

Intellectual property rights policies for innovation in Malaysia

Malaysia aims to become a high-income economy by 2020. This objective can only be realised by means of strong innovation performance. **How can intellectual property (IP) rights policy help support Malaysia's innovation performance?**

The publication *Boosting Malaysia's National Intellectual Property System for Innovation* assesses the **strengths and weaknesses** of Malaysia's IP system and provides detailed **policy recommendations**.

This study is based on a general framework developed in the publication *National Intellectual Property Systems, Innovation and Economic Development*. The framework was designed for an analysis of national IP systems for innovation in emerging and developing country contexts.



Malaysia's socio-economic and innovation context: factors shaping needs for the IP system

Malaysia's IP system can make significant contributions to innovation if it is more tailored to the country's specific socio-economic and innovation context:

- The Malaysian economy has experienced **substantial economic growth** in recent decades, with an average GDP growth rate of 5.3% per year between 1994 and 2014. The country's industrial development has been based on foreign direct investment and export-led manufacturing, creating a manufacturing and services base, while natural resource-based sectors remain important. Given this diversity, it is critical that policy affecting IP takes into consideration the priorities and needs of different economic actors.
- **Framework conditions are favourable for innovation** (e.g. infrastructure and information and communications technology (ICT) access, attractive business environment), but **scarcity of skilled human capital** and **limited access to finance** for innovators are major constraints. Small businesses with low innovation capacity and weak linkages among economic actors mean that IP beyond patents will be important for IP to serve those users.

- **Innovation has moved to the top of the policy agenda**, thus providing opportunities to design policies aimed at improving Malaysia's IP system performance. However, the governance of the innovation system is complex and involves numerous players with overlapping mandates. Further policy coordination would improve the effectiveness of policy implementation.
- Malaysia is a net importer of **IP rights**. Foreign inventions also dominate national patent registrations, although the use of IP system by residents has increased in recent years. Not all economic actors are equally active: universities, public research institutes and government-owned companies are leading IP users. Awareness of IP benefits among several potential users (particularly SMEs) is still limited.

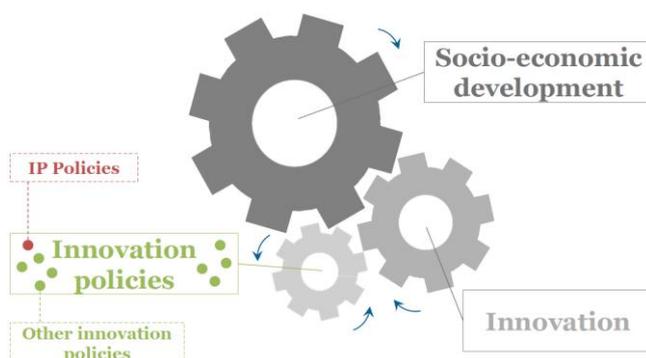
Organisation of the Malaysian IP system

Since 2003, the Intellectual Property Corporation of Malaysia (MyIPO) is in charge of granting the legal and procedural aspects of IP. The National Intellectual Property Policy Committee coordinates IP policy, focusing on legal, administrative and enforcement matters. However, MyIPO could give **more attention to steering the "IP for innovation" agenda**.

Malaysia's national IP system is characterised by **multiple institutions that implement policies** aimed at incentivising the adoption and use of IP. Limited coordination and integration of policy initiatives, as well as the low involvement of users in policy discussions, frequently weaken policy implementation effects.

IP operations and procedures

Malaysia's IP system has matured substantially in recent decades: Its legal structure is fully adequate by international standards. IP applications are efficiently processed, enforcement has improved and application fees compare favourably to international fees, although smaller entities perceive maintenance fees as expensive.



IP markets

The creation of an **infrastructure for IP transactions** is a policy priority. Various IP platforms, i.e. online sites that allow inventors to showcase their new technologies and connect with those interested in commercialisation have been created. The creation of a joint platform initiative could increase the benefits from such investments: Bringing together a larger number of potential technologies and of potential buyers increases the usefulness of IP platforms to both inventors and firms.

IP financing

Malaysia has recently implemented an ambitious **IP financing programme**, which seeks to provide SMEs with easier access to credit by means of their IP assets.

Adapting to different IP users

Traditional sectors are an important source of income and provide opportunities for them to see their living standards improve. Geographical indications (GI) and traditional knowledge (TK) protection can be crucial for these sectors. Sarawak's Pepper Board, the first registered GI in Malaysia, has enhanced quality standards and training, and become a well-functioning model to be followed by other products. To that end, MyIPO has embarked on a new initiative to identify and register local products for protection. Further efforts to build comprehensive strategies and develop such products can make a difference. This includes the creation of associations capable of ensuring product quality and marketing. Research aimed at identifying the potential of developing products from TK is also needed.

“Catching-up” businesses. The use of IP among SMEs remains low. Since the bulk of Malaysia's SMEs (90%) are active in the services sector, patents are practically not used, while other types of IP, including trademarks and utility models, are much more relevant. Creating an IP culture among SMEs by promoting IP awareness and commercialisation is a key policy priority. For example, PlaTCOM Ventures provides commercialisation services for entrepreneurs, start-ups, spin-off companies and grassroots inventors, and assists in the exploitation of IP.

Leading “frontier” businesses. The top local industry players, including in the E&E sector, are not active users of the IP system. Among the top IP users, there are several government-owned companies, namely Mimos Berhad and Petronas. Many multinational companies' affiliates established in Malaysia have R&D labs in the country but tend to patent their inventions mainly in the USA and Europe.

Universities and public research institutes. Starting in 2015, all universities are required to generate 25% of their own operating costs (up to 75% by 2025). These targets have changed the way research institutions operate, encouraging commercialisation of research findings and thus the use of IP. Commercialisation challenges need to be addressed including the lack of demand-oriented research and weak linkages with industry. Encouraging commercialisation can also divert attention away from teaching, more informal knowledge-transfer activities and efforts aimed at improving the quality of research.

How can Malaysia's IP system contribute more to national innovation performance?

- An effective **co-ordination body** that would ensure coherence among different stakeholder initiatives should be created. This body should also contribute to moving forward the **‘IP for innovation’ agenda**.
- IP policy should reflect the **different needs of potential users** in order to effectively support innovation. To that end, it is necessary to increase the involvement of users in IP policy discussions.
- **University-industry relations** should be enhanced to build conditions for commercialisation, without affecting universities' efforts in improving the quality of their research and providing high-quality education.
- **Geographical indications and traditional knowledge protection** can be relevant for Malaysia. Policies should continue to enable communities to generate economic value based on their assets.
- IP policies should go beyond patents and promote the use of more ‘accessible’ types of IP, such as **utility models, trademarks and design rights**, in order to foster their use by SMEs.
- SMEs, businesses in traditional sectors as well as larger business with little experience with IP should be **introduced to the benefits of IP**.
- Current platforms for **IP commercialisation** should be consolidated, and legal adjustments should be made in order to support the **IP financing** initiative.

For more information

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