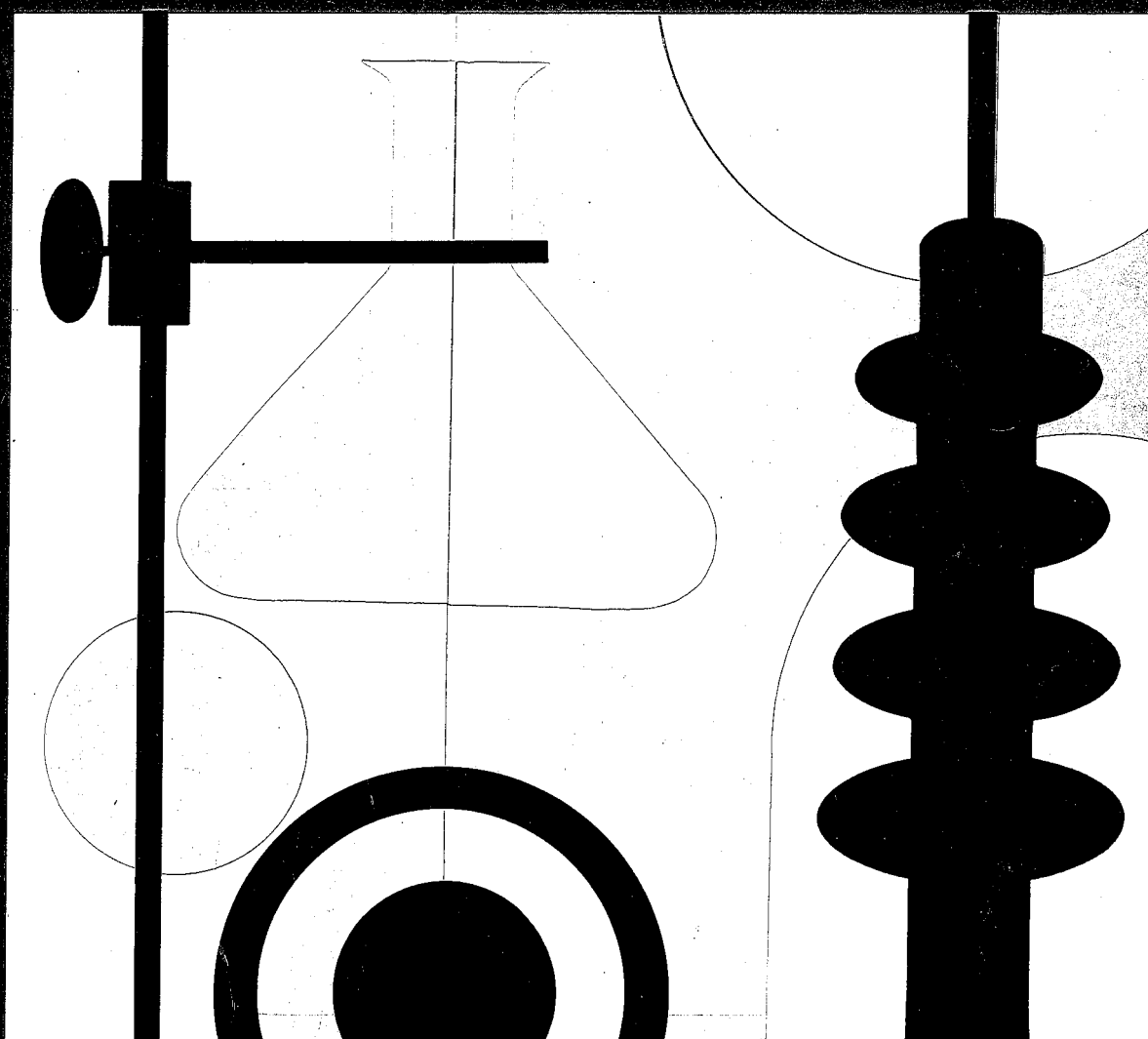


WIPO MODEL LAW FOR DEVELOPING COUNTRIES ON INVENTIONS

Volume II

KNOW-HOW
EXAMINATION AND REGISTRATION OF CONTRACTS
INVENTORS' CERTIFICATES
TECHNOVATIONS
TRANSFER OF TECHNOLOGY PATENTS



WORLD INTELLECTUAL PROPERTY ORGANIZATION

Geneva 1980

WORLD INTELLECTUAL
PROPERTY ORGANIZATION

E231g88
OMPI. W
vol. 2

**WIPO MODEL LAW
FOR DEVELOPING COUNTRIES
ON INVENTIONS**

Volume II

**KNOW-HOW
EXAMINATION AND REGISTRATION OF CONTRACTS
INVENTORS' CERTIFICATES
TECHNOVATIONS
TRANSFER OF TECHNOLOGY PATENTS**



**GENEVA
1980**

**ORGANISATION MONDIALE DE
LA PROPRIÉTÉ INTELLECTUELLE**

**OMPI
BIBLIOTHÈQUE**

TABLE OF CONTENTS

| | Page |
|---|------|
| INTRODUCTION | 5 |
| TEXT OF THE MODEL LAW | 9 |
| Part II: Know-How | 13 |
| Part III: Examination and Registration of Contracts | 15 |
| Part IV: Inventors' Certificates | 19 |
| Part V: Technovations | 27 |
| COMMENTARY ON THE MODEL LAW | 29 |
| Part II: Know-How | 33 |
| Part III: Examination and Registration of Contracts | 37 |
| Part IV: Inventors' Certificates | 47 |
| Part V: Technovations | 57 |
| REGULATIONS FOR THE MODEL LAW | 63 |
| Part II: Know-How | 67 |
| Part III: Examination and Registration of Contracts | 69 |
| Part IV: Inventors' Certificates | 71 |
| Part V: Technovations | 73 |
| LIST OF THE EXPERTS AND OTHER PARTICIPANTS | 75 |
| ANNEX: Part VI: Transfer of Technology Patents | 81 |

INTRODUCTION

1. The publication of this Volume follows that, in 1979, of Volume I of the WIPO Model Law for Developing Countries on Inventions. Volume I contains Part I of the Model Law, which deals with patents; this Volume contains the other Parts of the Model Law, which deal with know-how (Part II), the examination and registration of contracts (Part III), inventors' certificates (Part IV), technovations (Part V) and, as an annex to the Model Law, in accordance with a decision taken by the WIPO Permanent Committee for Development Cooperation Related to Industrial Property (hereinafter "the Permanent Committee"), transfer of technology patents (Part VI).

2. Readers will recall that the preparatory work on the Model Law was placed under the guidance of the Permanent Committee and that a Working Group on the Model Law for Developing Countries on Inventions and Know-How held eight sessions on the subject. Following the eighth (and last) session of the Working Group, the International Bureau of WIPO prepared the final draft of the Parts of the Model Law which are contained in this Volume and submitted that final draft to the Permanent Committee, for comments, in accordance with a decision taken by the WIPO Coordination Committee and the Executive Committee of the International Union for the Protection of Industrial Property (Paris Union) at their sessions in September/October 1978. Taking into account the comments presented during the session of the Permanent Committee in April/May 1980, the International Bureau made additional changes to the final draft before publishing this Volume.

3. The introduction to Volume I of the Model Law contains additional information to which readers are requested to refer.

Geneva, 1980

Arpad Bogsch
Director General of WIPO

TEXT OF THE MODEL LAW

Part II: Know-How

Part III: Examination and Registration of Contracts

Part IV: Inventors' Certificates

Part V: Technovations

TABLE OF CONTENTS

| | Page |
|--|--------|
| PART II: KNOW-HOW | 13 |
| Section 201: Definitions | 13 |
| Section 202: Know-How Contracts | 13 |
| Section 203: Rights and Obligations under Know-How Contracts | 13 |
| Section 204: Proceedings Relating to Certain Acts Concerning Know-How | 14 |
| PART III: EXAMINATION AND REGISTRATION OF CONTRACTS | 15 |
| Section 301: Obligation to Register; Definitions | 15 |
| Section 302: Patent Office; Contract Register; Inspection of Files; Restrictions Concerning Employees of Patent Office | 15 |
| Section 303: Submission of Contract | 16 |
| Section 304: Examination as to Form | 16 |
| Section 305: Examination as to Substance | 16 |
| Section 306: Registration or Refusal to Register; Certificate; Publication | 18 |
| Section 307: Appeals | 18 |
| PART IV: INVENTORS' CERTIFICATES | 19 |
| Section 401: Protection of Inventions | 19 |
| Section 402: Office for Inventions; Restrictions Concerning Employees of Office for Inventions | 19 |
| Section 403: Register of Inventors' Certificates | 19 |
| Section 404: Inspection of Files | 19 |
| Section 405: Inventions Which Can Be the Subject of Inventors' Certificates | 20 |
| Section 406: Availability of Inventors' Certificates | 20 |
| Section 407: Conversion into Patent Application or Patent or Judicial Transfer of Application for Inventor's Certificate or Inventor's Certificate | 20 |
| Section 408: Fraudulent Statement Concerning Inventorship | 21 |
| Section 409: Application for Inventor's Certificate; Examination; Grant of Inventor's Certificate | 21 |
| Section 410: Rights and Obligations of Applicant or Holder of Inventor's Certificate | 21 |
| Section 411: Rights and Obligations of State; Definition of "Exploitation" | 21 |
| Section 412: Limitation of Rights | 22 |
| Section 413: Rights Derived from Prior Manufacture or Use | 22 |
| Section 414: Duration of Inventor's Certificate | 22 |
| Section 415: Transfer by Succession of Application for Inventor's Certificate or Inventor's Certificate | 23 |
| Section 416: Joint Holders of Application for Inventor's Certificate or Inventor's Certificate | 23 |
| Section 417: Interdependence of Titles of Protection | 23 |
| Section 418: Invalidation of Inventor's Certificate | 24 |
| Section 419: Effects of Invalidation | 24 |
| Section 420: Acts of Infringement | 24 |
| Section 421: Infringement Proceedings | 24 |
| Section 422: Declaration of Non-Infringement | 25 |
| Section 423: Offenses | 25 |

| | Page |
|--|------|
| PART V: TECHNOVATIONS | 27 |
| Section 501: Definitions | 27 |
| Section 502: Right to Technovation Certificate | 27 |
| Section 503: Request | 27 |
| Section 504: Issuance or Refusal of Technovation Certificate | 27 |
| Section 505: Use of Technovation | 28 |
| Section 506: Remuneration of Technovator | 28 |
| Section 507: Derogation by Contract | 28 |
| Section 508: Disputes | 28 |

PART II: KNOW-HOW

Section 201: Definitions

For the purposes of this Law,

(i) “know-how” means technical information, data or knowledge resulting from experience or skills which are applicable in practice, particularly in industry;

(ii) “know-how contract” means any contract by which a party (“the supplier”) undertakes to communicate know-how to the other party (“the recipient”) for use by that other party.

Section 202: Know-How Contracts

A know-how contract must be in writing and must be signed by the parties to the contract; it must identify the know-how to be communicated by indicating the objective to be attained by the use of the know-how. If it does not meet these requirements, the said contract shall not be valid.

Section 203: Rights and Obligations under Know-How Contracts

(1) The supplier and the recipient shall have the right to use the know-how.

(2)(a) Subject to paragraph (b), the know-how contract may impose on either party or on both parties the obligation not to communicate the know-how to other persons and not to disclose it to the public, and to take specified precautions, or the precautions necessary under the circumstances, to prevent such communication and such disclosure.

(b) The obligation referred to in paragraph (a):

(i) may not be imposed if the know-how has been disclosed to the public;

(ii) shall cease to have effect once the know-how has been disclosed to the public.

Section 204: Proceedings Relating to Certain Acts Concerning Know-How

(1) The person who has developed know-how as well as any supplier and any recipient of the know-how may institute court proceedings against any person who:

(i) obtains the know-how by circumventing or overcoming the precautions taken to prevent its disclosure to the public, or

(ii) before any disclosure of the know-how to the public, discloses the know-how to the public, communicates it to another person or uses it for industrial purposes, unless such disclosure, communication or use is made with the agreement of the person who developed the know-how or any supplier or recipient of the know-how, or by a person who was not aware and could not reasonably have been expected to be aware that the know-how had not been disclosed to the public, or by a person, or with the agreement of a person, who has independently developed the same know-how.

(2)(a) Where the performance of an act referred to in subsection (1) is likely, the court shall order that it not be performed.

(b) Where an act referred to in subsection (1) has been performed, the court shall award damages and grant any other remedy provided in the general law.

(c) The court may take all appropriate measures to prevent the disclosure to the public of the know-how in the course of the proceedings.

PART III: EXAMINATION AND REGISTRATION OF CONTRACTS

Section 301: Obligation to Register; Definitions

(1) To be considered as valid, the following must be registered in accordance with this Part, except as provided in the Regulations:

- (i) any license contract as defined in Section 142(1);
- (ii) any know-how contract as defined in Section 201(ii);
- (iii) any contract assigning a patent application or a patent;
- (iv) any contract or part of a contract having essentially the same nature as any of the contracts referred to in items (i) to (iii); and
- (v) any modification of a contract or part of a contract referred to in items (i) to (iv).

(2) For the purposes of this Part,

- (i) "contract" means any contract, any part of a contract or any modification referred to in subsection (1);
- (ii) "transferor" means the licensor as defined in Section 142(1), the supplier as defined in Section 201(ii) or the assignor of the patent application or the patent;
- (iii) "transferee" means the licensee as defined in Section 142(1), the recipient as defined in Section 201(ii) or the assignee of the patent application or the patent;
- (iv) "technology" means an invention claimed in a patent or a patent application, know-how as defined in Section 201(i) or both such an invention and such know-how.

Section 302: Patent Office; Contract Register; Inspection of Files; Restrictions Concerning Employees of Patent Office

(1)(a) The Patent Office shall be entrusted with the examination and registration of contracts.

(b) Upon request, the Patent Office shall give advice, free of charge, on the admissibility for registration of a contract or a draft contract to any person who intends to file an application for registration.

(2)(a) The Patent Office shall maintain a special register ("the Contract Register") in which it shall register contracts in accordance with this Part.

(b) Any person may consult the Contract Register and obtain extracts therefrom. The Regulations may prescribe fees for the consultation of the Contract Register and for the obtaining of an extract.

(3) The file relating to a contract may be inspected and extracts obtained therefrom only with the written permission of the transferor and transferee. The Regulations may prescribe fees for the inspection of the file and for the obtaining of an extract.

(4) Employees of the Patent Office may not be transferors or transferees while employed and for one year after the termination of their employment.

Section 303: Submission of Contract

(1) The contract whose registration is requested shall be submitted to the Patent Office. It shall be accompanied by an application for registration.

(2)(a) The contract shall be submitted and the application for registration shall be filed jointly by the transferor and the transferee ("the applicants").

(b) If any of the applicants has his ordinary residence or principal place of business outside the country, he shall be represented by an agent whose ordinary residence is in the country.

(3) The application for registration shall contain a request for registration, the names of and other prescribed data concerning the applicants and the agents, if any, as well as other prescribed indications.

(4) The application for registration shall be subject to the payment of the prescribed fee.

Section 304: Examination as to Form

(1)(a) The Patent Office shall examine whether the requirements of Section 303(2) are fulfilled.

(b) Where the Patent Office finds that the requirements of Section 303(2) are not fulfilled, it shall reject the application for registration. Any decision rejecting the application shall be in writing and shall state the grounds upon which it is based. The Patent Office shall notify the person or persons who filed the application for registration of the decision.

(c) Where the requirements of Section 303(2) are fulfilled, the Patent Office shall issue to the applicants a receipt attesting to the fact that the application for registration has been filed and indicating the filing date thereof ("date of the application for registration").

(2)(a) The Patent Office shall examine whether the following conditions are fulfilled:

(i) the requirements of Sections 140(1), 143(1) or 202, as the case may be, are complied with;

(ii) the requirements of Section 303(3) and (4) and the Regulations pertaining thereto are complied with.

(b) Where the Patent Office finds that the conditions referred to in paragraph (a) are not fulfilled, it shall invite the applicants to file the required correction. If the applicants do not comply with the said invitation, the Patent Office shall reject the application for registration. Any decision rejecting the application shall be in writing and shall state the grounds upon which it is based. The Patent Office shall notify the applicants of the decision.

Section 305: Examination as to Substance

(1) The Patent Office shall examine whether the contract contains terms which impose unjustified restrictions upon the transferee and whether, as a consequence, the contract, taken as a whole, is harmful to the economic interests of the country. In such examination, the Patent Office shall take into consideration, in particular, any term contained in the contract whose effect would be:

(i) to import technology from abroad when substantially similar or equivalent technology may be obtained on the same or more favorable conditions without any importation of the technology from abroad;

(ii) to oblige the transferee to give consideration which is disproportionate to the value of the technology to which the contract relates;

(iii) to oblige the transferee to acquire any materials from the transferor or from sources designated or approved by the transferor, unless it is otherwise impossible, for all practical purposes, to ensure the quality of the products to be produced and provided that the said materials are supplied at a reasonable price;

(iv) to restrict the transferee's freedom to acquire any materials from any source, unless it is otherwise impossible, for all practical purposes, to ensure the quality of the products to be produced;

(v) to restrict the transferee's freedom to use any materials which are not supplied by the transferor or by sources designated or approved by the transferor, unless it is otherwise impossible, for all practical purposes, to ensure the quality of the products to be produced;

(vi) to oblige the transferee to sell the products produced by him exclusively or principally to persons designated by the transferor;

(vii) to oblige the transferee to make available to the transferor, without appropriate consideration, any improvements made by the transferee with respect to the technology to which the contract relates;

(viii) to limit the quantity of the products produced by the transferee;

(ix) to restrict the transferee's freedom to export himself or his freedom to allow others to export the products produced by him, provided that if the transferor owns, in a country to which such a restriction applies, a patent which would be infringed in case of importation of the said products into the said country, if the transferor has a contractual obligation not to allow others to export the said products to such a country or if the transferor already supplies the market in such a country with the same products, such facts shall be taken into account;

(x) to oblige the transferee to employ persons designated by the transferor not needed for the efficient transfer of the technology to which the contract relates;

(xi) to impose restrictions on research or technological development carried out by the transferee;

(xii) to restrict the transferee's freedom to use any technology other than the technology to which the contract relates;

(xiii) to extend the coverage of the contract to technology not required to achieve the objective of the contract and to oblige the transferee to give consideration for such technology;

(xiv) to fix prices for the sale or resale of the products produced by the transferee;

(xv) to exempt the transferor from any liability resulting from any defect inherent in the technology to which the contract relates or unreasonably to restrict such liability;

(xvi) to restrict the transferee's freedom to use, after the expiration of his contractual obligations, the technology acquired as a result of the contract, subject, however, to any right of the transferor under a patent;

(xvii) to establish the duration of the contract for a period which is unreasonably long in relation to the economic function of the contract, provided that any period which does not exceed the duration of the patent to which the contract relates shall not be regarded as unreasonably long.

(2) Where the Patent Office is of the opinion that the contract contains one or more terms which impose unjustified restrictions upon the transferee and that, as a consequence, the contract, taken as a whole, is harmful to the economic interests of the country, it shall notify the applicants accordingly and invite them, several times if it deems it necessary, to modify the contract so that it does not contain any such term.

Section 306: Registration or Refusal to Register; Certificate; Publication

(1)(a) Where the Patent Office finds that the conditions referred to in Section 304(2)(a) are fulfilled and that the contract does not require modification under Section 305(2), it shall register the contract, issue a certificate of registration to the applicants and publish a reference to the registration.

(b) If, within three months from the date of the application for registration, the Patent Office has not sent an invitation under Section 304(2)(b) or 305(2) to the applicants, or if, within three months from the date it received a response from the applicants to any invitation, it has not sent a new invitation to them, rejected the application for registration or refused the registration, the contract shall be considered as having been registered, and the Patent Office shall be obligated to issue a certificate of registration to the applicants.

(2) If the Patent Office finds, at the end of the procedure referred to in Section 305, that the contract still contains one or more terms which impose unjustified restrictions upon the transferee and that, as a consequence, the contract, taken as a whole, is harmful to the economic interests of the country, it shall refuse the registration of the contract. Any decision refusing registration shall be in writing and shall state the reasons for the refusal. The Patent Office shall notify the applicants of the decision.

(3) The registration, the certificate and the publication shall indicate the names and addresses of the transferor and transferee, the serial number of the patent (where applicable), the technical field to which the contract relates, the date of the application for registration, the date of the registration and the number of the registration.

(4) In the case of a license contract as defined in Section 142(1), the Patent Office shall record a reference to the registration in accordance with the Regulations.

Section 307: Appeals

(1)(a) The applicants may jointly appeal to the Minister [...] against any decision of the Patent Office rejecting the application for registration or refusing the registration, within three months from the notification of the decision. The allegation that the contract, taken as a whole, is not harmful to the economic interests of the country may be a ground for appeal.

(b) The decision made by the Minister on the appeal referred to in paragraph (a) shall be in writing and shall state the grounds upon which it is based. The Patent Office shall record the decision, publish it and notify the applicants of the decision.

(c) If, within three months from the date on which the appeal referred to in paragraph (a) was lodged, the Minister has not taken a decision, the contract shall be considered as having been registered, and the Patent Office shall be obligated to issue a certificate of registration to the applicants.

(2)(a) The decision taken by the Minister on the appeal referred to in subsection (1) may be the subject of an appeal to the court. The allegation that the contract, taken as a whole, is not harmful to the economic interests of the country may not be a ground for appeal.

(b) When the decision of the court on the appeal referred to in paragraph (a) becomes final, the registrar of the court shall notify the Patent Office of the decision, which shall record the decision and publish it.

PART IV: INVENTORS' CERTIFICATES

Section 401: Protection of Inventions

Under this Part, inventions shall be protected by inventors' certificates granted by the Office for Inventions.

Section 402: Office for Inventions; Restrictions Concerning Employees of Office for Inventions

(1) The functions assigned to the Office for Inventions by this Part shall be performed by the Patent Office.

(2) Employees of the Office for Inventions may not file applications for inventors' certificates or be granted inventors' certificates while employed and for one year after the termination of their employment.

Section 403: Register of Inventors' Certificates

(1) The Office for Inventions shall maintain a register ("the Register of Inventors' Certificates") in which it shall record all inventors' certificates granted and in which it shall, for each inventor's certificate, effect all the recordings provided for in this Part.

(2) Any person may consult the Register of Inventors' Certificates and obtain extracts therefrom. The Regulations may prescribe fees for the consultation of the Register of Inventors' Certificates and for the obtaining of an extract.

Section 404: Inspection of Files

(1) Any person may inspect the file relating to an inventor's certificate and, subject to subsection (2), the file relating to an application for an inventor's certificate, and may obtain extracts therefrom. The Regulations may prescribe fees for the inspection of the file and for the obtaining of an extract.

(2)(a) The file relating to an application for an inventor's certificate may be inspected before the grant of the inventor's certificate only with the written permission of the applicant. However, such permission shall not be required for the inspection by the State.

(b) Even before the grant of the inventor's certificate, the Office for Inventions shall, on request, communicate the following bibliographic data:

(i) the name and address of the applicant and the name and address of the agent, if any;

(ii) the number of the application;

(iii) the filing date of the application and, if priority is claimed, the priority date, the number of the earlier application and the name of the State in which the earlier application was filed or, where the earlier application is a regional or international application, the name of the State or States for which it was filed as well as the Office with which it was filed;

(iv) the title of the invention;

(v) any transfer by succession of the application.

(c) Where an application is withdrawn in accordance with Section 129 applicable under Section 409, the file relating to it may be inspected only with the written permission of the person who withdrew the application, and paragraph (b) shall not apply.

Section 405: Inventions Which Can Be the Subject of Inventors' Certificates

(1) An invention within the meaning of Section 112(1) which is not excluded from patent protection under Section 112(3) can be the subject of an inventor's certificate if it is new, involves an inventive step and is industrially applicable within the meaning of Sections 114, 115 and 116.

