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Developing IP a key to recovery

As business and consumer confidence continues to plummet, the outlook for innovation in 2009 is uncertain. Yet a commitment to innovation could in fact help Australia tackle the economic challenges it's facing.

According to the World Intellectual Property Organisation (WIPO), international patent filings grew under WIPO's Patent Cooperation Treaty (PCT) by 2.4% in 2008, yet this rate of growth was significantly less than the average 9.3% growth rate in the previous three years.

Anecdotally, IP Australia has also recently experienced a downturn in the number of Australian patent applications being filed and expects a 15% drop in the number of Trade Mark filings this year. Australian service providers in the sector report an increase in the number of patents lapsing and institutional researchers are experiencing a downturn in commissioned research projects.

A lack of available capital to invest in entrepreneurial endeavours coupled with the risk-averse mentality of Australian organisations - especially in the current climate - will undoubtedly result in a significant decline in the growth of local innovation.

By investing more now to develop and protect IP, organisations could significantly save money in the medium to long term.

In a downturn, especially when employers are still encouraged to retain jobs, investment in intellectual property (IP) becomes discretionary. In an environment in which IP will either not be protected or will not be developed in the first place, the innovation pipeline will empty.

This could stall the growth of innovation in Australia not only now, but for years to come, as the routine avenues of product development, proof of concept and scale up will virtually disappear.

By investing more now to develop and protect IP, organisations could significantly save money in the medium to long term. IP delivers competitive advantage by providing the ability to exclusively sell products and services at a price premium, and long term statistics show that more IP drives more innovation. On the other hand, overwhelming competition in the absence of IP drives prices down and leaves no commercial scope for differentiation in the marketplace.

In tight economic times, prudent decision-making can enable costs to be trimmed without loss of the IP farm. A clearly articulated corporate strategy, in alignment with regular IP portfolio reviews, can help ensure that only the most strategic IP is maintained. In addition, by properly resourcing the IP function, for example, penalty fees for late activity can be avoided, and full analysis of the competitive environment can be conducted before an investment is made - thereby eliminating the possibility of having to withdraw a 'me-too' product at a later date.

According to Mr Francis Gurry, the Australian Director General of WIPO, the reality is that "...economic crises have, in the past, been a catalyst for innovation as greater emphasis is placed on improving standards of efficiency, doing more with less and identifying and developing smarter business solutions. In the current economic climate, technology, innovation and creativity are critical in creating opportunities for economic renewal and addressing pressing global issues such as climate change."

In Australia, the incubators of innovation - manufacturing facilities are closing in response to the drop in global demand for everything from cars to underwear, while technology start-ups struggle to stay afloat as their cash reserves diminish to nought.

The Federal Government has so far neglected the innovation sector in framing its economic stimulus packages. In his letter to the Minister accompanying his 2008 report Venturous Australia – just as the credit crunch was impacting on off shore markets, Dr Terry Cutler wrote: "We are entering an era when the global economy is being transformed before our eyes, with huge local implications". Cutler recommended in essence that the Australian innovation economy needs to be "pump primed". His recommendations included:

(6.1) Adopting the principle of fully funding the costs of university research activities and implementing this through more block and competitive grant schemes so as to match like rates in leading OECD economies.

(6.3) Urgent restoration of funding levels to publicly funded research agencies likewise so as to match like rates in leading OECD economies.

(6.7) The opening of current innovation granting programs to international partners and participants.

(6.8) The increase and lengthening of funding to postgraduate students.

(6.14) An increase in research infrastructure funding to A$150-200 mill per annum.

(8.2) The implementation of tax credits as an incentive to investment in research and development to replace the current tax concession system limited to 125% of expenditure for organizations returning a profit.

(8.3) The introduction of new grants programs and the extension of existing programs to assist firms with limited access to capital in the high risk, proof-of-concept and development stages of innovation.

(8.4) The establishment of new pre seed funds and the provision of grant assistance to angel investors

Any one of these financial stimuli would help Australian innovation weather the current financial storm. In fact, they would set Australians up for the long term in a far more effective manner than by encouraging them to spend on retail goods developed and manufactured off shore.

The LESANZ* is holding its Annual Conference in Canberra this year to highlight how successful innovation can and does create and drive impact. The conference will show how the right skills and tools to support innovation serve to improve and drive positive change in business and society, even in tough times such as those we are experiencing now.

** The Licensing Executives Society of Australia and New Zealand (LESANZ) 2009 Annual Conference will be held in Canberra from April 2-4. To register for the event or for the full program, visit: http://lesanz.org.au/events/annualconference.html*