

Science and Technology Committee

Oral evidence: [Managing intellectual property and technology transfer](#), HC 755

Wednesday 11 January 2017

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Members present: Stephen Metcalfe (Chair); Victoria Borwick; Jim Dowd; Chris Green; Dr Tania Mathias; Carol Monaghan; Graham Stringer; Derek Thomas; Matt Warman.

Questions 273 - 323

Witnesses

I: Jo Johnson MP, Minister of State for Universities, Science, Research and Innovation, Department for Business, Energy and Industrial Strategy, Jenny Dibden, Director of Science and Research, Department for Business, Energy and Industrial Strategy, and Sean Dennehey, Acting Chief Executive Officer, Intellectual Property Office.

Written evidence from witnesses:

- [Department for Business, Energy and Industrial Strategy](#)



Examination of witnesses

Witnesses: Jo Johnson, Jenny Dibden and Sean Dennehey.

Q273 **Chair:** Good morning and welcome. Can I take the opportunity to wish you all a happy new year and thank you for joining us this morning? For the record, can I ask you to introduce yourselves and say who you are and whom you represent, perhaps starting with you, Jenny?

Jenny Dibden: I am Jenny Dibden, director of science and research at BEIS.

Jo Johnson: I am Jo Johnson, Universities and Science Minister, and very recently also appointed Minister for IP, inheriting the role from Lucy Neville-Rolfe, who has gone off to the Treasury.

Sean Dennehey: I am Sean Dennehey, acting chief executive of the Intellectual Property Office.

Q274 **Chair:** Thank you very much for joining us. This is the final session in our managing intellectual property and technology transfer inquiry. Perhaps we could start with the Minister and then anyone else please join in. Can you talk us through why the Government decided to announce an industrial strategy challenge fund before they have decided on what the shape and content of the industrial strategy itself might be?

Jo Johnson: First, happy new year to the Committee. It is a pleasure to be back before you. I imagine this is your first hearing of the year. I am pleased to be able to come before you and start getting to grips with the IP part of the portfolio. This is a good opportunity to do that and to get the Committee's views on these important issues.

On your specific question, the Government have set out their ambitions for an industrial strategy to ensure that we have an economy that works for everyone and not just the few. The Prime Minister herself has made clear on a number of occasions now that she sees science, research and development, and innovation as being absolutely at the heart of that industrial strategy.

At the autumn statement we saw the Government very clearly putting their money where their mouth was in this respect. The single biggest increase in public support for research and innovation for decades as a result of the announcements that were made in the autumn statement has been widely welcomed by the research and innovation community. There is an additional £4.7 billion between now and 2021, ramping up to a run rate of £2 billion additional a year in that year. A significant proportion of that, as you said, will be allocated to the industrial strategy challenge fund. The purpose of that goes right to the heart of this Committee's inquiry into IP and tech transfer, which is to facilitate greater interaction and collaboration between the university and business communities.



Q275 **Chair:** Was it just a timing issue, therefore? It was easier to get out the announcement of the additional funding and the announcement of a challenge fund before you had the industrial strategy in place.

Jo Johnson: The work on the industrial strategy involves the community. It is going to emerge from extensive consultation with all groups that have really legitimate interests in the shape of our industrial strategy—the research community, the business community and the academic community—and, in coming weeks, we will be publishing a discussion paper that will kick off a further period of consultation that will then lead to a White Paper.

Q276 **Chair:** Would I be right in thinking that the entirety of the challenge fund will be focused on commercialisation? Is that right?

Jo Johnson: The industrial strategy challenge fund will look at areas of promise for us as an economy. It will focus on priority technologies—ones that are significant in scale—in which the UK has a comparative advantage and is able to contribute significantly to advances in that field; areas where there is clearly evidence also of the willingness of business to play its part and join Government in ramping up investment so that we can be at the cutting edge of those sorts of areas; and, also, critically, areas where there is additionality, where Government funding and Government involvement and support can genuinely make a difference and make things happen that would not otherwise happen. Those are the areas on which we will be focusing; and, yes, commercialisation of research and making more of the brilliant research that goes on in our academic community is a very big part of the industrial strategy challenge fund.

