

# **Intellectual Property (IP)- a Powerful Tool for Enhancing the Competitiveness of SMEs**

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[www.wipo.int/sme/](http://www.wipo.int/sme/)

**World Intellectual Property Organization (WIPO)**





## SME Competitiveness

- In a knowledge-based economy, competitiveness of enterprises, including SMEs, is increasingly based on ability to provide **high-value-added products at a competitive price**
- Globalization and trade liberalization has made it crucial for most enterprises, including SMEs, to become **internationally competitive** even when operating wholly in the Indian domestic market



# SME Competitiveness

- To become and remain competitive, SMEs need a coherent business strategy to constantly improve their efficiency, reduce production costs and enhance the reputation of their products by:
  - Investing in research and development
  - Acquiring new technology
  - Improving management practices
  - Developing creative and appealing designs
  - Effectively marketing their products



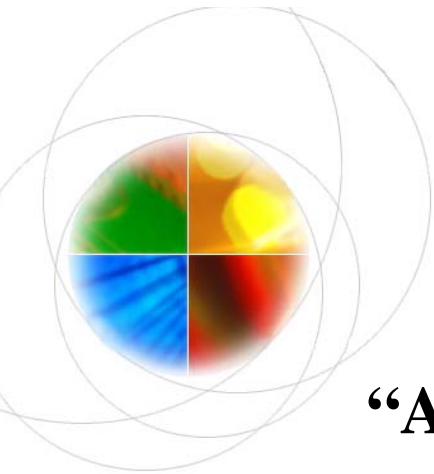
## SME Competitiveness

- For this, SMEs have to make significant investments of time and resources
- Without **intellectual property protection** there is a strong risk that investments in R&D, product differentiation and marketing may be lost
- Intellectual property rights enable SSIs to have exclusivity over the exploitation of their innovative new or original products, their creative designs and their brands. The exclusivity creates an appropriate incentive for investing in improving their competitiveness



## The Challenge

- **Worldwide, most enterprises, especially small and medium-sized enterprises (SMEs) under-utilize the IP system**
- **Basic reasons:**
  - **Lack of awareness of IP system and its usefulness**
  - **Perceived high costs/complexity of IP system**
  - **Lack of easily accessible teaching, training and/or professional assistance**



**Dr. Horst Fischer, Corporate Vice  
President, Siemens AG**

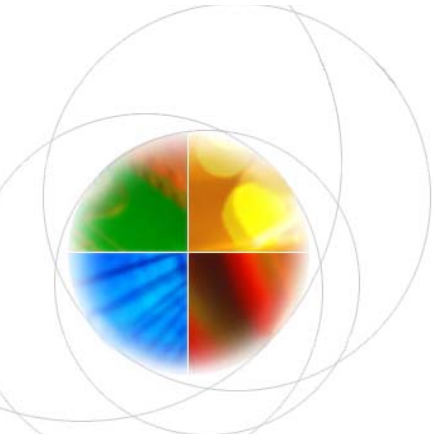
**“Any company wishing to prosper in the new millennium will also have to efficiently manage its IP portfolio”.**

**“For this reason it has become essential that every manager in the enterprise - not just those working in the corporate legal department - appreciates and understands not only what IP is, but how it can be more effectively exploited.”**



## Trends 1

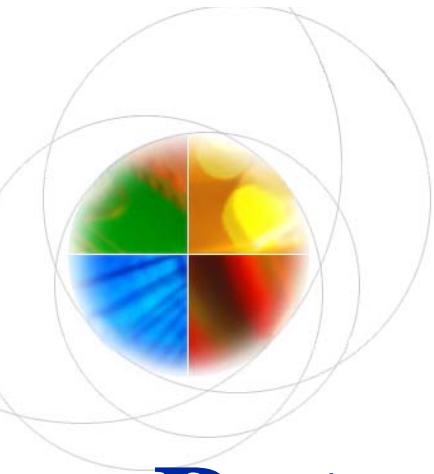
**In a knowledge-based economy,  
IP assets are valuable and flexible  
key assets for  
creating and sustaining  
enterprise competitiveness  
by preventing ‘free riding’**



