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UNITED INTERNATIONAL BUREAUX FOR THE PROTECTION OF INTELLECTUAL PROPERTY

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**ADMINISTRATIVE BODIES**
**OF WIPO AND OF THE UNIONS ADMINISTERED BY WIPO AND BIRPI**

**First Series of Meetings**
**Geneva, September 21 to 29, 1970**

ADDENDUM TO DOCUMENT AB/I/7

presented by the Director of BIRPI

SUMMARY

This document informs the administrative bodies of the Paris Union that, as a result of a proposal received from the Government of Sweden, their provisional agendas will include an item entitled "Developing Countries and Patent Licensing."

It also contains the full text of the communications received from the Swedish Government on this matter.

Developing Countries and Patent Licensing

1. On August 24, 1970, the Director of BIRPI received from the Royal Ministry for Foreign Affairs of Sweden a letter, dated August 21, 1970, reading as follows:

> "The competent Swedish authorities have for some time discussed new means by which cooperation in the field of transfer of technology from industrialized to developing countries could be further enhanced. Some preliminary thoughts have been set out in the attached document which is

entitled "Views on an international patent license convention." The broad outlines of such a convention and its contents are, as you can see, being discussed in the paper.

It might be worthwhile - this is the feeling amongst the Swedish authorities concerned with this question - to further elaborate and analyse the ideas mooted in the paper with the Paris Union context. Therefore, it might only be proper, firstly, to circulate the document to the members of the Paris Union before the forthcoming conference starts in Geneva on 21st September, 1970, secondly, to formally present the document at the conference with a view to taking a decision as to how further studies of the problems contained therein should be conducted, if these suggestions are at all acceptable to a sufficiently large number of other member states."

2. A copy of the document referred to in the above letter is annexed to the present report.

3. The Director of BIRPI will include in the revised provisional agendas of the Assembly, Conference of Representatives, and Executive Committee, of the Paris Union an additional item entitled "Developing Countries and Patent Licensing." The item will refer to the present document as a basis for discussion. The revised agendas will be available by the latest at the opening of the meetings on September 21, 1970.

[The Annex follows]

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AB/I/21

ANNEX
(Original: English)

# Views on an International Patent Licence Convention

## I Some general remarks

The widening gap in the standard of living of, on the one hand, the industrialized and on the other, the developing countries has caused increasing concern during the past decades. Hard efforts have been made by the developing countries themselves to achieve a self-sustainable development. It is, however, evident and also recognized by the industrialized countries that how great the efforts of the developing countries themselves may be, these will not be sufficient to enable them to achieve this end. Economic and social progress is the shared responsibility of the entire international community. It is also a process in which the benefits derived by the developing countries from the developed countries are shared by the world as a whole. Every country has the right and duty to develop its human and natural resources, but the full benefit of its efforts can be realized only with concomitant and effective international action.

The affluence of the industrialized countries would not be possible without the process of industrialization which they have undergone. It has been clearly established that the patent system has played an essential part in this process, and in order therefore that the economy of the developing countries should be furthered, it must be realized that patent matters and matters connected with these have very great significance. In a Report that deals with The Role of Patents in the Transfer of Technology

to Developing Countries, the Secretary General of the United Nations has emphasized that the matter of patents must be seen - and dealt with - in the broader context of facilitating the transfer of patented and unpatented technology to the developing countries, and enhancing the ability of the latter to adopt and use such foreign technology in the implementation of their development programmes.

Some developing countries have not benefited from the patent system to such an extent as can be reasonably expected and have criticized it from various points of view. It has been alleged for instance that patentees in industrialized countries use their patents in developing countries far too infrequently for the establishment of industries in these countries. Instead, industrialized countries often take out patents in the developing countries with the aim of protecting a profitable export trade to these countries in finished products. One consequence of this is that patenting in developing countries does not to a sufficiently great extent embrace that technology in which these countries are most interested for their undustrial development. It has also been alleged that there are great difficulties in signing licence agreements for the establishment of industries in developing countries. Even if a developing country would be capable of starting production of an invention that is not protected by patent in that country, such production meets great difficulties since the country has not as a rule knowledge of the techniques connected with utilization of the invention. This know-how can only be transferred by means of licence agreements.

It should be clear however that it is unusual nowadays- an exception rather than the rule - for an industry to be based on one single invention. The normal

procedure is instead that modern industrial products and industrial processes are based on a whole series of inventions, improvements and acquired know-how. If therefore a new industry is to be established in a developing country, it will not normally be sufficient to draw up a licence agreement for one single patent. It is the whole series of technological facts which must be made available, rights and knowledge as well as personal resources, at least in the initial stage. This can take the form of general licence and co-operation agreements between companies in industrialized and developing countries. In the following of this memorandum, however, reference will be made to licences for individual patents for the sake of simplicity.