Q277 **Chair:** The Business Secretary emphasised the connection between innovation and place recently. Will the industrial strategy challenge fund not only take account of the issues that you have mentioned but also geography? Will it be distributed where there is excellence already building up?

Jo Johnson: Yes; there is a strong commitment in the Government to ensure that more parts of the country benefit from the rates of growth that we have seen in certain parts of the country, and we want an economy that works for everyone, as I said at the start. We have mechanisms to ensure that we assess the capacity of all parts of the country for excellence so that they can benefit from the science and innovation funding that we have now made available in greater quantities than ever before.

Q278 **Chair:** It is a new announcement and a new fund. Is this a move to ring-fencing innovation funding in the same way that science budget funding has been ring-fenced?

Jo Johnson: It is a significant addition of resources, as you say. The additional £4.7 billion is the biggest increase since 1979. The science ring fence that we had previously represented £26.3 billion over the period to



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2021. This is additional to that. We have not changed the definition of the ring fence, but these are continuing areas for review.

Q279 Graham Stringer: Can I ask you a question following up your answer on regional investment in science? How do you overcome the apparent conflict between your commitment, which I believe to be genuine, to invest in the regions with the Haldane principle? Newcastle, Sheffield, Manchester and Leeds universities are first-class universities, but, with the best will in the world, they are not quite in the same class as Cambridge and Oxford. If you are allocating research funds according to excellence, they are always going to win out. How do you deal with that conflict?

Jo Johnson: It is important that we manage this tension carefully. We, as a Government, want to ensure that we fund excellence wherever it is in the UK. On the whole, the Government succeed in doing this well. We have extraordinary excellence in many different parts of the country; it is not just in the golden triangle, world-renowned though that is. We have excellence in the south-west, in Scotland, in Sheffield, in Manchester, Birmingham and York. There is excellence everywhere. It is important that we have in place processes that ensure that we are also developing areas with a capacity for excellence where they exist.

One of the most fruitful mechanisms that we have at the moment is the science and innovation audits, which are now entering their third wave. This is a means by which we can map where there is a capacity for excellence in parts of the country that might not immediately spring to mind so that we can ensure that areas that can be in a position eventually to make the most of public resources get their fair crack at it.

Q280 Graham Stringer: One cannot disagree with that, but history gives us slightly different evidence, does it not? When it has come to it, the Diamond Light Source, for instance, was moved from the north-west into the Oxford area. Do you believe that, in future, decisions like that would not or would be taken?

Jo Johnson: We watch very carefully where the share of public money for research and innovation is allocated around the country. Above all, our guiding principle is that we have to fund excellence. Notwithstanding the increase that I mentioned that was allocated to R&D during the spending review, we have finite resources and we need to ensure that there is a strong return for taxpayers from it, as there is presently; we have an extraordinary return from our science spend. We want to make sure that it is allocated efficiently, and taxpayers expect us to do that; but we have not seen a substantial increase in the share of this money going to the golden triangle over recent years. It is hovering somewhere in the mid-40s. It has maybe gone up a percentage point or two. Jenny might be able to correct me if I am out by a percentage point or so, but I think it is around 46% or 47%. I am not sure that has shifted significantly over the last five or six years. We are not seeing a further concentration of spending.



The whole point of the science and innovation audits, as I said, is to ensure that where there is capacity for excellence elsewhere—and indeed anywhere in the country—institutions are able to bid successfully for these resources. There are parts of the country that do disproportionately well. Scotland, for example, does massively well relative to its population and GDP share.

Q281 Graham Stringer: Wherever our universities are—our excellent research institutes—all around the country, when it comes to research and development in British business, it does less well. The Lambert review found that. Why do you think that is, and what can the Government do to change what is a relatively poor performance by business?

Jo Johnson: Do you mean in investing in R&D?

Graham Stringer: Yes.

Jo Johnson: We do want to see business investing in R&D, and it has been a consistent feature of our industrial landscape relative to other developed economies that we invest less in terms of what our business community is doing. That is why, as a Government, we are working, too, to put in place an environment that will encourage businesses to invest more. Among other things, you will have seen that in the autumn statement the Chancellor announced a review of the R&D tax environment for business to look at whether it was as competitive as it needs to be. Those sorts of enabling factors that Government can influence are certainly at the forefront of our minds.