# Centrality of Knowledge

**KNOWLEDGE underpins PERFORMANCE**

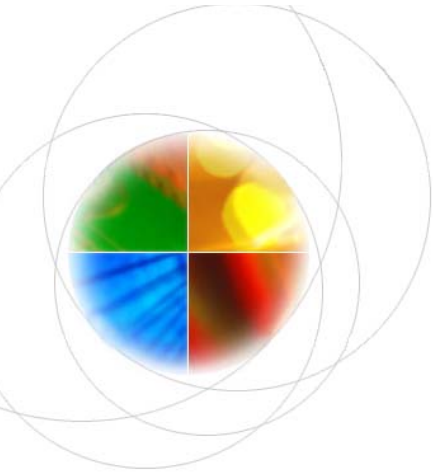




**But...**

**Wolfgang Stofer, Director of BMW's  
Treasury Department:**

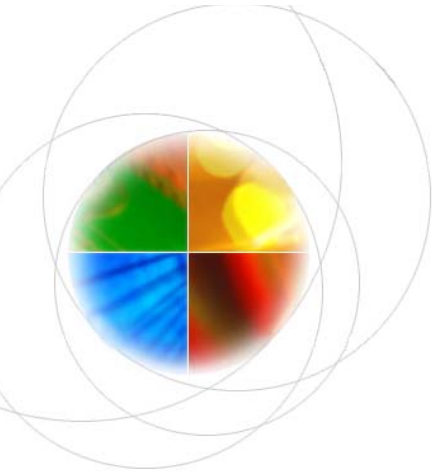
**“Whenever the technology becomes  
commoditized, we buy it from third  
parties”.**



## **Innovative SMEs**

If an SME has developed an innovative product, there are various possibilities, such as:

- Patent the invention and commercialize it yourself
- Patent the invention and sell it or license it to somebody else who will commercialize it
- Keep the inventive process secret and commercialize the product



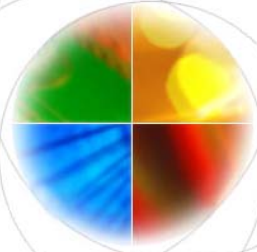
## **Creative SMEs**

- Particular importance for SMEs in copyright industries like music and film, publishing, software and multimedia
- Creative SMEs can benefit from copyright protection
- In general, no compliance with formalities required
- Today, almost worldwide protection though international treaties



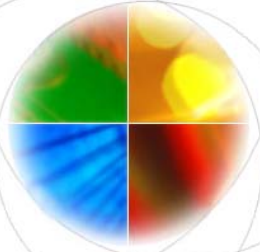
## **Corporate Image, Product Positioning and Brand Equity**

**TRUST and RELATIONSHIPS are the bulwark of any enterprise, be it big or small, with a global or local ambit, having a traditional or modern management style, high tech or low tech, leader or follower, and irrespective of it being a part of the old world of 'brick and mortar' or a rising star reliant on e-commerce**



# **Trust is to Business What Trademark is to Brand**

- **Brand Equity built on the foundation of a protected Trademark**
- **Brand/Trademark can:**
  - (a) be disposed off separately from other company assets (Free-standing Institutions); and**
  - (b) give rights that can be legally protected**



# **“Brand” Companies**

**Nike...**

**Adidas...**

**Reebok...**

**Levi-Strauss...**

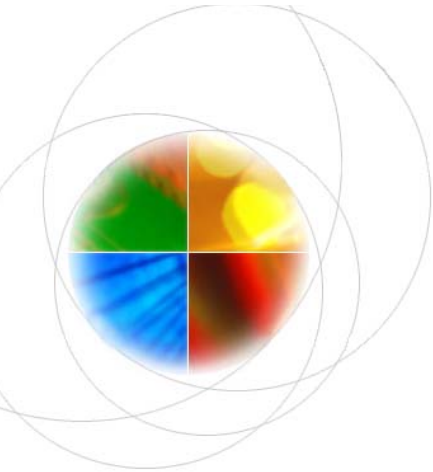
**...Own No Factories**



## Trends 2

**Modern IP system provides the essential tools for managing such intangible assets.**

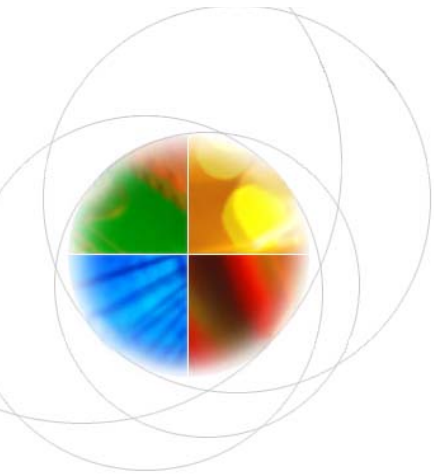
**Managing IP in one's business provides the ultimate power in making a globally competitive enterprises.**