(2) The grant of an inventor's certificate shall not be refused and an inventor's certificate shall not be invalidated on the ground that the performance of any act with respect to the claimed invention is prohibited by law or regulation, except where the performance of that act would also be contrary to public order.

(3) An invention cannot be the subject of an inventor's certificate as long as it is excluded from patent protection pursuant to a decree under Section 118.

Section 406: Availability of Inventors' Certificates

(1) Any inventor who has the right to obtain a patent shall have the right to obtain, instead of a patent, an inventor's certificate.

(2) If two or more persons have jointly made an invention, the right to the inventor's certificate shall belong to them jointly.

(3) The right to the inventor's certificate may be transferred by succession to any natural person.

(4) When, in accordance with Section 120, the right to obtain a patent belongs to the employer or to the person having commissioned the work, the inventor may obtain an inventor's certificate only with the agreement of the employer or of the person having commissioned the work. Such agreement shall deprive the employer or the person having commissioned the work of the right to a patent.

Section 407: Conversion into Patent Application or Patent or Judicial Transfer of Application for Inventor's Certificate or Inventor's Certificate

(1) Where the essential elements of an invention claimed in an application for an inventor's certificate or an inventor's certificate were derived from an invention for which the right to obtain a patent or an inventor's certificate belongs, under Section 406, to a person other than the applicant or holder of the inventor's certificate, that person may:

(i) where the right to obtain a patent belongs to him under Section 120 in his capacity as employer or person having commissioned the work, request the court to order that the application for an inventor's certificate or the inventor's certificate be converted into a patent application or a patent in his name, provided that this provision shall not apply if the agreement referred to in Section 406(4) has been given;

(ii) where the right to obtain a patent or an inventor's certificate belongs to him under Section 406(1) or (3), request the court to order that the application for an inventor's certificate or the inventor's certificate be transferred to him or be converted into a patent application or a patent in his name.

(2) The request for conversion may not be made after five years from the grant of the inventor's certificate.

(3) Any conversion or transfer ordered under this Section shall be recorded in accordance with the Regulations and on payment of the prescribed fee. The conversion or transfer shall have no effect until such recording is effected. The Office for Inventions shall publish any conversion of an inventor's certificate into a patent and any transfer of an inventor's certificate ordered under this Section.

(4) For the purposes of Sections 134(1)(ii), 135(1) and 148(1), the patent resulting from the conversion of an inventor's certificate shall be considered as having been granted on the date of the recording of the conversion.

Section 408: Fraudulent Statement Concerning Inventorship

(1) Any person who makes in an application for an inventor's certificate any fraudulent statement concerning the inventorship of the invention claimed in the application shall commit an offense. The proceedings may not be instituted after five years from the commission of the offense.

(2) Such offense shall be punishable by a fine between [...] and [...] or by imprisonment between [...] and [...] or both.

(3)(a) In the event of repetition, the maximum penalties shall be doubled.

(b) Repetition shall be deemed to have occurred when, within the preceding five years, the offender has been convicted of the offense referred to in subsection (1).

Section 409: Application for Inventor's Certificate; Examination; Grant of Inventor's Certificate

The provisions of Sections 123, 125 to 129, 130(1) and (3) and 131 to 133 shall apply by analogy.

Section 410: Rights and Obligations of Applicant or Holder of Inventor's Certificate

(1) The applicant or the holder of the inventor's certificate shall have the following rights:

(i) to be granted the inventor's certificate, where the requirements of this Part are fulfilled;

(ii) to transfer by succession the application for an inventor's certificate or the inventor's certificate to any natural person, in accordance with Section 415;

(iii) once the inventor's certificate has been granted, to receive from the State adequate remuneration as well as other benefits as determined by the Regulations, taking into account, in particular, the economic benefit derived from the exploitation of the invention claimed in the inventor's certificate.

(2) The applicant shall have the following obligations:

(i) to disclose the invention in a clear and complete manner and in particular to indicate the best mode for carrying out the invention, as prescribed in Section 123 applicable under Section 409, subject to the sanctions provided for in Section 131 applicable under Section 409 and in Section 418;

(ii) to give information concerning corresponding foreign applications and patents or other titles of protection, as prescribed in Section 128 applicable under Section 409, subject to the sanctions provided for in Section 131 applicable under Section 409.

Section 411: Rights and Obligations of State; Definition of "Exploitation"

(1) Once the inventor's certificate has been granted, the State shall have the right, subject to Sections 412(1) to (3), 413 and 417, to take action against any person exploiting in the country, without its agreement, the invention claimed in the inventor's certificate.

(2)(a) The State shall have the obligation to assist inventors, in accordance with the Regulations, in drafting applications for inventors' certificates.

(b) Once the inventor's certificate has been granted, the State shall have the obligation to give the holder of the inventor's certificate adequate remuneration as well as other benefits as determined by the Regulations, taking into account, in particular, the material benefit derived from the exploitation of the invention claimed in the inventor's certificate.

(3) For the purposes of this Part, "exploitation" of an invention claimed in an inventor's certificate means any of the following acts:

- (a) when the inventor's certificate has been granted in respect of a product:
 - (i) making, importing, offering for sale, selling and using the product;
 - (ii) stocking such product for the purposes of offering for sale, selling or using;
- (b) when the inventor's certificate has been granted in respect of a process:
 - (i) using the process;
 - (ii) doing any of the acts referred to in paragraph (a), in respect of a product obtained directly by means of the process.

Section 412: Limitation of Rights

(1) The rights of the State under the inventor's certificate shall extend only to acts done for industrial or commercial purposes and in particular not to acts done only for scientific research.

(2) The rights of the State under the inventor's certificate shall not extend to acts in respect of products which have been put on the market in the country:

- (i) by the State or a person with the agreement of the State;
- (ii) by a person having the right referred to in Section 413;
- (iii) by a person authorized under Section 417(2).

(3) The rights of the State under the inventor's certificate shall not extend to the use of the invention claimed in the inventor's certificate on any foreign vessel, aircraft, spacecraft or land vehicle which temporarily or accidentally enters the waters, airspace or land of the country, provided that the said invention is used exclusively for the needs of the vessel or in the construction or operation of the aircraft, spacecraft or land vehicle.

(4) The rights of the State under the inventor's certificate shall be limited in duration as provided for in Section 414.

(5) The rights of the State under the inventor's certificate shall be limited by the provisions on interdependence of titles of protection contained in Section 417.

Section 413: Rights Derived from Prior Manufacture or Use

Where a person, at the filing or, where appropriate, priority date of the application for an inventor's certificate and in the country,

- (i) was making the product or using the process which is the subject of the invention claimed in that application, or
 - (ii) had made serious preparations toward the making or using referred to in item (i),
- that person shall have the right, despite the grant of the inventor's certificate to exploit the invention claimed in the inventor's certificate, provided that the product in question is made, or the process in question is used, in the country by the said person, and provided that he can prove that his knowledge of the invention was not by reason or in consequence of acts committed by the inventor or his successor in title or of an abuse committed with regard to the inventor or his successor in title. Such right cannot be assigned or transferred by succession except as part of the establishment of the said person.

Section 414: Duration of Inventor's Certificate

An inventor's certificate shall expire twenty years after the filing date of the application.

Section 415: Transfer by Succession of Application for Inventor's Certificate or Inventor's Certificate

(1) Applications for inventors' certificates and inventors' certificates may be transferred by succession to any natural person.

(2) Any transfer by succession of an application for an inventor's certificate or of an inventor's certificate shall be recorded in accordance with the Regulations and on payment of the prescribed fee. Such transfer shall have no effect until such recording is effected. The Office for Inventions shall publish the transfer by succession of the inventor's certificate.

Section 416: Joint Holders of Application for Inventor's Certificate or Inventor's Certificate

(1) Where there are joint applicants of an application for an inventor's certificate, each of the joint applicants may separately transfer by succession to any natural person his share of the application, but the joint applicants may only jointly withdraw the application.

(2) Where there are joint holders of an inventor's certificate, each of the joint holders may separately transfer by succession to any natural person his share of the inventor's certificate.

(3) The provisions of this Section shall be applicable only in the absence of an agreement to the contrary between the joint applicants or holders.

Section 417: Interdependence of Titles of Protection

(1) If the invention claimed in an inventor's certificate cannot be worked in the country without infringing a patent granted on the basis of an application benefiting from an earlier filing or, where appropriate, priority date, and provided that the invention claimed in the inventor's certificate constitutes an important technical advance in relation to the invention claimed in the patent, the Office for Inventions, upon the request of the State, may grant a non-voluntary license to the extent necessary to avoid infringement of the patent.

(2) If the invention claimed in a patent cannot be worked in the country without infringing an inventor's certificate granted on the basis of an application benefiting from an earlier filing or, where appropriate, priority date, and provided that the invention claimed in the patent constitutes an important technical advance in relation to the invention claimed in the inventor's certificate, the Office for Inventions, upon the request of the owner of the patent, the licensee of a license contract under the patent or the beneficiary of a non-voluntary license under the patent, may grant, to the extent necessary to avoid infringement of the inventor's certificate, the authorization to exploit in the country the invention claimed in the inventor's certificate by performing any of the acts referred to in Section 411(3), with the exception of importation.

(3) If a non-voluntary license is granted under subsection (1) or if an authorization to exploit is granted under subsection (2), the provisions of Section 149(2) shall apply by analogy.

(4) The provisions of Sections 134(3), 147 and 150 to 155 shall apply by analogy.

Section 418: Invalidation of Inventor's Certificate

(1) Any interested person may institute court proceedings against the State for the invalidation of the inventor's certificate.

(2) The court shall invalidate the inventor's certificate if the person requesting the invalidation proves that any of the conditions referred to in Section 131(1)(i) to (v) applicable under Section 409 were not fulfilled at the time the inventor's certificate was granted.

(3)(a) Where the provisions of subsection (2) apply only to some of the claims or some parts of a claim, such claims or parts of a claim shall be invalidated by the court.

(b) The invalidity of part of a claim shall be declared in the form of a corresponding limitation of the claim in question.

(4) The person requesting invalidation shall have the obligation to notify the holder of the inventor's certificate of the proceedings. The holder of the inventor's certificate shall have the right to join with the State as a party to the proceedings.

Section 419: Effects of Invalidation

(1) Any invalidated inventor's certificate or claim or part of a claim shall be regarded as null and void from the date of the grant of the inventor's certificate. However, the holder of the inventor's certificate shall not be required to return the remuneration and other benefits received from the State.

(2) When the decision of the court becomes final, the registrar of the court shall notify the Office for Inventions of the decision, which shall record the decision and publish it as soon as possible.

Section 420: Acts of Infringement

Subject to Sections 412(1) to (3), 413 and 417, an infringement of the inventor's certificate shall consist of the performance in the country, without the agreement of the State, in relation to a product or process falling within the scope of protection of the inventor's certificate, of any act referred to in Section 411(3).

Section 421: Infringement Proceedings

(1) The State shall have the right to institute court proceedings against any person who has infringed or is infringing the inventor's certificate. The State shall have the same right against any person who has performed acts or is performing acts which make it likely that infringement will occur ("imminent infringement"). The proceedings may not be instituted after five years from the act of infringement.

(2)(a) If the State proves that an infringement has been committed or is being committed, the court shall award damages and shall grant an injunction to prevent further infringement and any other remedy provided in the general law.

(b) If the State proves imminent infringement, the court shall grant an injunction to prevent infringement and any other remedy provided in the general law.

(3) The defendant in any proceedings referred to in this Section may request in the same proceedings the invalidation of the inventor's certificate. In that case, the provisions of Section 418(2) to (4) shall apply.

Section 422: Declaration of Non-Infringement

(1) Subject to subsection (3), any interested person shall have the right to request, by instituting proceedings against the State, that the court declare that the performance of a specific act does not constitute an infringement of the inventor's certificate.

(2) If the person making the request proves that the act in question does not constitute an infringement of the inventor's certificate, the court shall grant the declaration of non-infringement.

(3) If the act in question is already the subject of infringement proceedings, the defendant in the infringement proceedings may not institute proceedings for a declaration of non-infringement.

(4) Proceedings for a declaration of non-infringement may be instituted together with proceedings to invalidate the inventor's certificate, except where invalidation of the inventor's certificate is requested under Section 421(3).

Section 423: Offenses

(1) Any person who performs an act which he knows constitutes an infringement of the inventor's certificate shall commit an offense. The proceedings may not be instituted after five years from the commission of the offense.

(2) Such offense shall be punishable by a fine between [...] and [...] or by imprisonment between [...] and [...] or both.

(3)(a) In the event of repetition, the maximum penalties shall be doubled.

(b) Repetition shall be deemed to have occurred when, within the preceding five years, the offender has been convicted of another infringement of an inventor's certificate or the infringement of a patent.

PART V: TECHNOVATIONS

Section 501: Definitions

For the purposes of this Part:

- (i) “technovation” means a solution to a specific problem in the field of technology, proposed by an employee of an enterprise employing at least [...] persons in the country, for use by that enterprise, and which relates to the activities of the enterprise but which, on the date of the proposal, has not been used or actively considered for use by that enterprise;
- (ii) “employee” and “enterprise” mean the employee and the enterprise referred to in item (i);
- (iii) where several enterprises are owned and operated by the same person (the State, another legal entity or a natural person), they shall be considered one enterprise;
- (iv) “date of the proposal” means the date on which the employee makes a request in accordance with Section 503;
- (v) “technovation certificate” means the document issued by the enterprise in accordance with Section 504;
- (vi) “technovator” means the employee to whom the enterprise has issued a technovation certificate.

Section 502: Right to Technovation Certificate

- (1) Subject to subsection (2), any employee of the enterprise on the date of the proposal shall be entitled to a technovation certificate as provided in this Part.
- (2) Where the duties of an employee comprise the making and proposing of technovations, he shall not be entitled to a technovation certificate for any technovation which pertains to the field of activities for which he is employed, unless the degree of the creative contribution inherent in the technovation exceeds that which is normally required of an employee having the said duties.
- (3) Where several employees independently request, each for himself, a technovation certificate for the same technovation, the employee who is the first to make the request shall be entitled to such certificate.
- (4) Several employees may jointly request a technovation certificate, and, where the certificate is issued, it shall be issued to them jointly.

Section 503: Request

The request for the issuance of a technovation certificate shall be made in writing, signed by the employee and filed with the enterprise. The enterprise shall give assistance, free of charge, to the employee in drafting his request and shall issue a receipt to him attesting to the fact that a request has been filed and indicating the date on which it has been filed.

Section 504: Issuance or Refusal of Technovation Certificate

Where the requirements of this Part are satisfied, the enterprise shall, within a period of three months from the date of the proposal, issue a technovation certificate to the employee. Otherwise, it shall refuse the issuance of the certificate within the said time limit.

Section 505: Use of Technovation

(1)(a) Where the enterprise issues a technovation certificate, it shall, at the same time, notify the technovator, in writing, whether or not it intends to use the technovation.

(b) Where the decision to make use of the technovation depends on testing the technovation in practice, the enterprise shall inform the technovator accordingly and may postpone the notification of its intention to use or not to use the technovation by not more than one year from the date of the proposal.

(2)(a) The technovator shall be obliged to assist the enterprise, to the best of his ability, in any testing, development or use of the technovation.

(b) The enterprise shall be obliged to give adequate opportunity to the technovator to furnish the assistance referred to in paragraph (a).

(3) During the period referred to in Section 504 and once the technovation certificate has been issued, the employee or technovator, as the case may be, shall not communicate his technovation to anyone other than the enterprise and shall not use it.

(4) Notwithstanding subsection (3), where the enterprise declares that it does not intend to use the technovation or where the enterprise, having declared its intention to use the technovation, does not in fact start using it within six months from the issuance of the technovation certificate or the expiration of the time limit referred to in subsection (1)(b), the technovator shall be exempt from the obligations referred to in subsections (2)(a) and (3), provided that he shall have the right to communicate his technovation to others only to the extent that such communication does not entail the communication of any know-how or other knowledge that he has acquired as an employee.

Section 506: Remuneration of Technovator

Where the enterprise uses the technovation or communicates it to a third person, the technovator shall be entitled to remuneration the amount and method of payment of which shall, in the absence of an applicable collective bargaining agreement, be fixed by mutual agreement between the technovator and the enterprise.

Section 507: Derogation by Contract

Any contractual provision which is less favorable to employees or technovators than the provisions of this Part shall be null and void.

Section 508: Disputes

Any dispute concerning the application of Sections 501 to 507 may be submitted by any interested party to an arbitration board consisting of three members: one member appointed by the employee or technovator, one member appointed by the enterprise, and a chairman appointed by the other two members. Should the latter not be able to agree on the appointment of the chairman, he shall be appointed by the court of first instance of the place where the enterprise is located.

COMMENTARY ON THE MODEL LAW

Part II: Know-How

Part III: Examination and Registration of Contracts

Part IV: Inventors' Certificates

Part V: Technovations

TABLE OF CONTENTS

| | Page |
|--|--------|
| PART II: KNOW-HOW | 33 |
| Section 201: Definitions | 33 |
| Section 202: Know-How Contracts | 34 |
| Section 203: Rights and Obligations under Know-How Contracts | 35 |
| Section 204: Proceedings Relating to Certain Acts Concerning Know-How | 35 |
| PART III: EXAMINATION AND REGISTRATION OF CONTRACTS | 37 |
| Section 301: Obligation to Register; Definitions | 38 |
| Section 302: Patent Office; Contract Register; Inspection of Files; Restrictions Concerning Employees of Patent Office | 39 |
| Section 303: Submission of Contract | 40 |
| Section 304: Examination as to Form | 40 |
| Section 305: Examination as to Substance | 40 |
| Section 306: Registration or Refusal to Register; Certificate; Publication | 45 |
| Section 307: Appeals | 46 |
| PART IV: INVENTORS' CERTIFICATES | 47 |
| Section 401: Protection of Inventions' | 48 |
| Section 402: Office for Inventions; Restrictions Concerning Employees of Office for Inventions | 48 |
| Section 403: Register of Inventors' Certificates | 49 |
| Section 404: Inspection of Files | 49 |
| Section 405: Inventions Which Can Be the Subject of Inventors' Certificates | 49 |
| Section 406: Availability of Inventors' Certificates | 49 |
| Section 407: Conversion into Patent Application or Patent or Judicial Transfer of Application for Inventor's Certificate or Inventor's Certificate | 50 |
| Section 408: Fraudulent Statement Concerning Inventorship | 51 |
| Section 409: Application for Inventor's Certificate; Examination; Grant of Inventor's Certificate | 51 |
| Section 410: Rights and Obligations of Applicant or Holder of Inventor's Certificate | 52 |
| Section 411: Rights and Obligations of State; Definition of "Exploitation" | 52 |
| Section 412: Limitation of Rights | 53 |
| Section 413: Rights Derived from Prior Manufacture or Use | 53 |
| Section 414: Duration of Inventor's Certificate | 53 |
| Section 415: Transfer by Succession of Application for Inventor's Certificate or Inventor's Certificate | 53 |
| Section 416: Joint Holders of Application for Inventor's Certificate or Inventor's Certificate | 53 |
| Section 417: Interdependence of Titles of Protection | 54 |
| Section 418: Invalidation of Inventor's Certificate | 54 |
| Section 419: Effects of Invalidation | 54 |
| Section 420: Acts of Infringement | 54 |
| Section 421: Infringement Proceedings | 54 |
| Section 422: Declaration of Non-Infringement | 55 |
| Section 423: Offenses | 55 |

| | Page |
|--|------|
| PART V: TECHNOVATIONS | 57 |
| Section 501: Definitions | 58 |
| Section 502: Right to Technovation Certificate | 59 |
| Section 503: Request | 60 |
| Section 504: Issuance or Refusal of Technovation Certificate | 60 |
| Section 505: Use of Technovation. | 61 |
| Section 506: Remuneration of Technovator | 61 |
| Section 507: Derogation by Contract | 62 |
| Section 508: Disputes | 62 |

PART II: KNOW-HOW

a. Part II of the Model Law deals with know-how, which is defined as “technical information, data or knowledge resulting from experience or skills which are applicable in practice, particularly in industry” (Section 201(i)). Know-how is dealt with in the Model Law because it involves technology, whose availability to a developing country is important to its economic development and especially its industrialization, as recognized in the Preamble to the Model Law. The development of a technological base in a developing country depends on the existence of indigenous technological capacities and the acquisition of selected technology from abroad that complements national research and development efforts and the growth of locally created technology.

b. The definition of know-how is broad enough to include an “invention,” which is defined in Part I as “an idea of an inventor which permits in practice the solution to a specific problem in the field of technology” (Section 112(1)). When know-how is of such a nature that it consists of or contains an invention, that invention may or may not be patentable (depending upon whether the requirements of patentability of Part I are fulfilled) and, if patentable, it may or may not in fact be patented (depending mainly upon the desire and actions of the person having the right to the patent). Even though particular know-how does not necessarily involve an invention or a group of inventions, enterprises need such know-how in the practical implementation of their activities.

c. Normally, an enterprise will try to acquire the needed know-how from any source capable of supplying it. By the acquisition of that know-how, the enterprise may have immediate access to an organized body of knowledge directly related and immediately applicable to its operations. The usual method to acquire know-how is to enter into a know-how contract (defined in Section 201(ii)).

d. The principal objective of the four Sections (Sections 201 to 204) forming Part II of the Model Law is to propose a legal framework for the acquisition of know-how by enterprises in developing countries. Many countries do not have special legislation relating to know-how, and legal questions concerning know-how are resolved by the courts on the basis of the general law of the country. However, because of the very important role of know-how in the transfer of technology to developing countries, this Part of the Model Law is provided to establish certain fundamental principles with regard to know-how.

Section 201: Definitions

a. This provision provides the definitions of two basic terms as employed in this Part of the Model Law, namely “know-how” and “know-how contract.”

b. The definition of know-how is contained in item (i). The definition says what know-how is, what its origin is and what it is useful for. It says that know-how is “technical information, data or knowledge.” It may relate to any industrial application: manufacturing, processing, assembling, engineering, quality control. The word “technical” may result in a certain limitation of the definition of “know-how,” which is parallel to the definition of “invention” (see Section 112(1)). The reason for this is that the scope of the Model Law is limited to “technology.” Non-technical know-how may be dealt with by another law.

c. The form in which know-how is communicated may be tangible (documents, photographs, blueprints, computer cards, microfilm) or intangible (oral or visual communication, on-the-job training). Examples of know-how being transmitted in tangible form

would be: manufacturing or engineering drawings, lists of materials, process flow charts. Examples of transmittal in intangible form would be: an engineer of the supplier explaining a process to an engineer of the recipient, one of the recipient's manufacturing engineers witnessing a production line in the enterprise of the supplier, normally under a "technical assistance" contract.

d. As to the origin of the know-how, the definition says that the information, data or knowledge result "from experience or skills." In many instances, the said experience and skills have been developed by the supplier over a period of several years and at considerable expense.

e. A large portion of the know-how may not be in written form, but will reside in the minds and skills of the supplier's employees, who have been involved in its development, improvement and practical implementation in the supplier's industrial operations.

f. As to the usefulness of the know-how, the definition says that it must be "applicable in practice, particularly in industry." Thus, know-how is not theoretical knowledge but practical knowledge which has been developed to a state where it can be put into use in production or other business operations of an industrial enterprise. Generally, the know-how has been tested, improved and perfected in the supplier's enterprise prior to being communicated.

g. Item (ii) defines a "know-how contract" as a contract under which the supplier undertakes to communicate know-how to the recipient for use by the recipient. According to the system and the terminology of the Model Law, a know-how contract is to be distinguished from a license contract (as to the latter, see Section 142(1)).

