
Centre for International
Governance Innovation

Conference Report – Toronto, Canada, December 12, 2016

Thinking Through Intellectual Property Rights: Sovereign Patent Funds and Educational Supports for Business

Oonagh Fitzgerald, Bassem Awad
and Marsha Cadogan

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About CIGI

We are the Centre for International Governance Innovation: an independent, non-partisan think tank with an objective and uniquely global perspective. Our research, opinions and public voice make a difference in today's world by bringing clarity and innovative thinking to global policy making. By working across disciplines and in partnership with the best peers and experts, we are the benchmark for influential research and trusted analysis.

Our research programs focus on governance of the global economy, global security and politics, and international law in collaboration with a range of strategic partners and support from the Government of Canada, the Government of Ontario, as well as founder Jim Balsillie.

À propos du CIGI

Au Centre pour l'innovation dans la gouvernance internationale (CIGI), nous formons un groupe de réflexion indépendant et non partisan qui formule des points de vue objectifs dont la portée est notamment mondiale. Nos recherches, nos avis et l'opinion publique ont des effets réels sur le monde d'aujourd'hui en apportant autant de la clarté qu'une réflexion novatrice dans l'élaboration des politiques à l'échelle internationale. En raison des travaux accomplis en collaboration et en partenariat avec des pairs et des spécialistes interdisciplinaires des plus compétents, nous sommes devenus une référence grâce à l'influence de nos recherches et à la fiabilité de nos analyses.

Nos programmes de recherche ont trait à la gouvernance dans les domaines suivants : l'économie mondiale, la sécurité et les politiques mondiales, et le droit international, et nous les exécutons avec la collaboration de nombreux partenaires stratégiques et le soutien des gouvernements du Canada et de l'Ontario ainsi que du fondateur du CIGI, Jim Balsillie.

About the International Law Research Program

The International Law Research Program (ILRP) at CIGI is an integrated multidisciplinary research program that provides leading academics, government and private sector legal experts, as well as students from Canada and abroad, with the opportunity to contribute to advancements in international law. The ILRP strives to be the world's leading international law research program, with recognized impact on how international law is brought to bear on significant global issues. The program's mission is to connect knowledge, policy and practice to build the international law framework — the globalized rule of law — to support international governance of the future. Its founding belief is that better international governance, including a strengthened international law framework, can improve the lives of people everywhere, increase prosperity, ensure global sustainability, address inequality, safeguard human rights and promote a more secure world. The ILRP focuses on the areas of international law that are most important to global innovation, prosperity and sustainability: international economic law, international intellectual property law and international environmental law. In its research, the ILRP is attentive to the emerging interactions between international and transnational law, indigenous law and constitutional law.

About the Authors

Oonagh Fitzgerald is director of CIGI's ILRP, where she oversees its international economic law, environmental law, intellectual property law and innovation, and new indigenous law research agenda. She has extensive experience as a senior executive providing legal policy, advisory and litigation services and strategic leadership in international law, national security, public law, human rights and governance to several federal departments including Justice Canada, National Defence and the Canadian Forces, and the Privy Council Office.

Oonagh has taught at the University of Ottawa, as well as Carleton University, l'Institut international du droit de l'homme in Strasbourg and the International Institute of Humanitarian Law in San Remo. She has a B.A. (honours) of fine arts from York University, an LL.B. from Osgoode Hall Law School and was called to the Bar of Ontario in 1983. She holds an LL.M. from the University of Ottawa, an S.J.D. (Doctor of Juridical Science) from the University of Toronto and an M.B.A. from Queen's University.

Bassem Awad is deputy director of international intellectual property law and innovation, with CIGI's ILRP. In this role, Bassem provides strategic guidance and operations coordination and management of the thematic area.

