



Intertrust

Intellectual Property Services



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1. Intellectual Assets

In today's knowledge economy intangible assets surpass physical assets in most business enterprises, both in value and contribution to growth. More than 80% of the market value of publicly traded companies is in intangible assets. In this age of globalisation, your differentiator and main tool for growth are your intangible assets.

Everyone is talking about Intangible Assets, Intellectual Property Rights and Intellectual Assets. But what are we talking about when we speak of these intangibles?

The most important part of your intangible assets is your Intellectual Property such as:

- ▶ Trademarks
- ▶ Patents
- ▶ Copyrights
- ▶ Image rights
- ▶ Design Rights
- ▶ Database rights
- ▶ Domain Names
- ▶ Know-how and other confidential information

We like to call them Intellectual Assets as they are truly identifiable assets. Other intangibles that create value for your business are less identifiable concepts such as: Leadership, Brand Equity, Innovation, Environment & Social Responsibility, Human Capital, Networks & Alliances, Technology and Quality.

At a time of huge economic and financial uncertainty, Intellectual Assets have never been more important. The market value of a business can be a significant multiple of the book value. Therefore, you have to know how to develop, manage and exploit your Intellectual Assets.

Effective management of your Intellectual Assets will distance market threats and generate additional value and income for your business. Our Intellectual Property Group can help you manage your Intellectual Assets effectively.

2. Intellectual Assets Management Strategy

Driven by the speed and magnitude of today's technological development, the sheer volume of Intellectual Property information, and the increasingly competitive, global environment, there is a need to more effectively manage your Intellectual Assets to enhance efficiency and gain a competitive edge in the marketplace. Therefore, it is extremely important to have an Intellectual Asset Management Strategy.

By documenting and managing your Intellectual Assets you can find opportunities for new revenue streams as well as spotting gaps in expertise or protection of your Intellectual Assets, allowing you to continually build on your Intellectual Assets. You can use your Intellectual Assets to improve competitive advantage, define operational boundaries, expand and protect your brands, generate licensing revenue, gain transaction leverage and increase shareholder value.

Effective Intellectual Assets management involves capturing critical knowledge and retaining this for the future, be it for internal use or trading to other organizations. There are a multitude of benefits in managing your Intellectual Assets, such as:

- ▶ Trading
- ▶ Investment
- ▶ Business strategy
- ▶ Building a service proposition

Businesses with well-managed Intellectual Assets excel in productivity, profitability and sales growth.

Intertrust Group can help you define a management strategy for your Intellectual Assets in order for you to grow your business in a sustainable way.

3. Structuring your Intellectual Property Rights

The value of your business as perceived by its shareholders or prospective purchasers can be described as being based on two components. One factor is related to the net fixed assets that your company possesses. The second component relates to the intangible factor often referred to as 'goodwill'.

Strategic management

With this second component becoming increasingly important, careful management, legal protection, tax planning and financial exploitation of your Intellectual Assets is becoming equally important.

Source of revenue

The capacity to exclude competitors and the ability to cross-license continue to be primary motivators behind corporate IP policies. However, more and more companies are looking to make IP rights into an independent source of corporate revenue. These companies are adapting strategies designed to generate royalty income through licensing. In some cases, the revenue is simply expected to support the Intellectual Assets' function within the company. In other cases the Intellectual Assets are regarded as a real profit centre.

Increase value

The value of many Intellectual Assets can be quantified very exactly in specific royalty revenue streams resulting from the

licensing of Intellectual Property Rights. Sophisticated structuring of Intellectual Property Rights can increase these revenues significantly. Royalty income streams can be structured efficiently by placing the Intellectual Property in a separate entity, domiciled in a low taxed jurisdiction and using an intermediate company for the flow-through of the royalties. In addition, as the company holding the Intellectual Property has a bottom line, it is much easier to value your Intellectual Property portfolio as a corporate asset, independent of general goodwill or other more 'soft' intangibles.

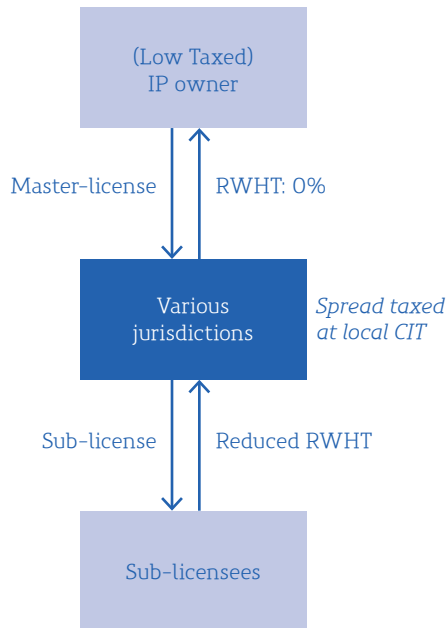


4. Example Structures

I. Example of a Flow-Through structure: Back-to-back licensing

Characteristics:

