



Report on Policy Roundtable

“Institutional Environment and Innovation”

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1. Executive summary

On January 19th, 2018 we convened a small expert policy makers workshop at the University of Piraeus to discuss the FIRES-proposed reforms to strengthen the institutional framework for innovative entrepreneurship in Greece. The discussion revolved around proposals to reform intellectual property rights, knowledge generation and R&D and universities. Participants shared their concerns, reservations and support for the relevant proposals and discussed amongst themselves and with the consortium the political desirability and feasibility of the different proposals. In general, there was broad support for the proposed reforms and the underlying common philosophy. Participants agreed that knowledge generation is costly and important and requires both incentives and adequate funding. Once available, however, knowledge is a non-rival public good and efficiency dictates it should be diffused to all at zero cost. Furthermore, participants agreed that commercialization is an important channel for diffusion.

2. Institutions for Innovative Entrepreneurship

The goal of this policy round table on January 19th, 2018 in Piraeus, Greece, was to discuss the reform agenda of the FIRES-project with special attention to the proposals pertaining to the generation, management, allocation and diffusion of knowledge in the Union. There are many reforms in the FIRES-reform proposals menu that could be classified under this heading. In the three hours that we discussed with the attendants, we decided to focus most on the proposals pertaining to intellectual property. The attached policy brief for the roundtable on knowledge institutions for an entrepreneurial society, contains the parts of the D5.12 A reform strategy for Europe with applications to the UK, Italy and Germany. In the slides attached and presented in the round table, the relevant proposals are listed. In this report, we summarize the discussion for the five topics discussed: Intellectual Property, Knowledge Generation, R&D and Knowledge Diffusion, Regional and Industrial Policy and Universities.

2.1 Intellectual Property

The panel spent most time on the proposals related to intellectual property. Given the attendance of the director and a board member of the Greek patent office, the proposals here could be discussed in great detail. The proposals presented to the panel are in italics below. Numbering refers to the original numbers in D5.12 for consistency.

Proposal 2: To balance the interest of inventors and innovators, the consortium proposed to have public funds cover licencing costs and allow such subsidies to be differentiated.

First, we cleared up a small misunderstanding, as licence costs can be interpreted as the costs for applying and renewing a patent at the patent office or the licence fees a patent holder charges for sublicensing the patent to others. The FIRES-consortium intended this to be the last. When that was clarified, the panel discussed the merits of this idea. There was agreement under among the participants that the public should be responsible organising the process of developing and disclosing the knowledge. That is, the registration fees for patents and IP should be low and incentives should be provided for patentees to disclose the knowledge. However, the panel did not agree that the public should sponsor the application and renewal fees. There was a long discussion about public funding of licence fees for patents that were deemed of special public interest, such as medicines and important security issues. In that case, there was agreement that the government could take a role in sponsoring the costs for using the patented knowledge in commercial applications. An important concern that was raised in the discussion also, is that one should not announce these subsidies in advance, as this would simply increase the license fees a patent holder will charge by the same amount and not make the diffusion of the knowledge through commercialisation more likely. The representative from the Ministry recalled that in the past the Greek government did support and fund the purchase of (foreign) knowledge by Greek companies, recalling a specific example in pharmaceuticals. In another, more recent example a Greek company had to give up on an order from Denmark because they could not afford the sublicensing fees on a certification process that was patented by a German competitor.

Proposal 3: To promote the use of knowledge, one could think about the right to infringe upon patents that are not actually commercialized and limit the breath, width and span of patent protection to cover working prototypes and market ready innovations only for a short period of time.

This proposal contains two parts. The first part was interpreted as making the protection of intellectual property less absolute in case the patent is left unused or is actively used to block commercialization. The panel agreed that is generally a bad thing and should be avoided. The parallel to the right to squat unused real estate in times of scarcity of housing. The panel agreed with the general underlying logic. There were some concerns about the freedom to operate for national agencies, given rather strict international regulation and treaties on intellectual property, such as the TRIPS-agreement, the Paris Treaty and European regulation on how to manage and protect IP. That said, there is things that fit in exiting frameworks and can help achieve the underlying goal. Mandatory licencing is restricted to clear cases of overriding national interest, such as defence and public health. For less clear-cut cases, the stimulation of patent pools and perhaps even developing an open innovation registry may be steps that can move the system in the right direction. The participant from the Ministry strongly supported the idea to limit the possibilities of using IP to block commercialisation and innovation.

The debate in the IP community on “patenting nature” seems to go in the direction of not allowing firms to patent knowledge (e.g. gene sequences) found in nature and the proposed open innovation registry is inspired by development in the ICT sector, where open licences are becoming more common. The panel briefly discussed the possibilities to use block chain technology to even decentralize and open the patent registration process, such that interests are full disclosed and it is transparent who would be trying to block diffusion. The span for patents is internationally binding at maximum 20 years and national offices have little discretion in that respect. Given the example referred to above, the representative of the Greek Ministry was much in favour of limiting patents also to products and inventions, excluding for example certification procedures and instruments.

