan as well as Japanese banking institutions if they could utilize IPs as collateral.

In the U.S., for example, this idea has already been put into practice. Moreover, many other countries that did not have such means of financing welcomed this idea. As we will show in the next section, the Japanese government tried to introduce IP-backed lending in the late 1990s and early 2000s, while the Chinese government has also been pursuing this course. Recently, the U.K. government issued a report about the introduction of IP-backed lending (IPO 2013).⁴

In Japan, however, IP-backed lending is not popular even after the government struggled for its introduction for several years. The situation in Japan will be explained in detail here, but this means careful consideration should be given on whether or not IPs can be utilized for debt financing as well as the reason why. Moreover, we should also think how IPs could be utilized for debt financing, if it is possible at all.

This paper is multi-pronged. First, it contributes to the discussion of how financing can be secured for startups, by investigating the attempts of the Japanese government to introduce IP-backed lending and the results. Secondly, this paper can provide some ideas for policymakers on how to utilize IPs to secure financing for startups. Thirdly, it contributes to the discussion on how to legally deal with IPs as collateral. There was a long discussion about this issue in UNCITRAL and related organizations.⁵

The structure of the paper is as follows. In the next section, we will explain the Japanese government’s attempts to introduce IP-backed lending. In the third section, we will introduce the method and results of our questionnaire survey, while in the fourth one we will discuss the results and consider how we can utilize IPs for debt financing. We will consider the implications of our study in our final section.

³See Berger and Udell (1998), pp. 613–673.

⁴UK IPO (2013), https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/312008/ipresearch-bankingip.pdf. Accessed 15 May 2017.

⁵UNCITRAL (2011), https://www.uncitral.org/pdf/english/texts/security-ig/e/10-57126_Ebook_Suppl_SR_IP.pdf. Accessed 15 May 2017.

2 Japan's Attempts to Introduce IP-Backed Lending and the Aftermath

In 1995, IP-backed lending was introduced to Japan by the Development Bank of Japan (DBJ), and the Ministry of Trade and Industry (MITI), the current Ministry of Economy, Trade and Industry (METI). For several years after this development, however, IP-backed lending failed to attract much attention from fund providers as well as startups.

In 2002, the Japanese government organized the Strategic Council on Intellectual Property to strengthen its intellectual property policy. In the same year, the Strategic Council issued the “Intellectual Property Policy Outline” and laid out Japan’s strategy to make the country more innovative. The Outline indicated that IP-backed lending should be introduced widely, and the main target of the IP-backed lending was startups.

The document stated that, “financial institutions in Japan should introduce financing based on Intellectual Properties proactively,”⁶ and this is particularly for “startups, which do not own enough fixed assets such as lands,”⁷ since “if the potential value of a company is not evaluated properly by financial institutions, then enough funds would not be provided to companies with the high potential for growth.”⁸

Based on this Outline, the Japanese government established the Intellectual Property Strategy Headquarters in 2003 for its intellectual properties policies and it continuously issued the Intellectual Property Strategic Program from the year of its establishment in 2003. From 2004 to 2009, the Intellectual Property Strategic Plan continuously stressed that IP-backed financing should be introduced, especially for the sake of financing startups. The following⁹ was taken from the 2004 version of the Strategic Program:

In order for businesses including SMEs and venture companies that regard intellectual property as an important element in their management strategies to raise funds smoothly with the use of their intellectual property, in FY 2004, the GOJ [Government of Japan] will continue to promote efforts by the Development Bank of Japan to extend loans secured by intellectual property and also actively encourage similar efforts in the private sector.

Moreover, the Financial Service Agency of Japan also considered IP-backed lending as a way to promote financing to small and medium-sized enterprises. In 2003, a subcommittee of the Financial Systems Council, an advisory board for the

⁶Japan Strategic Council on Intellectual Property (2002), http://japan.kantei.go.jp/policy/titeki/kettei/020703taikou_e.html. Accessed 15 May 2017.

⁷Japan Strategic Council on Intellectual Property (2002), http://japan.kantei.go.jp/policy/titeki/kettei/020703taikou_e.html. Accessed 15 May 2017.

⁸Japan Strategic Council on Intellectual Property (2002), http://japan.kantei.go.jp/policy/titeki/kettei/020703taikou_e.html. Accessed 15 May 2017.

