

## Utilization the patent system through small and medium enterprises (SME) for acquisition of customers and partners

### Session 2A:

How can SMEs actively use patent protection and licensing as a business strategy?

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### Step 1: Protect your rights before starting activities!

- From an idea over the invention to the final product on the market considerable expenses and high investments are necessary and unavoidable.
- Primarily, an economical success of an invention depends on a well timed patent application in order to protect the investment into the development work.
- Intellectual property rights (IPR) protect the investments which are necessary for the process of innovation:
  - patents, utility models for technical developments
  - trademarks, design patents for goods, services, shapes
- The system of intellectual property rights (IPR) is an important und powerful source of information to find partners and customers.

## Ways of utilization of the patent and IPR system

**passive:** as source of information through data bases in the web:

- actual technical solutions, goods, services  
(level in respect of content):  
prior art  
alternatives, supplements
- finding of corresponding companies / persons  
(level in respect of administration):  
IPR protection – where and how...?  
activities of enterprises – who and when ...?

**active:** protection against imitation through own IPR  
together with:  
public impact  
documented evidence of competence



## Ways to find partners for exploitation and customers

Entries in data base:	Only passive action! A short and significant description is important. Presentation is often limited by format-boundaries
Single reports in press:	A lot of developments can be communicated in an article in professional journals. Disadvantage: only short term effect
Technology mediator:	Choice of an experienced partner, who works actively on business development and lancing of the product.
Attention:	Often these services are expensive in the early stage of a product development!

## Search for partners for exploitation and customers

Visit of trade fairs:	Enterprises represent themselves using their array of products.
Questions:	Do your own developments lead to reasonable or advantageous supplements for a new partnership?  How may the mode of cooperation look like? How to create a win-win-situation?
Attention:	Can the potential partner regard the new development as a competition to his own activities?
Acquisition of information:	Disclosed applications: At what is worked on at the moment? Is the potential partner active in IRP? Is a strategy visible?

## Process of exploitation – what for is searched a partner / customer?

- Analysis of the own position is important:

Estate of development:

Idea – invention – evidence of function – development of product – production – distribution.

Examples of possible offers:

- without evidence of function very questionable
- development of product as a cooperation project
- specialized production for high efficiency of resources  
each partner is using its chain of distribution and serves its customers
- collectively organized distribution in order to reach a high market penetration.

## Issue: Tracing demand

Tracing demand: Finding of ideas by intensive watch of the activities of specific market segments

Looking for a lake of offers: -> hypothesis 'there might be demand'

Coverage by acquisition of information:

- search for product descriptions to familiar solutions and to the corresponding companies (e. g. Internet)
  - search for early activities of companies in patent and IRP data bases (e. g. at no charge in [www.dpma.de](http://www.dpma.de) / depatisnet)
- > Development of a first concept for the product and / or the service
- Central questions:  
Are the identified companies convenient partners / buyers / final customers?  
What could be offered? Which advantage could the partners obtain?

## Issue production - distribution

Production: Especially, producing of relatively simple items is normally no technical problem.

With the start of production there are connected significant risks:

preproduction costs for development and tools / forms  
advances for material, wages and logistics.

Distribution: Especially new products are confronted with:

unknown (because new) or missing chains of distribution  
marketing risk: does the market accept a new product?

Revenue risk: Are the prices too high for cost recovery?  
Can the commission for an external partner be payable?

### Distribution by already existing companies – company chains

Distribution is the element that increases the value especially of consumer goods in the process of marketing.

Building up own paths of distribution is economically unrealizable for small enterprises and / or for a single product.

Intensive search may lead to already existing structures to which the new product fits without competing against other products.

Exclusive market segments become open by dealing with wholesale traders.

Established company chains (e. g. do-it-yourself stores, Metro, Aldi etc.) are extremely restrictive concerning an own engagement.

Typically, new products are only sold in commission i. e., the producer carries the entire economical risk.

### Conclusion

The realization from an idea into a successful innovation (product and / or service) demands extensive strategic planning which should be covered by intensive acquisition of information.

The IPR system delivers due to regulations by law (inevitable publication) early hints on activities of companies, competitors, possible partners and potential customers.

Innovations require significant exclusive features (advantages of product) in order to attract partners for development, production and distribution. Furthermore, they have to serve a validated demand of the final customer (advantage to the customer).

-> **Fraunhofer Patent Center especially provides support to SMEs to reach this aim.**