

# นโยบายการบริหารทรัพย์สินทางปัญญา เพื่อผู้ประกอบการ การวิสาหกิจขนาดกลางและขนาดย่อมของไทย

## STRATEGIC MANAGEMENT OF INTELLECTUAL PROPERTY: THAI SMEs ENTERPRISES

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## บทคัดย่อ

ประเทศไทยวิสาหกิจขนาดกลางและขนาดย่อมมีบทบาทสำคัญในการขับเคลื่อนเศรษฐกิจของประเทศจากสถิติพบว่าผู้ประกอบการ SMEs ที่ทั่วประเทศคิดเป็นร้อยละ 99.7 ของวิสาหกิจทั้งหมด และคิดเป็นร้อยละ 37.2 ของรายได้ผลิตภัณฑ์มวลรวมภายในประเทศ (Gross Domestic Product: GDP) อย่างไรก็ตามผู้ประกอบการ SMEs ของไทยควรตระหนักถึงกลยุทธ์ทางธุรกิจ โดยเฉพาะด้านทรัพย์สินทางปัญญาซึ่งเป็นธุรกิจที่มีการเปลี่ยนแปลงรวดเร็ว กล่าวคือทุนทางปัญญาสามารถสร้างรายได้มากมายให้แก่ผู้ประกอบการหรือผู้สร้างสรรค์ทรัพย์สินทางปัญญา โดยการเรียนรู้และตระหนักถึงการบริหารจัดการ และการคุ้มครองสิทธิในทรัพย์สินทางปัญญา เพื่อสร้างแรงจูงใจในการค้นคว้าและวิจัยนวัตกรรมและหาแนวทางในการสร้างผลประโยชน์สูงสุดในเชิงพาณิชย์ให้แก่ผู้ประกอบการไทย

**คำสำคัญ:** การบริหารทรัพย์สินทางปัญญา วิสาหกิจขนาดกลางและขนาดย่อม การคุ้มครองสิทธิในทรัพย์สินทางปัญญา

## Abstract

Small and medium enterprises (SMEs) are the core movement of the economy in various countries around the world. In Thailand, SMEs generate 99.7% of the total income for the country and contribute 37.2% of the gross domestic product (GDP). Additionally, from the rapid changes of globalization, Thai SMEs need to practice diverse business strategies to survive in the global market. However, intellectual property assets can offer a lot of benefits; for example, creators who protect their intellectual property rights (IPRs) may generate more revenue from their creativity through commercialization. Thus, it is important for SMEs to know how to manage their intellectual property assets.

**Keywords:** Intellectual Property Rights, SMEs, IP Management

## 1. Introduction

The knowledge economy has generated structural changes to the economics of Thailand making it essential for SMEs and policymakers to address new challenges for the country. One of the most crucial demands faced by SMEs is how to manage their intellectual property (IP) products in order to benefit from the innovative and creative capacity of their firms. Intellectual property rights are useful tools for managing innovation and solving market failures affecting firms. Thus, it is increasingly important for entrepreneurs, creators, and researchers of SMEs and also business consultants to have an exceptional understanding of the IP system in order to effectively manage SME's intellectual assets.

Therefore, every aspect of the IP cycle must be developed simultaneously if the country wishes to participate effectively as a creative economy. (Kalanje). For example, if the Thai government would like the people to make more creative products then the government would have to provide strong IP management. If the creators were able to rely on effective IP policies, they would be incentivized to create more works. In contrast, where piracy is not controlled, creators would not likely risk investing in, or creating copyrighted products (Boonfueng, 2013).

Thus, this paper aimed to address the current scenario in Thailand with regards to the benefit of IP and its application among SMEs as well as propose integrated assessment modeling (IAM) to be practiced by Thai SMEs. This paper is divided into three parts. Part one discusses about the IP landscape and challenges faced by Thai SMEs. Part two comprises the benefits of IPRs as well as management of Intellectual Property Rights (IPRs) or known as AIM, which consists of the three value chains. Part three highlights the government's initiatives in assisting Thai SMEs in empowering IP.