⁹Japan Intellectual Property Policy Headquarters (2004), http://japan.kantei.go.jp/policy/titeki/kettei/040527_e.html. Accessed 15 May 2017.

government regarding financial systems, issued a report regarding the enhancement of so-called “relationship banking”, i.e., a method of lending based on the relationships with customers.¹⁰ FSA also issued its Action Program Concerning Enhancement of Relationship Banking Functions on the next day.¹¹ Those documents recommended evaluation of IPs in small and medium-sized enterprises in order to utilize them as a way to obtain financing. In 2005, the FSA renewed its Action Program,¹² and it was also promoting the idea of “loans secured by intellectual property rights.”

Based on these efforts by the government, from around 2004 to 2007, the Development Bank of Japan and some other regional financial institutions tried to expand their lendings to startups by using IPs as collateral. For example, DBJ had dealt with about 310 IP-backed lendings by March of 2008.¹³ But the number of IP-backed lendings started to decrease around 2007. In the period from 2004 to 2006, the number of IP-backed financings by DBJ per year was around 30, but in 2007, the number decreased to around 10.¹⁴ This indicates that the IP-backed lending boom has passed.

According to the questionnaire survey to financial institutions in Japan conducted in 2012 and 2013 by Teikoku Databank, of the 366 financial institutions that were surveyed, only 8 had experience with IP-backed lending.¹⁵ Moreover, METI, which had advocated the idea of IP-backed financing, started to change its focus to financing by evaluating the business as a whole, and IPs are regarded as a part of business.¹⁶

Those are indications that even though the government made efforts to promote it, IP-backed lending, especially for startups, could not take root in Japan.¹⁷ The question is why IP-backed lending for startups has not been widely employed in Japan. In the next section, we will investigate this matter by using our own questionnaire survey.

¹⁰Japan Financial Systems Council, Second Subcommittee (2003), <http://www.fsa.go.jp/news/newsj/14/singi/f-20030327-1.pdf> (in Japanese). Accessed 16 May 2017.

¹¹See Japan FSA (2003), <http://www.fsa.go.jp/news/newse/e20030328-1a.pdf>. Accessed 15 May 2017.

¹²Japan FSA (2005), <http://www.fsa.go.jp/news/newsj/16/ginkou/f-20050329-4/01.pdf> (in Japanese). Accessed 16 May 2017.

¹³See Japan Intellectual Property Strategy Headquarters (2009), http://warp.da.ndl.go.jp/info:ndljp/pid/998223/www.kantei.go.jp/jp/singi/titeki2/keikaku2009_e.pdf. Accessed 15 May 2017.

¹⁴See Japan METI Intellectual Property Policy Office (2007), http://www.meti.go.jp/policy/intellectual_assets/guideline/list8.html. Accessed 15 May 2017. See also, Japan Intellectual Property Strategy Headquarters (2009), http://warp.da.ndl.go.jp/info:ndljp/pid/998223/www.kantei.go.jp/jp/singi/titeki2/keikaku2009_e.pdf. Accessed 15 May 2017.

¹⁵See Teikoku Databank (2013), https://www.jpo.go.jp/shiryou/toushin/chousa/pdf/zaisanken/2012_10.pdf. Accessed 15 May 2017.

¹⁶See Japan METI Intellectual Property Policy Office (2009), http://www.meti.go.jp/policy/intellectual_assets/english.html. Accessed 15 May 2017.

¹⁷In 2011, Howa bank, a regional bank in Japan, started to provide IP-backed financing based on its cooperation with Patent Finance Consulting, a consulting firm specialized in IP and finance.

3 The Questionnaire Survey

3.1 *Method*

In order to investigate how IP-backed lendings were used in Japan and why it could not take root, our research project entitled “Private International Law & Securities in Intellectual Property, Applying a Law and Economics Approach with the Aim of Developing and Disseminating the Methodology of PIL,” conducted a questionnaire survey. This questionnaire survey had two parts: one for startups and the other for fund providers, such as people from consulting firms, venture capital, or law firms. By investigating Japan’s case, in which the government tried to introduce IP-backed financing but failed, understanding was sought as to how people might better utilize IP-backed financing. The project and the survey were supported by the Grant-in-Aid for Scientific Research (S) by the Ministry of Education, Culture, Sports, Science and Technology.

