IP at the crossroads of the digital highway

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Themes....

• Intro Philips
• Global perspective
• How to improve strategic planning on IPR enforcement
• Propose concrete actions
Our businesses over 2018

Diagnosis & Treatment businesses
- 40% of Group sales
- 11.2% Adjusted EBITA margin

Connected Care & Health Informatics businesses
- 17% of Group sales
- 12.1% Adjusted EBITA margin

Personal Health businesses
- 40% of Group sales
- 17.0% Adjusted EBITA margin

Sales of EUR 17.8 billion and Adjusted EBITA margin of 12.8%

1 EBITA average also includes the segment “Other”, which accounts for 3% of sales.
Our businesses over 2018 – Personal Health

- Male Grooming
- Beauty
- Domestic Appliances
- Oral Health Care
- Mother & Childcare

7.2 B EUR in sales
22,471 employees
= 243 k EUR sales per employee

...other household product sold under brand license (televisions, audio, accessories, telephones)

1 The segment Other accounts for 3% of sales
Our issues....
From OEM to IP infringement

First copies appear after 6-12 month after launch
Traditional freight is already a challenge...

- Less than 3% inspection, at best
- Insufficient customs checks in sensitive countries.
- No effective cooperation on source information in China.
Can we enforce like this?

- Becoming rare...
- Hardly follow up possible on **SOURCE**. Risk for an infringer is negligible.
- Only one part of the equation: **DOES NOT SOLVE** the fundamental problem.
or like this?

AGAIN...one part of the equation _ONLY:_

...DOES NOT SOLVE the fundamental problem itself.
What about this new challenge?

- Inspection of postal traffic is incidental at best.
- Backtracking of small parcels is hardly possible.
- Cooperation of courier companies is fragmented.
The desired remedy
Provocative thoughts....

• Decades of enforcement have not brought us a decline of IP issues.

• **Offline enforcement** goes down, **e-commerce** enforcement goes up, **BUT**....the climate for online enforcement is **UNFAVORABLE**.

• Rights holders **DO NOT** have the means to **EFFECTIVELY** counter e-commerce IP infringement.

• Pressure on sales cause a permanent loss of jobs and tax revenue: if Philips looses 1% in sales due to counterfeit in the Personal Health domain, this translates in 300 jobs per year **LOST**.
Solution

Criminal
– Enhance capacity building with criminal authorities

Civil
– Enable information sharing to IP holders, for them to conduct court cases: how much has been sold?

Organizational
– Institutionalize handshakes with Chinese enforcement authorities
– Create clear protocols & procedures on an execution level
– Public IP organizations could own the framework
– The private sector