

**Speaking note for the President**

**Conference "Intellectual Property as an economic asset:**

**key issues in valuation and exploitation**

**Berlin - June 30-July 1 2005**

**Parliamentary State Secretary of the Federal Ministry of  
Economics and Labour, Mr Rezzo Schlauch**

**Deputy Secretary General of the OECD, Mr Herwig  
Schlögl**

**Distinguished Guests, Ladies and Gentlemen,**

**It is both a great honour and a pleasure for me to be in**

**Berlin today to open this international conference on**

**"Intellectual Property as an economic asset: key issues  
in valuation and exploitation".**

**The EPO has organised this conference jointly with OECD and BMWA. My sincere thanks go to the representatives of our partner organisations, whose generous help has made it possible bringing together such a large number of intellectual property and finance experts from Europe, the United States and Japan. Dear Mr Schlögl, dear Mr Schlauch, please convey my thanks and recognition to your staff. I am also particularly grateful to the Federal Ministry of Economics and Labour for hosting this conference in their rooms.**

**At first glance, a partnership with two political and economic bodies and the EPO - a legal and technical body - looks surprising. But at EPO we have the conviction that such partnerships should be formed and enriched.**

**The EPO feels strongly committed to its mission, which is to add value to the European economy by granting European patents. We see a need to develop closer ties with such partners in order to properly fulfil our mission.**

**Ladies and Gentlemen, in the next two days you are going to look into the various aspects of valuation and exploitation of patents. While the discussion of the economic value of patents is a long-standing and still controversial one, it has become evident in the past years that patents have found their place in the worlds of finance and banking. In such a perspective, the EPO has been moved to the centre of the process of creation of economic value in Europe, as it processes patent applications.**

**However, patents are of little use if they are not implemented in the economy. Therefore, the valuation and licensing of patents are important indicators for the effectiveness of European patents in fostering the European economy.**

**The EPO's interest in economical and financial questions in connection with its tasks has become evident in a series of public hearings organised in 2004, at which European companies were invited to express their views on a number of points. One hearing was devoted to discussion with the financial community. Its results have partly inspired the programme of this conference.**

**With the advent of transnational markets under the WTO scheme the economic context for patent offices has clearly changed. Some years ago still, patenting was quite an insulated and specialised activity, left to experts and specialised bodies.**

**With the emergence of a knowledge-based, globalised economy, views of the patent have changed. The steep increase in the number of patent applications in the last decade reflects the fact that innovation processes have become much more competition-driven, are based more frequently on co-operation between enterprises and are more dependent on knowledge networks and markets.**

**More than ever before, we live in an interconnected world, and patents act as cement between the different atoms of that world!**

**As a consequence of this development, more and more firms are being traded and priced on the basis of their intangible assets. This is notably the case with start-ups and other innovative companies funded by venture capital. They are key to the expansion of new technologies. We also live in a world of fast renewal, and patents provide solid protection for newcomers!**

**As firms shift to more open models of innovation based on collaboration and external sourcing of knowledge, patents are being exploited not only by integrating protected inventions into new products, processes and services. Licences also play an important role in this process, as they are increasingly used to transfer technology among firms and between public research organisations and firms.**

**They also serve as a means of attracting external financing and as a bargaining chip in negotiations.**

**As patents are exploited more strategically and managed as an asset, proper assessment of their value is becoming increasingly necessary. Thus, valuation is a critical step in negotiating technology licensing agreements, resolving litigation, pricing mergers and acquisitions and determining investment decisions by banks or venture capitalists.**

**In terms of valuation and licensing, Europe is lagging behind its competitors, notably vis-à-vis the United States. A study commissioned by the EPO, which will be presented at this conference, shows that Europe is far behind the US as far as the size and fluidity of its market for technology are concerned.**

**The study also shows that licensing is more important to small and medium sized companies which do not have the capabilities to invent all the technology they need or to implement in practice the technology they have invented.**

**The weakness in valuation and licensing in Europe is certainly one reason, although not the only one, for the slower development of venture capital or the weaker diffusion of high technology in the European economy. In view of this, political authorities in Europe cannot afford to ignore the problem, especially not in view of advancing the Lisbon agenda.**

**What then could public authorities and the EPO in particular, do in this respect? Without wanting to forego the results of any conference debates I would like to raise just a few points here:**

**The most obvious contribution the EPO could make to technology markets in Europe is to grant high quality patents. Quality, however, has many dimensions, and I want to mention three of them here. In the first place, "quality" means "proper screening of patent applications" by the Office. Only real inventions should be patented, while others should be refused.**

**Secondly, quality can also mean "shorter processing time". The time span between the filing of an application and the decision of the EPO to grant the respective patent is a time of legal uncertainty, which clearly deters licensing and reduces value.**

**Thirdly, quality implies clarity: As published documents serve as a basis for licensing deals and valuation, they should set out the essence and teaching of the invention in clear terms, as well as its assessment by the patent examiner.**

**As you can see from this, quality is an issue with many facets, and that is why EPO has moved it to top of its agenda.**

**Furthermore, it is also worth mentioning that some activities the EPO is already engaged in or planning to implement have direct connection with promotion issues.**

**I would like to recall the deal behind the patent system, which is to award to the inventor a limited monopoly in exchange for teachings that were not previously available to the public. Those teachings are published by patent offices in the form of patent applications and granted patents, which, in turn, are the raw material for the business of licensing and valuation.**

**For the businessman, a patent database is a directory of potential business partners, a shopping list for the acquisition of new technologies, and a gateway to prospective licence deals. For the financial community, it acts as a major source of information regarding the valuation of companies and provides guidance to investment choices.**

**Once an attractive patent document has been identified, for example as a target for licensing, the first step is to assess its value. For that purpose a software tool has been developed which is called "IP Score".**

**It addresses a set of questions to managers and processes the answers in such a way that they provide a basis for decision-making. The tool was developed by the Danish Patent Office and applied in Denmark with great success, particularly when advising small and medium-sized companies in their strategic planning. "IP Score" demonstrates how the value of a patent is dependent on the overall patent strategy of a company.**

**The underlying approach to "IP Score" is of real value for the innovation process. Therefore, the EPO has decided to acquire the rights to "IP Score" from the Danish Patent Office and to make the program available to patent offices across the member states and also to their patent libraries. The EPO will soon start with a "train the trainers" seminar for specialists who will implement the system around Europe.**

**This can be most useful for the Patent attorney to better orient the applicant in terms of valorisation of the invention or to advice capital investors as well regarding a preliminary screening of the value of a patent portfolio.**

**Finally, I want to underline that there are a number of public bodies that could be involved in different ways in fostering markets for technology in Europe. Just to mention a few, there are the European Commission,**

**national governments, European agencies such as the European Investment Bank, bodies in charge of monitoring financial markets or competition and, of course, the patent offices.**

**Public policies in that field should be based on common objectives and co-operation between these entities.**

**From a policy point of view, it is important that the institutions concerned communicate with each other in order to define complementary approaches in their respective areas of work rather than a duplication of tasks.**

**Therefore, I see a major goal of this conference in establishing links between the organisations involved, with a view to preparing common ground for the future. In this respect, I hope that our conference contributes to raising new ideas about priorities that public authorities,**

**in particular patent offices, should strive to set for themselves with regard to enhancing the contribution of patents to the development and diffusion of new technologies in Europe.**

**I wish you successful conference and a pleasant stay in Berlin.**

**Thank you for your attention.**