

IP Creates Opportunities For All

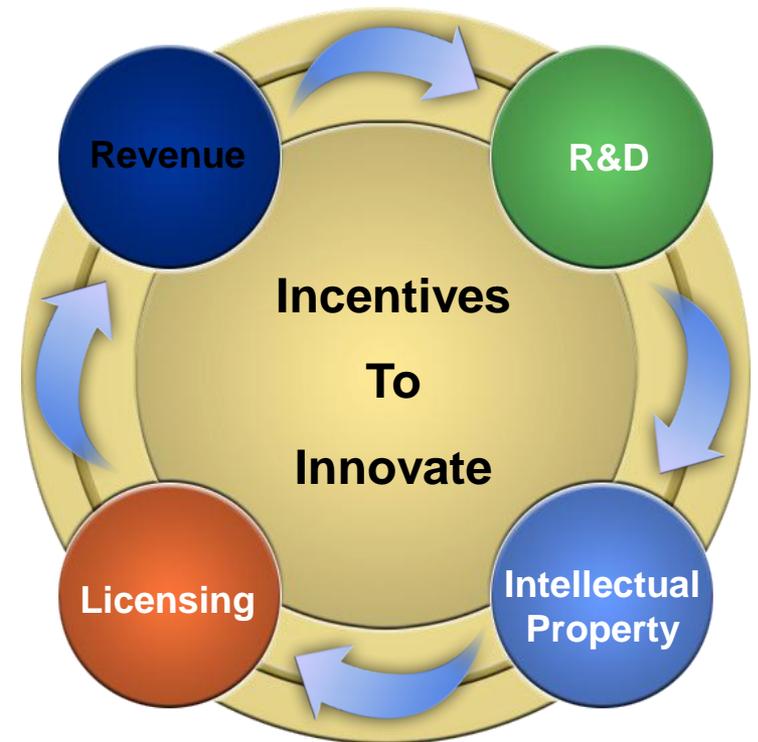
Khalil Abdel Massih
Citizenship Director, Microsoft

IP Cycle of Innovation

Ecosystem creating opportunities and promoting innovation

- Drives economic growth in developed and emerging markets alike
- Countries that have robust IP incentive systems generally experience higher rates of economic growth
- When patents are licensed, they reinforce the cycle of innovation

