

2019 INTELLECTUAL PROPERTY SME SCOREBOARD

Executive Summary



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from KPMG Spain*

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A strong and stable economy is essential for reaching the goals of the European Union (EU), and small and medium sized enterprises (SMEs) are essential for ensuring job creation and economic growth in the EU.

The importance of SMEs to the EU economy cannot be understated. The 2017/2018 annual report on EU SMEs⁽¹⁾ revealed that they employ two out of every three employees and provide 57 % of added value within the EU. However, it is estimated that only around 30-60 % of SMEs survive beyond 5 years of trading. To help the EU economy, SMEs need support to bridge this period, and innovation is one of the core reasons for businesses surviving and growing.

Innovation allows small businesses to strengthen and grow, and to employ more people, which will ultimately lead to a larger and stronger EU economy. Therefore, innovation within SMEs needs to be encouraged in order to support the Commission's drive for smart, sustainable economic growth.

Intellectual property (IP) plays a vital role in promoting innovation as it provides those who invest time, effort and money in innovation with a mechanism to protect and benefit from it.

The joint project between the EUIPO and the European Patent Office (EPO) 'High-growth firms and intellectual property rights'⁽²⁾ found that SMEs with registered intellectual property rights (IPRs) are 21 % more likely to experience a subsequent growth period and 10 % more likely to become a high-growth firm. Additionally, those with bundles of IPRs are even more likely to achieve high growth.

In 2016 the EUIPO published the first IP SME Scoreboard to provide some insight into why SMEs do or do not register IPRs and what IPR-related problems they encounter. This study has been quoted in a number of policy documents at both national and EU level, including the EU Commission staff working document 'Putting intellectual property at the service of SMEs to foster innovation and growth'⁽³⁾.

As part of its commitment to updating its major studies every 3 years, the European Observatory on Infringements of Intellectual Property Rights (the Observatory) commissioned KPMG to complete a new study for 2019 into SMEs' attitudes towards IPRs. The goal of the study is to gain a better understanding of how EU SMEs perceive and use IPRs. This will provide decision makers with an up-to-date and relevant evidence base from which to design policies to improve awareness and use of IPRs.

Using data from Eurostat, the EUIPO designed a representative and stratified sample of SMEs from across the 28 EU Member States. This sample was designed to have an oversampling of SMEs with

⁽¹⁾ [2016/2017 EU SME Report](#).

⁽²⁾ [High-growth firms and intellectual property rights](#).

⁽³⁾ [EU Commission staff working document, Putting intellectual property at the service of SMEs to foster innovation and growth](#).

IPRs compared with the general population (roughly 50 % IPR owners) so that relevant results could be gathered on questions related to IPR ownership.

In total, 8 349 SME interviews were conducted, covering a range of sectors as well as company sizes and countries. For most of the analyses in this report, SMEs are split into two sub groups: those who stated that they own IPRs (4 401) and those who stated that they did not (3 948).

As with the 2016 IP SME Scoreboard, interviews with SMEs were conducted by telephone with the option of completing the process online. The questionnaire was available in 23 EU languages, and interviews were conducted in the language of the SME's choice.

