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# **The Experience of the KIPO in Assisting SMEs**

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**May 23, 2002**

**Korea Intellectual Property Office**

# Current Status of SMEs in Korea

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## Serving as main engines for national economy

- Number of SMEs: 2,854 thousands
  - 99.7% of total industrial companies (2000)
- Employees
  - 83.9% of total employees (2000)
- Share of export
  - 31% ('98) → 41.3% (2001)

**Share of SMEs economic activity expected to increase**



## Importance of IPRAcquisitions by SMEs

- **Leading to incessant technological innovation by providing stimulus for R&D investment**
- **Means for paying -off investment cost for R&D**
- **Key asset of business management**
  - **Exclusiverights**
  - **Royaltyincome**



# IPRs owned by SMEs in Korea

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## Ownership Ratio by SMEs (including individual) (2001.12.)

### - 14.8% of entire IPRs

. Patents, Utility models: 17.7% (74,000)

. Trademarks, Designs: 82.3% (447,000)

### - 1.7% of total SMEs own more than one IPR



# **Difficulties for SMEs in obtaining IPRs**

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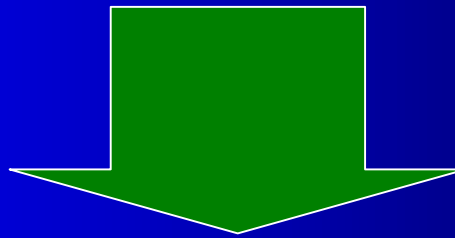
- **Lack of professional expertise**
- **Cost burden**
- **Shortage of top manager's recognition of IPRs**
- **Insufficient infrastructure to support creation and usage of IPRs**
- **Difficult to get finance by putting IPR up as a security**
  - **Hard to capture a market share**



## **KIPO's Decision**

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### **Launch of IPRs Acquisition Campaign for SMEs**



**Encourages SMEs to acquire and use IPRs**

**Raises competitiveness and technical power of SMEs**

**Helps Korean economy to take another leap**



# **IPRs Acquisition Campaign for SMEs**

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## **Goal**

**Induce all SMEs with more than five employees to have at least one patent**

## **Basic Direction**

**Enhancing public awareness of IPRs**

**Linking R&D activities to IPR creation**

**Promoting Convenience of patent procedures**

**Supporting the use of patented technologies**

**Supporting patented technology transaction**



# Major Contents of the Campaign

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## I. Enhancing Public Awareness of IPRs

### ➤ Nationwide promotions supporting SME IPR acquisition

- Holding "Resolution Convention" for the Campaign
- Organizing Seminars
- Conducting a nationwide explanatory meeting
- Increasing awards for SMEs





# Major Content of the Campaign

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## I. Enhancing Public Awareness of IPRs

### ➤ Expanding Education Opportunities

- IPR training programs at SME - related institutes
- Inducing 30 big companies to provide IPR training for cooperating SMEs
- Increasing IPR training programs for SMEs at the International Intellectual Property Training Institutes of the KIPO



# Major Campaign Contents

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## II. Linking R&D Activities to IPR Creation

### ➤ Nurturing R&D Capacity for IPRs Creation

- Providing various R&D funds
- Encouraging in-house invention
- Educating R&D personnel about IPR



# Major Contents of the Campaign

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## II. Linking R&D Activities to IPRs Creation

### ➤ Provision of Patent Information

- Forming sisterships between an examiner and a company
- Expanding patent -technology information services
- Holding consultation meeting by industry
- Supporting brand development



# Major Contents of the Campaign

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## III. Promoting Procedure Convenience

### ➤ Easing Cost required for IPRs Acquisition

- Exemption or reduction fees
  - Medium enterprises, state-run institutes, universities  
→ 50% for the first application
  - Small enterprises and individuals → 70%
- Offer patent attorney services
- Support financially overseas applications



# Major Contents of the Campaign

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## III. Promoting Convenience of Procedures

### ➤ Strengthening IPR Consultation Service

- Establishing an information service team at KIPO
- Furthering IPR consultation services at the provincial Small and Medium Business Administration
- Designating patent attorney offices in each province to provide pro bono service
- Inducing SMEs to setup "patent departments"



# Major Contents of the Campaign

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## IV. Promoting the use of Patented Technology

