

# **The Role of Effective Intellectual Property Management in Enhancing the Competitiveness of Small and Medium-sized Enterprises (SMEs)**

**Training of Trainers Program on Effective Intellectual Property Asset Management by Small and Medium-sized Enterprises (SMEs)**

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Small and Medium-sized Enterprises (SMEs) Section, WIPO

# The knowledge economy

■ India would benefit from strengthening efforts to create and commercialize knowledge, as well as **better diffuse existing global and local knowledge and increase the capacity of smaller enterprises to absorb it.**

■ If all enterprises could costlessly achieve national best practices based on knowledge already in use in India, **economic output could more than quintuple.**

# The knowledge economy

■ “Wealth creation in a world of heightened competition comes down to **developing and owning difficult to replicate (intangible) assets**, and **orchestrating them astutely.**”

# What is Intellectual Property?

- Intellectual property, very broadly, means the legal rights which result from intellectual activity in the industrial, scientific, literary and artistic fields.
- Countries have laws to protect intellectual property for two main reasons:
  - to give statutory expression to the moral and economic rights of creators in their creations and the rights of the public in access to those creations.
  - to promote, as a deliberate act of Government policy, creativity and the dissemination and application of its results and to encourage fair trading which would contribute to economic and social development.

# Intellectual Property

- The Convention Establishing the World Intellectual Property Organization (WIPO) provides that “intellectual property shall include rights relating to:
  - literary, artistic and scientific works
  - performances of performing artists, phonograms and broadcasts
  - inventions in all fields of human endeavor
  - scientific discoveries
  - industrial designs
  - trademarks, service marks and commercial names and designations
  - protection against unfair competition
  - other rights resulting from intellectual activity in the industrial, scientific, literary or artistic

# What is WIPO?

- The World Intellectual Property Organization (WIPO) is the United Nations agency dedicated to the use of intellectual property (patents, copyright, trademarks, designs, etc.) as a means of stimulating innovation and creativity.
- Its mission is to promote innovation and creativity for the economic, social and cultural development of all countries, through a balanced and effective international intellectual property system.

# What is WIPO?

We promote the development and use of the international IP system through:

■ **Services** - We run systems which make it easier to obtain protection internationally for patents, trademarks, designs and appellations of origin; and to resolve IP disputes.

■ **Law** - We help develop the international legal IP framework in line with society's evolving needs.

■ **Infrastructure** - We build collaborative networks and technical platforms to share knowledge and simplify IP transactions, including free databases and tools for exchanging information.

■ **Development** - We build capacity in the use of IP to support economic development.

We also work with our member states and stakeholders to improve understanding and respect for IP worldwide. We provide economic analysis and statistics. And we contribute IP-based solutions to help tackle global challenges.

# WIPO Development Agenda

- In 2007, the Member States of the World Intellectual Property Organization (WIPO) adopted the decision that formally established the “Development Agenda of WIPO” with the aim of **placing development at the heart of the Organization’s work**.
- The decision consisted of the adoption of a set of 45 Development Agenda recommendations and the establishment of a Committee on Development and Intellectual Property (CDIP).
- The CDIP was mandated to: (i) develop a work-program for the implementation of the 45 adopted recommendations; (ii) monitor, assess, discuss and report on the implementation of all recommendations adopted, and for that purpose coordinate with relevant WIPO bodies; and (iii) discuss IP and development related issues as agreed by the Committee, as well as those decided by the General Assembly.
- The 45 recommendations are grouped into six clusters reflecting the main areas of focus of the Development Agenda. The recommendations require a wide range of actions for implementation, ranging from concrete development-oriented projects and activities to the application of certain principles and objectives that should continue to guide the work of the Organization.



# Outline



- **The Knowledge Economy and the role of IP in appropriating value from investments in innovation and creativity**
- **IP Management and its relevance to the SMEs?**
- **Do SMEs use the IP system? To what extent?**
- **What are the challenges faced by the SMEs in regard to the IP system? How to overcome those challenges?**
- **WIPO National Studies on Intellectual Property and SMEs**

- **The Knowledge Economy and the role of IP in appropriating value from investments in innovation and creativity**
- IP Management and its relevance to the SMEs
- Do SMEs use the IP system? To what extent?
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# IP Management



- The management of intellectual assets has become **key to coping with market competition** in the knowledge-based economy.
- Intellectual Property Rights (IPRs) can facilitate the process of **value creation** from intellectual assets.
- The acquisition and management of IPRs are critical for firms to turn their innovation potential and creativity into market value and **competitiveness**.
- This is particularly the case for new enterprises and **SMEs** that rely heavily on exploiting intellectual capital in their business models.