We have in place an attractive regime at the moment. We have a patent box system that is being widely emulated around the world, and we have a system of R&D tax credits that is generous and increasingly popular. The value of R&D tax credits in the last financial year rose to £2.45 billion, and this is increasing fast. Government are playing their part in encouraging business to invest more in R&D, but we also recognise that there is a need for business to look to the long term. That is why the Prime Minister has put such an emphasis on corporate governance reform and changing the culture of business in this country.

Q282 Graham Stringer: Do you think the Government have concentrated too much on big business for encouraging research—the FTSE 100 companies as opposed to SMEs—rather than focusing on those companies that employ a lot of people and often have brilliant and original ideas?

Jo Johnson: The Government want to help small businesses involve themselves more in the potential for R&D. The small business research initiative is an example of the kind of scheme that Government are running. This is one that helps small businesses take advantage of procurement contracts that Government are offering so that they can offer their services in an innovative way and play their part in this process, but we do recognise the concern that you raise.

Q283 Graham Stringer: If we attack the problem in a different way and look



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at Oxford University's innovation fund, which has recently received £200 million from overseas, far eastern investors, why do you think overseas companies see the attraction of commercialising and using the assets in our universities more than our own businesses do? It is an interesting way of looking at the problem, I think. Do you agree? What lessons can be learned from that?

Jo Johnson: It is hugely welcome that we now have these significant pools of patient capital washing around our university system. This is really new; 10 years ago this simply did not exist. We now have very significant pools of patient capital focusing on some of our best-known institutions—Oxford, Cambridge, Imperial and UCL. The challenge now is to ensure that these pools of capital become available more broadly across our system. That is a real focus for work and why the Government's patient capital review, which was another thing announced at the autumn statement, is potentially really important. It is led by Damon Buffini, a private equity and venture capitalist, who has a strong understanding of how we can deepen our pools of capital to ensure that these funding issues diminish.

Q284 **Graham Stringer:** Finally, how do we know what is going on? We have had a discussion about what is going on, but the Government abolished the R&D scoreboard in 2010, which gave us information about individual businesses. Are you confident that we now have a factual basis for this debate and discussion? How do you get the information now?

Jo Johnson: I think we do have a strong evidence base for this discussion. We have data collected by a number of bodies. The Higher Education Funding Council for England runs the HEFCE HE-BCI survey—the higher education-business and community interaction survey—which gathers important data. The Patent Office gathers relevant data relating to intellectual property and its exploitation. So we do have an evidence base.

Q285 **Carol Monaghan:** Minister, our understanding is that the responsibility for higher education innovation funding—HEIF—is now going to be shared between UKRI and the Office for Students. Could you explain how the Government are going to ensure that, with split responsibilities for HEIF, this does not become too unwieldy?

Jo Johnson: I am happy to do that. At present HEIF is distributed in a twin-track approach, as you know. It is distributed in part through the teaching grant through HEFCE, and in part it is allocated through the research councils' stream, so there is not a massive change with respect to how it will be operating in the new system. As you know from our discussions in the Bill Committee, there are arrangements put in place in the architecture of the Higher Education and Research Bill to ensure that the Office for Students, which will have the responsibility for distributing the teaching grant, and UKRI, which will oversee the operation of the research councils, work very closely together.



Q286 Carol Monaghan: Likewise, we also have the Government responsibility for knowledge exchange sitting across two Departments—the Department for Education and the Department for Business. Surely, for researchers, this goes against all efforts to simplify the innovation landscape. How are you going to co-ordinate this across Departments?

Jo Johnson: To clarify my previous answer, two bits of HEFCE are at present split between the teaching grant and the REF, rather than the research councils, so that is a clarification there. As to knowledge exchange, we tabled an amendment in the Lords earlier last week to make it clear that UKRI would have a responsibility for knowledge exchange in the new landscape for higher education and research.

Q287 Carol Monaghan: Moving on, the Government response to the Dowling review stated it had “reaffirmed its long-term commitment to funding for HEIF.” What is meant by long-term commitment? Are we talking three, five or 10 years? Is there any figure that could be used here?