- Assisting the trial production for patented technology
- Enhancing the security value of patented technology
- Expanding fund assistance for facilitating commercialization
- giving a tax break
- Increasing Marketing Opportunities



# Major Contents of the Campaign

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## V. Support Service for Patented Technology Transaction

### Opening a Patented Technology mart, IP -Mart

- Connecting right holders and capital holders
- Launching IP -Mart (January, 2000)

### Building D/B of patented technology awaiting transaction



# Outcomes of the Campaign

## SMEs owning more than a single patent

- Sept. '99: 24,065 Dec. '01: 49,919

- SMEs with more than five employees

.Sept. '99: 4,081 Dec. '01: 19,501

.ratio: Sept. '99: 4% Dec. '01: 21%

**Awareness of IPR management has been greatly enhanced through the Campaign.**





## Outcomes of the Campaign

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*As a result, SMEs generate many success cases in IPR management.*

*This generation was previously the realm of big companies.*



# Successful Cases in IPR Management

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## Case 1: Success in patenting an idea relating to daily life

### Can Opener

**Mr. Sungho Cho of Bong - Chung Industry Ltd. was struck by an idea when his wife hurt her nail while trying to open a beverage can. His idea was to put the elastic steel plate under the opener and to form a gap between a can and opener by pressing the steel plate.**

**Mr. Cho was granted patents in more than 60 countries. Proposals for licensing are rushing from home and abroad.**



# Successful Cases in IPR Management

## Case 1: Success in patenting an idea relating to daily life

### Lighting Ballpoint Pen

Mr. Dongwhan Kim got an idea one night when he saw a traffic policeman writing while struggling to keep a flashlight between his shoulder and neck. He invented a ballpoint pen with fluorescent material at its tip.

**He now receives royalties totaling 7 million dollars every year.**

These two cases are frequently cited during the Campaign as examples of IPRs created by ordinary people.



# Successful Cases in IPR Management

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## Case 3: Loan by patent security

Ceratech Ltd., a manufacturer of inductors for computers, needed money urgently for facility investment to cope with a sharp increase in export demand.

**The company borrowed 1 million dollars on the security of 11 patent rights, which resulted in successfully extending the scope of its business.**

**IPRs can be used as a security in cases where there is not a tangible object for a security.**



# Successful Cases in IPR Management

## Case 4: IPR management through a retired professor

Sang-a frontech, a manufacturer of an overheating preventing device for microwave ovens, was accused of an infringement of a patent by a Japanese company.

**Sang-a frontech won the case since it had employed a retired professor and designed the device avoiding the infringement of patents.**

Precautionary measure with low cost saved the company a critical time.



# Successful Cases in IPR Management

## Case 5: Hunting for a relevant IPR

Ilkyung Industries Ltd. bought a patent from an individual inventor. The technology was related to a shock-reducing device that uses waste tires.

- a \$25,000 lump sum and a royalty of 5% of sales

**This company is doing good business by selling a lot of the products nationwide.**

**Hunting for a relevant IPR could be a key for raising competitiveness.**



# Successful Cases in IPR Management

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## Case 6: An IPR as a source of income

Company L got a patent for an antibiotic but was unable to commercialize it due to a poorly equipped facility.

It transferred the patent to "Glaxo" UK for a \$15 million dollar lump-sum payment and a royalty of 7% of sales.

Using IPR as a source of permanent income



# Successful Cases in IPR Management

## Case 7: Creating demand via Int'l Invention Fairs

The following companies created huge demand by winning prizes in International Invention Fairs.

- Ivex (cosmetics): 3 gold prizes
- Cheong-Pung (air purifier): 11 gold prizes

Participation in Int'l Invention Fairs is an effective means of showing technical innovation, demonstrating the benefits and attracting prospective customers/users.





# Successful Cases in IPR Management

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## Case 8: Tacit permission of patent infringement

Sinoo Waters Ltd., a toilet bowl manufacturer, had tacitly permitted the infringement of a patent of a competing company.

**It made a licensing contract only after standardization had occurred in the market and the demand had leveled.**

**Cooperation with a competitor to reduce publicity activity and standardization costs.**



# Lessons from the Campaign

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**To better assist SMEs in IPR management,**

**Patent Office must play a central role, cooperate with R&D -related governmental entities, raise the IPR awareness among government officials, attract SMEs to the benefit of IPRs in business and build-up IP services systems, including post -registration system.**





*Thank You!*