Section 202: Know-How Contracts

a. A primary consideration of the Model Law is to enable enterprises in developing countries to have access to necessary technology. This Section and Section 203 deal with the acquisition of know-how through know-how contracts as defined in Section 201(ii). It is to be noted that a know-how contract may be combined with a patent license, in particular where the know-how is related to a patented invention for which a license is granted.

b. The provisions of the said two Sections supply a legal framework for the acquisition of know-how on a contractual basis, namely through a know-how contract. In the simplest case, the know-how contract may cover a single transaction which may be completed at the time the contract is concluded, e.g., the exchange of specified know-how in documentary form for an agreed monetary consideration. More commonly, however, the parties conclude a know-how contract requiring performance by the parties over a period of time, during which the supplier is under an obligation to furnish existing and future know-how in various forms and the recipient is under an obligation to make appropriate payments and to fulfill other possible contractual obligations.

c. The said two Sections do not deal with all the legal aspects of know-how contracts, as certain aspects of such contracts will be governed by other provisions, particularly the general rules of the law of contracts and, if the system for the examination and registration of contracts provided for in Part III of the Model Law is adopted, by the provisions of that Part. In particular, no provision is included in this Part (that is Part II) which would specify that the law of a given country would apply or that the courts of a country would have jurisdiction in disputes arising under know-how contracts; for a discussion of those questions, see paragraph *d* of the comments on Chapter VIII (Contractual Licenses) in Part I.

d. Section 202 establishes the formal requirements of a know-how contract (in writing and signed by the parties), which are identical to those of a license contract (see Section 143(1)). It also provides that the know-how to be communicated must be identified

in the contract by indicating the objective to be attained by the use of the know-how. If either of the conditions is not fulfilled, the contract "shall not be valid" (for the interpretation of these words, see paragraph *d* of the comments on Section 140).

e. The indication of the objective to be attained by the use of the know-how may be accomplished, for example, by the description of the products that the recipient intends to manufacture with the know-how. The products may be specified by type, model, size, use, strength, composition, etc.

Section 203: Rights and Obligations under Know-How Contracts

a. Subsection (1) establishes the basic right of the supplier and the recipient with regard to know-how communicated under a know-how contract, namely the right to use the know-how.

b. Subsection (2) permits the contract to impose an obligation on either or both parties not to communicate the know-how to other persons and not to disclose it to the public, and to take precautions as specified in the contract or as would be necessary under the circumstances to prevent such communication and such disclosure (paragraph (a)).

c. Such precautions could include: restricting access to the know-how to selected employees only, marking (stamping) drawings and other documents prominently—CONFIDENTIAL, SECRET, PROPRIETARY—or with words conveying the same ideas, keeping the documents in a secure place, locked room or file cabinet, limiting the number of copies, ordering employees neither to communicate the know-how nor to disclose it to the public.

d. The contract should specify the period during which the obligation will have effect. Such period is normally the duration of the contract and a certain number of years (e.g., three to five years) after the end of the duration of the contract. The duration of the contract should also be specified in the contract itself (e.g., five to ten years).

e. If the contract contains the obligation and if a party bound by that obligation communicates an essential element of the know-how to a third person (or discloses such element to the public), such party will be responsible for the breach of the contract although it has not communicated (or disclosed) the whole know-how.

f. The obligation may not be imposed if the know-how has been disclosed to the public (paragraph (b)(i)). However, the fact that all the component elements of the know-how have been disclosed to the public does not prevent the obligation from being imposed, if the combination of those elements amounts to know-how which, as a whole, has not been disclosed to the public. As a matter of fact, know-how is often a combination of elements which have been disclosed to the public whereas the combination itself has not been disclosed to the public.

g. If the know-how is disclosed to the public during the period specified in the contract, the obligation ceases to have effect (paragraph (b)(ii)). However, if the disclosure to the public was caused by one of the parties, who was under a contractual obligation not to disclose the know-how to the public, that party will be responsible for the breach of the contract.

Section 204: Proceedings Relating to Certain Acts Concerning Know-How

a. Section 204 is intended to give protection to know-how in order to assure fair competition among enterprises to benefit the economic development of the country.

b. Subsection (1): The developer of know-how (as well as any supplier or recipient, i.e. any party to a know-how contract covering that know-how) may take legal action

against any person obtaining the know-how by circumventing (e.g., gaining access to it by stealth or misrepresentation) or overcoming (e.g., breaking into the premises where the documents describing the know-how are kept) the precautions taken to prevent its disclosure to the public (item (i)). The actual obtaining may occur physically, e.g., by carrying away documents, making copies, taking photographs, etc., or mentally, e.g., by carrying away the ideas and concepts contained in the know-how. Item (i) is applicable not only in the case where the know-how, before being thus obtained, had not been disclosed, but also in the case where the know-how had previously been disclosed. In other words, the defendant may not avoid liability by proving a disclosure to the public prior to his obtaining the know-how.

c. Court proceedings may also be instituted by the developer of the know-how, as well as any supplier or recipient, against any person who discloses the know-how to the public, communicates it to others or uses it industrially, but such proceedings can be instituted only if the know-how has not been previously disclosed to the public (item (ii)). This possibility applies also in the relations between the supplier and the recipient, unless the know-how contract provides otherwise. Three exceptions permit a person having committed any of these acts to absolve himself: first, he has received the agreement of the developer or any supplier or recipient; second, he did not know and could not reasonably have known that the know-how had not been disclosed to the public; third, he has independently developed the same know-how or has received the agreement of the independent developer of the same know-how.

d. *Subsection (2)*: Paragraph (a) authorizes the court to prohibit the imminent disclosure, communication or use referred to in subsection (1). Where any of the above-mentioned acts has actually been performed, paragraph (b) entitles the person having instituted the proceedings to recover damages and to obtain other relief (see paragraph d of the comments on Section 161). Paragraph (c) specifically empowers the court to take all appropriate measures to prevent the know-how from being disclosed to the public in the course of the proceedings; the court may, for example, direct that all proceedings be conducted *in camera* and that all testimony, exhibits and related documents be maintained secret.

PART III: EXAMINATION AND REGISTRATION OF CONTRACTS

a. The Model Law recognizes the importance to a developing country of acquiring foreign technology. Detailed provisions are included for effecting the transfer of technology, where represented by inventions made the subjects of patents or patent applications, in Part I, Chapter VIII, and, where represented by know-how, in Part II. It is the intent of the Model Law that technology should be made available on conditions which are consistent with the overall economic aims of the Government of the developing country, while affording the technology supplier a reasonable return on his investment for developing the technology.

b. One of the means for making sure that contracts concerning transfer of technology are consistent with the economic aims of the Government is to require that all such contracts be examined and registered with a government agency in compliance with this Part. This Part establishes a legal and administrative framework for the examination and registration of any license contract, know-how contract, contract assigning a patent or a patent application, or any contract or part of a contract having essentially the same nature as the foregoing, and any modification of such contracts or parts of contracts ("the contract") by a government agency (the Patent Office). The purpose of examination is to establish the formal and substantive compliance of the contract with this Part.

c. Substantive review of the contract under this Part is thus a means of implementing the economic policy of the developing country with regard to the acquisition of technology. In conceptual terms, Part III establishes a policy that, in order for the contract to qualify for registration, it should not impose unjustified restrictions upon the acquirer of the technology ("the transferee") which would have the consequence that the contract, taken as a whole, would be harmful to the economic interests of the country.

d. The intent of this Part is not only to protect the local enterprise that is contracting to acquire the technology—which, frequently, is in a relatively weak bargaining position—but also—and even to a higher degree—to prevent that the economic policy of the Government be frustrated by certain contracts. It is of vital importance to a developing country that—even though badly needed—the acquisition of foreign technology should not impose an undue burden on its economy. If the cost of technology should exceed its value to the local economy, there may be serious consequences; for example, a decline in the industrial growth rate, depletion of natural resources, unfavorable balance of trade, misallocation of financial resources, etc.

e. This Part provides that the examination and registration of contracts is a task of the Patent Office. According to the organizational structure of the Government, instead of the Patent Office, another government agency could be entrusted with this task. However, the Patent Office is proposed because it already has at its disposal technically and legally qualified personnel, so that it would be sufficient to augment the staff of the Patent Office with persons having expertise in economics, who would be responsible for evaluating the economic aspects of the contracts, in order for the Office to be able to accomplish the above-mentioned task. In any case, because of the specialized staff requirements for the proper implementation of this Part of the Model Law, certain developing countries may wish to introduce this Part on a gradual basis, for example, restricting its applicability to designated technical fields at first and then adding other fields.

f. Part III comprises seven Sections (Sections 301 to 307). To the extent possible, the provisions of this Part have been made analogous to the related provisions of Part I of the Model Law. This not only permits the use of common terminology in both Parts, but

also may promote administrative efficiency in processing applications for patents and for the registration of contracts, to the extent that they are both examined by the Patent Office as to form and substance.

g. No provision is included in Part III which would specify that the law of a particular country would apply or that the courts of a particular country would have jurisdiction in disputes arising under a contract once registered under this Part; for a discussion of those questions, see paragraph *d* of the comments on Chapter VIII (Contractual Licenses) in Part I (see also paragraph *c* of the comments on Section 202).

Section 301: Obligation to Register; Definitions

a. Subsection (1) designates those types of contracts which are subject to the registration requirement of this Part. In the absence of registration, any contract which is subject to the registration requirement is considered as not valid for any purpose, and the exchange of valuable consideration (transfer of technology by the transferor; payment of money by the transferee) would be done at the risk of the parties.

b. The two basic contracts for the transfer of technology—license contracts and know-how contracts—are listed in items (i) and (ii), respectively. Contracts assigning patent applications or patents are covered in item (iii).

c. Item (iv) subjects to registration contracts and parts of contracts having essentially the same nature as the contracts of the three preceding items. This item is intended to cover those contracts which include combinations of any of the contracts referred to in items (i) to (iii) (for example, a single contract under which a license is granted under a patent and know-how is communicated). Other contracts concerned with the transfer of technology would also be covered by item (iv) to the extent that they are essentially of the same nature as the contracts listed in items (i) to (iii) (for example, a contract for the lease of a patented product and containing terms appearing in Section 305(1)). The reference to a “part of a contract” is intended to cover the situation where a contract has a broader scope than the contracts referred to in items (i) to (iii) but includes a part which is essentially of the nature of any of those contracts (for example, a contract for the construction of an entire factory, which includes, as part thereof, a license under a patented process to be used in the operations of the factory).

d. Item (v) places modifications of a contract or part of a contract referred to in items (i) to (iv) in the registrable class, thus ensuring that any additions, deletions, or other changes in the basic agreement of the parties must comply with Part III.

e. It is not the intent to subject every agreement to registration which may involve the transfer of some technical information to a party within the country. Thus, the Regulations should exempt certain types of agreements from registration (see Rule 301). An example of the type of agreement that could be exempted from registration is a supply or subcontracting agreement where an enterprise within the country agrees to manufacture or assemble products according to the specifications of a foreign enterprise and to sell those products exclusively to the foreign enterprise.

f. Another type of agreement which could be exempted from registration is a sale agreement for new equipment where the foreign enterprise agrees, as part of the sale of the equipment, to install it and to train employees of the local enterprise in its operation, maintenance and repair. The training is often done on-site and may also involve supplying the local enterprise with detailed manuals and information relating to the equipment.

g. Moreover, agreements preliminary to the conclusion of contracts which are subject to registration under subsection (1) could be exempted from registration. The preliminary agreements form part of the negotiation process prior to the conclusion of the contract actually transferring the technology. The most common type of preliminary agreement is the confidentiality agreement, where the foreign enterprise agrees to provide

the local enterprise with certain technical information to enable the local enterprise to evaluate it, with the local enterprise agreeing not to disclose this information to other persons or the public. This type of agreement has advantages to both parties. The party supplying the information is protected against the disclosure of the information, and the receiving party is provided with an opportunity to evaluate the information in the light of its needs and goals.

h. Another preliminary agreement which could be exempted from registration is the option agreement. Under an option agreement, the local enterprise is granted an option to conclude a contract of the type referred to in subsection (1), which must be exercised within a fixed period of time. The party granting the option agrees to keep the option open for the specified time period generally in exchange for a monetary consideration. Technical information is generally provided to the local enterprise on a confidential basis under provisions of the option agreement or in accordance with a separate confidentiality agreement, as discussed above. Once the option is exercised, however, subsection (1) applies.

i. In addition, agreements relating to national security (for example, an agreement for the transfer of technology for the construction of military aircraft) and agreements concluded for dealing with emergency situations (for example, an agreement for the transfer of technology for extinguishing oil well fires) could be exempted from registration.

j. Subsection (2) provides four definitions, whose application is limited to Part III of the Model Law. The term "contract" is defined to include all the contracts referred to in subsection (1) and any parts or modifications thereof. The terms "transferor" and "transferee" have been introduced to designate the respective parties to a contract subject to registration. Finally, a definition of "technology" has been provided since this term is used in Section 305(1).

Section 302: Patent Office; Contract Register; Inspection of Files; Restrictions Concerning Employees of Patent Office

a. Subsection (1) delegates to the Patent Office the responsibility of examining and registering contracts (paragraph (a)); however, as mentioned in paragraph *e* of the comments on Part III itself, this function could be entrusted to another governmental authority having the requisite legal, technical and economic expertise. An additional task assigned to the Patent Office is to advise persons who have concluded or who intend to conclude contracts subject to registration as to the said contracts' admissibility for registration (paragraph (b)), it being understood that these persons may but are not obliged to seek the advice of the Patent Office. This service is to be provided free of charge, since such advice should expedite the examination and registration process and thus promote the prompt transfer of technology into the country.

b. Subsection (2) establishes the Contract Register where contracts are to be registered under this Part. This provision is analogous to Section 105 establishing the Patent Register.

c. Subsection (3) obligates the Patent Office to maintain in confidence the file relating to a contract. The parties to the contract may authorize access to the file by jointly granting written permission. This provision is analogous to Section 107.

d. Subsection (4) places restrictions on employees of the Patent Office, precluding them from entering into contracts which would be subject to registration. This subsection is analogous to Section 108(1) relating to restrictions on such employees with respect to patent applications and patents.

Section 303: Submission of Contract

- a. Subsections (1) and (2):* The contract and the application for its registration are to be filed with the Patent Office. They must be filed jointly by the parties to the contract, namely the transferor and the transferee; a possible alternative would consist of permitting either party to file for registration. In order to expedite the processing of applications, if any applicant is a non-resident, representation by a resident agent is required (see Rule 303bis.2(b)). The form of the application for registration is prescribed in Rule 303. Of course, if the contract itself does not disclose certain details without which the Patent Office cannot reasonably be expected to be able to fulfill its duty of examination, the Patent Office may request additional information from the applicants.
- b. Subsection (3):* The details of the contents of the application are prescribed in Rule 303bis.
- c. Subsection (4):* The amount of the fees to which the application for registration is subject will have to be fixed in Rule 303ter.

Section 304: Examination as to Form

- a.* This Section is analogous to Section 130 concerning the examination as to form of patent applications and establishes a similar two-step procedure.
- b. Subsection (1):* The first step is to examine whether the requirements of Section 303(2) (joint filing, appointment of agent where appropriate) have been fulfilled. If there is compliance, the applicants are issued a receipt attesting to the fact that the application for registration has been filed and indicating the date of its filing; otherwise, the application for registration is rejected. It should be noted that nothing precludes the applicants, if they do not receive the receipt although the application for registration has not been rejected, from relying on other evidence to prove the fact and date of filing.
- c. Subsection (2):* The second step in the procedure is to examine whether the contract satisfies the requirements of Sections 140(1), 143(1) or 202 (written form, signature by the parties and, in the case of a know-how contract, indication of objective) and whether the application for registration satisfies the requirements of Section 303(3) and (4) and Rules 303, 303bis and 303ter (form and contents of application for registration, fee). If there is compliance, the Patent Office will then proceed with the examination of the contract as to substance, in accordance with Section 305; otherwise, the applicants will be invited to file the required correction and, upon failure to make the correction, the application for registration is rejected.
- d.* If there is a decision rejecting the application for registration under either subsection (1) or (2), it must be in writing and state the reasons upon which it is based. The applicants must be notified of the decision, which may be appealed in accordance with Section 307.

Section 305: Examination as to Substance

- a.* This Section is analogous to Section 131 concerning the examination as to substance of patent applications.
- b. Subsection (1)* requires the Patent Office to examine whether the contract contains terms which impose unjustified restrictions upon the transferee. In order to determine whether a restriction imposed upon the transferee is unjustified, the circumstances under which the contract is concluded and its objectives have to be taken into account. If the contract contains a term which imposes an unjustified restriction on the transferee, the Office must consider the contract as a whole and examine whether it is harmful to the economic interests of the country. In order to assist the Office in the examination of the

contract, Section 305(1) establishes a list of seventeen terms that the Office must particularly take into consideration. However, two important remarks have to be made. Firstly, the list of seventeen terms is not exhaustive: it means that registration of a contract can be refused even if that contract does not contain any of the terms listed; this can be the case if the contract contains a term not appearing on the list but which imposes certain restrictions upon the transferee so that the contract, taken as a whole, is harmful to the economic interests of the country. Secondly, the presence in the contract of any of the seventeen terms listed in Section 305(1) does not necessarily entail a refusal to register the contract; registration of the contract can only be refused if the restrictions imposed upon the transferee are unjustified and if the contract, taken as a whole, is harmful to the economic interests of the country; indeed, depending on the circumstances of the case, the presence of the term in question might not entail detrimental effects to the economic interests of the country or, if it does entail such effects, these might be offset by positive effects for the economic interests of the country brought about by the presence of other terms in the contract, since no codification of specific terms can anticipate the practically unlimited number of background factors (business, commercial, technological, etc.) which may enter into a determination of the effect a given contract will have within a given economic environment. In other words, the Office must apply Section 305 without rigidity but with flexibility, while considering the particular merits of each contract in the light of the economic interests of the country.

c. *Item (i)* relates to terms whose effect would result in the importation of technology when substantially similar or equivalent technology is available locally on competitive terms. It would basically be unsound from an economic point of view, for a developing country, to pay for the importation of foreign technology if substantially similar or equivalent technology were available locally on the same or more favorable terms. Using local technology has the advantage of promoting local industrialization without affecting the balance of payments.

d. *Item (ii)* relates to terms which would have the effect of imposing payments which are disproportionate to the value of the technology. The transferee and, more importantly, the local economy should receive a reasonable and an equitable *quid pro quo* under the contract.

e. Appraising the value of technology is usually a difficult task. In brief, the broad aspects to be taken into account in this context are the technology itself, the terms and conditions of the contract, and the local socioeconomic environment. As regards the technology itself, the following factors need to be considered: quality (patent, know-how, or both; basic or sophisticated industrial area), quantity (documents, technical assistance, or both), scope (entire factory or a single product) and adaptability (immediately useable or requiring modifications for local working). As regards the terms and conditions under which the technology is to be transferred, the following factors would have to be evaluated: the nature of the contract (exclusive or non-exclusive), the duration of the contract, payment provisions (payment upon conclusion, minimum payments, basis for calculating payments), cancellation provisions (as a matter of right, for default), and disposition of technology upon cancellation or termination. As regards the socioeconomic environment, examples of the local factors to be taken into account would be the particular need for the technology in the country, the availability of alternative technologies, the competitive position of the local enterprise, and the value attributed to similar technology in the past.

f. *Item (iii)* relates to terms which would have the effect of obliging the transferee to purchase materials from the transferor or a designated or approved source, except when necessary to ensure quality. So-called "tie-in" sales are covered here, where the transferee is obligated under the contract to purchase all or a portion of his material requirements from a specified source, even though the material may be available locally or on the open market. Under such a tie-in arrangement, the transferor, in addition to receiving payments for the technology, may receive additional revenue from the forced purchase of materials by the transferee. The situation is different, however, where the transferor sells

materials to the transferee upon request. Thus, a term is covered by item (iii) only if the transferee is bound to acquire such material as a condition to acquiring the technology.

g. Item (iii) provides for an important exception, which permits the transferor to designate or approve the source of the material to be purchased by the transferee in the case where it is otherwise impossible to ensure the quality of the products to be produced under the contract. For example, the goods to be produced may require the use of a special alloy which is only available from a single source or a limited number of sources. Even when such purchases are permitted, the materials must be supplied at a reasonable price. A possible alternative would be not to limit the exception provided in item (iii) (as well as in items (iv) and (v)) to the quality of the products to be produced but also to extend it to the overall technical and economic performance of these products.

h. Item (iv) relates to terms which would have the effect of restricting the freedom of the transferee to buy materials from any source, except to ensure quality. This is the converse situation to that of item (iii): eliminating certain sources of material could adversely affect the local economy by forcing the transferee to buy from high cost sources. Also such a term could eliminate the transferee as a competitor for materials in short supply and thus perhaps limit the transferee's volume of production (see the comments below on item (viii)). An exception is made in item (iv) permitting the exclusion of particular sources if it otherwise would be impossible to ensure quality. If it can be established that a certain material produced by company X is of such an inferior quality or so unsuitable that it would be impossible to ensure the quality of the products produced by the transferee using the material, then it would be permissible to exclude company X as a supplier of the material.

i. Item (v) relates to terms which would have the effect of restricting the freedom of the transferee to use materials which were not acquired from the transferor or from an approved or designated source, except to ensure quality. The reasons for the inclusion of this item are the same as those advanced in the comments on items (iii) and (iv), above.

j. Item (vi) relates to terms which would have the effect of obliging the transferee to sell products produced by him exclusively or principally to the designees of the transferor (such designee could be the transferor himself). Such terms are referred to here in connection with contracts other than supply or subcontracting agreements since it is suggested that the latter be exempted from registration (see Rule 301 and paragraph e of the comments on Section 301). The purpose of item (vi) is to ensure that the transferee has the freedom to market products without the interference or control of the transferor. The terms referred to in item (vi) would permit the transferor to effectively control the volume of production of the transferee (see item (viii)), the technology used by him (see item (xii)) or his prices (see item (xiv)), etc. Nothing, however, excludes the transferor or his designees from being customers of the transferee, which may be highly advantageous to the transferee and, consequently, to the national economy if, for example, the transferee wants to take advantage of the sales organization of the transferor. On the other hand, it is another matter to force the transferee by contract to sell all or substantially all of the products produced under the contract to persons designated by the transferor.

k. Item (vii) relates to terms which would have the effect of requiring that the transferee's improvements in the technology be made available to the transferor ("grant-back") without appropriate consideration being provided to the transferee. The grant-back may be of various scopes; for example, it may require that the improvement be assigned or exclusively or non-exclusively provided to the transferor. Sometimes contracts do not provide for separate consideration to the transferee, regardless of the value of the improvement, under the apparent assumption that the consideration paid by the transferee is appropriately lessened in view of the grant-back provision in the contract. The necessity of creating new technology is one of the considerations set out in the Preamble to the Model Law. Accordingly, the creator in the country should not be restricted from receiving full value for the new technology. This item does not question the legitimacy of grant-back provisions, which are quite normally included in contracts; its concern is only to avoid that such provisions have the effect of precluding the

transferee from receiving appropriate consideration in accordance with the value of any improvements made and the scope of the rights granted back to the transferor. Such appropriate compensation could be, for example, the making available by the transferor to the transferee of any improvements in the technology made by the transferor. Another example would be the following: the transferee may agree to make available all improvements to the transferor on a non-exclusive basis upon mutually agreeable terms. It should be noted that the nature and scope of any grant-back included in the contract under examination may enter into the appraisal under item (ii) of the value of the technology.

l. Item (viii) relates to terms which would have the effect of limiting the quantity of goods that the transferee may produce. Quantity restrictions placed on the transferee can have adverse consequences to the local economy; for example, if the transferee is authorized to produce only a given number of units, he may not be able to take full advantage of high production economies, thus increasing local prices. Prices may also be higher than justified if the demand in the country exceeds the supply due to the contractual quantity limitations.

m. Item (ix) relates to terms which would have the effect of restricting the export of products produced by the transferee. This covers both terms limiting export sales by the transferee and terms binding the transferee to sell only to customers agreeing not to resell outside of the country. Item (ix) aims at promoting the optimum exploitation of the technology by the transferee.

