



Date: 3rd September 2018

REPORT

Standing Committee on

Commercialisation of IP

Chair: Trevor COOK
Responsible Reporter: Ralph Nack

1)
Report on the activities of your Standing Committee during the reporting period
Please provide a general overview of the activities of your Standing Committee over the last 12 months, including at least:

a)
internal meetings of the Standing Committee during the reporting period (whether by telephone, video conference or in person);

No meeting of the Committee was held at the Sydney conference in 2017. There have been no teleconferences so far in 2018, but since June, when the current leadership took over, the Committee as a whole has resumed correspondence by e-mail. It is proposed to have a teleconference of the whole Committee before the Cancun conference and to hold an in-person meeting at the Cancun conference of those Committee members attending the conference.

b)
were proposals for panel sessions and study questions submitted and/or did your Standing Committee further contribute in this respect (e.g. by providing input to the draft Study Guidelines)?

No.

c)
any external representation and participation in working groups on behalf of AIPPI by any member of your Standing Committee (e.g. at WIPO, EUIPO);

None.

d)

any contribution by your Standing Committee to any external consultations; and

None

e)

any studies or analyses undertaken or position papers prepared by your Standing Committee, with a brief summary of the outcome(s).

No study or analysis has been undertaken by the Committee so far in 2018. In its 2016 Report the Committee identified a report then under preparation for submission to AIPPI, focusing on the commercialization of trade secrets including a comparative review of the procedures for this in various jurisdictions, which would also encompass changes in the legal landscape in the US and Europe, and as to transatlantic trade secret protection practice, and in China and elsewhere, as more fully detailed in the 2016 Report.

The envisaged report would, amongst other things, have addressed the issue of security rights in trade secrets, an aspect of the topic which was left for further study at [7] of the Milan Resolution on Security Interests over Registered IPRs.

This project proved to be overambitious, with no such report finalised, and one current action point is to revisit this project and consult with the leadership of the Trade Secrets Committee, with a view to establishing what can realistically be delivered on the basis of the considerable amount of work already undertaken on this project.

2)

Key issues/developments during the reporting period

Please include any significant case law, legislative or regulatory developments, or policy initiatives, including their relevance and/or any implications for the work of your Standing Committee or for AIPPI more generally.

Members of the Committee have recently identified various recent developments in their respective countries that are within the remit of the Committee, some of which are summarised below.

Argentina - The Tax Reform (Act No. 27,430 - December 27, 2017) modified the Technology Transfer Act, and will, when implemented eliminate the requirement of prior registration of license agreements and tech transfer agreements to apply for certain beneficial income tax treatment for foreign and local parties.

Australia - Tax reforms came into operation on 1 July 2018, - see <https://mk.com.au/publications/budget-2018-changes-rd-tax-incentive-fame-tax/> - which include, in addition to changes to the R & D tax concessions, a "fame tax" which restricts an individual from divesting income received as a result of the use of their image (or a written endorsement, etc.) to companies etc. as is currently a common practice, meaning that a famous actor or sports star that receives money for the use of their image or a written

endorsement, etc. will have that money taxed as personal income.

Austria - Early in 2017, the government formulated an "Intellectual Property Strategy for Austria" Most of the "short term goals" this proposed have been implemented, including creating a free-of-charge patent search service for theses and dissertations, establishing an IP exploitation platform and introducing a "patent check" for financial and organizational support in patenting in the context of research and development activities. One point of especial note in this "IP Strategy" was to review the Austrian regulations on the accounting of intangible assets created internally. According to the so far unchanged current legal situation, no fixed asset may be shown in the commercial balance sheet for internally generated intangible assets. The IP Strategy proposes to assess whether this should be amended in the light of international experience. The legal situation has however not been changed (yet) and it is unclear whether an assessment of the relevant regulations has been conducted.

Ireland - The Knowledge Development Box which has applied from 2016 - see <https://www.revenue.ie/en/companies-and-charities/reliefs--and-exemptions/knowledge-development--ox-kdb/index.aspx> [<https://www.revenue.ie/en/companies-and-charities/reliefs-and-exemptions/knowledge-development-box-kdb/index.aspx>] introduced a 'Certificate of Patentability' which allows SMEs to secure tax relief without actually having to apply for a patent, although this is not thought to have been relied on much. Enterprise Ireland, the state body responsible for helping companies that are Irish owned and are exporters, is introducing a fund to allow their client companies to engage with IP professionals.

Israel - In 2017, the tax regime for IP-based high-tech companies in Israel changed with the aim of alleviating their tax burden. To qualify to receive the new benefits, an Israeli entity must fully or partially own the IP in question or have a license to use it. The amendment has tax benefits that apply to income generated from sales of IP-based products and services, specifically income attributable to research and development that took place in Israel. The amendment to the law encourages companies to expand their research and development in Israel by providing tax benefits on income generated from IP owned by an Israeli company, such as patents, software, plant breeder's rights and others, as well as non-registered IP. The amendment is broad and includes other breaks with respect to income generated from licenses and sale of software and different services (cloud, technical support, implementation, training, etc.). The Israel Innovation Authority has meanwhile published new, more lenient instructions regarding use of knowhow developed with government funding which enabled these Israeli startups to grant licenses to entities in foreign countries to use knowhow developed in Israel with assistance from the Israel Innovation Authority. Finally, the ruling in Kontera, a tax case concerning a taxpayer that is a wholly owned Israeli subsidiary of a US parent company that served as a research and development center for the parent company could influence the activity of subsidiaries from an IP perspective.