# The knowledge economy

- Tectonic shift in the world economy has fundamentally changed the basis for firm level competitive advantage (and eroded some of the traditional method of firm differentiation) due to:
  - Lower cost of information flow
  - Increase in the number of markets
  - Liberalization of product and labor markets
  - Deregulation of international financial flows
- “Wealth creation in a world of heightened competition comes down to **developing and owning difficult to replicate (intangible) assets**, and orchestrating them astutely.” (Teece, 2000)
- This is applicable to both high tech and low tech industries

# The knowledge economy

- Knowledge, competence and intellectual property are the most significant assets; others intangibles include brands, reputation and customer relationships
- Competitive advantage can flow from ownership and successful deployment of non-tradable assets
- Knowledge assets, especially competences, are difficult to trade since the market has many imperfections
- Intellectual property regimes are stronger today than before and acts as a major counterforce to the ease of imitations

# The knowledge economy

## ■ Tacit/Codified knowledge

- More tacit the knowledge, more difficult it is to replicate or imitate

- Firms should strive to keep knowledge tacit by keeping it, to the extent possible, a **trade secret** (easier for process technologies rather than product)

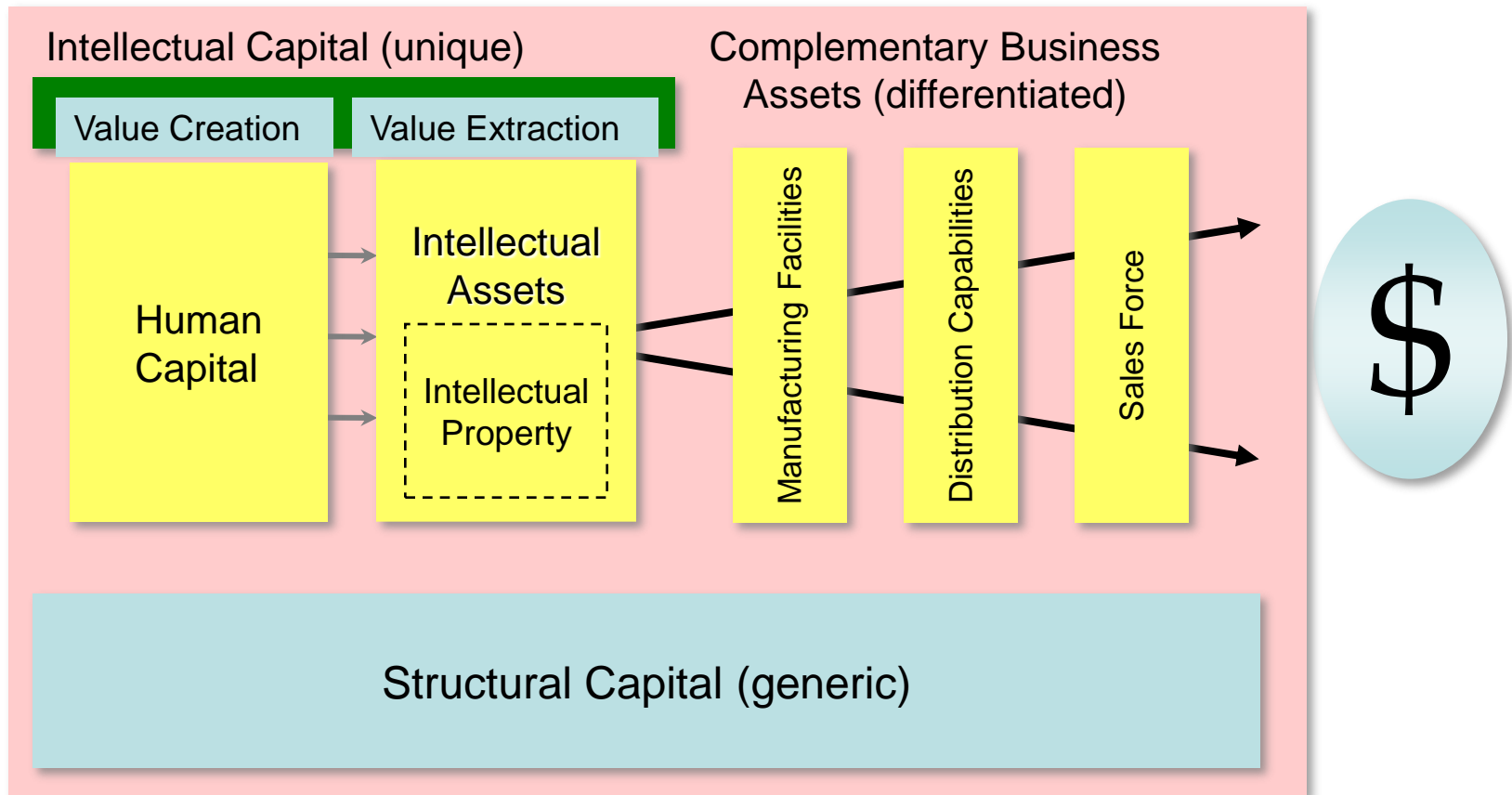
- Firms should also protect non-tacit knowledge through IP rights