## **Trends 3**

**Market value of any enterprise,  
including SMEs, increasingly  
determined by its  
portfolio and optimal use  
of IP assets**





## **Trends 4**

**Like any other corporate asset,  
IP assets need to be  
managed  
to yield optimum results  
based upon corporate goals**



## **Trends 5**

**Enterprises failing to embed the creation, capture, or protection of their IP assets into their product and business processes incur an undue risk of loss of both key competitive advantage and essential corporate value**



## Trends 6

**Creating, protecting and managing  
IP rights of an enterprise vis-a-vis  
its employees, customers, partners  
and competitors and avoiding  
infringement of IP rights of others**



## Trends 7

**Much More than a sword or shield in litigation to establish exclusive rights to the commercialization of specific technologies**



## **Trends 8**

- **Tax-saving licensing and donations**
- **Securitization of royalty streams**
- **Adding balance sheet value through IP insurance**



## **Trends 9**

### **IP rights facilitate**

- (a) outsourcing design, development production, distribution and/or marketing activities;**
- (b) entering into joint ventures and other strategic relationships; and**
- (c) securing investment to start or expand business**



## **Trends 10**

### **IP Leveraging Strategies**

**Technology licensing**

**Brand-extension licensing**

**Joint ventures and strategic alliances**

**Business format franchising**

**Outsourcing**



# Introduction to IP Management 1

- **Legal**
- **Technical**
- **Business**
- **Export**
- **Financial**
- **Relationships**
- **Accounting**
- **Tax**
- **Insurance**
- **Security**
- **Automation**
- **Personnel**





## **Introduction to IP Management 2**

- **Trade Secrets**
- **Patents and Utility Models**
- **Trademarks, Collective and Certification Marks**
- **Geographical Indications**
- **Industrial Designs**
- **Copyright and Related Rights**
- **New Varieties of Plants**



## **Introduction to IP Management 3**

- **Patents: drafting, filing, use of counsel and prosecution**
- **Trademarks: selection, screening and registration**
- **Copyright: permissions, fair use, Internet**
- **Trade secrets: employment, non-disclosure agreements and non-compete agreements**



## **Introduction to IP Management 4**

**Over 70% of companies interviewed in a 1998 Derwent survey admitted to wasting R&D resources through under-utilization of patent information**



## **Introduction to IP Management 5**

**Often enterprises are not aware of best way of protecting IP assets.**

**Trade secrets could be as effective as patents for safeguarding new technologies and processes, especially in rapidly evolving high technology areas.**



## **Introduction to IP Management 6**

**A major threat to IP assets of an enterprise may be through its web site as the Internet may provide an easy access to unscrupulous persons to copy brands, designs and copyright material and to steal trade secrets**



# **Introduction to IP Management 7**

- **Business Plan (New Business or Product Development)**
- **Export Strategy/Market Segmentation**
- **Market Differentiation/Quality**
- **Employment and Consulting Contracts**
- **Security System (Physical and IT)**



# **Introduction to IP Management 8**

- **Competitive Intelligence**
- **Software Licensing Negotiations**
- **Financing (Banks, VCs, Angels)**
- **Advertising and Marketing**
- **Internet (E-mail; Web Site)**



# **Introduction to IP Management 9**

## **Innovation/Technology Management**

**IP/Technology Audit**

**Valuation of IP; Balance Sheet**

**Links/Relationships (Employees, Vendors,  
Subcontractors, Licensing, Franchising)**

**Research Contracts (Universities,  
Research Institutes)**





# **Introduction to IP Management 10**

- **Search (Databases)**
- **Monitoring (Internal/External)**
- **Dispute Resolution (ADR, Courts)**
- **Counterfeiting and Piracy**



