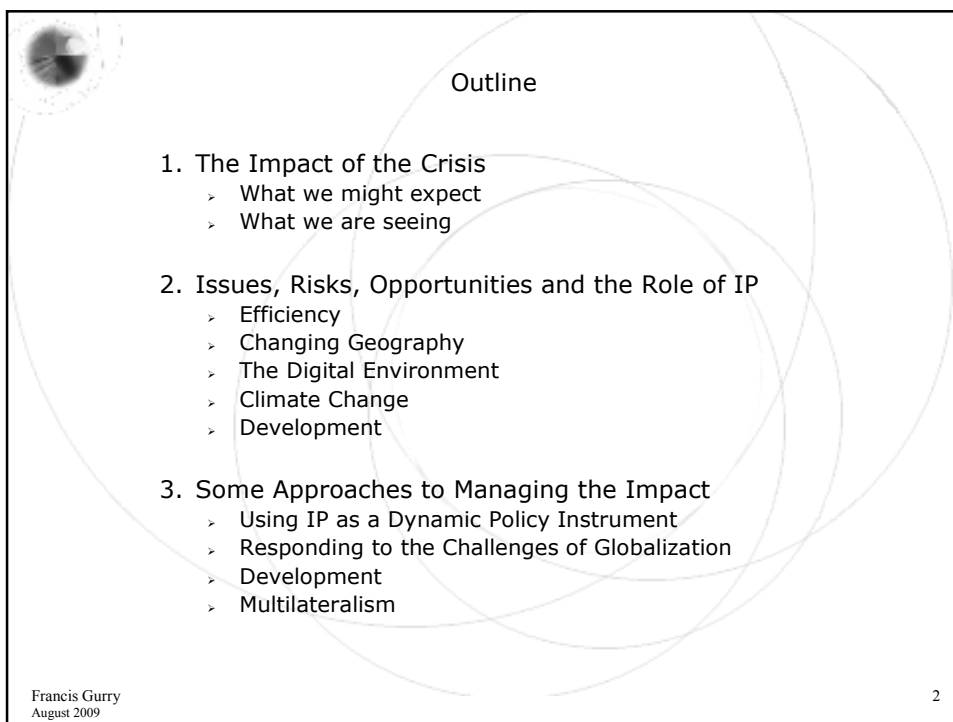


The Current Financial Crisis –
Opportunity for the IP Landscape

Francis Gurry
Director General
World Intellectual Property Organization (WIPO)

Trading Ideas 2009
Asia-Pacific Economic Cooperation (APEC)
organized by the Intellectual Property Office of Singapore (IPOS)
Singapore, 30 - 31 July 2009



Outline

1. The Impact of the Crisis
 - What we might expect
 - What we are seeing
2. Issues, Risks, Opportunities and the Role of IP
 - Efficiency
 - Changing Geography
 - The Digital Environment
 - Climate Change
 - Development
3. Some Approaches to Managing the Impact
 - Using IP as a Dynamic Policy Instrument
 - Responding to the Challenges of Globalization
 - Development
 - Multilateralism

Francis Gurry
August 2009

2

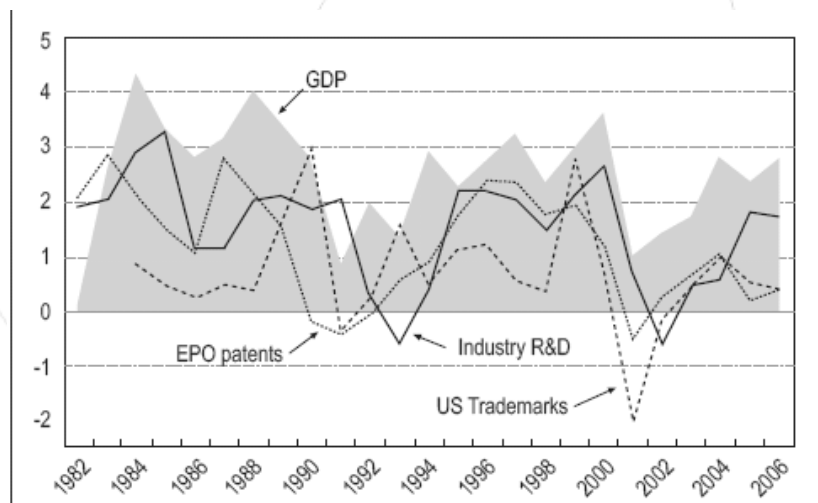
Impact of the Crisis What we might expect for Innovation

