

04/05/2021

From risks to resilience: benefits of IP for SMEs

Ideas powered for business

Overview

- What is intellectual property?
- Potential risks
- Benefits of IP
- TIPs
- How can we help?

SMEs and IP



EUIPO SME Scoreboard 2019

carried out on over 8 000 SMEs from the 28 member states of the EU

SMEs:

- 99% of all EU business
- generating > 65% employment
- 60% of SMEs do not make it past year 5, due to insufficient funding and support



- **Only 9% of SMEs** have registered intellectual property, mostly due to **lack of information on IP and its benefits** (38%)

EUIPO-EPO Study: IP and firm performance in the EU

SMEs that own IPRs have 68% higher revenue per employee than SMEs that do not own any IP.

brand-oriented companies are 40% more profitable than others



What is intellectual property (IP)?

IP refers to **creations of the mind**, such as inventions, logos, designs, literary and artistic works.

-> intangible assets.

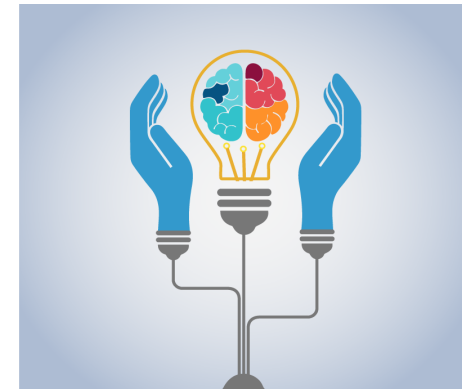


IP is protected in law by IP rights (IPRs):

- **exclusive rights** awarded to the owner for a limited time
- in exchange for disclosing innovation or creation

- **Copyright:** Protects **literary and artistic works**
- **Patents:** protects an **invention**
- **Trademarks:** sign to **distinguish** goods/services of a company (logos, words, figurative...)
- **Designs:** Protect **external appearance** of a product (products, packaging, stores)

- IPRs are territorial, first to file system



EUTM 000106948



»»» *International protection*



»»» *National Offices*



»»» *European protection*

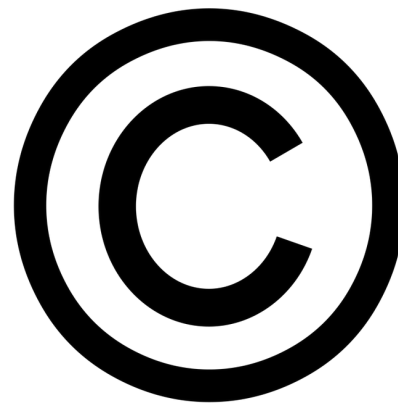
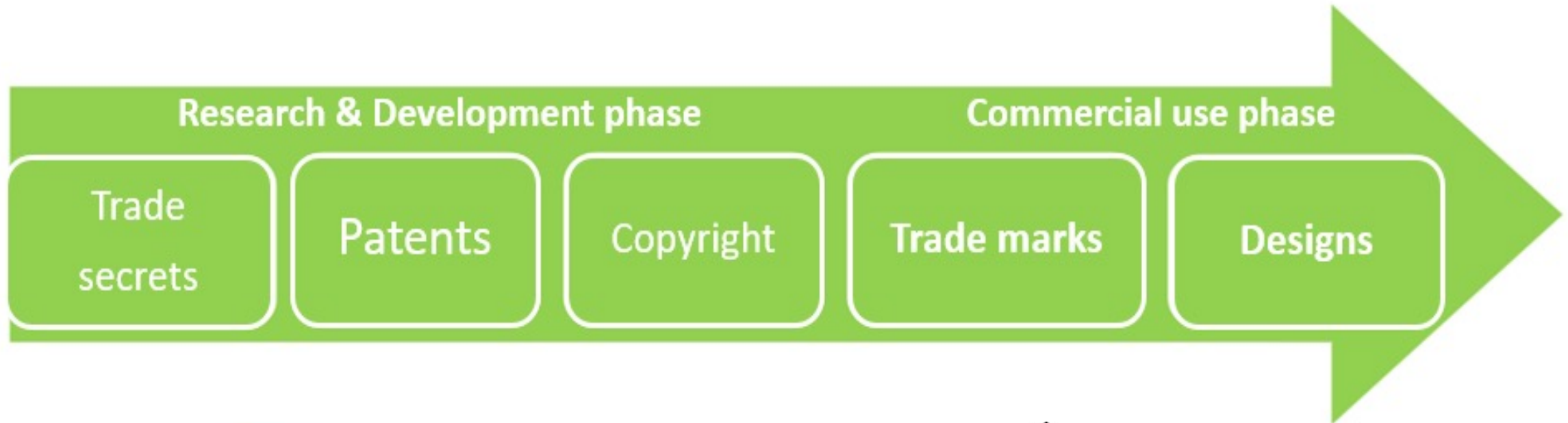


