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Commercializing Intellectual Property Through Securitization

The conventional practice to commercialize intellectual property (IP) is to directly exploit or license IP assets. A trend is emerging, however, to commercialize IP through securitization. This trend coincides with the advent of the Secured Transaction Act B.E. 2558 (2015), which allows IP assets to be used as collateral.

Thailand's Department of Business Development has been tasked with implementing the Act. As part of its duties under the Act, the Department of Business Development has enacted a number of secondary laws, and it has established the Secured Transaction Registry Division which oversees an online registration system for security agreements.

The registration system is already in use, and it is now legally possible to use IP assets as collateral. Many lenders, however, are reluctant to accept IP assets as collateral. They prefer to accept tangible assets from borrowers, such as real estate, as opposed to intangible assets like IP.

A main concern of lenders is how to value IP assets. IP valuation requires not only gathering substantial information about an IP asset, but it also requires an in-depth understanding of the economies, industries, and specific businesses that directly impact the value of the IP. IP owners

should therefore be prepared to provide this information to persuade lenders of the creditworthiness of their IP assets.

Although IP owners generally know the economic benefit of their IP assets, such as their level of competitiveness in the marketplace, they are often unaware of the strength of their IP assets from a legal perspective. IP owners should seek the assistance of IP lawyers to analyze the factors that affect the value of an IP asset. These factors include, for instance, qualitative characteristics or standards, such as the nature, scope, and validity of protection of an IP asset.

Other factors, such as the duration of validity of an IP asset, the risk of infringement claims, and the strength of possible defenses, are determined on a case-by-case basis, taking into consideration all of the relevant facts. For example, in the context of trademarks, an IP lawyer can help an IP owner determine the legal strength and status of a trademark registration to identify the risk of a third party claiming ownership over a similar trademark.

Taking another example, in the context of patents, an IP lawyer can assist an IP owner to properly draft a patent claim because the value of a patent mainly depends on the scope of its claims (i.e., whether the claims are valid and enforceable). An IP lawyer can also help determine whether existing IP assets owned by third parties could block the development or effective use of a borrower's IP assets.

In terms of trade secrets, an IP lawyer could help an IP owner determine the measures necessary to protect confidential information and reduce the risk of unauthorized disclosure.

Many organizations, including Thailand's Department of Intellectual Property, are studying how to effectively value IP. Once IP valuation is effectively standardized, lenders will associate less risk with using IP assets as collateral, and the practice should become more common. 🏠