n. Certain circumstances should particularly be taken into consideration, however. If, in a given foreign country, the transferor owns a patent which would be infringed by products manufactured by the transferee under the contract in question if those products were imported into that foreign country, or if the transferor has already concluded a contract with a third party for the exclusive use of the same technology or the exclusive distribution of such products in that foreign country, or if the transferor himself already supplies the market in that foreign country, the inclusion of a term prohibiting or limiting the export into the said country might very well be, for the transferor, a condition *sine qua non* to the conclusion of the contract, and it is normal that the Patent Office be obliged to take the above-mentioned circumstances, in particular, into account when examining the contract.

o. Item (x) relates to terms which would require the employment by the transferee of persons designated by the transferor who are not needed for the efficient transfer of the technology in question. The placing of an economic burden on the transferee should be avoided, since the designated person is normally an employee of the transferor who is assigned to the transferee, as well as the designation by the transferor of those persons who would unnecessarily occupy key management and technical positions in the transferee's enterprise. A conflict of interest situation, where the designated person may serve the interests of the transferor rather than those of the transferee, should be avoided. On the other hand, it is admissible that persons designated by the transferor who are needed for the efficient transfer of the technology covered by the contract be employed by the transferee since the technical assistance that could be provided by such persons, having special knowledge and expertise, could be invaluable to the transferee, especially during critical periods, for example during start-up of a new factory, or when problems arise at any point during the term of the contract.

p. Item (xi) relates to terms which would have the effect of imposing restrictions on the research or technological developments of the transferee. Such restrictions would be contrary to one of the basic considerations of the Model Law, namely, the necessity of creating new technology in the country. Limitations on local research and development would have a retarding effect on industrial development in the country and would perpetuate the dependence on foreign technology. Moreover, local enterprises would remain at a competitive disadvantage by being required to continue to make payments for foreign technology and being contractually bound not to develop their own technology.

q. *Item (xii)* relates to terms which would have the effect of requiring the transferee to use only the technology provided by the transferor under the contract. The situation where the transferor forces the transferee to continue to make payments to him by blocking the transferee's access to competing technology should be avoided, regardless of whether such technology has been developed by the transferee or is available from other sources. Binding the transferee to the technology of the transferor has economic disadvantages to the local enterprise, since alternative technology may be more advanced, more economical or better adapted to local working.

r. *Item (xiii)* relates to terms which would have the effect of extending the contract to encompass technology which is not required to achieve the objective of the contract and to demand consideration for unneeded technology. An expansion of the transferee's payment basis beyond that for technology actually required to achieve the objective of the contract should be avoided (see Section 202 requiring that the objective to be attained be specified in a know-how contract). An example of this would be the conclusion of a contract covering an entire machine, with consideration being payable on the entire machine, when the transferee only requires technology related to a portion of the machine, for example, one part or component. It should be noted, however, that if the transferor is the owner of a patent on the entire machine, a term of the kind referred to would not fall within item (xiii) since the transferee would be required to obtain the agreement of the owner of the patent to exploit the patented invention and the payment of consideration therefor would be justified.

s. *Item (xiv)* relates to terms which would have the effect of fixing prices for the sale or resale of the products produced by the transferee, whether at the first sale by the transferee or at the resale of the same products by purchasers from the transferee. The level of prices for given products is a matter of vital concern to a developing economy requiring that they be priced to meet the exigencies of the local economy as well as the international market. Moreover, pricing is not a matter which should be left in the hands of the transferor, who may fix an excessively high price in order to optimize his return under the contract; on the other hand, he may set the price at an arbitrarily low level, which could preclude the transferee from obtaining an adequate return on investment and thus retard effective industrialization in the relevant area of technology. The anticompetitive effects of price fixing could place an undue burden on the economy of the country if consumers were required to pay unreasonably high prices for products and could make it practically impossible for the transferee to sell products on the international market.

t. *Item (xv)* relates to terms which would have the effect of excluding or unreasonably restricting the liability of the transferor resulting from any defect which is inherent in the technology to which the contract relates. The inclusion in the contract of a term which would totally exempt the transferor from any liability should be avoided. However, terms are admissible which would exclude or restrict the liability of the transferor in cases of injuries of a personal or economic nature caused by defective products manufactured by the transferee, which were defective not because of any inherent defect in the technology itself, but rather because of other reasons, for example, improper use of the technology by the transferee in manufacturing the products or defects in material supplied by other persons. Moreover, it is admissible that the contract restrict within reasonable limits the amount of damages to which the transferor may be held liable, for example, not to exceed the total payment received by the transferor under the contract.

u. *Item (xvi)* relates to terms which would have the effect of restricting the continued use of the technology after the expiration of the transferee's contractual obligations. If know-how which has not been disclosed to the public is involved, the transferee may be obliged, as permitted by Section 203(2), not to disclose the know-how to the public and not to communicate it to other persons; subject to this reservation, the transferee has the right to use the know-how as he wishes, and this is equally true before and after the expiration of his contractual obligations (see Section 203(1)). However, where the technology is covered in whole or in part by a patent, the owner of the patent is not precluded from taking action against the transferee, after the expiration of their contractual relations, to enforce the patent if the transferee infringes it.

v. *Item (xvii)* relates to terms providing for a duration of the contract that is unreasonably long in comparison to the intended economic function of the contract. Where a patent is involved, a duration extending to the date of the expiration of the patent must be regarded as reasonable; otherwise, the period of the contract is to be evaluated in accordance with its economic function. Such a determination is intimately involved with the evaluation under item (ii) as to whether the value of the technology is disproportionate to the consideration to be paid. The duration of the contract is of importance to both the transferee and the transferor. If payments are to be spread out over the duration of the contract, a longer period may be in the interest of the transferee. The same is true where the transferee is to receive technical assistance or technology developed during the life of the contract.

w. *Subsection (2)* requires the Patent Office to notify the applicants when it is of the opinion that the contract contains one or more terms which impose unjustified restrictions upon the transferee and that, as a consequence, the contract, taken as a whole, is harmful to the economic interests of the country, and to invite the applicants to modify the contract so that it does not contain any such term.

x. The dialogue, if any, between the applicants and the Patent Office will normally take place in writing, but Rule 305 provides, for the sake of flexibility, that the applicants may request and obtain a hearing, which may permit them to present their arguments better.

Section 306: Registration or Refusal to Register; Certificate; Publication

a. *Subsection (1)* requires the Patent Office, once the contract has been examined and found formally and substantively acceptable for registration, to register the contract, to issue a certificate of registration to the applicants and to publish a reference to the registration in the Gazette.

b. A three-month time limit is imposed within which the Patent Office must take its initial action on an application for registration and take subsequent action after each response by the applicants to an invitation of the Patent Office. If the Patent Office does not take action during the three-month time limit, the contract is deemed to have been registered as of the end of the time limit, with the Patent Office being required to issue a certificate of registration to the applicants. It should be noted that nothing precludes the applicants, if they receive neither the certificate nor a negative decision, from relying on other evidence to prove that the contract must be considered as having been registered. Subsection (1) is intended to achieve prompt action on contracts transferring technology, which could be of vital importance to the local economy and the parties involved.

c. *Subsection (2)* requires the Patent Office to refuse the registration of the contract if it still contains, at the end of the procedure of examination as to substance, one or more terms which impose unjustified restrictions upon the transferee and if, as a consequence, the contract, taken as a whole, is harmful to the economic interests of the country. The decision refusing registration must be in writing and state the grounds upon which it is based. The applicants must be notified of the decision, which may be appealed in accordance with Section 307.

d. *Subsection (3)* specifies the contents of the registration, certificate and publication provided for in Section 306.

e. *Subsection (4)*: The manner in which the recording of a reference to the registration of a license contract is to be effected is specified in Rule 306.

Section 307: Appeals

- a. This Section establishes an appeals procedure on two levels.
- b. *Subsection (1)*: A first appeal, to be lodged jointly by the applicants, is possible against the decision of the Patent Office rejecting the application for registration or refusing the registration. It is proposed that the authority competent to hear such appeals should be a minister, who would be designated by the country (for example, the Minister of Industry). It would be desirable to designate the same Minister in this subsection as the one designated in Section 152(1)(a), concerning appeals with regard to non-voluntary licenses. If the decision appealed against consists of a refusal to register the contract, the appeal may, in particular, be based on the allegation that the contract, taken as a whole, is not harmful to the economic interests of the country. A three-month period, similar to that imposed on the Patent Office under Section 306(1)(b), is imposed on the Minister to make a decision. Failure to make a decision within the three-month period will result in the contract being considered as registered.
- c. *Subsection (2)*: This provision establishes a judicial appeal in the second instance. The competent court is the ordinary court of the place where the Patent Office is located (see Section 109). Concerning the time limit within which an appeal under subsection (2) must be lodged, see paragraph *e* of the comments on Section 133. Contrary to an appeal in the first instance, an appeal in the second instance may not be taken to the court on the ground that the registration of the contract should be effected because the contract, taken as a whole, is not harmful to the economic interests of the country. This limitation of the grounds for appeal is based upon the fact that the Government itself must make the final determination of the economic interests of the country.

PART IV: INVENTORS' CERTIFICATES

a. Part IV of the Model Law deals with inventors' certificates. It comprises 23 Sections (Sections 401 to 423).

b. The inventor's certificate provided for in this Part has the following main characteristics: it is an official document, issued free of charge, which attests the inventorship of the invention, under which the exploitation by others of the invention requires the agreement of the State rather than of its holder, but which gives its holder the right to remuneration.

c. Inventors' certificates with the above characteristics exist in the Soviet Union, Bulgaria and Czechoslovakia. Other documents called "inventors' certificates" do exist in some countries, but they have slightly or substantially different characteristics. In the German Democratic Republic, there exists a title of protection with most of the characteristics of the inventor's certificate described above, but with a completely different name (*Wirtschaftspatent*, literally "economy patent"). This Part of the Model Law proposes an inventor's certificate of the type that exists in the Soviet Union, Bulgaria and Czechoslovakia.

d. As the preceding paragraph shows, the inventor's certificate is a title of protection designed for countries in which the State controls all the means of production or almost all of them: it presupposes that the State is capable, if not of exploiting the inventions itself, at least of organizing such exploitation in enterprises or institutions whose activities are subject to its directions. In an entirely market-economy country, where the State does not control the means of production, the institution of the inventor's certificate is of very little or no interest as the State is not in a position either to exploit the inventions itself or to organize exploitation, even if it does intervene in one way or another in the economic activity of the country. In a country where there is a State-controlled sector alongside a private industrial sector, the institution of the inventor's certificate could be of interest for the State-controlled sector if such a sector has a sufficiently large place in the economy of the country. It can thus be seen that the desirability of introducing inventors' certificates is essentially dependent on the economic system of the country.

e. It should be pointed out that in countries where the means of production belong to the State and the only titles of protection for inventions are patents, results similar to those obtainable through the institution of the inventor's certificate are possible: this can be done by providing that the right to the patent belongs in all cases of employee inventions to State enterprises (which in fact are the only employers in such countries) and by providing for adequate remuneration and other incentives for the benefit of employee inventors. Thus, the main advantage of inventors' certificates can be obtained, which is the stimulation of inventive activity in the country.

f. Countries that adopt Part IV will have to modify certain provisions in Part I, dealing with patents, to take account of the simultaneous existence of two titles of protection (patents and inventors' certificates). It will, for example, be necessary to amend Section 114(2)(b) (which establishes the "whole contents" system), as follows:

Additionally, prior art shall comprise the contents of a domestic patent application or application for an inventor's certificate having an earlier filing or, where appropriate, priority date than the patent application referred to in paragraph (a), to the extent that those contents are included in the patent or inventor's certificate granted on the basis of the said domestic application.

g. Another provision that will have to be amended is Section 164(3)(b), which defines repetition, to provide that repetition is deemed to have occurred when the offender has been previously convicted of infringement of either another patent or an inventor's certificate.

h. Certain provisions of Part I and the corresponding Rules are directly applicable to Part IV but have not been repeated in Part IV because they have been drafted in sufficiently broad language as to cover the whole Model Law. Such is the case of the provisions relating to the organization of the Patent Office (Section 102), the functions of the Patent Office (Section 103), patent information services (Section 104), the Gazette (Section 106), the secrecy requirements imposed upon employees of the Patent Office (Section 108(2)), the court of competent jurisdiction (Section 109), the Regulations (Section 110) and the Administrative Instructions (Section 111).

i. Other provisions of Part I have not been repeated in Part IV and have no equivalent there because, due to the nature of the inventor's certificate, they are not applicable. Those provisions are the following: Section 122, which concerns the naming of the inventor and which provides, in particular, that the inventor may renounce his right to be named in the patent, as the name of the inventor must appear on the inventor's certificate in all cases, even if it is granted to the successor in title of the deceased inventor; Section 124, which subjects a patent application to the payment of a fee, as the entire procedure for the grant of an inventor's certificate is exempted from fees; Section 130(2), which allows the inventor to inspect the patent application when he is not the applicant, as an application for an inventor's certificate may be filed by a person other than the inventor in only one case, namely, where the inventor has died; Section 139, which deals with annual fees, as the maintenance in force of an inventor's certificate does not depend on the payment of fees; Sections 142 to 146, which deal with contractual licenses, as "licenses" under inventors' certificates are granted by the State and not by a private holder, so it is not for the law on inventions to lay down rules on this matter; Section 148, which provides for a non-voluntary license in case of non-working or insufficient working of the invention, and Section 156, which provides for the exploitation of the invention by the Government or by persons authorized by the Government, as such measures are superfluous in a system where the rights deriving from the title of protection belong to the State and not to a private holder; Section 157, which provides for the surrender of a patent, for the same reason; and finally, Section 163, which deals with the threat of infringement proceedings, for the same reason.

j. In general, the comments on those provisions of Part I of the Model Law that have counterparts in Part IV are also valid with respect to Part IV.

Section 401: Protection of Inventions

The introductory Section of this Part is analogous to Section 101 of Part I and bears the same title. The authority which is competent to grant inventors' certificates is the Office for Inventions.

Section 402: Office for Inventions; Restrictions Concerning Employees of Office for Inventions

a. *Subsection (1)* establishes that the Patent Office is to perform the functions assigned to the Office for Inventions under this Part (see Sections 102 and 103 regarding the organization and functions of the Patent Office). Since the entire procedure from the filing of an application to the grant of the title is practically identical for patents and for inventors' certificates, it is logical that the same authority should deal with them both, rather than establishing a separate agency solely for the processing of inventors' certificates.

b. *Subsection (2)* places the same restrictions on employees of the Office with regard to inventors' certificates as with regard to patents (see Section 108(1)).

Section 403: Register of Inventors' Certificates

This Section establishing the Register of Inventors' Certificates is analogous to Section 105 establishing the Patent Register.

Section 404: Inspection of Files

This Section is analogous to Section 107, with one important difference: since, after the grant of the inventor's certificate, it is the State which is, vis-à-vis other persons, in the position corresponding to the owner of the patent, the State is not required to obtain the permission of the applicant in order to inspect the file of any application for an inventor's certificate.

Section 405: Inventions Which Can Be the Subject of Inventors' Certificates

- a. *Subsection (1)*: The general conditions for the protection of an invention are the same, whether the invention is the subject of a patent or of an inventor's certificate.
- b. *Subsection (2)* is analogous to Section 117.
- c. *Subsection (3)*: Under Section 118, certain categories of inventions may be excluded for a certain time from patent protection. The present provision specifies that inventions excluded from patent protection under that Section may not be the subject of an inventor's certificate; on the other hand, where an invention has not been excluded from patent protection or as soon as such exclusion is lifted, the invention may be the subject of either a patent or an inventor's certificate. In other words, it is proposed that no distinction be made, as far as the exclusion of certain categories of inventions is concerned, between the possibility of obtaining a patent and the possibility of obtaining an inventor's certificate.*

Section 406: Availability of Inventors' Certificates

- a. By reason of its nature, the inventor's certificate can only be granted to the inventor, in other words to the natural person who has made the invention. There is one exception to this principle: if the inventor has died, the right to the inventor's certificate, the application for an inventor's certificate or the inventor's certificate itself may be transferred by succession to any natural person (see subsection (3) of this Section and Section 415). This principle has three consequences: first, the right to the inventor's certificate, the application for an inventor's certificate and the inventor's certificate itself cannot be assigned *inter vivos*; second, an inventor's certificate cannot be granted or transferred by succession to a legal entity but only to a natural person; third, an inventor's certificate cannot be granted to an employer or a person having commissioned a work (this concerns the case in which the invention was made in execution of a commission or by an employee; see paragraph g, below).
- b. *Subsection (1)* establishes the principle of free choice between patents and inventors' certificates. This free choice belongs to any inventor who has the right to obtain a patent. According to this principle, the inventor may choose to apply for the grant of either a patent or an inventor's certificate.*

* If, as a result of the decisions that will be taken on the subject of inventors' certificates by the Diplomatic Conference on the Revision of the Paris Convention, whose work was not completed at the time (1980) of publication of this Part of the Model Law, the new Act of the Paris Convention permits other solutions, those solutions will be the subject of a supplement to the publication of this Part.

c. The provisions that determine the right to the patent are those of Chapter III of Part I of the Model Law. Briefly, these provisions establish that the right to the patent belongs to the inventor (Section 119(1)); however, in the case of an invention made in execution of a commission or by an employee (Section 120), the right to the patent belongs to the person having commissioned the work or to the employer, unless there are contractual provisions to the contrary or unless Alternative B of Section 120(2) was adopted and, as a result of its application, the right to the patent remains with the inventor. Consequently, the free choice belongs to the inventor in the following three cases: (i) where the inventor made the invention independently of any commission or employment contract; (ii) where the inventor made the invention under a commission or employment contract and, as a result of the adoption and application of Alternative B of Section 120(2), the right to the patent remains with the inventor (instead of belonging to the employer or the person having commissioned the work); (iii) where the inventor made the invention under a commission or employment contract and the contract provides that the right to the patent belongs to the inventor (and not to the employer or the person having commissioned the work).

d. A possible alternative would consist in providing that, when an invention is made by an employee of the State and constitutes a service invention or a dependent invention (see paragraph *b* of the comments on Section 120), the only available form of protection is an inventor's certificate granted to the employee; in such a situation, neither the State nor the employee could obtain a patent. Such an alternative would take the form of an exception not only to subsection (1) of Section 406 but also to subsection (4) of that Section.

e. *Subsection (2)* is analogous to Section 119(2).

f. *Subsection (3)* provides that the natural person (or persons) taking by succession (either intestate or testate) may apply for and obtain an inventor's certificate if the inventor has died without filing an application for an inventor's certificate. The case where the inventor dies after filing the application but before obtaining the inventor's certificate and the case where he dies after he has obtained the inventor's certificate are dealt with in Section 415.

g. *Subsection (4)* governs the case where the invention was made in execution of a commission or by an employee and, as a consequence of Section 120 and of the absence of contractual provisions to the contrary, the right to the patent belongs not to the inventor but to the employer or the person having commissioned the work. In this case, the inventor may obtain an inventor's certificate but only if the employer or the person having commissioned the work has given his agreement. If this agreement is given, the employer or the person having commissioned the work loses his right to the patent and therefore cannot obtain a patent as the same invention cannot be protected both by an inventor's certificate and by a patent. If the agreement is not given, the inventor does not have the right to an inventor's certificate, and the employer or the person having commissioned the work retains the right to a patent.

Section 407: Conversion into Patent Application or Patent or Judicial Transfer of Application for Inventor's Certificate or Inventor's Certificate

a. This Section is analogous in principle to Section 121.

b. *Subsection (1)* is designed to protect the person having the right to obtain a patent under Section 120 or the person having the right to obtain a patent or inventor's certificate under Section 406(1) or (3) from being deprived of this right by another person's being granted an inventor's certificate on the invention in question. In the first instance, which covers cases involving a commission or an employment contract wherein the inventor (or his successor in title) has filed an application for an inventor's certificate although the employer or the person having commissioned the work has the right to

obtain a patent and has not given his agreement under Section 406(4), the court may be requested to convert the application for an inventor's certificate or the inventor's certificate into a patent application or patent in the name of the employer or the person having commissioned the work. In the second instance, which covers cases in which the applicant for an inventor's certificate was neither the inventor nor his successor in title, the court may be requested either to transfer the application for an inventor's certificate or the inventor's certificate to the person having the right thereto under Section 406(1) (namely, the inventor) or under Section 406(3) (namely, the successor in title of the inventor) or to convert it into a patent application or patent in the name of that person.

c. Subsection (2): The person having the right to obtain a patent under Section 120 or the person having the right to obtain a patent or inventor's certificate under Section 406(1) or (3) but wishing to obtain a patent must make the request for a conversion to the court within five years from the grant of the inventor's certificate. However, no time limitation is placed on the right to request the transfer of the application for an inventor's certificate or the inventor's certificate. Moreover, in contrast to a patent, an inventor's certificate may not be invalidated on the ground that it has been granted to a person other than the person having the right to it (Section 158(2)(ii) having no equivalent in Section 418(2)). The reason for these two differences is that the rights of the State should not be jeopardized, at least after a certain period of time, because the person to whom the inventor's certificate was granted did not have the right to it, which can be corrected at any time by the procedure of judicial transfer provided by subsection (1).

d. Subsection (3) is analogous to Section 140(2).

e. Subsection (4): When an inventor's certificate is converted into a patent, the question arises what shall be considered the date of grant of the patent. This provision resolves this question for the two situations where it is required in the Model Law, namely the time from which the patent can be enforced (Sections 134(1)(ii) and 135(1)) and the time from which a non-voluntary license can be requested for non-working or insufficient working (Section 148(1)). In these cases, the date of the grant of the patent is considered as being the date that the conversion is recorded under subsection (3). Thus, the owner of a patent that was converted from an inventor's certificate may not take action against any infringers in connection with acts performed before the date the conversion is recorded. On the other hand, a request for the grant of a non-voluntary license on the ground of non-working or insufficient working may not be made before the expiration of the time limit, whose length is specified in Section 148(1), but whose starting point is the date of the recording of the conversion, so that the owner of the patent will have the full time period in which to fulfill his obligation to work the patented invention.

Section 408: Fraudulent Statement Concerning Inventorship

This Section provides for penal sanctions for a special offense relating to inventors' certificates. These special sanctions are an addition to those provided for in Section 423.

Section 409: Application for Inventor's Certificate; Examination; Grant of Inventor's Certificate

Under this Section, most of the provisions of Chapter IV of Part I, which relate to patent applications, their examination and the grant of patents are made applicable by analogy to applications for inventor's certificates, their examination and the grant of inventors' certificates. The reason why Sections 124 and 130(2) are not made applicable are set out in paragraph *i* of the comments on Part IV.

Section 410: Rights and Obligations of Applicant or Holder of Inventor's Certificate

a. Subsection (1)(i) and (ii) and subsection (2)(i) and (ii): These provisions are analogous to Section 134(1)(i) and (iii), (2)(i) and (ii). "Applicant" and "holder of the inventor's certificate" are used in preference to "inventor" because they refer not only to the inventor but also, if the inventor has died, to his successor in title.

b. Subsection (1)(iii): This provision gives the holder of the inventor's certificate the right to receive remuneration from the State, which has the obligation to give it to him (see Section 411(2)(b)). The remuneration granted to the holder is a reward for his inventive activity and for his contribution to technological progress and hence the economic development of the country.

c. This reward consists of adequate monetary remuneration and other benefits, such as tax benefits, study or research grants, etc. The remuneration and benefits are to be determined by the Regulations and will vary from case to case: a particularly generous reward will be justified where the exploitation of the invention produces satisfactory results in financial terms or where subsequent development of the invention, even in the absence of direct exploitation, allows important technological advances to be made. It is for the latter reason that it is not proposed to make the remuneration dependent on the exploitation of the invention: it would seem sufficient to provide for scales graduated according to the invention's scientific or commercial value. In the extreme case of the invention not being exploited and having no great scientific value, a token reward could be given, in the form of a small sum of money and an honorary distinction, for instance. If the invention is exploited, however, the reward of the inventor must be fixed taking into account the economic benefits derived from such exploitation. In addition, if an invention whose exploitation seemed impossible or unpromising at the time of the grant of the inventor's certificate is subsequently exploited on account of changed circumstances, the Regulations should provide for the grant of additional remuneration, over and above the (probably insignificant) reward originally received by the holder of the inventor's certificate.

d. It will also be for the Regulations to regulate the procedure for the awarding of the remuneration and other benefits.

e. In a country where the State controls all the means of production or almost all of them, the active participation in the development of the invention in the country might be made both a right and an obligation of the State-employed inventor who is granted an inventor's certificate. Such participation by the inventor, who knows the invention best, would promote the successful working of the invention, which is in the interest of both the inventor and the country. Moreover, in such a country, the inventor might be given preference in competitions for positions in State enterprises exploiting his invention.