## **Fundamentals 1**

### **Create IP Awareness and Culture**

**All Employees (Top to Bottom)  
should be fully aware of importance  
of protecting and using IP assets for  
the benefit of the SME.**

**(CEO, Directors, Managers, Staff,  
Accountants, IT personnel, Security  
staff, etc )**



## Fundamentals 2

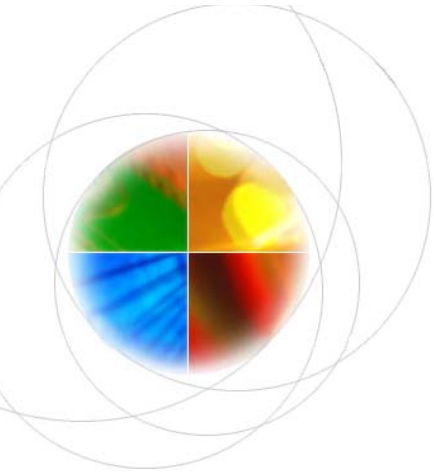
**Lack of proper planning on IP front  
may allow competitors to gain a  
competitive, long-term advantage  
from which there is  
NO recovery**



## Fundamentals 3

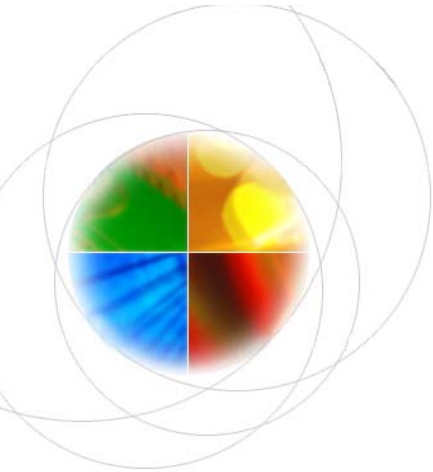
**Implementing an IP management program requires:**

- (a) A comprehensive business perspective of different types of IP assets/rights and their inter-relationships.**
- (b) This perspective should drive the core business strategy, targeting specific markets of commercial value.**
- (c) Total integration of intellectual property goals and objectives throughout the organization; otherwise, there it is not possible to get the best business results from IP assets.**



