

The Importance of Intellectual Property for the Competitiveness of SMEs

Baku, June 4 and 5, 2003

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Director

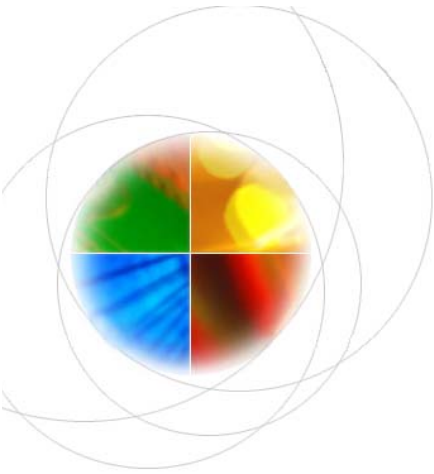


SMEs Division (www.wipo.int/sme)
World Intellectual Property Organization



WIPO's SMEs Division

- In September 2000, the WIPO Assemblies approved the proposal of the International Bureau that:
 - certain activities planned for 2001 be realigned or refocused towards SMEs
 - “...a substantial new program of activities, focusing on the intellectual property-related needs of SMEs worldwide, be included in the draft Program and Budget for the next [2002-2003] biennium”
- SMEs Division established in October 2000



CONTENT

- SMEs in National Economies
- How IP can help SMEs Businesses
- National IP Strategies for SMEs
- Best Practices
- WIPO SMEs Initiatives



SMEs in National Economies

- Currently, no standard definition of SMEs. Some countries define SMEs according to number of employees and others on level of assets or turnover or both.
- However, general acceptance that SMEs play an important role in an economy (job creation, investment, export, innovation, etc)



SMEs

- Small and Medium-Sized Enterprises form the bulk of enterprises in all economies
 - In Asia 90%, USA 88% and OECD countries 95% of enterprises are SMEs
 - SMEs play a vital role in job creation, investment and exports, significantly contributing to national economic growth.



New Economy

- is globalized, competition not confined to national boundaries
- is often web based, a global marketing and information tool
- Sources of competitiveness shifting to knowledge-based factors of production (high technology and specialist skills)
- Offers new opportunities and challenges for SMEs



SMEs and Global Economy

- In the new knowledge economy, intangible assets, including innovative ideas, information and know-how have become central business assets.
- In the US, SMEs contribute 2.38 times more innovations per employee than do larger firms (Source: OECD)
- SMEs are proven innovators in the broad sense



SME Competitiveness

- In the new knowledge economy competitiveness is increasingly based on firms ability to provide **high-value-added products and services at a competitive price**
- Globalization and trade liberalization has made it crucial for SMEs to become **internationally competitive** even when competing exclusively in domestic markets



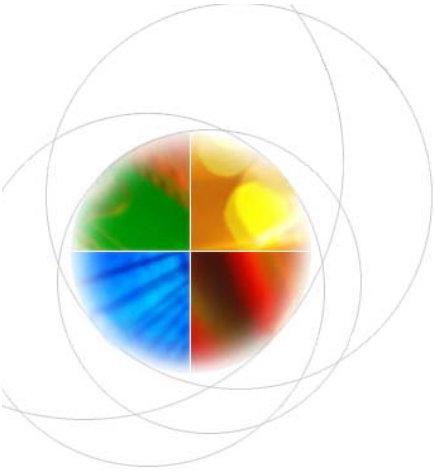
SME Competitiveness

- In order to be internationally competitive SMEs need 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
 - Marketing their products and services



SME Competitiveness

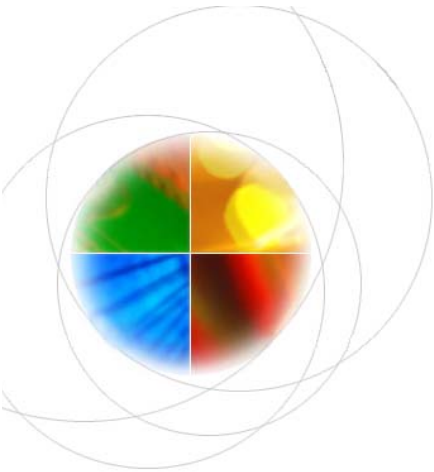
- The above require SMEs to make significant investments.
- Without **intellectual property protection** there is a strong risk that investments in R&D, product differentiation and marketing will be wasteful
- Intellectual property enables SMEs to have exclusivity over the exploitation of their innovative products, their creative designs and their brands, thus creating an appropriate incentive for investing in improving their international competitiveness