- EU Trademark
- RCD Designs
- European Patent



INTERNATIONALISATION

Innovation process

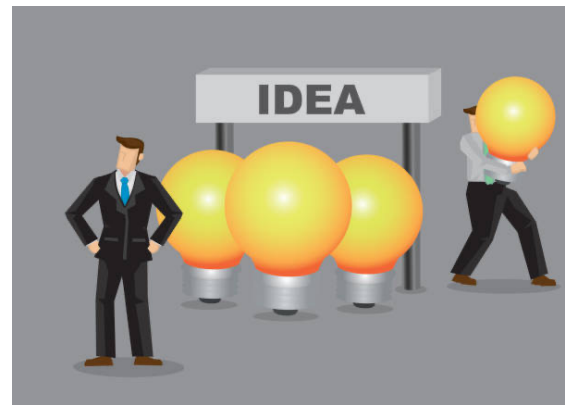


RISKS of non-protecting IP

1) R&D: Keeping know how secret...

Trade secrets, NDA but...

- Sharing knowledge (employees, partners, investors...)
- Independent R&D
- get stolen



2) ...Your idea gets to the market

- Competitors can take profit (use, produce, sell)
- You cannot differentiate from them
- You cannot stop them
- affects your reputation, your incomes..



Keep it secret! But protect before it is in the market

RISKS of non-protecting IP

3) You lose your exclusivity

First filing:

If competitors protect first...**you can be excluded!**

IP is territorial:

You can be copied/get excluded in other countries!

e.g. : Apple paid \$60 million for the [iPad trademark](#) in **China** because another entity had registered it first.



4) You might be infringing others IPRs

If competitors protect first and you keep using/selling... infringement!

- Preventive measure: stop your activity
- Costs: civil damages, attorneys' fees

Failure of a business/ reputation damage

You also put partners in a difficult position!

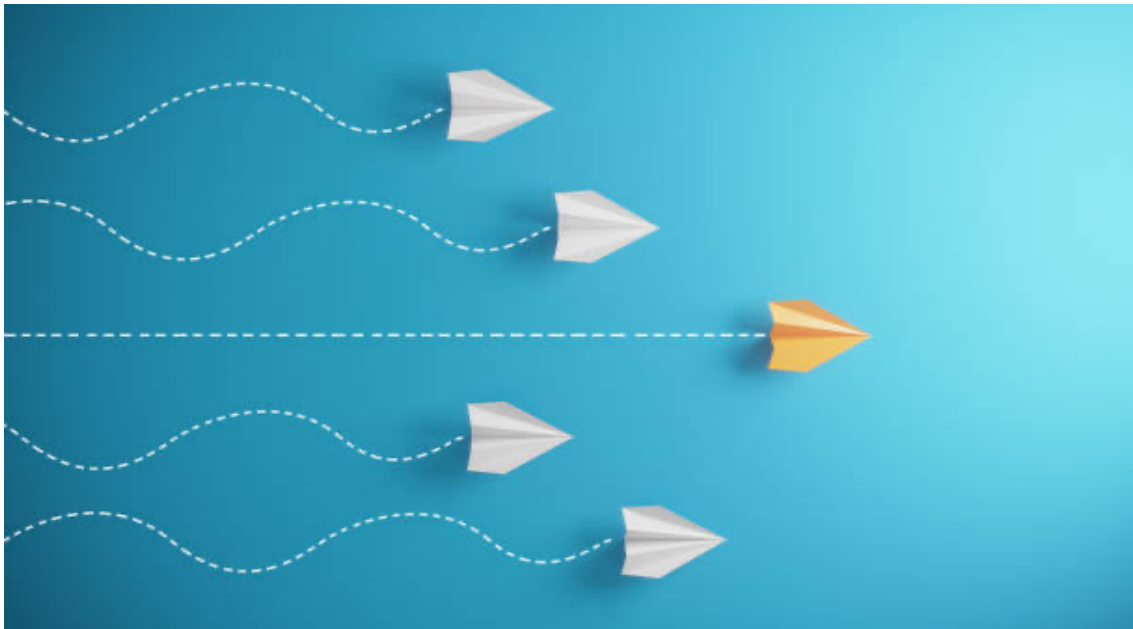
PROTECT FIRST AND IN YOUR POTENTIAL MARKETS!

