

REGIONAL WORKSHOP

THE DEVELOPMENT OF INTELLECTUAL PROPERTY RIGHTS (IPR) AND THE VALORISATION OF INTANGIBLE ASSETS IN THE MEDITERRANEAN

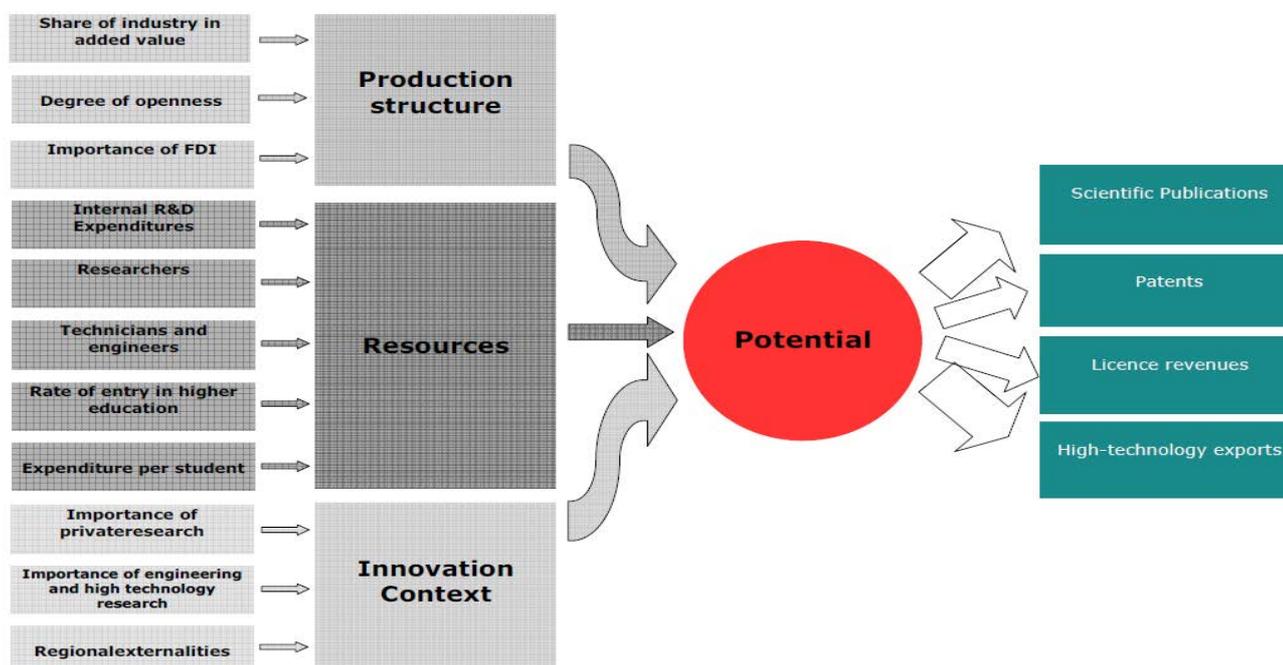
EIB/CMI
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Summary Note

The European Investment Bank, in its role as lead of the Center for Mediterranean Integration (CMI) programme “Innovation Capacities”, organised a workshop on the development of Intellectual Property Rights (IPRs) in the Southern Mediterranean on the 7th of June, 2013 in Paris. This workshop was part of the annual “World Conference on Intellectual Capital for Communities” in its 9th edition, organised by the European Chair on Intellectual Capital (University Paris Sud). It was preceded by the launch of a report in Rabat ([link: “Transforming Arab Economies: Traveling the Knowledge and Innovation Road”](#)) addressing the importance of investing in a knowledge-Economy (KE) in the MENA region, and by the ([Link “declaration of Rabat”](#)) committing Arab countries to pursue innovation and Knowledge Economy models.

The objectives of the workshop were: to stimulate the debate about IPR in the region through a platform hosting relevant stakeholders from both MENA and European countries enabling a dynamic of exchange on experiences and expectations; to address the main issues around IPR and intangible assets; and to define an agenda promoting a market that is driven by the valorisation of Intellectual Property (IP) assets.