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

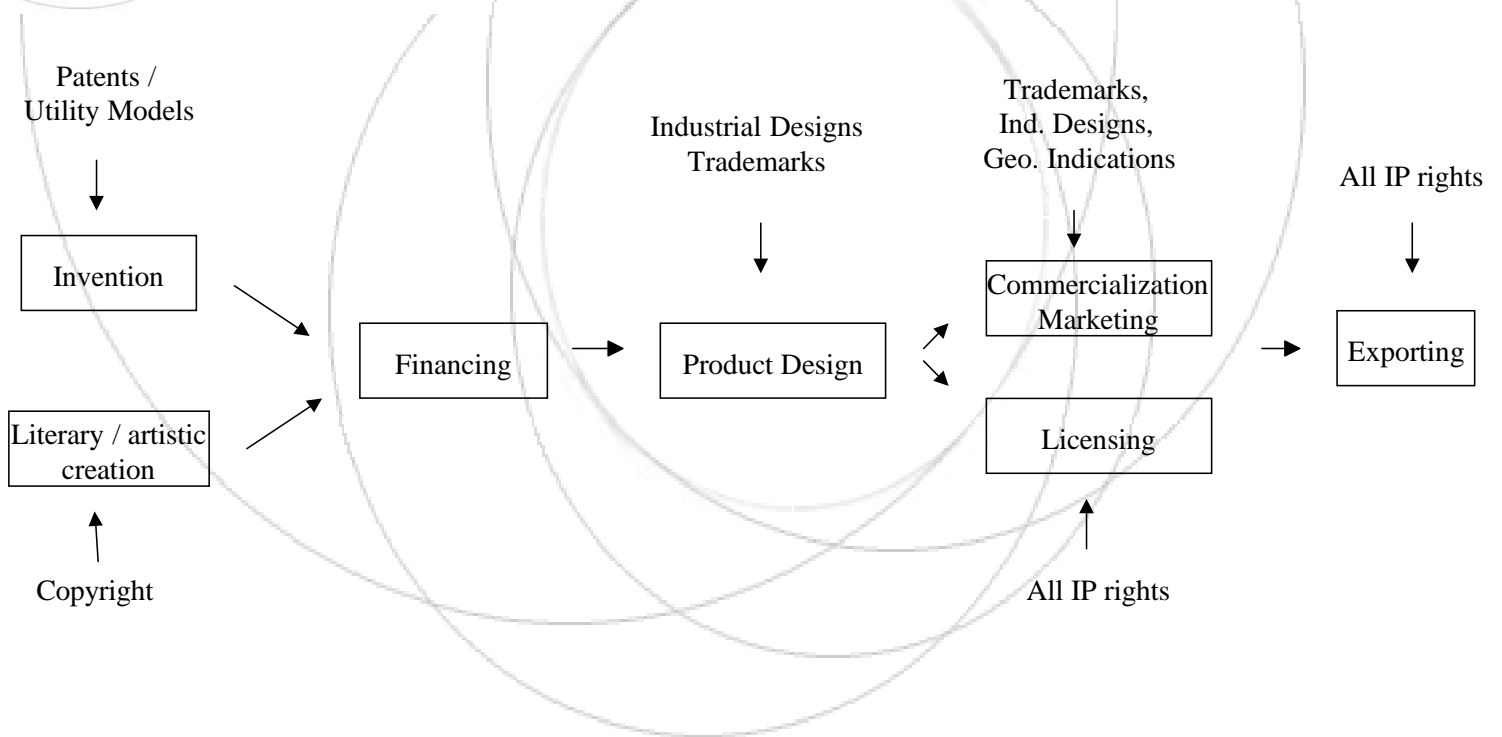


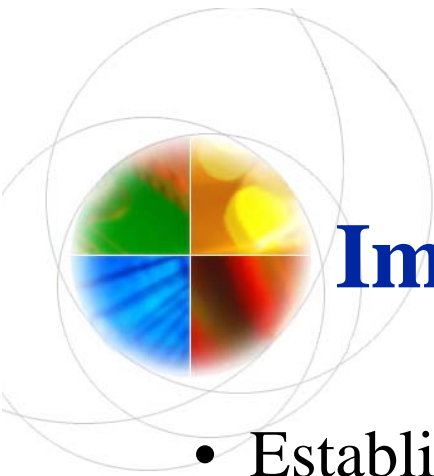
Creative SMEs

- 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

IP Adds Value

- IP may add value at every stage of the innovation and commercialization process:





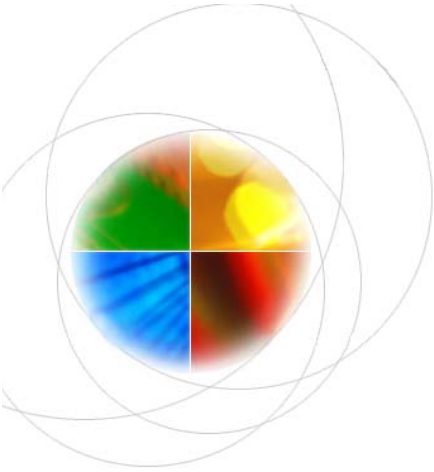
Importance of IP for SMEs (1)

- Establish enterprise/business identity through branding strategy
- Protect innovation through patents, utility models and trade secrets
- Protect creativity by designs and authors rights
- IP protection prevents competitors from imitating products or services

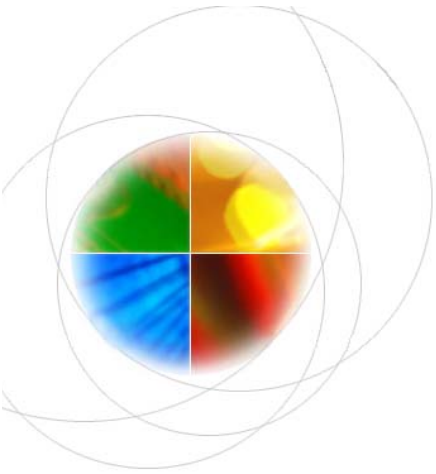


Importance of IP for SMEs (2)

- Access useful technology through IP information and licensing arrangements and avoid wasteful investment in R&D
- Enhancing value of company through effective IP asset valuation and management
- Enhancing access to venture capital and other sources of finance



