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Is there a European market for technologies?

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Market for technology in Europe: fact or phantom?

Issues

- Is there a market for technology in Europe?
- If any, is this market working properly?
- Which are the determinants of a MfT?
- Which policy options can be put in place to improve the European Internal Market for IP?

Evidence

PatVal I survey showed for the first time in Europe a certain amount of unexploited patents (Giuri et al. 2007)

In Europe 2020 **Flagship Initiative Innovation Union** (SEC(2010)1161) the Commission aims at improving the economic exploitation of Intellectual Property Rights (IPR). Action 22 reads:

*"By the end of 2011, working closely with Member States and stakeholders, the Commission will make proposals **to develop a European knowledge market for patents and licensing**. This should build on Member States experience in trading platforms that **match supply and demand, marketplaces to enable financial investments in intangible assets**, and other ideas for breathing new life into neglected intellectual property, such as patent pools and innovation brokering".*

PatVal II confirms the same trend in Europe (data available at [http://bcmnty-qp.unibocconi.it/QuickPlace/innovativest/Main.nsf/\\$defaultview/41B46A2C065355AFC125766500316085/\\$File/D_2_5.pdf?OpenElement](http://bcmnty-qp.unibocconi.it/QuickPlace/innovativest/Main.nsf/$defaultview/41B46A2C065355AFC125766500316085/$File/D_2_5.pdf?OpenElement))

Policy actions

Pursuant to Item 22, the European Commission in 2010 appointed an IPR Expert Group to assess the issue of the so called «sleeping patents»

At the same time, a study was conducted by St. Gallen University on the creation of financial market based of revenues from exploitation of IP in Europe

Conclusions of the two studies are consistent with the observations about use of patents in Europe (up to 24% of all patents actually not exploited). Both studies fail to identify clear actions to be undertaken in order to enable a workable technology market.

Observations (and questions) on evidence

- Public and private fare differently
- The economic crisis might have had consequences on portfolios
- Industrial and technology sectors fare differently
- Size of companies matters in different respects

Questions:

- What is the «right» level of exploitation?
- Are things different in other countries?
- Is there a market failure in Europe?

Market failure explanations. A possible taxonomy

- Legal factors (sometimes referred to as «background conditions»)
- Non legal factors:
 - Transaction costs are relevant (for anyone, not just for Europe)
 - Early stage technologies, not market orientation
 - Low level of «absorptive capacity» (Cohen and Levinthal 1990) in companies (mostly SMEs), on the demand side
 - Lack of adequate skill and competences, on the supply side

Policy options

- Option zero: do nothing
- Maximum option: top/down creation (or simulation) of a market through centralized, government-based solutions
- Minimum option: act on background conditions, removing *de facto* obstacles to commercialization of IP and technology
- Medium option: favor decentralized intervention by giving more responsibility on the supply and demand side, as well as incentives

(...Or a combination thereof).

Role of intermediaries

- As in other markets, intermediaries can be market-makers
- There can be economies coming from specialization (as in the VC market)
- Critical masses are of the essence to reduce transaction costs
- Skill and competences firmly established and nurtured
- Chance to combine with financial intermediaries
- Concurrence in defining viable and winning business models

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