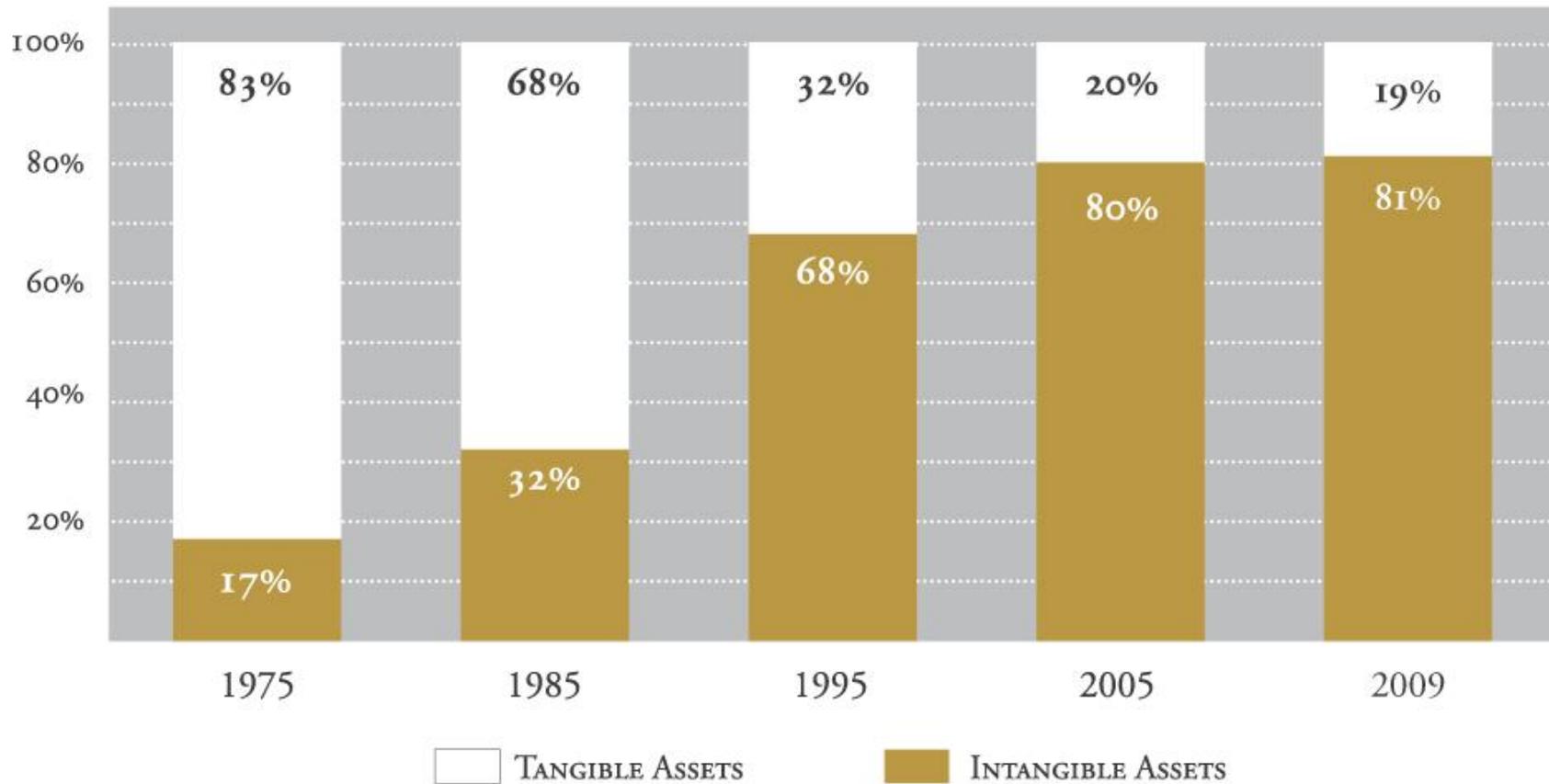
Virtuous Cycle of Innovation



IP: Increasing Impact in the Market

Intangible Assets: Patent, Trade secret, Copyright, Trademarks

COMPONENTS OF S&P 500 MARKET VALUE



Source: Ocean Tomo

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Intangible – Back and now

Trademark

Helps consumers identify reputable businesses and products with unique value propositions:

- The Phoenician / Egyptian Amphora stamps
- GE “Brings Good Things to Light”

Trade Secret

Covers any ‘secret’ knowledge an organization might have about how it runs its business, builds its products, sells its products, etc. Used to differentiate a company from its competitors:

- Phoenician Crimson dye, Egyptian mummification, Crusaders castle building techniques
- Coca-Cola’s soft drink formula, engineering process, technical documents

Intangible – Back and now

Copyright

Protects the expression of ideas by granting the author the ability to determine how a work may be distributed and used by others.

- Poems hung on Walls of “Qaaba” in Mecca
- Books, songs, software source code

Patent

Protects new, innovative methods for accomplishing some desired effect. Commonly used in IT industry as a form of currency that promotes spread of patented inventions and fuels interoperability

- plug-n-play, MPEG

Software relies on all four types of protection

Evolving Role of IP in the Software Industry

Declining reliance on trade secrets

- Growing technical openness frequently means a loss of trade secret protection

Usefulness of copyright

- Copyrights protect the right to make copies of creative works
- Copyrights do not prevent competitors imitating an innovative idea

Uniqueness of patents leads to increasing use and reliance

- Only form of IP that protects innovative idea
- Ideal in an era in which firms share technical information with a range of organizations
- Create marketplace for invention when firms pursue licensing

IP Incentive systems and right balance create opportunities and foster virtuous cycle of innovation

The IP Incentive System Track Record

In simple terms IP Incentive System have been instrumental in moving technology:

- From candle light to electricity;
- From the postal communications of the 1700's to the railroad and then the telephone in the 1800's;
- To the automobile and then the airplane in the twentieth century;
- To computing hardware, software, and Internet-based communications today.

The Undeniable Benefits of IP Incentive Systems and Protections

Consumers Benefit: Companies leverage their own IP or the innovations of others through licensing arrangements and technology alliances.

- Enhances the incentive and ability of companies to compete to develop better, more advanced products, and brings consumers more choice, lower costs, and increased interoperability.

Governments Benefit: As both purchasers of IT and suppliers of community services, governments stand to gain considerably through greater IP protections.

- Stronger IP enforcement attracts greater R&D investment and increases technology transfer projects, thus spurring growth in key IT sectors that depend upon IP protections.
- The resulting increase in tax revenues can be used by governments to improve public benefits and services for their citizens, thereby laying the seeds for further prosperity.

The Undeniable Benefits of IP Incentive Systems and Protections (cont.)

