

AN OPEN LETTER

To: Dr Vince Cable, Secretary of State for Business, Innovation and Skills,
Mr George Osborne, Chancellor of the Exchequer

2nd December 2010

Dear Mr Osborne and Dr Cable

"THE PATH TO STRONG SUSTAINABLE AND BALANCED GROWTH"

SMEIA is pleased that the Government now accepts it has to be "*pro-enterprise, pro-competition and pro-innovation, backing the big businesses of tomorrow, not just the big businesses of today*"¹. We are naturally delighted that our original idea of a patent box to encourage innovation and growth within the UK is now being pursued.

However, some of your other announcements demonstrate Whitehall's continued ignorance of the real issues facing Britain's largest group of innovators, its Small and Medium Sized Enterprises (SMEs). We request an urgent meeting with the two of you directly, so that we can offer solutions that are at least fair for high tech growing SMEs.

An Intellectual Property system unfair for SMEs

A false assumption is made that an SME holding a patent will have 'protection' for their related investment in R&D and any resultant innovation. The principle of a patent is that Government publishes the inventor(s) discovery of something new and useful, in exchange for a 'monopoly' on their invention. This has to be done prior to making any money from the resultant innovation. Valuable UK SME inventions are thus easy to copy and almost always are. Yet for high-tech SMEs, the main source of new businesses tomorrow, a patent is almost impossible to enforce. It does not require another review of IP to establish this particular unfair fact yet again, it requires immediate change.

SMEIA and its predecessors have had several meetings with your Departments over the years including one on 25 October 2010 with Baroness Wilcox, your Minister for IP. They all end up with Ministers and Whitehall trying to defend an unfair patent system and then doing nothing about it. Although no-one likes to hear the truth about how the big businesses of today can simply hi-jack British inventions taking billions from our economy and many jobs, action is required to rectify matters.

We have solutions to offer and therefore hope to have constructive discussions directly with you so, together, we can remove artificial UK barriers that prevent growth from SME innovation.

¹ <http://www.number10.gov.uk/news/latest-news/2010/10/creating-a-new-economic-dynamism-3-56114>

The Whitehall myth of Universities linked with Innovation

HM Treasury data demonstrates conclusively that there is little link between British Universities and Innovation. This false linkage was how the last Government wasted hundreds of millions of pounds on "technology centres", a mistake that Whitehall seems unable to accept.

Public funding for University research can only result in innovation and jobs if the decision about what is to be investigated originates with the external innovator/entrepreneur. Letting bureaucrats and University people decide themselves what is to be investigated with public money is starting at the wrong end insofar as the country is looking for commercialisation. In the US under their SBIR scheme, it is the SME who decides what additional information needs to be researched in order to develop a product for the market, which is the objective.

Innovation quangocracy

Our members are deeply critical of the quangocracy that has developed around innovation. Funds are swallowed up by the over-heavy bureaucracy that quangos seem inevitably to create. 'Advice' is offered from those outside the sphere who most commonly have only theoretical knowledge and which is often 180 degrees from practical reality. Grant allocation goes to the 'safer' and 'faster' project rather than the potentially more profitable - the next Google or Twitter for example. We have specific conversations that we would like to have in private on some of these matters given that this is an open letter.

Financing Innovation

The previous Government poured billions into banks and then chided them for not lending to SMEs. To SMEIA, this was a straightforward case of admitting that the bankers have control of the economy, not the Government. Lending directly to Britain's high tech SMEs would have been a far more sensible option for at least the monies intended for the big businesses of tomorrow. That can still be done but, for reasons perhaps you could share with us, Government prefers to largely go via intermediaries who have little or no interest in financing innovation in SMEs?

To be clear, we are not in any way suggesting that any of those with vested interests are acting improperly; it is entirely proper for everyone to fight their corner. The problem is that policy has progressively moved the balance in a direction that has been against the interests of the group we represent, and on whose efforts you have placed a great deal of the hope for the future.

We therefore look forward to having a meeting with you and George Osborne so you can hear what the real problems are and then respond with policies that are fair to high tech SMEs. We await your reply with interest.

Yours sincerely



The Committee of the SME Innovation Alliance