

Finland

The evolving IP management landscape

Finland is a substantially greater source of innovation than the small size of its population might indicate. Finnish companies and research and development (R&D) centres are actively involved in top R&D in several fields. According to the Organisation for Economic Cooperation and Development Science, Technology and Industry Scoreboard 2007, Finland has one of the highest R&D spends as a percentage of gross domestic product. As a direct result, the number of patent applications and patents granted is among the highest in the world per capita (see Figure 1). Furthermore, according to several recent studies Finland is among the top countries in the world in the field of patenting activity.

Despite the significant degree of innovation and high levels of R&D investment, Finnish enterprises have not been at the forefront of IP exploitation and the development of IP strategies. To date, the approach to IP management in Finland has been rather bureaucratic. All too often patent applications have been filed on the

basis of technical merit without analysis of the need for or the methods of utilisation of the patent, and the management of patent portfolios has been kept separate from business decision making. However, there are signs that things are changing.

Learning IP management the hard way: experience from the telecommunications market

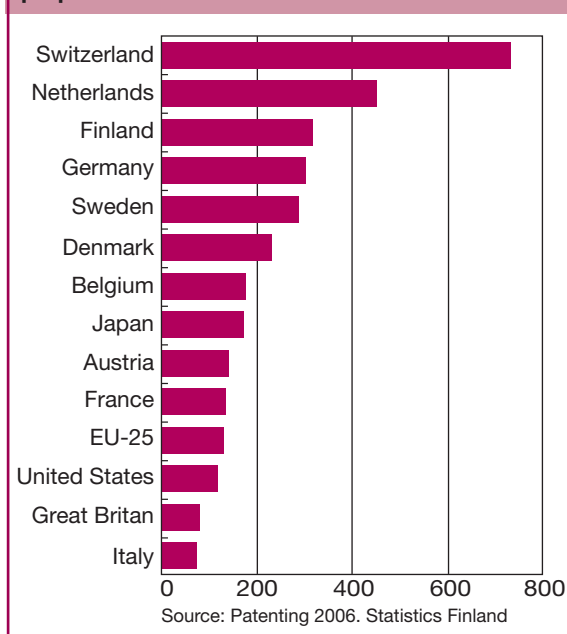
Comprehensive IP management is an important part of a corporation's asset and financial management. Corporate IP management involves managing complex and often interdependent relations, and combining such management with the corporation's own R&D, patenting and product strategies. The main challenge for corporate management is to acknowledge what a complicated issue IP management is.

However, there are signs that the Finnish corporate world is quickly realising the need for and potential of IP management. One such indicator is that a growing number of companies have an IP rights manager, who is responsible for overseeing the company's IP portfolio.

One reason for the increased attention to IP management is the strong Finnish telecommunications sector, headed by the global market leader Nokia. As a mobile handset manufacturer, Nokia is at the focal point of high-tech development in several sectors. New innovations in batteries, displays, interfaces and communications are rapidly deployed into mobile handsets – necessitating careful IP management and IP clearances.

As telecommunications involves various types of technology, IP cooperation and cross-licensing are vital for successful business. In this respect, standardisation is an essential element in telecommunications and a source of several complex IP management issues, such as the reasonable and non-discriminatory licensing of essential patents. Indeed, one recent global patent clash involved Nokia challenging Qualcomm's licensing practices for Qualcomm's essential patents relating to telecommunications standards. The dispute was settled in July 2008.

Figure 1: European patent applications per million people in 2006



In addition, innovative software strategies have been developed in the field of telecommunications. Nokia's Symbian is a mobile phone operating system for which Nokia developed its own Series 60 and other user interfaces. Currently, Nokia is transforming Symbian into a trust with the target of making it available as open source software.

Nokia's position, although unique in Finland, has provided other Finnish companies with examples of the need for IP management, as well as the attendant risks and opportunities.

On the basis of these and other recent developments, IP rights strategies are expected to evolve, with an increasing number of Finnish companies developing IP rights management functions. This can only be a change for the better as companies' key assets will then receive the attention and understanding that they need.

Fight for your IP rights: the rise of IP litigation

Patent and other IP rights litigation appears to be on the rise in Finland.