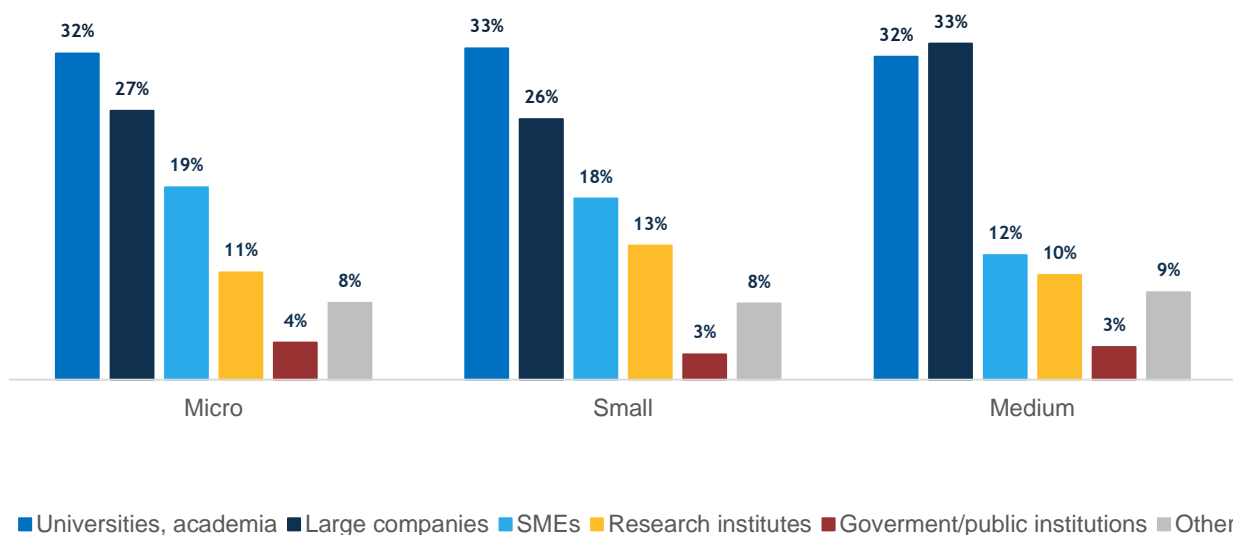
Key Findings

Innovation — Perceptions and Reality

Innovation is essential for economic growth, and the majority of SMEs (58 %) claim to be innovative. IPR owners are more likely to be innovative, with 73 % claiming to be so, compared with 42 % of non-owners. Most innovation is in the development of new products, with 63 % of IPR owners and 31 % of non-owners innovating in this area.

In addition, IPR owners are almost twice as likely as non-owners to collaborate with other organisations on new innovations. Universities and academia are the most common collaboration partner for IPR owners, being involved in almost a third (32 %) of cases. Non-owners that collaborate prefer to partner with large companies (34 %).

Collaboration partners of IPR owners by company size



For IPR owners, registered IPRs are a product of almost half (46 %) of collaborations, and they either own or co-own the IPRs 76 % of the time. This group believes that trade marks are the most important IPR, with 58 % saying that trade marks are of 'high' importance for protecting their ability to derive a competitive advantage from their innovation activity.

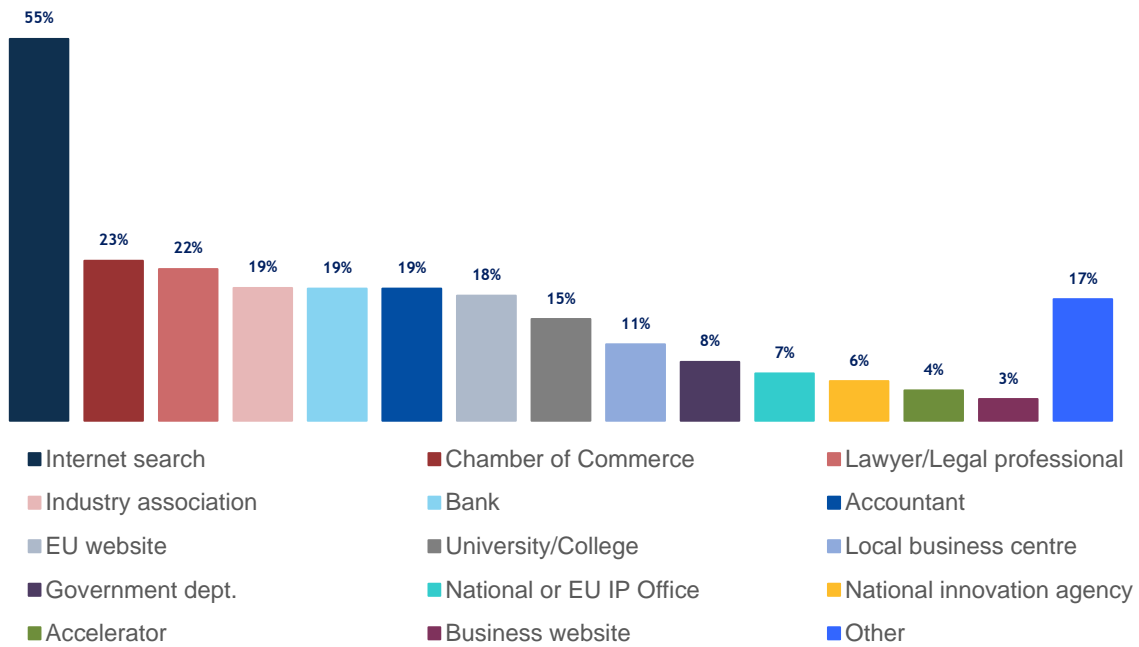
Comparison of the importance given by IPR owners to protective measures (2016-2019)

