



INNOVATION MANAGEMENT BY SMES

Intellectual Property Audit

OGADA TOM

Accra, Ghana, May 6-10, 2019

Contents

- What is IP Audit
- Why is IP Audit important
- What should an IP Audit cover
- How to conduct an Audit
- Example of a comprehensive IP Audit - Case of Kenya

1. What is IP Audit

- ❑ Systematic review of the IP owned , used, or acquired by a business so as to assess and manage risks, remedy problems and implement the best practices in IP asset management
- ❑ Involves undertaking a comprehensive review of a company's IP Assets , related agreements, relevant policies and compliance procedures

2. Importance of an IP Audit

Helps an Enterprise to:

- Make an inventory, update and analyse its IP assets
- Assess how effective the IP assets are used
- Assess the extent to which the IP assets used by the business are owned by the company or others
- Whether these IP assets are fringing the rights of others
- Availability of appropriate guidelines, policies and procedures to enhance the management of IP assets
- Determine what actions are required to be taken with respect to each IP asset or portfolio of such assets to serve the relevant business goals of the company

3. **What issues to be covered in an IP audit**

1. IP Awareness of the technical and management staff
2. Capacity to identify IP assets
3. Legal protection of IP assets
4. Incorporation of IP issues in various agreements
5. Importance of IP to the business
6. Existence of IP policy
7. Existence of IP management units and managers
8. Obstacles to IP development
9. Availability of IP assets in the enterprise
10. Creation and acquisitions of IP by the enterprise
11. Budget allocation for IP creation and protection
12. Extent of commercialization of IP
13. Sourcing of IP by enterprises – how and from where
14. Impact of ownership of IP Assets in the business

4. How to undertake an IP Audit

- Define and clarify the purpose
- Define resources (finance and time) available
- Agree on who to undertake the audit – internal resources or Consultant
- Prepare an audit tool/questionnaire/guide
- Sensitise the staff on the audit purpose and process
- Implement the audit
- Analyze the audit
- Prepare IP Audit report with appropriate recommendations

Kenyan Case Study on IP Audit for Industries

To determine the level of management of Innovation and IP by Kenyan Enterprises and propose strategies for enhancement

120 questionnaires administered, 69 successfully filled and sent back

<input type="checkbox"/> Chief Executives	9
<input type="checkbox"/> Company proprietors	19
<input type="checkbox"/> Company managers	25
<input type="checkbox"/> Partners	3
<input type="checkbox"/> Other	13

Size of Enterprises (52 out of 69 SMEs)

<input type="checkbox"/> Micro Enterprises (1-4)	18
<input type="checkbox"/> Small (5-49)	14
<input type="checkbox"/> Medium (50-99)	19
<input type="checkbox"/> Large (above 100)	17

Form of Enterprises

<input type="checkbox"/> Limited Companies	40
<input type="checkbox"/> Sole Proprietorship	13
<input type="checkbox"/> Partnership	2
<input type="checkbox"/> Not registered	14

Type of Enterprises

<input type="checkbox"/> Manufacturing	53
<input type="checkbox"/> Processing	4
<input type="checkbox"/> Handicraft	6
<input type="checkbox"/> Community/social enterprise	6

Some Results

IP awareness, recognition and protection

- Level of IP awareness is inadequate
- Trademarks perceived to be the most important IP assets, followed by industrial design.
- Utility model was perceived to be the least important IP asset, perhaps due to being a new concept
- Only 42 % of the enterprises had protected their IP
- Reasons given by those who had not protected
 - ✓ Not having IP to protect = 15
 - ✓ Lack of IP awareness = 10
 - ✓ Inadequate effective enforcement mechanism = 6
 - ✓ High cost of protection = 3

IP protected by industries

Types of IP protected by industries in %

- ✓ Trademark = 86
- ✓ Industrial Designs = 14
- ✓ Patent = 0.3
- ✓ Utility models = 0.1

- Nine companies contributed 98 % of the industrial designs applications, with one company filing 60 % the applications