Patent infringement litigation has increased substantially since the start of the new millennium. This trend is most obvious in the pharmaceuticals sector, but patent infringement cases are also becoming more common. In addition to infringement suits, other litigation relating to patents has increased – for example, non-infringement declaratory actions initiated against a patent holder to avoid later possible infringement actions, as well as to secure the business activities in relation to certain innovation and technology.

Patent and utility model litigation differs significantly for original civil cases. The Helsinki District Court is the only court of first instance for patent cases. Another distinct element in patent litigation is the need for technical expertise in addition to litigation expertise. The difference is also seen in the average duration of a patent or utility model case. The district court process can take more than two years.

Not all innovations are patentable and sometimes it makes more sense to protect valuable innovations as trade secrets. A patent application cannot be filed while R&D work is still in progress. In addition, some essential details of patented innovations may not appear in the granted patent.

Companies also appear to be more involved in trade secret litigation. In general, cases relating to trade secrets can be divided into three categories:

- Criminal cases regarding business espionage, the violation of business secrets or the misuse of business secrets are heard in the general courts;

- Prohibitions pursuant to the Unfair Business Practices Act are heard in the Market Court; and
- Actions for damage (for both criminal cases and unfair business practices cases) are heard by the general courts.

There have been several recent court cases in Finland concerning trade secrets, including:

- *Simege Oy v Oy Ajat Ltd* (MAO:123/03) and *Dyno Industrier A/S v Tapio Strömsten* (MT:1994:013) before the Market Court;
- the disputes between Honeywell Oy and Procemex Oy, which involved a criminal trial in the ordinary courts and a civil matter in arbitration; and
- the case between Arizona Chemicals Oy and Forchem Oy, involving both criminal and civil trials.

In addition, in MAO: 105/07 and MAO: 272/07 preliminary injunctions were obtained in relation to a breach of trade secrets. In this case Nokian Capacitors Oy alleged that Siemens AG and Siemens Oy were infringing its trade secrets as they were using Nokian's technical prototypes, directions and trade secrets and thus acting against the Unfair Business Practices Act. To protect its rights, Nokian initiated an application in the Market Court. In response, Siemens alleged that Nokian had misleadingly informed third parties that Siemens was illegally using Nokian's trade secrets and applied for an injunction to prohibit Nokian from circulating such allegedly false information.

One interesting element in patent litigation, as well as other litigation between companies, is the option to request that the trial documentation be kept secret. This is vital, as otherwise the documentation presented in the court proceedings would be public. A recent decision of the Helsinki Court of Appeal dealt with the confidentiality of trial documentation in patent litigation.

The growing awareness of business secrets and their value can also be seen in relation to companies' contractual relations in the form of confidentiality agreements and arrangements, as well as confidentiality and non-compete obligations of employees.

Overall, the readiness and proactiveness of Finnish companies to protect their innovation and IP portfolio is clearly on the rise.

And the possible rise of licensing

At both global and EU levels, IP licensing has increased dramatically. For example, in France, revenues from international licensing increased from €330 million in 1990 to €2.4 billion in 2003. This trend has not been

apparent in Finland as few Finnish companies have been engaged in IP licensing. With the exception of the telecommunications and software industries, where the licensing of IP rights is an essential element of the business, the concept of IP licensing appears to be distant. This particularly applies to 'stick' licensing, where a licence is offered to a party that is already exploiting the patented technology. Companies would see such licensing-in merely as an extra cost imposed upon their sales, not as a method to mitigate legal risks.

In order to be able to license a patent, particularly in the case of stick licensing, the patent owner must be able to enforce it. Potential licensees will be reluctant to pay for a licence if the patented technology is already available and known to the potential licensee. Therefore, an effective system for the enforcement of patent rights is a prerequisite for effective patent licensing.

Due to increased litigation and a heightened awareness of IP management, it is clear that companies are becoming more aware of the risks and costs related to patent infringement disputes. Further, some Finnish start-up companies aim from the outset to create a patent portfolio that can be effectively licensed.