## 2. Background

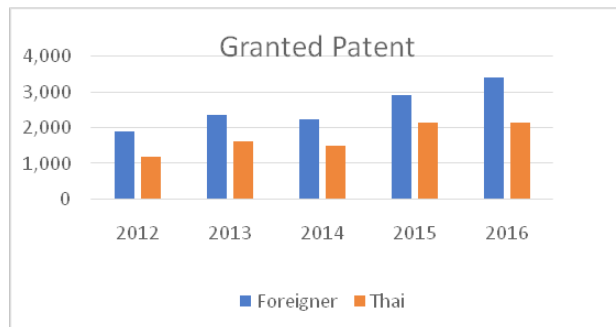
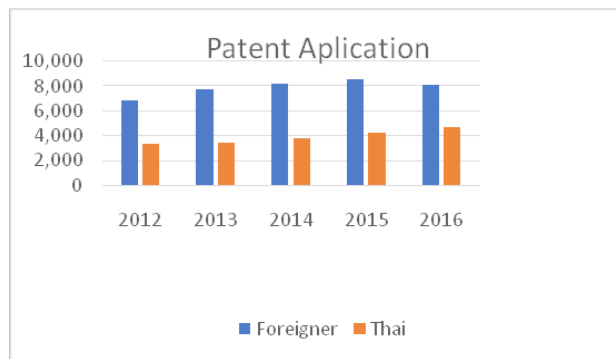
In Boonfueng proposed that the Thai government should initiate a balance among the creation, protection, utilization and enforcement of IPRs (Boonfueng, 2013). In particular, the government should have clear policy and strategy of the utilization of IPRs and provide support programs for creating effective intellectual property management of the government and private sector, both in the organizational and national level, that would benefit socio-economic development overall. Moreover, Tanasugarn mentioned about the basics of Thai IP management, as it is different for private universities and the government. (Tanasugarn, 2015)

In addition, Burrone reported that IPRs are useful tools for managing innovation as well as increasing opportunities for inventors, entrepreneurs, and SME consultants to learn about the IP system in order to effectively manage a firm's IP assets (Burrone, 2005). According to the World Intellectual Property Organization (WIPO), "IP is an economic asset." For this reason, countries are seeking on how IP can be used to promote economic growth. As such, WIPO was requested to conduct a study on how to manage IP products. The IP management project from WIPO concluded with a cooperative agreement that would support the integration of IP policies. It proposes to assist the ownership, protection, and management of IP assets by promoting technological innovation and enterprise competitiveness as well as a digital economy. In taking into consideration the planning of IP strategies, numerous countries; such as, Australia, the USA, and the Philippines have published their IP strategy plans. According to Moore and Craig, (2008),

intellectual asset management means to generate, distribute, and use knowledge to increase the value of a firm and provide new opportunities to exploit it. Accordingly, the vary existing discussion on the proper management of IPRs among Thai SMEs can result in widespread benefits to the SMEs.

**Current Thai IP situation**

Based on the statistics from the Department of Intellectual Property (DIP) during 2012-2016, the DIP obtained 58,814 patent applications consisting of 90% of foreign applications and 9% from Thai applications. This was demonstrated as very unsatisfactory in terms of innovation in Thailand.



Source: Department of Intellectual Property in Thailand

This lack of innovation was because Thailand faced a number of problems relating to IP creation, protection, and exploitation. Thus, innovation in Thailand is still low compared to foreign-owned. As a result, the level of understanding of what is IP commercialization is still not sufficient and Thailand is far from being an IP conscious society.

### 3. Advantages of Intellectual Property Rights (IPRs) for SMEs

#### 3.1 IPRs for Thai SMEs: Background

Intellectual Property Rights (IPRs), as intangible assets, are a key factor in the competitiveness of businesses in the global economy (King, 2002). Acquiring intellectual property (IP) is a primary method for considering a return on investment from innovation, and is particularly related to SMEs when they internationalize their business in developing countries; such as, those in Southeast Asia. (South-East Asia IPR SME helpdesk, 2016). Management of an IP serves to protect a company's innovations from its competitors. This can also be an important basis of the cash-flow for SMEs through licensing or selling by transferring the ownership, which can create substantial encouragement when appealing to investors.

