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INNOVATION AND PATENTING ACTIVITY ON BEHALF OF INMLS FROM THE BASQUE COUNTRY

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Executive Summary

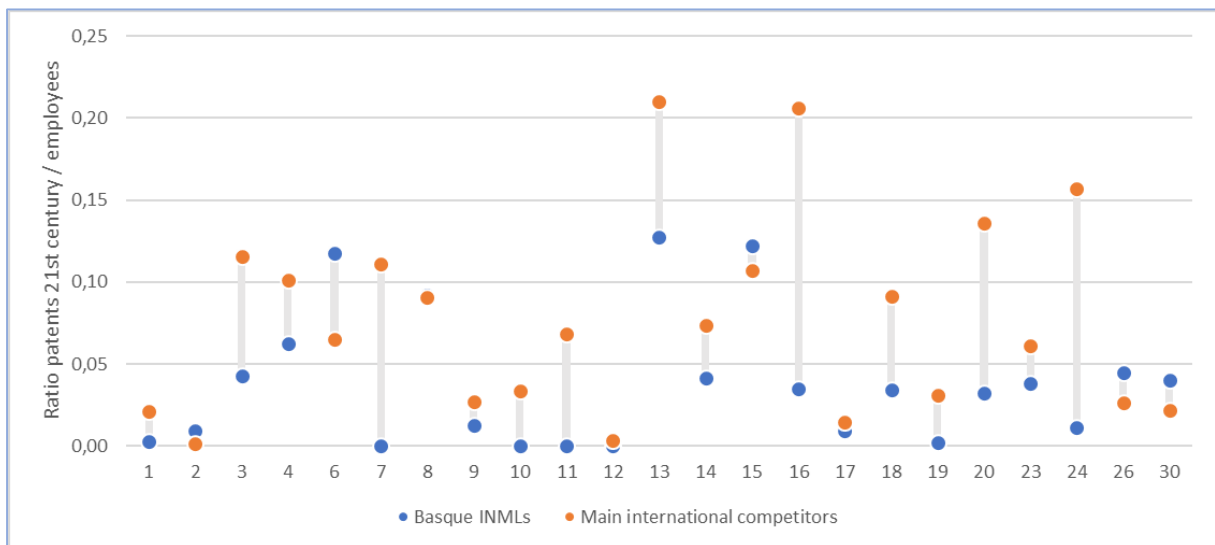
Rationale:

The Basque Country is a territory with a high density of companies that can be considered International Niche Market Leaders (INML). To maintain their market leadership, these companies must invest in R&D, and make efforts to protect and promote the innovations and inventions resulting from these activities through the launching of firsts, patent registrations and corporate diplomacy to set industry norms that make the quality and safety levels of their products stand out. Against this backdrop, the present report analyses the R&D activities and the patenting performance of a sample of 30 Basque NMLs. It also investigates whether these companies contribute to the establishment of standards and norms that regulate the markets they address, as a complementary activity to sustain their international competitiveness.

Findings:

In terms of R&D expenditure, the INMLs perform well above the Basque and European averages, as they devote an average of 4% of their turnover to R&D, while the Basque and European averages hover around 2%. Basque INMLs also score well if we compare them with their competitors in terms of the launching of firsts. This comparison shows that 60% of them are more active in this regard than their 3 largest international competitors.

However, in the field of patent applications, we can see that almost three-quarters of Basque INMLs are less active than their main international competitors. As the following graph shows -which considers the total number of patent applications in the 21st century on behalf of the respective Basque INMLs and their most relevant direct competitors, and divides it by the number of their employees- only four of them (cases 2, 6, 26 and 30) outperform their rivals.



With regard to the contribution of INMLs to the setting of standards and norms that regulate the markets that they operate in, our research reveals that only a minority is active in this area, although it is also true that there is growing interest among the sample of INMLs in this type of corporate diplomacy.

Implications:

R&D is necessary for companies to gain in competitiveness and to improve or consolidate their market position. As such, it can be interpreted as an "offensive" activity. However, mounting an attack without taking care of the defence is usually not a good tactic. In this sense, it may be worrying that the analyzed INMLs do not file more patent applications.

Moreover, while we note that the sample of INMLs lags behind its international competitors in terms of patenting activity, we conclude that the analyzed sample is responsible for almost a quarter of all EPO (European Patent Office) patent applications filed by Basque companies throughout the 21st century. This suggests that patenting activity among Basque companies as a whole is very limited, and probably very deficient compared to their peers across the board.

Consequently, we suggest that the tendency to not make more use of intellectual and industrial property defence mechanisms may mortgage business competitiveness of the analyzed companies. Therefore, the results of our analysis should serve as a warning to:

- These and other companies, and recommend them to take more consistent action in developing their patent portfolio, IP management and standard setting skills; and
- Policy makers, and encourage them to guide companies towards using more robust methods to protect their inventions and to support companies in their IP management and corporate diplomacy strategies.



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