OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.

DISCLAIMER

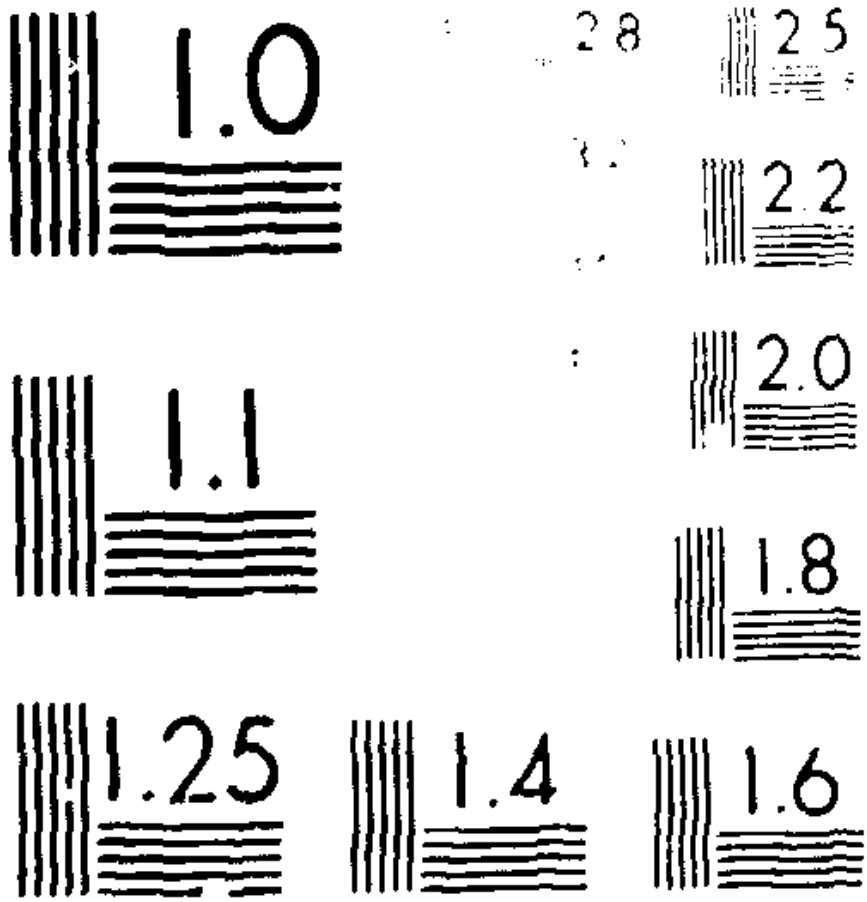
FAIR USE POLICY

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria
Tel: (+43-1) 26026-0 · www.unido.org · unido@unido.org


2.8
2.5
1.0
2.2
2.0
1.1
1.8
1.25
1.4
1.6

10784-E

Distr.
LIMITED
UNIDO/PC.19
7 October 1981
Original: ENGLISH

UNITED NATIONS INDUSTRIAL
DEVELOPMENT ORGANIZATION

Round Table Meeting of Experts
on Pharmaceuticals, 1981

Pharmaceutical Industry.

BACKGROUND PAPER FOR DISCUSSION ON THE RELEVANT ISSUES TO BE TAKEN INTO ACCOUNT WHEN NEGOTIATING TRANSFER OF TECHNOLOGY AGREEMENTS AND THE VARIOUS TERMS, CONDITIONS AND VARIATIONS THEREOF THAT COULD BE INCLUDED IN CONTRACTUAL AGREEMENTS: POSSIBLE SCOPE, STRUCTURE AND CONTENT*

prepared by
the UNIDO secretariat

* This document has been reproduced without formal editing.

V.81-30558

Introduction

1. To prepare for consultations on the Pharmaceutical Industry, two panels of experts from developing and developed countries were convened in June 1977 and February 1978. An Interregional Meeting to prepare for consultations on the Pharmaceutical Industry was held in January 1979 at Cairo, Egypt. Through these meetings UNIDO secretariat identified the issues that might be suitable for consultations on this industry.

2. The Global Preparatory Meeting which was held in Cancun, Mexico, from 24-27 April 1980, recommended that the First Consultation Meeting on the Pharmaceutical Industry should consider the following three issues:

I. The pricing and availability of intermediates and bulk drugs.

II. Contractual arrangements for the production of drugs.
Part 1: Relevant issues to be taken into account when negotiating a transfer of technology agreement;
Part 2: Preparation of guidelines.