- The ability of firms to keep knowledge tacit or protect through IP determines its ability to earn 'rent' in the market

# The knowledge economy

- Knowledge assets are often intermediary products and require complementary assets to yield value
- Degree of ownership, access or control of complementary assets therefore become a major issue in the competitive advantage equation
- One can have a fabulous technology for making car, However, if one does not have the manufacturing or distribution facility it would not be worth or yield much
- Ownership of difficult to imitate complementary assets is an important source of competitive advantage

# The Interaction of Intangible and Tangible Assets to Create Earnings





# Value of Intangible Assets

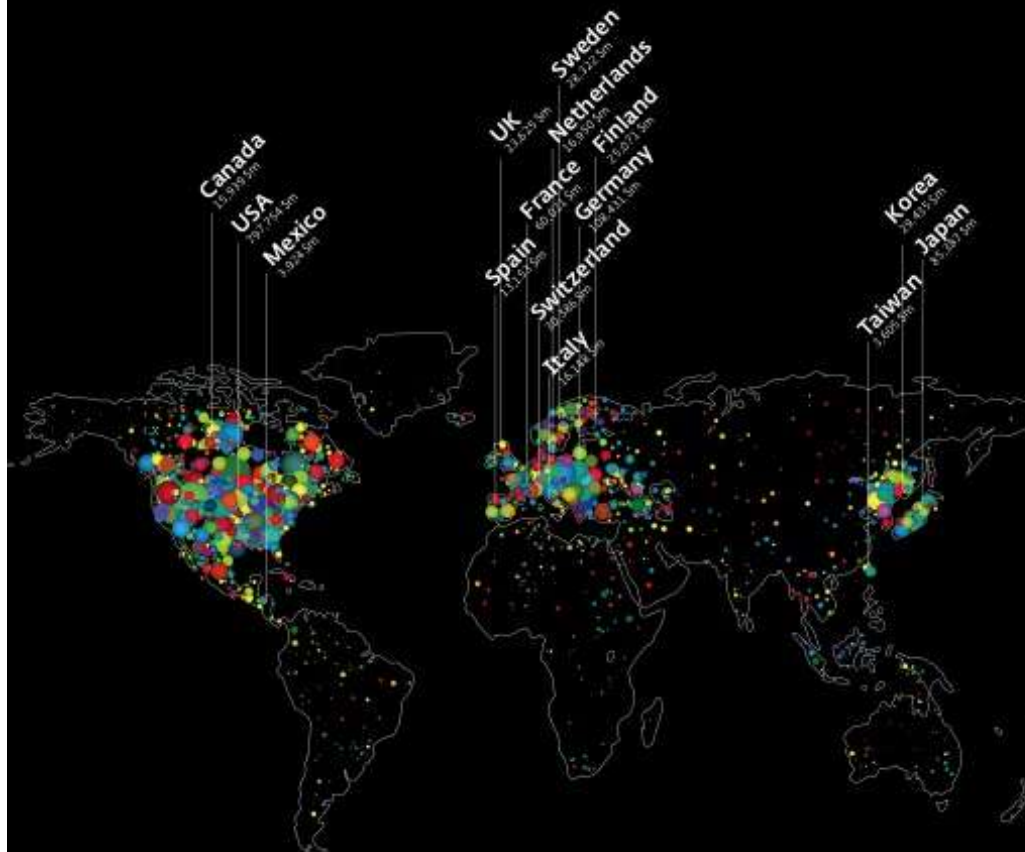
COMPONENTS OF S&P 500 MARKET VALUE



Source: Ocean Tomo

# 2011 BRAND VALUE

























BY REGION/COUNTRY



The above map demonstrates the combined value for all brands from a specific region/country. With 50 brands on the Top 100 list and a total brand value of US \$ 797,754 million, North America dominates the ranking. Germany, with 10 brands on the list and a total brand value of US \$108,431 comes in second. Each year, however, new regions/countries gain steam. 2010 saw Mexican brand Corona join the table, and this year HTC from Taiwan has made the ranking.

Source: Interbrand

# Value of Intangible Assets - Brands

#	Brand	Brand Value 2011 (\$M)	% Brand Value Change 2011 vs. 2010	#	Brand	Brand Value 2011 (\$M)	% Brand Value Change 2011 vs. 2010
1		153,285	84%	26		24,312	23%
2		111,498	-2%	27		24,198	11%
3		100,849	17%	28		22,587	-4%
4		81,016	23%	29		22,555	141%
5		78,243	2%	30		22,425	3%
6		73,752	8%	31		21,834	-15%
7		69,916	N/A	32		19,782	-4%
8		67,522	18%	33		19,542	N/A
9		57,326	9%	34		19,350	11%