- Interference with the Value Chain of IP
- Innovation
 - Reduced profits, reduced tax base and competing priorities
 - Reduced investment in R&D = reduced patent filings
 - Fewer new enterprises and new products = reduced trademark filings
 - Reduced investment in product development = reduced design filings

Francis Gurry
August 2009

3

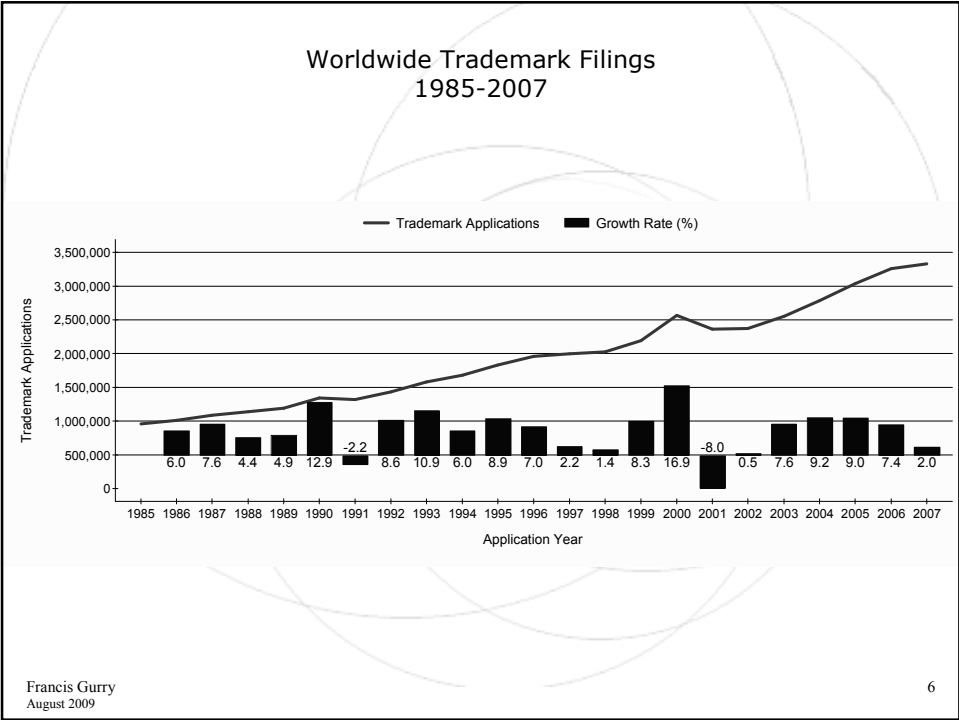
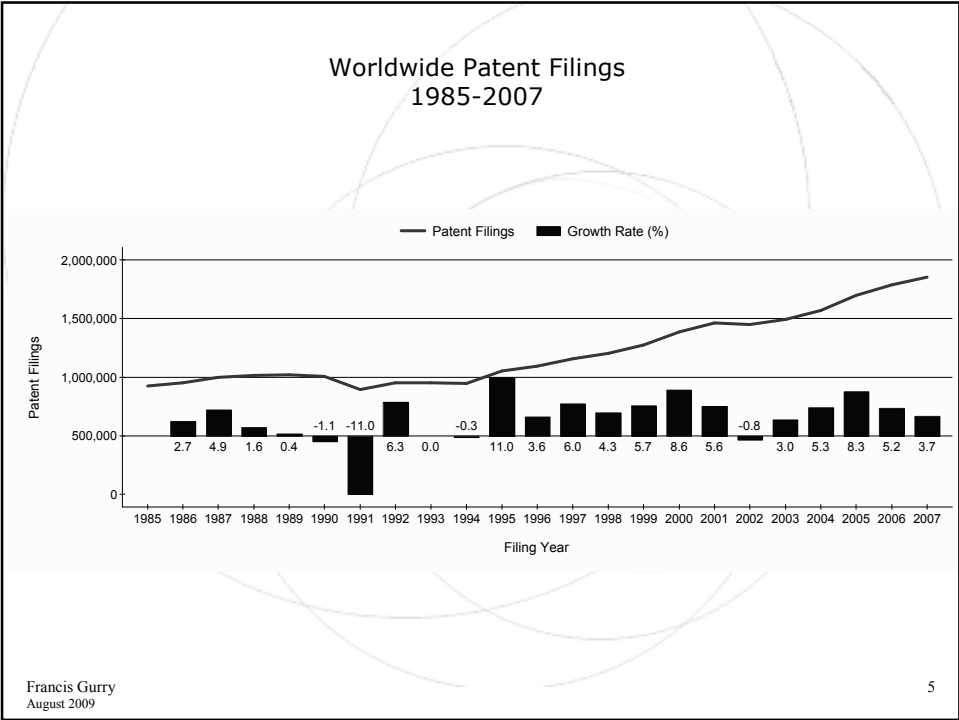
The Impact of the Business Cycle on Innovation