Bassem, a specialist in intellectual property (IP) law, has served as a judge at the Appeal Court in Egypt. He also works as a head tutor for the Academy of the World Intellectual Property Organization and an instructor with the Institute for Training and Technical Co-operation at the World Trade Organization. He teaches advanced courses on IP rights at the Faculty of Law, Western University. He has also been working for several years as a consultant for the African Union and as a counselor at the Judicial Department of Abu Dhabi in the United Arab Emirates on IP topics.

Bassem holds Ph.D. and LL.M. degrees in IP from the University of Montpellier in France, and an LL.M. in international business law from l'Université Paris 1 Panthéon-Sorbonne. His research interests include copyright law, patent law, comparative IP and IP governance. He has published several papers on copyright and access to knowledge, patents and green energy technology innovation, biotechnology and IP, patents and access to

medicines, IP and consumer protection, IP in the digital environment and enforcement of IP rights.

Marsha Cadogan is a post-doctoral fellow with CIGI's ILRP. Her research at CIGI is focused on the interrelationship between geographical indications and trademark laws, as well as the global implications of geographical indications in preferential trade agreements.

Marsha's broader research interests are in IP rights and trade, and IP rights and development implications for emerging and developed economies. Marsha's research expertise is multi-jurisdictional and includes the IP jurisdictions of the European Union, the United States, Switzerland, Japan, Canada and the Caribbean.

Prior to becoming a post-doctoral fellow, Marsha contributed to CIGI's ILRP as a research assistant, co-planning workshops and writing her forthcoming paper on influencing the global state of play through geographical indications. Marsha has a bachelor of science, economics and management from the University of the West Indies (Jamaica), an LL.B. from King's College at the University of London (England) and an LL.M. and a Ph.D. in law from Osgoode Hall Law School at York University. She is a member of the board for Canada's International Law Association and is also a barrister and solicitor with the Law Society of Upper Canada.

Executive Summary

The round table organized by the International Law Research Program (ILRP) of the Centre for International Governance Innovation (CIGI) in collaboration with Ontario Ministry of Research, Innovation and Science (MRIS) aimed to identify and evaluate emerging mechanisms to leverage intellectual property (IP) rights to strengthen Canada's innovation performance.¹ Two topics were at the centre of discussion of this second round table.

The first topic was the use of sovereign patent funds (SPFs) as an innovative mechanism to support and promote domestic innovation industries. The discussion led to the following considerations: the purposes of an SPF should take into consideration country-specific advantages and the overall government strategy on IP and innovation; and the legal and governance structure of an SPF would need to be carefully designed to address potential conflict with international trade and investment law rules.

The second topic focused on ways to improve IP awareness and training to meet the growing demands and needs of Canadian entrepreneurs in specialized IP fields. The following proposals were made:

- in building IP awareness, we need to develop creative ways of teaching students about IP;
- IP awareness should be broadened to include dissemination of IP knowledge in business schools, communities and areas of the economy where a critical IP link can be identified;
- early stage innovators and entrepreneurs need adequate training on global IP strategy and risk assessment to be able to successfully scale up and globalize their businesses; and
- non-lawyer innovators and intermediaries at technology transfer offices need more sophisticated IP knowledge.

¹ The opinions expressed in this document are those of the authors at CIGI's ILRP and do not necessarily reflect the views of the Government of Ontario.

Participants agreed to continue discussions to identify the essential building blocks for a solutions-oriented IP and innovation strategy.

The round table was conducted under the Chatham House Rule to encourage open discussion between stakeholders.²

Introduction

This report is a summary of the discussions at the December 12, 2016, round table on IP and innovation, organized collaboratively by CIGI's ILRP and Ontario MRIS. The first CIGI-MRIS round table, held on September 8, 2016, identified Canada's IP and innovation challenges and possible responses: low IP literacy, the lack of a national IP strategy, inadequate financial and legal assistance to support IP start-ups and entrepreneurs, and flaws in the process of readying university-generated IP for commercialization.

