TESTIMONY TO
BIOTECHNOLOGY TASK FORCE
September 29, 2005

Dear Honorable Chairman Schroeder, Honorable Chairman Jones, and
Honorable Members of the Biotechnology Task Force of the Idaho State Legislature:

Thank you for this opportunity to address the Biotechnology Task Force, and thank you for convening this series of meetings to hear testimony and gather information about the importance of technology to Idaho's communities, economy, and future.

Among the subjects for discussion on today's agenda is technology transfer, the means by which intellectual property developed by Idaho's academic institutions, the Idaho National Laboratory, and private companies and individuals moves out of research operations for commercialization, most commonly through the private sector. Effective technology transfer is key to our future in biotechnology as it is in all our technology industries.

Today, we have heard excellent and useful testimony from significant creators of intellectual property in the State of Idaho. We have heard how the public sector, academic and government research institutions, carries out technology transfer functions. The importance of the public sector's role in fueling the creation and commercialization of new technologies and intellectual property is without question.

Because private technology transfer activities occur under the full and intensive competitive pressure of the global technology market, however, the private sector is in some ways better equipped to face the practical realities of that market. It is important to understand that the private sector's activities as to technology transfer are complementary to their sister activities in the public sector. We in Idaho would do well to draw upon the strengths of both public and private sector initiatives surrounding technology transfer. Toward that end, I would like to contribute for your information and deliberation a private industry perspective on technology transfer.

At Technology Law Group and its business intelligence and strategy partner, Technology Intelligence Group, our clients range from Fortune 100 companies to academic institutions to individual technology entrepreneurs. Our clients engage in technology transfer activities, principally through intellectual property licensing or through out-right sales or acquisition of the intellectual property rights. In terms of value, our clients' technology transfer transactions can range from a $60,000 sale of copyrighted software to a Sandpoint company to an $80-plus million patent licensing agreement with a major Taiwanese technology manufacturer, for example.

Our clients invest significant financial and human resources for the creation of new technology and intellectual property rights. Our clients and their technologies face intensive competitive pressure, including on a global scale, both in terms of product development and in commercializing those new technologies. They face also the very real risk that their technologies will be stolen, their patents and copyrights infringed, and their trade secrets misappropriated, including by their business partners. The technology market is highly competitive, and the standards of business practices across borders are often less than ideal. Nevertheless, our clients actively engage in technology transfer. Their markets demand that they do so, and the success of their businesses depends upon it.

The unrelentingly competitive realities faced by our clients brings three key features by which private and public sector intellectual property development and technology transfer activities differ and through an incorporation of which successful public-private partnerships can emerge.

Fueling the Pipeline

First, intelligent private companies create systems to foster and capture innovation. These innovation systems operate continually to replenish the supply of intellectual property to fuel the businesses' growth and competitiveness. Innovation systems pump the life blood needed to move the companies forward, to make their processes more efficient, their products richer in features, and their returns more lucrative.

Key components of these innovation systems include incentives, meaningful ones, for workers to participate and financially benefit by their participation in every step of the formation of intellectual property. This means that workers get paid for generating an invention disclosure. They are given appropriate time to work with intellectual property attorneys in preparing high quality new plant variety or copyright registrations or patent applications. They get paid when a patent issues. They get paid a portion of the proceeds earned for their companies in licensing or selling the new technology. What's more, by being educated by and in excellent communication with the technology transfer team, workers develop confidence and buy in to the process where that team acts aggressively to position the technologies for maximized commercial exposure and return.

In addition to incentives, innovation systems in the private sector include systems for capturing and ranking invention disclosures; evaluations of disclosures for alignment with the company's business strategy; the purposeful pursuit of patent rights; and deep due diligence when selecting a partner for technology licensing or sales transactions.

Innovation systems and a serious focus on competing in their markets is the way that the best technology companies encourage innovation and fuel their intellectual property pipelines.

Freedom of Contract

Second, private technology transfer programs have comparatively greater latitude to negotiate and conclude contract terms than do their public counterparts. This is a mere statement of fact, not a criticism of the public sector controls and the internal political structures that may be intended to, but may not always in fact, effectuate the greatest public good.

Operating in the private sector, companies need not be mindful of the Idaho State Board of Education or the university's intellectual property or ethics policies. Although their transfer of technology is subject to export and other controls, private companies negotiate their intellectual property transactions with a much lighter regulatory and legal burden than do public sector institutions.

What this means is that, in their highly competitive environments, private companies enjoy the benefits of the time-tested legal principle that parties are free to contract with each other as they wish. Although the freedom of contract is restricted, rightly so, so as to prevent anticompetitive or other abuses, this freedom stimulates both the numbers and rapidity of technology transfer deal closures. As our clients say, they operate at the speed of business, and business in Idaho and around the world demands that technology transfer activities occur with resources, acumen, and intensity.