**National Intellectual Property
Strategy for Improving the
Competitiveness of
SMEs**



The Challenge

Worldwide, most SMEs under-utilize the IP system



Reasons for Low Use of IP System by SMEs

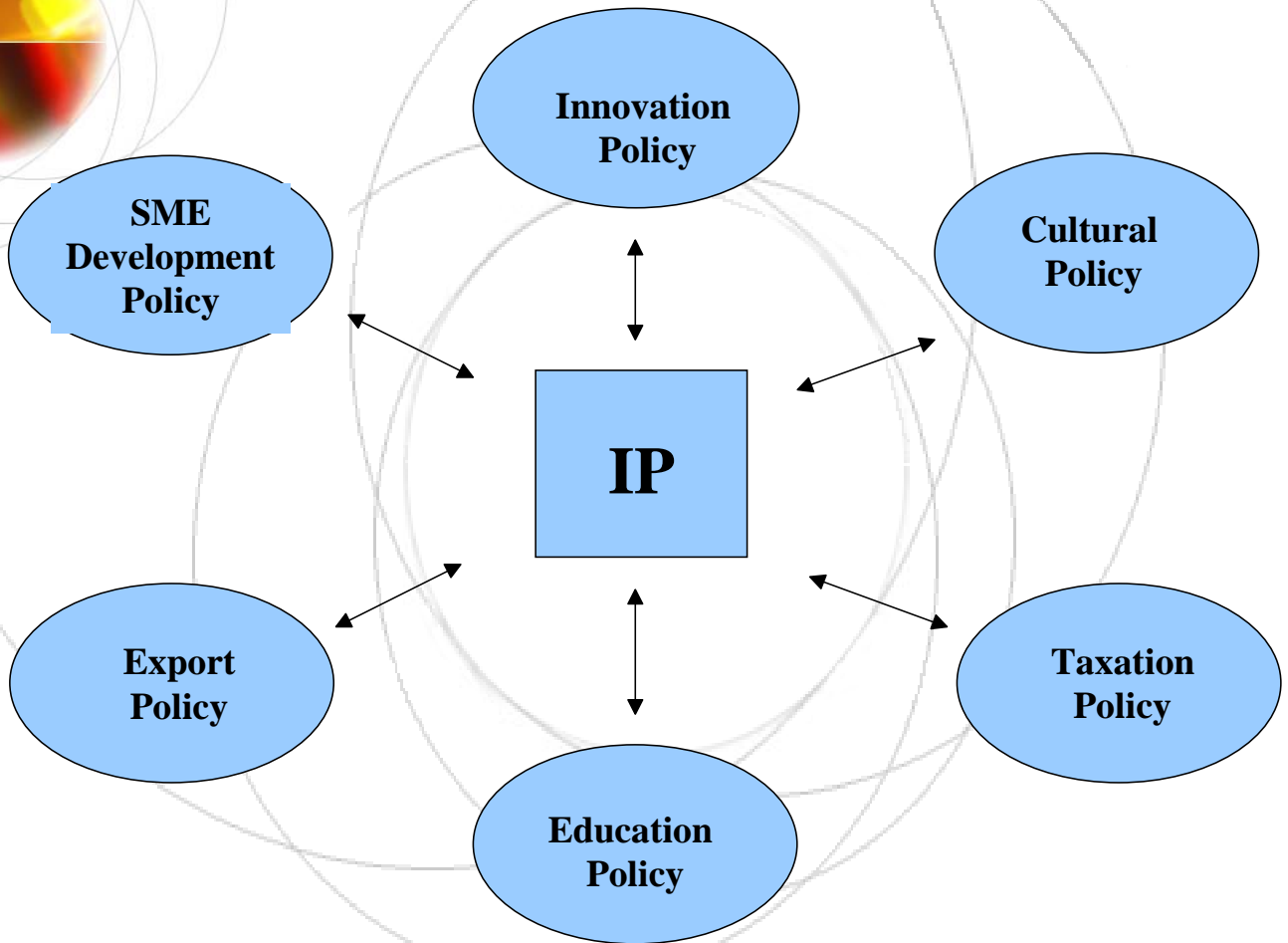
- Lack of human resources
- Lack of awareness of usefulness of IP system
- Perceived lack of relevance of the IP system
- Perceived high cost and complexity of IP system



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

The national IP Strategy for SMEs





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



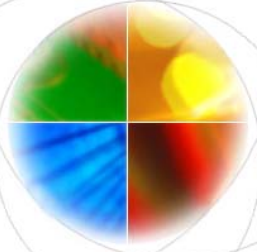
Innovation Policy (2)

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)

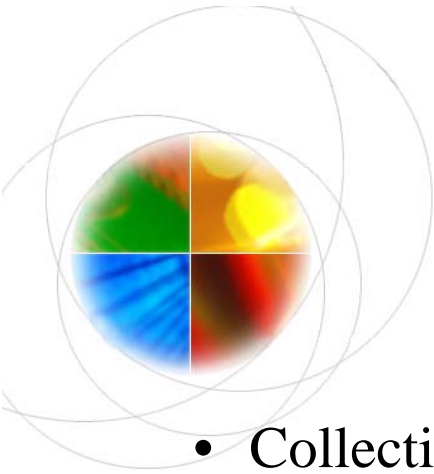


Role of IP Offices (2)

- 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)



