

**THE ROLE OF IPR IN THE VENTURE CAPITAL PROCESS AND  
THE ROLE OF VENTURE CAPITAL IN THE IPR PROCESS.**

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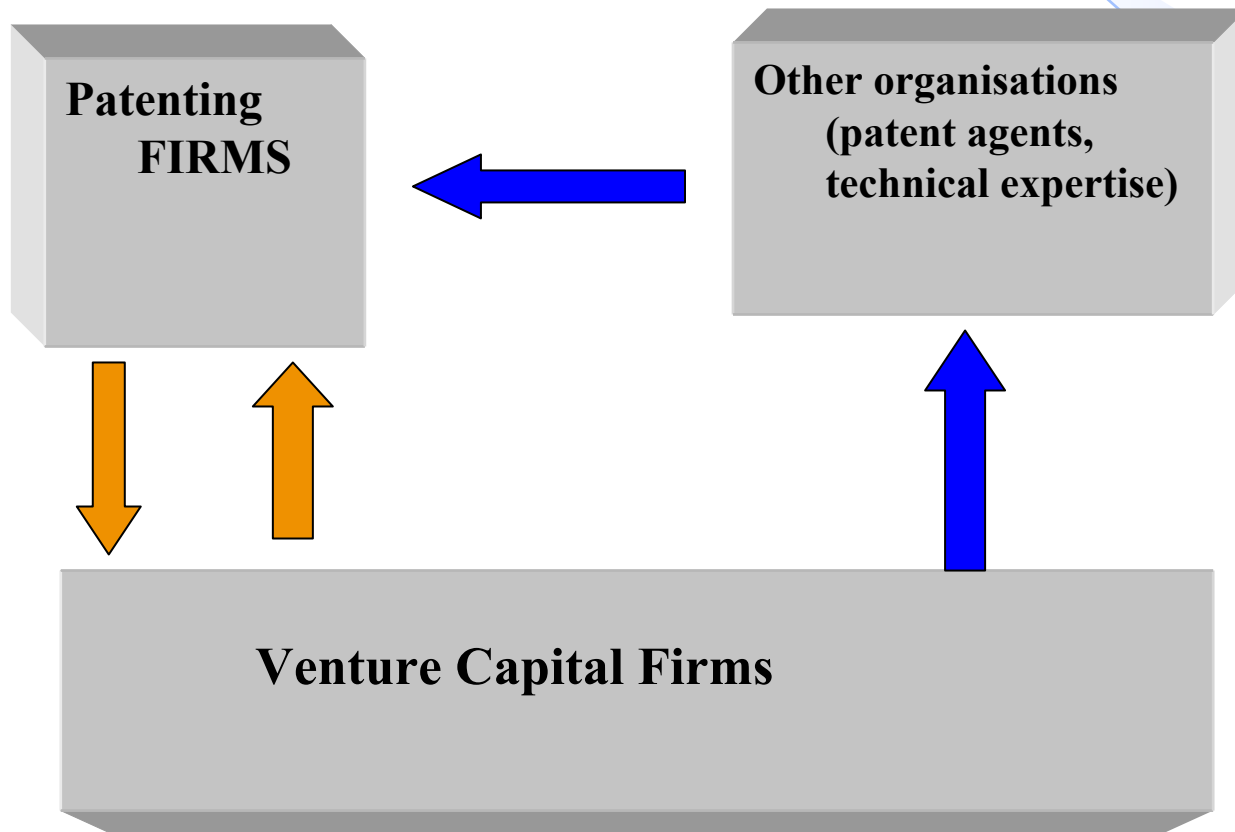
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**Research Question:** *what is the rationale for dyads between patenting firm and venture capital firm (VCF)? Do the changes towards a knowledge based economy render new perspectives on the VCF-patentee relationship?*



# Background

- **Strategic motives to patent increased**
- **Trade with patents/IPR increased**
- **'Access to capital markets' – broad category**
- **A special case, but important to narrow segment**
- **Theoretical background – combining literature on**
  - **Value added of Venture capital**
  - **Value of patents**
  - **Equity gaps**
  - **Investment criteria**
  - **Patenting process**

# Methodology

- **Desk-studies, existing literature**
- **VCF interviews**
- **Survey among 1013 Danish firms**

# What do VCFs contribute?

- **Intermediare role – access to networks and expertise, know-who: knowledge on IPR-expertise**
- **Integrate IPR-strategy in business strategy**
- **Secure the value of the IPR**
  - **Ownership**
  - **Freedom to operate**
- *'The involvement of the financier was a precondition for taking IPR'*

# Investment criteria of VCFs

- **Traditional corporate financiers vs VCFs:**
  - **Emphasize cash flows vs. Value of the firm**
  - **Diversify to spread risk vs. Specialize to enhance competencies**
  - **Historical accounts vs. star-investments/radical innovations in new markets**
- **Knowledge-based economy may impact (negatively and pos.) on valuation of IPR**
  - **PLC down**
  - **Time-lag between application and granting**
  - **Broad (NTI) innovations**
  - **Innovation investments sunk**
- **But more trade – more attractive.**

# Attractive to VCFs because...

- **Tacit knowledge/intangibles – codified/tangible -> easier to assess the value of the company**
- **Signal technological front**
- **Risk reduction: moral hazard alleviated as patent may act as collateral (if not sunk)**
- **Patent = financial asset. Increasingly with the growth of trade with IPR.**
- **Legitimization: VCFs in a double principal-agent role.**
  - *‘made the firms more credit worthy’*
  - *‘a prerequisite for external financing’*
  - *‘alleviates financial constraints’*

# Firm characteristics.

- **SMEs need more guidance and help, technological and economically**
- **Large firms more likely to have**
  - **Internal patent department**
  - **Economic muscels**
    - **Costs of IPR**
    - **Able to enforce rights**
    - **Prevent infringement**
- **Biotech – IPR issue essential**
  - **Time horizon vs. VCF fixed-end funds**

# Some Conclusions

- **Intermediare role**
- **Integrate IPR-strategy in business strategy**
- **Secure the value of the IPR**
- **Legitimization**
- **Knowledge-based economy impact**
  
- **Special case but to narrow segment very important**
  
- **Highly explorative – further research**