Benefits of IP: why protect IP

1) Competitive advantage

Exclusive IPRs: Privileged position in the market

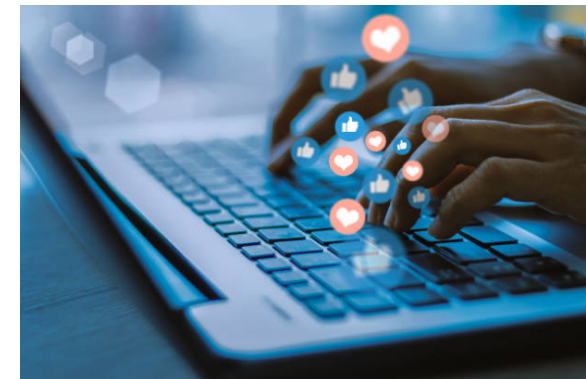
Useful for SMEs, startups!



2) Only **legal protection** against piracy/counterfeiting



3) IP is a tool for branding **recognition, reputation** and **marketing**



Benefits of IP: why protect IP

4) Reach **international** markets

IPR are territorial

Freedom to export business

Basis for scaling business quickly and extensively

Use your designs and TM to market abroad!

Global market: e-commerce marketplaces

e.g: Amazon gives priority to sellers with IPRs:

avoid infringements complains and ensures added value products



Benefits of IP: why protect IP

5) Access to **finance**

- ✓ ***IP portfolio attracts Investors***
guarantees and privileged position -> Investment secured
- ✓ ***IP portfolio attracts partners***
protecting partners' interests-> attracts quality partners
- ✓ ***Bank loans, public grants: IPRs requests***
- ✓ ***Enhance the market value of your business ->IP Valuation***



Benefits of IP: why protect IP

6) Source of **income**



LICENSING CONTRACTS

Benefits to the licensor (IP owner):

- New incomes (royalties)
- Control your product/service
- Access new markets
- lower costs and risk (new markets, distribution, marketing...)

Benefits to the licensee:

- Savings on R&D
- No infringement risks
- Quick exploitation
- product that works



Rovio, the creator of Angry Birds makes over 20% of the company's revenue with licensing.

*Very useful **SMEs! Universities...***

TIPs

- ✓ Carry out state-of-the art **searches** (TMView, DSView, espacenet)
- ✓ **Identify IP assets** you may have (IP pre-diagnostic)
- ✓ Keep information **confidential**
- ✓ **Register your IP** (national, EUIPO, EPO...)
- ✓ “IP Watch” to **avoid infringements**



How can we help?