**Overview of Emerging Best
Practices of IP Offices and SME
Support Institutions in Catering to
the IP Needs of SMEs**



“Best Practices”

- Collection of policies, programs and strategies that aim to encourage a wider and more efficient use of the IP system by SMEs
- Objectives:
 - Identify experiences that have had a real impact in making the IP system more accessible to SMEs
 - Identify replicable mechanisms that may be adapted to the institutional and economic context of other countries
 - Encourage exchange of experiences



Categories of “Best Practices”

1. Awareness-raising and Training
2. Technological Information Services
3. Financial Assistance
4. Customised Advisory Services
5. Assistance on IP Exploitation and Commercialisation



Awareness-raising and Training

1. IP Australia:

- Establishment of a Marketing Department
- Intellectual Property Guides: over 35,000 information kits are distributed every year
- Multimedia products (e.g., IP Toolbox)
- Case studies
- Practical information (e.g., IP Access, IP Manager) on the Web site www.ipaustralia.gov.au
- SME Seminars



Awareness-raising and Training

2. Indian Ministry for Small-Scale Industries, Agro and Rural Industries

- Pilot experience in co-operation with WIPO:
organisation of one day seminars for entrepreneurs
(14 in 14 cities)
- Activities planned for this year:
 - Seminars for “clusters” on SME
 - Incorporation of seminars in the training program for entrepreneurs of Indian training institutes
 - Preparation of practical guides for specific sectors (e.g. Machine tool industry and toys industry)



Awareness-raising and Training

3. Peruvian National Institute for the Defence of Competition and Intellectual Property (INDECOPI)
 - Promotion of collective and certification marks
 - Joint marketing, quality standards
 - INDECOPI provides assistance in the creation, registration and drafting of rules for utilisation of collective marks
 - Success stories



Technological Information Services

1. Industry Canada: Program BIX <http://strategis.gc.ca>
 - Business Intelligence Express program provides:
 - Technological information to specific sectors (metals and minerals processing industries, biotechnology, forestry)
 - On-line interactive guides on IP for enterprises in those sectors
 - News bulletin with latest patents and marks by sector



Technological Information Services

2. Project Novimpresa (Trieste, Italy)

- Technological information to enterprises from the Friuli Venezia Giulia region
- PATLIB Centre of the European Patent Office
- Information retrieval related to technology and market situation, state of the art searches, identifying solutions to technical problems, studies on specific sectors, market research, etc.
- Sources: Patent documents, specialised journals, databases
<http://novimpresa.area.trieste.it/>



Financial Assistance

1. Spain:

- Assistance and subsidies from the State and from the regional authorities (www.oepm.es)
- Programs to promote R&D
 - e.g: Technological Promotion Project, interest-free loans payable in 5 years, covering up to 60% of the project
- Tax reduction for technology acquisition (10-15%)
- Program of Initiation to Foreign Trade (up to 80% of costs to enterprises with export potential, including patent and trademark applications)
- Programs for the improvement of designs (eg Aragón, Galicia)



Financial Assistance

2. The Patent Application Fund (Singapore)

- Finances 50% of the legal, administrative and translation costs)
- Up to a maximum of US\$15,000
- Requirements:
 - 30% of the shareholders are nationals of Singapore
 - Research was developed in Singapore
 - The application has not yet been made or only two years have gone by since application



Customized IP Advice

1. Enterprise Ireland:

- Each enterprise is assigned a “Development Adviser” who guides it through the services offered by E.I.
- The “Intellectual Property Assistance Scheme”
 - Advice on the protection of inventions
 - Funding for patent applications
 - Advice on the development and commercialisation of inventions



Customized IP Advice

2. Cuban Industrial Property Office (OCPI)

- Specialised service for the entrepreneurial sector (SESE) co-ordinated by the Information Department of OCPI
- The services include:
 - Diagnosis of the IP needs of the enterprise (IP Audit)
 - State-of-the Art searches
 - Training and advice
 - Proposals on the selection of marks
 - Marks and distinctive signs searches