III. The availability, terms and conditions for transfer of technology for manufacture of essential drugs included in the illustrative list prepared by UNIDO in consultation with WHO.

3. The First Consultation on the Pharmaceutical Industry was held in Estoril, Portugal, from 1 to 5 December 1980. The Consultation was attended by 217 participants, representatives of Governments, industry, labour and consumer groups from 68 countries and 13 international organizations.

4. As far as the Issue II is concerned the First Consultation recommended that the UNIDO secretariat, in co-operation with an ad hoc panel of experts, selected on the basis of equitable geographical distribution, prepare a document, complete with the necessary background notes, on various terms, conditions and variations thereof that could be included in contractual agreements. In addition, the UNIDO secretariat should undertake a detailed study on relevant issues to be taken into account when negotiating transfer of technology agreements taking into account the experience of developed countries.

5. In order to have better understanding of the matters relating to Issue II, this briefing paper will deal with:

A. A study on relevant issues to be taken into account when negotiating transfer of technology agreements taking into account the experience of developed countries.

Some aspects of the issue namely health sector structure and health care delivery system, technical skill and supporting infrastructure, economies of scale, industrial property legislations, fiscal and other legislations were already dealt and presented at the First Consultation as per the attached documents ID/WG.331/1/2 Add.1.

In order that this Study may be properly undertaken, clear terms of reference are needed. Participants at the Round Table are kindly invited to convey to UNIDO their comments, so this recommendation of the First Consultation Meeting can be implemented.

B. Document on various terms, conditions and variations thereof that could be included in contractual agreements: possible scope, structure and content

The First Consultation on the Pharmaceutical Industry recommended that UNIDO should prepare a document containing "terms, conditions and variations thereof" with the necessary "background notes" relating to contractual agreements for the transfer of technology (TOT) in this industry (1).

The various issues related to the general approach, characteristics, scope, specific content and methodology to be followed in the preparation of said document could be as follows:

1. General approach

Agreement exists on the fact that TOT constitutes a major instrument for promoting the development of the pharmaceutical industry in developing countries and for improving the access of these countries' populations to availability of essential drugs. It is also clear that, in order to satisfy these objectives, TOT must occur under conditions that take the circumstances and needs of the recipient country into account and on fair and reasonable contractual terms.

In accordance with these premises, the UNIDO document should endeavour at facilitating and increasing the TOT to and among productive units in developing countries, on conditions which ensure the fulfilment of the industrial policy objectives of such countries and which, at the same time, provide for a fair compensation to technology suppliers and a reasonable incentive for the transfer of the technologies they control.

For this purpose, in the preparation of the document the following set of principles, as defined in a previous study of UNIDO (2), should be taken into account:

(a) TOT should contribute to the identification and solution of economic and social problems related to the production and use of pharmaceuticals in developing countries, with an aim at substantially improving, at adequate costs and quality, the availability of essential drugs in developing countries;

(b) The parties to a TOT agreement should be responsive to the health, drug, industrial and other relevant policies of the receiving country, including import substitution, development of technical skills, promotion of local innovation, etc.;

(c) Licensing agreements should contain fair and reasonable terms and conditions, including payments, and be no less favourable for the recipient than the terms and conditions usually applied by the supplier or other reliable sources for similar technologies under similar circumstances;

(d) The agreement should, in particular,

  (i) ensure the absorption of technology transferred by local personnel;

  (ii) allow the use, as far as possible, of locally available materials and services;

  (iii) facilitate and, in any case, do not restrict the adaptation and further development of technology received;

  (iv) include adequate guarantees for the performance of the parties obligations;

  (v) provide full information on the characteristics of the technology and drugs to be manufactured, specially in respect of possible hazards and side effects;

  (vi) do not contain unjustified restraints on the recipient's use of the technology.

Likewise, in drafting the model provisions and related notes, attention should be given, as appropriate, to agreements reached and proposals made in the course of the negotiation of an International Code of Conduct on Transfer of Technology, as well as to other relevant developments at the international, regional or national level (3).