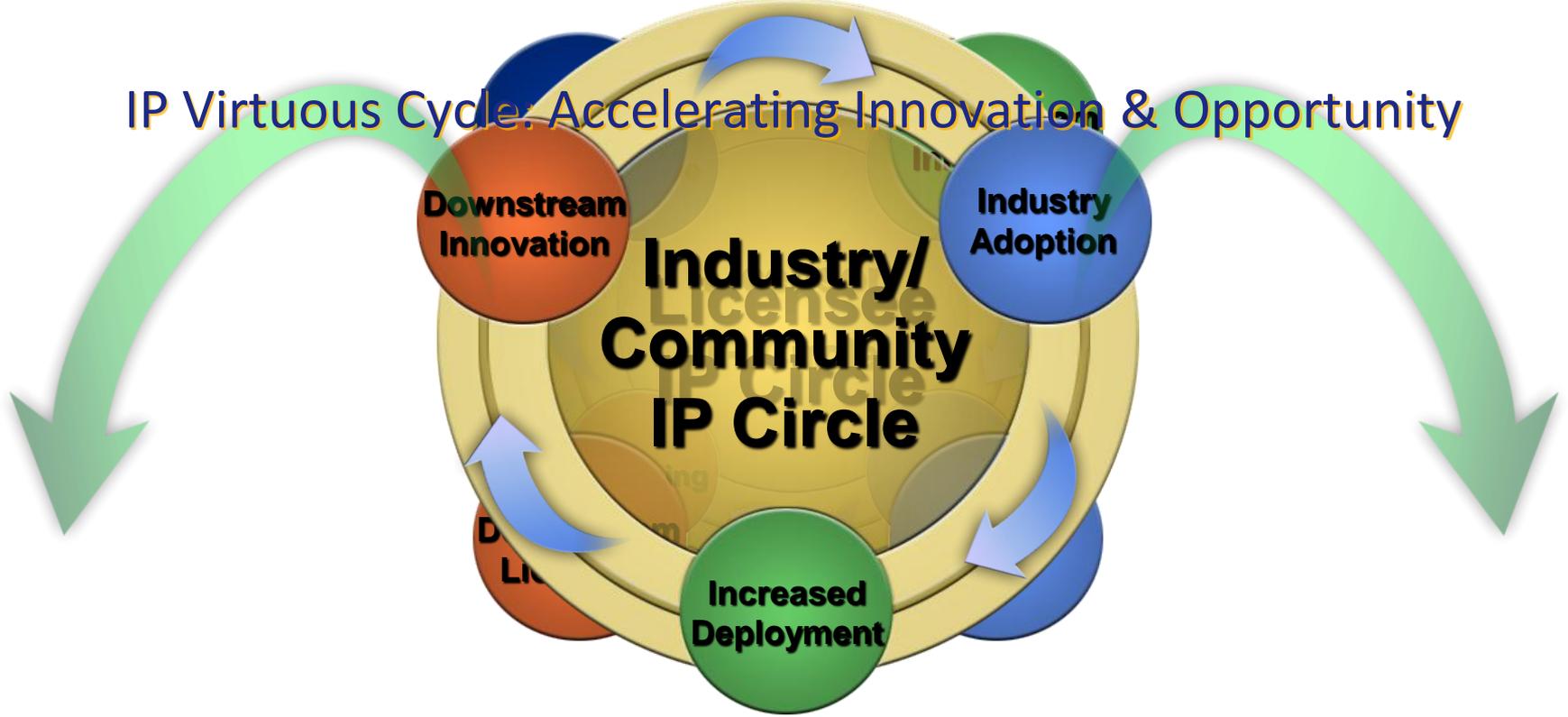
Small/Local Businesses Benefit: (SMEs) represent over 90% of enterprises in most countries, worldwide. They are the driving force behind a large number of innovations and contribute to the growth of local and national economies through employment creation, investments, and exports.

- Robust IP incentive systems and healthy IP protections encourage SMEs to identify and exploit core competencies of local economies, which attract investment capital that will help SMEs compete in areas where their expertise is often greatest.
- Further, IP incentive systems and IP protection are an important factor in the ability of SMEs to level the playing field as they compete with large firms, because it is easier for SMEs to obtain a patent or some other form of IP protection for their innovation than it is to develop the kind of brand recognition that would make it a strong competitor against the large incumbent firms in the industry.

IP Incentive Systems and Healthy IP Protections Benefit World Economies

- **Patenting has accelerated rapidly in the past decades in certain leading countries, with the number of patent applications filed in Europe, Japan, and the United States increasing by 40% between 1992 and 2002, from 600,000 to 850,000 per year.**
- **Japan and the U.S. lead the world in both patent ownership and high-tech exports. These statistics are powerful evidence of the relationship between IP rights and economic growth.**
- **It is no coincidence that Japan and the U.S., the countries with the most highly developed IP incentive, are also the countries with the strongest and most innovative IT industries.**

IP Virtuous Cycle: Accelerating Innovation & Opportunity



IP Virtuous Cycle: Accelerating Local Economic Opportunities Growth



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