EUIPO supporting EU SMEs



 **COVID-19 initiatives**

Free personalised consultations on intellectual property for SMEs

More information at: www.euipo.europa.eu 

 **EUIPO**
EUROPEAN UNION
INTELLECTUAL PROPERTY OFFICE

 Co-funded by the COSME programme of the European Union



 **SME fund**

Financial support for intellectual property for SMEs

 **EUIPO**
EUROPEAN UNION
INTELLECTUAL PROPERTY OFFICE

 Co-funded by the COSME programme of the European Union

SME FUND

Service 1:



75% off

IP pre-diagnostic
services (IP scans)

Service 2:



50% off

basic application fees of trademarks and
designs, national, regional and EU

Maximum reimbursement per SME: EUR 1 500





www.euipo.europa.eu

THANK YOU



Rethinking Capital

User Community Pilot Testing & Standard Development

April to August 2021



Robert McGarvey

Author of Futuromics, A Guide to
Thriving in Capitalism's Third Wave

'We should not try to save the caterpillar but, instead, place all of our energy into nurturing the butterfly. This means having the courage to follow the proven historical paths to an economic, metamorphosis that will secure the intangible economy into rules, systems and norms as Capitalism's Third Wave. If history's roadmap is repeated the consequences will be profound economic, social, scientific and environmental change'

'The portion of the world's economy that doesn't fit with the old model just keeps getting larger. That has major implications for everything from tax law to economic policy to which cities thrive and which cities fall behind, but in general, the rules that govern the economy haven't kept up. This is one of the biggest trends in the global economy that isn't getting enough attention.'

Bill Gates, reviewing Capitalism Without Capital by Jonathan Haskel

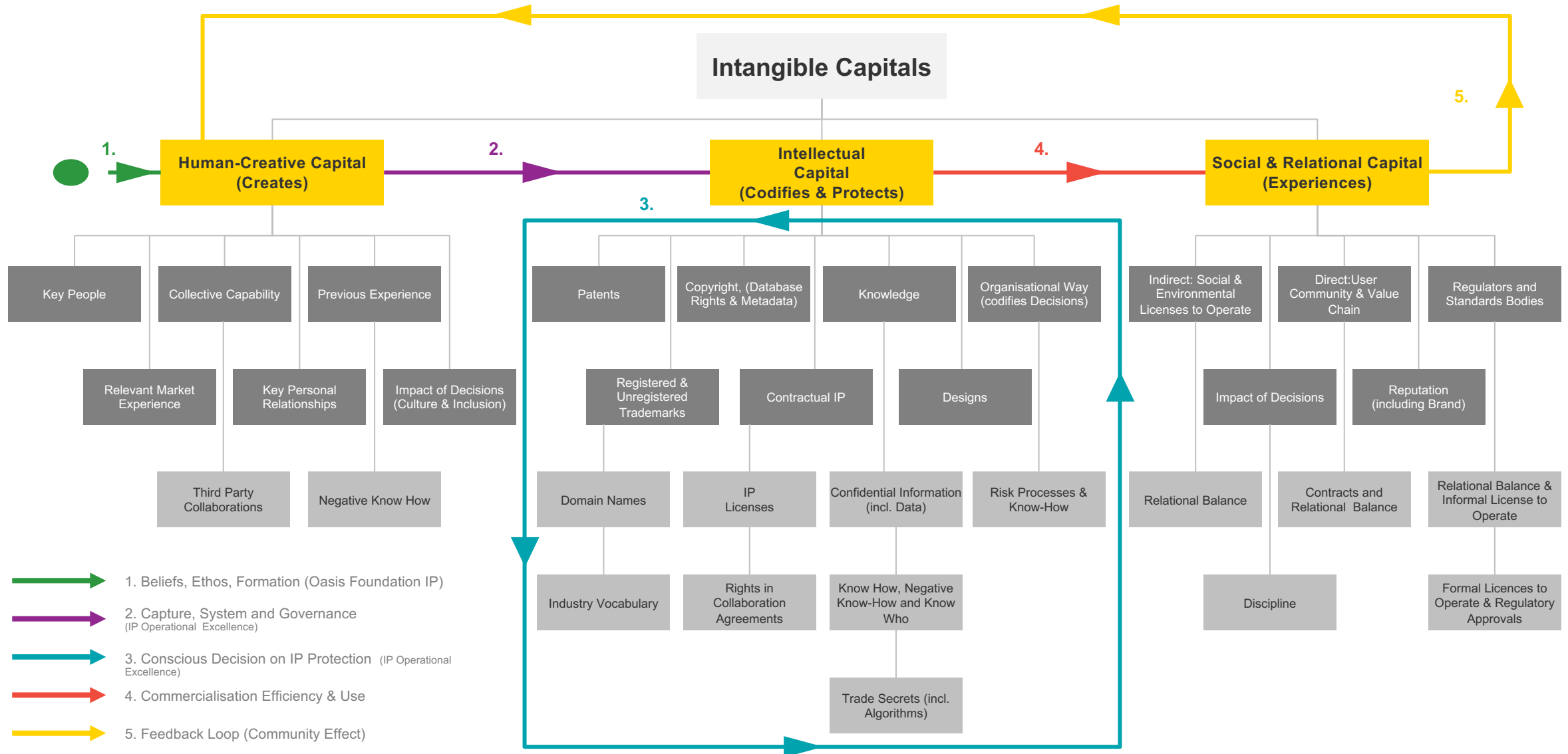
Rethinking Capital exists to update 'the rules that govern the economy'. This begins with the cornerstone of the historical narrative, the first taxonomy of intangibles and normative economics, each of which enable the adoption of normative accounting for intangibles

