

# High-growth firms and intellectual property rights

IPR profile of high-potential SMEs in Europe, May 2019

A joint project between the European Patent Office  
and the European Union Intellectual Property Office

Key findings on patents



## Background

Small and medium-sized companies (SMEs) are often said to be the backbone of the European economy. The bulk of their contribution to growth and job creation, however, is made by a fraction of so-called “high-growth” SMEs (HGFs)<sup>1</sup> that are typically driven by innovation and focused on scaling up their activities at the international level.

Against this background, the Horizon 2020 programme of the European Commission places a strong focus on small businesses that can develop market-creating, breakthrough innovations with scale-up potential.

## About the study

The study looks at the use of intellectual property rights (IPRs) by high-growth SMEs and analyses how these firms shape their IPR strategies prior to experiencing high growth.

Patents matter to small businesses because they can be leveraged to secure higher margins, license technology, establish collaboration agreements or attract investors. SMEs also depend on IPR protection in foreign markets to scale up their activities and compete with large, established enterprises.

For policymakers, potential investors or business partners wishing to identify high-growth firms at an early stage in their development, the study also shows that IPR activity can be a leading indicator of future success.

## About patents

Patents are exclusive rights that are granted only for inventions that are new and inventive. High-quality patents are assets for inventors because they can help attract investment, secure licensing deals and provide market exclusivity. Patents are not secret. In exchange for these exclusive rights, all patent applications are published, revealing the technical details of the inventions in them.

A series of case studies available on the EPO's website provides concrete examples of how SMEs with diverse profiles can successfully leverage patents and other IPRs to sustain high growth in Europe. ([www.epo.org/sme](http://www.epo.org/sme))

In-depth analysis of the European patent system's impact on trade and investment across Europe can be found in the EPO study on “Patents, trade and foreign direct investment in the European Union.” ([www.epo.org/patents-trade](http://www.epo.org/patents-trade))

<sup>1</sup> HGFs are defined as companies that experience a growth rate in turnover of 20% or more during a period of 3 years.

## Key findings

### **SMEs with prior patenting activities are more likely to grow than other SMEs.**

Across all manufacturing industries, at four different technical levels, SMEs that have filed at least one patent are 22% more likely to experience a subsequent growth period, and 9% more likely to experience high growth.

### **SMEs with a European patent are even more likely to experience high growth.**

Amongst the same cohort of SMEs, research shows that those which filed at least one European patent are 34% more likely to grow, and 25% more likely to become a high-growth firm. Filing a European patent provides a positive indicator of an SME's readiness to scale up to a European level.

### **The prior filing of a European patent performs best as a predictor of high growth in high-tech and low-tech industries.**

Considering the four technical levels within which the SMEs were classified, those in high-tech industries are 110% more likely to experience high growth when they have filed a European patent. Interestingly, the predictive power of European patents is strongest for low-tech industries (+172%), where a patent filing is usually a relatively rare event.

### **SMEs that combine patents with other IPRs are more likely to achieve high growth.**

Looking at SMEs from all manufacturing industries and all technical levels, IP bundles involving trade marks and design rights outperform other bundles and single IPR categories. This suggests that trade marks and design rights are important complements to patent protection in supporting market entry and turnover growth.

### **The full report is available for download at:**

[www.epo.org/high-growth](http://www.epo.org/high-growth)  
[www.euipo.europa.eu/ohimportal/en/web/observatory/observatory-publications](http://www.euipo.europa.eu/ohimportal/en/web/observatory/observatory-publications)

### Increase in odds of growth with prior patent use



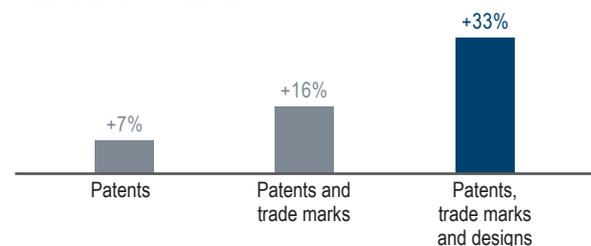
### Increase in odds of growth with prior use of a European patent



### Increase in odds of high growth with prior use of a European patent



### Increase in odds of high growth and IPR bundle



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