At this occasion, the University of Paris Sud presented a study on the potential patent market in the Southern Mediterranean Region, followed by discussions between representatives of governmental institutions in partnering countries including Egypt and Morocco, with experts from organizations such as the World Intellectual Property Organisation (WIPO), the OECD, the European Investment Fund (EIF) and the Talal Abu Ghazaleh Organisation (Jordan), the leading consultant on IPR in the MENA-region. Participants were invited to comment on the report before engaging into two full sessions of expertise and experience sharing about intellectual property regimes in the MENA region, their particularities, pitfalls, and potential.



THE POTENTIAL OF DEVELOPING A PATENT MARKET IN THE SOUTHERN MEDITERRANEAN REGION

The study was an initial work to take stock of the Intellectual Property (IP) assets in the region and to assess the potential of developing a successful IP system. It evaluated the context of innovation in three countries (Egypt, Morocco, and Tunisia), then it benchmarked them with Turkey, South Korea, and Malaysia, and subsequently evaluated some possible scenarios and policy options. Some of the highlights of the study are as follows:

- Soft intangibles in the region can be major drivers of growth and value creation, as well as a way to promote hard intangibles.
- Eighty per cent of patent applications are characterized by non-residents demand in the Southern Mediterranean, and most of the remaining twenty per cent of resident applications are single applicants. Hence, both stimulating residential applications and looking closely into Foreign Direct Investment (FDI) was recommended.
- Although MENA countries made progress in updating their patent system to international standards and adopting innovation policies, there is a clear stagnation in patent registration from resident applicants.
- MENA countries have little focus on industrial research, and IPR regimes are based on academic research, which is not absorbed by the local industry. Turkey's governance model marrying industrial and academic research is a good model to look into for MENA countries.
- The region has a potential in innovation that has yet to be triggered.
- One of the main findings is the high rate of non-resident patent registrations in the region. Between 80% and 90% of patent demand originates from non-resident applicants while the remaining are single resident applicants. The study shows a stagnation in patents registration. Hence, the necessity to identify causes and ways to stimulate local demand for patents.

The participants discussed the challenges prevailing in MENA region's IPR system, including:

- **Poor valorisation of IP assets** within universities, research centres, and industries, and weak orientation towards business development and commercialization.
- The region is characterised by the **weak Intellectual Property culture** among the different players of the innovation ecosystem. A strategic understanding of IPR return on investment is lacking.
- There is a gap in **expected value of patents and their market value**, i.e. how they meet (local) industrial sector needs; patents that are not marketable are a liability rather than asset in terms of their management.
- **The linkage between universities and industries** is weak while joint ventures and partnership are essential for both transferring technology or responding to the needs of national and regional enterprises.
- **Public policy incentives** targeting research centres, universities and industries are still inadequate to induce value-added and marketable patents.
- A lack of **appropriate financial instruments** and a gap in **venture capital investment** for both researchers and entrepreneurs.
- Inadequate **judicial systems** in IP law.

IDENTIFIED GAPS AND RECOMMENDATIONS

The workshop participants provided a set of recommendations regarding the management of IP in general, and patents more specifically:

Value of Patents - Although quantifying the patent market in MENA region is important to position the region in terms of intellectual property and to a certain extent innovation, it has been emphasized that **the quantity of patents is not correlated with the quality of patents and the value added they may convey to the economy**. Patenting does not induce innovation; it only confer exclusive proprietary rights for inventions and technologies, and does represent a potential economic and financial gain if the patented

technology is marketable and responds to a market need. Research must be valorised, not patents production. On the other hand, researchers need to look beyond the mere publication of scientific results and to reason in terms of value creation (Publication, patent, prototyping, then product). Lastly, patent inflation is to be warned because of the costly nature of patents management (e.g. translation, data mining).



Valorisation Structures - It is fundamental to develop structures within industries and universities that are oriented towards business development and commercialization of research results. To this end, every step of the process of creation, protection, and utilization of IP assets has to be improved. Technological Transfer Offices (TTOs) and National Patent Offices have a role to play in coaching, reaching out to stakeholders, and disclosing the return on investment of patenting. In fact, marketability of patents is as important as patents filling. Establishing structures that valorise research and provide the necessary legal, business, and financial guidance as well as a supportive network during the different stages of development is what eventually induces quality patents and creates economic value.