Normative accounting's premise is that value is subjective to the user. The accounting treatment should therefore follow the user's needs and the decision that the user is to make. This means that there are many alternative fair views of an entity or scenario

In academic study 'Normative Accounting' represents theories of accounting, based on deductive logic or reasoning, that prescribe the accounting procedures and policies that should be followed rather than observing or describing those that are followed in practice

Intangibles Tree Taxonomy Identifies the Asset or the Components of the 'Asset'

'Asset' a resource controlled by the entity as a result of past events (for example, purchase or self-creation) and from which there is potential for future economic benefits.' (IASB Conceptual Framework)



- 1. Beliefs, Ethos, Formation (Oasis Foundation IP)
- 2. Capture, System and Governance (IP Operational Excellence)
- 3. Conscious Decision on IP Protection (IP Operational Excellence)
- 4. Commercialisation Efficiency & Use
- 5. Feedback Loop (Community Effect)

SME case study...

SME case studies typically increase equity by 3-4 times and EBIT by 2-3 times

Ecological Aggregator Calgary, Canada

A specialised 'aggregator' of carbon credits, the company contracts with farmers willing to engage in 'no-till' farming. This earns government sanctioned and certified carbon credits

At that time, these carbon credits could be sold in a legislated carbon offset market at fixed rates that yielded significant profits to the company and each farmer

Company had developed an integrated software program to implement the management and handling of its carbon offsets

Applying normative accounting for intangibles it was agreed with the auditors, PwC, that the software development costs and the WIP inventory qualified as intangible assets:

- By restating the historical statements, the company was able to capitalize \$8.3 million of intangible assets on the Balance Sheet
- The Income Statement then showed strong and growing profits for the last five years

Company subsequently raised \$30 million in debt, secured against intangible assets (carbon credits), significantly increasing competitive advantage in the market and enabling an M&A roll up strategy

SME case study...

SME case studies typically increase equity by 3-4 times and EBIT by 2-3 times

Access Control Software Company, San Jose, California

Company had line of access control security systems and sales over \$14 million USD. Despite impressive growth, it had only shown a modest profit in the 9th year. Required \$3.0 million to launch new digital version of its products. Although it had solid revenues it also had an accumulated deficit of >\$5.0 million, low profitability and an empty balance sheet. Approach to its bank for a loan was declined. Owners were prepared to give up 33% of equity for \$3.0m when we were engaged

Re-examining books identified new digital product development over five-years. Business plan had been produced and independently verified showing that new product had significant commercial value. All development costs had been funded internally but written-off as expenses

Five years of financial statements were restated at cost of creation and commercial viability of the product verified referencing independent analyses. Re-stating 5 years company eliminated the accumulated deficit and capitalized \$4.5 million worth of assets on the Balance Sheet. Re-statement applied to the Income Statement showed strong and growing profits for the last 5 years. Year 8 showed a profit of approximately \$1 million and Year 9 more than \$1.5 million.

Commercial outcomes

- Re-stated financial statements were approved and re-complied by the company's external CPA accounting firm.
- Same bank manager that refused their initial loan application, based on their weak financials, approved a \$3 million line of credit based on the revised financial statements