The problems connected with the transfer of technological know-how to developing countries are at present dealt with by many different international organizations, such as UNCTAD, UNIDO etc., which clearly indicates their importance. The question of a proper international distribution of responsibilities within this field is being studied by the Secretary General of the United Nations. The problems were also discussed at the Conference on the Organisation and Administration of Industrial Property Offices which the United Nations Industrial Development Organisation (UNIDO), in cooperation with BIRPI, held in Vienna during the 6th-10th October 1969. A great number of developing countries attended this Conference. All agreed on the usefulness of an effective patent system. Among the recommendations made by the Conference, there is a comprehensive programme for training in the field of patents. UNIDO is further to investigate the possibilities of establishing a "technological bank", some of the tasks of which would be to assist in the drawing up of licence agreements and to set up as soon as possible "technological centres" for the dissemination and transfer of technology, including know-how.

A big step forward was recently taken through the adoption of the PCT, which in chapter IV provides for technical services especially to developing countries. The two main points in the PCT-context concerns the transfer of technical information including available published know-how and the improvement of national and regional patent systems. As regards this improvement of patent systems a committe for technical assistance shall be established. This assistance shall comprise, among other things, training of specialists, sending of experts and supplying equipment both for demonstration and operational purposes.

If the problems submitted by UNIDO in its recommendations are solved satisfactorily within the near future, a substantial improvement no doubt will have been achieved for the developing countries. Particularly in regard to the transfer of technical information, the PCT may constitute a useful instrument. However, it is probalbe that the difficulties in establishing contact with patentees with a view to drawing up licence agreements, and other problems related to these matters, will not have been eliminated.

In order to make it possible for the developing countries to exploit the patent system in a useful manner by means of licensing, active efforts must be made from both the industrialized and developing countries for the purpose of drawing up licence agreements. A co-operation between these countries should aim at eliminating, on the one hand such difficulties as arise from insufficient facilities on the part of industrialized countries to solve the special legal, economic and other problems connected with licence assignments to developing countries, on the other hand such obstacles to licensing that are due to existing conditions in developing countries.

To this end it is proposed that BIRPI should perform a study of appropriate forms for such a co-operation between industrialized and developing countries and take the proper measures.

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II The Swedish Patent Office has considered one way of establishing such a co-operation, which seems worth being analysed in connection with the study proposed to be executed by BIRPI. The co-operation in questions concerning licence agreements could possibly, according to these considerations, be stipulated by a special Patent Licence Convention. The broad outlines of such a Convention and what it should embrace will be discussed below.

Accessibility etc

The Convention should be open to all the countries which are members of the Paris Union. It should be considered, however, whether the facilities of the Convention could not be available also to residents of non-member countries. Care must also be taken that the future Patent Licence Convention does not contain any provisions that contravene the terms of the Paris Convention.

Dissemination of information

In order to enable the developing countries to have an idea of the state of technology in the industrialized countries and to be aware of the inventions which could be of importance to the industrial and economic development of the particular country, developing countries should have access to technical information comprising published patent applications and patents. The industrialized countries should

therefore undertake to supply such information, and this should be done as soon as possible after an application has been published or a patent granted.

However, there should be some limitation of this obligation as to information in order to prevent this being an unnecessary burden on the industrialized countries or too comprehensive for the developing countries. It should therefore first of all be restricted to such published patent applications and granted patents where convention priority has not been requested. This will in most cases prevent the same information being supplied by several countries. Naturally, a developing country can also itself request that information should be limited e.g. to only one or more fields of industry.

Information service of the scope indicated above should be co-ordinated with and complement the corresponding service which may be provided by UNIDO or within the framework of the PCT.

Extension of patent protection to developing countries

If a developing country considers that a patent which does not as yet exist in that country would be of great importance to the development of the country, the country should be able to extend the validity of the patent to its own country. This faculty for the developing country naturally also confers an advantage on the patentee.

Such an extension should in principle not take place if such an act in a given case would be contrary to the interests of the patentee.

Many problems arise in connection with this territorial extension of patent protection. Is the developing country to be able to select a patent in any industrialized country or is this faculty to be restricted to the country of origin? Since this matter is inevitably bound up with the purpose of the Convention, namely that of making it easier for developing countries to draw up licence agreements, the matter must be discussed from this point of view. If the developing country is to be able to choose between several countries where the same invention is patented it is reasonable to suppose that this should in certain cases facilitate the drawing up of a valid licence agreement, namely where the patentee is not the same in all the industrialized countries where the patente is protected. On the other hand, a licence agreement confers certain economic advantages of the patentee. From this point of view, the most satisfactory result may be achieved if the agreement is drawn up with the original patentee.

The possibility of extending the validity of a patent should first of all serve as a useful instrument for transferring know-how to the developing country, and such an extension should not take place or be maintained unless a licence is obtained and know-how is actually transferred.