Section 411: Rights and Obligations of State; Definition of "Exploitation"

a. Subsection (1): The right vests in the State to take action against any person exploiting the invention claimed in the inventor's certificate without its agreement, whereas the corresponding right deriving from a patent belongs to its owner (see Sections 134(1)(ii) and 135(1)): this is one of the essential differences between the two titles of protection. The State has the right to give or withhold its agreement for the exploitation by any person of the invention in the country. Another consequence of the State's right is that it is the State which has the right to bring the proceedings provided for in Section 421 in the event of infringement.

b. Subsection (2): The obligation on the State to give remuneration to the holder of the inventor's certificate does not depend on the actual exploitation of the invention (see paragraph *c* of the comments on Section 410).

c. Subsection (3) defines, for the purposes of this Part, "exploitation" of an invention claimed in an inventor's certificate in a manner identical to the definition of exploitation of a patented invention as set forth in Section 135(2).

Section 412: Limitation of Rights

This Section is analogous to Section 136.

Section 413: Rights Derived from Prior Manufacture or Use

This Section is analogous to Section 137.

Section 414: Duration of Inventor's Certificate

It is proposed that the duration of the inventor's certificate be fixed at twenty years from the filing date of the application; its duration would thus be the same as the maximum duration of the patent (see Section 138, which permits the minimum duration of the patent, namely fifteen years from the filing date of the application, to be extended for a period of five years on condition that the patented invention is being sufficiently worked in the country). However, in view of the special nature of the inventor's certificate, and above all the fact that the right deriving from it belongs to the State in accordance with Section 411(1), the twenty-year duration of the inventor's certificate is not, as it is in the case of patents, contingent on the working of the protected invention. On expiration of the period of twenty years, the right of the State to take action against any person exploiting in the country, without its agreement, the invention claimed in the inventor's certificate expires.

Section 415: Transfer by Succession of Application for Inventor's Certificate or Inventor's Certificate

- a. As indicated in paragraph a of the comments on Section 406, the application for an inventor's certificate and the inventor's certificate itself are unassignable, but they may be transferred by succession to any natural person.*
- b. The effect of transfer by succession of the inventor's certificate is that the successor will have the right to receive the remuneration and benefits referred to in Section 410(1)(iii).*
- c. If the inventor dies without filing an application for an inventor's certificate, his successor may file the application under Section 406(3), which provides for the transfer by succession of the right to the inventor's certificate.*

Section 416: Joint Holders of Application for Inventor's Certificate or Inventor's Certificate

This Section is analogous to Section 141. Due to the nature of the inventor's certificate, Section 416 is limited to the transfer by succession of the application for an inventor's certificate or the inventor's certificate and the withdrawal of the application.

Section 417: Interdependence of Titles of Protection

- a.* This Section, concerning interdependence, is analogous to Section 149.
- b.* *Subsection (1)* permits the grant of a non-voluntary license to the State when an invention claimed in an inventor's certificate cannot be worked without infringing a prior patent. (When the prior title is another inventor's certificate, there is no problem as the State has rights under both inventors' certificates.)
- c.* *Subsection (2)* covers the converse situation to subsection (1), namely, where the working of a patented invention would infringe a prior inventor's certificate. In this situation, due to the fact that the rights under the inventor's certificate belong to the State and that, as a consequence, it would be inappropriate to speak of a "license," what is granted is an authorization to exploit rather than a non-voluntary license.
- d.* *Subsections (3) and (4):* See the comments on Sections 134(3) (which defines the "working" of a patented invention), 147, 149(2) and 150 to 155, whose provisions are made applicable by analogy. Naturally, Sections 150 to 155 apply by analogy to the extent that they relate to non-voluntary licenses based upon interdependence of patents and not to the extent that they relate to non-voluntary licenses for non-working or insufficient working.

Section 418: Invalidation of Inventor's Certificate

- a.* This Section, which is analogous to Section 158, provides that any invalidation proceedings must be instituted against the State (subsection (1)). However, the holder of the inventor's certificate has the right to join with the State as a party to the proceedings (subsection (4)).
- b.* The grounds for the invalidation of an inventor's certificate are the same as those for the invalidation of a patent, with the exception that an inventor's certificate cannot be invalidated because it was granted to a person other than the person having the right to it (see paragraph *c* of the comments on Section 407).
- c.* As in the case of the invalidation of patents, it would be possible to provide, instead of a purely judicial system for the invalidation of inventors' certificates as proposed in this Section, a system where the decision—at least in the first instance—would be made by an administrative authority (see paragraph *b* of the comments on Section 158).

Section 419: Effects of Invalidation

This Section is analogous to Section 159. It should be noted that the holder of an inventor's certificate which is invalidated by the court is not required to return any remuneration and other benefits received from the State.

Section 420: Acts of Infringement

This Section, which is analogous to Section 160, provides that infringement of the inventor's certificate consists of the performance of any of the acts of exploitation referred to in Section 411(3) in the country without the agreement of the State (see Section 411(1)). It follows that even the holder of the inventor's certificate commits an act of infringement if he exploits his own invention without the agreement of the State.

Section 421: Infringement Proceedings

This Section, which is analogous to Section 161, provides that only the State may institute court proceedings against infringers. In other words, the holder of the inventor's certificate is not entitled to institute such proceedings.

Section 422: Declaration of Non-Infringement

This Section, which is analogous to Section 162, provides that the State, and not the holder of the inventor's certificate, is to be the defendant in proceedings for the issuance of a declaration of non-infringement.

Section 423: Offenses

a. This Section is analogous to Section 164. In the case of inventors' certificates, repetition is deemed to have occurred when the offender has been previously convicted of infringement of either another inventor's certificate or a patent (subsection (3)(b)).

b. It should be noted that criminal proceedings are also provided for, as far as inventors' certificates are concerned, in one case other than infringement, namely, in the case of a fraudulent statement concerning inventorship (Section 408).

PART V: TECHNOVATIONS

a. The absorption and adaptation of technology in developing countries require the cooperation of all available talents. An ideal environment for such absorption and adaptation is within the industrial enterprise itself, where employees of the enterprise who are aware of specific technological problems facing the enterprise may exercise their innovative talents to find solutions to those problems. This is especially true if incentives are provided to stimulate the said talents of the employees. Thus, it would be highly desirable to establish a system of incentives for employees of enterprises in developing countries, whether the country has a free-market, State-controlled or mixed economic system. The provisions of Part V of the Model Law are designed to provide the legal framework for such a system, which uses as an incentive the grant by the employer of remuneration to the employee for having solved a problem. The remuneration is granted to the employee for the particular effort he has made in presenting a solution which is used by the enterprise. In general, solutions are devised for specific problems arising within the industrial enterprise, and are related to the activities of the enterprise. The employee has the merit of having proposed a solution to an existing problem. For this purpose, he may have used information available to the public; nevertheless, he deserves remuneration if the use of his solution yields material benefit to the enterprise. The remuneration is not given for a creation which, through a system of protection based on disclosure, passes into the public domain, as is the case of patented inventions; it is given, rather, for the effort of having procured an advantage for the enterprise. The employee proposing such solutions is typically a person who, in addition to the tasks assigned to him, searches for possibilities of improvement; his alertness is a great asset for the enterprise. A system providing employees with incentives to find solutions to technical problems arising within the enterprise in which they are working could be especially useful in developing countries since such a system would stimulate local creativity, thus aiding the industrial and technological development of those countries.

b. Part V regulates the relationship between an enterprise and an employee with respect to solutions proposed by the latter. Provisions relating to such a relationship could be contained in other laws, for instance, in the law on employment contracts or, insofar as enterprises are State-owned or State-controlled so that employees have the status of civil servants, in the law governing the civil service; in the latter case, solutions proposed by civil servants are frequently subject to service regulations. As regards private enterprises, many countries do not have a special law but leave the question entirely to each enterprise. In these countries many enterprises have adopted systems (sometimes called "employee suggestion" systems) for rewarding employees making proposals which are of value to the enterprise. It is also possible that the remuneration for such proposals may be the subject of agreements between employers and trade unions, thus not requiring regulation by law. Therefore, the need for regulation by law essentially depends on the particular conditions of each country.

c. In Part V of the Model Law, the new term "technovation" has been selected to designate a solution proposed by an employee to a specific problem related to the activities of his employing enterprise. It is a combination of the words "technology" and "innovation" which is intended to convey the idea that the solution proposed concerns a technical problem and that it involves innovation (generally defined as the introduction of something new), at least as far as the particular enterprise in question is concerned. There are additional advantages to using a coined word such as "technovation": it avoids confusion with other well-known terms generally used in a broader context, such as "innovation" or "employee suggestion"; it may also serve to distinguish the technovation system as one particularly intended for developing countries for promoting solutions proposed by employees to technical problems within the employing enterprise.

d. In the system of Part V, only employees may propose technovations, and they may propose them only to their respective enterprises. An alternative system would be one where these two limitations are eliminated, so that anyone could propose a technovation to any enterprise, provided the technovation relates to the activities of that enterprise. However, such a system poses difficult problems which would require complex provisions in the law for their resolution. Among the problems to be resolved would be whether a technovation made by an employee of one enterprise which relates to the activities of that enterprise could be proposed by that employee to another enterprise and if permitted, under what conditions. It would also have to be decided whether a technovation could be proposed to several enterprises and, if not, what means could prevent it. Moreover, it would have to be resolved whether limitations should not be placed on the right to propose technovations, for example, permitting only residents of the country (irrespective of nationality) to propose technovations, to avoid the possibility of local enterprises from being flooded with proposals coming from abroad. Because of these numerous difficulties and the fact that the establishment of a system of remuneration for technovations would be most useful in the framework of relations between an enterprise and its employees, the above-mentioned alternative is not proposed for adoption.

e. Part V contains eight Sections (Sections 501 to 508) and two rules. It is to be noted that, in addition to the Regulations, Part V requires action to be taken by the enterprise, which has to set up a special service dealing with the processing of requests for the issuance of technovation certificates and which has to adopt internal regulations implementing Part V and the rules thereunder.

Section 501: Definitions

a. Section 501 defines expressions used in a particular sense in Part V; these definitions are thus limited to this Part.

b. The definition of "technovation" contained in *item (i)* follows in certain respects the definition of "invention" contained in Section 112(1). Both definitions have in common that they specify that the invention or technovation must relate to the field of technology. Although employee solutions to problems concerning administration, management and other related fields might be just as important as solutions in the field of technology, they are not covered by the provisions of Part V since the Model Law deals only with technology.

c. The definition of "technovation" contains, as a characteristic feature, the condition that the solution be proposed by an employee of an enterprise for use by that enterprise. This means that the technovation concerns a specific problem existing in that enterprise and that only employees but not other persons are qualified to make technovations (for a possible alternative, see paragraph *d* of the comments on Part V).

d. Only enterprises having a minimum number of employees in the country should be bound to implement the technovation system of Part V. It will be up to each country legislating on the basis of this Part to determine that minimum number, which could be fixed, for example, at fifty. It should be kept in mind, however, that selecting the minimum number of employees at too high a level may eliminate a significant number of enterprises from the applicability of this Part and minimize the overall effectiveness of the technovation system; on the other hand, selecting the minimum number of employees at too low a level may impose an undue economic burden on small enterprises within the country which would be required to implement the technovation system.

e. In contrast to inventions which, in order to be patentable, must be new (in the sense that they were not disclosed to the public anywhere in the world) and involve an inventive step, technovations need not be new and need not involve an inventive step. Instead, it is required that the technovation relate to the activities of the enterprise but, on the date on which the proposal is made, not have been used or actively considered for use by that enterprise. These requirements could be compared to the condition of novelty in the

case of an invention, but it is a kind of relative “novelty,” limited to the particular enterprise. Moreover, there is no requirement of “technovative step” so that even minor improvements are covered by the definition. As regards “novelty,” the decisive criterion is that the technovation is not and has not been used or actively considered for use by the enterprise, either in the present or in the past. Thus, the fact that the technovation was known to the management of the enterprise or that it belongs to the public domain does not exclude its “novelty.” It should be noted that the laws of some countries provide that mandatory standards and technical specifications may not be considered as being “novel” and consequently may not qualify for remuneration.

f. Item (ii) defines “employee” and “enterprise” by reference to the definition in item (i). It is to be noted that the enterprise is the employer of the employee.

g. Item (iii) contains a further specification with respect to the term “enterprise,” dealing with the case of several enterprises owned by the same person. If, because of their ownership, those several enterprises may be considered one enterprise, it becomes more difficult to propose technovations fulfilling the condition of relative “novelty” since the proposed solution may already have been used by one of those enterprises (not necessarily the one to which the proposal is made). Obviously, this question is of particular importance to holdings of conglomerate enterprises. In accordance with item (iii), the decisive criterion here is that several enterprises must be owned and operated by the same person in order to be considered a single enterprise. In other words, if several enterprises are merely owned by the same person and that person has no responsibility for the management of the enterprises, those enterprises are to be considered separate enterprises. This would be the case, for instance, where the owner (or co-owner) does not directly control the management of the several enterprises. In the case of a State enterprise, the decisive criterion would be the degree of independence of the management in the particular circumstances.

h. The definition of “date of the proposal” contained in item (iv) is important in three respects: this is the date before which the proposal of an employee must not have been used or actively considered for use by the enterprise in order to qualify as a technovation (see Section 501(i)); the person making the proposal must be an employee of that enterprise on the date of the proposal in order to have the right to a technovation certificate (see Section 502(1)); where the same technovation is proposed separately by several employees, the one having the earliest date of proposal is entitled to the technovation certificate (see Section 502(3)).

i. Items (v) and (vi) are self-explanatory.

Section 502: Right to Technovation Certificate

a. Subsection (1) contains the basic rule with respect to the right to a technovation certificate: any person who is an employee of the enterprise on the date of the proposal has such a right, subject to subsection (2). This means that employees who leave the enterprise after having proposed a technovation keep their right to remuneration if the technovation is used by the enterprise. On the other hand, a person who is not an employee of the enterprise on the date of the proposal does not qualify for the issuance of a technovation certificate.

b. Subsection (2) provides for an exception to the rule contained in subsection (1). Since certain employees of the enterprise may have been specifically engaged for the making and proposing of technovations, it would not be justified to provide a special incentive in the form of remuneration to be granted to them for proposing technovations. The technovative activities of such employees have already been taken into account by the terms of their contracts, in particular, the salary to be paid in view of the special technovative activity. This exception mainly concerns employees having responsibilities in research and development; it is qualified, however, by a sub-exception for cases where the degree of creative contribution inherent in the technovation exceeds that which

is normally required of an employee whose duty is to make and propose technovations. This provision means that, in order to determine whether an employee is entitled to a technovation certificate, his duties with regard to the making and proposing of technovations must first be analyzed; if this analysis reveals that the technovation exceeds the duties for which the employee has been engaged or is in an area beyond or outside his actual responsibilities, he is entitled to a technovation certificate. As an alternative, one could provide that employees engaged for making and proposing technovations could receive technovation certificates but without being entitled to remuneration, so that those certificates would only serve to recognize that the said employees have made technovations.

c. Subsection (3) deals with the case where several employees, separately, request a technovation certificate for the same technovation. The solution is that the employee who first makes the request is entitled to the certificate. This provision is intended to serve as a stimulant to employees to propose technovations as early as possible.

d. Subsection (4) permits joint request for, and joint ownership of, a technovation certificate. This provision is particularly important since many technovations are the result of team work.

Section 503: Request

a. This Section deals with the formal requirements of a request for the issuance of a technovation certificate. In accordance with this provision, the request must be made in writing and signed by the employee. In the request the employee should briefly explain his solution and could attach any available drawings or sketches which would aid in the explanation of the proposed solution. Since the technovation system is an intra-enterprise one, the employee need not provide a detailed description such as would be required in a patent application describing an invention; it would be sufficient to explain the proposal in such a manner as to enable the enterprise to evaluate it. Moreover, the employee would generally be available to the enterprise to supply any further details on the proposal if this is deemed necessary.

b. Since many employees would prefer first to discuss their technovations before making written proposals, the second sentence of subsection (1) obliges the enterprise to give the employee assistance, free of charge, in drafting his request. This provision is particularly important in the case of employees who have good ideas but who are not sufficiently trained in formulating those ideas. One way of assisting employees could be to establish within the enterprise a contact person specialized in drafting requests for the issuance of technovation certificates. In addition, the enterprise is obligated to issue a receipt to the employee, attesting to the fact that he has filed a request and indicating the date of filing.

Section 504: Issuance or Refusal of Technovation Certificate

a. Section 504 establishes a time limit within which the enterprise has to take a decision on the issuance or refusal of a technovation certificate. As regards the length of this time limit, for which the Model Law proposes three months, consideration should be given to the fact that, on the one hand, the examination of the request for the issuance of a technovation certificate requires a certain amount of time, especially since a check has to be made to discover whether the proposal has already been used or actively considered for use by the enterprise, and, on the other hand, it is important that this time limit should not be too long since the whole system of remuneration for technovations could suffer from the uncertainty that would be created by lengthy inaction on the part of the enterprise to which the technovation was proposed (see Section 505(3)).

b. The requirements which must be satisfied so that the technovation certificate can be issued are the following: what is proposed as a technovation is in fact a technovation according to Section 501(i) (it is a solution to a specific problem in the field of technology, it relates to the activities of the enterprise, and it is "new" as far as the enterprise is concerned (see paragraph *e* of the comments on Section 501)); the employee has a right to a technovation certificate under Section 502.

Section 505: Use of Technovation

a. Section 505 concerns the use of the technovation by the enterprise; it imposes certain obligations on the technovator and the enterprise. The most important obligation for the enterprise, however—the payment of remuneration to the technovator—is dealt with under Section 506.

b. Subsection (1): Paragraph (a) obliges the enterprise issuing a technovation certificate to inform the technovator at that time in writing whether it intends to use the technovation. This obligation is important for the relationship between the enterprise and the employee, and the consequences of a declaration of intent to use the technovation or a declaration of intent not to use it are regulated in subsection (4). Paragraph (b) provides for an exception to the obligation under paragraph (a) in the case where the decision on use depends upon testing the technovation in practice. In this case, the declaration relating to the intention to use or not to use the technovation may be postponed but, in order not to prolong the uncertainty unduly, it may not be postponed for more than one year.

c. Subsection (2): Paragraph (a) obliges the technovator to assist the enterprise to the best of his ability in any testing, development or use of the technovation. This obligation is important since it is only the testing, development or use that may reveal the essence of the technovation; the cooperation of the technovator may be required in order to understand fully the scope of his proposal. Paragraph (b) ensures that the employee's other obligations do not prevent him from giving the assistance required under paragraph (a).

d. Subsection (3) restricts the employee or technovator as regards the communication of the technovation to anyone other than the enterprise. In addition, subsection (3) requires the employee who has requested the issuance of a technovation certificate, or the technovator to whom such a certificate has been issued, not to use the technovation himself. This restriction, of course, no longer applies if the enterprise decides to use the technovation and if the technovator happens to be involved in that use. Moreover, this restriction does not apply where the enterprise has not issued a technovation certificate within the time limit referred to in Section 504, namely, within three months from the date of the proposal.

e. Subsection (4) deals with the case where the enterprise declares that it does not intend to use the technovation or does not actually use the technovation although it has declared that it intends to do so. The consequence of this is that the technovator is no longer obliged, in particular, not to communicate the technovation to anyone else and not to use the technovation; however, the communication of the technovation to others may not entail the communication of any know-how or other knowledge acquired by the technovator in his capacity of an employee of the enterprise.

Section 506: Remuneration of Technovator

a. Section 506 deals with the remuneration of the technovator. Such remuneration is due where the enterprise uses the technovation or where it communicates it to a third person. In both cases, the remuneration is to be paid by the enterprise having issued the technovation certificate. In other words, if the enterprise communicates the technovation to a third person, the enterprise (and not the third person) is obligated to pay the remuneration to the technovator.

- b.* The amount and method of payment of the remuneration are to be mutually agreed upon by the technovator and the enterprise. If, however, there is a collective bargaining agreement containing provisions applicable to technovations, the remuneration will be paid in accordance with those provisions.
- c.* In addition to monetary remuneration, it can be agreed that the technovator would receive other benefits, such as the granting of additional vacation, possibly combined with the financing of that vacation, the placing at his disposal of an apartment and other material benefits, and the granting of other awards, such as medals, distinctions, etc. The latter kinds of awards could also be granted by the Government.
- d.* As an alternative, in particular for countries in which wages and prices are fixed by the Government, the remuneration of the technovator could be determined in a way similar to that for the determination of the remuneration of the holder of an inventor's certificate (see Section 410(1)(iii) and the comments thereon).

Section 507: Derogation by Contract

- a.* The provisions of this Part of the Model Law are intended to provide basic benefits to employees. Therefore, Section 507 renders null and void any contractual provision which would be less favorable to the employee or technovator than the provisions of this Part. Nonetheless, contracts—including collective bargaining agreements—may naturally contain provisions which are more favorable to employees and technovators than the provisions of this Part.
- b.* Moreover, it goes without saying that a technovator is also entitled to any other more extensive rights which may be granted to technovators by other legal provisions, such as the labor laws or international arrangements affording additional benefits to employees in the country. It is thus considered unnecessary to specify in this Part that a technovator may also be entitled to further benefits.

Section 508: Disputes

- a.* Section 508 establishes a special method for settling disputes concerning all questions relating to the application of the provisions of Part V, in particular disputes between the technovator and the enterprise over the question of the amount of remuneration to be paid to the technovator or the question, regulated in Section 505(4), of the consequences of non-use of the technovation by the enterprise. Disputes could also arise between employees as to which one has the right to the technovation certificate.
- b.* The method of dispute settlement provided for is arbitration, with disputes being submitted to an arbitration board consisting of three members: one appointed by the employee or technovator, one appointed by the enterprise, and a chairman appointed by the other two members. The second sentence of Section 508 follows the general practice in the field of arbitration: where the two members of the arbitration board appointed by each of the parties cannot agree on the appointment of a chairman, such appointment is made by the court of first instance of the place of arbitration. The arbitration board could be set up either on an ad hoc basis in each case of dispute or—and this would seem to be more practical—as a standing institution established by agreement between the enterprise and the representatives of the employees.
- c.* It would be possible to provide for an appeal to the courts against a decision of the arbitration board; however, this is not proposed because of the high costs and time delays usually associated with court proceedings.