Academia and Industry Interaction – The partnership between research centres and industry is important to accelerating the transfer of technologies and responding to needs of national and regional enterprises. **A strategic orientation of R&D in line with industrial needs and local demand is an imperative**. Therefore, it is valuable to look into the possible ventures and collaborations between different actors from both sides. During the seminar, some delegates mentioned that only ten per cent of inventions are created by universities or academic research centres, hence the necessity to focus on developing valorisation structures within industries. Japan nevertheless, provides a counterexample with ninety per cent of inventions produced within university centres. In this light, it has been recommended to map out current and past IPR and innovation policy trends across countries to get a better insight on the subject as there is no “one-size-fits-all” approach.

Public Policy Incentives - incentives are one of the levers that governments use in order to catalyse and accelerate R&D commercialization, for example by developing effective tax regimes. Incentives targeting research centres, universities and industries are still embryonic in the region. The delegates were unanimous about the necessity to offer competitive rewards for researchers in addition to engaging them in the process of policy making. The **current status of researchers** is neither attractive nor adequate to induce value-added and marketable technologies, and the conditions of researchers and the ecosystem in which they operate are certainly interlinked with the quality of patents, innovation, and brain drain phenomenon. One of the workshop’s recommendations was to conduct an assessment of the human capacities in and outside the country and then to integrate researchers of the diaspora in national innovation policies.

Education - Stimulating the demand from the innovation ecosystem is key for a well-functioning IPR system. University, vocational, and professional education systems must **provide good and adequate preparation for individuals to develop new technologies and inventions worth patenting and commercialising**. The rationale of putting in place an IP regime being to protect available inventions and technologies, decision makers have to align the curricula of their educational systems with the requirements of today's competitive business environment. Both students and scientists should benefit from entrepreneurship and innovation courses from an early stage in their education and should be able to apply entrepreneurial skills to hard sciences. If promoted, programs such as "Maghreb Start-up Initiative" or "Startup Week-ends" could flourish through the region fostering entrepreneurship and innovation. Besides, participants agreed that establishing links with regional foreign universities strengthens the transfer of knowledge between both rims of the Mediterranean.



Financial Instruments - Research, Development and Innovation structures need be adequately resourced, and governments R&D expenditures increased. However, **both public and private funding** for science and technology research should be developed, and the latter is weak in all the MENA. Scientists and entrepreneurs should have access to suitable financial instruments, appropriate to the different phases of the innovation process, including during the "proof of concept" or the "valley of death" phases. Governments can provide the necessary funding and act as **public entrepreneurs and venture capitalists** in RDI.

Capacity Building - strengthening capacities and competences of individuals, organizations, and stakeholders at all steps of the "innovation chain" is of importance if to insure a sustainable and well-functioning IP system; e.g. preparing the national judicial system to deal with IP laws litigations including negotiating with Multinational Corporations. As a key participant in the workshop, the World Intellectual Property Organisation representative reiterated the organization's role and readiness to assist member countries during their transition to knowledge economies supporting and conducting trainings on IP to all stakeholders including TTOs support staff.



Adequate Legal System - Existing **IPR laws** need to be enforced to comply with foreign investors' legitimate expectations for protection, and patent procedures need to be revamped (enforcing the examination system, which most of the MENA countries do not use). Likewise national **innovation laws** should be designed, taking into account each country's particularities and strategic orientations. Today, researchers' ownership of research results, inventions or technologies is still problematic. The combination of revenues in private and public sectors should be made possible as it is a powerful driver to conduct meaningful research and commercialise results. In the United Kingdom and Japan, specific holding companies were created next to universities and research centres. Hence, legislators in the region need to find solutions (e.g. the Bayh-Dole act in North-America as a case study).

Intellectual Property Culture- The embryonic nature of the patent market in the MENA also implies that there is a lack of awareness about IPR with the different players in national innovation ecosystems. Stakeholders lack a sufficient strategic understanding about **the importance of investing in IPR and the return on investment**, while absorptive capacities to capture IP positive outcome are not well developed and supported. Promoting awareness about IP assets within every layer of the ecosystem, including governmental agencies, grassroots organizations, incubators, and R&D centres is necessary to foster a culture and a society prompt to create value.