Freedom to Assert

Third, one great impetus to technology transfer is litigation or the threat of litigation. It is a given fact that, Thomas Jefferson aside, most people prefer to avoid lawyers operating in a professional capacity. Notwithstanding that cultural idiosyncrasy, the services of intellectual property lawyers and litigators are invaluable and highly effective tools for the protection and commercialization of intellectual property.

In marked contrast to public sector institutions, private companies generally have much greater freedom from a political and resource perspective to appropriately harness this tool. Even private companies that are litigation-adverse will sue for infringement when the intellectual property at issue is a core component to their business survival. Private companies depend upon the exclusivity of their intellectual property rights, for example, to keep a foreign competitor from copying their products and selling them into the market at a price advantaged by the fact that the foreign competitor made comparatively no investment in creating the intellectual property at the core of those products.

Public sector entities have different missions than do private businesses. Is the exclusion of others from their intellectual property central to the mission of educating our new teachers, farmers, and engineers or to the goal of placing space batteries on the upcoming Pluto mission? Increasingly, the answer is yes, but more indirectly so than in the private sector. For this, political, financial, and other reasons, technology transfer in the public sector operates at a disadvantage in that the necessary tool of intellectual property assertions is not as readily available.

In closing, Idaho will be most successful when public and private technology transfer initiatives occur in a collaborative, complementary manner. The competitiveness and experiences of technology transfer in Idaho's private sector have much value to contribute to its counterparts in the public sector. Thank you for your time in considering these remarks, and thank you for your leadership in promoting technology and its contributions to all of Idaho's industries and communities.

Respectfully,

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TEAM MEMBER PROFILE

EMILE LOZA, M.B.A., J.D.

Emile Loza is managing attorney and founder of Technology Law Group, LLC. Technology Law Group is an intellectual property, international, and Internet practice in Boise. The TLG team serves technology innovators from Fortune 100 to entrepreneurs, leading academic institutions, investors, and other law firms. Among TLG's larger clients are one of the world's most successful computer technology companies, a major state university, and the exclusive technology transfer agent for a second major university.

Emile has been a member of the Idaho State Bar since 2003 and a member of the American Bar Association and the Licensing Executives Society since 2003 and 2004, respectively. Emile presently serves as Vice Chair of the Idaho State Bar's Intellectual Property Law Section, having served as the Section's Secretary and Treasurer in 2003.

Emile currently serves as Co-chair of the ABA's International Technology Transfer Subcommittee of the Intellectual Property Section's Intellectual Property Licensing Committee. In that capacity, Emile leads an international collaboration to educate licensing professionals about the financial and tax implications of international intellectual property transactions and methods by which American technology companies can leverage and protect their intellectual property when partnering with companies abroad.

Emile also serves on the Boise Valley Economic Partnership's Selection Committee for the 2005 Intermountain Venture Forum and on a key advisory committee of the Boise Metro Chamber of Commerce's Small Business Success Center. In addition, Emile provides significant *pro bono* legal services through the Idaho Volunteer Lawyers Program, most recently for an Iranian family regarding international family law and domestic safety matters.

Prior to entering private practice, Emile clerked for the Honorable Sérgio A. Gutierrez of the Idaho Court of Appeals. Emile also helped prosecute Internet fraud as a federal investigator with the Federal Trade Commission in Washington, D.C. after a one-year clerkship with FTC Commissioner Sheila F. Anthony.

Prior to law school, Emile held key executive, finance, and marketing positions within technology industries encompassing digital imaging, information technology, genetics, optoelectronics, and health care. As vice president of business development for a genetics company based in the Texas Medical Center, Emile garnered a participating role for the company in a $10 million Small Business Innovation Research grant to develop microarrays using recombinant DNA technology. As marketing manager for a digital imaging company spin-off from Jet Propulsion Laboratories, Emile successfully negotiated a $3 million joint development and global distribution agreement with a Mitsubishi Corporation subsidiary for pharmaceutical toxicology and cancer cytogenetics applications.

Emile holds a bachelor's degree in medical science and technology; a master's degree in business administration from the University of Houston; and a juris doctor degree with an emphasis in international and patent law from The George Washington University in Washington, D.C.

Emile has published several articles in peer-reviewed legal journals, including COMMUNICATIONS AND THE LAW and THE FOOD AND DRUG LAW JOURNAL. A listing of Emile's complete professional publication is available upon request.

Technology Law Group participates in many community and educational activities throughout the year.