The main survey was conducted from January to February of 2013, after two preliminary surveys. The questionnaire for startups was sent to 631 startups, which were randomly selected from various sources (i.e., reports issued by the government and related institutions, websites of financial institutions, news articles, etc.). The questionnaires for fund providers were sent to financial institutions, investment funds, venture capital, law firms, patent attorney offices, auditing firms, and so forth, which were randomly selected again from above-mentioned sources. The questionnaire was sent by mail.

Unfortunately, since the questionnaire was so complex and respondents were not familiar with the details of the legal issues related to financing, we received only 25 valid responses from startups and 12 from fund providers. The response rate was 4% for both surveys. As far as we know, this is the first questionnaire survey regarding the legal issues involved in financing for ventures. Thus, we believe this result is unavoidable. At the same time, we consider this result to be worth investigating.

Regarding possible biases to the answers, we have examined this possibility but could discover no biases related to types, industry, size, and so forth. Thus we regard our sample as properly representative of the respondents involved. Moreover, because of the small sample size, we analyzed the result by simply counting the numbers and also used cross tabulation.

3.2 *Result of the Survey for Startups*

First, from among the 25 respondent companies, 3 companies have not received any funding from fund providers in the past or at the present. We asked the remaining 22 companies about the method of financing they used, allowing multiple answers. In reply, 15 companies stated they obtained funds for investment from VCs, 14 companies indicated investment funds from individuals, and 13 companies said they were using loans from financial institutions. Furthermore, we asked about the

primary source of funding, and from the answers we realized that 9 companies depended on loans from financial institutions as their primary funding source. We can thus conclude that loans were still used by many companies.

Next, we asked about the IPs they had and how they were used. Among 22 companies which received or had received funding from the outside, 7 companies did not have any IPs. These 7 were mainly sales and service companies. The remaining 15 companies could use their IPs to secure funding. As for those 15 companies, most of the intellectual property rights (IPRs) they owned were patents and trademarks, but some companies also owned copyrights for software.

One interesting result is that, among 7 companies not owning any IPRs, 6 companies indicated that their primary method of funding was debt financing (i.e., loans from financial institutions). On the other hand, among 15 companies that owned IPRs, 11 companies answered that their primary funding method was equity (investment from VCs/individuals/investment funds). Below is the cross tabulation of the relationship. The Chi-squared statistic is 6.812 and the hypothesis that there is no relationship between the primary method of financing and ownership of IPRs is rejected at 0.1% level.

		Own IPRs?		Total
		Yes	No	
Primary source of financing	Equity	11	1	12
	Debt	4	6	10
Total		15	7	22

Moreover, among those 4 companies owning IPRs and also dependent on debt financing, only 1 company owned patents. The other 3 companies indicated their IPRs consisted of trademarks, copyrights, and know-hows. This means that technology-based startups (tech startups) are mainly using equity financing, while those startups that are not based on technology (non-tech startups) are using debt financing.

We also asked several questions regarding how they deal with their IPRs when they obtain funding. All 4 companies that owned IPRs and were dependent on debt financing had conducted the valuation of their IPRs, and 1 company actually used its IPRs as collateral. On the other hand, among the 11 companies that owned IPRs and were mainly using equity financing, only one company conducted valuation. The other 4 companies made the confirmation of ownership of IPRs, and the remaining 6 companies did not report anything about IPR ownership. However, fund providers can confirm ownership by using the database of patents, for example, so it does not mean that fund providers actually are unaware of the IPRs of startup companies.¹⁸

¹⁸Japan has a database for patents, trademarks, utility model rights and design rights. See Japan Platform for Patent Information, available at <https://www.j-platpat.inpit.go.jp/>. Moreover, copyrights for software can be registered at the Software Information Center, and the information about them can be obtained from this Center.

In summary, tech startups were mainly dependent on equity financing, while non-tech startups were often using debt financing. When startups use debt finance, fund providers conduct the valuation of IPRs. On the other hand, when startups use equity financing, fund providers usually do not conduct the valuation.

3.3 Results of the Survey for Fund Providers

Next, we will introduce the results of the survey for fund providers. Though we have received 24 answers, many respondents said that they had not dealt with matters related to startups (11 out of 24). Especially, many patent attorney offices answered thus. Those responses were not regarded as valid. Moreover, another response was excluded because of its inconsistency. So the number of valid response was 12: 1 in-house fund of a manufacturing company, 2 law firms, 1 patent attorney office, 3 consulting firms, 1 securities company, 1 banking institution, and 3 VCs.

