

**Session V**  
**Innovation and Patenting**  
**Strategies of SMEs**

# Innovation Strategy

## Creative Individuals

Leonardo da Vinci, Italy, 1452- 1519

Flying machine, parachute, mitre lock gates, ball bearings

Thomas Edison, USA, 1847 - 1931

1200 patent applications, light bulb, sound recording

“Genius is 2% inspiration and 98% perspiration”

# Company encouragement

Management encourages innovation, listens to ideas

Company Awards Scheme – cash, promotion, status

Employees can spend 15% time on “own projects”

# Inventions and Employees

The Employer may, in some countries, automatically own the inventions made by employees

Employees advised to keep dated workbooks

# TRIPS and patents

(Trade Related aspects of Intellectual Property)

Patents to be granted for:-

Product, process

if it is:-

new

not obvious

has industrial application

# TRIPS – exceptions to patents

Patents not granted if:-

contrary to *ordre public*

for diagnostic, therapeutic, surgical methods

for plant or animal

(other than microorganism)

# Patent Timeline

month	action
0	file “priority” application in home country (with clear description)
12	file update in home country (can add examples, must add claims)
	OR
	file update in several countries (with translations of description)
	OR
	file International update via PCT/WIPO covering over 100 countries

# Patent Timeline 2

month	action
18 published	specification, claims, any drawings
24	International Search Report received receive International Written Opinion
28 (max)	receive International Examination
30	transfer to national patent systems provide translations of specification and claims
42/48?	Receive national examination report



# Patent Timeline 3

Month	action
54 approx	receive second national examination report OR patent granted
	In European Patent Office, start of 9 month opposition period.
63 approx	if no opposition, validate in selected EPO countries

# Patent costs

1. Government fees
2. Patent Attorney time charges
3. Translation of description and correspondence in other languages

# Using your patent

1. Make product in your own factory,

sue any infringer, damages dated back to date of publication (local language?)

2. Grant licences to others,  
receive royalty payments

# Alternatives to patenting

a) Keep the idea secret – recipes for Coca Cola, Benedictine liqueur

RISK – secret disclosed, employees, leave company

b) Make and sell product very quickly

RISK – others can copy

c) Rely on other protection

Registered Design – “eye appeal”

