Managing Intellectual Property™

IP Focus

Europe

Learn to share

Vereenigde

2007

Why knowledge-based societies and economies need to share intellectual property information, and how they can do it. By **Johan Renes** of **Vereenigde**

Learn to share

In the past two decades governments, universities and companies have become very much aware that intellectual property rights are important immaterial assets. However, while in almost every field imaginable commerce is moving towards the virtual world to offer, buy and share, in intellectual property the web does not play such a big part.

Both on the public and the private side the originators of intellectual property rights could benefit from using the internet for just that: offering, buying and sharing.

The political side

Governments such as the Dutch government have expressed the need for their societies to become more knowledge-based. To stimulate the development of such a knowledge-based society, the Dutch government has started many initiatives, directed at enhancing the creation and valorization of knowledge generated within society.

Innovation is considered to be the key to a successful growing economy.

So the Dutch government has created an institute called the innovation platform, it has instructed universities and other government organizations to create value from their knowledge (valorization), and it has allocated financial means (grants, subsidies, tax advantages) to promote the filing of patent applications and kick-start technology-driven businesses. Other governments of countries or regions that have a generally high level of education, with the accompanying expensive workforce, and find it difficult to compete with cheaper labour countries, have developed the same or similar plans.

Governments need to measure the effectiveness of the instruments created to stimulate a knowledge-based economy. This they tend to do by creating targets in numbers. The number of spin-out companies from universities within the next five years, the number of patent applications filed originating from the country within the next five years, and so on...

One wonders whether a rise in spin-out companies and a rise in patent applications are the correct criteria for measuring the progress towards a knowledge-based society.

Filing a patent application is a long way away from selling a product covered by a patent. Starting a company is simple; running a successful company capable of creating shareholder value from its immaterial assets is quite another thing. That governments should be looking for quality and not quantity is a complaint often heard from universities and technology-driven companies. The quality probably could be improved by bringing together complementary technologies from different universities and research organizations instead of trying to develop each technology on its own.

The university side

Dutch universities and other research organizations have been instructed by the government to put more effort into valorization of knowledge created from their research. According to a letter (January 27 2005) of the secretary of state of education, culture and science, addressed to the universities, these universities should pay more attention to secure intellectual property rights, through patent applications and licensing, and to creating spin-out companies. All

One wonders whether a rise in spin-out companies and a rise in patent applications are the correct criteria for measuring the progress towards a knowledge-based society

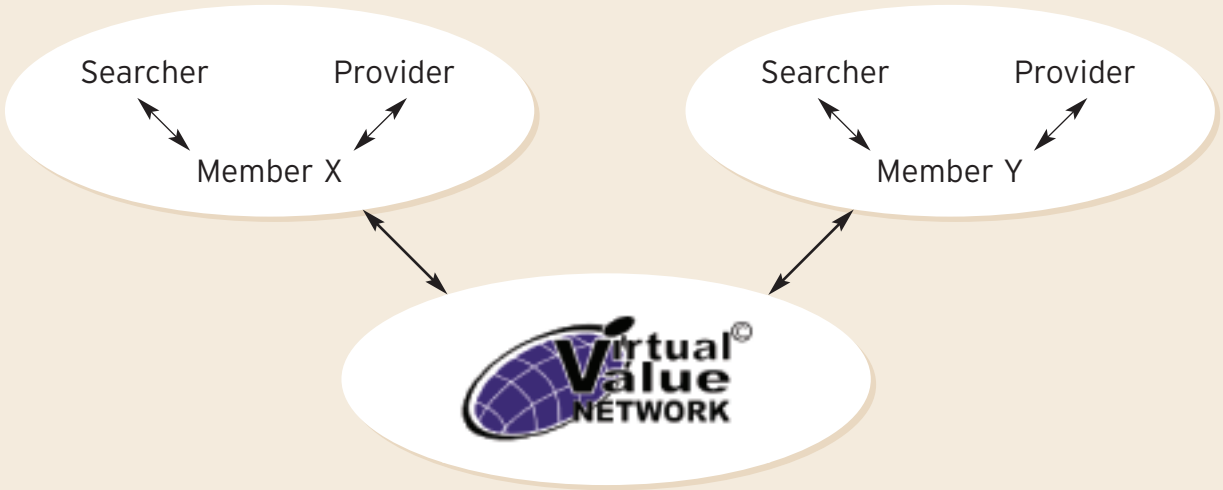
JOHAN RENES

Johan Renes, who studied chemical and molecular biology (1988) at the University of Utrecht, is a Dutch and European patent attorney. He is partner of Vereenigde. Renes strongly advocates building intellectual property portfolios and has done so for many start-ups now among the larger biotechnology companies in the Netherlands and Europe.

Renes is an expert on biotechnology prosecution and litigation matters, and a specialist in the commercialization of IP rights, in particular in life science. He has rapidly acquired an in-depth knowledge of and experience in a new type of intellectual property protection: supplementary protection certificates for pharmaceutical products.

In December 2006, Renes was appointed visiting researcher on the bio-IP course at the Department of Medical Genome Sciences, Graduate School of Frontier Sciences, of the University of Tokyo.