INTELLECTUAL PROPERTY RIGHTS	2019	2016
Trade mark	58 %	38 %
Patent	32 %	16 %
Copyright	21 %	16 %
Design	24 %	22 %
Geographical indication	12 %	14 %
Breeders' right/Plant variety right	7 %	2 %
Topography of semiconductor	6 %	1 %
Utility model	11 %	7 %

Knowledge of IPRs and sources of information

There are numerous sources of information to support businesses and it can often be difficult for SMEs to know where to look. The most commonly used source of information for business development for IPR-owning SMEs is the internet, with 55 % of the group using this method. Experts such as Chambers of Commerce (23 %) and legal advisers (22 %) are amongst the other most used sources.

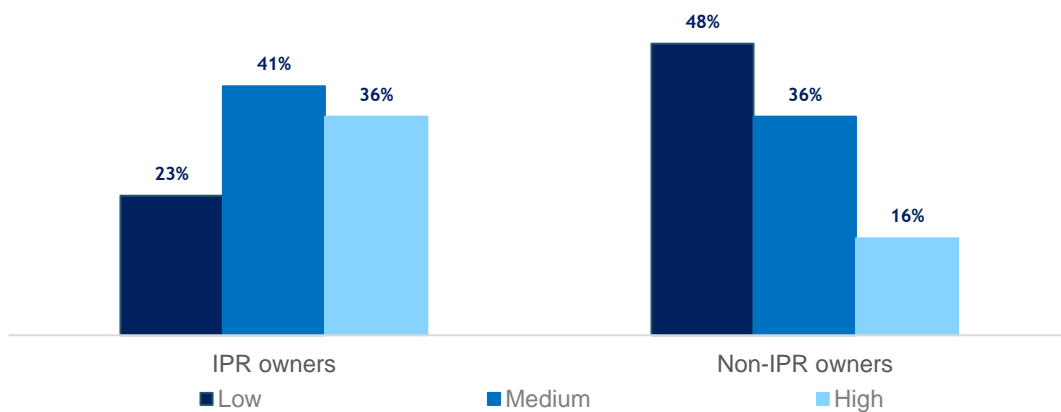
Sources of information for business development by IPR owners



However, when sourcing information specifically related to the registration of IPRs, IPR owners are more likely to seek support from legal professionals (50 %). Only 19% of the non-owners sought information before deciding not to register. The internet was their preferred source of information, with 26 % of advice seekers choosing this option.

The first step to utilising intellectual property is having an understanding of what it is and how it impacts a business. As would be expected, SMEs that own IPRs are more familiar with them than non-owners are: 77 % of IPR owners are moderately to very familiar with them, compared with 52 % of non-owners.

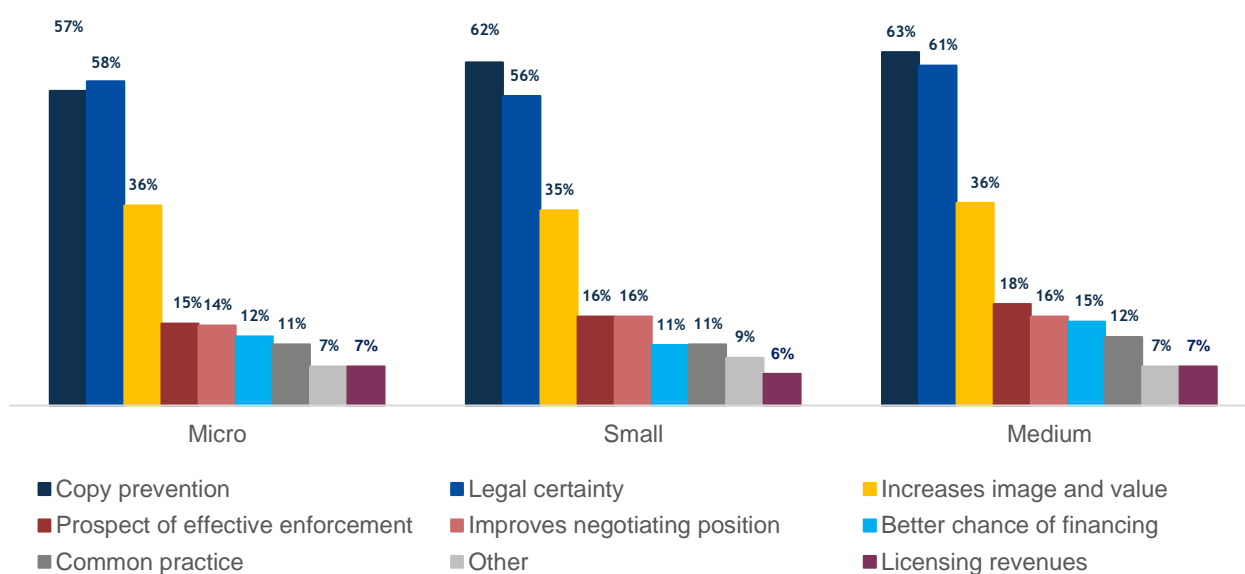
Familiarity with IPRs by type of company



