

Recd 25/04/06
8L



531

THE BRITISH
CHAMBERS OF
COMMERCE

65 Petty France
London
SW1H 9EU
Telephone: 020 7654 5800
Facsimile: 020 7654 5819
Email: info@britishchambers.org.uk
Internet: www.chamberonline.co.uk

Gowers Review of Intellectual Property
Zone 4/E1
HM Treasury
1, Horse Guards Road
London
SW1A 2HQ

24 April 2006

Dear Mr Gowers,

BCC response to the Gowers Review of Intellectual Property

The growth of emerging markets means that UK businesses are facing increasing international competition. In order to compete, British businesses must increase operations in higher value-added activity through innovation and research and development (R&D).

Intellectual property is the best way a business can protect its intellectual investment. It gives a limited monopoly that allows a company time to develop a product without other players dominating the market. A broad range of industries, especially research-intensive sectors like pharmaceuticals, automotive, consumer electronics and the ICT sector, rely on intellectual property as a vehicle for growth and innovation. Robust intellectual property is needed to allow them to recoup their investment in product R&D.

As the UK economy becomes more knowledge-based, intellectual property rights will also become more important to start-up companies, helping them to raise finance and protect their intellectual investment.

It is therefore essential that the intellectual property rights of British businesses are protected and that companies that currently do not innovate are incentivised and supported in doing so. The Government has introduced the R&D tax credit to encourage businesses to innovate but it must also ensure that the intellectual property framework is as simple, transparent and accessible as possible.

In our view there are currently a number of obstacles to businesses, especially SMEs, investing in intellectual property:

- There are problems with accessibility to innovation and intellectual property. Many SMEs are put off by complexity and cost.
- In some cases, intellectual property is perceived to be the domain of larger businesses and as an instrument which is used to give monopoly rights, which distort the market. SMEs may therefore have a certain amount of mistrust of the system. They may also fear that if they try to innovate, the 'big players' will use their patents to crush them.

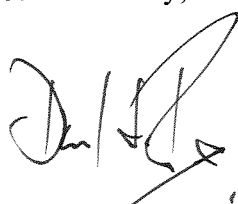
- Patents are too expensive to obtain and enforce, especially for SMEs. BCC research¹ found that technology-based manufacturers in particular have very real concerns about the costs associated with registering a product for intellectual property purposes. Put simply, the cost of obtaining intellectual property rights to a product is such that small firms are often prevented from taking this course of action. As a consequence, some businesses are reluctant to develop their products and introduce them to the mass market. This serves to restrict a firm's profitability which, in turn, is detrimental to the overall performance of the UK economy.
- There are concerns about the scope and quality of patents being awarded and question marks over whether some should have been awarded at all.

To incentivise innovation across the economy, the Government should continue efforts to speed up the process of patent applications and ensure that SMEs have access to affordable protection of their intellectual property rights so they can innovate on a level playing field with larger enterprises.

We would suggest that the Government make costs associated with intellectual property eligible for tax credits. Such an enhancement to the tax credit would help small businesses to secure intellectual property rights, providing them with the reassurance that they need to market a product and enhance profitability which could then be invested in researching and developing the next new technology.

At European level, we believe that greater harmonization of the patent system between EU Member States is required and that UK businesses have support in applying for patents from the UK and European patent offices.

Yours sincerely,



David Frost
Director General

¹ 'Inventing our Future: Research and Development in Manufacturing SMEs', British Chambers of Commerce and the Manufacturing Foundation, 2005.