Proposal 4: We propose to require patent applicants to set the price for the licence ex ante instead of allowing them to negotiate the terms of a licence contract ex post when the potential for commercial application is known.

The panel agreed that inventors do not create knowledge for the discounted future expected flow of profits. They are typically not very aware or interested in the future potential profits. Their managers and employers are. Forcing these patent holders to set a price in advance, removes the ex post bargaining and thereby shifts the bargaining power towards the commercialiser/user of the knowledge. They can simply evaluate the knowledge and decide if they want to pay the stated price, or not. By also linking patenting application and

renewal costs to this price, one can build in an incentive to set low licencing fees that will cover the costs of developing the knowledge, but not extract additional rents.

Proposal 5: A more radical idea (Boldrin and Levine 2013) is to abandon the system of patent protection and intellectual property altogether, as it simply fails to deliver the desired results.

This proposal was a bit too wild for the participants. The panel agreed that patents are not essential for incentivising knowledge creation and invention, but the system has additional benefits that should not be disregarded. Patent registration implies a validation of knowledge and creates a central registry of technological knowledge. The aspect of granting monopoly right to the use of the knowledge can be reformed without completely abandoning the system and all its positive aspects. One that was mentioned specifically is the role IP plays in helping entrepreneurs acquire financial resources. IP validates and legitimizes innovative start-ups and firms and builds a registry in which authorship can be traced. With modern technology (block chain), the patent system can be decentralized and even with open access licenses the system can track knowledge diffusion and flows via patent citations and cross-licencing, which is useful information for industrial, commercial and policy purposes.

2.2 Knowledge Generation

In this topic, we had a broad discussion, not going into detail on the proposals, as they were met with general agreement.

Proposal 43: Reform the European Blue Card system to include also non-employees and people lacking high formal educational credentials provided they have a plan to support themselves.

Proposal 44: Abolish nationality, residence and affiliation restrictions and quota in eligibility criteria on basic research grants.

Proposal 45: Both the EU and its member states should create healthy, well-funded, academic institutions that allow Europe's best and brightest to pursue their research interests.

We can make these changes at the EU level, but they require preparation and complementary reforms and action at the national and local level to be effective. The panel was aware and accepted the fact that integrating the European knowledge base, would involve geographic concentration of expertise. This is further discussed also under the heading of universities below.

2.3 R&D and Knowledge Diffusion

The proposals discussed under this heading were:

Proposal 46: We propose to limit R&D subsidies and tax breaks to "new to the market" activities.

Proposal 47: Therefore, we propose to expand the funding for Europe's SBIR-programs and reform public procurement rules in that direction.

Proposal 48: Support international partnerships for innovation on specific innovation challenges.

Proposal 49: We therefore propose experimenting with a (publicly funded) entrepreneurial leave of absence for R&D workers.

Proposal 50: We propose to strengthen and facilitate the tradition in many European countries of harbouring innovations, even of a radical kind, inside large firms through intrapreneurship (Liebregts 2018; Stam and Stenkula 2017).

Most discussion was focused on proposals 47 and 49. The other proposals were met with general agreement. On proposal 47 the panel confirmed that current public procurement procedures in Europe are very much biased against small and medium sized enterprises in general and start-ups specifically. This problem, however, is also already high on the European agenda and as SME-envoy for Greece, the participant from the Ministry felt strongly about pushing for changes here. Proposal 49 evoked the remark that firms will strongly oppose this, and may try to neutralize the measure with non-disclosure agreements. The panel also agreed that strong legal action from the government to not uphold and declare such agreements null and void, would alleviate that issue. If employers can informally convince their R&D workers not to commercialise knowledge acquired in their R&D labs, there is little a government can do. But to strengthen the position of the individual R&D employee may help to bring more useful innovations into existence.

2.4 Regional and Industrial Policy

On the issue of regional and industrial policy, the representative from the Ministry was of the opinion that quite a lot of planning would be involved. That is, the government sets the conditions for a cluster to emerge. Other participants raised the point that Silicon Valley and other successful clusters, even in Greece, emerged more bottom-up. All agreed one cannot plan a cluster, but there was some discussion on how much planning of what would still be involved. Examples from the Netherlands, but also Silicon Valley do show that a close cooperation between public authorities and private partners is required to make clusters successful. The public authorities must act decisively, but also be more responsive to the quickly changing environment. This first and foremost, requires brave and effective local political leadership. Then, in the open policy frameworks that exist in Europe, much can be achieved.

Proposal 51: Liberalise, where possible, spatial planning regulations to allow endogenous clustering of business activity and avoid planning clusters.

2.5 Universities

Of course, academics always love to talk about universities. All Participants agreed that European universities cannot be turned into American ones. But all, also agree universities should plan an important role in shaping the entrepreneurial society in Europe. The proposals that were presented in this domain were:

Proposal 56: We propose to educate the young and bright minds of Europe about entrepreneurship as a career option before they make their career choices.