Reasons and impact of decisions on registering IPRs

One of the key factors for increasing the use of IPRs is improving understanding of their benefits. The main reasons that IPR-owning SMEs gave for registering IPRs were to prevent copying (59 %), to increase legal certainty (58 %) and to improve the image and value of the company (36 %). When analysed by size of company, the order remains the same for SMEs. However, micro-entities put more emphasis on the importance of legal certainty than on the prevention of copying.

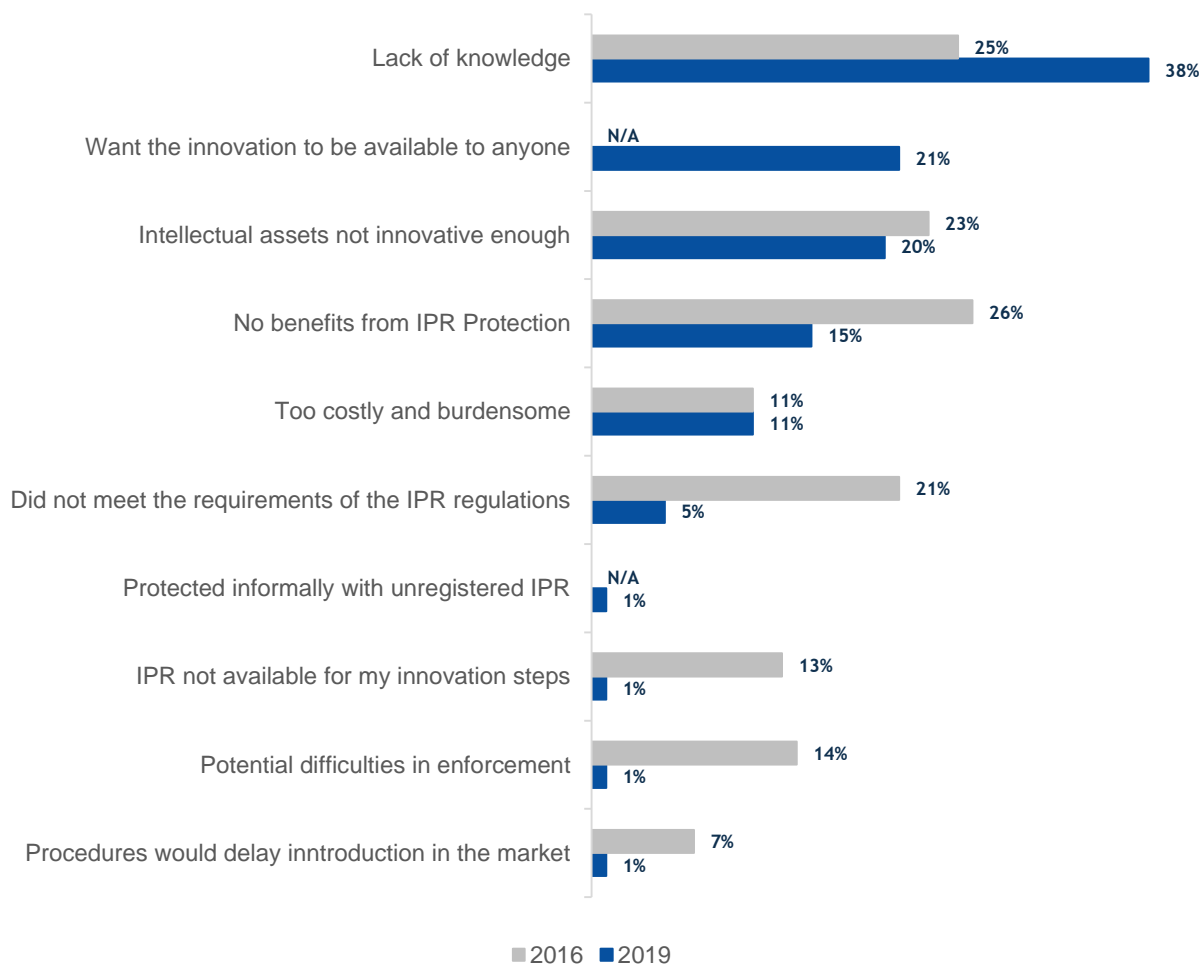
Main reasons for registering IPRs by company size