10		50,318	12%	35		19,102	246%
11		44,440	1%	36		17,597	N/A
12		43,647	-2%	37		17,530	-20%

# Value of Intangible Assets - Brands

BrandZ Top 100 Most Valuable Global Brands 2011

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11		44,440	1%	36		17,597	N/A
12		43,647	-2%	37		17,530	-20%
13		42,828	N/A	38		17,290	15%
14		37,628	37%	39		17,182	3%
15		37,277	-5%	40		17,115	23%
16		36,876	97%	41		16,973	10%
17		35,737	35%	42		16,931	19%
18		35,404	-11%	43		16,909	N/A
19		29,774	N/A	44		16,314	-2%
20		28,553	15%	45		15,952	0%
21		27,249	N/A	46		15,719	11%
22		26,948	9%	47		15,674	17%
23		26,078	7%	48		15,449	19%
24		25,524	22%	49		15,427	5%
25		24,623	-20%	50		15,344	12%

\*The Brand Value of Coca-Cola includes Lite, Diet and Zero

\*\*Deutsche Telekom is in the process of re-branding its business to 'T', which incorporates T-Mobile, T-Home and T-Systems

\*\*\*The Brand Value of Budweiser includes Bud Light

\*\*\*\*The Brand Value of Pepsi includes Lite, Diet and Zero

#	Brand	Brand Value 2011 (\$M)	% Brand Value Change 2011 vs. 2010	#	Brand	Brand Value 2011 (\$M)	% Brand Value Change 2011 vs. 2010
51		15,168	0%	76		11,558	7%
52		15,131	N/A	77		11,363	-37%
53		14,900	3%	78		11,291	-19%
54		14,306	19%	79		11,147	-37%
55		14,258	0%	80		10,883	12%
56		14,182	-1%	81		10,735	-28%
57		13,917	10%	82		10,731	15%
58		13,904	-2%	83		10,540	N/A
59		13,754	-8%	84		10,525	26%
60		13,543	16%	85		10,443	19%
61		13,421	39%	86		10,335	15%
62		13,006	7%	87		10,076	N/A
63		12,931	1%	88		10,072	17%
64		12,542	-27%	89		9,877	10%
65		12,471	3%	90		9,600	29%
66		12,413	3%	91		9,587	N/A
67		12,160	7%	92		9,358	-43%
68		12,083	-3%	93		9,263	4%
69		12,033	45%	94		9,251	6%
70		11,998	29%	95		8,838	21%
71		11,917	41%	96		8,760	4%
72		11,901	40%	97		8,668	5%
73		11,759	25%	98		8,600	15%
74		11,694	N/A	99		8,535	N/A
75		11,609	N/A	100		8,439	-9%