Jo Johnson: In a couple of ways, we recognise that HEIF plays a crucial part in helping fund the operations of technology transfer offices in our universities. We take it incredibly seriously as a function, and we use this money to help universities meet the cost of what is in many cases a loss-making activity for them.

At the autumn statement, we allocated an additional £100 million to fund collaboration between universities in support of knowledge exchange activities that will be either very HEIF-like or extremely complementary to HEIF. That additional £100 million is a good example of our commitment to facilitating knowledge exchange and the universities’ activities in promoting it.

Another example is in the fact that, on the face of the Higher Education and Research Bill, we are now explicitly saying that knowledge exchange and promoting knowledge exchange will be a core role of the UKRI body.

Q288 Carol Monaghan: That does not quite answer how long the Government’s commitment is.

Jo Johnson: It is in legislation. Last time we legislated in this respect was a considerable period of time ago, so I can only say that.

Q289 Carol Monaghan: Finally, the Government have stressed that simplifying and strengthening the business-university collaboration is a priority of UKRI. How will UKRI achieve this and how will that be done in a way differently from how the research councils are operating at the moment?

Jo Johnson: There is first a change in the way Innovate UK and the research councils will relate to each other. They will be closer together than previously in the sense that they will all be within UKRI, and this will give our business community, we intend, a much clearer understanding of the opportunities that there are for them from the intellectual property that is being generated and the ideas that are being generated in our



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research community. Proximity and cross-fertilisation between the SMEs that use Innovate UK's services to the academic community, we hope, will stimulate more commercialisation of this type. That is a pretty fundamental change.

We also need to look very carefully at what Innovate UK itself has been doing since the extremely welcome Dowling report that came out some time ago. It made a number of recommendations to Government and to Innovate UK—that it should hide the wiring and make things simpler for small businesses in accessing innovation support—and these recommendations have been and are being taken forward.

Innovate UK is simplifying its interface with the business community; it is reducing its number of brands; and it is becoming an easier organisation for our SMEs to access. Those are really powerful steps.

Q290 **Carol Monaghan:** Do you have examples of this or evidence to back that the SMEs are finding it easier to access than they would have done in the past?

Jo Johnson: We can certainly supply the Committee with application rates for grants, which are always very high. I see no indication whatsoever that there is anything other than a strong demand for Innovate's products, and I am sure, given the pressure on the grant funding that there has been in recent years, that that will have been an increase in applications. Innovate is definitely moving in the right way. It is simplifying its offer and reducing the number of brands across its product portfolio range, and it is becoming an easier organisation to navigate.

Q291 **Chair:** Before I move on to Dr Tania Matthias, while we are talking about UKRI, the UK Research and Innovation board appointment brief came out this month. We have a copy for the Minister. There are just a couple of clarifications around what you have been saying. In point 6, it states that there needs to be a better alignment of research outputs with business needs to increase commercialisation. Does that mean that business needs will be increasingly important in shaping how research is decided?

Jo Johnson: No. It will remain for research communities to determine their priorities. That is at the very heart of the Haldane principle, and that is not changing. We do not see there being an incompatibility between universities, other institutions and funding bodies determining their priorities with generating research that is of relevance to the business community and that can be commercialised.

Q292 **Chair:** That is fine; thank you. On the same page, which is "Key duties/objectives for UKRI Board Members," in the very first point on the second line, the sentence reads slightly oddly, in that it starts: "Overseeing the development of the Research and Innovation Strategy including the approach to research and innovation infrastructure," and



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then in brackets, "(need to have a better catapult mechanism)." It just seems slightly out of place there. Do you know what that means, and does it mean that there is a belief that the catapults are not working well?

Jo Johnson: No. I think the catapult network is performing strongly. We have a commitment to develop it and to make it stronger and more comprehensive over the course of this Parliament, which we are delivering on. As you know from our previous discussions, we announced a med tech in Manchester in Alderley Park, and there is one in Cambridge for precision medicine. These are additions to our network and it is performing well. That is potentially out of place in that section.

Chair: That, perhaps, is an error, as it does not seem to make any sense. Some clarity around that would be very good; thank you.