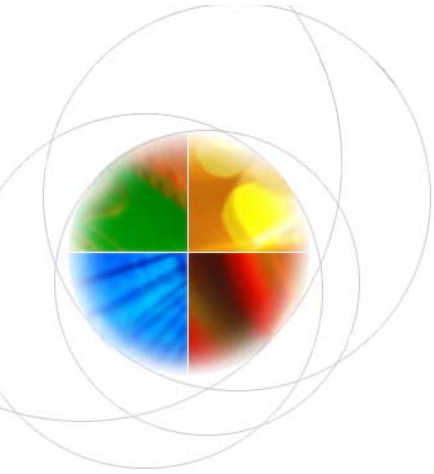
## **Fundamentals 4**

- **Record appropriate details about the IP assets in an IP asset register**



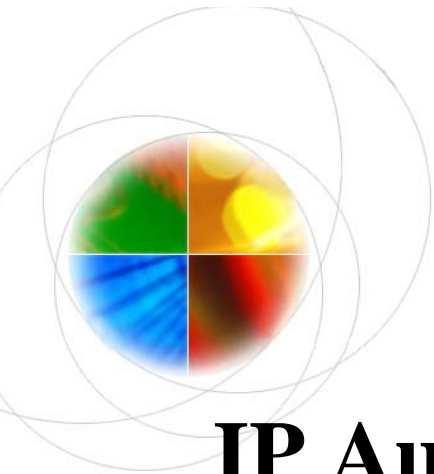
## **Fundamentals 5**

**Identify and protect all the  
IP assets owned by the  
Enterprise**



## **Fundamentals 6 (a)**

**Audit the intellectual  
property portfolios of the  
enterprise periodically**



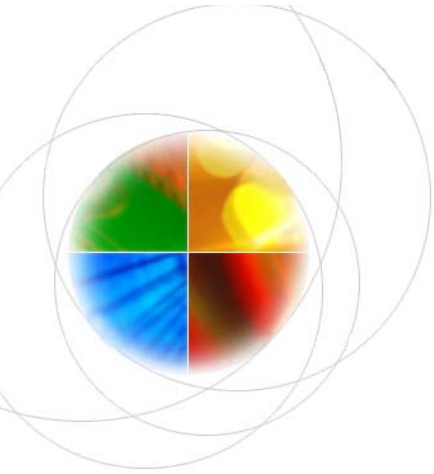
## **Fundamentals 6 (b)**

### **IP Audit and Strategic Analysis**

#### **Key Aim:**

**Whether any hidden value in the IP portfolio can be better leveraged, sold or licensed**





## **Fundamentals 6 (c)**

- **Are IP assets exploited optimally?**
- **Is there any redundant IP?**
- **Are all IP assets optimally protected?**
- **Could it be earning more revenue?**



## **Fundamentals 6 (d)**

- **What technologies have non-competing applications that could be licensed to others?**
- **What brands offer value in a brand-extension licensing or co-branding relationship?**



## **Fundamentals 6 (e)**

- **What distribution channels or partnering opportunities can be strengthened if the other party had greater control?**
- **What growth and expansion strategies are being used by competitors? Why?**



## **Fundamentals 6 (f)**

- **Where are the strategic/financial holes in current licensing and alliance relationships?**
- **What is the on-line and e-commerce strategy of the enterprise? How could it be strengthened/ improved?**



## Fundamentals 6 (g)

- From a licensing-out perspective, many high-tech enterprises may be sitting on a portfolio of patents, technologies and brands that can be licensed in non-competing ways



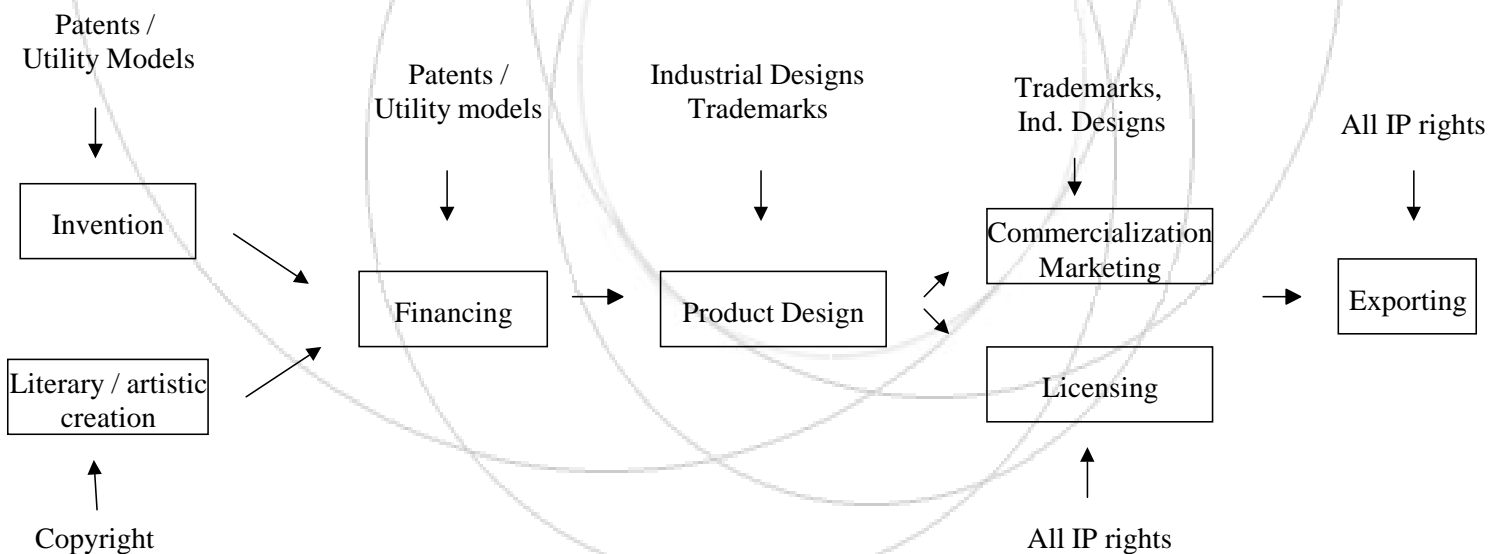
## Fundamentals 6 (h)

From a **licensing-in** perspective, an enterprise (not having the resources to conduct R & D) may explore access to technologies and brands already established or readily-available on an off-the-shelf basis, or develop other forms of partnerships with other companies to get access to resources and technology. There may also be licensing-in opportunities which, when paired with the current technology portfolio of the enterprise, may help to create new products, services and market opportunities.