After registration, 54 % of owners claimed a positive impact. The main impacts identified were an increase in reputation (52 %), turnover (39 %) and ability to access new markets (37 %). Only 1 % of IPR owners observed a negative impact, with 53 % of those identifying excessive expenditure (time and money) on registration. However, this is not a common perception, with 61 % of IPR owners claiming to have had no difficulties when registering IPRs.

For those without registered IPRs, the main reason for not registering was a lack of knowledge about what IP is and its benefits. The percentage giving this reason has grown from 25 % in 2016 to 38 % in 2019. Indeed, 61 % of non-owners would consider registration if they had a better understanding of IPRs. The second most popular reason for not registering in 2019 is more altruistic — 21 % of SMEs wanted their innovation to be freely available to anyone who wanted to use it.

Main reasons given by non-owners for not registering IPRs



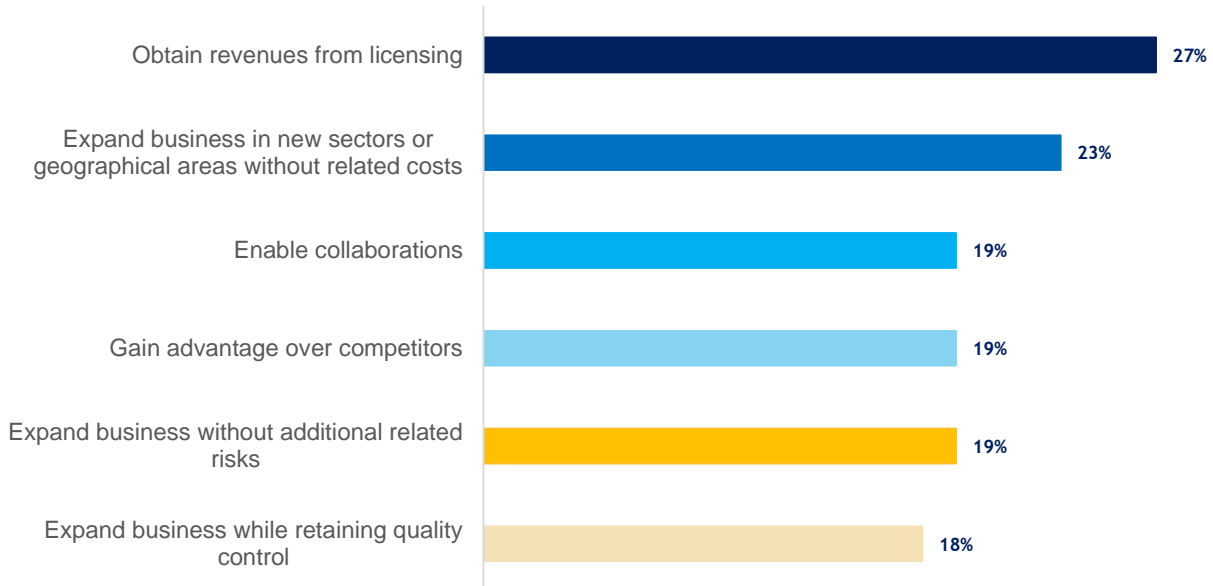
Monetisation of innovation

IPRs are often seen by SMEs as a cost rather than an investment because the value added is often not understood. Only 25 % of medium-sized IPR owners have professionally valued their intangible assets, and this drops to 20 % for both small and micro-sized IPR owners.