REGULATIONS FOR THE MODEL LAW

Part II: Know-How

Part III: Examination and Registration of Contracts

Part IV: Inventors' Certificates

Part V: Technovations

TABLE OF CONTENTS

| | Page |
|---|------|
| PART II: KNOW-HOW | 67 |
| [There are no rules under Part II.] | |
| PART III: EXAMINATION AND REGISTRATION OF CONTRACTS . . | 69 |
| [There are no rules under Section 307.] | |
| Rule 301: Agreements Exempted from Registration | 69 |
| Rule 302: Consultation of and Extracts from Contract Register | 69 |
| 302.1 Consultation | 69 |
| 302.2 Extracts | 69 |
| Rule 302 <i>bis</i> : Inspection of Files | 69 |
| Rule 303: Form of Application for Registration | 69 |
| 303.1 Printed Form | 69 |
| 303.2 Availability of Forms | 69 |
| Rule 303 <i>bis</i> : Contents of Application for Registration | 70 |
| 303 <i>bis</i> .1 Contents | 70 |
| 303 <i>bis</i> .2 Indications | 70 |
| Rule 303 <i>ter</i> : Registration Fee | 70 |
| 303 <i>ter</i> .1 Registration Fee | 70 |
| Rule 304: Examination as to Form | 70 |
| Rule 305: Examination as to Substance | 70 |
| Rule 306: Recording of Registration | 70 |
| 306.1 Recording of Registration | 70 |
| PART IV: INVENTORS' CERTIFICATES | 71 |
| [There are no rules under Sections 401, 402, 406, 408, 412, 413, 414, 416, 418, 420, 421, 422 and 423.] | |
| Rule 400: Application of Other Rules | 71 |
| Rule 409: Inventor | 71 |
| 409.1 Inventor | 71 |
| Rule 410: Remuneration and Other Benefits | 71 |
| Rule 411: Assistance to Inventors | 71 |
| PART V: TECHNOVATIONS | 73 |
| [There are no rules under Sections 501, 502, 505, 506, 507 and 508.] | |
| Rule 503: Request | 73 |
| Rule 504: Contents of Technovation Certificate | 73 |

PART II: KNOW-HOW

[There are no rules under Part II.]

PART III: EXAMINATION AND REGISTRATION OF CONTRACTS

[There are no rules under Section 307.]

Rule 301: Agreements Exempted from Registration

Outline: This rule would specify those types of agreements which would be exempted from the registration requirement of Part III. These could include supply or subcontracting agreements, sales agreements, confidentiality agreements, option agreements, agreements relating to national security and agreements concluded for dealing with emergency situations.

Rule 302: Consultation of and Extracts from Contract Register

302.1 Consultation

The consultation of the Contract Register shall be free of charge.

302.2 Extracts

The fee payable for an extract from the Contract Register shall be [...] per page.

Rule 302bis: Inspection of Files

Outline: This rule would indicate the details of the procedure of inspection, which may be either by consultation on the premises of the Patent Office or by the communication, by the Patent Office, upon request, of information concerning any file which is open for inspection. Furthermore, this rule would provide that the inspection of the files on the premises of the Patent Office is free of charge and would fix the amount of the fees payable for the communication of information and for the preparation of extracts; the amount of the fees should be fixed in a manner to cover the effective costs incurred by the Patent Office.

Rule 303: Form of Application for Registration

303.1 Printed Form

The application for registration shall be made on a printed form.

303.2 Availability of Forms

Copies of the printed form shall be furnished free of charge by the Patent Office.

Rule 303bis: Contents of Application for Registration

303bis.1 Contents

- (a) The application for registration shall contain:
 - (i) a request, which shall appear on the printed form;
 - (ii) an indication of the technical field to which the contract relates;
 - (iii) the serial number of the patent (where applicable);
 - (iv) indications concerning the applicants.
- (b) The application for registration shall be signed by each of the applicants.

303bis.2 Indications

(a) The application for registration shall indicate the name, address, nationality and residence of each of the applicants.

(b) If any of the applicants is represented by an agent, the application for registration shall so declare and shall indicate the name, address and residence of the agent. Rule 123ter.1(b) and (c) shall apply by analogy.

(c) Rules 123bis.3 and 123bis.4 shall apply by analogy to the indications referred to in paragraphs (a) and (b).

Rule 303ter: Registration Fee

303ter.1 Registration Fee

The fee for the registration of the contract shall be [...].

Rule 304: Examination as to Form

Outline: This rule could contain two provisions. The first provision would state that the receipt referred to in Section 304(1)(c) consists of a copy of the application for registration upon which the Patent Office has marked the date of the application for registration. The second provision would fix a two-month time limit to respond to the invitation referred to in Section 304(2)(b); this time limit would be calculated from the date of the invitation; in response to a reasoned request, the Patent Office would be able to grant an extension of the time limit.

Rule 305: Examination as to Substance

Outline: This rule would fix a two-month time limit to respond to the invitation referred to in Section 305(2); this time limit would be calculated from the date of the invitation; in response to a reasoned request, the Patent Office would be able to grant an extension of the time limit. Furthermore, this rule would provide that the Patent Office shall hold a hearing if the applicants so request.

Rule 306: Recording of Registration

306.1 Recording of Registration

(a) Where the license contract referred to in Section 306(4) relates to a patent, the Patent Office shall record in the Patent Register a reference to the registration effected in the Contract Register.

(b) Where the license contract referred to in Section 306(4) relates to a patent application, the Patent Office shall insert in the file of the patent application a reference to the registration effected in the Contract Register. That reference shall be recorded in the Patent Register upon the grant of the patent.

PART IV: INVENTORS' CERTIFICATES

[There are no rules under Sections 401, 402, 406, 408, 412, 413, 414, 416, 418, 420, 421, 422 and 423.]

Rule 400: Application of Other Rules

Outline: This rule would provide that the rules listed below from Part I would apply by analogy to the Sections of this Part referred to between parentheses: Rules 105 and 105*bis* (Section 403); Rule 107 (Section 404); Rule 115 (Section 405); Rules 123, 123*bis* (except Rule 123*bis*.5, which is replaced by Rule 409 below), 123*ter*, 123*quater*, 123*quinquies*, 123*sexies*, 123*septies*, 123*octies*, 123*novies*, 123*decies*; 125, 126, 127, 127*bis*, 127*ter*, 127*quater*, 128, 129.1(a), 130, 130*bis*, 131, 132, 132*bis*, 132*ter* and 132*quater* (Section 409); Rule 140 (Sections 407 and 415); Rules 150, 150*bis*, 150*ter*, 150*quater*, 151, 151*bis*, 151*ter*, 152, 154, 155 and 155*bis* (Section 417); Rule 159 (Section 419).

Rule 409: Inventor

409.1 Inventor

- (a) Where the applicant is not the inventor, the request shall:
 - (i) state the name of the inventor;
 - (ii) be accompanied by a certificate issued by the competent authority attesting that the applicant is the successor of the inventor.
- (b) Where there are joint inventors and where any of the applicants is not one of the joint inventors, the request shall:
 - (i) state the name of the joint inventor of whom the said applicant is the successor;
 - (ii) be accompanied by a certificate issued by the competent authority attesting that the said applicant is the successor of the said joint inventor.

Rule 410: Remuneration and Other Benefits

Outline: This rule would determine the remuneration and other benefits to which the holder of the inventor's certificate is entitled, and regulate the procedure for awarding them.

Rule 411: Assistance to Inventors

Outline: This rule would, in particular, specify the Government authority or authorities competent to assist inventors in drafting applications for inventors' certificates, and regulate the procedure for such assistance.

PART V: TECHNOVATIONS

[There are no rules under Sections 501, 502, 505, 506, 507 and 508.]

Rule 503: Request

Outline: This rule would specify the details of the formal requirements of the request. In addition, it would provide that the request should contain the title of the technovation as well as a description thereof.

Rule 504: Contents of Technovation Certificate

Outline: This rule would specify the contents of a technovation certificate, which could be the following: the number of the technovation certificate; the name and address of the technovator; the date of the proposal; the date of issuance of the technovation certificate; the title of the technovation; the description of the technovation.

**LIST OF THE EXPERTS AND OTHER PARTICIPANTS IN
THE WORKING GROUP REFERRED TO IN THE INTRODUCTION**

LIST OF THE EXPERTS AND OTHER PARTICIPANTS IN THE WORKING GROUP REFERRED TO IN THE INTRODUCTION*

I EXPERTS

| | <i>Sessions</i> |
|---|----------------------------------|
| Mr. G. Albrechtskirchinger, Attorney, <i>Federal Republic of Germany</i> | II, VII |
| Mr. A.G. de Alencar, Counsellor, Permanent Mission of <i>Brazil</i> , Geneva, Switzerland | II |
| Mr. J. Alvarez Soberanis, Subdirector, Registro Nacional de Transferencia de Tecnología, Secretaría de Industria y Comercio | I, II |
| Director General, Registro Nacional de Transferencia de Tecnología, Secretaría de Industria y Comercio | III, IV |
| Director General, Registro Nacional de Transferencia de Tecnología, Secretaría de Patrimonio y Fomento Industrial, <i>Mexico</i> | VI, VII, VIII |
| Mr. A. Amerasinghe, Secretary, Patents, Trademarks and Copyright Committee, <i>Sri Lanka</i> | I, II, III |
| Mr. G.A. Ancarola, Asesor, Ministerio de Economía, <i>Argentina</i> | IV, V, VI, VII, VIII |
| Mr. B. Ardo, Directeur adjoint de l'industrie, <i>Cameroon</i> | VII |
| Mr. A.G. Bahadian, First Secretary, Permanent Mission of <i>Brazil</i> , Geneva, Switzerland | VI, VII |
| Mr. A. Bolbol, Director, Legal Affairs, Patent Office, <i>Egypt</i> | I, II |
| Mr. H. Bouhalila, Conseiller, Direction générale, Institut algérien de normalisation et de propriété industrielle | II, III |
| Chef du Département des inventions, Institut algérien de normalisation et de propriété industrielle, <i>Algeria</i> | IV, V, VI, VII, VIII |
| Mr. D. Čemalović, Head of Section, Federal Patent Office, <i>Yugoslavia</i> | I, VII |
| Mr. G.R. Clark, Vice-President, Sunbeam Corporation, <i>United States of America</i> | I, II, III, IV, V, VII, VIII |
| Mr. J. Delicado Montero-Ríos, Jefe, Servicio de Invenciones y Creaciones de Forma, Registro de la Propiedad Industrial | II, III, IV |
| Director, Departamento Estudios y Relaciones Internacionales, <i>Spain</i> | VII, VIII |
| Mr. D. Ebongue Sone, Directeur adjoint de l'industrie, <i>Cameroon</i> | I, II, III, IV, V, VI |
| Mr. E.A. Esteban, Asesor Legal, Dirección Nacional de la Propiedad Industrial, <i>Argentina</i> | I, II |
| Mr. B. Fathallah, Administrateur conseiller chargé du Service de la propriété industrielle, Ministère de l'économie nationale | VI |
| Attaché de Cabinet, Ministère du commerce, <i>Tunisia</i> | VIII |
| Mr. A. Figueira Barbosa, Acting Secretary for Transfer of Technology, National Institute for Industrial Property, <i>Brazil</i> | I |
| Mr. E. Fischer, Director of the Patent Department, Metallgesellschaft AG, <i>Federal Republic of Germany</i> | I, II, III, IV, V, VI, VII, VIII |
| Mr. M. Gabay, Deputy Attorney General and Commissioner of Patents, Designs and Trade Marks Director General, Ministry of Justice, <i>Israel</i> | I, II, III |
| Mr. K. Gueblaoui, Chef des Bureaux de la propriété industrielle | IV, V, VI, VII |
| Chef du Service de la propriété industrielle, Ministère de l'économie nationale, <i>Tunisia</i> | I, III |
| Mr. Hartono Prodjomardojo, Director, Direktorat Patent | IV |
| Senior Official, Ministry of Justice, <i>Indonesia</i> | V |
| Mr. V. Iliyn, Deputy Head, External Relations Department, USSR State Committee for Inventions and Discoveries, <i>Soviet Union</i> | VII |
| Mrs. D. Januszkiewicz, Head, International Cooperation Section, Patent Office, <i>Poland</i> | VI, VII, VIII |
| Mr. I. King'Arui, Senior Assistant Registrar-General | I, II, III, IV, V, VI, VII |
| Deputy Registrar of Trade Marks and Patents, Department of the Registrar-General, <i>Kenya</i> | VIII |
| Mrs. L. Lebedeva, Head, Section of Law, ISNIPI, <i>Soviet Union</i> | II, III, IV, V |
| Mr. D.O. Lewis, Manager, Patents Department, Babcock & Wilcox Ltd., <i>United Kingdom</i> | I, II, III, IV, V, VI, VII, VIII |
| Mr. K. Luanda, Chef de Division, Département de l'économie nationale, de l'industrie et du commerce, <i>Zaire</i> | VIII |
| Mr. A. Omar, Director General, Patent Office, Academy of Scientific Research and Technology, <i>Egypt</i> | III, IV, V, VI, VIII |

* It is to be understood that the appearance in the present list of any expert or other participant does not imply that all the elements of the Model Law necessarily reflect his or her views.

| | <i>Sessions</i> |
|--|----------------------------------|
| Mr. C.A. Passalacqua, Second Secretary, Permanent Mission of <i>Argentina</i> , Geneva, Switzerland | III |
| Mr. Y. Plasseraud, Conseil en brevets d'invention, <i>France</i> | I, II, III, IV, V, VI, VII, VIII |
| Mr. J.M. Rodríguez Padilla, Director General, Oficina Nacional de Invencciones, Información Técnica y Marcas Director General, Comité Estatal de Ciencia y Técnica, <i>Cuba</i> | II, III, IV, VI VIII |
| Mr. M. Sanmuganathan, Additional Secretary, Ministry of Trade, <i>Sri Lanka</i> | IV, V, VI |
| Mr. Soegondo Sumodiredjo, Director General of Law and Legislation, Ministry of Justice Advisor, Ministry of Justice, <i>Indonesia</i> | I, II III, IV |
| Mr. Z. Szilvassy, Vice-President, National Office of Inventions, <i>Hungary</i> | I, II, III, V, VI, VII, VIII |
| Mr. Tshinkela Malamba Nsakala, Chef de la Division de la propriété industrielle, Département de l'économie nationale, <i>Zaire</i> | II, III, IV, V, VI, VII |

II

PERSONS ACCOMPANYING THE EXPERTS

| | |
|--|-----------------------------|
| Mr. M. Arruda, Supervisor for Transfer of Technology, National Institute for Industrial Property, <i>Brazil</i> | I |
| Mr. L.E. Bertone, Attorney, Patent Agent, <i>Argentina</i> | VII, VIII |
| Mr. Elebe Lisembe, First Secretary, Permanent Mission of <i>Zaire</i> , Geneva, Switzerland | II |
| Mr. Hartono Prodjomardjo, Director, Direktorat Patent, <i>Indonesia</i> | I |
| Mr. V. Iliyn, Deputy Head, External Relations Department, USSR State Committee for Inventions and Discoveries, <i>Soviet Union</i> | III, IV, V |
| Mr. C. Iriarte, Jefe, Departamento Análisis Legal, Registro Nacional de Transferencia de Tecnología, <i>Mexico</i> | IV |
| Miss L. Madani, Juriste, Département du transfert des techniques, Institut algérien de normalisation et de propriété industrielle, <i>Algeria</i> | VII |
| Mr. A. Ortega Lechuga, Jefe de la Sección de Explotación y Licencias, Registro de la Propiedad Industrial, <i>Spain</i> | II |
| Mr. G. Pusztai, Head of Section, National Office of Inventions Head of Department, National Office of Inventions, <i>Hungary</i> | II, III V, VI, VII, VIII |
| Mr. R. Rangel, Cámara de la Industria de Transformación de Nuevo León, <i>Mexico</i> | VII |
| Mr. K. Saenko, Counsellor, Permanent Mission of the <i>Soviet Union</i> , Geneva, Switzerland | VII |
| Mr. G. Simonics, Adviser, National Office of Inventions, <i>Hungary</i> | I |
| Mr. A. Zaitsev, Counsellor, Permanent Mission of the <i>Soviet Union</i> , Geneva, Switzerland | II, III |
| Mr. R. Žarković, Deputy Director, Federal Patent Office, <i>Yugoslavia</i> | VII |
| Miss L. Zebdji, Conseiller juridique, Institut algérien de normalisation et de propriété industrielle Chef du Service coopération, études et législation, Institut algérien de normalisation et de propriété industrielle, <i>Algeria</i> | III VIII |

III

OBSERVERS

a) United Nations Organizations

| | |
|--|---------------|
| <i>United Nations (UN)</i> | |
| Mr. H. Einhaus, Chief, Office for Science and Technology, Geneva Branch, Geneva, Switzerland | II, III |
| <i>United Nations Conference on Trade and Development (UNCTAD)</i> | |
| Mr. S. Patel, Chief, Transfer of Technology Division, Geneva, Switzerland | II |
| Mr. P. Roffe, Transfer of Technology Officer, Geneva, Switzerland | I, II, IV |
| Mr. D. Chudnovsky, Economic Affairs Officer, Geneva, Switzerland | VI, VII, VIII |
| Mr. P. O'Brien, Economic Affairs Officer, Geneva, Switzerland | III |
| Mr. A. Omer, Economic Affairs Officer, Geneva, Switzerland | VII |
| Mrs. G.-V. Koch, Associate Economic Affairs Officer, Geneva, Switzerland | III |
| <i>United Nations Industrial Development Organization (UNIDO)</i> | |
| Mr. S. Arghyros, Associate Industrial Development Officer, Vienna, Austria | IV |
| <i>International Labour Organisation (ILO)</i> | |
| Mrs. R. Cuvillier, Non Manual Workers Section, Geneva, Switzerland | II |
| Miss S.C. Cornwell, Salaried Employees and Professional Workers Branch, Geneva, Switzerland | VII, VIII |

b) Intergovernmental Organizations*Sessions*

| | |
|---|-----------|
| <i>African Intellectual Property Organization (OAPI)</i> | |
| Mr. D. Ekani, Directeur général, Yaoundé, Cameroon | IV, V, VI |
| <i>Industrial Development Centre for Arab States (IDCAS)</i> | |
| Mr. A. Abdel Hak, Head, Industrial Legislation Unit, Cairo, Egypt | I |
| <i>Junta del Acuerdo de Cartagena (Andean Group)</i> | |
| Mr. A. Vidales, Departamento Jurídico, Lima, Peru | VII |
| <i>Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA)</i> | |
| Mr. G.-A. Vargas, Legal Counsel, Geneva, Switzerland | VII |

c) International Non-Governmental Organizations

| | |
|--|------------------------------------|
| <i>Council of European Industrial Federations (CEIF)</i> | |
| Mr. G. Gansser, Deputy Manager, Ciba-Geigy AG, Basle, Switzerland | I, II, III, IV, V, VI |
| <i>European Federation of Agents of Industry in Industrial Property (FEMIP)</i> | |
| Mr. J.-M. Dopchie, Directeur du Service de la propriété industrielle, N.V. Bekaert SA, Zwevegem, Belgium | I, III |
| Mr. B. de Passemar, Directeur, Direction de la propriété industrielle, des accords techniques et de la documentation, Pêchiney Ugine Kuhlmann, Paris, France | II |
| Mr. M. G. E. Meunier, Honorary President of FEMIP, Charleroi, Belgium | VIII |
| <i>Inter-American Association of Industrial Property (ASIPI)</i> | |
| Mr. E. D. Aracama Zorraquín, President of ASIPI, Buenos Aires, Argentina | I, II, III, IV |
| Mr. G. E. Dannemann, Attorney at Law, Rio de Janeiro, Brazil | VII |
| <i>Inter-American Bar Association (IABA)</i> | |
| Mr. A. Ladrón de Guevara, Council Member of IABA, Lima, Peru | I, II, III, IV, V, VII, VIII |
| <i>International Association for the Protection of Industrial Property (IAPIP)</i> | |
| Mr. S. P. Ladas, Treasurer General of IAPIP, New York, New York, United States of America | I |
| Mr. H. Wichmann, Patent Agent, Basle, Switzerland | I, II, III, IV, V, VI, VII, VIII |
| Mr. B. de Passemar, Directeur, Direction de la propriété industrielle, des accords techniques et de la documentation, Pêchiney Ugine Kuhlmann, Paris, France | I |
| <i>International Chamber of Commerce (ICC)</i> | |
| Mr. S. Pretnar, Chairman of Working Group on "Transfer of Technology" (Industrial Property Commission), Belgrade, Yugoslavia | I |
| Mr. G. Gansser, Deputy Manager, Ciba-Geigy AG, Basle, Switzerland | I, II, IV, V, VI |
| Mr. B. de Passemar, Directeur, Direction de la propriété industrielle, des accords techniques et de la documentation, Pêchiney Ugine Kuhlmann, Paris, France | III |
| Mr. D. Vincent, Consultant in Industrial Property, Withers & Rogers, London, United Kingdom | VIII |
| <i>International Federation of Inventors' Associations (IFIA)</i> | |
| Mr. H. Romanus, Past President of IFIA Chief Engineer, Stockholm, Sweden | I, II III, IV, V, VI, VII, VIII |
| <i>International Federation of Patent Agents (FICPI)</i> | |
| Mr. A. Braun, Treasurer General of FICPI, Basle, Switzerland | I |
| <i>Licensing Executives Society (LES)</i> | |
| Mr. F. Gevers, Treasurer of LES (International) Vice-President of LES (International) Conseil en brevets et licences, Anvers, Belgium | I II, III, IV V, VI, VIII |
| Mr. J. Debetencourt, Conseil en brevets et licences, Bruxelles, Belgium | VII, VIII |
| <i>Pacific Industrial Property Association (PIPA)</i> | |
| Mr. B. J. Kish, International Patent Counsel, Merck & Co., Rahway, New Jersey, United States of America | I, II, V, VI |
| Mr. E. W. Adams, Patent Attorney, Director, Bell Telephone Laboratories, Holmdel, New Jersey, United States of America | IV |
| Mr. D. M. Mezzapelle, International Patent Counsel, Bristol-Myers Company, New York, New York, United States of America | VII |
| <i>Union of Industries of the European Community (UNICE)</i> | |
| Mr. J.-M. Dopchie, Directeur du Service de la propriété industrielle, N.V. Bekaert SA, Zwevegem, Belgium | I, III |
| Mr. G. Gansser, Deputy Manager, Ciba-Geigy AG, Basle, Switzerland | II, IV, V, VI |
| Mr. J. Neumann, Attorney, Henkel KGaA, Dusseldorf, Federal Republic of Germany | VIII |

IV

INTERNATIONAL BUREAU OF THE WORLD INTELLECTUAL PROPERTY
ORGANIZATION (WIPO)

- Dr. Arpad Bogsch, Director General
- Mr. Klaus Pfanner, Deputy Director General
- Mr. Ludwig Baeumer, Director, Industrial Property Division
- Mr. Marino Porzio, Director, Office of the Director General
- Mr. François Curchod, Head, Special Projects Section, Industrial Property Division
- Mr. A. Samuel Oddi, Senior Legal Officer, Special Projects Section, Industrial Property Division

ANNEX

Part VI: Transfer of Technology Patents

TABLE OF CONTENTS

| | Page |
|--|------|
| TEXT | 85 |
| Section 601: Protection of Inventions | 85 |
| Section 602: Transfer of Technology Patent Register; Inspection of Files; Restrictions Concerning Employees of Patent Office | 85 |
| Section 603: Inventions Which Can Be the Subject of Transfer of Technology Patents | 85 |
| Section 604: Right to Transfer of Technology Patent | 86 |
| Section 605: Naming of Inventor | 86 |
| Section 606: Application | 86 |
| Section 607: Examination; Grant of Transfer of Technology Patent | 87 |
| Section 608: Rights and Obligations of Applicants or Owners of Transfer of Technology Patent | 87 |
| Section 609: Duration of Transfer of Technology Patent | 88 |
| Section 610: Annual Fees | 88 |
| Section 611: Change in Ownership of Share of Application for Transfer of Technology Patent or Transfer of Technology Patent | 88 |
| Section 612: Contractual Licenses | 88 |
| Section 613: Interdependence of Titles of Protection; Exploitation by Gov- ernment or by Third Persons Authorized by Government | 88 |
| Section 614: Surrender of Transfer of Technology Patent | 89 |
| Section 615: Invalidation of Transfer of Technology Patent; Effects of Invalidation | 89 |
| Section 616: Lapse of Transfer of Technology Patent | 89 |
| Section 617: Infringement | 89 |
| Section 618: Importation | 90 |
| COMMENTS | 91 |
| Section 601: Protection of Inventions | 93 |
| Section 602: Transfer of Technology Patent Register; Inspection of Files; Restrictions Concerning Employees of Patent Office | 93 |
| Section 603: Inventions Which Can Be the Subject of Transfer of Technology Patents | 93 |
| Section 604: Right to Transfer of Technology Patent | 94 |
| Section 605: Naming of Inventor | 95 |
| Section 606: Application | 95 |
| Section 607: Examination; Grant of Transfer of Technology Patent | 96 |
| Section 608: Rights and Obligations of Applicants or Owners of Transfer of Technology Patent | 96 |
| Section 609: Duration of Transfer of Technology Patent | 97 |
| Section 610: Annual Fees | 98 |
| Section 611: Change in Ownership of Share of Application for Transfer of Technology Patent or Transfer of Technology Patent | 98 |
| Section 612: Contractual Licenses | 99 |
| Section 613: Interdependence of Titles of Protection; Exploitation by Gov- ernment or by Third Persons Authorized by Government | 99 |
| Section 614: Surrender of Transfer of Technology Patent | 99 |
| Section 615: Invalidation of Transfer of Technology Patent; Effects of Invalidation | 100 |
| Section 616: Lapse of Transfer of Technology Patent | 100 |
| Section 617: Infringement | 100 |
| Section 618: Importation | 101 |

| | Page |
|---|------|
| REGULATIONS | 102 |
| [There are no rules under Sections 601, 604, 608, 617 and 618.] | |
| Rule 600: Application of Other Rules | 102 |
| Rule 609: Duration of Transfer of Technology Patent | 102 |
| Rule 611: Change of Ownership of Share of Application for Transfer of Technology Patent or Transfer of Technology Patent | 102 |
| Rule 616: Lapse of Transfer of Technology Patent | 102 |

PART VI: TRANSFER OF TECHNOLOGY PATENTS

Section 601: Protection of Inventions

Under this Part, inventions shall be protected by transfer of technology patents granted by the Patent Office.

