

GOWERS REVIEW OF INTELLECTUAL PROPERTY

A response from

THE UNIVERSITY OF MANCHESTER

PREAMBLE

Whilst The University of Manchester is pleased to be given this opportunity to contribute to The Gowers Review, I should like to point out that the comments given here are based on The University of Manchester's own particular situation and experiences and as such this response does not represent a view on behalf of any other university other than expressing some general views which it believes to be common to all universities. In addition we point out that we have commented only on those aspects of the review that touch directly on our work as a University, and not taken a view on broader policy questions concerning the functioning of the IP system as a component of the economy as a whole.

GENERAL QUESTIONS

1. How is IP awarded

- 1.1 The UK Patent Office's consultation on a patent grace period¹ was followed with interest within universities, who sometimes experience a tension between their generally assumed duty to produce knowledge for the public good and hence disseminate that knowledge, and the requirements of the patent and design registration systems for confidentiality. The advantages and disadvantages of a patent grace period are well set out in the Analysis of the Responses.

From an academic's standpoint the ability to make one's results available as soon as possible, whether through publications or conference papers, is vital both to the academic and the wider research community. The University of Manchester recognises, of course, that if a third party files a patent application for the same invention during the grace period it can lead to costly interference proceedings, which neither an academic nor a university can easily meet.

We note the conclusions from that consultation that "There appears to be support for a limited grace period, one with a lot of burden on the applicant to prove that they are entitled to it." We feel that the issue is worthy of further consideration as part of this Review.

- 1.2 In the USA non-profit organisations are given "small entity status" and qualify for reductions in patent fees through the USPTO. In Japan both Japanese and non-Japanese universities qualify for 50% off the Japanese patent examination fee and patent annuities when they file for patents with the JPO. Whilst The University of Manchester is aware that much of the cost of patenting lies in the fees of a specialist patent agent in drafting robust patent specifications and in language translation costs, nevertheless, it would be helpful for a similar approach regarding small entity status and discounts to be taken by the UK Patent Office to help support commercialisation of IP from the university sector and for other Patent Offices to be encouraged to take an equivalent approach on an international basis.

¹ <http://www.patent.gov.uk/about/consultations/responses/grace/index.htm>

1.3 There are great disparities between Patent Offices around the world as to how long it takes them to deal with the process from the filing of a patent to its grant. In the USA a patent can issue 2 years or so after filing. For patent filings through the European Patent Office the average time from filing to grant was 46.2 months². In Japan however it can be 6-7 years. The longer the period the more unsatisfactory it is from an applicant's point of view, as it weakens the strength of the technology in the eyes of potential investors. This can be particularly disadvantageous for university spin-out companies, which are seeking initial or follow-on investment: it either means that investment is not secured or the value of the patent application is reduced resulting in a greater proportion of the equity being allotted to investment entities rather than the universities and their academics. The University of Manchester has a significant patent portfolio (currently a total of 473 applications in progress) whose value can be affected by these delays and our past experience demonstrates that this has created uncertainties and caution in our potential investors and also presented us with difficulties in attempting to conclude licences.

2. **How IP is used**

2.1 The University of Manchester uses the full range of IP but most frequently patents. This is because The University generally relies on third party commercial organisations to commercialise its IP (either spin-outs or established companies) and venture capitalists and business angels who support spin-outs will usually only invest where there are registered rights and, even then, often only in patents. The same is true of established companies interested in taking licences or assignments from universities. Patents tend to be viewed as the strongest IP rights. The University is able to commercialise software from time to time but it is not as easy a marketing proposition as commercialising a patent, and our extensive experience shows that most feel more comfortable with a patent position (and ideally a portfolio of relevant/related patents rather than just one patent).

2.2 The University always has concerns about third parties acquiring rights in the University's IP and then not commercialising it. This may not be because the IP has been acquired to use defensively³, but because, after acquiring rights in the IP, the third party's commercial focus has moved elsewhere and its interest in the University's IP diminishes.

The University does try to negotiate provisions in its contractual documents to guard against this, however The University of Manchester believes "wider rights at law" to prevent rights owners from doing nothing with IP when others are prepared to do so would be useful. From the University's point of view it would like the first right of refusal over any such rights so that it can benefit from any commercialisation. However, if the University does not wish to take the IP forward, either on its own or in conjunction with another third party, then it would be advantageous for the economy if the IP could be made available to others.