A general lack of understanding of how to maximise the potential of IPRs can be seen in the number of SMEs who have attempted to gain finance based upon their intangible assets. Although access to finance is one of the biggest issues for SMEs, only 13 % of IPR owners have attempted to gain finance using their intangible assets. On a more positive note, however, 9 % have done so successfully.

When it comes to commercialisation, 24 % of IPR owners interviewed have signed a licence involving IPRs, with 71 % of those licensing their IPRs to other organisations. The main reasons for doing this were to obtain additional revenue (27 %) and to expand into new areas (sectors and geographies) without incurring the related costs (23 %).

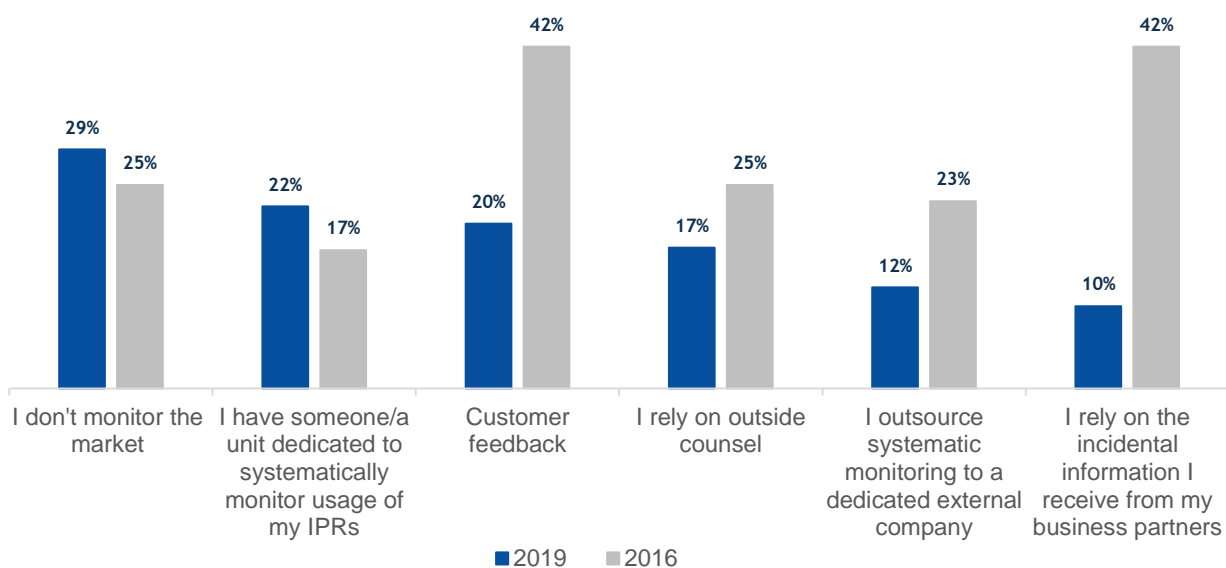
Top 6 reasons for licensing IPRs by IPR owners



Enforcement

Infringement of registered IPRs can be a concern for SMEs. Some 55 % of IPR owners say that copying by competitors is the biggest threat to their IPRs in the coming year. However, 29 % of IPR owners do nothing at all to monitor the market for IPR infringement. For those that do, the most common methods used are having an employee or unit dedicated to monitoring usage (22 %), and using feedback received from customers (20 %).