Building on the consensus from the first round table that sound IP policy is integral to innovation, the objective of the second round table was to identify and assess promising ideas about how IP could be leveraged to strengthen Canada's innovation performance. In attendance were policy makers, academics, researchers and private sector representatives, all eager to find targeted solutions for improving Canada's IP and innovation performance. Two topics were discussed in the meeting: the use of SPFs to support and promote domestic innovation industries, and modalities of IP educational support for innovation entrepreneurs. Highlighted below are the main points of discussion.

² Under the Chatham House Rule, those present, including media, "are free to use information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed." Participants are not obliged to speak, and there is no attribution of any participant's comments in any future report of the conference. See www.chathamhouse.org/about-us/chathamhouserule.

SPFs as a Next Generation Policy Response to Support Local Industry

An SPF is a large (value of US\$100 million or more) state-funded and state-controlled entity established to acquire IP assets (mainly patents) in the service of the national economic interest. The reality of the few existing SPFs is somewhat more nuanced, with varying degrees of involvement of private entrepreneurs. SPFs are a relatively new form of sovereign acquisition of IP (so far, they have been established in Japan, South Korea, Taiwan and France) that are still in development, but early impressions suggest they can have a positive impact on the national innovation economy.

SPFs can be designed and used to achieve one or more purposes, including, for example, to accumulate a portfolio of valuable IP rights that can be licensed on favourable terms to domestic entrepreneurs so they can develop and commercialize innovative products for the global marketplace; for defensive acquisition, to protect domestic enterprises from litigation; to protect national patent giants from foreign takeover; and for offensive litigation against foreign competitor industries as a support to domestic industries. IP can be deployed in various ways within SPFs, not only, for example, to create and regenerate innovation and production cycles but also to generate licensing revenue and build on the rights of specific patent industries, to aggregate nationally strategic IP assets or to launch patent lawsuits against foreign competitors.

Because the existing SPFs are so new and still evolving, it has not been possible for them to be studied definitively and objectively. It is still too early to say conclusively that the large sovereign investment in patents is producing the desired rate of return on investment in each case. Each SPF appears to have been designed to serve different national objectives, employs different strategies for that purpose and functions within its national IP and innovation ecosystem. It does appear that there is a trend of adjustment from SPFs being mainly state-funded and controlled to their having more private sector contribution and a narrower focus on strategic industries. As the governance structure of SPFs shifts, the spectrum of

potential legal issues also shifts, but could include competition law, trade and investment law, and public and private sector conflicts of interest.

The round table discussion suggested it would be worth exploring how the SPF concept could contribute to a new national or provincial IP and innovation strategy and whether the considerable costs of setting one up would be outweighed by its possible benefits. The following are some relevant considerations.

The purposes of the SPF should take into consideration country-specific advantages and would need to be consistent with the overall government strategy on IP and innovation as well as on international trade. The SPF should focus on strategic sectors, select the right investments and choose the right human and capital infrastructures to buttress investments. For example, an SPF could purchase domestic patents that are at risk of foreign takeover and thereby help maintain and create innovation jobs in Canada and prevent brain drain of IP entrepreneurs to the United States and other countries. An SPF could be used in patent licensing, cross licensing, technology transfer and to commercialize university-generated IP. An SPF could aggregate IP expertise, facilitate inter-agency cooperation and provide advisory services in IP commercialization and globalization strategy. An SPF could play an insurance and litigation role in helping Canadian innovation industries to protect their markets through offensive and defensive IP litigation in Canada and abroad.

Canada could benefit from experimenting with aspects of the SPF concept that could integrate well into the overall IP and innovation strategy. For example, a mini SPF could be integrated into an innovation cluster focused on a specific burgeoning industry sector that has high strategic potential to accelerate economic growth (for example, clean tech, medtech or fintech). Including a focus on developing standard essential patents in the national IP and innovation strategy could entrench advances made through aggregating related patents in a mini SPF.