Management of IP assets

- ❑ Number of enterprises that considers IP as an integral parts of its business = 57 %.
- ❑ Only 19 % enterprises maintain a register.
- ❑ Companies having non-disclosure agreement with
 - ✓ Employees = 20
 - ✓ Business partners = 22
- ❑ Companies having IP agreements with
 - ✓ Business consultants = 7
 - ✓ Agents = 22
 - ✓ Distributors = 19
 - ✓ Service providers = 9
 - ✓ Distributors = 4
 - ✓ Government = 4

Managing IP Assets continues

❑ 32 % of the enterprises had used legal or technical advice for drafting claims and or licensing agreements.

These services were obtained as follows:

- ✓ Own-inhouse expertise = 12 %
- ✓ National IP offices = 6 %
- ✓ Patent agents = 16 %

❑ Reasons for not seeking legal advice

- ✓ High costs of legal fees
- ✓ Lack of awareness of the availability of professional services

Managing IP Assets continues

- ❑ Only one company had an IP policy and another one had a draft IP policy
- ❑ Over 90 % of the enterprises allocated less than 10 % of their budget to creation, acquisition, protection, promotion and commercialization of IP assets, while only 3 companies allocated 10-25 % of their budget.
- ❑ The main obstacle for the development and management of IP high cost of R&D followed by inadequate awareness on the benefits of owning and commercializing IP

Managing IP Assets continues

- ❑ Main copyrights owned by industries are:
 - ✓ Technical drawing
 - ✓ Advertisement
 - ✓ Painting
 - ✓ Data banks
 - ✓ Computer programs
 - ✓ Only one company had an IP policy and another one had a draft IP policy
- ❑ Concept of commercialization of IP not properly understood by industries which think this is same as licensing
- ❑ Only six companies were using IP rights owned by other enterprises. In total, 23 such IP rights were in use, five acquired from enterprises and 18 from foreign companies.

Success stories

- ❑ Company A: Large multinational company (health sector)
 - ✓ Considers IP as an integral part its business strategy
 - ✓ Maintains a register of its IP assets
 - ✓ Has non disclosure agreement with its employees and business partners
 - ✓ Has IP protection provisions in agreements with employees, supplies, distributors and business service providers
 - ✓ The company uses own services and patent agents for IP applications
 - ✓ The company has a written IP policy that regulates IP creation, protection and commercialization

Success stories

- ❑ Company B: Large regional brewing company
 - ✓ Has patents, trademarks, copyrights, trade secret, plant breeders rights
 - ✓ Has filed 95 trademarks, 58 granted
 - ✓ Has one patent
 - ✓ Has one foreign customer with whom it has 3 licensing agreement

Success stories

- ❑ Company C: Large national company (Cosmetic sector)
 - ✓ Spends 10-25 % of its budget on R&D
 - ✓ Has 15 industrial design; 285 trademarks and 8 service marks
 - ✓ Commercialises its IP assets

Success stories

- ❑ Company D: Large Pharmaceutical company
 - ✓ Filed 314 trademarks, and 218 granted
 - ✓ Acquired voluntary licensing from GlaxoSmithKline to produce and sell Antiretroviral (ARV) drugs
 - ✓ This was the fourth license granted to African firms to manufacture and sell GlaxoSmithKline ARVs in the continent.

Summary of what we saw from the audit

- Very few companies had ever taken an IP Audit
- Management of IP assets was weak particularly SMEs
- IP policy was not taken seriously with industries both SMEs and large companies
- Importance of Utility models had not been properly understood by SMEs yet a lot of innovation takes place there
- The success stories in our countries not adequately publicized and used to popularize IP management by SMEs
- Government's support to fund R&D for innovation in industry is Inadequate

Conclusions/take homes

- **IP Audit is an important IP management strategy that be undertaken by companies regularly to enhance their competitiveness**
- **No firm is too small to ignore having in place policies and structure to manage IP assets**