The importance of IP in Innovation Promotion and its Exploitation: The Role of Public Policy

Alfred Radauer (Senior Consultant, Technopolis)

African Conference on the Strategic Importance of IP Policies to Foster Innovation
Dar-Es-Salaam, March 12/13, 2013
About Technopolis

- Leading consultancy in Europe in the area of innovation policy and evaluation of R&D support programmes
- More than 80 employees in 9 offices
- Headquarters in Brighton/UK
General rules for policy interventions

- When is policy intervention in any policy field needed according to modern economic thinking?
  - *Instances of market failure*
  - *Instances of systems failure*

- **Market failure**
  - *The somewhat „older“ thinking*
  - *State intervention only if the private market does not solve a particular problem*

- **Systems failure**
  - *The more „modern“ concept*
  - *Looks at broken/improvable relationships between different organisations acting as part of an innovation system*
  - *Example: Lack of interaction between IP and innovation-supporting world*
The innovation system

Industrial System
- Large companies
- Mature SMEs
- New, technology-based firms

Demand
- Consumers (final demand)
- Producers (intermediate demand)

Framework Conditions
- Financial environment; taxation and incentives; propensity to innovation and entrepreneurship; mobility

Education and Research System
- Professional education, training
- Higher education and research
- Public sector research

Intermediaries
- Research institutes
- Brokers

Political System
- Government
- Governance
- RTD policies

Infrastructure
- Banking, venture capital
- IPR and information
- Innovation and business report
- Standards and norms

Source: Stefan Kuhlmann and Erik Arnold, 2001
The IPR system is a policy intervention in itself

- What policy makers – in particular those in innovation (but also in IP) policy - often forget is the interventionist character of the IPR system.
  - *Fostering innovation by providing time-limited monopoly rights for inventors in exchange for blueprints of invention and fees being paid*
  - *Oldest system to foster innovation*

- This presentation is, however, not about the general question whether the IPR system hinders or promotes innovation
  - *Large ever on-going patent-focused debate has no clear winners*
  - *Lack of counter-factual real-life scenarios to the IPR system*
  - *Misconceptions on the side of IPR-system opponents (i.e., IPR is not only about patents)*
  - *For pragmatic reasons → The IPR system exists and is here to stay*
The IPR system has to be understood as one important instrument of many to foster innovation

- From our experience, there is little value in looking at types of innovation-policy interventions in isolation to explain innovation success
- Successful innovations are mostly the result of the clever interplay of many different types of policy interventions
  - *(Higher) education policy*
  - *Direct support measures for R&D and innovation projects (subsidies)*
  - *Indirect measures (tax subsidies)*
  - *The IPR system and the management of different types of IP strategies*
  - *Standardisation*
  - *Regulation*
  - *Public procurement*
  - *and more....*
- High significance of sectoral policies (climate, energy, etc.)
The need of policy action within the field of IPR

- While IPR is a policy intervention in itself, this intervention is also subject to market and systemic failures
  - Issues of under-use and improper use of IPR by important target groups (e.g., SMEs, universities)
  - Issues of improper functioning of the legal framework
  - Issues of enforcement
  - Issues of linkages with other policy areas

→ Need for additional policy activity apart from the business of the state to receive IPR registrations and issue IP rights

→ In particular, need of institutions in the innovation and IPR system to deal properly with IP topics

→ In particular, need also for support services and educational offerings
Some interesting observations in developing countries (I)

- The legal framework was less of an issue than we initially expected
- Big bottleneck: Lack of IP experts and general IP awareness
  - In some countries, all true IP experts would fit in one room
  - Consequences: Long response times from institutions, instability of organisations because of reliance on one person, difficulties in enforcement because judges not well trained etc.
  - Knowledge on IP falls steeply when the core group of IP experts is left aside
  - Education on IP, if present, focused only on legal and technical issues, not on business issues
Some interesting observations in developing countries (II)

- Demand for IPR by local firms limited at best
  - *Firms have to deal with other more pressing issues than with IPR*
  - *Innovation is often lacking (pre-requisite for use of IPR)*
  - *Low usage of IPR by competitors within the country*
  - *If there is demand for IPR, than only to a very small extent with regard to patents but more with respect to trademarks*

- General country-wide IPR strategies
  - *either do no not exist...*
  - *...or are often dead paper because of unrealistic goals, lack of connection to other policy areas (and institutions responsible for these areas) and implementation issues*
  - *Generally: Under-estimation of the importance of quality documents and statistics (applies not only to the IP area)*
Some interesting observations in developing countries (III)

- Enforcement of IP rights is an issue
  - *Interlinked also with the educational aspect and with institutional capacities*
  - *Enforcement weaknesses leads to little credibility*
- IPR issues often driven by interests of foreign firms which are also the most important customer group of local patent/IP attorneys

→ The result of these and other observations is that in many countries we find, superficially, that everything needed is there and operates quite well

→ If one takes a deeper look, one will see that behind the façade little is actually working
Developed countries do not really perform better

While we found in our studies many IPR support services (for SMEs) in developed countries, good or even best practices were hard to spot.

Issues

- *Too strong patent focus, too little focus on IP management*
- *Lack of evaluation culture in the publicly funded IP service world*
- *Existence of skilled staff is bottleneck*
- *Lack of educational offerings on IP*
- *Little interaction between the IP service and the innovation policy world*

→ Dropping of the notion of „best“ practices and talking instead about „elements of good practice“

→ Beware of copying so-called „best practices“ in 1:1 manner into your country

→ Study the „best practice“ in detail first from your point of view.
Main conclusions

- Policy interventions should be only done if there are clearly argued for instances of market and/or systems failure.
- IPR is an policy intervention in itself to foster innovation and should be seen as one component of/in many other policies (in particular innovation and sectoral policies)
- There are market/systems failures within the IPR system, which need to be tackled by a range of policy measures such as IPR support services or educational measures
- There are many challenges today´s existing IPR support services face, and while there are often elements of good practice visibly with some services, true good/best practices at best.
Some of (our) studies in the area

- Benchmarking National and Regional Support Services for SMEs in the Field of Intellectual and Industrial Property, European Commission: PRO INNO Paper No. 4,
  - Coverage: EU-27, U.S.A., Japan, Canada, Australia
  - [http://www.proinno-europe.eu/sites/default/files/page/12/05/PRO%20INNO%20Europe%C2%AE%20Paper%20No.%204%20Benchmarking%20National%20and%20Regional%20Support%20Services%20in%20the%20Field%20of%20Indust](http://www.proinno-europe.eu/sites/default/files/page/12/05/PRO%20INNO%20Europe%C2%AE%20Paper%20No.%204%20Benchmarking%20National%20and%20Regional%20Support%20Services%20in%20the%20Field%20of%20Indust)
- Support Services in the Field of IPR for SMEs in Switzerland – A Review
- CASIP-SMEs - On existing and potentially new support for SMEs in the field of IPR in Central Asia
Thank you

For further information, please contact:
alfred.radauer@technopolis-group.com

technopolis |group| has offices in Amsterdam, Ankara, Brighton, Brussels, Frankfurt/Main, Paris, Stockholm, Tallinn and Vienna