Customized IP Advice

3. Swansea Intellectual Property Initiative (Wales, UK)

- Pilot project to assist local entrepreneurs in Swansea
- Free expert advice and a 60% grant (up to £6000) towards the commercial and legal costs relating to the acquisition of IPRs
- Assistance with licensing agreements
- So far 39 applications are being supported and 6 major licensing agreements have been assisted



Specialised Advice Services

- Other experiences in this category include:
 - Foundation for Finnish Innovation
www.innofin.com
 - Intellectual Property Services Centre of the Hong Kong Productivity Council
<http://www.ipsc.org.hk>
 - Innovation Agency (Austria)
<http://www.innovation.co.at>



Assistance on IP Exploitation

1) Japanese Patent Office

- Database of licensable technologies
- Organisation of patent distribution fairs for entrepreneurs, researchers and inventors
- Preparation of patent maps for some technology areas
- Support to technology licensing offices of universities and research centres



stance on IP Exploitation

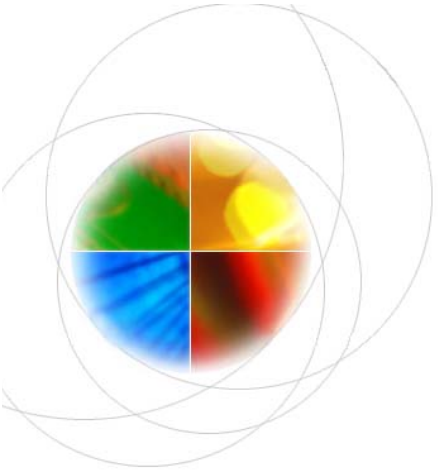
2) Hong Kong Productivity Council

- **Techmart**: marketplace to facilitate technology commercialisation
- 600 m² for thematic events on licensable technologies
- On-line network with four groups of partners:
 - a) technology providers
 - b) industrialists
 - c) market buyers
 - d) investors
- Services for valuation of IP assets
- The Technology & Business Intelligence Centre offers the latest technology and marketing information



“Best Practices” - General Trends and Conclusions

- New role of IP offices
- Government SME support institutions are beginning to include IP in some of their activities and services for SMEs
- Cooperation between various SME support institutions, chambers of commerce and industry, IP offices, SME associations, incubators, R&D Centers, universities
- Use of new technologies for the provision of services and information to SMEs

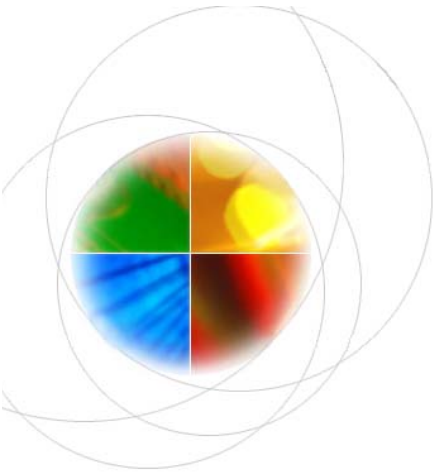


Overview of the Strategy and Activities of the SMEs Division



The Vision

- **IP Empowerment**
 - Improving the policy framework and business environment to make it conducive and easier for SMEs to use the IP system
 - Improving competitiveness of SME by enabling SMEs to fully exploit their innovative and creative potential through an effective use of the IP system
- **IP-Oriented Knowledge and Wealth Creation by SMEs worldwide in all sectors of the economy**



STRATEGY

- **Demystification**
- **New Audience**
- **New Areas**
- **Proactive**
- **E-Services**
- **Partnerships**



DEMYSTIFICATION

- **Studies**
- **Events and Expert Missions**
- **Web Site**
- **CD-ROM**
- **Magazine Articles**
- **Guides**
- **Brochure**
- **Newsletter**

Home Page of SMEs Division

Small and Medium-Sized Enterprises (SMEs) - Netscape

File Edit View Go Communicator Help

Back Forward Reload Home Search Netscape Print Security Shop Stop

Bookmarks Location: <http://www.wipo.int/sme/en/index.html>

Instant Message WebMail Radio People Yellow Pages Download Calendar Channels

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Have you ever wondered what is "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.

