

## A Survey Study on the Intellectual Property Management amongst Taiwanese Companies

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Background

In order to provide insight into intellectual property (IP) awareness, the status quo as well as potential hardship and demands arise over IP management, STLC was commissioned by IDB (Industrial Development Bureau) to conduct a survey study in June 2010. In this article, we provide briefings on the contents, research methodology and major findings of this study.

About the research

The survey questionnaire was sent by means of emails or posts to a total of 1000 business establishments randomly generated from the registration data facilitated by the Ministry of Economic Affairs. This was also the first time that such a survey has been envisaged on such a comprehensive scale, covering businesses located around Taiwan with the aim being to produce an in-depth analysis into IP management in various industries including manufacturing, precision machineries, photonics, bio-medicals, info-techs, semiconductors etc. Sixty-five percent of the respondents have less than fifty employees and the overall response rate achieved was 13.1%.<sup>1</sup>

A continuing need to strengthen IP awareness is required

The first section of the questionnaire dealing with IP awareness gauged respondent companies IP knowledge and understanding through a series of questions relating to IP law and practice. When asked whether formal registration was necessary to obtain a range of intellectual property rights (IPRs), over 70% of companies replied with correct answers, namely patents, designs and trademarks. However, through other questions at a more advanced level, the responses revealed a general lack of knowledge in IP law and hence a continuing need to strengthen IP awareness is required. For instance, overall 70% of companies know that obtaining patents will require formal registration, yet surprisingly even of these over 50% incorrectly thought the manners of patent utilization, such as making products, will not result in infringing others IPRs. This result arguably suggests that respondents are in the main unaware that a patent does not give the patent owner the right to exploit the patented invention himself, but rather, he has only the “exclusive right” to stop others from doing so. For another instance, whilst 32% of respondents inaccurately thought that a formal registration is required to obtain copyrights, nonetheless this does not equate to the result being a near 70% of companies have a full and correct knowledge in regard to copyright. When faced with a slightly more obscure question of who would own the copyright in commissioned work (such as website creation) in the absence of a contract, 26% of companies didn’t know and 30% answered incorrectly. On the same token, though only 10% of respondents erroneously believed that trade secrets would require a formal registration, when asked whether the company’s client list may be a trade secret, the number of correct replies (61%) drops sharply when compared to the previous one. Though intended as a question to discriminate at the upper levels of trade secret awareness, the replies are more likely to reflect a lack comprehension of the subject among Taiwanese companies. The important message arise from the overall scales in the first section of the survey is that the need for IP awareness promotion and enhancement amongst companies in Taiwan still exists.

### **Lack of IP expertise is a major barrier**

In the second section of the questionnaire companies were asked a series of questions which were intended to measure the status quo through the extent of IP management practices. Perhaps one would agree that the issue of perceptions of the importance of IP to a company is greatly linked to how effective it manages them. When asked to indicate reasons as to why IP is important to their business, the replies were rather polarized. The two most popular reasons were “means to differentiate from competitors” (33%) and “to prevent infringement” (30%). The distinction between the two is clearly that the former reason is relatively active and strategic whilst the latter is perceived to be passive and defensive. On the other hand, “to retrieve the cost of R&D” (4%) and “to attract more investors” (5%) are least likely to be seen as the reasons why IP is important to them. The results may suggest that generally speaking, Taiwanese companies tended not to utilize their IP to generate revenues nor correlate them with the business strategies, but rather, see them more of a shield to avoid infringement.

Companies were asked what IPRs they own and the most common ones are trademarks (21%) and utility patents (20%), with invention patents (14%) being the third on the rank. In contrast only 2% of respondent companies own copyrights. While such result may be attributed to the overall structure of the industry, it may also link to the observation that most companies not merely lack the comprehension of copyrights but may also not be aware of owning such IPR. Furthermore, it is also surprising to find that 45% of respondents do not own any IPRs. The absence of IPRs within these companies is perhaps a key indication of poor awareness and inactive management of IPRs amongst many Taiwanese companies.