We asked them the method of financing they usually use, though methods vary based on the type of fund provider (VCs usually use investment, while banking institutions use loans). Law firms usually deal with equity financing, while some consulting firms deal with both equity and debt financing.

As for the use of IPs for financing, among 12 respondent companies (including law firms, patent attorney offices, etc.), 3 were not dealing with any IPs, thus 9 companies were dealing with financing with IPs. Among them, 4 companies were dealing with debt financing, and the other 5 companies were not dealing with debt financing (only with equity financing). All of the former 4 companies answered they were using IPRs as collateral, and also conducted the valuation of those IPRs. On the other hand, among the remaining 5 companies which only used equity financing, only 1 conducted the valuation while 3 other companies said they only confirmed the ownership of IPRs.

Moreover, among 4 companies that were using IPRs as collateral, 3 companies had the experience of exercising security rights (or, at least, attempted to do so). But only 1 company finally exercised the right. According to their answers, they considered the security rights difficult to exercise or that collateral could not be sold to others. One company answered that it abandoned the security rights. These answers indicated the difficulty of exercising the security rights of IPRs.

In summary, fund providers dealing with debt financing used IPRs as collateral, and they usually conducted the valuation. Fund providers that used equity financing only confirmed the ownership of IPRs and did not conduct the valuation. Moreover, fund providers considered that in reality the exercise of security rights was difficult when they used IPRs as collateral.

4 Discussion

The results of our questionnaire survey can be summarized by the following four points:

1. While fund providers can provide IP-based lending, startups usually do not use this method of funding.
2. Tech startups are especially dependent on equity financing. On the other hand, non-tech startups often use debt financing, but they frequently do not have IPRs and thus do not use IPRs as collateral.
3. When startups use debt financing by using IPRs, fund providers usually conduct the valuation of them. When startups use equity financing, however, fund providers usually do not conduct the valuation and only confirm the ownership of IPRs.
4. Fund providers consider the exercise of security rights to be difficult when they use IPRs as collateral.

The results initially show that while IP-backed lending had been promoted by the government, in fact startups do not use this type of financing method. But why is that so? There are two clues to the answer. The first is that non-tech startups are using debt financing while tech startups are using equity financing, and the second is that fund providers conduct valuation of IPRs when they use the IPRs as collateral, but they only confirm the ownership when they provide funding by equity financing.

Actually, it is often pointed out by the government and some other organizations in Japan that the valuation of IPRs is difficult and thus costly [see Organization for Small & Medium Enterprises and Regional Innovation (OSMERI) (2000)].¹⁹ This is basically because the valuation requires an estimation of future cash inflow produced by the business as well as the contributions of the IPRs to the business (and cash inflow). It implies that valuations are difficult to carry out and not so reliable in their conclusions.

However, in order to provide funding using IPRs as collateral, banking institutions insist that they must accurately evaluate IPRs as collateral. This has been a traditional bank practice in Japan. If the evaluation of the IPRs proved to be unreliable, banking institutions would not want to lend large sums of money, since there is the risk of overestimation of the value of IPRs and so the debt could not be secured by those IPRs.

If fund providers are using equity finance, on the other hand, they do not have to do such valuations. If the fund provider regards a business as being profitable (and if they can estimate how profitable it is), then they can provide the money. If the evaluation of IPs is difficult, costly, and unreliable but required for debt financing,

¹⁹See OSMERI (2000), https://web.archive.org/web/20130212041813/http://www.smrj.go.jp/keiei/dbps_data/_material/_common/chushou/b_keiei/keieisaimu/pdf/titeki_manual.pdf. Accessed 16 May 2017.

and startups cannot borrow sufficient money because of the unreliability of the evaluation, then it is natural for both fund providers and startups to avoid debt financing by using IPRs. When fund providers use equity financing for a startup, there is no need to evaluate the IPRs it owns. What fund providers do have to do is to evaluate the profitability of the business as a whole and whether IPs that are used for the business are actually owned by the startup. IPRs are only needed, first, to show the technical capability of the startup and, secondly, to prevent intervention in the business by others.