#### 3.2 IPRs in Thailand: Basic IP Law

IPRs are the rights given to the individual over their creations, so they usually give the creator an exclusive right over the use of his/her creation for a certain period of time. IPRs are also considered by economists as a tool to balance private returns to creative activities as firms can often utilize IPRs to protect their profits from infringement. There are three main types of intellectual property law in Thailand.

First, the copyright law allows for the exclusive right of an author or a copyright holder to publish or reproduce his/her work. These rights include copying, publishing, translating, adapting and altering, distributing, etc. Protected items can be works of literature, music, drama, visual and graphic arts, including (but not limited to) books, movies, songs, computer software, websites and photographic works (Thai Copyright Act, 1994). In 1931, Thailand also joined the Berne Convention; therefore, works are protected from the moment of their creation regardless of their mode or form of expression, content, quality and purpose. (Bern Convention, Article1). Although the Berne Convention requires that copyrights be awarded automatically to the creator without the formal need to register these rights, it is still advisable to record copyrights in Thailand, as this would make it much easier to prove one's ownership in any court proceedings if there was ever a need to enforce these rights before a Thai court. The law recognizes copyrighted works conferred in foreign jurisdictions provided that the creator is a national, resident or first published the work in a member country of the Berne Convention. Moreover, the Thai Copyright Acts No. 2 and No. 3 B.E. 2558 (2015) included for the first time the responsibility of intermediaries or Internet service providers for infringement of copyrighted works on the internet. Separately, recording of movies in theaters without authorization carries a penalty of a maximum of four years' imprisonment. (South-East Asia IPR SME helpdesk, 2016)

Second, a patent is a right granted to the owner of an invention to prevent others from manufacturing, using, importing or selling the invention without his/her permission (South-East Asia IPR SME helpdesk, 2016). A patent may be obtained for a product or process that provides a new technical solution to a problem or a new method of doing things, the composition of a new product, or a technical improvement on how certain objects work. The Thai IP system divides patents into three categories: patents of invention, product design and patents of utility models. Gaining a patent is the only way to efficiently secure a product or a method against imitators. This asset provides SMEs with an exclusive right to produce, use, offer for sale, or import a patented product or process into a new market. The patent may therefore give a strong competitive advantage and generate a profitable return on investment. A patent owner, or better, a portfolio

of several patents, may also prove the innovation capacity of a company and potential partners. Thus, it can boost the development of business activities into a new market (South-East Asia IPR SME helpdesk, 2016).

Finally, a trademark is a sign that allows consumers to identify and distinguish goods or services of one undertaking from those of another. The sign may be composed of words, slogans, devices, letters, numerals, combinations of colors or any combinations of the above. The registration of a trademark provides Thai SMEs with an exclusive right to exploit the trademark within a geographic territory. SMEs may thus license their rights to allow a third party to sell goods or services under their trademark and collect royalties. (South-East Asia IPR SME helpdesk, 2016).

#### **4. Barriers Faced by SMEs in Utilizing an IP system**

With respect to analyzing the situation of various countries that demonstrated SMEs faced a number of difficulties in applying an IP system, as a result, there appeared to be lack of clarity about its significance to the companies' business strategy and competitiveness. In addition, SMEs may find the IP system to be too complex and expensive to use (Burrone, 2005). For example, SMEs do not apply for an application because of the high costs of patenting; such as, the official fees including application fees, publication fees and maintenance fees, as well as legal advice (Burrone, 2005). However, the cost of protection may be perceived by many SMEs as exceeding the potential benefits that could be obtained. Interestingly, considering that these costs may be incurred before the product has entered the market, investors rarely provide financial support for IP protection.

