Global Innovation, IPR and Growth

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How can economies and companies ensure they are at the cutting edge in innovation?

Human capital, R&D investment, political stability and favourable legal framework conditions are the basic ingredients for successful innovation. The innovation process is not a simple input-output relationship, it is a complex process with many interactions and dependencies.

Frequently patent numbers are introduced as a performance measure for innovation. These measures have to be treated with care. Patents are a legal titles that do not necessarily tell us a lot about the performance of companies on markets. Even less is this the case, when we compare innovativeness and competitiveness of economies. More is not always better with patents. Patents are a valuable source of information but they have to be seen in the right context and cannot be the only source of information when we look at innovation.

The discussion on measuring innovation and competitiveness with patents shows one thing: The Patent system is not the only but one very important element in the process of innovation. Patents exist to encourage innovation and we have strong indications that indeed the system does generate innovation. The legitimacy of the patent system is a utilitarian one: Its aim is to encourage innovation. The patent system itself is by its economic definition intervening where free markets of knowledge transfer are not working efficiently. Only an operational patent system can fulfil this objective.

How can innovation help tackle climate change?

If we look at specific technological areas, the areas with the biggest global challenges are health care and environmental technologies. Technologies to fight climate change are of special interest to this OECD Forum. Environmental technologies have also been the focus of EPO's European Patent Forum held only 4 weeks ago in Slovenia.

Patenting figures available (OECD Science, Technology and Industry Scoreboard 2007, EPO internal figures) show us that for environmental technologies such as solid waste technologies, renewable energy and motor vehicle abatement, European Companies have a leading position.

Günter Verheugen, the Vice President of the European Commission mentioned in the occasion of the European Patent Forum Ljubljana that the 'Green expertise to combat climate change needs to become Europe's competitive advantage - and that the IP system should be one of the key drivers of that edge. Verheugen also said that Europe needs a "sustainable industrial policy" and a "sound application of the IP system" to reach a global leadership position when it comes to green technologies.

Clearly, if effective climate protection is a political aim, then the same must apply to its innovation policy and the IP rights that support that policy.

How can governments encourage innovation?

Again, patents are only one element of the innovation process. We cannot allow to let the patent system shift towards disfunctionality, and thus have to keep the system under permanent self-control. Patents can only work in an economically beneficial way if the benefits can be appropriated and are not overwhelmed by negative externalities the system produces. This means that we need more clarity on where the disfunctionalities (negative externalities) of the system are, especially where the system creates barriers to technology transfer and where it blocks access to technological knowledge of general public interest. In a process of permanent self-control and reform of the patent system the analytical work done by the OECD has always been very helpful. Further economic research in this area is required in order to fundament decision making on solid empirical grounds.

How to balance sharing knowledge and protecting valuable intellectual property?

Patents try to optimize market conditions where free flow of technological knowledge is not possible. As such the patent system strikes a balance between giving a proprietary right, providing incentives to invest in research and development and to create innovation on the one side and limiting negative impacts on the free flow of information and its impact on competition on the other side. Finding the right balance is subject of the optimal design of the patent system in operational terms. Alternative measures of knowledge protection, open innovation systems and the patent system are not mutually exclusive systems but can perfectly exist side by side. This is the way they are already used by knowledgeable players in the markets.

At EPO we want to keep high patenting standards. More is not better! Patents should not become a mass product, their grant does always have to be connected to high quality standards. A high quality patent regime in Europe is an essential instrument to prevent innovation hampering and to avoid destructive behaviour.

Concluding remarks:

The patent system aims at producing net innovation and net welfare. Wherever the patent system is a burden and actually stifles innovation, reform is required. It is only by granting high-quality patents that we can ensure the marketability and economic success

of landmark inventions. Patents have already contributed to innovation in developing climate change technologies, they should further be supportive.

In order to maintain a patent system that helps to create innovation and economic growth the big challenges for the European Patent Office and other stakeholders are to maintain a high quality patent system, to discourage low quality patent applications and to fight against abusive practices with patenting.Text of speech here