International Legal Affairs Department

MINISTRY OF JUSTICE

The Current Status and Future of Korea's IP-Backed Transactions

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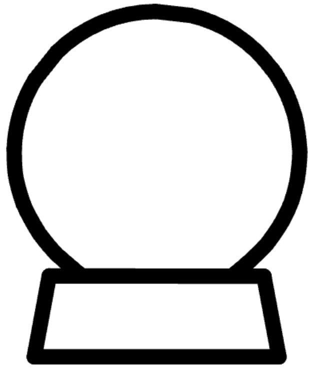
Intellectual Property Financing

Current Status

What is the current status
of IP financing in Korea?

Key Barriers

What barriers prevent IP financing
from reaching its full potential?



Our Vision

What is our vision for the future
of IP financing?

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Current Status of IP Financing in Korea

Korea’s Global Success

Global impact of
K-pop and K-drama

Underdeveloped Market

Korea's IP financing mechanisms remain limited, with most activity concentrated on patents

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Success of Patents

KRW 10 Trillion

Total Patent Financing as of August 2024

Registration-Based System	Clear Scope of Rights	Reliable Valuation System
Creates legal certainty and transparency for all stakeholders	**Makes patent assets easier to assess and transfer**	**Enables consistent and credible asset standards**

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Legal Measures: Patent Act

Korea's Patent Act provides the statutory framework that enables effective patent-backed financing through clear collateral provisions and portfolio mechanisms

Article 85

Patent Register

(1) The Commissioner of the Korean Intellectual Property Office shall keep the Patent Regist er at the Korean Intellectual Property Office and shall enter the following matters therein:

1. The grant, transfer, expiration, and reinstatement of patents, restrictions on the disposa l of patents, and the extension of patent terms;
2. The grant, preservation, transfer, amendment, and expiration of exclusive or non-exclus ive licenses and restrictions on the disposal of exclusive or non-exclusive licenses;
3. The establishment, transfer, amendment, and expiration of pledge rights on a patent or on an exclusive or non-exclusive license and restrictions on the disposal of such pledge rights.

(2) The Patent Register prescribed in paragraph (1) may be fully or partially stored on electro nic recording medium, etc.

(3) Except as otherwise provided in paragraphs (1) and (2), matters necessary for the facts t o be registered, procedures for registration, etc. shall be prescribed by Presidential Decree.

(4) Specifications and drawings of patented inventions, and other documents specified by Pr esidential Decree shall be deemed part of the Patent Register.

Article 45

Application for Patent for a Group

(1) Two or more inventions which are so closely linked to each other as to form a single grou p of inventions in terms of technical idea may be filed in a single patent application.

(2) The standard for determining whether two or more inventions form a single group of inve ntions under paragraph (1) shall be prescribed by Presidential Decree

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Policies: Support Mechanisms

Korean government has implemented support mechanisms to facilitate patent financing and reduce barriers for stakeholders

1

Technology Credit Evaluation System

Applicable to loan approvals and guarantee decisions by financial institutions

2

Patent Valuation Cost Coverage

Reduce the financial burden of professional patent valuations for small and medium enterprises

3

IP Collateral Recovery Support Program

Default intellectual property assets, mitigate lender risk and maintain market stability

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Barriers to Expanding IP Financing

1

Inadequate Valuation Infrastructure

No standardized and finance-oriented framework exists for assessing copyright value consistently

2

Recovery Risk of IP Collateral

Limited secondary markets and high volatility create uncertainty for lenders seeking collateral liquidation