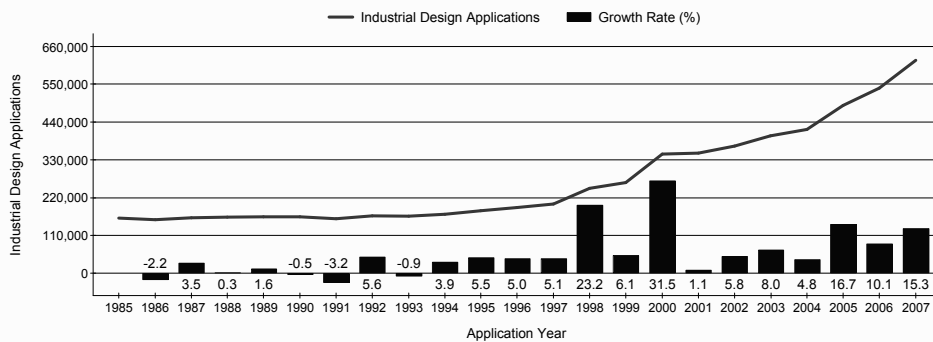
Source: OECD, *Investing in Innovation for Long-Term Growth*, June 2009

Francis Gurry
August 2009

4



Worldwide Design Applications 1985-2007



Francis Gurry
August 2009


7

Impact of the Crisis What we might expect for Creativity

- Interference with the Value Chain of IP
- Creativity
 - Survey of 19 countries shows that creative industries contribute, on average 5.5% to GDP and account for 5.6% of total employment
 - Reduced consumer spending and box office and concert receipts = reduced incomes for creators, content producers, reduced investment in new artists and new productions and reduced employment


Francis Gurry
August 2009

8



Impact of the Crisis What we are seeing in Patents

- National filings have decreased by more than international filings
- Behavioural patterns different at national and international levels
 - Domestic applications down in Japan and the UK but international (PCT) applications are up
- Differential geographical impact
 - International applications from USA -14% in 2009
 - International applications from China +19% in 2009
- (Likely) differential sectoral impact
 - Automobile industry



Impact of the Crisis What we are seeing in Creativity

- Too early to know
- More recourse to piracy?
- Film viewings tend to increase during recessions
 - 2009 predicted as record year for Hollywood box office receipts, but effect on film production predicted to be severe (loss of investors)
- Recession may speed the changes coming out of the dynamic technological environment
 - "too soon to identify any firm trends involving movies and the recession besides the fact that more people will go to see them. Where they'll see them is up for debate. The venue may be the theater, it may be on a cell phone ... The recession is likely to speed up changes in the way people view and create films."
(Jeanine Basinger, Film Historian)



Issues, Risks and Opportunities Efficiency

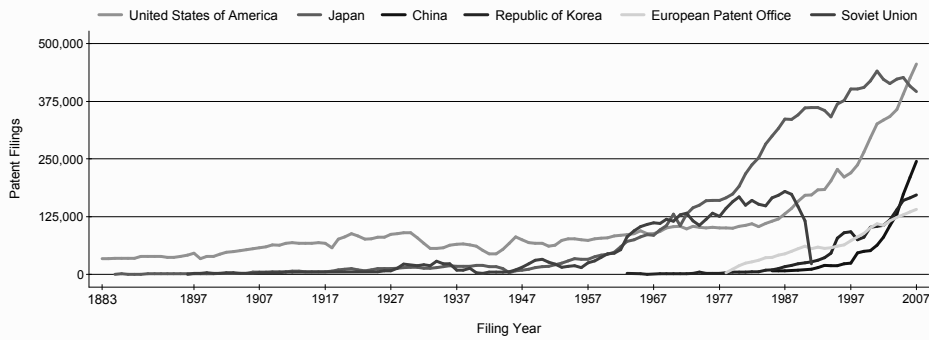
- Cost pressures on the IP system present an opportunity to advance functional efficiencies
- PCT Road Map
 - Elimination of dual processing at the national level
 - Enhanced quality of international work product
 - Enhanced Chapter II
- Madrid Proposals on Direct Filing
- Enhanced Global Infrastructure
 - Portal for search and examination reports
 - IT standards
 - Single international classification based on IPC
 - OHIM/WIPO cooperation on pick lists/descriptions of goods and services