RISK – easy to use different design

# Which Countries?

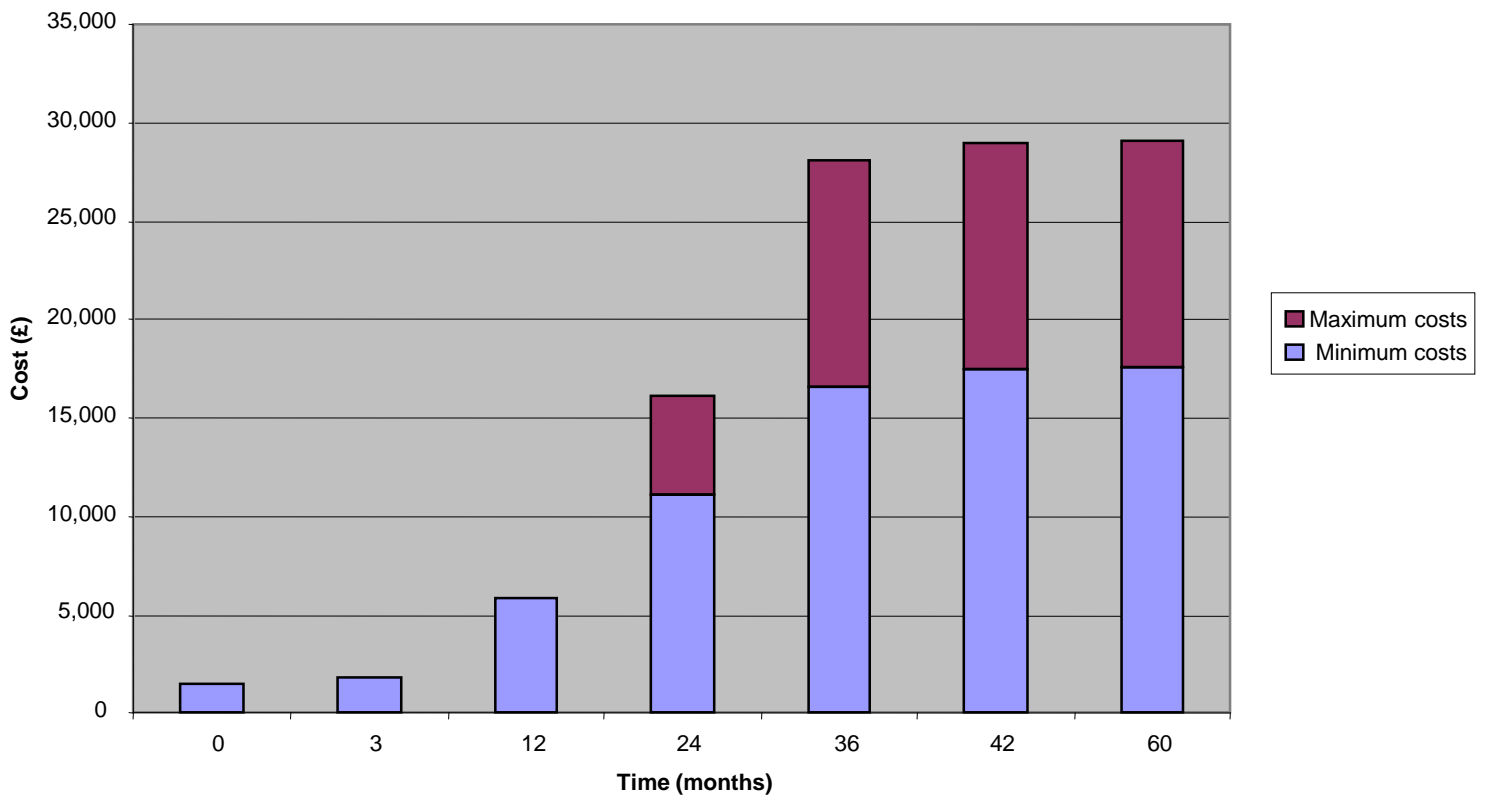
TRIPS – patent owner can control making in a country or importing