To measure the extent of IP management is not easy as the intensity of it differs both by sector and by size. Therefore, the task is achieved through 9 questions designed on the concept of PDCA (plan-do-check-act) process which would allow the respondents to review and find out any inadequacy in their IP management as they proceed. One would expect that those companies with effective IP management would take care to evaluate the various IPRs required at different time intervals. Whilst all of the answer choices are considered to be “important timings”, for example “when planning for new skills/products/business” and “when further investment in IP would enhance defense (such as infringement prevention); yet the results revealed that over 60% of the companies did not perform such evaluation at whatever timing. This may suggest

that in general, companies in Taiwan are inadequately concerned with the evaluation process within their management of IP. Such a result may consequently make them ignoring means to prevent infringement (such as checking competitors' IPRs and prior-art search) or pay attention to regulation updates.

Effective IP management indisputably requires certain monetary inputs. Companies were asked whether they have regularly spent on obtaining and maintaining IPRs the firm owns, and remarkably only about 36% of respondents answered this question. In addition the companies were asked about how much they spent on "application fees"<sup>2</sup>, "incentives offered to inventors", "spending on HR" and "other expense". Only a paltry 6% of all respondent companies spent on all the abovementioned categories and mostly up to the amount of NT\$100,000 (roughly USD\$3300) per each. Linked with the spending on IPRs is perhaps whether companies have designated staff responsible for managing IPRs or have a separate IP department. Again, 70% of respondents replied negatively to this question and only 10% of some larger companies (with over 200 employees) have specific personnel or department designated to assume this responsibility. The results may indicate a general lack of expertise in managing IPRs as a barrier to leveraging full value of them as well as making proper legal decision in the event of IP related disputes

Companies were asked how to protect their IPRs through a variety of methods of protection though the majority (over 72%) didn't implement any of them. The most highly identified method being "protect core skills by patents", however, only 35% of companies adopted such protection. Furthermore, roughly 76% of the companies did not conduct training in IP issues for employees, and over 75% did not attempt to assess the efficiency of their management of IP. The explanation to the above is conceivably a general lack of IP expertise due to inadequate monetary inputs as well as perceived high costs for IP specialists within the company. The results ultimately reflect an inefficient execution of IP management in the massive Taiwanese companies.

### **Most companies have only limited resources**

The final aspect of IP management that has been surveyed is the hardships occurred and accordingly the resources sought to solve them. When asked what are the major difficulties in the process of managing IP, the most common answers were "high expenditure on filing and maintenance" (18%), "lack of professional advice" (15%) and "regulatory complexity" (15%). These results are arguably all related to the facts already discussed in the afore-mentioned paragraphs. In general, the survey revealed that most companies have only limited resources and therefore highly demand external aids such as government funding or projects to help soften the hardships and improve their management skills. Accordingly, "unifying resources for enhancing IP management through a mutual platform" (22%) and "facilitate industry peer networks" (21%) being the most popular resources sought. Furthermore, 14% of the respondents indicated their urge to receive "on-site expert assistance", and a remarkable 90% of the respondents have never been aware of the TIPS (Taiwan Intellectual Property Management System) project, which is one initiated by the government to help companies set up a systematic IP management system. As a result, efforts to promote the TIPS project should be further devoted as the initial step to assist companies strengthen their IP awareness and management skills.

### **Conclusion**

The results of the survey present the status quo of IP management amongst the companies in Taiwan which is proportionally consistent with their IP awareness as well as hardships and resources sought. The present study shows what one might expect, that is larger companies tend to be more IP aware and have greater resources to manage their IPRs, whilst the rest of others (especially SMEs) are in the main inadequately aware of IP, which is crucial to enhance active IP management within and throughout their firms. While various resources are highly demanded, perhaps the government should firstly take steps to promote that awareness within and throughout their organizations. Linked with this is the second important point which is that further promotion of the TIPS project should be aimed at not only enhancing IP awareness but also assisting companies to better manage their IPRs. IP management is essential to preserve IP created by companies and the TIPS system would enable companies to foster and strengthen key aspects of IP management such as conduct training in IP issues for employees, evaluate various IPRs required, etc. Some of the complementary measures as such expert consultations and TIPS networks or seminars would also help to alleviate some of the hardships encountered in the process of managing IP. On the other hand, like the "Survey on Business Attitudes to Intellectual Property" being conducted yearly in Hong Kong since year 2004, it is suggested that the present survey research or the alike to be continually carried out to assist promoting IP awareness within Taiwan industry.

Finally, we would like to thank everyone who contributed to this survey research and hope that it provides valuable insight into the goals originally proposed.

1.The survey resulted in 157 replies from which 26 of them were nullified by false or incomplete answers.

2.Application fees" include fees occurred from exploring inventions up to application and maintenance, which also include attorney fees.