



Intellectual Discovery may be the biggest of the sovereign patent funds, but its activities are the least known

Jack Ellis

27 May 2016

South Korea's Intellectual Discovery (ID), Japan's IP Bridge and French outfit France Brevets are typically seen as comprising the first generation of 'sovereign patent funds' (SPFs). Loosely defined, these are entities with significant state funding that are dedicated to patent aggregation and exploitation in the pursuit of gaining competitive advantage for their respective countries' economies. Other SPFs, or comparable vehicles, have been launched, but have either fallen by the wayside due to relative inactivity or apparent failure, or are yet to make their mark in any considerable way. What sets the three named above apart from the rest of the field is our possession of substantial evidence that they are active in terms of buying, selling, licensing and asserting patents.

However, as is ever the case in the patent market, even with this trio reliable information can be hard to come by. And despite the fact that it was the first of the three to be established back [in July 2010](#), Intellectual Discovery is the one about which we probably know the least.

France Brevets has publicly [announced](#) at least some of its key litigations and licensing deals; while IP Bridge's activities are fairly open to scrutiny, seeing as it [files lawsuits](#) in its own name and publishes details of some of its [acquisitions](#). On the litigation front, the most we seem to be able to say about ID is that it may be linked to [legal proceedings](#) taking place in the Eastern District of Texas, where an entity named Game and Technology Co is asserting several patents which it was assigned by the SPF. Based on the fact that, prior to this, these same US patents had been assigned to ID by Korean software company NHN Entertainment, we can also speculate that the SPF may be connected in some way to litigation involving that company, which recently established a patent management subsidiary and [sued](#) its competitor Kakao in the Seoul Central District Court (and has suggested it may go after [even larger targets](#) in the near future).

When it comes to ID's patent purchases and sales, all we really have to go on is whatever assignments records we can uncover in the various available databases. For licence deals, we'd be lucky to find any information at all, at least from public sources. [ID's website](#) does state that its current funds stand at over \$500 million

and it holds over 5,000 patents. We also know – from research conducted by Allied Security Trust and [published](#) in *IAM* issue 69 – that ID was the world's eighth most active buyer of patents from its launch to June 2014, in terms of the number of transactions involving US patent assets that it completed. Over that period, it made 36 such purchases, with 25 of them coming in 2013 alone.

However, in relation to ID's other areas of activity beyond straight-up patent aggregation and monetisation, there may be more information at hand. Founded in 2012, ID Ventures is one of two subsidiaries wholly owned by ID (the other being IP-backed lender Idea Bridge Asset Management) and it is focused on making IP-driven venture capital investments.

ID Ventures publishes an annual financial report, the most recent of which, covering 2015, can be viewed [here](#) (in Korean). This report indicates that ID Ventures had something of a bumper year taking its previous performance into account, almost quintupling its operating income and turning a tidy profit for the first time:

Year	2015 (South Korean won)	2014 (South Korean won)	2015 (US dollars)	2014 (US dollars)
Operating income	W2,959,814,281	W611,903,971	\$2,509,553	\$518,798
Operating expenses	W1,629,401,554	W1,213,772,477	\$1,382,186	\$1,029,553
Operating profit	W1,330,412,727	-(W601,868,506)	\$1,128,438	-\$510,497
Net income	W1,598,216,795	-(W601,868,506)	\$1,355,301	-\$510,497

[NB: Currency conversions based on today's rates]

The figures aren't huge, but they do at least represent a demonstrable return on investment. Additionally, over the past two years, ID Ventures has significantly

expanded and diversified its investment portfolio, launching three new funds since October 2014:

Name of fund	Date of commencement	Assets under management (South Korean won)	Assets under management (US dollars)	Investment theme
IBKC-IDV IP Specialty Fund No 1	28th December 2012	W14.2 billion	\$12 million	Technology start-ups with strong IP assets
IDV MF-Biotech IP Fund	11th July 2013	W15 billion	\$12.7 million	Marine biotechnology and aquaculture
IDV U-Tech Innovation Fund	31st October 2014	W10 billion	\$8.5 million	Start-ups backed with university IP assets
POSCO-IDV Growth Ladder Fund	5th December 2014	W56 billion	\$47.5 million	Technology start-ups with IP-based R&D
IDV IP Value-Creation Fund	13th November 2015	W15 billion	\$12.7 million	Technology start-ups with IP assets focused on IP value creation

An increasingly anti-patentee environment in the United States means that patent monetisation-focused businesses are finding life tougher today than in years gone by. As a result, we have seen several examples of NPEs moving away from litigation-heavy strategies to incorporate more commercialisation and venturing-based approaches. But despite trends and developments of late, the truth is that the patent licensing pure-play model has always been one characterised by high risk and uncertainty. Offsetting that risk with more traditional investments, such as growth capital in return for equity, is an approach that will make the majority of investors more comfortable with the overall package. It remains to be seen whether ID's licensing and litigation endeavours pay off, but it was almost certainly a smart move on its part to have skin in the VC game.



Jack Ellis

Writer

Copyright © Law Business Research Company Number: 03281866 VAT: GB 160 7529 10