At A MACRO-LEVEL

Overall, workshop presenters agreed that IPR valorisation mechanisms are essential to enable an innovation ecosystem within the region. The following additional recommendations emerged from the meeting:

Strategic orientation - i) each country needs to look at its own specificities and indigenous competencies, and take strategic choices accordingly. ii) Contemplate an industrial clusters approach to R&D or clusters of “low cost” technologies and products. iii) The value of Trademarks, Copyrights, and Utility Models should not be neglected; an example is the Gulf region that has developed successful international Trademarks. iv) Designing and supporting specific mechanisms for Small and Medium Enterprises (SMEs) and fostering an entrepreneurial culture within the society are imperatives to cope with today’s competitive markets.

Regional cooperation - Egypt had a successful policy that led to increasing the resident patent registration from 9% to 33% by adopting a set of measures such as opening and supporting patent units in most Egyptian universities. In this respect, countries in the region and in both shores of the Mediterranean are encouraged to share their best practices and leverage their respective experiences and expertise through regional events and joint programs.

Ecosystem - A comprehensive approach, addressing the entire ecosystem related to IPR should be followed, rather than focusing on increasing the number of patents applications and registration.

Continuity of innovation policies, setting up a clear policy and long-term vision, is the guarantee for a sound IPR system. Conscious and effective institutions are critical to policy success.

A THOROUGH LOOK INTO IPR

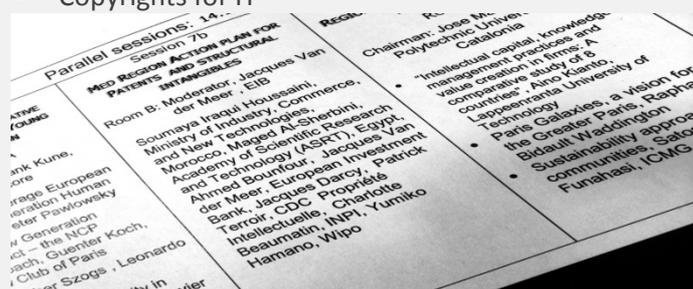
The recommendations addressed during the workshop created within the participants a need for in-depth appraisal and examination of the questions discussed.

Some requests of studies were expressed on the following topics:

- An assessment of academic competencies and fields of specialization in the region
- An assessment of countries’ comparative advantages in regard to infusing a clusters orientation to R&D
- The cost-benefit analysis of registered patents (both resident vs. non-resident)
- An analysis of Foreign Direct Investment in the region in regard to IPR
- An analysis of Utility Models vs. Patents in the region
- A comprehensive review of the IP legal, regulatory, and public policy measures across countries underlining different development trends

Besides, some suggestions for regional workshops were on the following themes:

- The potential of setting up a regional patent office
- The development of a utility model for the region
- Grassroots initiatives and inventors
- Copyrights for IT



CONCLUDING REMARKS Patents are not the end in itself and do not necessarily reflect a country's innovation and competitiveness. They only confer exclusive proprietary rights for inventions. They only hint at a potential economic gain, if they are marketable. In this respect, research, development, and innovation should be valorised and infused with a market orientation, reflecting a social or industrial need in the local market. The quality and value that patents will bring to the market is what should be promoted and sought after in policy making. Therefore, national governments must consider **the ecosystem** related to IPR in a comprehensive manner. National patent offices and Technology Transfer Offices (TTOs) have a large role to play in **valorising research** and promoting marketable patents in both industries and universities. While some recommend adopting a R&D clusters approach, there seems a wider consensus to focus upon **local needs, capacities, and comparative advantages**. Whatever the industrial focus might be, it should be clear that in the MENA, the policies should be accompanied by initiatives targeting entrepreneurship and SME creation, recognising the primordial role of SMEs in the region's industrial tissue. Besides, one should not underestimate the economic value of Trade Marks, copyrights, and Utility Models. **Tailored financial solutions** adapted to the different stages of the innovation process should be accessible to entrepreneurs and innovators. An **adequate Legal System** that is up to date with international standards and **tailored IPR laws** are necessary. Also the education systems and capacity building programs should be aligned to the expectations of the patents market. **Continuity** in strategic decisions, innovation policies and programs is a requirement in the process of creating knowledge-based economies in the region. Lastly, the exchange of experience and expertise between countries and partner organizations on IPR management is of great importance in the process of building a sound IP market. The workshop was successful in **providing a platform for representatives of the MENA region** to discuss and share experiences regarding their respective Intellectual Property regimes and some other related aspects. The European Investment Bank through the Center for Mediterranean Integration will continue supporting and enabling opportunities to shed a prospective light on knowledge economy pillars.