



Under the banner of competitiveness

Efforts to increase national competitiveness reveal a surprising key ingredient: national cooperation

As we emerge from economic malaise, companies begin to look at how better to position themselves in the newly resurgent economy. Nations are no different. They, too, want to ensure and improve national competitiveness in a slightly unfamiliar economic landscape.

In partial response to this national competitive urge, patent reform is gathering momentum again. Though it is reform in a broader sense. Certainly the US Congress is actively working on statutory changes to US patent law, but the machinery of the patent systems internationally is also getting an overhaul. National patent offices in Europe, Asia and the US are all struggling with many of the same issues: pendency, patent quality and infrastructure limitations.

To their credit, the national patent offices are attempting to rise to the occasion. The IP5 patent offices (EPO, JPO, KIPO, SIPO and USPTO) have launched a series of collaborative Foundation Projects aimed at these problems. Patent prosecution highway programmes are expanding the sharing of work product between national offices. International cooperation on this scale is laudable. And, we will find, it is also essential if we are to realise the full benefits of the innovation economy in fuelling broader economic recovery.

The GDP metaphor

Let's think for a minute about two complementary indicators of national economic performance: gross domestic product (GDP) and gross national product (GNP). Simply put, GDP represents the value of all goods and services produced within the confines of a country's national borders – regardless of the nation controlling the production. GDP indicates the size and, by extension, often the attractiveness of a domestic market in the global economy. Equally simply, GNP represents the value of all goods and services produced by the firms of a

particular country – regardless of the nation in which they are produced. Among other things, GNP suggests the success of a nation's products in the global marketplace.

Just as national borders define the bounds of domestic markets for goods and services, they also define the bounds of domestic IP markets; for example, a Japanese patent only covers a market position in Japan. IP protection regimes vary in nature from country to country, which gives each national IP market a different flavour and attractiveness, just as in the market for goods and services. In fact, product and IP markets also complement and have an impact on one another; for example, a robust IP protection system is not as attractive if it covers a small, lethargic market.

Given that relationship, let's make something of a stretch here and extend that GDP/GNP framework to the IP economy. For example, a nation's GDPat (gross domestic patenting) would measure the patent activity within that jurisdiction and suggest the size of the national market for IP protection; again, regardless of which nation actually held the patent rights. Investment in a national IP system that improves patent quality or reduces pendency is likely to increase GDPat as it makes the domestic IP market more attractive (to both domestic and foreign patentees). In a similar vein, GNPat (gross national patenting) would measure the patenting activity of a nation's inventors in the global IP marketplace. GNPat also reflects how successful (and novel) domestic innovations are in the global IP market. Investment in R&D creates advantaged ideas which are more competitive in IP markets (foreign and domestic), raising GNPat.

These two types of investment – in IP systems and IP assets – tend to amplify one another, fostering additional innovation and growth in the domestic IP economy. This is one of several positive feedback loops in operation and a key factor in the national competitiveness equation. In a global economy, however, the larger and more vibrant the domestic economy, the more international competition it invites. Apparently, investments in improving

domestic IP assets and the domestic IP protection system operate as much to create competition as to create opportunity. So the domestic investment side is clearly only half of the national competitiveness story.

As with traditional goods and services, expanding into international markets can be pivotal in realising full benefit from IP investments. In that effort, one country's success in the international IP marketplace (its GNPat) reflects the value of its innovations, but also the attractiveness of the target country's IP system as a place to create IP assets. It is not enough simply to have advantaged assets; there also needs to be an efficient, receptive IP market. Given this kind of linkage, to be competitive in the innovation economy a nation needs to both create and attract high-quality IP assets.

Essential and intertwined

So on some level, you can view GDPat as a measure of the performance of a nation as an IP marketplace in the global economy and GNPat as a measure of the performance of a nation in the IP marketplace of the global economy. Both are essential. Both are intertwined. As a market for IP assets, a nation wants to attract the very best and most innovative ideas to improve quality of life and economic growth. As a creator of IP assets, a nation wants to benefit as widely as possible by reaching international markets.

At the nexus of these two market aspirations is the creation of open, efficient IP systems and advantaged IP assets. The kind of cooperation we are seeing among the national patent offices helps to create the balanced and efficient IP system we need to capture more fully the benefits of the new innovation economy. As it turns out, the key to national competitiveness is as much about cooperation as it is about competition among nations.

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