Q293 **Dr Mathias:** Could I ask Mr Dennehey about these points? The Dowling review recommends the Intellectual Property Office works with Innovate UK to establish the independent source of advice for SMEs when they are negotiating IP contracts with universities. Can you tell us about progress in this and who is providing the advice?

Sean Dennehey: The Intellectual Property Office has over a number of years worked to provide advice to SMEs that wish to engage in collaborative research with universities and others. The Committee will be very familiar with the Lambert toolkit, which was relaunched in October, and which has had substantial success since then, with a very much increased uptake.

The Committee has already heard in its evidence views from different stakeholders, some of whom have spoken very positively about the facilitation that that provides, while others have suggested that it leaves some of the more difficult areas less well supported—for example, in relation to licensing rates and so forth. The experience that we have had dealing with universities and small businesses as stakeholders is that it is only possible to take people so far along this track. It is a process in which there is not a unique, single right answer for all. It is a destination that we try to put people in the direction of, but, in the end, negotiating the appropriate relationship is one that they have to conclude in their own particular circumstances.

Q294 **Dr Mathias:** Okay, but how are you working with Innovate UK?

Sean Dennehey: We have a close relationship with Innovate UK. They are leading in a good deal of the work in this area, and we focus specifically on the IP elements, feeding in through them, but also through another range of intermediaries.

Q295 **Dr Mathias:** We had a submission questioning whether it is appropriate for the Intellectual Property Office to be giving advice. What would you say to that?



Sean Dennehey: Yes; I saw that the Law Society in its evidence to the Committee raised this question. It is very important to understand the difference between, as I would describe it, advice and guidance. From the point of view of the generality, a core function of the IPO is to provide education and awareness for businesses, potential SMEs, but certainly innovators, in terms of what the IP framework is and whether they have intellectual property, because many SMEs do not appreciate the IP that they have, how they should protect it, how they can commercialise it and the benefits that they can obtain. That is guidance information. Where I think—

Dr Mathias: Not advice.

Sean Dennehey: No; I will explain. I would describe advice, in many ways, as lay people would, but specialists in this field differentiate between advice that is detailed guidance on how you should frame your patent application, for example, which is something that it would not be appropriate for us to do, as opposed to assisting people who do not choose to be professionally represented through the process of obtaining a patent.

Dr Mathias: Would you be able—

Sean Dennehey: I can tell from the expression on your face that I have not made the point very clearly.

Dr Mathias: I think you get it; I do not.

Sean Dennehey: Shall I try again?

Q296 **Dr Mathias:** Yes. It is not the wording. Can you give an example of the two differences?

Sean Dennehey: Yes, of course. Let us say I am an inventor, I have come up with an idea and I approach the Intellectual Property Office. The Intellectual Property Office can explain what the patenting process is, how much it costs and what I need to do, and, certainly as an organisation with very strong customer service, it would do that very heavily. If as an inventor, though, I was to say to the IP Office, "Can you draft my patent application for me?", it would say, "No, we can't." If it files it and says, "Should I be"—

Q297 **Dr Mathias:** Why would it say it could not?

Sean Dennehey: Because it is its role to be objective and impartial in deciding whether rights are granted or not. They are private rights that are applied for by the individuals—

Q298 **Dr Mathias:** You want that separation.

Sean Dennehey: —and there are professional representatives, people very highly qualified in the marketplace, whose role is to provide that advice. Whether an individual inventor or company chooses to engage



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them is their choice. It is not for us to provide that, for the reasons I have given.

Q299 **Dr Mathias:** You would say the critics are being unfair on you.

Sean Dennehey: If we have an applicant who is struggling to understand the process, it is not our business to say that we cannot assist them, but we need to understand the limits. There are those—and I am not suggesting the Law Society is one of them for a moment—who feel we should simply administer the process in a way that Government bodies tended to administer processes and customer services 20 years ago, which is simply, “Here is the form; here is the schedule; here is the process; you get on with it.” We do not do that, but there is a line that we cannot cross in terms of taking them every step of the way. To that extent, it is potentially possible for people to misunderstand how we discharge our role.