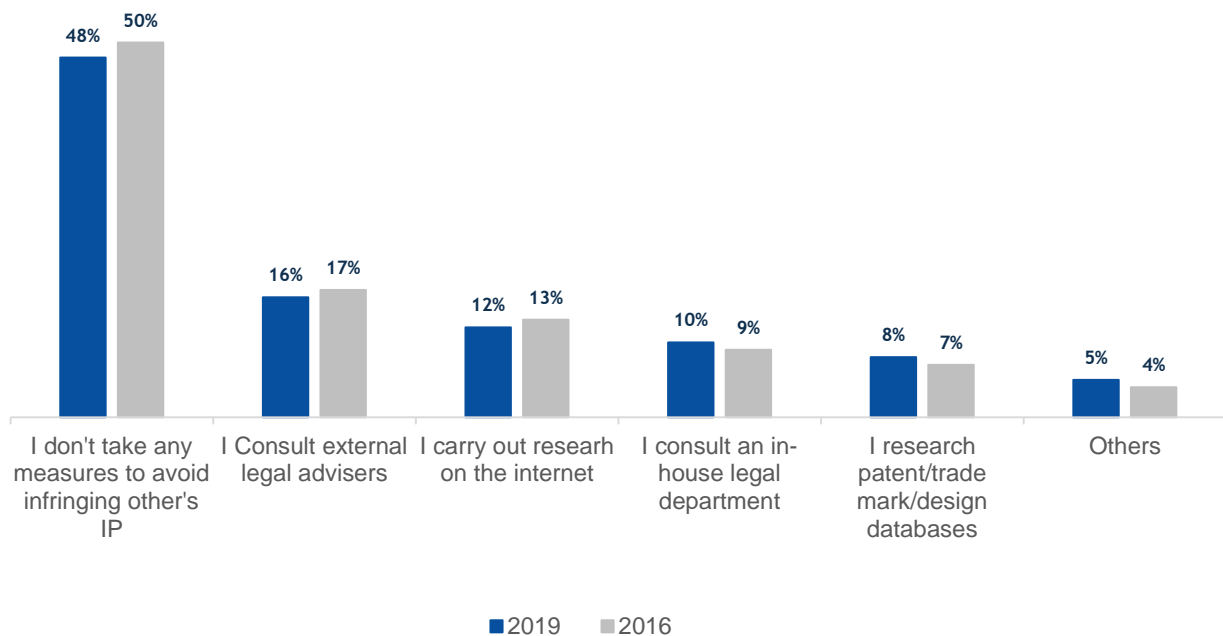
Measures applied by SMEs to monitor IPR infringement (2016-2019)



The number of SMEs that have suffered from IPR infringement in the previous 3 years has decreased from 31 % in 2016 to 24 % in 2019. Trade marks were the most infringed right (48 %), followed by patents (24 %). The most common impacts of IPR infringement were identified as loss of turnover (33 %) and damage to reputation (27 %).

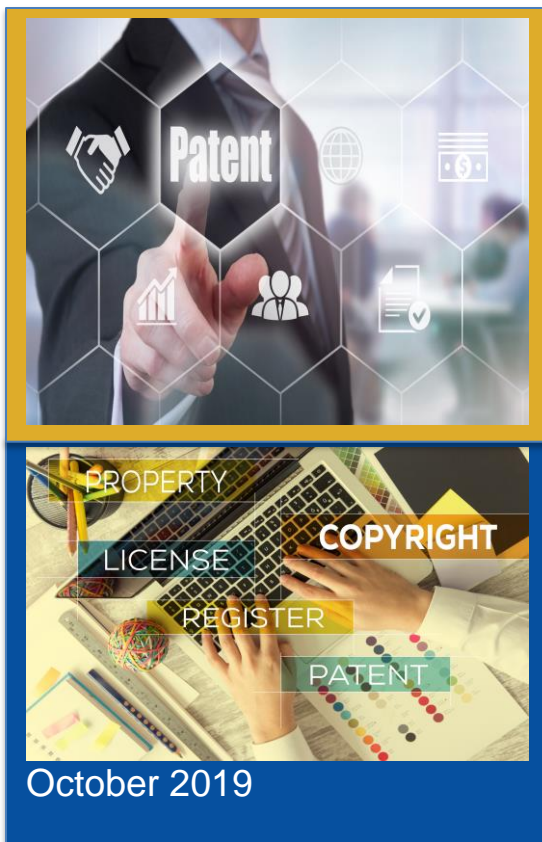
Given the damage that can be caused by an infringement, a worrying trend identified is that almost half (48 %) of SMEs still do not take measures to avoid infringing other companies' IPRs. Of those that do, the most common measures are consulting legal advisers (16 %) and carrying out online research (12 %).

Comparison of measures taken by SMEs to avoid infringing third-party IPRs



This study highlights that the main barrier to the registration of IPRs for SMEs is the lack of knowledge of what IP is and how it can benefit their business. Many are receptive to information that will support their business but there is still a need to improve awareness of the benefits of IPR.

With a view to further encouraging the growth of SMEs in this environment, messages for raising awareness of IPR should show SMEs the positive impacts that IP can have on strengthening their business. These messages then need to be shared in places and via channels that SMEs use. The study identifies that these channels are often different for IPR owners and non-owners and can also vary greatly from country to country so a tailored approach to awareness dissemination is needed.



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