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Overview

Intellectual Property for Business: 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.

Intellectual Property and Electronic Commerce: Introduction to intellectual property issues related to e-commerce.

Activities: Overview of activities of the SMEs Division.

Partners and Support Institutions: Information for, and links to web sites of, partners and SME support institutions.

Best Practices: Programs, policies and activities developed by intellectual property offices and SME support institutions to assist SMEs to use the intellectual property system.

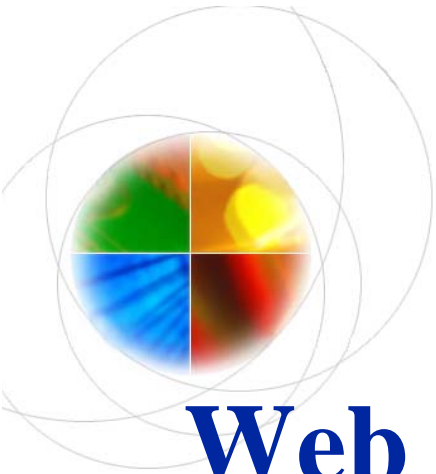
Case Studies: Success stories of SMEs using the intellectual property system.

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Web Site of SMEs Division

- **Six Languages (English, French, Spanish, Arabic, Russian, Chinese)**
- **Web Site Hits:**
 - > 90,000 in April 2003**



Web Site of SMEs Division

- **Content:**

- **IP for Business**
- **IP and E-Commerce**
- **Activities**
- **Best Practices**
- **Case Studies**
- **Documents**



Magazine Articles

- Articles for magazines and web sites of partner institutions
 - WIPO Magazine Articles:
 - **Why is IP Relevant to Business?**
 - **The Role of Trademarks in Marketing**
 - **The Power of Designs for Marketing Success**
 - **Patents: Tapping the Potential of Innovative New Products**
 - **Trade Secrets are Gold Nuggets: Protect them**
 - **Trade Secrets: Policy Framework and Best Practices**
 - **The Value of Collective and Certification of Marks for Small Players**
-



IP for SMEs Newsletter

- **Monthly e-mail newsletter (articles, updates, with information, links and documents for subscribers)**
- **Six Languages (Arabic, Chinese, English, French, Russian, Spanish,)**
- **Some 3,600 subscribers by May 2003**



GUIDES

- **Joint IP guides in cooperation with other IGOs:**
 - Negotiating Technology license agreements * (ITC)**
 - Marketing of Crafts and Visual Arts * (ITC)**
 - IP for Exporters (ITC)**
 - Toy Industry # (UNIDO)**
 - IP input in a Guide on Exporting Automotive Components (ITC)**

* Under preparation

Under discussion



WIPO Guides on IP for SMEs

- **Trademarks**
- **Licensing IP**
- **Industrial Designs**
- **Patents**
- **Trade Secrets**
- **E-commerce**
- **Copyright**



Other Products (under preparation)

- **SME Policy Guidelines**
- **Distance Learning Program**
- **IP Toolbox for SMEs**



NEW AUDIENCE

- **Bringing IP Issues to SME Events**
- **Bringing Business Perspective to IP Events**
- **New Partnership: Open Door Policy**

(IGOs, Government SME Focal Points, SME Support, Training and Financing Institutions, National Chambers of Commerce and Industry, SME Associations, SME Research Institutions, and Civil Society, Private Sector Institutions, Universities, etc)



Bringing IP Issues to SME Events

- **Summit Economic Forum of the Central European Initiative (CEI) (Italy, Nov 2001)**
- **Virtual (Online) World Congress of SMEs and Young Entrepreneurs (Oct-Dec, 2001)**
- **Video Conference of the UN Economic Commission for Africa (ECA) (Feb 2002)**
- **WASME International Conference for SMEs (Gibraltar, April 2002)**



Bringing IP Issues to SME Events

- **Conference on SMEs (Croatia, June 2002)**
- **Small Scale Industries Convention (India, August 2002)**
- **International Conference of NASME on Enhancing the Competitiveness and Growth of SMEs (Nigeria, Sept 2002)**
- **Summit Economic Forum of the Central European Initiative (CEI) (Macedonia, Nov 2002)**