Issues, Risks and Opportunities Changing Geography of Technology Production

- Significant reconfiguration of technological power
 - Rising role of Asia, in general, and North East Asia, in particular
 - 1994 Japan, ROK and China: **7.6%** of international applications
 - 2008 Japan, ROK and China: **26.1%** of international applications
- Linguistic Diversity of the Prior Art
- Consequences for Offices and Users
 - PCT Supplementary International Search (SIS)
 - Experiments with single coordinated international search
 - Machine Assisted Translation and cross-lingual Search

Trends in Patent Filings by Office



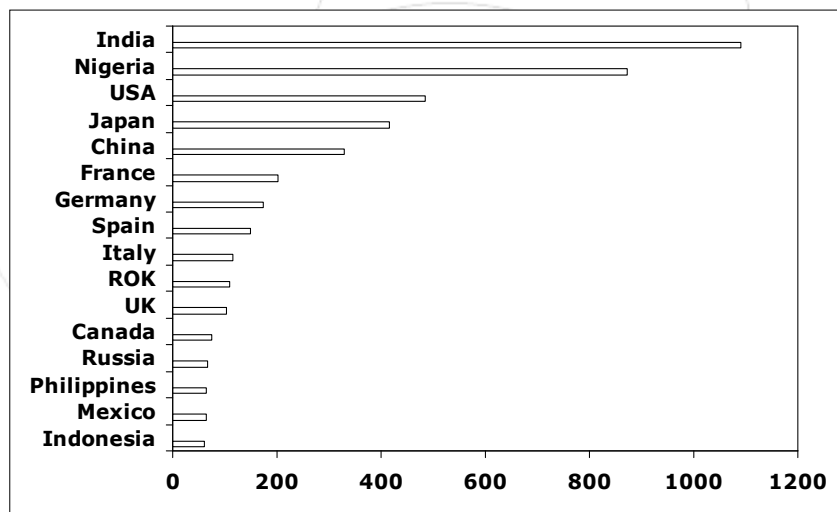
Between 1995 and 2007, filings in China grew by 23.9% a year (average annual growth rate)

Francis Gurry
August 2009

13

Issues, Risks and Opportunities Changing Geography of Film Production

No of Feature Films produced in 2006



Francis Gurry
August 2009

Source: UNESCO Institute for Statistics

14

Issues, Risks and Opportunities The Digital Environment

- Content is migrating to the Internet
 - Digital platforms accounted for c.20% of recorded music sales in 2008 (up from 15% in 2007)
 - More attractive formats for e-books with electronic paper
 - News content undergoing rapid changes in presentation and distribution
 - Slow growth in digital film distribution (4% of revenues - *PWC Global Entertainment and Media Report (2008), IFPI*)
- More unauthorized than authorized content online
 - Magazine piracy
 - mygazines.com, FantaMag.com
 - Film sites

Issues, Risks and Opportunities The Digital Environment

- Music
 - Est. 40 billion files illegally file-shared in 2008, a piracy rate of 95% (IFPI)
 - Evidence of impact on local repertoire
- Films
 - Nollywood insiders estimate that up to 50 percent of the industry's profits are currently being lost to Nigeria's endemic piracy
 - Nigeria has virtually no formal cinemas with 99 percent of screenings using DVDs held in informal settings, according to UNESCO
 - Piracy was eating into profits back in 2005, but the problem became "alarming" in 2007 when pirates started to use video compression technology



Issues, Risks and Opportunities The Digital Environment

- Re-formulating the challenge
 - The financing of culture
- Adapting to the new environment -v- making old model work in the new environment
- Exploring the value chain of creativity
- The risk of inaction
 - Lead in policy making



Issues, Risks and Opportunities Climate Change

- "It is generally recognized that technological innovation, together with the transfer and widespread implementation of climate-friendly technologies, will be central to global efforts for handling the many challenges associated with climate change."
(Trade and Climate Change, WTO-UNEP Report; IPCC, Emissions Scenarios)
 - Need to renovate the whole capital stock of the economy
- Opportunity for innovation and economic growth
 - Private equity and venture capital investment has increased from \$1.3 billion in 2003 to \$32 billion in 2008
- IP Measures
 - Efforts to promote green inventions
 - UKIPO "Green Channel"
 - Other policy measures?
 - Patenting behaviour is responsive to fee variations
 - Voluntary schemes for modulating the patent contract?
 - Encouragements to commercialization of publicly funded R&D
 - Bahl-Dole Act



Some Approaches to Managing the Impact of the Crisis

1. Using IP as a Dynamic Policy Instrument
2. Responding to the Challenges of Globalization
 - Functional standardization –v- national policy space
3. Development
 - National Innovation and IP Strategies
 - Office Modernization
4. Multilateralism
 - A balanced Agenda