Section 602: Transfer of Technology Patent Register; Inspection of Files; Restrictions Concerning Employees of Patent Office

(1)(a) The Patent Office shall maintain a register ("the Transfer of Technology Patent Register") in which it shall record all transfer of technology patents granted and in which it shall, for each transfer of technology patent, effect all the recordings provided for in this Part.

(b) Any person may consult the Transfer of Technology Patent Register and obtain extracts therefrom. The Regulations may prescribe fees for the consultation of the Transfer of Technology Patent Register and for the obtaining of an extract.

(2)(a) Subject to paragraph (c), any person may inspect the file relating to a transfer of technology patent and obtain extracts therefrom. The Regulations may prescribe fees for the inspection of the file and for the obtaining of an extract.

(b) Subject to paragraph (c), the provisions of Section 107(2) shall apply by analogy.

(c) Concerning the copy referred to in Section 606(3)(iv), the file may be inspected and extracts obtained therefrom only with the written permission of both applicants or owners of the transfer of technology patent.

(3) Employees of the Patent Office may not file applications for transfer of technology patents, be granted transfer of technology patents or hold rights relating to transfer of technology patents, while employed and for one year after the termination of their employment.

Section 603: Inventions Which Can Be the Subject of Transfer of Technology Patents

(1) An invention within the meaning of Section 112(1) which is not excluded from patent protection under Section 112(3) can be the subject of a transfer of technology patent:

(i) if a patent or an inventor's certificate claiming that invention has been granted in a foreign country ("the foreign title");

(ii) if that invention was new and involved an inventive step, within the meaning of Sections 114 and 115, at the filing or, where appropriate, priority date of the application for the foreign title; and

(iii) if that invention is industrially applicable within the meaning of Section 116.

(2) An invention cannot be the subject of a transfer of technology patent as long as it is excluded from patent protection pursuant to a decree under Section 118.

(3)(a) An invention cannot be the subject of a transfer of technology patent if, at the filing date of the application for such transfer of technology patent:

(i) the invention is being worked in the country or is the subject of serious preparations toward such working;

(ii) the foreign title is no longer in force;

(iii) a patent or a transfer of technology patent claiming the same invention is in force in the country;

(iv) a patent application or another application for a transfer of technology patent claiming the same invention is pending in the country.

(b) An invention cannot be the subject of a transfer of technology patent if, after the filing date of the application for such transfer of technology patent, a domestic patent application claiming the same invention is filed with an earlier priority date than the said filing date.

Section 604: Right to Transfer of Technology Patent

(1)(a) Subject to paragraph (b), the right to the transfer of technology patent claiming an invention which can be the subject of such a patent under Section 603 shall belong jointly:

- (i) to the owner of the foreign title ("the foreign party"); and
- (ii) to a person having, or proving that he will have, an effective and serious industrial establishment in the country ("the domestic party"), provided that, if the domestic party is a legal entity, the majority ownership and effective control thereof is vested in nationals of the country.

(b) The foreign party and the domestic party must have concluded a transfer of technology contract relating to the invention referred to in paragraph (a) and conforming to the provisions of subsection (2) ("the transfer of technology contract").

(2) The transfer of technology contract must be in writing, must be signed by the parties, must identify the foreign title by indicating the name of its owner, the country in or for which and the number under which it was granted and the title of the invention, and must contain provisions to the following effect:

- (i) that the invention will be worked in the country either by the parties jointly or by the domestic party alone;
- (ii) that the foreign party will communicate to the domestic party all the know-how related to the invention which is necessary to enable the invention to be worked in the best technical manner and with the most advantageous economic results known to the foreign party;
- (iii) that the contract will bind the parties at least until the expiration of the period provided for by Section 609(1); and
- (iv) that the parties will jointly file an application for a transfer of technology patent claiming the invention.

Section 605: Naming of Inventor

The inventor shall be named as such in the transfer of technology patent, unless in a special written declaration addressed to the Patent Office he indicates that he wishes not to be named. Any promise or undertaking by the inventor made to any person to the effect that he will make such a declaration shall be without legal effect.

Section 606: Application

(1)(a) The application for a transfer of technology patent must be filed within five years from the date of the grant of the foreign title, provided that in no case can it be filed before the expiration of twelve months from the filing or, where appropriate, priority date of the application for that title.

(b) The application for a transfer of technology patent ("the application") shall be filed with the Patent Office. It shall contain a request, a description, one or more claims, one or more drawings (where required), and an abstract, and shall be accompanied by the documents referred to in subsection (3).

(c) The applicants shall be represented by an agent admitted to practice before the Patent Office.

(2) The request shall contain a petition to the effect that a transfer of technology patent be granted, the names of and other prescribed data concerning the applicants, the inventor and the agent, and the title of the invention.

(3) The application shall be accompanied by:

- (i) a copy of the foreign title;
- (ii) a certified translation of the foreign title, where that title is in a foreign language;
- (iii) a declaration, made by the foreign party and dated not more than three months before the filing date of the application, to the effect that the foreign title is in force;
- (iv) a copy of the transfer of technology contract;
- (v) where the copy of the foreign title shows, as owner, a person other than the foreign party, evidence of the foreign party's ownership of the said title.

(4) The provisions of Sections 123(3) to (6), 124 to 126 and 129 shall apply by analogy.

Section 607: Examination; Grant of Transfer of Technology Patent

(1) During the examination of the application as to form, the Patent Office shall examine whether the requirements of Section 606 and the Regulations pertaining thereto are complied with.

(2) During the examination of the application as to substance, the Patent Office shall examine whether the requirements of Sections 603, 131(1)(iv) to (vii) (which shall apply by analogy) and 604 are complied with.

(3) The provisions of Sections 130(1) and (3)(b) to (d), 131(2) and (3), 132 and 133 shall apply by analogy.

Section 608: Rights and Obligations of Applicants or Owners of Transfer of Technology Patent

(1) Subject to subsections (2), (3) and (4), the provisions of Sections 134 to 137 shall apply by analogy.

(2) Each of the applicants of the application for a transfer of technology patent or each of the owners of the transfer of technology patent may, with the agreement of the other applicant or owner, assign or transfer by succession, subject to Section 611(1), his share of the application or his share of the transfer of technology patent.

(3) The applicants of the application for a transfer of technology patent or the owners of the transfer of technology patent may only jointly withdraw the application, surrender the transfer of technology patent or conclude license contracts with third parties.

(4) Each of the owners of the transfer of technology patent may separately institute court proceedings for an infringement of the transfer of technology patent against any third person exploiting in the country, without his agreement, the invention claimed in that patent.

Section 609: Duration of Transfer of Technology Patent

(1) Subject to subsection (2), a transfer of technology patent shall expire ten years after the date of its grant, but at the latest fifteen years after the filing date of the application.

(2)(a) In order to maintain the transfer of technology patent, the owners thereof shall jointly submit to the Patent Office each year evidence that the invention claimed in such patent is being worked sufficiently in the country either by the owners jointly or by the domestic party alone or, subject to paragraph (b), that serious preparations have been made toward such working.

(b) After two years from the date of grant of the transfer of technology patent, serious preparations shall no longer permit the maintenance of the transfer of technology patent.

(c) If no evidence is submitted in accordance with this subsection, the transfer of technology patent shall lapse. The Patent Office shall record the lapse of the transfer of technology patent, publish it as soon as possible and notify the owners of the transfer of technology patent thereof.

(d) If the Patent Office finds that the evidence submitted is insufficient, it shall declare that the transfer of technology patent has lapsed. The declaration of lapse shall be in writing and shall state the grounds upon which it is based. The Patent Office shall record the declaration of lapse, publish it as soon as possible and notify the owners of the transfer of technology patent thereof.

(e) The owners of the transfer of technology patent may, within one month from the publication referred to in paragraph (d), jointly appeal to the Minister [...] against the declaration of lapse referred to in that paragraph.

(f) The decision of the Minister on the appeal referred to in paragraph (e) shall be in writing and shall state the grounds upon which it is based. The Patent Office shall record the decision, publish it as soon as possible and notify the owners of the transfer of technology patent thereof.

Section 610: Annual Fees

The provisions of Section 139 shall apply by analogy.

Section 611: Change in Ownership of Share of Application for Transfer of Technology Patent or Transfer of Technology Patent

(1)(a) The foreign party may assign or transfer by succession his share of the application for a transfer of technology patent or his share of the transfer of technology patent to any person, provided that person assumes in his place the rights and obligations under the transfer of technology contract.

(b) The domestic party may assign or transfer by succession his share of the application for a transfer of technology patent or his share of the transfer of technology patent to any person, provided that person assumes in his place the rights and obligations under the transfer of technology contract and fulfills the requirements of Section 604(1)(a)(ii).

(2) The provisions of Section 140 shall apply by analogy.

Section 612: Contractual Licenses

The provisions of Sections 142 to 146 shall apply by analogy.

Section 613: Interdependence of Titles of Protection; Exploitation by Government or by Third Persons Authorized by Government

The provisions of Sections 147 and 149 to 156 shall apply by analogy.

Section 614: Surrender of Transfer of Technology Patent

The provisions of Section 157 shall apply by analogy.

Section 615: Invalidation of Transfer of Technology Patent; Effects of Invalidation

(1) Any interested person may institute court proceedings against the owners of the transfer of technology patent for the invalidation of the transfer of technology patent.

(2) The court shall invalidate the transfer of technology patent if the person requesting the invalidation proves that any of the conditions referred to in Sections 606(1)(a), 603, 131(1)(iv) and (v) applicable under Section 607(2), and 604 were not fulfilled.

(3) The provisions of Sections 158(3) and (5)(a) and (b) and 159 shall apply by analogy.

Section 616: Lapse of Transfer of Technology Patent

(1) The transfer of technology patent shall lapse:

(i) if and from the date on which the transfer of technology contract ceases to have effect;

(ii) if and from the date on which the domestic party no longer fulfills the requirements of Section 604(1)(a)(ii);

(iii) in the case referred to in Section 618(2)(a), from the date of importation;

(iv) in the cases referred to in Section 609(2)(c) and (d);

(v) in the case referred to in Section 139(3) applicable under Section 610.

(2)(a) Any interested person may request the Patent Office to declare that the transfer of technology patent has lapsed under subsection (1)(i), (ii) or (iii).

(b) The Patent Office shall hold a hearing, to which the person making the request and the owners of the transfer of technology patent shall be invited.

(c) If the person making the request proves that the transfer of technology patent has lapsed, the Patent Office shall grant the declaration requested. Otherwise, it shall refuse to declare the lapse.

(d) The decision by which the Patent Office declares or refuses to declare that the transfer of technology patent has lapsed shall be in writing and shall state the grounds upon which it is based. The Patent Office shall record the decision, publish it as soon as possible and notify the person making the request and the owners of the transfer of technology patent of the decision.

(e) The decision referred to in paragraph (d) may, within one month from the publication referred to in that paragraph, be the subject of an appeal to the Minister [...].

(f) The decision of the Minister on the appeal referred to in paragraph (e) shall be in writing and shall state the grounds upon which it is based. The Patent Office shall record the decision, publish it as soon as possible and notify the person making the request and the owners of the transfer of technology patent of the decision.

Section 617: Infringement

(1) Subject to subsection (2), the provisions of Sections 160 to 164 shall apply by analogy.

(2) Repetition under Section 164(3)(b) shall be deemed to have occurred when, within the preceding five years, the offender has been convicted of another infringement of a transfer of technology patent or the infringement of a patent.

Section 618: Importation

(1) For the purposes of this Section, "protected products" means products, other than models or prototypes, falling within the scope of protection of the transfer of technology patent.

(2)(a) If protected products are imported by, or with the agreement of, both the owners of the transfer of technology patent, the said patent shall lapse, subject to paragraph (b).

(b) The Minister concerned may grant temporary and limited exemption from the effect of paragraph (a) for the period during which, and to the extent that, the public interest so requires.

(3)(a) If protected products are imported without the agreement of one of the owners of the transfer of technology patent ("the first owner") by the other owner ("the second owner"), the first owner shall have the right to institute court proceedings against the second owner. The first owner shall have the same right if the second owner has performed acts or is performing acts which make it likely that he will import protected products without the agreement of the first owner ("imminent importation").

(b) If the first owner proves that protected products have been or are being imported by the second owner, the court shall award damages and shall grant an injunction to prevent further importation and any other remedy provided in the general law.

(c) If the first owner proves imminent importation of protected products by the second owner, the court shall grant an injunction preventing importation and any other remedy provided in the general law.

PART VI: TRANSFER OF TECHNOLOGY PATENTS

COMMENTS

a. Part VI of the Model Law deals with transfer of technology patents. It comprises 18 Sections.

b. The transfer of technology patent is a special type of patent which can be granted only if a patent within the meaning of Part I of the Model Law (hereinafter referred to as a “traditional patent”) may no longer be validly granted and which has certain features that are essentially designed to promote the developing country’s industrialization through the transfer of technology and the local working of inventions.

c. In the case of a traditional patent, the invention must be new and involve an inventive step at the filing or, where appropriate, priority date of the patent application, whereas an invention that is the subject of a transfer of technology patent must be new and involve an inventive step not at the filing date of the application for the transfer of technology patent but at the filing or, where appropriate, priority date of the application upon which a foreign patent or inventor’s certificate (“the foreign title”) was granted for the same invention. Nonetheless, if the invention is being worked in the country (or is the subject of serious preparations toward such working) at the filing date of the application for the transfer of technology patent, even though such was not the case at the filing or, where appropriate, priority date of the application for the foreign title, the grant of the transfer of technology patent is excluded. (It should be remembered that importation does not constitute working under the Model Law.)

d. The application for a transfer of technology patent must be filed jointly by two parties, namely, a “foreign party”—who is the owner of the foreign title—and a “domestic party.” The two parties must have concluded a “transfer of technology contract” providing, in particular, that the invention will be worked in the country either by both parties jointly or by the domestic party alone, and that the foreign party will communicate to the domestic party all the know-how necessary for the optimal working of the invention. When the transfer of technology patent has been granted, the two parties will be joint owners of it.

e. In order to ensure that the invention will be worked in the country, the maintenance of the transfer of technology patent is dependent upon such working, which the owners must prove each year (however, with proof of serious preparations being sufficient during the first two years after the grant).

f. As the essence of Part VI is to promote local working, the importation of products falling within the scope of protection of the transfer of technology patent by both owners, or with their agreement, causes that patent to lapse; whereas such importation by only one of the two owners, without the agreement of the other owner, constitutes a cause of action exercisable by the other owner. Moreover, each of the owners of a transfer of technology patent has the right to take action against third persons exploiting the invention in question in the country without his agreement, in particular by importation.

g. Part VI is a useful supplement to Part I, but it is not an indispensable one: a country legislating on the basis of the Model Law might well decide to have only the traditional patent, particularly if the holders of foreign technology are in the habit of filing applications for traditional patents in that country during the priority period. On the other hand, Part VI is of particular interest for developing countries in which foreign holders of technology rarely file applications for traditional patents during the priority period; in such a country,

a transfer of technology patent could provide the necessary incentive to promote local manufacturing activities which would be less frequent without it.*

h. Countries adopting Part VI will have to modify certain provisions in Part I, dealing with patents, to take account of the simultaneous existence of two titles of protection (traditional patents and transfer of technology patents). It will, for example, be necessary to amend Section 149, relating to non-voluntary licenses based upon interdependence of patents, in order to cover the case where an invention that is claimed in a traditional patent cannot be worked due to the existence of an earlier transfer of technology patent.

i. Section 164(3)(b), which defines repetition, will also have to be amended so as to provide that repetition is deemed to have occurred when the offender has been previously convicted of an infringement of either a traditional patent or another transfer of technology patent.

j. The grant and maintenance of a transfer of technology patent is dependent upon the conclusion and maintenance of the transfer of technology contract mentioned in paragraph *d*, above. It is thus of primary importance to ensure that this contract is not in itself prejudicial to the interests of the country. Consequently, if Part VI is adopted, it is logical to adopt also Part III, dealing with the examination and registration of contracts. In that case, the following modifications should be made in Section 301 (Obligation to Register; Definitions): in subsection (1), add to item (i) a reference to license contracts referred to in Section 612, add to item (ii) a reference to transfer of technology contracts (which are a particular type of know-how contract) and add to item (iii) a reference to contracts by which a share of an application for a transfer of technology patent or a share of a transfer of technology patent is assigned; in subsection (2), add to item (ii) (definition of "transferor") a reference to the foreign party, add to item (iii) (definition of "transferee") a reference to the domestic party and add to item (iv) (definition of "technology") a reference to an invention claimed in an application for a transfer of technology patent or in a transfer of technology patent.

k. Also, countries adopting both Parts III and VI should make the following modifications in Part VI. In Section 604, subsection (2) would become subsection (2)(a) and would be completed with a paragraph (b) providing that the provisions of Sections 301 to 307 shall apply to transfer of technology contracts. In Section 607(2), a second sentence would be added, providing for the examination of whether the transfer of technology contract has been registered or is considered as having been registered under Section 306(1)(a) or (b). Finally, the following phrase would be added to the end of Section 615(2): "or that the transfer of technology contract had not been registered and should not be considered as having been registered under Section 306(1)(a) or (b)."

l. A country adopting both Part VI and Part IV, dealing with inventors' certificates, will as a consequence have to modify certain provisions of Part I and Part IV: for example, Sections 164(3)(b), 417 and 423(3)(b). It will also have to modify certain sections of Part VI to include references to inventors' certificates, for example, Sections 603(3)(a)(iii) and (iv), 603(3)(b) and 617(2).

m. In general, the comments on those provisions of Part I of the Model Law that have counterparts in Part VI are also valid with respect to Part VI.

* During the preparatory work on the Model Law, some participants expressed doubts as to the desirability of including provisions on a transfer of technology patent in the Model Law and mentioned several possible dangers and disadvantages. In particular, such participants argued that "the transfer of technology patent would allow multinationals to delay asking for protection in developing countries and face the cost of such protection only once it became clear that it would be economical to work the invention in such countries" (document PC/IP/V/6, paragraph 11). This argument has been countered by the following considerations: in addition to the fact that multinationals are not in a different position than any other holder of technology, the cost of obtaining patent protection is quite small compared to the investment required to work an invention; the obligation to work an invention claimed in a transfer of technology patent is much stricter than for a traditional patent; once the transfer of technology patent is granted, the holder of technology can no longer import products covered by that patent. Another argument advanced by the said participants was that "the transfer of technology patent would prevent importation, royalty free, of goods because without the transfer of technology patent such goods would not enjoy patent protection" (document PC/IP/V/6, paragraph 12). This argument has been countered by the following considerations: without preventing importation, the achievement of the main aim of the transfer of technology patent—which is local manufacture—could be made difficult as the investment that goes with local manufacture would not be protected. In view of these differences of opinion on the merits of the transfer of technology patent, it has been decided that that special type of patent should be included in an annex rather than in the actual body of the Model Law.

Section 601: Protection of Inventions

The introductory Section of this Part is analogous to Section 101 of Part I and bears the same title.

Section 602: Transfer of Technology Patent Register; Inspection of Files; Restrictions Concerning Employees of Patent Office

- a. Subsection (1)* establishing the Transfer of Technology Patent Register is analogous to Section 105 establishing the Patent Register.
- b. Subsection (2)* is analogous to Section 107, but further requires the written permission of both applicants or owners of the transfer of technology patent for the copy of the transfer of technology contract to be made available for inspection and the obtaining of extracts therefrom (paragraph (c)).
- c. Subsection (3)* places the same restrictions on employees of the Patent Office with regard to transfer of technology patents as with regard to traditional patents (see Section 108(1)).

Section 603: Inventions Which Can Be the Subject of Transfer of Technology Patents

- a. Subsection (1):* Under subsection (1)(i), an invention can only be the subject of a transfer of technology patent if a “foreign title” (which can be either a traditional patent or an inventor’s certificate) has been granted for that invention in a foreign country. This guarantees that the requirements for the grant of a title of protection have been fulfilled in at least one foreign country. If the foreign title has not yet been granted but only applied for, a transfer of technology patent may not be obtained or even applied for, because, before the grant of the foreign title, the guarantee referred to is absent. The foreign title may have been granted under any kind of examination procedure—after a preliminary examination of the type provided for in the Model Law or simply after an examination restricted to form (the registration system), for example. Moreover, the foreign title need not be one that was granted on the basis of the first application filed; it may thus, for instance, be a patent granted in a foreign country on the basis of an application claiming the priority of a filing made earlier in another foreign country.
- b. Subsection (1)(ii)* deals with the requirements of novelty and inventive step. Under this provision, the decisive moment for determining prior art in the case of an application for a transfer of technology patent, instead of being the filing date of that application, is the filing or, where appropriate, priority date of the application for the foreign title. Consequently, the disclosures referred to in Section 114(2)(a), including the publication of the foreign title, are not considered prior art with respect to the application for the transfer of technology patent if they occurred between the filing or, where appropriate, priority date of the application for the foreign title and the filing date of the application for the transfer of technology patent. It is therefore immaterial that an invention for which a transfer of technology patent is granted was not new and did not involve an inventive step at the filing date of the application for that patent; all that is required is that the requirements of novelty and inventive step were fulfilled at the filing or, where appropriate, priority date of the application for the foreign title.
- c. Subsection (1)(iii)* repeats the requirement of Section 116.
- d. Subsection (2)* places the transfer of technology patent in the same position as the traditional patent as far as exclusion from patent protection under Section 118 is concerned.
- e. Subsection (3)* lays down five special grounds precluding the grant of a transfer of technology patent. The decisive moment for determining the existence of any of the first four grounds of ineligibility, as set forth in paragraph (a), is the filing date of the transfer of technology patent. (As far as the fifth ground of ineligibility, which is set forth in paragraph (b), is concerned, see paragraph *j*, below.)

