



IP and the Economic Downturn

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Trends in innovation

- Investment in innovation is highly sensitive to the financial constraints faced by firms
- Less business funded R&D and less new patents when GDP declines

OECD, Feb 2009

Trends in new patent applications

INPI (French Patent office)

New applications by French firms and research organisations

	2007	2008	2009
1st Quarter	-1.1%	5.7%	-10%
2nd Quarter	5.7%	2.4%	
3rd Quarter	6.9%	1.5%	
4th Quarter	1.9%	-2.1%	
Year	3.3%	1.6%	

compared with previous year

Trends in patent applications

	2008	Q1 2009
France	-2.3%	-6%
UK	-6.0%	-7%
Japan	-1.3%	-8%
Korea	-2.8%	
WIPO (PCT)	2.4%	
EPO reg. phase	3.7%	

Downsizing of IP budgets

- Filing fewer new applications
- Extending patents to fewer countries
- Monetising unused patents
- Trimming patent portfolio

Yet the cost of IP is only a small fraction of the total R&D investment !

Impact on brand value (1)

Overall brand value across the Top 500 down 24% from 2008 (according to BrandFinance annual report – April 2009)

Brands do not seem to have fared as badly as some other intangibles

Impact on brand value (2)

Brand Value (31st December 2008 - US\$ bn)

China Mobile	17.2	+24%
Vodafone	24.7	-7%
Orange	16.8	-8%
McDonald's	20.0	-8%
Disney	16.8	-15%
Toyota	22.0	-16%
IBM	31.5	-17%
GE	26.7	-26%
HSBC	25.6	-28%
Coca-Cola	32.7	-28%
Hewlett-Packard	23.8	-30%
Microsoft	30.9	-31%
Apple	13,7	-37%
Nokia	19.9	-40%
Intel	14.0	-45%
Mercedes-Benz	9.8	-51%

Source : BrandFinance, April 2009

Impact on patent value

Not so clear:

- Earnings attributable to patents are generally to be expected in the long term anyway
- Technology and innovation should keep a strong differentiation power at the time of recovery

Conclusion

In the current economic downturn, IPRs are even more important

But they should be managed more effectively

Filing and enforcement costs are still seen as barriers