Bringing Business Perspective to IP Events

- **PATINNOVA/EPIDOS Joint Annual Conference (Cardiff, Oct 2001)**
- **China Symposium organized by EU, EPO and SIPO on IP Strategies for Enterprises following WTO accession (Nov 2001)**
- **WIPO National Seminar on Industrial Property and the PCT (Mauritius, July 2002)**
- **Presentations in WIPO Academy Events in Geneva**



NEW AREAS

- **IP for financing (venture capital, securitization)**
- **Accounting and valuation of IP assets; IP audit**
- **Fiscal policies and IP (e.g. tax incentives for R&D activities, patenting, licensing, etc.)**
- **IP services to SMEs by incubators, technology parks, chambers of commerce and SME associations**
- **Copyright and SMEs in the cultural industries (MERCOSUR and Arab regional study on cultural industries; Caribbean Music Industry Project)**
- **IP needs of SMEs in biotechnology, agriculture, handicrafts, software**
- **IP Insurance**



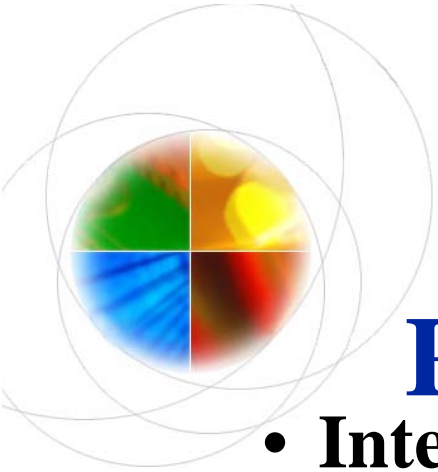
PROACTIVE

- Original Content Creation
- Surfing the Web
- Links
- Best Practices
- Case Studies



E-SERVICES

- **Web Site Content**
- **SME-Mail**
- **E-Mail Newsletter**
- **Distance Learning (Proposed)**
- **Discussion Forum (Proposed)**



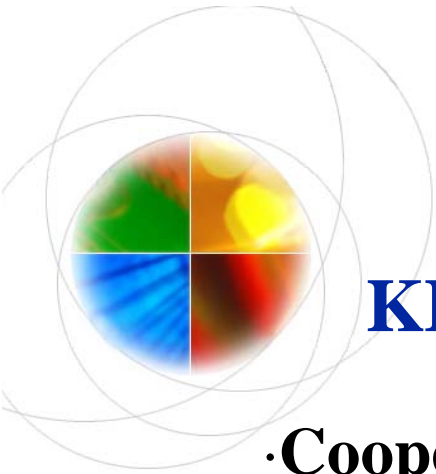
PARTNERSHIPS

- **Internal (WIPO)**
- **External**
 - **IGOs**
 - **Government**
 - **Private Sector**
 - **Civil Society (NGOs)**



PARTNERSHIPS

- **Reciprocal Links (Internal and External)**
- **Hosting and Republication of Content, including E-mail Newsletter**
- **CD-ROM distribution to new audience**
- **Customized Articles**
- **Joint Activities (Studies, Guides, Events, NFAPs)**
- **Training the Trainers**



KEY INTERNAL PARTNERS

- **Cooperation for Development Bureaus**
- **The Division for Cooperation with Certain Countries in Europe and Asia**
- **Worldwide Academy**
- **Global Protection Systems Sector**
- **E-Commerce and Arbitration and Mediation Center**
- **Innovation Promotion Division**



KEY EXTERNAL PARTNERS

- UNCTAD
- UNECA
- UNECE
- UNESCWA
- UNIDO
- UNESCO
- IP Offices
- SME Focal Points
- WASME
- ILO
- ITC
- APCTT



STRENGTHEN OUTREACH ACTIVITIES OF IP OFFICES

- **Meeting of Heads of IP Offices**
- **NFAPs for Philippines and Mongolia**
- **Dissemination of Best Practices**
- **Customized Guides and Information**