

**The Role of Intellectual Property Portfolio in Competitive Advantage  
of SMEs in China**

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Intellectual property (IP) protection in domestic and global marketplace is increasingly intertwined with corporate competitiveness in knowledge-based economy. Generally defined as an intangible creation of human intellect, "IP" covers traditional areas of legal protection known as patents, copyrights, trademarks, and trade secrets, etc. IP assets affect the book value and a company's unique position. The value and strategic importance of protecting IP cannot be overstated. The paper analyses the role of IP portfolio in competitive advantage in Small and Medium Enterprises (SMEs) in China based on the data collected from questionnaires and interviews (The interviews were conducted with middle managers or top managers with direct knowledge of the IP protective strategy in the enterprises at each firm in the study sample).

In China, no effective system of IP protection started emerging until a little over two decades ago. Since then, an IP structure has been systematically set up in order to meet the needs of economic development. In 1980, China was accepted as a member of the World Intellectual Property Organization (WIPO). These years a series of laws of IP was issued, such as patent law. In 2001, China gains membership of the World Trade Organization (WTO). The Trade Related Aspects of Intellectual Property Rights (TRIPS) established a set of intellectual property standards for all members of WTO, including China. For Chinese enterprises, it becomes more and more important to systematically build a portfolio consisting of different IP rights, with the aim of protecting the various aspects of the company's technology and commercial interests. Building a strategic IP portfolio is economically important from both an offensive and defensive standpoint: using IP defensively, when attempting to stymie domestic and foreign competitors by creating barriers to entry; and using it offensively, when encountering barriers to entry in world markets. Only by simultaneously pursuing defensive and offensive strategies can a company use IP effectively: as a double-edged sword. IP portfolio plays an important role in competitive advantage of SMEs, which is consistent with empirical tests.