How IP is licensed and exchanged

2.3 In the context of a university there are often problems in keeping track of where licences are needed for non-profit purposes. Notwithstanding a university's

² http://en.wikipedia.org/wiki/European_Patent_Organisation

³ See paragraph 4.

⁴ "IP and Confidentiality – A Researcher's Guide" (copy obtainable from clive.rowland@umip.com)

attempts to educate its researchers, such as The University of Manchester's "IP Guide for Researchers"⁴ many are of the belief that if they are using others' IP for non-profit purposes then they do not require a licence. It is time-consuming to monitor and then obtain necessary licences, for what can be nominal royalty payments or royalty-free licences.

The research exemptions which exist at present are complex as they vary between the different types of IP. They are also very limited in the research that they permit without a licence. It is not clear for instance whether the exemption in Section 60(5)(a) Patents Act 1977 could ever apply to university research.

There is a lack of clarity under Section 60(5)(b) Patents Act 1977 as to when research moves beyond "experimental purposes". Case law itself is not definitive on this point and it is a disadvantage that the definition of what is meant by "experimental purposes" has not been harmonised across the EU. In any event this exemption is limited by the fact that the research has to relate "to the subject-matter of the invention".

- 2.4 In relation to licences of right, the decision which the University usually has to make is to whether it will renew a patent at all. Its patent budget is limited and even a reduction of renewal fees by half is not necessarily attractive. The University of Manchester fully accepts that it is better to drop a patent that has no commercial potential rather than hold patents as an activity for its own sake but if the University has reached the stage of having to decide whether to renew or not, that may mean that it has no further marketing budget for the patent and so it is difficult to promote the fact that there is a licence of right. Therefore it may be useful if on the Patent Office website there were a section, which was easily accessible, listing all licences of right which might be available.

3. **How IP is challenged and enforced**

There has been much discussion of late in the world of patents about "patent trolls". These are companies (often US based) that make money by suing for infringement of patented inventions which they had no role in creating and which they do not use. Patent trolls use the threat of a permanent injunction to extract huge sums in settlement negotiations. Within university circles there are concerns that some of these patents are being acquired from universities. The University of Manchester has some indirect experience of patent trolls (it has been contacted by some in a general way).

Whilst the University wishes to make financial returns from its patents and other IP, it does not wish to do this at the expense of wider dissemination and commercialisation of such inventions. It would welcome changes to patent enforcement to prevent patent trolls taking advantage of patent protection to the detriment of an invention being put into use. However any such changes need careful consideration to ensure that they do not erode the rights of genuine inventors, such as universities, that fund so much research yet do not commercialise the inventions themselves, or companies which act as genuine intermediaries for the licensing of IP. The University would welcome full consideration and guidance on this matter.

SPECIFIC ISSUES

Copyright exceptions - fair use/fair dealing

There is a myriad of exceptions relating to educational institutions. Most of these do not reflect use in today's digital climate. Some of the exemptions only relate to certain types

of copyright work, such as literary works, and so do not cover more interactive teaching materials. Many of the exceptions also do not apply if blanket licences are available and so are rarely useful.

Some definition of what is meant by "non-commercial purpose" would be useful. It is not clear that use within a university would fall within this wording and clarity either way would help.

Whilst copyright is not infringed by anything done for the purposes of an examination by way of setting questions etc, it is not clear that such exception applies if those exam questions are then made available as examples to students who may be taking future exams.

The collecting societies approach to whether their licences include digital copies varies and a more consistent approach across the collecting societies to include digital copies would be helpful.

Most archiving now is done on a digital basis which inherently involves copying. Exemptions to assist with this would be helpful where no real loss is being suffered by the copyright owner.

Copyright - Digital Rights Management

The University does have concerns that DRM Technologies should not prevent fair use/fair dealing in copyright materials. Academics need to be able to use excerpts from copyright works within the context of fair use/fair dealing.

Professor R Coombs
Vice-President (Innovation and Economic Development)
e-mail: rod.coombs@manchester.ac.uk
tel: 0161 275 8860

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