Proposal 57: The link between universities and external stakeholders should be strengthened. Specifically, more research grants could require transdisciplinary approaches to innovation challenges.

Proposal 58: University faculty must be encouraged to stimulate entrepreneurial initiatives while incentives for university spinoffs are increased.

Proposal 59: We suggest that funding of research, also in e.g. the societal calls under H2020, should be awarded to research(ers) and no longer be geographically or institutionally bound.

Proposal 60: We propose that slack, if organised well, can be a source of creativity and corporate or academic venturing.

From personal experience, the representative of the Ministry claimed that it is still possible to never hear about entrepreneurship and graduate from an engineering or medical program. Professor Fafaliou responded that most universities and business schools have such courses in the curriculum and this is still growing. A lot is happening and the trend is positive. There are talent scouting days, pitching competitions and hackathons and students are pushed to think about commercial applications and innovation. Then the issue was raised if the university level is even the most appropriate level and whether creativity and out-of-the-box thinking would not have to start in secondary or even primary education. Entrepreneurship education can be effective, but it is not a panacea. The education programs should be linked closely to the proposals under 57 and 58. The best

way to educate students about entrepreneurship is to expose them to business in general and entrepreneurial venturing in particular.

Proposal 59 is closely related to proposals 44 and 45 above. Mobility of the scientists will help integrate the European knowledge base. The Erasmus program is a very important program for students in this respect. Exchange of staff is much less common. One idea that was raised in passing is the need to have a common working language (English). Moreover, practical matters, such as academic calendars and general working conditions could perhaps be harmonized more across European academic institutions, to facilitate mobility. Such mobility will lead to diversity, specialization and concentration. In the global competition for the best brightest, however, it is the top that matters. To boost European academic institutions, we should allow knowledge and the academics that embody it, to flow freely.

3. Conclusion

Over the last few years the importance of knowledge as a driver of productivity and economic growth been recognised and that importance is growing. Economies are more strongly dependent on the production, distribution and use of knowledge than ever before. The goal of this policy round table was to discuss the reform agenda of the FIRES-project with special attention to the proposals pertaining to the generation, management, allocation and diffusion of knowledge in the Union. All participants shared their concerns, reservations and support for the relevant proposals. They agreed that role of the universities and intellectual property rights is to facilitate the knowledge creation and transmittion. In doing so, European commission and institutions should remove hurdles and rigid regulations that eventually achieve the opposite effect.

4. References

Boldrin, Michele and David K. Levine (2013), The Case Against Patents, *Journal of Economic Perspectives* 27(1), 3-22.

Liebrechts, W. (2018) Hidden entrepreneurship: Multilevel analyses of the determinants and consequences of entrepreneurial employee activity, PhD-Thesis, Tjalling Koopmans Institute, Utrecht School of Economics, Utrecht, Netherlands.

Stam. E. and M. Stenkula (2017) Intrapreneurship in Sweden: an international perspective, FIRES-report D5.4, accessible on: <http://www.projectfires.eu/wp-content/uploads/2017/01/D5.4-Complete-paper.pdf>.

APPENDIX

Policy Roundtable

EU H2020 project Financial and Institutional Reform for the Entrepreneurial Society (FIRES)

“The Role of Institutional Environment on Innovation & Entrepreneurship in Greece”

Senate Room, University of Piraeus, 185 34 Piraeus, Greece
January 19th, 2018

Program

- 11:00-11:20: Introduction – Mark Sanders (UU, Chair of the Roundtable)
- 11:20-12:45: **Intellectual Property Rights**
Ioannis Kaplanis (Hellenic Industrial Property Organization)
Kyriakos Drivas (Hellenic Industrial Property Organization)
- 12.45-13.30: **Knowledge Generation**
Irene Fafaliou (UNIFI)
- 13:00-14:00 Break
- 14:00-14:15 **R&D and Knowledge Diffusion**
Claire Economidou (UPRC)
- 14:00-14:15 **Regional and Industrial Policy**
Zacharias Mauroukas (Ministry of Economics)
- 14:15-14:30 **Universities**
Emmanuel Tsiritakis (UNIFI)
Claire Economidou (UPRC)
- 14:30-14:45 Coffee – Open discussion

Participants

Policy / policy research:

- Zacharias Mauroukas, Ministry of Economics, General Director of Industrial and Entrepreneurial Policy
- Dr. Ioannis Kaplanis, General Director of the Hellenic Industrial Property Organization
- Dr. Kyriakos Drivas, Board Member of the Hellenic Industrial Property Organization

Academics:

FIRES

- Mark Sanders, Associate Professor, Utrecht University (UU)
- Claire Economidou, Associate Professor, University of Piraeus Research Center (UPRC)

Other

- Irene Fafaliou, Professor, University of Piraeus (UNIPi)
- Emmanuel Tsiritakis, Professor, University of Piraeus (UNIPi)