2. Main characteristics

The main characteristics of the document to be prepared might be as follows:

(a) it should be primarily addressed to parties, either in the private or public sector, envisaging the conclusion of TOT agreements (as defined below) on pharmaceuticals;

(b) it should constitute an operational tool on the basis of which the parties may negotiate and conclude a TOT agreement, under substantially balanced terms and conditions;

(c) it should draw attention to the particular problems faced by developing countries in their efforts to establish and expand the production and use of pharmaceuticals;

(d) briefly indicate differences in legal system and in national regulations that may influence the content and extent of the obligations of the parties.

3. Types of agreements covered

Transfer of technology can be realized through a number of channels, such as the establishment of subsidiaries, the constitution of joint-ventures, and the conclusion of contractual agreements between non related parties. UNIDO's document should concentrate, at least in a first stage, on this last form of transfer, leaving aside for the moment issues more directly concerned with the regulation of foreign investments. In a further stage specific work on the conditions for establishing joint-ventures for pharmaceuticals might also be envisaged (4).

The content of contractual agreements for TOT various significantly in accordance to the nature of the object it refers to. The supply of technical assistance, the transmission of know-how, the rendering of technical services (including engineering) or the licence of industrial property rights require specific provisions appropriate to the legal nature of each of such matters. Further, licensing agreements usually refer to a multiple object ranging from a simple combination of two matters (e.g. patents and know-how) to a very complex set of supplies, like in the case of agreements for the setting up of plants, particularly turn-key agreements.

In the specific field of pharmaceuticals in particular, important differences arise out in contractual terms and conditions according to the type of technology transferred. In order to be helpful to would-be contracting parties in developing countries, the document to be prepared must take the complex nature and diversity of existing licensing arrangements into account. It should also consider the differing degrees of development and needs of developing countries in this sector.

Many of the developing countries still lack or have only recently started some local formulation of pharmaceuticals (5). For these, the awareness of standard terms and conditions which may be suitable to their interests and needs, may serve to improve the negotiation and performance of agreements entered into with that objective. A good experience in this area may also stimulate the subsequent starting of a more integrated domestic production.

Only a few developing countries currently carry out a significant production of bulk drugs. Agreements subscribed with this purpose may have a considerable impact on the technological capability of the receiving country. The agreement may include the transmission of secret know-how and the authorization to use registered patents. Eventually, technical assistance may be necessary to put into operation the technology transferred.

Apart from the cases where the recipient of technology already possesses some productive facilities, in many developing countries there is a need to set up plants for the formulation of dosage forms or the manufacture of intermediates or bulk drugs. The setting up of these facilities may be ensured through one type of agreement embracing process technology and design and engineering, including lay out of the plant and eventually the supply of the required equipment. It may also be obtained, eventually at lower costs and with greater utilization of local capabilities and resources, through a sound division of work among various independent contractors, adequately coordinated with a view to reach the expected results.

Arrangements for the setting up of a plant should take into account, in the provisions themselves and in the technical annexures, differences that stem from the specific purpose of the plant, obviously, a plant for the formulation of dosage forms will require a treatment in many respects different from a plant for the production of synthetic drugs and this, in turn, from a plant for the production of antibiotics with the help of microorganisms using fermentation technology.

As mentioned before, the complexity of technology transactions, as they exist in actual practice, makes it necessary to deal with a multiplicity of technology components and forms of transfer. The distinction of the three types of agreements made in the precedent paragraphs is mainly based on the content of the technology (techniques of formulation, process of manufacture of bulk drugs, design and engineering of a plant) rather than on the legal nature (patented or not) or the particular form of transfer used (delivery of written documents, technical assistance, etc.). Therefore, it is unavoidable that, in addition to the clauses that define the specific nature of each category of agreements, the three types of agreements contain some provisions which are likely to be identical or very similar, while others only present minor differences imposed by the context in which they belong. This, particularly applies to clauses relating, e.g. to applicable law and settlement of disputes and other matters that cut across different types of agreements.

The preparation of three types of agreements including a set of different but complementary technological components, may have the great advantages of providing potential parties with comprehensive texts that may be used as a basis for negotiation.

The preparation of "terms and conditions and variations thereof", in connection with the three types of agreements referred to, would permit:

(i) to present such terms in a systematic form,

(ii) to contemplate the required variations according to the specific object of the contract;

(iii) to provide potential parties with practical texts and guidelines, comprehensive and specific enough to be adapted to the different situations and requirements they face

To sum up, in order to adequately cover the different situations existing in developing countries, the UNIDO document should deal with three types of agreements of transfer of technology:

(a) for the formulation of dosage forms;

(b) for the manufacture of intermediates and bulk drugs;

(c) for the setting up of productive facilities (including as appropriate, for formulation of dosage forms, for the production of drugs by chemical synthesis, biotechnological methods such as fermentation and by extraction/isolation of compounds from naturally occuring animal and vegetable sources.