Q300 **Dr Mathias:** Could the misunderstanding be avoided with your communication with people approaching you? How can it be avoided?

Sean Dennehey: Communication can always be better and I would not suggest for a moment that we could not improve on that. One of our primary considerations, whether it is in granting patents, trademarks or registered designs, is the needs of British business to understand and to be able to obtain the rights that they are entitled to. It is not our business to step into the proper professional field of qualified representatives, and there is clearly a grey area there where some will perceive that we are overstepping the mark. Our communication is very clear. Our staff are very clear on what they can and cannot do, and I cannot really comment on why other people might think otherwise.

Q301 **Dr Mathias:** Thank you. Will the “Fast Forward” funding competition be running in 2017?

Sean Dennehey: I am not aware of the details of that, but I am happy to provide the information to the Committee at a later stage.

Q302 **Chair:** Before I move on to Jim Dowd, I think you mentioned the Lambert toolkit increased take-up. Do you have any statistics on that that you could supply the Committee with?

Sean Dennehey: I can give you some details in due course, but the take-up has increased substantially since the relaunch in October 2016, and I can certainly provide information to that effect.

Chair: Thank you very much indeed.

Sean Dennehey: Perhaps I could simply add that we have done an evaluation that will substantiate the figures that are provided.

Q303 **Jim Dowd:** Mr Dennehey, I want to pursue that; the Chair quite ruthlessly has stolen my question, but I am quite used to that. With regard to the take-up level, Dowling estimated 10% to 15% by value.



The revised guidelines have only been in existence since October—barely three months. Are you saying there has been a noticeable and sharp increase in that very short period?

Sean Dennehey: Yes, I am.

Q304 **Jim Dowd:** In which case, how were the old guidelines so substantially deficient?

Sean Dennehey: The original guidelines—and the Lambert toolkit has been running for some time—had a more limited scope and the agreements have more limited scope, so what we launched in October 2016 was a wider set of model agreements. Now they run, there are seven of them—confusingly labelled 1 to 6—plus four shared agreements, so they cover a much wider space. That is the first thing.

Secondly, the working group that put these together, which is a working group of industry and academics—it is not a Government body, so to speak; the IPO provides a secretariat to the body—has learned from the experience and the review that was undertaken. I would not suggest that very many initiatives launched from new are in the perfect form originally. We have built on that experience, and what SMEs, large companies and universities have said to the working group would make them more effective.

Q305 **Jim Dowd:** The IPO has an education remit. Have you worked with universities and others to deliver any short courses with relation to intellectual property?

Sean Dennehey: Yes. We have done a good deal of work with universities. The example I would bring to mind is the IP tutor online facility. This is a 40-minute course that students and lecturers are able to undertake. In the last year, when we evaluated it, the toolkit had had 8,000 hits and 800 completions. This is a very well-received, well-used and, from the information we have, effective way of getting across to students and lecturers what IP is and how it can work for them.

Q306 **Jim Dowd:** Have you also considered inserting an element of IP into other courses rather than having specific IP courses?

Sean Dennehey: Yes, we have. We have worked with the Quality Assurance Agency for Higher Education in trying to have IP incorporated in subject benchmark for courses. We have had some success in that, particularly in the biomedical sciences and engineering areas, and we continue to work with the QAA to build this further into other courses. The discussions and the relationship we have had with them has been very positive and I am sure we will be making further progress.

Q307 **Jim Dowd:** Finally, UKRI has a remit to improve business and university collaboration. Is there any scope for you to work with them in helping to deliver that objective?



Sean Dennehey: Yes. We shall certainly be doing that—absolutely. We are keen to engage with any others, whether they are Government bodies, industry or universities, to raise the degree of awareness and understanding of IP across the whole of the UK economy so that we can build economic advantage. One issue that we face, but not uniquely, is that many individuals and businesses do not understand the IP that they have, both in potential registrable rights and in the know-how that they have in their companies. Enabling them to unlock that and commercialise it is part of our prime purpose.

Q308 **Matt Warman:** Following on from that to an extent, we would all welcome the small business research initiative, but in 2013 it distributed £78 million of a £100 million target. Minister, do you know the value of the more recent set of contracts awarded and how that compares with the new target of £200 million?

