Workshop on the current and emerging issues in Patent Markets

Report of discussion with patent market practitioners

Brussels, 3 March 2016

The aim of the workshop was to identify current and emerging issues in the patent market that could merit further research efforts and which might be funded by public institutions and agencies promoting innovation. The invited participants, see annex 1, were welcomed by the co-moderators Patrick McCutcheon and Kjell-Håkan Närfelt on behalf of the organisers of the workshop, DG Research and Innovation of the European Commission and Vinnova, the Swedish Innovation Agency. The discussion took place according to Chatham House rules with no attribution of individual remarks and involved breakout in two parallel sessions.

After a round of introductions Eskil Ullberg, an adjunct professor at George Mason University presented as a thought starter a paper which had been distributed prior to the meeting. In this he suggested that courts should not be the only way to clear markets, that mechanisms are needed to ensure access of SMEs and that intermediaries have a critical role to play. He proposed therefore to focus on facilitating transactions, in addition to enforcement efforts, in order to create a more open market in patents, coordinating economically useful patented technology and thereby increasing economic growth.

The participants then discussed the overarching issue considering the legal, economic and institutional dimensions. One group was moderated by the above mentioned and the other by Nikolaus Thumm of the Commission's Joint Research Centre (JRC) and Eskil Ullberg of Vinnova. Following a short networking break, the participants reconvened to hear the draft conclusions of the co-moderators. Subsequently the four moderators discussed by video conference the same question with F. Scott Kieff, Commissioner at the International Trade Commission.

Whereas the participants also indicated their broader concerns on which policy discussions are either underway or could be contemplated without necessarily undertaking further investigation, there was a clear message that, as there is an under-appreciation about the patent system and value of patents as assets, an educational or information campaign is needed to inform variously other policy makers and regulators in the EU, US and their main trading partners, the public at large and SMEs.

One general comment was that all participants found the exercise useful and encouraged the Commission and Vinnova to reflect on how such exchanges could take place on a regular basis.

Specific recommendations of the participants

According to the practitioners, the issues that would merit some form of investigation are those which could be grouped under a heading of case analysis. These include consideration of the following:

- Comparison of the grounds for invalidity in different jurisdictions taking into account the number of patents granted and the types of patents.

- Determination of the number and frequency of injunctions, actually sought, granted and enforced in different jurisdictions as well as the actual effect of those granted.

- Data on the actual incidence of patent hold-up and the opposite phenomenon of patent hold-out.

- Comparison of the basis for decisions on infringement in different jurisdictions.

In each case it was suggested to consider not just the legal reasoning but also the business context and actual business outcomes taking into account market expectations of the outcome and media reporting.

More generally, but with little further elaboration, it was suggested to study the inter-relation of the broad concept of innovation to intellectual property, to improve the quality of impact assessment of policy proposals and to consider which framework conditions hamper the incentive to take on risk and which mechanisms might be used to induce more risk taking.

Educational/Information issue

On the broad education issue, while it was not evident that this would warrant a study as such, the following issues could usefully be considered in appropriate fora.

There is some public understanding that ideas are available for free.
There is a lack of awareness of the incentives to innovate shifts the emphasis in the public debate towards the provision of (free) and does not address a need to compensate IPR holders. This lack of awareness about the interests of innovators and the need for incentives to innovate is due to a lack of public awareness about the positive effect intellectual property can have on innovation. To some extent this is inherent to the patent system. Many strong and high quality patents are not subject of litigation at a court and it will be difficult to find any news about them. Weak and low quality patents have a higher propensity to be litigated and are more likely to come up with 'bad press' shading a negative light on the patent system. The challenge is to raise awareness about the importance of the patent system and its beneficial effects and convey more positive messages deriving from the patent system in general?

As this issue might warrant some direct action without a preliminary study, determining who is best placed to do what could be a topic for the above mentioned fora.

Beyond this the following points were made in the discussion.