\*\*\*\*\*The Brand Value of Nintendo includes Wii and Nintendo DS

\*\*\*\*\*The Brand Value of Sony includes PlayStation 2 and 3, as well as PSP

\*\*\*\*\*The Brand Value of Red Bull includes sugar-free and Cola

Source: Millward Brown Optimor (including data from BrandZ, Kantar Workpanel and Bloomberg)

MillwardBrown  
Optimor

WORLD  
INTELLECTUAL PROPERTY  
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# Competitiveness of SMEs

- 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 domestic market

# Competitiveness of SMEs

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



# Competitiveness of SMEs

For this, SMEs must 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 stolen/copied

**Intellectual property rights** enable SMEs 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 Knowledge Economy and the role of IP in appropriating value from investments in innovation and creativity

■ **IP Management and its relevance to the SMEs**

■ Do SMEs use the IP system? To what extent?

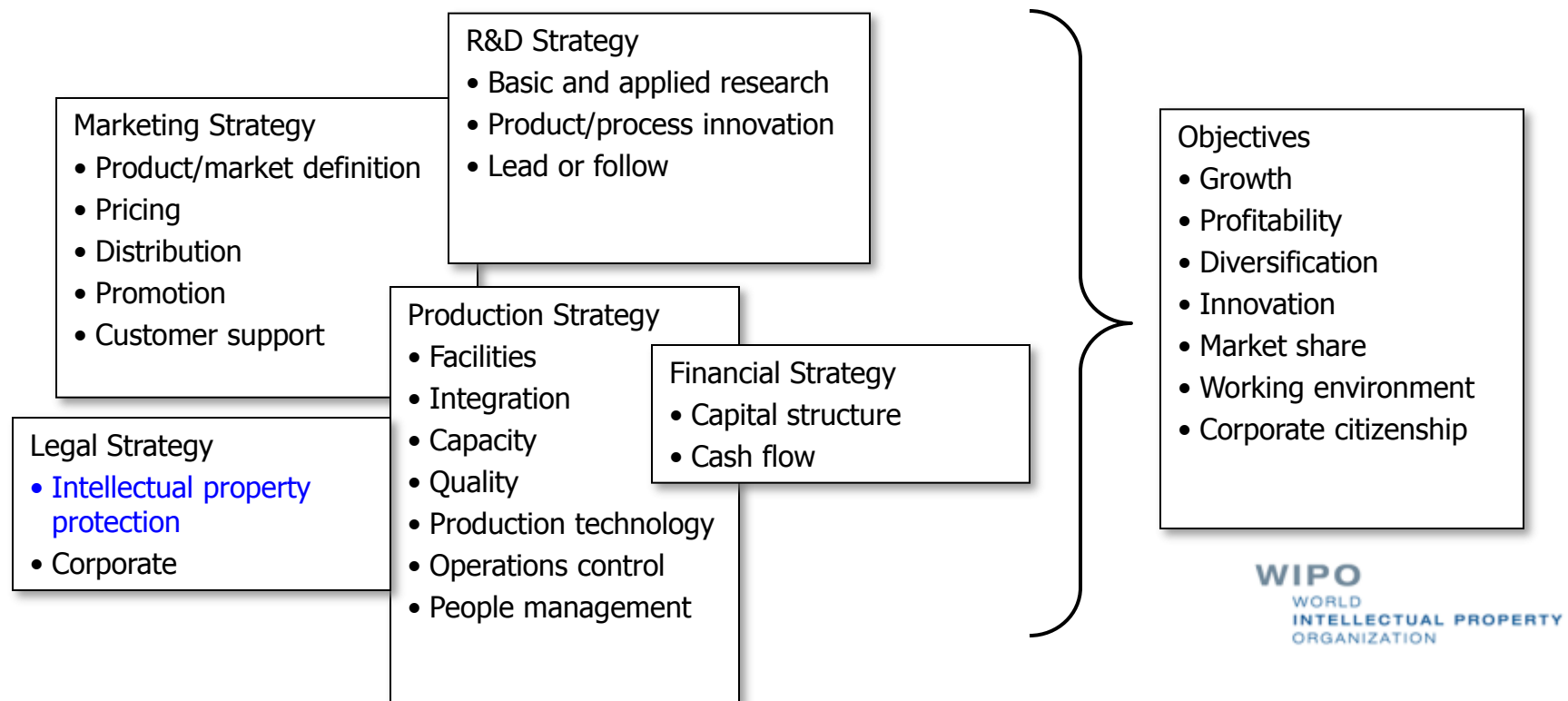
■ What are the challenges faced by the SMEs in regard to the IP system?  
How to overcome those challenges?