Each type of agreement defined should contain provisions related to all the technological components ususally included therein, such as patent licences, transmission of know-how, technical assistance, etc., as appropriate. This should not be interpreted however, as suggestion the need or convenience of the joint acquisition of such elements from a single supplier, but only as a practical way of dealing with generally inter-related matters. In fact, a well-defined policy of unpackaging of technology transactions may prove to be highly useful for developing countries, specially in terms of the use of local resources and personnel, as well as regarding the assimilation and adaptation of the technology transferred.

Through the types of agreement referred above and to be developed might apply to technology transactions either of domestic or international nature, (i.e. between parties located or not within the same country) the basic assumption will be that the agreement is to be negotiated and subscribed between parties resident in different countries. This will be particularly relevant in connection with issues related to applicable law, settlement of disputes and, in some cases, rights conferred to foreign patent holders.

3. Structure and content

The three types of agreements to be prepared should contain, as a minimum, model clauses and background notes related to the following issues:

(a) License agreements for the formulation of dosage forms

1. Recitals (objectives of the parties)
2. Supply of technical information/know-how
3. Supply of medical and scientific information
4. Technical assistance
5. License of industrial property rights
6. Training
7. Transfer of improvements
8. Supply of raw materials (see example 1 page 15)
9. Scope of the agreement (exlusivity, field of use, territority)
10. Provisions concerning patents
    - (a) warranties
    - (b) infringement
    - (c) maintenance in force
11. Provisions concerning trademarks
12. Remuneration
13. Subcontracting, sublicensing and assignment of the agreement
14. Guarantees
    - (a) suitability
    - (b) correctness and completeness of information
    - (c) risks and adverse effects
    - (d) liability
15. Duration
16. Use of information and trademarks after the expiration of the agreement
17. Default; rescission
18. Applicable law and settlement of disputes.

(b) License agreements for the manufacture of bulk drugs

1. Recitals (objectives of the parties)
2. Transfer of know-how
3. License of patents
4. Technical assistance
5. Training
6. Engineering services
7. Supply of intermediates and other major raw materials
8. Transfer of improvements
9. Scope of the agreement (exclusivity, abolition of restrictive business practices, field of use, territory)
10. Provisions concerning patents
    (a) warranties
    (b) infringment
    (c) maintenance in force
11. Provisions concerning know-how, technical assistance and engineering services
12. Remuneration
13. Confidentiality (see example 2 page 19)
14. Subcontracting, sublicensing and assignment of the agreement
15. Guarantees
    (a) suitability for use
    (b) correctness and completeness of technology
    (c) compliance with specified standards (quality, purity, stability, etc.)
    (d) performance guarantees
    (e) liability
16. Duration
17. Use of technology after the expiration of the agreement
18. Default; rescission
19. Applicable law and settlement of disputes.

c) Agreement for setting up a pharmaceutical plant

The various items to be included in agreements which will cover the alternative modes of productive facilities (formulation of dosage form, manufacture of intermediates and bulk drugs by synthesis, biotechnological methods, extraction/isolation of compounds from naturally occuring animal and vegetable sources) should at minimal be as follows:

1. Recitals (objectives of the parties)
2. Definitions
3. Obligations of the contractor
4. Obligations of the purchaser
5. Coordination and supervision of work
6. Supply of materials, equipment, etc. Inspection
7. Price and terms of payment
8. Provisions concerning patents and know-how
   a) warranties
   b) infringement of patents
   c) maintenance in force of patents
   d) confidentiality of know-how
   e) use after expiration of the agreement
9. Guarantees
   a) performance bonds and bank guarantees
   b) performance guarantees and tests
   c) other guarantees
10. Completion of work and acceptance
11. Failure to fulfill guarantees:
   a) Rectification
   b) Penalties
   c) Liquidated damages

12. Changes and suspension of work
13. Termination of the contract
    a) force majeure
    b) rescission
14. Liability
15. Assignement of contract
16. Sublicensing and duplicate plant
17. Applicable law and settlement of disputes
18. Notifications

    Technical annexures

4. Available model contracts, guidelines, etc.

Considerable work has already been undertaken by UNIDO, WIPO, UNCTAD and other public and private institutions, in order to set out model provisions/contracts, check-lists, glossaries and guidelines for transfer of technology agreements. The document to be prepared by UNIDO should take these previous works into account, as appropriate, bearing in mind the specific nature and problems of the pharmaceutical sector, and the particular objectives pursued here as described in 1 above.