Essentiality of SEPs

As the test of essentiality of patents in SEPs is critical, the question arose as to who should undertake this and who should pay for it. This type of service which would help increasing transparency about patents in standards would in particular be helpful for SMEs.

Information on patents and licence deals

The question was raised on how to make available information on patents, on licencing deals and on value of patents. Patents are a great source of information. However, technological knowledge is not stored in an accessible way. Patent information is stored in the format of a mixture of technical, legal and patent offices' language which is difficult to understand for anybody who is not familiar with the language. Equally there is asymmetry of information when it comes to licensing deals, which plays in favour of those players that have access to the information and know how to play the system.
One possible solution mentioned was the use of a disclosure of “claims charts” on which deals are based, and which information could be beneficial for SMEs. It was suggested that some firms would be willing to share their claims charts as a template but did not think that the other party would like to do so.
How can information on patents and deals be accessed and how can the value of patent information be assessed and how can it be made available more broadly?

Support measures for SME’s

There is a generally recognized lack of IP services for non-professional players and SMEs. It was asked whether mentorship programs from the business community, pro-bono legal services or the set-up of some form of patent litigation insurance are useful and whether there are sufficient measures to mitigate this lack? Are additional publicly funded IP support services needed?

Other points of concern raised by the participants included.

- The importance of rigour and peer review in papers addressing these issues and the need to understand the context and status of studies commissioned by different entities.
- MNE’s as well as SME’s face challenges in enforcing their rights, i.e. obtaining any revenue from users.
- Patent ‘hold-out’ [where intentional infringers refuse to negotiate or accept licences] is more prevalent than patent ‘hold-up’ [where patentees allegedly charge exorbitant prices].
- SMEs are not aware of the importance of having an IP strategy and, even if aware, have limited skills in managing intellectual assets from a business and value creation perspective.
- Disclosure requirements on minority shareholders which would have an impact on VC’s investing in intellectual assets.
- Uncertainty about validity and enforceability of patents hinders the use of patents as tradable assets. This uncertainty among other reasons leads to difficulties in valuation of patents.
- Concern was expressed about the USPTO initiative to root out invalid patents

leading to overreach and that the initiative amounts to a ‘death squad’.

- Intellectual and intangible assets are only assets if they can be enforced against those who use them without a licence.
- There is the perception of a growing imbalance between investors in technologies and large co-operations controlling access to consumers.
- Patents are not always useful, because it takes too long to get them and they are not helpful for SMEs/startups who need patents on time.
- The weak position for intermediary, non-producing, technology developers.
- Patent markets are not only for the ICT world – where they dominate transactions – but general. They need to level and allow for more competition.
- Litigation procedures are too long to cope with short business cycles in ICT. Hence, de facto inefficiency of the court procedure (this might be part of hold-out strategy).

The Commission and Vinnova thanked the participants for their contributions and indicated that they would reflect on these recommendations and the possibilities for a more regular exchange.

Patrick McCutcheon and Nikolaus Thumm, European Commission

Kjell-Håkan Närfelt and Eskil Ullberg, Vinnova

Annex 1 list of participants

Practitioners

Omur Emul, IPR Helpdesk

Peter Harter, Managing Principal, the Farrington Group

Ray Hegarty, MD Intellectual Ventures International Licencing

Mathew Heim, VP, Qualcomm

Jean-Charles Hourcade, CEO, France Brevets

F, Scott Kieff, Commissioner, US International Trade Commission

Paul Lugard, Partner, Baker Botts

Monica Magnusson, Director, Ericsson

Yann Ménière, Chief Economist, EPO

Susanne Ås Sivborg, Director General, Swedish Patent Office

Moderators

Patrick McCutcheon, DG RTD

Nikolaus Thumm, JRC

Kjell-Håkan Närfelt, Vinnova

Eskil Ullberg, Vinnova

Other Commission participants

Fabio Domanico, DG GROW

Emilio Davila Gonzalez, DG CNECT

Vygandas Jankunas, DG RTD