The faculty to extend the validity of a patent could offer to the developing country an opportunity of creating patent protection of a nature that actually serves the interests of the country itself.

Thus, the developing country cannot be considered to have favoured the patent holder in the industrialized country with a monopoly on an invention which in fact anybody in the developing country previously was free to exploit. The developing country will always be in

a position to safe-guard that full compensation for the grant of monopoly is received in the form of the know-how desired. If the necessary know-how for the exploitation of the invention is already at hand in the developing country itself or can be obtained from other sources on more favourable terms, the developing country will of course in general have no interest in extending a patent monopoly to its territory.

The monopoly granted by the developing country under the treaty can of course only be obtained by a person qualified in conformity with general principles of patent law, i.e. usually the inventor or his successor in title. However, if the invention was already known e.g. because of prior publication, it could be questionned if competitors would not suffer undue restrictions, since in principle they would have been free to exploit the invention in the developing country without the hindrance of a patent. Nevertheless, if in actual fact the patent can only be obtained in exchange for know-how which is not otherwise obtainable by the developing country it seems that due regard has been taken also to this situation.

In a continued study certain attention should be paid to the principle question of possible disadvantages of a system introducing patent protection regardless novelty requirement. For the final evaluation of the systems the experiences of the institution of patent of importation, recognized in the Paris Convention should be examined.

The term of the patent

Another question is whether a patent is to be valid for the remainder of its term in the industrialized country or whether the developing country is to be empowered to grant a new term. The latter alternative

has the advantage from the point of view of the developing country that the invention can be protected for a longer period of time, which may be necessary during a development stage.

If the question is solved in such a way that the patent is to be valid for the remainder of the time it is protected in the industrialized country, however, the Convention should contain a clause to the effect that the patent in the developing country in other respects constitutes an independent patent. The developing country must not be made dependent on e.g. the failure of the patentee in the industrialized country to pay fees, since such a state of affairs may endanger the steps taken by the developing country for the exploitation of the patent.

Since the developing country, in order to maintain the validity of the patent, should not be dependent on the foreign patentee, it follows that no special fees should be charged in respect of the extension of the patent to the developing country or its continuance, in any case not by the patentee.

Conflict

If a desirable patent is already protected in the developing country, negotiations as to licence rights must be taken up with this patentee. One condition for the extension of the validity of a patent to the developing country should be that there is no conflict with patent applications submitted in the developing country or with patents already granted. Also in respect of prior use of the invention within the developing country, the interest of third parties must be considered.

Patentability examination

In some cases, a patent which is of interest for a developing country may have been granted without prior patentability examination. The value of the patent as the basis for a licence grant is therefore uncertain. It should be considered whether the Convention is to prescribe a procedure by which the developing country in such cases can have the patent examined before licence negotiations are entered into.

Patent applications

Under the same conditions that apply to a patent in an industrialized country it should be possible to extend a patent application to be valid in a developing country.

Authority to commence negotiations

As has already been pointed out, the aim in extending the validity of a patent to a developing country is to enable the developing country to arrive at a licence agreement. It has been touched upon in the introduction that it is necessary, in order to exploit a patent, to know the techniques related to it. This know-how can be transferred to developing countries by means of licence agreements. The patentee has his patent protected in the developing country and is enabled to take out licence fees in exchange for transferring user rights in the patent as well as the know-how acquired.

In order that industrial and economic development should proceed in the proper manner and conform to the needs and objectives of the developing country, it may be open to discussion whether licence negotiations under this Convention should not be made conditional upon authorization by an official authority in the developing country.

Licence authorities

The developing countries have on repeated occasions pointed out the various difficulties with which they have to contend in connection with the making of contacts and in the entering upon negotiations concerning licences. Each industrialized country should therefore undertake to establish in the country a special body, here referred to as "Licence Authority", which those applying for a licence can approach. If negotiations are to take place in the country of origin of the patent, the licence authority in another industrialized country where the invention is patented must provide assistance in finding the country of origin.

Corresponding Licence Authorities should be set up in each developing country to promote licence agreements under the Convention and to facilitate communication between the authorities and the parties concerned.

The Licence Authority in the industrialized country shall have the power to call a patentee resident in the country to attend negotiations. In other respects, the Authority should not have the power to make decisions and should only be a body providing specialist assistance in connection with negotiations and be capable, when necessary, of co-ordinating development aid and financial assistance for the solution of the licence problem. The negotiations should be confidential but it may be convenient, from several points of view, to announce that they have

commenced. Licence agreements signed should be on a completely voluntary basis. It would probably be useful to give some guarantees that an initial contact between the applicant for the licence and the patentee will take place. However, it is doubtful whether an obligation for the patentee to take part in actual negotiations arranged by the licence authority would be helpful in bringing about an agreement.

17th August, 1970.

/End of the Annex and
of the document/