- f.* Under paragraph (a)(i), the grant of a transfer of technology patent is precluded if the invention is being worked in the country or is the subject of serious preparations toward such working. (It should be noted that Section 608(1) makes, *inter alia*, Section 134(3)—defining “working” for the purposes of the Model Law—applicable to this Part.) It does not matter whether such working is being carried out (or seriously prepared) by the applicants (or one of them) or by a third person. However, if the invention was worked before the filing date but is no longer being worked at that date, this will not preclude the grant of a transfer of technology patent. The importation into the country or the sale inside the country does not constitute working (see Section 134(3)) and does not therefore preclude the grant of a transfer of technology patent.
- g.* Under paragraph (a) (ii), the grant of a transfer of technology patent is precluded if the foreign title is no longer in force due to its surrender, expiration, lapse, invalidation, or any other reason.
- h.* Under paragraph (a)(iii), the grant of a transfer of technology patent is precluded if a traditional patent or a transfer of technology patent is in force in the country for the same invention. This provision prevents more than one title of protection from being in force at the same time with respect to the same invention.
- i.* Under paragraph (a)(iv), the grant of a transfer of technology patent is precluded if an application for a traditional patent or another application for a transfer of technology patent is pending before the Patent Office. This provision preserves the rights of any person who has acted earlier than the applicants for a transfer of technology patent.
- j.* Under paragraph (b), the grant of a transfer of technology patent is precluded if, after the application for a transfer of technology patent has been filed, an application for a domestic traditional patent claiming the same invention is filed which benefits from a priority date that is earlier than the filing date of the application for the transfer of technology patent. This provision entitles the application for the traditional patent to prevail over the application for the transfer of technology patent by virtue of the earlier priority date.
- k.* If any of the above-mentioned grounds exists, the Patent Office will refuse to grant a transfer of technology patent or, if such a patent has already been granted, it will be subject to invalidation by the court (see Section 615).

Section 604: Right To Transfer of Technology Patent

- a. Subsection (1):* Under this provision, the right to obtain a transfer of technology patent is a right that belongs jointly to a foreign party and a domestic party who must have concluded a transfer of technology contract containing the mandatory terms provided for in subsection (2).
- b.* Paragraph (a)(i) defines the foreign party as the owner of the foreign title. The foreign party may be the person to whom the foreign title was granted or the latter's successor in title (see Section 606(3)(v)).
- c.* Paragraph (a)(ii) defines the domestic party as a person having an effective and serious industrial establishment in the country or proving that he will have such an establishment. This latter possibility is provided for so as not to prevent a transfer of technology patent from being obtained when the establishment does not yet exist but is to be set up pursuant to the transfer of technology contract.
- d.* In addition, if a legal entity wishes to be a domestic party, nationals of the country must have majority ownership of it and must be vested with its effective control. The reason for this restriction is that the purpose of the transfer of technology patent is to promote the industrialization of the country by local enterprises. This means that, even though they are established in the country, enterprises whose majority ownership or control is in the hands of foreigners, such as the local subsidiary of a multinational enterprise,

cannot be domestic parties. In particular, the local subsidiary of the owner of the foreign title cannot be such a party. This restriction is not unfair to the owner of the foreign title, for he could have filed an application for a traditional patent in the country or have had one filed by his subsidiary; having chosen not to do so, he may not circumvent the legal provisions governing traditional patents by using his local subsidiary as a domestic party and filing jointly with it an application for a transfer of technology patent. If, at any time after the grant of the transfer of technology patent, the domestic party no longer satisfies the definition of Section 604(1)(a)(ii), the transfer of technology patent will lapse (see Section 616(1)(ii)).

e. Subsection (2) requires that a transfer of technology contract be in writing and be signed by the parties thereto and sets out the provisions whose inclusion in the contract is mandatory. The title of the invention as well as the owner, the country and the number of the foreign title must be indicated and the transfer of technology contract must contain provisions having the four effects described below.

f. Under item (i), the transfer of technology contract must oblige the parties to work the invention in the country. More specifically, the contract must indicate whether the invention is to be worked by both parties jointly or by the domestic party alone. The contract may not therefore allow the invention to be worked solely by the foreign party. In addition to the contractual obligation to work the invention, which is a condition for the grant of a transfer of technology patent, Part VI imposes the obligation to work the invention after the grant of the transfer of technology patent (see Section 134(2)(iii) made applicable by analogy under Section 608(1), with failure to work the invention (or, during the first two years after the grant, to make serious preparations toward such working) resulting in the lapse of the transfer of technology patent (see Sections 609(2) and 616(1)(iv)).

g. Under item (ii), the transfer of technology contract must oblige the foreign party to communicate to the domestic party all the know-how related to the invention which is necessary to enable the optimal working of the invention in the country, both from the technical and economic points of view.

h. Under item (iii), the transfer of technology contract must be binding on the parties at least until the expiration of the period provided for by Section 609(1), which is ten years from the date of the grant of the transfer of technology patent (but at the latest fifteen years after the filing date of the application). It should also be noted that the transfer of technology patent lapses, under Section 616(1)(i), when the transfer of technology contract ceases to have effect.

i. Under item (iv), the transfer of technology contract must oblige the parties to file an application for a transfer of technology patent claiming the same invention as claimed in the foreign title.

Section 605: Naming of Inventor

This Section is analogous to Section 122.

Section 606: Application

a. Subsection (1): Paragraph (a) fixes the period during which a transfer of technology patent may be applied for. This period begins on the date of grant of the foreign title and is normally five years. One exception is provided for, however, for the case—probably extremely rare in practice—where the foreign title is granted within twelve months following the filing or, where appropriate, priority date of the application for the foreign title. This exception has to be provided for as, during those twelve months, the possibility of filing a traditional patent application has to be preserved: the transfer of technology patent is complementary to the traditional patent and is not intended as a substitute for it.

b. Paragraphs (b) and (c) are analogous to Section 123(1), except that, in all cases, paragraph (c) requires the appointment of an agent admitted to practice before the Patent Office.

c. *Subsection (2)* is analogous to Section 123(2)(a). There is no provision corresponding to Section 123(2)(b) because of the special provisions governing the right to a transfer of technology patent in Section 604.

d. *Subsection (3)*: The documents that have to accompany the application for a transfer of technology patent will enable the Patent Office to ascertain more readily whether all the prescribed conditions for the grant of a transfer of technology patent have been met. With regard to item (iii), it is to be noted that if the transfer of technology patent is granted where the foreign title ceased to be in force during the three months prior to the filing of the application, it will be subject to invalidation by the court (see Section 615).

e. *Subsection (4)* makes Sections 123(3) to (6), 124 to 126 and 129 applicable by analogy. Section 127 has no counterpart as there is no right of priority. Section 128 has no counterpart because the submission of a copy of the foreign title (Section 606(3)(i) and (ii)) and the requirement that the foreign title should not have ceased to be in force (Section 603(3)(a)(ii)) are sufficient to achieve the purposes of Section 128.

Section 607: Examination; Grant of Transfer of Technology Patent

a. *Subsection (1)* is analogous to Section 130, which is made applicable by analogy by subsection (3) of this Section, except for Section 130(2), which is not pertinent because of the special provisions governing the right to a transfer of technology patent in Section 604 (see paragraph *b*, below), and Section 130(3)(a), which is replaced by the obligation under this subsection for the Patent Office to examine whether there is compliance with Section 606.

b. *Subsection (2)* is analogous to Section 131, which is made applicable by analogy by subsection (2) itself and subsection (3) of this Section, except for Section 131(1)(i) to (iii), which is replaced by the obligation under this subsection for the Patent Office to examine whether there is compliance with Section 603. This subsection also obliges the Patent Office to examine whether the requirements of Section 604 (Right to Transfer of Technology Patent) are fulfilled.

c. *Subsection (3)*, in addition to the provisions mentioned in paragraphs *a* and *b* above, makes the provisions of Sections 132 (Grant of Patent) and 133 (Appeals) applicable by analogy.

Section 608: Rights and Obligations of Applicants or Owners of Transfer of Technology Patent

a. *Subsection (1)* makes Sections 134 to 137 applicable by analogy. It should be mentioned that Section 134(2)(ii) is not applicable as it refers to a provision that is not repeated in Part VI, namely, Section 128 (see paragraph *e* of the comments on Section 606).

b. *Subsections (2) to (4)*: One of the essential characteristics of a transfer of technology patent is that it must be jointly owned by two parties—the domestic party and the foreign party—who are bound by a special relationship in which the foreign party must supply the domestic party with the necessary know-how to enable the optimal working of the invention claimed in the transfer of technology patent by the domestic party alone or by the parties jointly in the country. It is true that a traditional patent may also be jointly owned, but this is not under an arrangement imposed as a condition precedent for the grant of the title of protection. Accordingly, the joint owners of a traditional patent (or an application for a traditional patent) are permitted to derogate by contract from the provisions of the Model

Law, which provides only presumptions with regard to their respective joint ownership rights (see Section 141, especially subsection (3) thereof). On the other hand, because of the nature of the relationship of the joint owners of a transfer of technology patent (or the application for such patent), Section 608(2) to (4) regulates this relationship in a mandatory manner, so that it is not possible for them to derogate therefrom by contract (whether in the transfer of technology contract itself or in any other contract). Such mandatory regulation is in the interest of the parties themselves, in the sense that it assures a certain balance, as well as a certain stability, in their relationship, and is also in the interest of the country, in the sense that it excludes the possibility of the transfer of technology patent system being abused.

c. Subsection (2) establishes that a change in ownership of a share of an application for a transfer of technology patent or a share of a transfer of technology patent may only occur with the agreement of both applicants or owners thereof; in other words, the share of one of the applicants or owners may be assigned or transferred by succession only with the agreement of the other applicant or owner. If either party could act independently to effect a change of ownership or if only one party needed the agreement of the other for a change of ownership, this could be detrimental to the working of the invention since this would permit one party to impose an undesirable partner on the other party. Moreover, to ensure the continuation of the successful working, it is required that the party acquiring a share assume in the place of the party from whom he acquires that share the rights and obligations under the transfer of technology contract (see Section 611(1)). In addition, for there to be a change in ownership of the share of the domestic party, it is necessary that the person acquiring that share qualify as a “domestic party” (see Sections 611(1)(b) and 604(1)(a)(ii)). This restriction ensures that the working of the invention will remain in the hands of a genuinely local enterprise.

d. Subsection (3) requires joint action by the parties to withdraw an application for a transfer of technology patent, to surrender the transfer of technology patent and to conclude license contracts. This provision prevents possible abuses because, if the parties were able to deviate contractually from the requirements of this subsection, it would be possible for one of the parties to act in a manner contrary to the interests of the other party (e.g., withdrawing the application or surrendering the transfer of technology patent) after the other party had expended considerable time, effort and money toward the fulfillment of the obligation to work the invention, which would also be detrimental to the interests of the country. Furthermore, if one of the parties had the sole power to conclude license contracts, the conclusion of a license contract between that party alone and a major competitor, for example, could have an adverse effect on the operations under the transfer of technology contract.

e. Subsection (4) establishes an important safeguard against the abuse of a transfer of technology patent by one of the owners by authorizing each of the owners to institute infringement proceedings separately. Thus, an owner may take action against any third person importing or manufacturing in the country, without his agreement, products falling within the scope of protection of the transfer of technology patent, irrespective of whether the other owner has agreed to such importation or manufacture. This subsection also ensures that the domestic party has the absolute right to take action against any infringer of the transfer of technology patent, including, for example, a local subsidiary of the foreign party.

Section 609: Duration of Transfer of Technology Patent

a. Since the primary goal of the transfer of technology patent is to ensure the expeditious working of the invention claimed therein, a significantly different system for the duration of a transfer of technology patent is provided compared to that of a traditional patent.

b. In the case of a traditional patent, an initial fixed duration of fifteen years from the filing date of the application is provided, which may be extended for an additional period of five years, upon proof of sufficient working of the invention in the country or that there are

circumstances justifying the failure so to work (see Section 138). In the case of a transfer of technology patent, its duration is set at ten years from the date of its grant with a maximum of fifteen years from the filing date of the application (Section 609(1)). However, the transfer of technology patent is subject to lapse each year on the anniversary date of its grant, upon the failure to prove sufficient working of the invention in the country (Section 609(2)). Moreover, there are no circumstances which can justify the failure to sufficiently work the invention in the country, except during the first two years after the grant, where serious preparations toward such working permit the maintenance of the transfer of technology patent (e.g., beginning of the construction of a factory for such working).

c. A period of two years from the grant of the transfer of technology patent should be an adequate time for the invention to be sufficiently worked in the country because, at the filing date of the application for the transfer of technology patent, a period between one year and a day from the filing or, where appropriate, priority date of the application for a foreign title claiming the same invention and five years from the date of the grant of the foreign title has already elapsed (see Section 606(1)). Moreover, a transfer of technology contract has already been concluded at the filing date of the application for the transfer of technology patent for the communication of the know-how necessary for the optimal working of the invention. One has also to take into account the period which elapsed between the filing date of the application for the transfer of technology patent and the grant of that patent, which could be several years since a full examination as to substance must take place. Thus, a substantial period of time has passed after the invention was made. Therefore, sufficient working of the invention in the country should be attainable quite reasonably within two years from the date of the grant of the transfer of technology patent.

d. It should be noted that the obligation to work the invention claimed in the transfer of technology patent must be fulfilled, *in persona*, by the parties jointly or by the domestic party alone. Thus, it is not sufficient for the maintenance of that patent for a licensee to work the invention. This is a significant difference from the obligation to work the invention claimed in a traditional patent, which may be fulfilled by a licensee.

e. The country legislating on the basis of the Model Law will have to designate the Minister competent to hear appeals against decisions of the Patent Office declaring the lapse of transfer of technology patents under Section 609. It would be desirable that the Minister be the same one as referred to in Section 152 or, if an authority other than a minister is designated in the said Section, that the same authority be designated in Section 609 (see paragraph *b* of the comments on Section 152).

Section 610: Annual Fees

This Section makes Section 139 applicable by analogy.

Section 611: Change in Ownership of Share of Application for Transfer of Technology Patent or Transfer of Technology Patent

a. *Subsection (1)*: In addition to the requirement imposed by Section 608(2) that the share of an application for a transfer of technology patent or the share of a transfer of technology patent of one of the parties may only be assigned or transferred by succession with the agreement of the other party, further requirements are imposed on the person acquiring that share.

b. The first of those requirements is that the person acquiring the share, by assignment or transfer by succession from either the domestic or foreign party, must assume the rights and obligations under the transfer of technology contract in the place of the assigning or transferring party. This is intended to ensure the continued operation under the same terms and conditions of the original contract, which was a condition precedent to the acquisition of the right to the transfer of technology patent (see Section 604).

c. In the case where the assigning or transferring party is the domestic party, Section 611(1)(a) requires not only the acquiring party to assume the same rights and obligations as the former domestic party but also that he himself satisfy the definition of a “domestic party” (see Section 604(1)(a)(ii)). This is intended to prevent the control of the application for a transfer of technology patent or the transfer of technology patent from falling into the hands of the foreign party or other enterprise whose ownership or control is not vested in nationals of the country or who does not have an effective or serious industrial establishment in the country.

d. *Subsection (2)* makes Section 140 applicable by analogy, which deals with the formal requirements of changes in ownership in the case of traditional patents.

Section 612: Contractual Licenses

a. This Section makes Sections 142 to 146 applicable by analogy. License contracts covering an invention claimed in a transfer of technology patent or in an application for a transfer of technology patent are thus regulated in the Model Law in the same manner as license contracts covering an invention claimed in a traditional patent or in an application for a traditional patent (see, however, paragraph *d* of the comments on Section 608).

b. It should be remembered that the working of the invention by a licensee is not sufficient to preclude the lapse of a transfer of technology patent (see paragraph *d* of the comments on Section 609).

Section 613: Interdependence of Titles of Protection; Exploitation by Government or by Third Persons Authorized by Government

a. The provisions of Sections 147 and 149 to 155 are made applicable by analogy to cover the cases of interdependence of titles of protection where an invention claimed in a transfer of technology patent cannot be worked without infringing an earlier traditional patent or an earlier transfer of technology patent. Naturally, Sections 150 to 155 apply by analogy to the extent that they relate to non-voluntary licenses based upon interdependence of patents and not to the extent that they relate to non-voluntary licenses for non-working or insufficient working. As discussed in paragraph *h* of the comments on Part VI, if Part VI is adopted, Section 149 (Non-Voluntary License Based Upon Interdependence of Patents) will have to be amended to take into account the situation where an invention claimed in a traditional patent cannot be worked without infringing an earlier transfer of technology patent.

b. The provisions of Section 148 (Non-Voluntary License for Non-Working or Insufficient Working) are not made applicable because the very strict working requirements imposed upon the owners of a transfer of technology patent in order to maintain it make such provisions unnecessary (see Section 609 and the corresponding comments).

c. The provisions of Section 156 are made applicable by analogy so that, in accordance with the procedure provided in Section 156, the invention claimed in a transfer of technology patent may be exploited (including by importation) by the Government or by third persons authorized by the Government, when it is so required by the public interest.

Section 614: Surrender of Transfer of Technology Patent

This Section makes the provisions of Section 157 applicable by analogy. It should be remembered that a transfer of technology patent can only be surrendered jointly by its owners (see Section 608(3)).

Section 615: Invalidation of Transfer of Technology Patent; Effects of Invalidation

- a. Subsection (1)* is analogous to Section 158(1).
- b. Subsection (2)* is analogous to Section 158(2) and adds further grounds for invalidation which are peculiar to transfer of technology patents, namely, Sections 606(1)(a), 603—noting, however, that the provisions of subsections (1)(ii) and (iii) and (2) of Section 603 are analogous to the provisions of Section 131(1)(i) to (iii)—and 604. As far as the reference to Section 603 is concerned, it should be noted that the fact that the foreign title ceases to be in force after the filing date of the application for the transfer of technology patent is not a ground for invalidation of the transfer of technology patent (see Section 603(3)(a)(ii); see also paragraph *d* of the comments on Section 606).
- c. Subsection (3)* makes the remaining subsections of Section 158, except for subsections (4) (since there is no counterpart to Section 128 in Part VI) and (5)(c) (since the right to a transfer of technology patent is governed by the special provisions of Section 604), and the provisions of Section 159 applicable by analogy.
- d.* No provisions are included in this Part which will determine the effect that invalidation of the transfer of technology patent will have on the transfer of technology contract. This is therefore a matter that should be regulated in the contract itself.

Section 616: Lapse of Transfer of Technology Patent

- a. Subsection (1):* There are five ways in which transfer of technology patents may lapse. The first cause of lapse is that the transfer of technology contract has ceased to have effect: in such a case there is no reason for the transfer of technology patent to survive beyond the date when the contract on which it is based no longer is in effect. The second cause of lapse is where the domestic party no longer qualifies as a “domestic party” as defined in Section 604(1)(a)(ii) (see also paragraph *c* of the comments on Section 611). The third cause of lapse is that of importation by, or with the agreement of, both owners (see the comments on Section 618). The fourth cause of lapse is that the invention has not been sufficiently worked in the country (see the comments on Section 609). The fifth cause of lapse is the failure to pay an annual fee, which has the same result as in the case of the traditional patent (see Section 139 (3)).
- b. Subsection (2):* The occurrence of any of the five causes of lapse listed in subsection (1) results in the automatic lapse of the transfer of technology patent. However, with respect to each of the first three, the actual occurrence and the time of such occurrence may be the subject of dispute. Thus, subsection (2) provides a procedure whereby, on the initiative of an interested person (for example, a competitor of the owners or a governmental authority in the country) such a dispute may be resolved. Subsection (2) is not applicable to the last two causes of lapse because, in those two cases, the Patent Office intervenes *ex officio*.
- c.* The Minister referred to in subsection (2)(e) and (f) should be the Minister designated in Section 609(2)(e) (see paragraph *e* of the comments on Section 609).

Section 617: Infringement

The provisions of Sections 160 to 164 on the infringement of traditional patents are made applicable by analogy by subsection (1), while subsection (2) provides that repetition is deemed to have occurred if the earlier infringement related to another transfer of technology patent or to a traditional patent.

Section 618: Importation

a. This Section has no equivalent in Part I of the Model Law, devoted to traditional patents, as it relates to a situation peculiar to transfer of technology patents. As the latter are intended to promote local working of inventions, it should not be possible to import the products covered by them into the country. The owners of a transfer of technology patent have the right to institute infringement proceedings against third persons importing, without their agreement, products which fall within the scope of protection of the transfer of technology patent; moreover, each of the owners has the right to institute infringement proceedings against third persons importing such products without his agreement, albeit with the agreement of the other owner (see paragraph *e* of the comments on Section 608). Section 618 is designed to preclude the importation by the two owners themselves, by third persons with their agreement, or by one of the owners without the agreement of the other.

b. *Subsection (1)*: The definition of “protected products” allows the wording of subsections (2) and (3) to be simplified.

c. *Subsection (2)*: Paragraph (a) provides that the transfer of technology patent lapses if importation is effected by, or with the agreement of, both owners. Agreement should be understood as meaning either a formal or a tacit agreement; an example of a tacit agreement would be where a third person imports products with the full knowledge of both owners, who then refrain from bringing infringement proceedings. It does not matter who has imported: the deciding factor is that importation has occurred through the volition or acquiescence of both owners.

d. Paragraph (b) introduces an exception to the principle laid down by paragraph (a). It allows the Minister concerned—who may be the Minister for Industry or the Minister for Health, for instance—to suspend the sanction of lapse by authorizing temporary and limited importation when the public interest so requires. The Minister’s decision should provide for the limitation in time of this exceptional importation and also set a limit on the amount of products that may be imported. It should be emphasized that this exception is exercisable only when it is in the public interest and should not be based on the private interests of the owners alone. It should be remembered that the Minister may also act in the public interest under Section 156 (made applicable by analogy by Section 613) and may thus authorize the protected products to be imported (or even manufactured in the country) by the Government or by third persons authorized by the Government, even without the agreement of the owners of the transfer of technology patent.

e. *Subsection (3)*: This provision deals with another case of importation, namely where, without the agreement of one of the owners, the other owner imports protected products. Unlike subsection (2), subsection (3) does not provide for the lapse of the transfer of technology patent, which would be unjustly severe on the owner who does not import—for instance, in the case where importation is effected by the foreign party whereas the domestic party alone is carrying out local manufacture. In order to protect the interests of the owner who is acting in the spirit of the transfer of technology patent, it is provided that importation (or “imminent importation”) allows him to bring legal proceedings analogous to infringement proceedings against his partner.

f. The effect sought by subsection (3) is essentially dissuasive. The provision is designed to prevent importation by one of the parties against the will of the other, and it does this by introducing a measure that is more disadvantageous for the importer than lapse, in particular, as lapse would allow him to continue importation.

REGULATIONS FOR PART VI: TRANSFER OF TECHNOLOGY PATENTS

[There are no rules under Sections 601, 604, 608, 617 and 618.]

Rule 600: Application of Other Rules

Outline: This rule would provide that the rules listed below from Part I would apply by analogy to the Sections of this Part referred to between parentheses: Rules 105, 105*bis* and 107 (Section 602); Rule 115 (Section 603); Rule 122 (Section 605); Rules 123, 123*bis* (except Rule 123*bis*.5(b)(ii)), 123*ter*.1(a) to (c), 123*quater*, 123*quinquies*, 123*sexies*, 123*septies*, 123*octies*, 123*novies*, 123*decies*, 124, 125, 126 and 129 (Section 606); Rules 130, 130*bis*, 131, 132, 132*bis*, 132*ter* and 132*quater* (Section 607); Rule 139 (Section 610); Rule 143 (Section 612); Rules 150, 150*bis*, 150*ter*, 150*quater*, 151, 151*bis*, 151*ter*, 152, 154, 155, 155*bis* and 156 (Section 613); Rule 157 (Section 614); Rule 159 (Section 615).

Rule 609: Duration of Transfer of Technology Patent

Outline: This rule would provide that the evidence referred to in Section 609(2)(a) must be submitted not more than three months and not less than one month before the anniversary date of the grant of the transfer of technology patent.

Rule 611: Change of Ownership of Share of Application for Transfer of Technology Patent or Transfer of Technology Patent

Outline: This rule would provide that the request for recording the change of ownership must be accompanied by a copy of the transfer of technology contract as modified, that the provisions of Section 602(2)(c) would apply to this copy and that, additionally, Rule 140 would apply by analogy.

Rule 616: Lapse of Transfer of Technology Patent

Outline: This rule would specify the form and the contents of the request for a declaration of lapse as well as the contents of the recordings and publications referred to in Section 616(2)(d) and (f).