Furthermore, SMEs ensure the requirement to manage their IP system as a means to appropriate innovation and IP law. Consequently, SMEs fall into awareness-raising and IP training, financial assistance, and assistance for IP exploitation (Jalil and Osman, 2010).

#### **5. IP Management**

The term "IP Management" refers to the administration and organization of intellectual property matters in institutions; such as, companies, public or private research institutions and any other entity engaged in the creation and commercialization of immaterial rights (Jalil and Osman, 2010). Typically, the management of IP rights – which for the purpose of this guide includes any immaterial asset that may have commercial value or be required for facilitating future exploitation – requires a centralized organization responsible for overseeing the creation and commercial exploitation of the rights (Bainbridge and Howell, 2014).

##### **5.1 IP creation**

The IP creation strategy focuses on raising the awareness of the IP on a broad scale and proposing proper incentives for creators; such as, awards and tax incentives. IP creation is the most basic step that it may be part of the business vision and be supported by the promise of corporate time. Thus, it consists of the idea of management that includes the evolution and development of ideas. As such, there are a few factors that can act as incentives for employees to display their creative and innovative talents.

### 5.2 IP protection

IP valuation should be protected in contrast to infringement; otherwise, its value would be weak. IP management with regards to IP protection refers to the activities of considering what types of protection are appropriate. SMEs' patent protection is important to protect their firm's innovation. However, the proper protection for food manufacturing is a trademark. As discussed earlier, there are three main types of protection - trademarks, copyright, and patents. IP protection should also reform the IP laws and regulations in line with international standards. Moreover, it should develop and accelerate the process of IP registration.

### 5.3 IP utilization

In taking the business and revenue model into consideration, this would help the firm to maintain the IP or license it to others. Licensing is the sharing or the renting of an IP through a legally binding contract that identifies certain conditions with other companies. The benefit of IP protection is the power of the market it transfers to when it is exploited. For example, licensing out patents to other firms would be one working possibility. Other than that, the company creates a patent's portfolio with various differences of its invention. Some patent firms may develop portfolios as part of their total intellectual property strategy or create a patented product that would make it more difficult for competitors to patent a challenging invention.

## 6. Government Support for Thai SMEs

There is insufficient government support for Thai SMEs. First, this is because of the unclear policy on government funded IP ownership; such as, a clear and uniform IP ownership policy across the funding agencies. Second, the government provides less financial support for SMEs in the form of matching funds for the scaling up of R&D commercialization. Lastly, the government is not concerned about the tax benefits for a company's expense on royalties paid for IP licenses (Chatratana, 2012).

Moreover, Thai SMEs that conduct the mobile gaming industry should be more concerned about IP management because mobile game revenue in Thailand is astronomical, as 49% of gamers spend their money on mobile games. However, the problem is that Thai creators can create a game but without any knowledge on how to commercialize or transfer their concepts to others who are able to invest in them. As such, creators of game shows have realized that mobile gaming has experienced very rapid growth in the past few years, so that the creator or owner now has to consider how to manage the IP; for example, should it have a license or not. Thus, the creator has to think how to receive the royalties more than weighing if the game has more advantage with or without a license. On the other hand, if the IP products are not in trend; such as, DVD or MP3 that do not have any competition, then it is not necessary for the IP owners to have any IP management.

Presently, Thai government has promoted its roadmap with a 5-year and 10-year plan covering the main components of IP, specifically IP creation, IP protection, and IP commercialization. In order for Thailand to become a digital economy, there needs to be high-capacity digital infrastructure to build the country. For example, the cycle of IP begins with the creators or innovators creating new IP works (IP creation) then relying on the copyright register to grant them exclusive legal

rights (IP protection) before releasing them to the public. The copyright owners can commercialize the copyright works (IP commercialization), and the government creates IP laws to enforce the copyright against infringement activities (IP enforcement).

Additionally, the Department of Intellectual Property (DIP) has established the IP IDE Center that provides staff and a team for counseling who are specialized in various fields including searching and analyzing patent data for trend growth and technological advancements, intellectual property, science, innovation and technology, legal, marketing and branding, sourcing of raw materials and business matching. The Center is divided into four units, which are the Techno Lab, Idea Lab, Value Lab and Inter Lab to meet the needs of entrepreneurs based on their readiness.