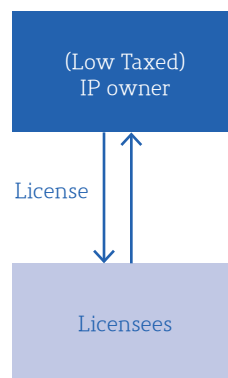
- ▶ Typical jurisdictions: Ireland, The Netherlands and Luxembourg and, to a lesser extent, Hungary, Malta, Cyprus, Spain, Belgium and Poland
- ▶ Choice of jurisdiction is primarily dependent on the tax treaty network and its RWHT-rates
- ▶ An at arm's length spread is taxable in intermediary jurisdiction
- ▶ Both client companies and in-house companies (i-Cap) can be serviced by Intertrust



II. Example of an Intellectual Property holding structure

Characteristics:

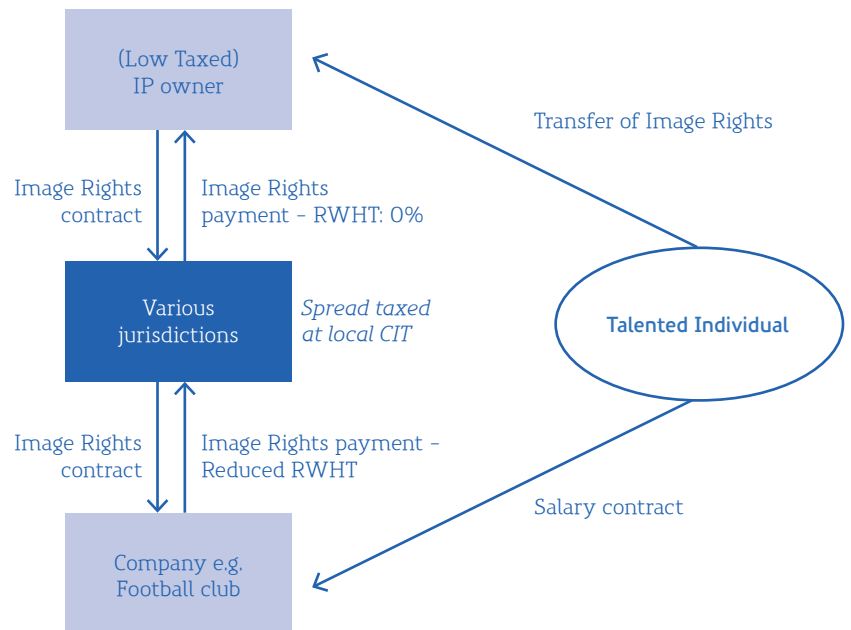
- ▶ Certain jurisdictions have a favourable regime for IP owning companies
- ▶ IP is located in a normally taxable environment, with (tax) incentives however for owning and/or developing IP
- ▶ This generally limits RWHT-exposures, deductibility issues as well as Beneficial Ownership concerns as compared to either back-to-back structures or off-shore end locations
- ▶ Locations include: Belgium, Luxembourg, Ireland, Singapore, Guernsey and Switzerland



III. Example structure for sports professionals and entertainers

Characteristics:

- ▶ This is a combination of examples 1 and 2 above
- ▶ Low taxed ownership of the Image Rights and use of intermediate company in jurisdiction with large tax treaty network and favourable RWHT-rates
- ▶ At arm's length spread will become taxable in intermediary jurisdiction
- ▶ Both client companies and in-house companies (i-Cap) could be serviced by Intertrust



Typical jurisdictions for holding Intellectual Property:

- ▶ Belgium*
- ▶ Cayman
- ▶ Guernsey*
- ▶ Hong Kong*
- ▶ Ireland*
- ▶ Luxembourg*
- ▶ Netherlands Antilles*
- ▶ Singapore
- ▶ Switzerland*

Typical jurisdictions for flow-through companies:

- ▶ Cyprus
- ▶ Hungary
- ▶ Ireland*
- ▶ Luxembourg*
- ▶ Malta
- ▶ The Netherlands*

*Jurisdiction where Intertrust Group has an office with dedicated IP Desk

5. What you need to take into account

Taxation is one of the key drivers in transactions involving Intellectual Property Rights and there are many opportunities to enhance cash flow and maximize the financial return on your Intellectual Assets.