Jo Johnson: As I said, we announced in the autumn statement that we would be commencing a review of the small business research initiative to ensure it was as effective as we want it to be. This review is going to be led by David Connell, who is an industry expert with a background in science and tech, who has a strong knowledge of the innovation landscape. We have just launched a consultation into SBRI in the Department for Business, Energy and Industrial Strategy in our citizen space zone. It has just started and it closes on 3 February, so everyone with ideas on how it could be improved and made more effective can contribute to that.

Specifically in answer to your question, since 2009, SBRI has provided £330 million of contracts to businesses to develop new solutions for the public sector. It currently provides around £63 million of contracts a year to businesses.

Q309 **Matt Warman:** You mentioned the review. The last review reported in 2015 and now we are having another one. Is that because there is a Government idea that we have not yet got this right or is there a fundamental willingness to rethink it?

Jo Johnson: It underscores continuing Government determination to ensure that small businesses really are, as questions from other Committee members have hinted at, as fully engaged as we want them to be in research activities. There is huge scope for them to become more innovative by engaging with the research community, and we think this is a big opportunity.

Q310 **Matt Warman:** There is the sort of perennial suggestion that the way Government themselves procure and use their own contracts should be used to promote the innovation, and, while we would agree with that, my own instinct is that that is probably not the whole solution by any means. How do you see Government's role when it comes to their own procurement contracts encouraging innovation?



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Jo Johnson: I do think Government as a smart procurer can be a real driver of innovation in the economy. It is one of the most concrete ways in which Government can drive innovation by, for example, writing contracts differently, using more contracts that have outcome-based specifications that leave it open as to how a specific outcome can be delivered and give scope for more innovative solutions to generate them. There is a strong understanding in Government that procurement is one of the most important tools in their arsenal.

Q311 **Matt Warman:** Do you feel the Government themselves are genuinely innovative when it comes to those sorts of very practical—

Jo Johnson: Increasingly so. No one would deny there is room for improvement, and in certain procurements it is not always possible, but, as a Government, we want to focus a lot on pre-procurement market engagement, going out talking to business to ensure that there are opportunities for dialogue with potentially innovative suppliers on how we can best deliver on Government requirements.

Q312 **Matt Warman:** On a barely related final note, the Office of Tax Simplification has been asked by the Chancellor to review aspects of the VAT system, and I wonder whether your Department will be pushing them to scrap VAT charges on buildings where academics and industry are working alongside each other.

Jo Johnson: This is a review that was announced at the autumn statement and is being undertaken by the Treasury. It is important that the research community feeds its views into the Treasury so that its important interests can be reflected in the outcomes.

Q313 **Matt Warman:** Is this a topic that you feel has been explored adequately so far?

Jo Johnson: The use of collaborative space for business in research institutions such as universities has been an ongoing issue. We obviously want to ensure that we have a competitive R&D tax environment in this country that underpins the whole theme of the autumn statement, and I look forward to seeing the outcomes of the Treasury's review.

Q314 **Derek Thomas:** In November you stated, Minister, at the Competitiveness Council that the Government intend to ratify the agreement regarding the European Unified Patent Court. Then you said that this decision did not pre-empt the UK's objectiveness in the programme of leaving the EU. Can you clarify what was meant by that statement?

Jo Johnson: Yes. I think the statement is correct in the sense that the Unified Patent Court is not an EU institution and is independent of our membership of the European Union. We have taken a decision to proceed with preparations to ratify the Unified Patent Court agreement. It has not yet come into effect because the requisite number of countries needed have not yet ratified, but we believe it is important that we participate in



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this framework. It has a value to UK inventors and UK businesses, and we want to be there at its creation.

Q315 **Derek Thomas:** Are you saying that currently there is provision in the Unified Patent Court agreement for non-EU members to participate in the unitary patent scheme?

Jo Johnson: These are questions that will form part of a bigger discussion around the Brexit negotiations.

Q316 **Derek Thomas:** Finally, because it is not clear yet, one of the seats of the UPC is in London, which will look at cases relating to chemistry, including pharma and life sciences. Is it possible that we go to the effort of setting this up only for it to be taken down again when we leave the EU? Is that likely?