■ WIPO National Studies on Intellectual Property and SMEs

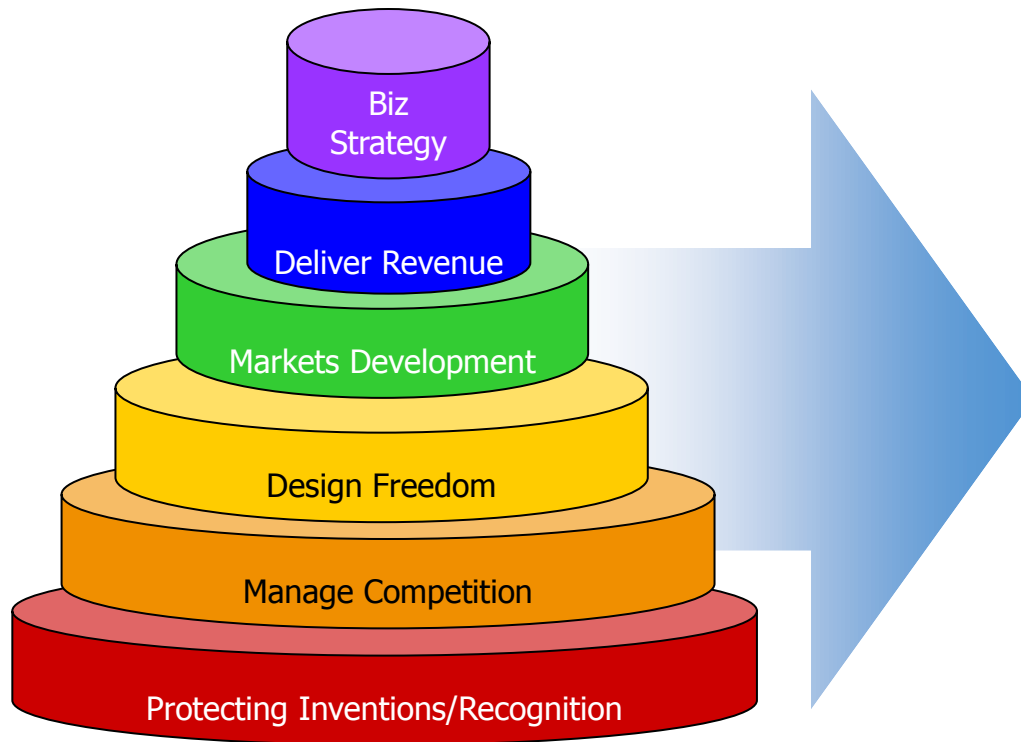


# Business Strategy is ...

- the group of dynamic, integrated decisions that position the business in its competitive environment