Path Forward

Overview

Expand IP Financing Scope & Establish Valuation Standards

Create comprehensive frameworks for diverse IP types beyond patents

Implement Efficient & Transparent Disclosure System

Build robust registration and information systems for stakeholders

Strengthen Financial Risk Mitigation Measures

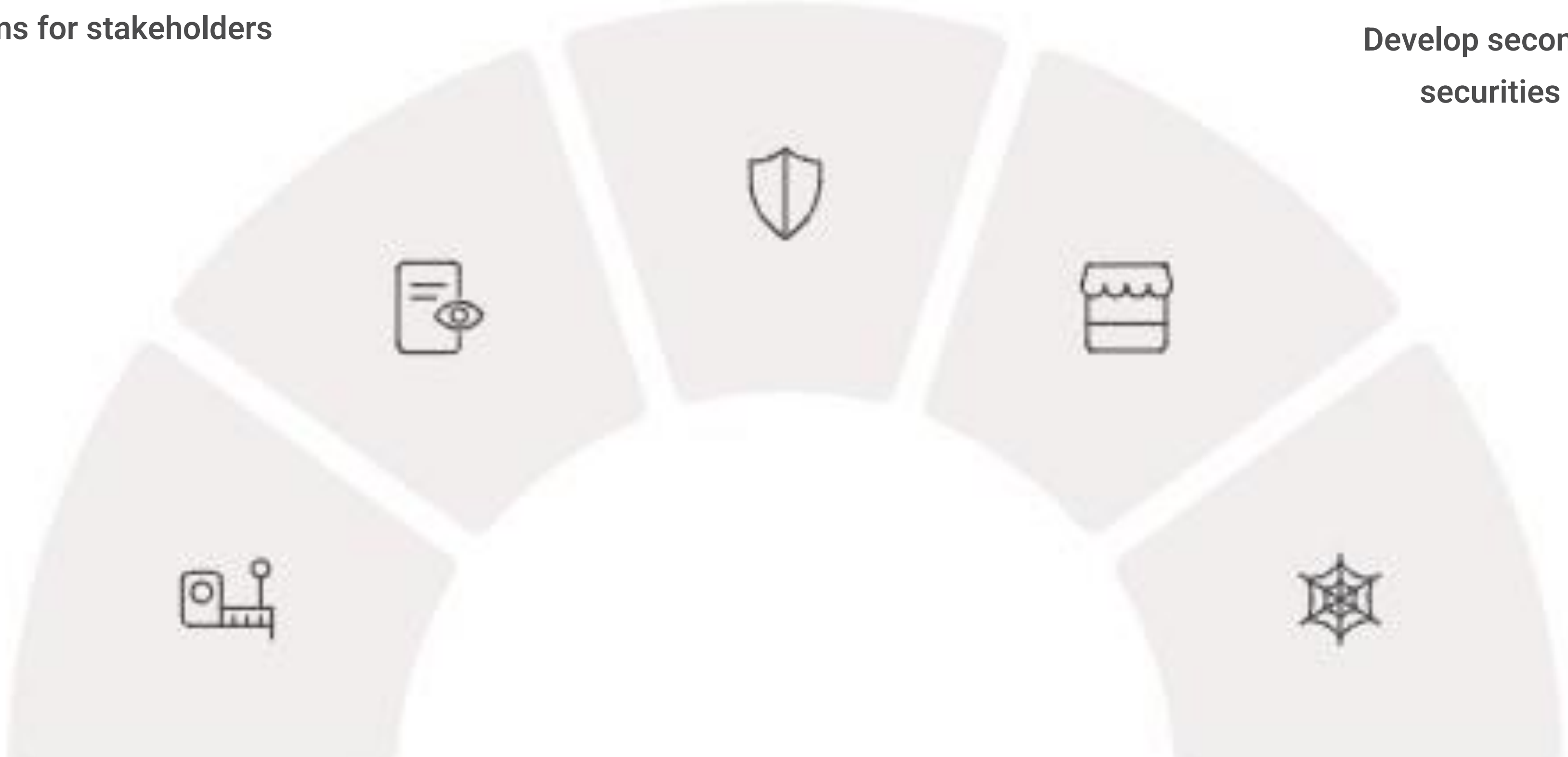
Expand guarantee programs and collateral recovery mechanisms