Annex I presents an indicative list of documents that might be of use as material of reference, in the preparation of the document requested by the First Consultation.

ANNEX I

INDICATIVE LIST OF MODEL PROVISIONS/CONTRACTS, GUIDELINES, CHECK-LISTS AND GLOSSARIES ON TRANSFER OF TECHNOLOGY

I. Model provisions/contracts and guidelines

(1) Agence Nationale de Valorisation de la Recherche (ANVAR), Contract Type,Licence d'explotation, France (AJ/6/mg/070771).

(2) ANVAR, Contract Type, Licence d'exploitation (non-exclusive) Etranger (JPB/D2/mg/130869).

(3) ANVAR, Contract de know-how (AJ/6/ft/200771).

(4) ANVAR, La commercialisation d'une invention. Problémes et solutions.

(5) Lindstaedt, Muster für Patentlizensverträge, Verlagsgesellschaft für Recht und Wirtschaft m.b.h., Heildelberg, 1977.

(6) ORGALIME, Model form of patent licence agreement for the manufacture of an unpatented product.

(7) ORGALIME, Model form of patent licence agreement

(8) United Nations, Guide for use in drawing up contracts relating to the international transfer of know-how in the engineering industry (ECE/TRADE/222/Rev.1), 1970.

(9) United Nations, Manual on the establishment of industrial joint-venture agreements in developing countries (ID/68), 1971.

(10) United Nations, Manual on the use of consultants in developing countries (ID;3 Rev.1), 1972.

(11) United Nations, A guide to industrial purchasing (ID,82), 1972.

(12) United Nations, Guide on drawing up contracts for large industrial works (ECE/TRADE/17), 1973.

(13) United Nations, Guidelines for the acquisition of foreign technology in developing countries (ID/98), 1973.

(14) United Nations, Guide on drawing up international contracts on industrial cooperation (ECE/TRADE/124), 1974.

(15) United Nations, Contract planning and organization (ID;117),1974.

(16) WIPO, Licensing Guide for developing countries, Geneve, 1977.

(17) Colciencias, Cartilla sobre adquisición de tecnología, Bogotá,1974.

(18) UNIDO, Guidelines for evaluation of transfer of technology agreements. Development and Transfer of Technology Series No.12, New York, 1980.

II. Check-lists

(19) Worth-Wade, Check-list for negotiating agreements on patents, know-how, trademarks, and joint-ventures (Annex to "How to protect from licensing", Advance House Pub. Inc.), 1969.

(20) Check-list of points (Part IV of (16) above).

(21) WIPO, Legal aspects of license agreements in the field of patents, trademarks and know-how (PJ, 92), 1972.

(22) Check-list for licensees negotiating technology licensing agreements (Chapter VII of (13) above).

(23) Eléments, génerau d'un contract de licence sur brevet d'invention (Annex to (4) above).

III. Glossaries

(24) Economic Commission for Europe, Preparation of Manual on Licensing Procedures and Related aspect of Technology Transfer. Drafting Instructions for Country Chapter. Glossary of Terms. Note by the Secretariat (Sc. Tech. /R. 60/ Add. 2). 1977.

(25) Association LES, Licences de brevets et transferts technologiques,'1 Glossaire, Paris, 1973.

NOTES

1. See UNIDO, First Consultation Meeting on the Pharmaceutical Industry, Report ID/259, 1980, p.6.

2. UNIDO, preparation of guidelines, Background paper, ID/WG.331/3, August 1980.

3. See UNCTAD, Draft International Code of Conduct on Transfer of Technology, April 1981.

4. Issues specifically related to the formation of joint-ventures have been dealt with in the Manual on the establishment of industrial joint-venture agreements in developing countries. (ID/68), 1971.

5. See UNIDO, Global study on the pharmaceutical industry, ID/WG.331/6 and Add.1, 1980.

EXAMPLE 1

LICENSE AGREEMENT FOR THE FORMULATION OF

DOSAGE FORMS

8. Supply of raw materials

The supply of the raw materials necessary for the formulation of dosage forms is commonly one of the basic components of license agreements dealt with here. Sometimes this aspect is one of the main concern of the parties: the supplier may wish to ensure a relatively stable demand for his products over a certain period, while the recipient may desire to facilitate his access to the necessary raw materials, eventually on an exclusive basis in a given territory.