Jo Johnson: Again, we have interests in the Unified Patent Court. We see benefits to business, our research environment and our innovation ecosystem. We want to be there supporting this entity, but location decisions following our Brexit are all going to form part of the bigger package of discussions relating to us leaving the European Union.

Q317 **Derek Thomas:** I guess what you are saying is that you will go into this with the intention of our remaining in that agreement post-Brexit.

Jo Johnson: The Unified Patent Court stands outside the European Union institution. We are members of it and we are proceeding with preparations to ratify the agreement, but aspects of how and where it operates will all form part of the future negotiations.

Chair: Thank you very much. Before I pass over to Chris Green, Victoria Borwick has a couple of quick questions.

Q318 **Victoria Borwick:** It is a topical question. The CES—the Consumer Electronics Show—as you probably know, has been happening this week; it has been going for 50 years and has 170,000 visitors and 3,500 exhibitors. I state an interest, as my husband and other members of my family who are interested in that sort of thing visited and were very disappointed to see the lack of British companies. Science and technology innovation is something that you have told us in this Committee, and we all support, is important, obviously, to promoting Britain, particularly in our changing environment. Other countries had pavilions to promote their start-ups and were also very keen, particularly as today we are talking about intellectual property. How, as a country, should we help to promote our start-ups and innovative companies to promote the great work that is going on in science and innovation in this country?

Jo Johnson: It is important that we are visible and actively marketing ourselves around the world at CES and events like it, and UKTI supports companies that want to take stands and showcase their products and services. I was pleased that my colleague Matt Hancock was there—

Victoria Borwick: He was there for half a day.



Jo Johnson: —representing Government and leading from the front, as he does so well.

Q319 **Victoria Borwick:** Fine. Is that something you might look at to increase our participation in the future, in our new innovation world of showing that we have great products that we want to innovate? It is a shame when you look at the size of some of the pavilions of some of the other countries—I appreciate we are probably not going to rival China—but round this table we often talk about them stealing a competitive edge on us, and many people here feel that there is great work that can be done.

Jo Johnson: There is a balance to be struck. Of course we want to be visible at these showcase events, but I do not think we want to measure the success of our innovation ecosystem by the size of pavilions. I do not think it is the best indicator. We have a strong innovation ecosystem in this country; we are very high on the global innovation scorecard rankings—I think second or third; and we do, pound per pound, very well in terms of exploiting opportunities for innovation.

Q320 **Victoria Borwick:** Fine, thank you. I just want to make sure that we are very keen as a Government to promote the innovative technologies that are emerging in this country.

Jo Johnson: Indeed.

Q321 **Chris Green:** Minister, we have to understand our strengths as well as our weaknesses. With the science and innovation audits that focused on mapping the UK's scientific strengths, it is clearly important information to identify those strengths, but we also need to know where our weaknesses lie and where innovation is being held back. Do we have the information we need on that?

Jo Johnson: As a Government and as a country, of course we are aware of parts of the country that are not innovative and are not receiving and not generating research outcomes. So, yes, we do, and we are amassing that information.

Q322 **Chris Green:** So we have that information. By what mechanism is the Business, Energy and Industrial Strategy Department capturing that information? Where is it kept?

Jo Johnson: It is within the Department, within the research councils. The various funding bodies all have a very clear sense about which areas are most competitive in terms of winning research funding. Whether it is institutions performing well through the REF, which measures research excellence, or the research councils in terms of which institutions in which parts of the country are most successful in winning grant funding streams that they have to bid for competitively, they give you a very clear indication of where our strengths and weaknesses are as a country.

Q323 **Chair:** Thank you very much. Before I close the session, is there anything anyone wants to add to any of the topics that we have covered



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today that has not otherwise been explored?

Jenny Dibden: I would say one thing on HEIF. You will have seen the allocations for SR15, and HEIF is a line that is maintained through the spending review period. So, in terms of a long-term commitment, that is what we have and that is as much as you can have, because obviously the next period is another spending review; but it is in there in the HEFCE allocations that are published.

Chair: In that case, thank you very much indeed for your time this morning. We will now proceed to draft our report and publish it in due course. Thank you for your contribution.