DEMPE FUNCTIONS AND INTANGIBLES
DEFINITION, PRACTICAL APPLICATION AND ANALYSIS IN THE CONTEXT OF LICENSE MODEL

Intangibles and TP
- Intangibles are increasingly important and constitute the majority of the value of global economy.
- Vulnerable to BEPS through various exploitation models and posing valuation issues.
- Challenge: a fair-allocation of profits coming from commercial exploitation of intangibles.
- Possible solution proposed by OECD: DEMPE functions.

Research Questions
- Issue: DEMPE is a concept with no guidance.
- How to understand DEMPE and what is its relation to, e.g. Art. 9 OECD MC?
- How to apply DEMPE and perform a fair division of intangible-related profit?
- How does the DEMPE concept affect the application of the license model?

DEMPE and the License Model
- Various licensing models (i.e., centralized, decentralized).
- General issue: determination of the AL royalty rate and the choice of the correct TP method (CUP or RPM as the most relevant).
- DEMPE-related issue: contribution to the value of the intangible by the licensee and the appropriate attribution of the intangible-related profit.

Qualitative Model
- Based on general descriptions of contributions performed by the entities.
- The model has subjective character.
- May be used for an estimated attribution of intangible-related profit.
- Preferred by MNEs.

Quantitative Model
- Based on determination of key value-drivers and estimation of the role of the entity in the value chain.
- The model should provide more objective results.
- May be used for the attribution of intangible-related profit based on quantifiable factors.

Other tools
- Functions, Assets and Risks Analysis (FAR).
- Value Chain Analysis (VCA).
- Key Value Drivers.
- RASCI Matrix (Responsible, Accountable, Supporting, Consulted, Informed).
- The above tools have a supportive role in the analysis.

How to apply DEMPE Concept in practice?

Development
- Wide meaning.
- The difference between obtaining and creating an intangible has to be considered.
- Various ways to obtain and to create an intangible.
- CCAs issue.
- D. DEMPE.

Enhancement
- Further development of an existing intangible.
- Continuous enhancement to maintain the competitiveness of an intangible, can also lead to the creation of new intangibles.
- Ownership issues.

Maintenance
- Related to the development and enhancement, but also to protection.
- Meaning will depend on the type of intangible.
- Due to its character and proximity to other functions seems redundant.

Protection
- Necessary actions depend on the type of the intangible.
- Securing legal rights protecting intangibles.
- Defining protection strategies.
- Defense against protection breaches.

Exploitation
- Not relating to the substance, but to the use of an intangible.
- Market- and product-use.
- Stand-alone intangibles; combined intangibles; bundles (also with goodwill).
- DEMPE.