# Building an IP Strategy



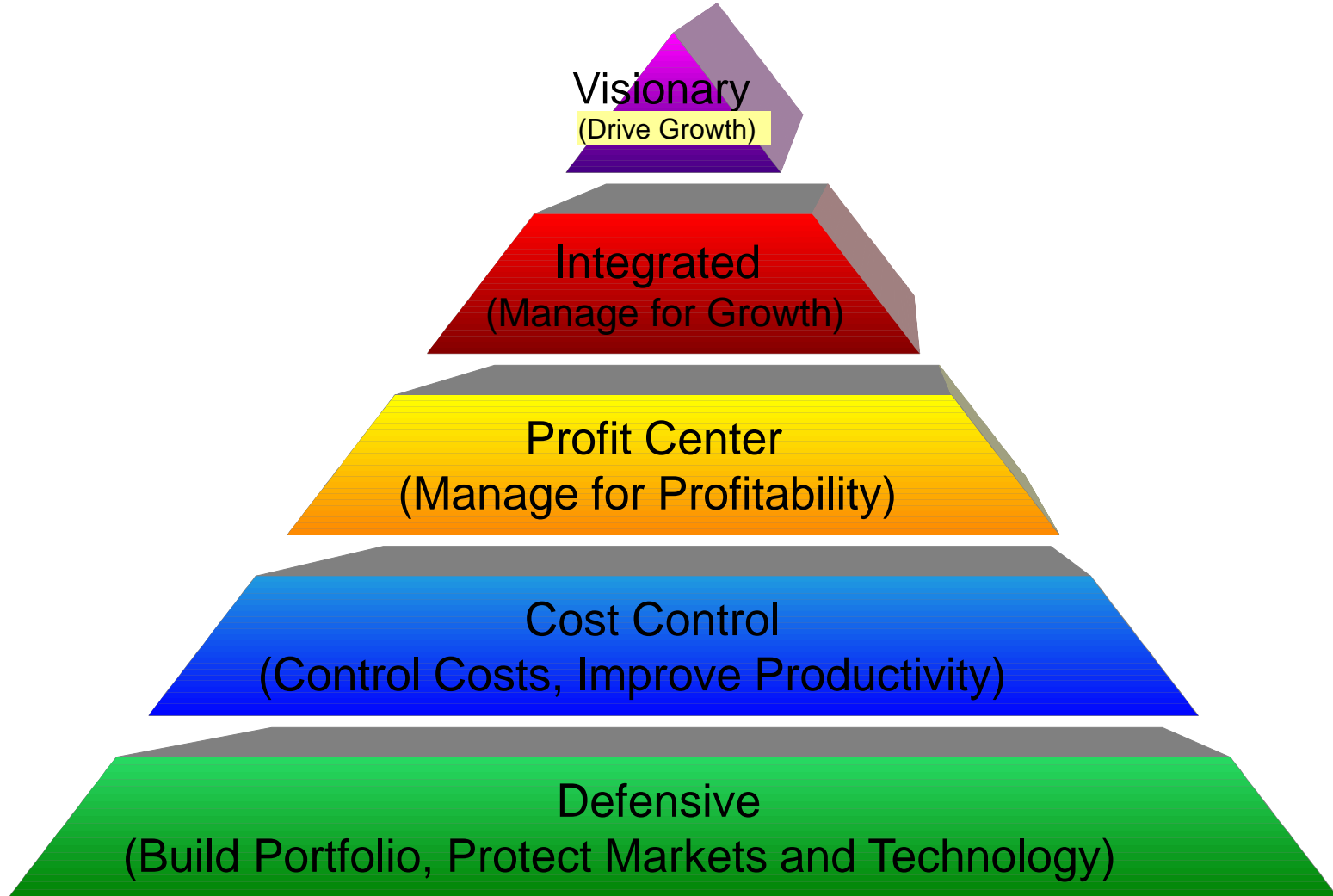
## Build Your Portfolio

- Strategic Patenting/Branding
- Purchase Patents/Brands

## Deploy Your Portfolio

- Design Freedom
- Manage Competition
- Enter new Markets
- Deliver Revenue

# A Hierarchy of IP/IC Management



# Introduction to IP Management

■ Legal

■ Technical

■ Business

■ Export

■ Financial

■ Relationships

■ Accounting

■ Tax

■ Insurance

■ Security

■ Automation

■ Personnel

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# Propensity of SMEs to patent their innovations

- Small firms are **less likely to use patents** as a means of protecting their investment than other means such as **confidentiality, secrecy or time to market**
- SMEs are also **less likely than larger firms to use others' patents as a source of information for their own innovation activities**, preferring customers, suppliers and trade fairs.
- Conversely, smaller firms are more likely than larger firms to put their patents to productive use or to license out their technology, a pattern that is likely to reflect relatively higher cost and capacity pressures.
- Among the emerging trends, of particular interest for high tech SMEs is the role of patents as an increasingly important factor in obtaining **financial backing** by venture capitalists.

# UK INTELLECTUAL PROPERTY AWARENESS SURVEY 2010

- Larger companies are more IP aware and have greater resources to both find out about IP and do something about it
- SMEs and the mass of micro-enterprises which form the cradle of IP and future large companies are in the main **effectively unaware of the IP system**
- Gradual and small increases in IP awareness amongst smaller companies (despite the awareness creation efforts of the UK IPO)
- **Continued effort is required to increase IP awareness amongst SMEs** which are the source of new business growth
- Attention to **cost effective means of promoting and disseminating IP related advice** is therefore essential
- This message could be generalized to the rest of the world

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# IP and SMEs: ground reality