The legal and governance structure of an SPF or mini patent fund would need to be carefully designed to address potential legal issues: if it is truly a sovereign fund, international trade and investment law rules likely apply, whereas, if it is a public-private partnership, it may be possible to avoid these issues, although issues

of competition law and conflict of interest could arise. Further research would be needed to determine whether an SPF could be an efficient element of Canada's IP and innovation strategy.

Improving IP Awareness and Training to Meet the Growing Demand in Specialized IP Expertise

The second issue dealt with by the round table was how to improve IP awareness and training to meet the needs of Canadian entrepreneurs in a rapidly changing, highly specialized, technology-driven global IP landscape. The main observations and recommendations are highlighted below:

- Even though IP has been the predominant asset in the US economy, the Canadian economy lags behind and is insufficiently engaged with and invested in IP as a source of innovation, capacity building, business development and wealth.
- Each country's IP needs and capacities are different; Canada cannot simply replicate what others have done and hope it will work. Local differences should inform provincial and federal choices on IP structures and the dissemination of IP essentials to businesses.
- In building on IP awareness, we need to develop creative ways of teaching students about IP. An example of innovation in teaching IP is the field of structural genomics in which open clinical trials are established with a private investment route to commercialization, without the involvement of patents.
- IP awareness should be broadened to include dissemination of IP knowledge in business schools, communities and every area of the economy where a critical IP link can be identified.
- The lack of IP knowledge and expertise outside of universities and law firms is a serious problem to be addressed. The courts are insufficiently knowledgeable about IP, and this can negatively impact the quality and type of decisions rendered. The cyclical trend of Canadians as defendants in patent litigation instead of

initiating patent suits to defend their room to operate needs to change. An IP education strategy should include sound negotiation and litigation skills for lawyers and legal professionals.

- The seeds of business failure can be sown when early stage entrepreneurs make false economies by failing to put adequate focus on global IP strategy and risk assessment. A new IP and innovation strategy must address this gap so that early stage innovators and entrepreneurs have a better chance at successfully scaling up and globalizing their business. This critical weakness needs to be addressed by training, mentoring and enabling access to affordable advisory services in the management of IP rights.
- To do their jobs well, non-lawyer innovators and intermediaries at technology transfer offices need more than basic IP knowledge. An IP education strategy targeted at non-lawyer and innovator intermediaries should be adopted by the provinces and federal government. CIGI's Massive Open Online Course (MOOC) addresses a portion of the IP education gap. However, groups with no IP knowledge are less likely to benefit from the MOOC.
- Provinces need to move away from IP 1.0, embrace IP 2.0, think creatively about how to include more sectors of society (including rural and indigenous communities) and raise the bar of IP knowledge beyond the basics. Clinical initiatives such as the University of Windsor's first international law clinic, a collaboration across borders with the University of Detroit, show how collaborative pro bono work can make a positive change in access to free legal services across two influential jurisdictions.

Next Steps and Future Work

Participants in the round table agreed to continue discussions on finding solutions to Canada's and Ontario's IP and innovation challenges. It was also noted that participants will continue to share ideas generated from the two discussions with a view to identifying the essential building blocks for a solutions-oriented IP and innovation strategy.

Agenda

December 12, 2016

8:30 a.m. – 12:00 noon

Ontario Investment and Trade Centre, 250 Yonge Street, 35th floor, Toronto

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|-----------------------|--|
| 8:30–9:00 a.m. | Coffee/networking |
| 9:00–9:15 a.m. | Opening Remarks |
| 9:15–9:45 a.m. | Sovereign Patent Funds: An Overview |
| 9:45–10:15 a.m. | Implementation of a Sovereign Patent Fund: Opportunities and Challenges |
| 10:15–10:30 a.m. | Break |
| 10:30–11:30 a.m. | Improving IP Awareness and Training to Meet the Growing Demand in Specialized IP Expertise |
| 11:30 a.m.–12:00 noon | Concluding Remarks |

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