Italy - 2017 and 2018 have seen the introduction of a patent box system and the R&D deductions, especially concerning patents and know-how. Although a tax reduction has also

been available for trademarks this is no longer the case.

Philippines - The Republic Act 11057, also known as “Personal Property Security Act,” approved August 17, 2018, overhauls the existing legal framework for secured transactions creating security interests in personal property. This includes intellectual property rights, which is considered personal property. The law, which governs the creation of and protection for security interests will be implemented upon the establishment of an Electronic Registry where notice of a security interest and a lien in personal property may be registered. This law fills a gap in the law on secured transactions and puts to rest any doubts as to the possibility of creating a registered security interest in intellectual property rights, such as patents.

Switzerland - The Federal Government has recently proposed introducing a patent box system and additional R&D deductions as part of a revised Tax Proposal 17. Unlike an earlier proposal this is likely to proceed and to enter into force possibly in 2019 or 2020 having so far received wide support by the Cantons and Municipalities.

Turkey - The 2016 R&D Reform Package increased current R&D incentives under the Technology Development Zones Act (i.e., the Technopolis Law) and the Support of Research and Development Activities Act.

United Kingdom - Late in 2017, as part of the UK Government Initiative “Building our industrial Strategy” the UK IPO published “Industrial Strategy: Intellectual Property Call for Views” - see <https://www.gov.uk/government/consultations/industrial-strategy-intellectual-property-call-for-views> - in which it floated various proposals for facilitating the commercialisation of IP. Although certain of these proposals did not secure much support there was strong support for the development of a Business to Business toolkit to help to facilitate business collaborations, along the lines of the Lambert Model Agreements for collaboration with academic institutions, which proposal the UK IPO will take forward. There was also strong support for work on IP Finance, in response to which the UK IPO will review the IP Finance Toolkit, launched in March 2015 in response to the IPO commissioned “Banking IP” report which highlighted the barriers IP-rich SMEs face when accessing finance, and committed to “work with businesses, lenders, insurers, the British Business Bank and HM Treasury to overcome the barriers to high growth, intellectual property-rich firms, using their intellectual property to access growth funding.”

3)

Any recommendations for AIPPI involvement/action for the next 12 months

This need not be limited to recommendations for your Standing Committee but can be recommendations for AIPPI more broadly. For example, please include:

In each case, please explain why such involvement/action is recommended, by whom it should be undertaken and any relevant time frames.

a)

any recommendations for involvement/action in relation to any upcoming or foreshadowed case law, legislative or regulatory developments, or policy initiatives;

None

b)

any other recommendations for AIPPI involvement/action;

None

c)

any recommendations for the work programme of your Standing Committee.

See [4] below

4)

Outline of the work programme of your Standing Committee for the next 12 months
Please set out specific activities and priorities having regard to the matters in 1) - 3) above,
including any relevant time frames.

The need to conclude the exercise on the commercialization of trade secrets, including security interests over these, has already been identified at [1(e)] above.

However, this should not distract the Committee from undertaking a study on a new topic with a view to preparing a report to be finalised in time for the London conference in 2019.

One potential such topic to have secured a measure of support amongst Committee members so far is that of trademark co-existence agreements.

Other potential topics left for further study at [7] of the Milan Resolution on Security Interests over Registered IPRs are the issue of security rights over unregistered IP rights other than trade secrets (such as domain names and social media accounts) and the effect of same on commercialization; and also, for both registered and unregistered IPRs, the rights and obligations of the security provider, security taker, assignor, assignee and third parties in the event of a default relating to the security interests in IPRs.

Another topic that has been suggested concerns the various issues encountered with license agreements generally such as the types and nature of license agreements and their consequences for matters such as the right to sue, how license agreements are established and assigned and what happens if the IP the subject of the license agreement) is assigned to a third party.

Two other potential topics that have been suggested in the past and could again be considered are IP valuation and the property aspects of the European Patent with Unitary effect.

Names and Functions of Committee Members

| | | |
|--------------------|------------------------------|--------------------------|
| Chair | Trevor COOK | United Kingdom |
| Vice Chair(s) | Junko MUKOYAMA | Japan |
| | Federico ULLED | Argentina |
| Members | Mohammad Fazil BHARUCHA | Pakistan |
| | Iveta BORISOVA | Bulgaria |
| | Michael S. CONNOR | United States of America |
| | Johan ENGDAHL | Sweden |
| | Erik FICKS | Sweden |
| | Christian GASSAUER-FLEISSNER | Austria |
| | Juliana GEBARA DE SENE | Brazil |
| | Ingo GEHRING | Germany |
| | Paola GELATO | Italy |
| | Ehud HAUSMAN | Israel |
| | Sanaz JAVADI | Switzerland |
| | Andrea KAMAGE | United States of America |
| | Tal KARPLUS | Israel |
| | Sun R. KIM | Republic of Korea |
| | Friedrich W. KLINKERT | Germany |
| | Pierre KOBEL | Switzerland |
| | Deborah KUCHLER | Australia |
| | (Carissa) Huihui LI | China |
| | Llewellyn L. LLANILLO | Philippines |
| | Mark METZELING | Australia |
| Olgac NACA KCI | Turkey | |
| Richard O CONNOR | Ireland | |
| Onder OZDEN | Turkey | |
| Gracia PEDRON | Philippines | |
| Barbara SARTORI | Italy | |
| Carmen SCHELLEKENS | Luxembourg | |
| Elena SHAMRINA | Ukraine | |
| Michal SICIAREK | Poland | |
| Renée XAVIER | Singapore | |

Seda YILDIRIM

Turkey

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