Cultivate IP Securitization Markets

Develop secondary markets for IP-backed securities and royalty instruments

Strengthen Alignment with UNCITRAL Standards

Harmonize domestic laws with international best practices



1. Expanding Scope and Establishing Valuation Standards

The Framework Act on the Promotion of Cultural Industries

Articles 16-2 & 16-3

- Government designates qualified valuation institutions
- Public subsidies cover valuation costs

Specialized Models by Purpose

Collateral Valuation

Investment Assessment

Damage Assessment

2. Implementing Efficient and Transparent Systems

Copyright Act

Article 54

- Provides only basic registration functionality
- Limited ownership information available

Disclosure Systems

Complete ownership records and transfer history

Public access for due diligence

Real-time update capabilities

3. Strengthening Financial Risk Mitigation Measures

Credit Guarantee Fund

KRW 1 billion

- Current programs serve only small-scale transactions

Expanded Measures

Increase guarantee scope to cover larger transactions

Raise ceiling limits to reflect market needs

Extend Collateral IP Recovery Support Program to copyrights and other non-patent IP

4. Cultivating IP Securitization Markets

Korea's *Musicow* and its success

1 — 2016

Musicow founded as Korea's first platform for music copyright royalty certificates

2 — Portfolio Growth

Expanded to over 1,500 music copyrights

3 — Market Impact

Cumulative transactions reached KRW 40 billion (roughly USD 27 million)

Demonstrates the potential of innovative IP financing models

***Musicow* shows that structured and transparent securitization can unlock liquidity in copyright markets and create investment opportunities.**

5. Strengthening Alignment with UNCITRAL Standards

Portfolio-Based Copyright Collateral

Currently: Each copyright requires individual registration as collateral

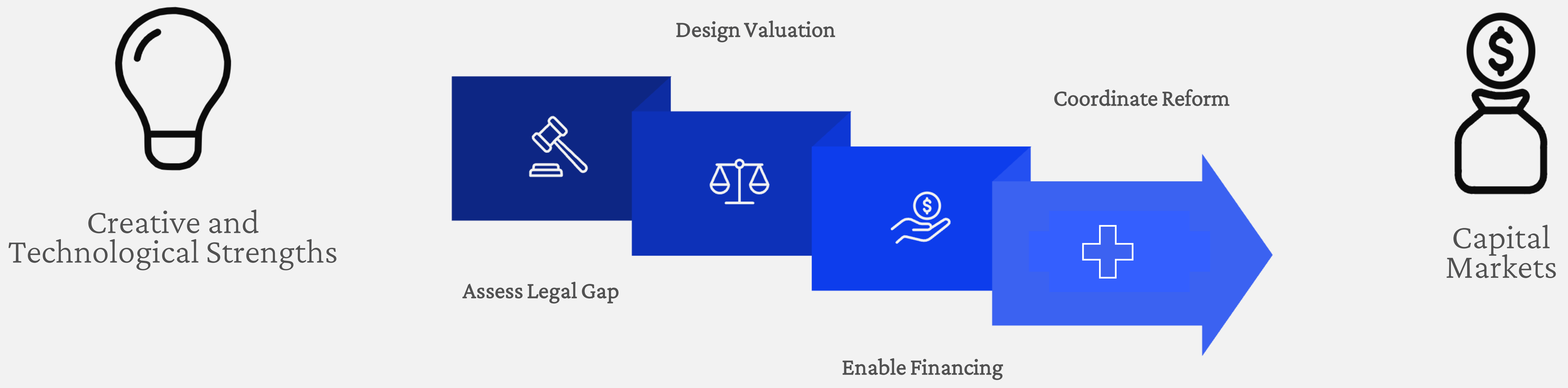
Needed: Ability to group multiple copyrights into a single portfolio (similar to Patent Act's Article 45)

Security Interests in Future Copyrights

Currently: No statutory basis for encumbering copyrights before creation or registration

Needed: Enable financing arrangements secured by anticipated future copyrights

Conclusion


Creative and
Technological Strengths
Design Valuation
Coordinate Reform
Assess Legal Gap
Enable Financing
Capital
Markets

THANK YOU

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