- Most studies on IP and SMEs conclude that SMEs, especially those in developing economies:
  - Are generally unaware about IP and its role in enhancing competitiveness
  - Find the cost of obtaining and maintaining IP rights daunting
  - Find the cost associated with defending their IP rights beyond their means
  - Find the IP system complex
  - Lack of confidence in enforcement mechanisms
  - Unique set of challenges when operating internationally (cost, regulatory and technical differences)
  - Lack the competencies required to effectively manage IP assets
  - Find IP rights a barrier to acquisition of technology

# Overcoming challenges faced by SMEs

- Raise **awareness** about strategic opportunities offered by IPRs
- **Diffuse knowledge** about the variety of IP instruments and the strategic objectives they serve
- Foster **IP education and training**, bringing services and expertise closer to SMEs
- Address SME' s **financial constraints** in the access to IPRs
- Make IPR system overall more “SME-friendly”
- Improve cross-border IP information, coordination and enforcement for SMEs operating internationally
- Improve **metrics for measuring** SMEs intellectual assets

# WIPO's SMEs Initiative

- Promote a more active and effective use of the intellectual property system by SMEs
- Strengthen the capacity of national governments to develop strategies, policies and programs to meet the intellectual property needs of SMEs
- Improve the capacity of relevant public, private and civil society institutions, such as business and industry associations, to provide IP-related to SMEs
- Provide comprehensive web-based information and basic advice on IP issues to SME support institutions worldwide.



## Easy to read, practical, business friendly guides


















































# Easy to read, practical, business friendly guides in Indonesian

## Translation/Customization of SME IP for Business Guides

### Nationally customized versions of short guides in the "IP for Business Series" of WIPO

In a wide range of countries, a number of our partners have completed or taken up the national customization (for example, by translation into one or more local languages and/or national adaptation, based on relevant national IP laws and examples) of the first three short guides in the "IP for Business Series" of WIPO. The following table reflects the current status of work, including access to PDF versions of the nationally customized guides that have been created at the entire responsibility of the partner institution concerned.

COUNTRY	LANGUAGE	MAKING A MARK		LOOKING GOOD		INVENTING THE FUTURE		CREATIVE EXPRESSION	
		TRANSLATION	CUSTOMIZATION	TRANSLATION	CUSTOMIZATION	TRANSLATION	CUSTOMIZATION	TRANSLATION	CUSTOMIZATION
Algeria	French	—		—		—	—		
Argentina	Spanish	—		—		—			
Armenia	Armenian								
Bangladesh	Bengali								
Bosnia	Bosnian								
Bosnia	Croatian								
Bosnia	Serbian								
Bulgaria	Bulgarian								
Czech Republic	Czech								
Dominican Republic	Spanish								
Ecuador	Spanish								
Hungary	Hungarian	—		—		—	—		
India	English								
Indonesia	Indonesian								

# <http://www.wipo.int/sme/en/multimedia/>

## SMALL AND MEDIUM-SIZED ENTERPRISES

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## E-NEWSLETTER

Enter your e-mail address to receive our monthly e-newsletter:



The Most Advanced E-learning Content  
on Intellectual Property for your Business

- IP PANORAMA was developed jointly by the Korean Intellectual Property Office (KIPO), the Korea Invention Promotion Association (KIPA), and the World Intellectual Property Organization (WIPO) under a project entitled, 'The Joint Development of E-learning Content' from 2004 to 2007.
- IP PANORAMA was designed to help SMEs utilize and manage Intellectual Property (IP) in their business strategy. In the past, most of the IP education materials had a legal orientation, even though businesses had a real need for a business-oriented IP education. IP PANORAMA increases IP-awareness among enterprise sector and a wide range of university students by providing practical knowledge about using IP for business success.
- IP PANORAMA relies on a brand new instructional design strategy based on 'Storytelling' along with educational technology. The learning content of each module was designed with a practical story regarding intellectual property. It is informative as well as interesting.
- IP PANORAMA deals with IP issues from a business perspective, especially focusing on the situation of SMEs.

The topics covered in the 10 modules are as follows:

### IP PANORAMA 01: Importance of IP for SMEs

- » Why is IP relevant to your SME?
- » IP as a business asset
- » IP as an investment
- » The value of IP assets
- » Introduction of IP Audit



### IP PANORAMA 02: Trademarks and Industrial Designs



# Distribution of IP PANORAMA CD

- To member states of WIPO
- To partners of SMEs Section



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ORGANIZATION



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*Thank you for your attention*

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