# Basic Message 1

- IP adds value at every stage of the value chain from creative/innovative idea to putting a new, better, and cheaper, product/service in the market:



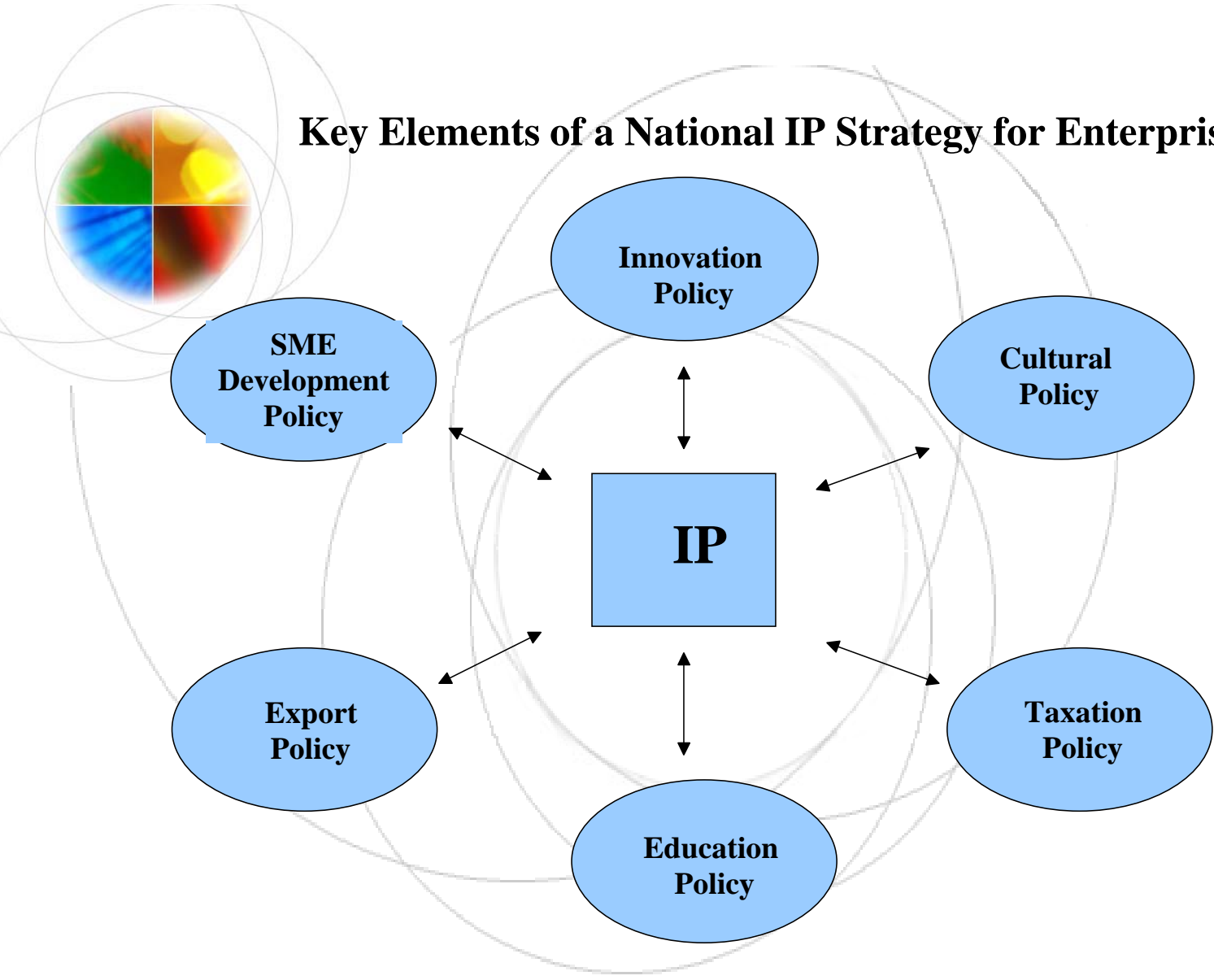


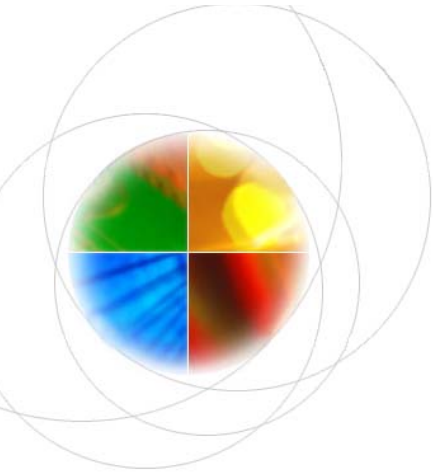
## Basic Message 2

- **IP strategy should be an integral part of the overall business strategy of the enterprise**
- **The IP strategy of an enterprise is influenced by its creative/innovative capacity, financial resources, field of technology, competitive environment, etc.**
- **BUT: *Ignoring the IP system altogether, as is often the case for many enterprises, especially SMEs, is in itself an IP strategy and may eventually prove costly.***



# Key Elements of a National IP Strategy for Enterprises

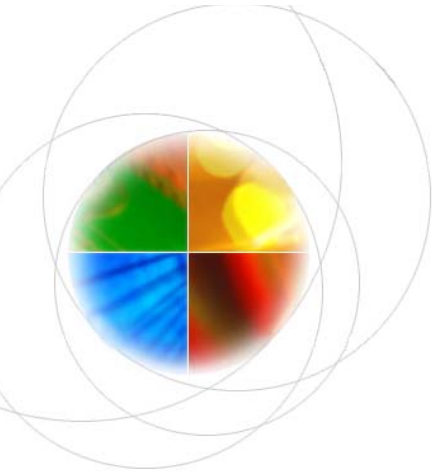




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## **Creative SMEs**

- Particular importance for SMEs in copyright industries like music and film, publishing, software and multimedia
- Creative SMEs can benefit from copyright protection
- In general, no compliance with formalities required
- Today, almost worldwide protection though international treaties



## **Objective of a National IP Strategy for SMEs**

- To enhance SME competitiveness through a wider and more effective use of the intellectual property system by:
  - Promoting awareness in order to enable SMEs to make informed decisions on how to exploit their innovative and creative capacity
  - Improving the policy and institutional support framework as well as the business environment to make it conducive and easier for SMEs to use the IP system



## **Cross-sector Cooperation**

- Actors involved in the national IP strategy for SMEs:
  - National and regional IP Offices
  - SME focal points within governments