The completed roadmap was published in 2005, which received a good deal of attention from both the public and private sectors. The roadmap recognizes that IP plays a key role in the economic growth of the nation.

## 7. Conclusion

While Thailand has provided legal protection for Intellectual Property (IP) for many years and has a number of joint international agreements and conventions pertaining to IP, the country has focused more on IP protection and enforcement as opposed to IP creation and commercialization, which are equally important. The roadmap acknowledges that innovation in product inventions and IP commercialization are instrumental to the competitiveness of the country. Hence, the lack of IP management is a risk for companies; for example, the risk of not protecting your trademark is that someone else assumes a similar name and thus destroys the value of your company's brand. An infringement lawsuit by a trademark holder for your use of a confusingly similar trademark could cost your company its brand or logo, the goodwill associated with it and subject the company to potential damages. However, in Thailand the level of acknowledgement and the degree of IP management are insufficient.

The strength of copyright enforcement within Thailand significantly impacts the competitiveness of a Thai business both within Thailand and more globally. Copyright law is a primary method for securing a return on investment in creation, and is particularly relevant to SMEs when they internationalize their businesses. Copyright works can be an important source of revenue and cash flow for SMEs through both licensing deals and sales of IP, as well as be a significant factor to attract investors.

Although SMEs often have limited time and resources, it is important to be aware of how copyright works can be valuable to these businesses. Stronger copyright law is one of the most common concerns for businesses operating, or seeking to operate, within Thailand. Lack of effective copyright protection in the country potentially leads to a loss of business, revenue, reputation and competitive advantage in core domestic markets.

Accordingly, the Thai Department of Intellectual Property (DIP) research (Tanasugarn, 2015) suggests that strong copyright enforcement can help Thai businesses increase their gross revenue because eradicating counterfeiting and piracy would raise the demand for legal copyright works with relevant trademarks. Currently, copyright owners are competing with street sellers who significantly undercut their prices. While this may be good for consumers in the short term, if piracy discourages investments in creation, it would ultimately affect consumers due to the lack of new products. Moreover, research has shown that the music industry in Thailand has



lost approximately one billion Thai Baht to piracy in recent years (BSA, 2013). Many SMEs in Thailand are focused on music and software, so if the Thai government adopts a copyright law that better protects their rights, it would, by extension, protect their revenue and profits, as well as deter piracy and counterfeiting.

These copyright industries (recorded music, films, and publishing) tend to rely on the artistic efforts of several participants: composers and authors, performers, recording studios, manufacturing firms and publishers, and distributors. Distribution rights to each of these activities are a complex circumstance that cannot be easily managed within a weak copyright legal system. Strengthening certainty in enforcement and valuation of IP rights under the law would assist in the development of these industries.

In concluding the author of this paper would like to offer five recommendations for the future for Thai SMEs to effectively further understand the importance of an IP.

1. SMEs should understand the importance of protecting their ideas, trade and product names and consider IP as the key and valuable business asset from the beginning to avoid someone else taking them. It should also be noted that this is totally separate from registering a company or domain name.

2. Thai SMEs should manage their IP for maximum profit. For instance, the potential for licensing an IP internationally is often overlooked but may represent a profitable strategic alternative to building or buying positions in new markets. A significant benefit of extension through this route is that Thai SMEs establish a real presence in new markets, which would deter counterfeiting or infringement in counterfeit product markets.

3. SMEs should consider IP protection. For example, SMEs should protect their brand through trademark protection and securing domain names in as wide "a universe" as possible. Almost all businesses have an international dimension. Therefore, SMEs should review their IP protection from time to time to confirm it is still fully protected as the business changes and perhaps enters new markets where they may not have protection.

4. Thai SMEs should acknowledge the successful use of an intellectual property system in the country, the level of IP awareness of the business and society as a whole.

5. More research should be conducted with regard to IP management in Thailand.

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