However, the transfer of technology and scientific information involved in agreements for formulations, may be unrelated to the supply of raw materials. The parties may decide not to deal with this question at all, or to subscribe a separate agreement thereof. The complete freedom of the recipient to search for and select the sources of supply, may be important for reducing costs and eventually foster the development of sources of supply in developing countries.

When the parties intend to negotiate the supply of raw material as a part of the license agreement, there is one aspect that must be clear at the outset: the supplier should not impose the acquisition of raw materials by the recipient, as a condition for the transfer of technology. This requirement - or tie in clause - is condemned as illegal in many developed and developing countries.

If the parties see mutual advantage in including the provision of raw materials as a part of the license agreement, this should be made in a manner that prevents the indirect imposition of tie - in obligations, or the abuse of a privileged position by one of the parties. In order to ensure this, the agreement should, first, contain a detailed description of the specifications of the required raw materials. Second, the supplier should be bound to provide them on conditions comparable to those of the international market, taking the type, quality and quantity of the product into account. This may be stipulated either by making reference to "international conditions", or as a "non-less favourable" clause, as described in alternative texts 8. 1. a and 8. 1. b.

The comparison between the supplier's and international conditions for supply may not be feasible in cases where raw materials are only produced by one or very few producers. In the majority of cases, however, reliable alternative sources of provision may be available. The agreement might establish that insofar as the supplier meets the most favourable conditions quoted by other sources for the same type, quantity and quality of product, the recipient will confer him a preference to sell the required product.

The use of the supplier's trademark, tradename or other identification of goodwill on the products formulated by the recipient, does not constitute sufficient ground to require that raw materials be acquired from the supplier or from a source designated by it. In that hypothesis, and on the basis of an adequate specifiaction of the relevant raw materials, the supplier should only be permitted to require samples of raw materials bought from other sources, and verify the observance of specifications set forth in the agreement. Any dispute arising out from differences in analytical results should be submitted, whenever possible, to a neutral drug control institute, preferable the state laboratory for control of drugs in the recipient country (see 8.3).

In certain circumstances, such as when the Supplier will suspend or interrupt the production of a certain raw material, or when the recipient may be interested in starting the production thereof, after a given period, a clause could be included in order to provide a contractual basis for that development (see 8.4).

8. Supply of raw materials

8.1 The Supplier will supply the Recipient with the raw materials as listed in .....produced by the Supplier and entering into the formulation of the Products, as required by the Recipient.....
(alternative a: and at prices not higher than current prices on the international market).....
(alternative b: and at a price no less favourable than the price usually charged by the Supplier or other suppliers for such raw materials).....
in conformity with the specifications set forth in the agreement.

8.2 Notwithstanding the foregoing, the Recipient will be free to buy such raw materials from other sources, provided that if the Supplier is willing and able to offer the Recipient such raw materials at the same price as the Recipient could obtain from alternative sources, or at a lower price, then in this case the Recipient will grant preference to the Supplier.

8.3 Whenever Supplier's trademarks, tradenames or other designation of goodwill are used on the Products, the Supplier will have the right to obtain and analyse in his laboratories samples of raw materials intended to be purchased or purchased by the Recipient for the formulation of the products. Any observation by the Supplier should be duly motivated and notified to the Recipient within.....days from the receipt of the sample. Disputes arising from differences in analytical results of such samples will be finally determined by.....
The supplier will be liable-on the terms set out in provision.....
.....- for any loss or damage stemming from an unjustified questionning of samples which are proven to comply with specifications set forth in the agreement.

8.

8.4 (Alternative a: should the Supplier suspend or interrupt the production of raw materials listed in.....
.....) .....
(Alternative b: After.....years from the signing of the Agreement).....
at the request of the Recipient, the Supplier will, on terms and conditions to be agreed upon by the Parties, transfer to the Recipient all technical information and license, if appropriate, all relevant patents owned by the Supplier, as necessary to enable the production of (said raw materials)
(the following intermediates.....) by the Recipient.