Commercialisation of university-originated intellectual property

Another field where Finland has lagged behind in IP exploitation is the commercialisation of university innovations. The number of patents filed by Finnish universities has historically been among the lowest of all industrialised countries. Universities have had a very limited role in the commercialisation of their research; instead, spin-off companies have been established by researchers without university involvement.

In 2006 the University Invention Act was enacted. Previously, a university's entitlement to inventions made by its researchers was ambiguous, the assumption being that researchers retained rights to intellectual property conceived by them. If a university needed intellectual property arising out of research, it had to conclude separate agreements to that effect with each researcher, and practices among universities and university departments varied greatly. The objective of the new act was to clarify the universities' position and to ensure that universities would have better opportunities to exploit the intellectual property arising out of university research.

The act obliges researchers to notify all new inventions to the university and, in most cases, allows the university to acquire rights to the invention. The right is more limited with respect to 'open research' – that is, research carried out without third-party funding or a research contract with a third party. Pursuant to the act,

Finnish universities are obtaining greater leverage to utilise innovation conceived within their walls.

As a separate matter but in conjunction with the University Invention Act, other university legislation has been revised and is being further updated to allow universities greater flexibility in cooperating with corporations and participating in spin-off companies. A new 'super-university' has been established by merging three existing universities: the School of Economics, the Helsinki University of Art and Design and the Helsinki University of Technology.

The effect of the reforms remains to be seen. Universities are currently seeking ways to manage the commercialisation process. It is anticipated that new forms of university collaboration will emerge, with companies helping universities in the creation and funding of spin-offs. Certainly the reforms will help universities to acquire rights to university-originated inventions and will facilitate the establishment of spin-offs partly owned by universities. In short, universities will start to develop and manage their IP portfolio on more commercial terms.

Government participation in the IP process

In addition, the government has realised the importance of innovation for Finland and Finnish economic growth. Therefore, in 2008 the government published the National Innovation Strategy. The main principle behind the strategy is to widen and diversify the national innovation policy. This will also have an effect on competitiveness and the rejuvenation of the national and regional economies, as well as the utilisation of innovations in the public sector. The strategy also highlighted the 10 most essential elements for fulfilling its aims.

As a separate process, an expert group is preparing a national IP rights strategy for Finland, which at the time of writing was due to be published in autumn 2008.

In regard to the increase in IP rights litigation, the Finnish government is evaluating the possibility of establishing a specialist IP rights court. Cases relating to patent applications and oppositions, which are currently heard by the Board of Appeal of the National Board of Patents and Registration of Finland and the Supreme Administrative Court, could also be heard in this special IP rights court. The centralisation of IP rights cases would also focus the necessary expertise in that special court. However, many questions still remain and no final decisions have been made regarding the establishment of a specialist IP rights court.

Climbing the IP management staircase

As shown here, the value of intellectual property and the

need for comprehensive IP management have been acknowledged not only by Finnish corporations, but also by universities and the government. The path chosen is clearly the right one. Finnish telecommunications companies such as Nokia are leading the way and others

are starting to follow. However, there is still much to improve and many steps on the IP management path remain to be taken. Nevertheless, Finnish IP management and licensing is expected to develop favourably over the coming years.

Ben Rapinoja advises on IP-related questions, with particular emphasis on life sciences and the pharmaceutical industry. His practice mainly concentrates on commercial contracts, corporate and financial transactions, especially in the life sciences sector and dispute resolution. Mr Rapinoja has particular experience in the field of patent and trademark litigation. He is one of the leading legal experts in Finland in the life sciences and pharmaceutical sector and has been a partner since 2006.

Ben Rapinoja

Partner

Tel +358 9 6153 3424

Email ben.rapinoja@borenus.com

Borenus & Kemppinen

Finland



Samuli Simojoki advises on IP rights, technology law and media-related questions and transactions, as well as on IP rights strategies and planning assignments. Mr Simojoki heads the data privacy and trade secrets practice and is also head of IP asset management services. He has wide experience in technology commercialisation and IP rights utilisation models. Mr Simojoki also handles assignments relating electronic communications networks and the Internet. He has been a specialist partner since 2008.

Samuli Simojoki

Partner

Tel +358 9 6153 3500

Email samuli.simojoki@borenus.com

Borenus & Kemppinen

Finland