  - Chambers of commerce and industry
  - SME associations and cooperatives
  - Incubators, science parks and technology parks
  - Universities
  - Private sector consultants
  - Financing institutions (including venture capitalists)



## **Innovation Policy (1)**

- Legal, financial, commercial assistance to SMEs on various aspects relating to the protection, management and commercialization of innovations
- Development of business incubators and technology parks with IP services for high-tech SMEs
- IP as an integral part of the national innovation system (NIS)
- Some examples:
  - Enterprise Ireland:
    - Advice on the development and protection of inventions
    - Funding for patent applications, advice on the commercialization



## **Innovation Policy (2)**

### Foundation for Finnish Innovation:

- Evaluation of inventions
- Advisory services (incl. IP advice)
- Assistance for the protection of inventions
- Assistance for product development
- Marketing (including advice on licensing)

### Malaysian Technology Development Corporation

- Venture capital-based company established by the Government and the private sector
- Funds for acquiring patented technology, for conducting patent searches, and for IP protection by Malaysian SMEs in Malaysia and abroad



## **SME Development Policy**

- Inclusion of IP modules in training programs for entrepreneurs
- Inclusion of IP in programs supporting SMEs to:
  - raise funds (micro-credit),
  - product development,
  - market development, etc
- Inclusion of IP in sectoral programs for the development of SMEs in specific target industries (e.g. biotech)
- IP to be included within the overall business development services (BDS) provided by public, private and civil society organizations.