Countries where manufacture is likely

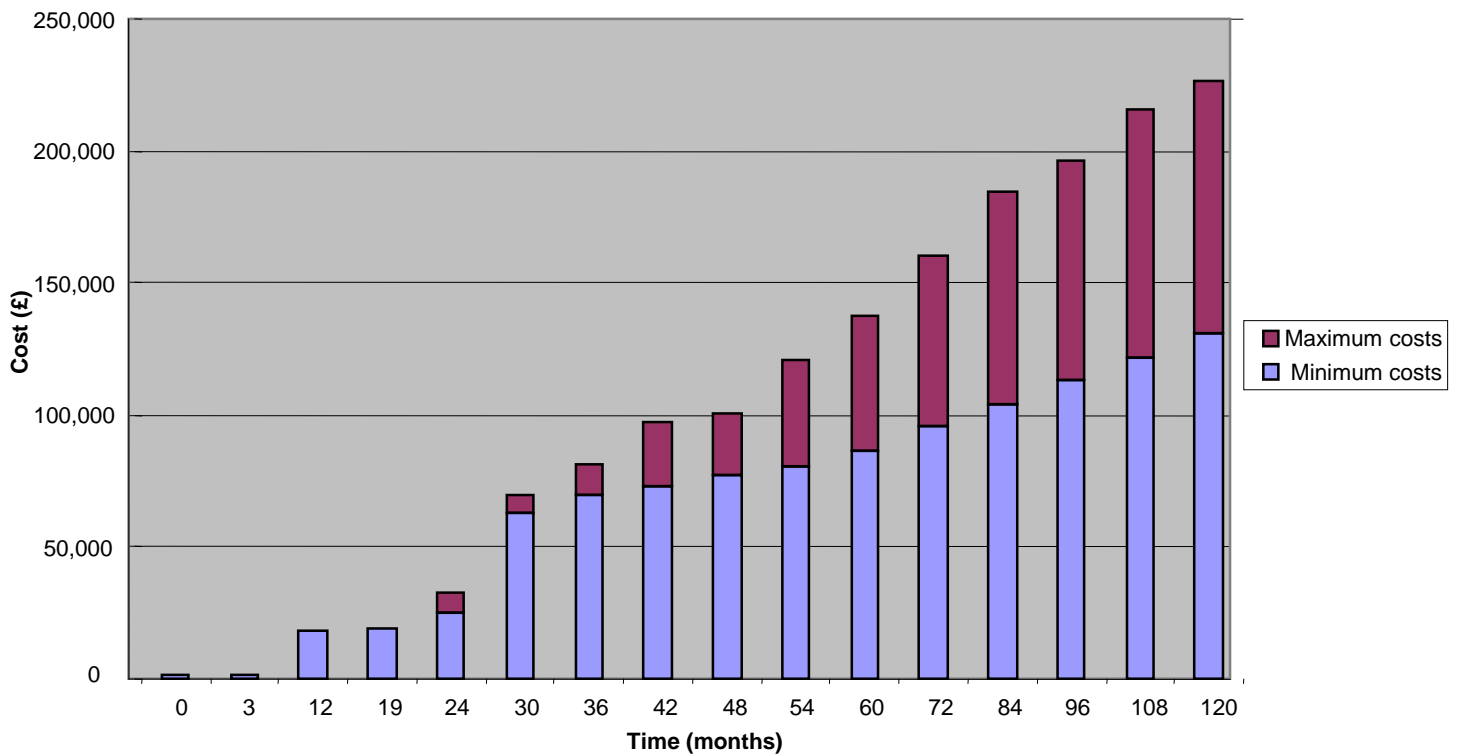
Countries where competitors are based

Countries where sales will be high

# Patent costs – USA and UK (one invention)



# Patent costs – 36 countries (one invention)



# Why licence your patent?

- Attack extended markets
- Extend geographical sales area
- Avoid transport costs
- Avoid cultural barriers
- Benefit from expertise of Licensee