If startups have no IPRs, then there is no need to consider evaluation of IPRs. But it is difficult for them to persuade VCs or other kinds of fund providers using equity finance to invest in them since they do not have any IPs to prove their technical competitiveness. In such a situation, a non-tech startup must somehow try to borrow money from banking institutions rather than by attracting investment. Moreover, non-tech startups usually use money more often to purchase tangible assets (buildings, facilities, etc.) than intangible assets (i.e., advanced technology) and thus they can use debt financing more easily than tech startups can.²⁰

Another matter we should consider is the difficulty related to the exercise of security rights. In Japan, the exercise of security rights was considered difficult because IPRs are not so useful when the owner changes and thus it is usually almost impossible to find a buyer for IPRs.²¹

In summary, there are two reasons why IP-backed financing is difficult. One is that fund providers must conduct the valuation of IPRs, which is difficult and costly but unreliable. The other is that the exercise of the security rights is in fact almost impossible.

If this is correct concerning Japan, then why is debt financing using IPRs as collateral popular in some other countries (especially the U.S.)?

Pertinent is that the above explanation is basically relevant only to how Japanese companies create and use IPs, and how they set up IPRs. In Japan, IPs are “embedded” in business. Basically, owners create IPs specifically for their own businesses, where they are used. They usually do not consider the possibility of selling or licensing those IPs. Because of this way of thinking, they do not consider how to make money by using IPs themselves. Instead, they consider how to make money by using IPs as a part of their business. They usually only consider the IPRs that are directly related to business, and do not try to “enlock” all of the related IPRs.

Since IPRs are embedded in the business of Japan, it is difficult to determine the value of IPRs per se. It is also difficult to exercise security rights, since IPRs are developed under the specific context of the particular business, and companies do not consider the possibility of using IPRs in a different setting. This means they are not useful if those IPRs are separated from the original businesses.

²⁰See Bezzant (1997), pp. 237–263.

²¹See OSMERI (2000), https://web.archive.org/web/20130212041813/http://www.smrj.go.jp/keiei/dbps_data/_material/_common/chushou/b_keiei/keieisaimu/pdf/titeki_manual.pdf. Accessed 16 May 2017.

However, there are types of IPRs which are independent from businesses and thus their valuation is rather easy. For example, if an IPR (or a group of IPRs) is licensed to other companies, we can estimate the cash flow that the IPR(s) produces. For this kind of IPR, the valuation and the exercise of security rights are rather easy. It seems to us that, in the U.S., the majority of IPRs are independent from particular businesses and an IPR or a group of IPRs can produce its own cash flow. If this understanding is correct, then we can say that debt financing using IPs as collateral is easy in the U.S. but difficult in Japan.

This conclusion is related to the discussions in UNCITRAL and other organizations. If IPs are embedded in businesses in some countries but not in some other countries, then probably the legal framework suitable for the former countries is different from that of the latter countries.

5 Conclusion

In this paper, we have examined whether or not we can utilize IPs to secure funding for startups and the reasons why. We also considered how we could use IPs for finance of startups.

We have first reviewed the Japanese government's efforts to introduce IP-backed financing in Japan and the results. After 2004, the Japanese government tried to stimulate innovation in Japan and, as a part of this effort, it promulgated the idea of IP-backed lending for startups. In fact, IP-backed lending attracted attention, and the DBJ actively pursued it. However, after 2007, the boom was over and, in the end, IP-backed financing could not take root in Japan.

We have also introduced the results of our questionnaire survey. What we found was that IP-backed financing was not popular among startups, and that tech startups are mostly dependent on equity financing. Non-tech startups are more dependent on debt financing, but they usually do not have IPRs and thus IP-backed lending is not useful for them. We also found that investors (i.e., fund providers using equity financing) usually do not conduct the valuation of IPRs, while lenders (fund providers using debt financing) often conduct valuations. Finally, lenders recognize that the exercise of security rights is difficult even when they try to use such rights.

Based on the results, we consider that though startups in Japan often try to develop and use IPs as a part of their businesses, it is usually difficult to determine the value of IPs, and they are often useless when they are transferred to someone else. In this sense, IPs are "embedded" in business and thus debt finance using IPs as collateral does not work. On the other hand, it is working in the U.S., probably because in that country people are developing IPs as independent assets and often use them for profits (i.e., licensing them to obtain fees). In that case, the valuation of IPs is rather easy and they can also serve as collateral. In such a country, IP-backed financing works well, but in Japan it does not. The situation in Japan may change in the future, but at present there is a substantial difference between countries. The legal framework must be constructed based on this difference.

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