The concept



universities in the Netherlands have some sort of technology transfer office, which is typically responsible for these two activities. This is organized in similar ways around the globe. It is generally accepted that university technology is skewed towards the fundamental side, that it is early technology. It is also generally recognized that the university does not develop the technology further, because its task is not development, but further fundamental research. University technology is hardly ever complete by itself and needs to be supplemented by other technology (from other universities or technology-driven companies.) So it is hard for tech transfer offices to licence out their technology. Universities are typically not interested in or even aware of commercial issues such as freedom to operate, or scope of possible application of their intellectual property. How often is there an ownership, material transfer agreement or other issue when looking at university-owned assets? This typically further hampers the creation of value from their assets.

Again, if universities could bundle matching technologies and present portfolios that would be able to survive reasonable due diligence, the success rate of their tech transfer office might improve significantly.

The company side

Although technology-driven companies are aware that intellectual property rights are of the utmost importance to their success, they also are aware that research that needs to be done to obtain new intellectual property rights is a high-risk and high-cost activity. The outcome of research is (almost by definition) unpredictable and it is hard to predict whether even positive research results can be turned into products. There might be (and there almost always are) third-party rights that limit the freedom to operate or there might be better or cheaper alternative products. There has been a trend (which is probably most prominent in large pharmaceutical companies) to acquire technology that has survived the early stages and so is associated with a lower risk. That this technology comes with a premium to be paid for early development is accepted as a matter of course.

Still, identifying technology that is useful, available and of sufficient quality is difficult. Of course there are plenty of databases that show what intellectual property rights have been filed (after 18 months!) and there are plenty of databases where scientific articles may be found, but a plethora of information is probably worse than little information when the main elements of that information are missing. Is it protected enough and is it available? To be valuable, technology must be protected by a portfolio of intellectual property rights, it needs to be able to survive due diligence, it should probably be part of an ongoing research effort (and not something that the owner has already discarded, but not yet withdrawn) and it should be a more or less complete technology (not needing complementary technology and so probably additional in-licensing, which would lead to (often prohibitive) stacking issues).

Also, a company might not always want owners of technologies to know that it is looking for that kind of technology, especially not when it is not known whether it is available. This knowledge might have a bearing on price and even on possible later infringement of the IP rights surrounding that technology. It would be beneficial to know that technology is available before inquiring (not having to try and find out through a straw man and not spending time on technology that is not available after all) and even more beneficial to be able to obtain this knowledge anonymously.

On the other hand, companies that own technology, smaller companies in particular, might not be able to make full use of that technology. They might not have a presence in one or more markets in the global marketplace, or there might be applications of their technology that are outside their market scope or their development capabilities.

Many companies are active only in one of the three markets (USA, Europe or Japan) and could earn considerable extra income by having partners use their technology in the other markets.

Many technologies can be put to use in different (neighbouring) fields. It is unlikely that a smaller company has all these fields in its portfolio. So companies could generate extra income by licensing these other fields to partners.

From the point of view of companies there seems to be room for improvement in the quality of what is offered by (government-related) originators of intellectual property rights and there seems to be an opportunity to improve chances of success and reduce costs to identify and close deals on the intellectual property of which it is known that it is available.

The practitioner's view

The practitioner (patent agent or patent attorney) in private practice is often stuck in the middle of the valorization process of intellectual property rights.

In the Netherlands and Europe in general (probably also in Asia) practitioners active in the field of obtaining, defending and opposing intellectual property rights are usually not involved in licensing. Yet more and more practitioners in that field are confronted (for example, when discussing filing a new patent application) with the question whether they can assist with commercializing those intellectual property rights. These practitioners are in a good position to do so – they might have seen complementary technology from other clients or in intellectual property rights from third parties they have analyzed – were it not that confidentiality obligations and often code of conduct requirements prevent these actions. Yet the need is clear to most practitioners. One of the less attractive features of being a patent practitioner is seeing perfectly well-drafted intellectual property rights go down the drain because the commercialization fails, often even knowing what technology might have complemented those intellectual property rights to make commercialization more feasible.

There seems to be an opportunity to improve chances of success and reduce costs to identify and close deals on the intellectual property that is available

Virtual value network

For these reasons Vereenigde has decided, together with a software database internet publishing house (disk@d), to create an international network of patent attorney law firms connected to a database that comprises intellectual property rights. These intellectual property rights (typically of the clients of these firms) are entered in the database by the law firms that are members of the network. They are classified according to the international classification (IPC) of WIPO. They may be published applications or unpublished, they may be know-how. They may be anonymous, they may only be teasers. They may be trade marks. They may be accompanied by information regarding status, other positions in the portfolio, whether a freedom to operate analysis has been carried out, or due diligence. Terms for a possible agreement (licence, sales, research and development) may be added. The accuracy and reliability of the information is guaranteed by the mere fact that the information is entered by intellectual property firms. In principle, the information in the database is confidential.

Clients of the member law firms can obtain subscriptions to search the database, based on IPC, but also by free text.

Vereenigde hopes and expects that the introduction of the virtual value network will enable stakeholders in the field of intellectual property rights to improve the commercial success of these rights.