While each transaction requires solid professional advice, there are a number of tax issues to be considered every time, such as:

- ▶ Centralising the ownership of intangible assets in one holding entity;
- ▶ Where to locate the holding entity, taking into account corporate income tax rates and treaty network;
- ▶ How to transfer the intangible assets to this holding entity;
- ▶ Whether the treaty network provides for substantial withholding tax reductions on cross border royalty payments;
- ▶ Whether transfer pricing rules have been considered;
- ▶ How to deal with capital gains tax issues in cases of migration to another country, disposal or as part of a business sale;
- ▶ Tax incentives for R&D activities;
- ▶ So-called CFC rules may restrict the use of IP companies in low tax jurisdictions.

The use of special vehicles to locate the Intellectual Property or for structuring international royalty streams is wide spread. These so called SPC's (special purpose company) usually have specific substance requirements such as directors with experience in, and knowledge of Intellectual Property Rights and certain equity-at-risk requirements.

Careful structuring is therefore extremely important and should be set up and managed by professionals. At Intertrust we have more than two decades of experience in international Intellectual Property Rights structuring and we have a vast network of professional tax and legal advisors who can assist you with the best structure for your specific needs. Through our international offices network we can provide Intellectual Asset Management solutions and accommodate international

licensing structures in the most efficient jurisdictions.

For talented private individuals Intertrust Group can provide the full range of private wealth services such as customized asset management, real estate advisory, expert estate and succession planning, relocation services and insurance.

6. Services that Intertrust can offer

In order to help you maximize the return on your Intellectual Assets we offer the following services:

Structuring services

It all begins with setting up the right structure for your specific needs. Once the structure has been determined, the companies (and possibly a trust or foundation) need to be set up and the management and administration of the companies must be taken care of.

Our services include:

- ▶ Implementation of structures
- ▶ Incorporation of corporate entities

Management and maintenance of holding and licensing companies

The management and maintenance of our clients' holding companies is what we do on a daily basis. Companies involving Intellectual Assets are all being managed and maintained by members of our dedicated Intellectual Property Desks. This ensures that you will always be dealing with someone with the right knowledge of Intellectual Property Rights and their specifics for international structuring.

Our services include:

- ▶ Providing corporate office
- ▶ Sourcing directors and senior staff (internal or external)
- ▶ Running your day-to-day business
- ▶ Corporate secretarial services
- ▶ Governance and compliance services
- ▶ Accounting, financial reporting and consolidation
- ▶ Process Agent
- ▶ Bank account management

IP Escrow Services

Providing escrow services for any kind of Intellectual Property documents, such as software source codes, technological information and other Intellectual Property documents and know how.

Intertrust's in-house royalty company i-Cap and i-Cap online

At Intertrust we manage both our clients' Intellectual Asset companies as well as our group of in-house royalty companies called i-Cap. These i-Cap companies form an efficient, third party alternative for international licensing structures. This online tool has been developed to proactively manage your Intellectual Property Rights including royalty collection, due dates and reminders. You can reap the same benefits without having to form and maintain your own special purpose company. In addition, you have access to the administration of your Intellectual Property Rights portfolio through our online portfolio management tool: i-Cap Online.

Private Wealth services

For talented individuals it's not only about structuring their Intellectual Property Rights, it's about taking care of all financial aspects of their personal lives. For now and the future. With the right strategy early on in your career you can capitalize on your success now, but also make sure you have a secure return to your home country at any time during your career.

Our services include:

- ▶ Estate and succession planning
- ▶ Family offices



- ▶ Organizing foundations
- ▶ Organizing trust settlements
- ▶ Fiduciary or nominee services

7. Why use Intertrust

Intertrust has been setting the standard in trust and corporate services since 1952. Thanks to our focus on quality, we've not only survived, but thrived. And we help our clients – whether they're wealthy individuals, families or big businesses – do the same.

With over 1,000 experts in at least 20 countries worldwide, we have the local knowledge and on-the-ground presence you need to succeed.

Our service is always built around each client's personal needs and priorities. Whatever we do for you, you can trust us to always act with uncompromising integrity.

We have set up dedicated Intellectual Property desks in the following jurisdictions: Belgium, Guernsey, Hong Kong, Ireland, Luxembourg, Netherlands, Netherlands Antilles and Switzerland. We have specific expertise on providing services to talented individuals and part of our international Intellectual Property Group is our Sports & Entertainment desk.

We assist our clients to achieve a maximum exploitation of their Intellectual Assets through an integrated and professionally managed approach. We take over the administrative burden to ensure adequate protection and exploitation of your Intellectual Property Rights, in areas

such as trademark registration, monitoring license agreements and royalty recovery. In short, we can manage every legal, fiscal and administrative aspect of your Intellectual Asset portfolio.





Our clients come from every corner of the globe. Different countries, different cultures. Just like us. We have more than 1,000 professionals in more than 20 countries worldwide. So we have the local knowledge and sensitivity to see things from your point of view.



Setting the standard since 1952

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