## Education Policy

- Integration of IP issues (including courses on how to search patent databases) in curricula for obtaining engineering and management university degrees
- Enhancement of university-industry partnerships
  - Legal framework for IP protection and licensing by universities and research centers (e.g Bayh-Dole Act)
  - Development of IP policies within each university and public research institute concerning ownership and strategies for commercialization of IP generated within the university
  - Development of infrastructure for handling IP within universities and research centers (e.g. Technology Licensing Offices)



# Cultural Policy

- Recognition of the importance of copyright for the development of the cultural industries:
  - Incentives and support to the cultural industries for their development and full recognition of their contribution to economic growth, employment and trade
  - Legal Framework
  - Awareness campaigns for authors and creators of the rights associated with the creation of works
  - Development and/or strengthening of collective management organizations



# Taxation Policy

- Tax incentives for research and development activities, acquisition and commercialization of patents, licensing, etc.
- Examples:
  - Ireland: any income (e.g. royalty income) from a qualifying patent (i.e. patent for an invention invented within the State) shall be exempt from income or corporation tax.
  - Argentina: tax reductions for technology transfers from a foreign company which are registered at the IP office.



## Export Policy

- Policies aimed at promoting national exports in foreign markets should take into account the importance of IP protection for:
  - Enhancing brand recognition in foreign markets
  - Opening new export opportunities through licensing and franchising
  - Setting up joint ventures for joint commercialization of innovative technologies abroad
- Support for the protection of IP abroad (legal and financial)
- Promotion of national brands (e.g. Egyptian cotton, Colombian coffee, Swiss chocolate, Ceylon tea)



## Role of IP Offices (1)

- As the IP focal point, the national/regional IP offices must play a crucial role by enhancing their outreach activities.
- Some examples:
  - Development of reader-friendly material for SMEs on IP (web sites, guides, training modules, articles for magazines, radio programs, case studies, awareness campaigns, etc.)  
e.g. IP Australia, UK Patent Office, KIPO
  - Road shows and visits to SMEs  
e.g. Sweden: 300 visits every year
  - Workshops on using patent databases (e.g. KIPO)
  - Low-cost provision of value-added technological information services
  - Differential fees for SME applicants (e.g. Philippines, US, Brazil)



## **Role of IP Offices (2)**

- Cooperation with associations of patent attorneys for the provision of free or discounted legal services for SMEs (e.g. KIPO)
- Promotion and legal assistance for the creation, registration and use of collective marks and other distinctive signs by SMEs (e.g. Peru and Mexico)
- Establishment of virtual databases of patented technologies available for licensing (e.g. IP office Singapore, JPO, KIPO)
- Development of tools for IP valuation (e.g. Denmark, JPO)



## Welcome to the SMEs Website

- SME Home
- Intellectual Property for Business
- Intellectual Property and E-Commerce
- Activities
- Partners
- Best Practices
- Case Studies
- Documents
- FAQs
- Contact us

Have you ever wondered what "intellectual property" or what relevance it could possibly have to the creation or success of a small or medium-sized enterprise (SME)? If yes, then you have come to the right place. Here, we take a close look at intellectual property (IP) from the perspective of SMEs and analyze the possibilities offered by the IP system for improving their performance and competitiveness.

The web site also offers details on the activities of WIPO's SMEs Division and provides information of interest to SME support institutions.

**Mailing List**

Enter your E-mail address to receive monthly e-mail updates:

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<b>Overview</b>
<b>Intellectual Property for Business:</b> Information for SMEs on the basics of patents, trademarks, copyright, industrial designs, and other intellectual property rights with questions and answers, advice, checklists, links and documents for further reading.
<b>Intellectual Property and Electronic Commerce:</b> Introduction to intellectual property issues related to e-commerce.
<b>Activities:</b> Overview of activities of the SMEs Division.
<b>Partners and Support Institutions:</b> Information for, and links to web sites of, partners and SME support institutions.
<b>Best Practices:</b> Programs, policies and activities developed by intellectual property offices and SME support institutions to assist SMEs to use the intellectual property system.
<b>Case Studies:</b> Success stories of SMEs using the intellectual property system.

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