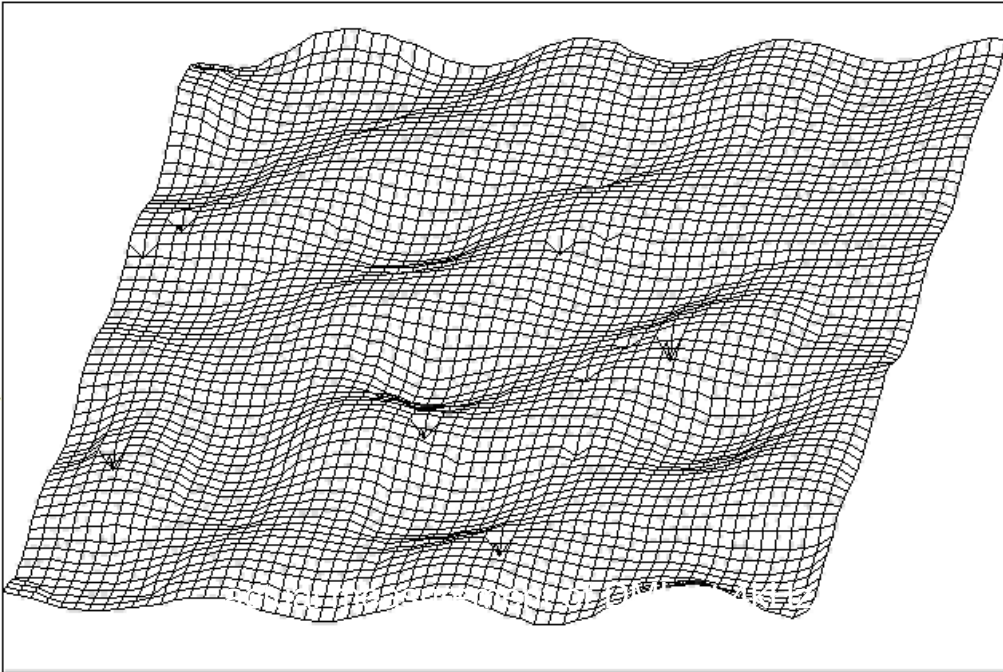




# Conventional speaker operation



# NXT patented technology



# NXT patent portfolio

Currently 85 patent families

9 Important cases in 23 countries

22 Less important cases in US US CN HK

5 inventions for exclusive licences

# NXT licensing policy

80 patent families licensed as a bundle, plus trademarks and knowhow

Pay one royalty

New licensees are trained – confidential knowhow

Products, packaging, handbooks carry NXT logo

New products sent to NXT for approval

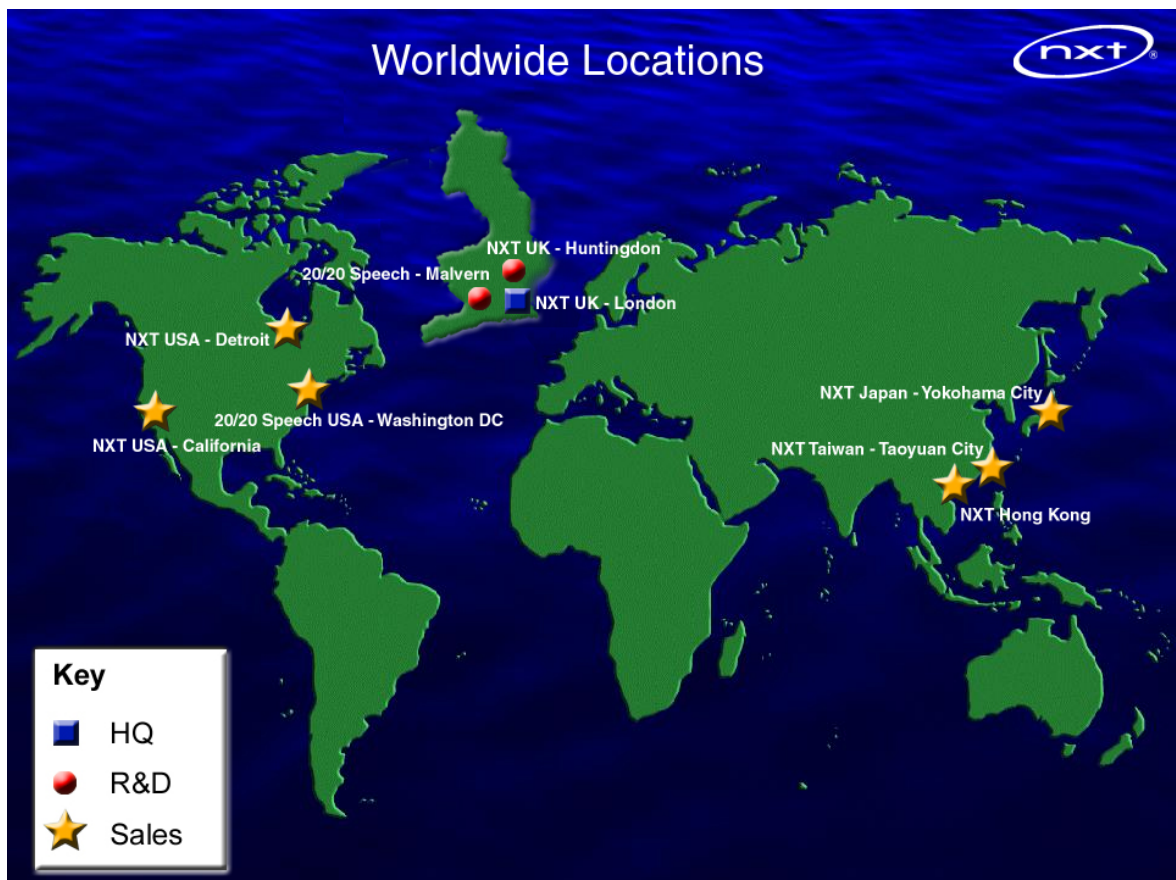
# NXT Products



**Pioneer** *sound.vision.soul* **X-PR9DV**



# NXT success (1)



# NXT success (2)

87 Staff, (40 Engineers, 17 sales/marketing)

Over 100 non-exclusive licences in 19 Countries

Patent Licensees include NEC , Pioneer (Japan), 3M, Armstrong and Synaptics (USA), Siemens (Germany), Philips (Netherlands), Samsung (Korea)

Also User Licences – eg General Motors



# Exclusive Licence

NXT exclusive IP licence granted to 3M in 2003

Non-core NXT technology

\$4M downpayment, \$0.75M for milestone + R&D work for \$1M in 2 years

Minimum royalty on sales for life of patents

# Patents pros and cons

Patents are expensive,

but can give huge benefits

Owner can chose filing strategy to  
match company needs

Granting and taking a patent licence  
benefits both parties