EXAMPLE 2

LICENSE AGREEMENT FOR THE MANUFACTURE

OF BULK DRUGS

13. Confidentiality

Technology transferred under this type of agreement usually includes information of different nature, from which only some specific parts may be deemed as of secret character. The recipient party is not normally in a position to appraise which pieces of information are to be deemed confidential. He only has access to it during the execution of the agreement, and particularly when he belongs to a developing country, he has not the capacity needed for evaluating and discriminating among the different types of information transferred. Further, the recipient can not be expected to discern whether the technology transferred has been or not previously disclosed and, hencefore, should not be bound, in the absence of a specific provision and indication by the supplier, to take measures that the latter has not asked for.

It is generally very problematic to ascertain when a given know-how is actually secret, particularly if the transaction involves different countries. In addition to factual difficulties, the concept of secrecy admist different interpretations. For the purpose of the agreement it should be understood (and eventually indicated in a clause on "definitions") that the obligation of confidentiality should only apply with respect to information which has not become publicly known by publication or otherwise in any country. This implies that the contract can not "create" secrecy, but only declare the existence thereof, and that the recipient will be freed from that obligation as soon as it is established that the information was not or has become a part of the public domain.

The agreement should therefore specify which pieces of information are to be treated as confidential, and should expressly contemplate the scope and duration of the obligation, as well as the effects of the disclosure of the know-how during the lifetime of the agreement.

(a) Scope

The obligation of confidentiality should not prevent the recipient to disclose information as far as necessary for subcontracting, procurement or other legitimate purposes. In this case, a written undertaking by subcontractors and other third parties against disclosures may be advisable. The same should apply with regard to sublicensees, whenever sublicensing is permitted under the agreement.

The compliance with information requirements imposed by national health authorities may (although this would not probably be the rule) entail the necessity to disclose some information indicated as confidential. A specific provision might also be included to cover this point. (see 13.2).

(b) Duration

The set of rights and obligations originated in the agreement shall normally expire at the date of termination specified therein. In principle, the obligation of confidentially should follow the same pattern..

However, that particular obligation may expire before that date, when the know-how becomes publicly known during the lifetime of the agreement. Conversely, it may be extended by mutual agreement of the parties and eventually survive the expiration of the remainder contractual obligations. In this case, it is advisable that the parties specify the additional period for which that obligation will be in force, and avoid clauses that do not establish a definite duration (e.g. ".... until the know-how becomes part of the public domain").

Legislation on transfer of technology existing in some developing countries tend to limit such a duration to the term of the agreement or to a reasonable period thereafter [1/].

Whenever a continuous flow of new technology or improvements is expected to take place over the agreed term of the agreement, the expiration of the confidentiality obligation at the same time than the agreement may disincentivate the communication of developments obtained when the contract is about to expire. For this situation, a determined period of confidentiality after the last delivery of information may be provided for (see 13.3).

1/ See UNIDO, preparation of guidelines. Background paper, ID/WG.331/3, August 1980, chapter 11.2.

(:) Anticipated termination

In the event of anticipated termination of the agreement, conflicting views may ari out as to the continuation of the confidentiality obligation and the term therefor. It would be advisable to specifically provide for the solution applicable in this situation, in order to prevent likely disputes between the parties. 2/ This would require to work out clauses that appropriately take the reasons of the termination into account, such as force majeure, substantial and failure by the supplier or the recipient to adequately comply with their obligations under the agreement.

13. Confidentiality

13.1 The recipient shall, upon the terms set out below, keep confidential all technological informations transferred by the supplier and specifically indicated by him as being of secret character. The Recipient shall take all proper steps to comply with this obligation and, in particular, shall require his employees to give written undertakings not to disclose the information referred to in this clause.

13.2 The obligation of confidentiality shall not apply to disclosure:

(i) by the recipient to third parties to the extent necessary for subcontracting, procurement or other legitimate reasons related to the manufacture or sale of the products, provided that undertaking preventing disclosure of the relevant information is obtained from such third parties;

(ii) to governmental authorities to the extent required for approval or registration of the agreement or products.

13.3 The obligation of confidentiality set forth in article .... shall extend .....
(Alternative a: .....until the expiration of the agreement, as provided for in article .....).
(Alternative b: for .....from the date of the last delivery of secret information).
(Alternative c: for a period of ..... after the expiration of the agreement as provided for in .....).

2/ These issues are dealt with in section 18 "Rescission".

13.4 The obligation provided for in this article shall cease at any time before the date specified in 13.3 when it is proved that the relevant information has become publicly known independently of the Recipient.