



TOGETHER
for a sustainable future

OCCASION

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



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

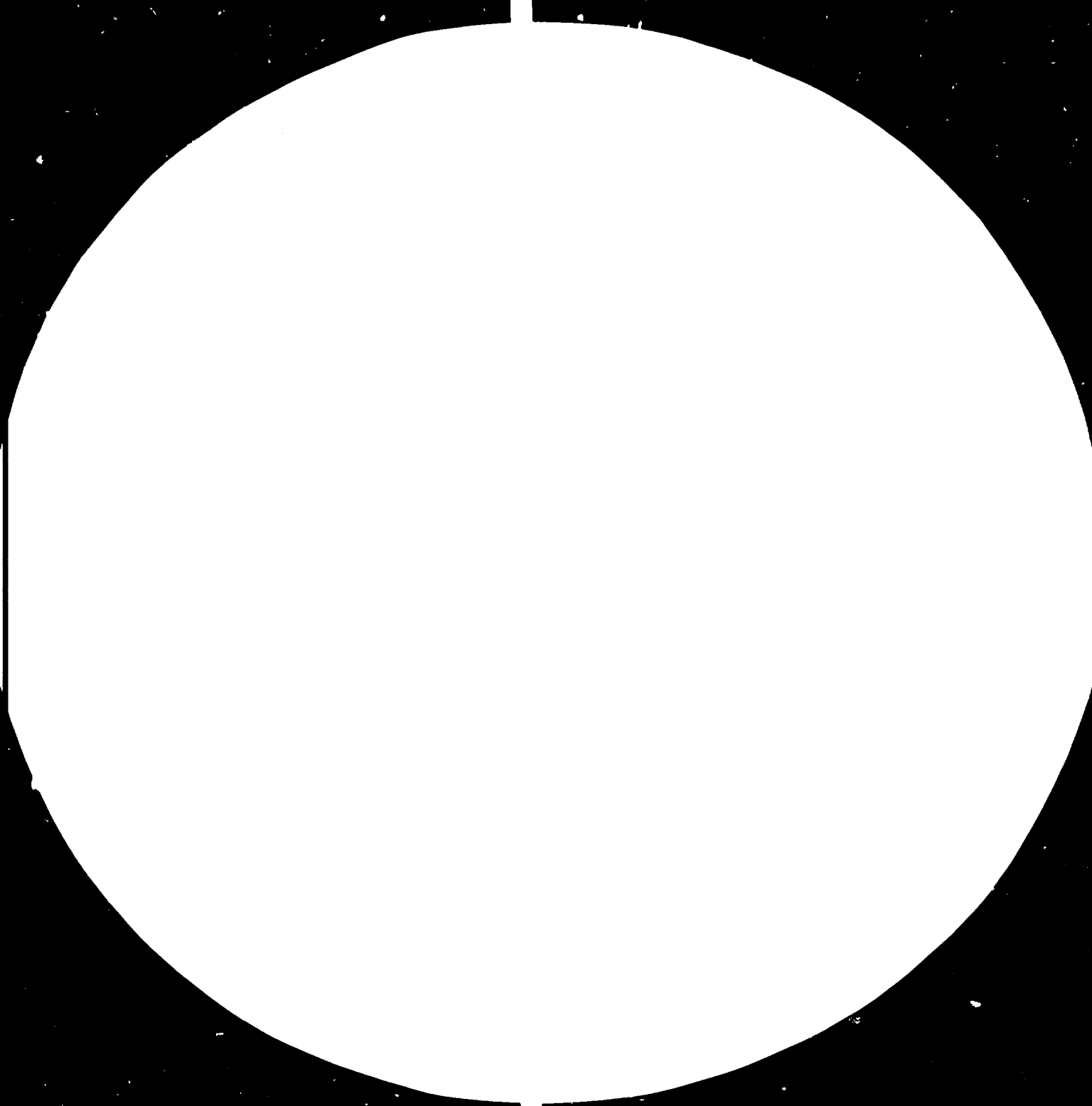
FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

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

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





MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS
STANDARD REFERENCE MATERIAL 1010a
(ANSI and ISO TEST CHART No. 2)



NEWSLETTER

TECHNOLOGICAL INFORMATION EXCHANGE SYSTEM

Issue No. 35

13659

December 1986

Dear Reader,

We are glad to announce that the TIES system is well and progressing. The recent TIES meeting held in Warsaw from 10 to 13 November 1986 left no doubts as to the importance attributed by the member countries to the continuation and expansion of TIES activities.

The meeting focused on the computerization of the transfer of technology registries and clarified outstanding issues towards the systematic implementation of the CORIS programme. On the other hand, substantial discussion was also devoted to the TIES activities in general and, among the conclusions and recommendations, reference was made to the following:

- TIES members consider the TIES programme to be a major activity of UNIDO, warranting high priority in financial and manpower allocation within the Secretariat.
- The members requested the UNIDO Secretariat to compile a jurisprudence of the Registries for a better understanding of their procedures and practices in evaluating and approving agreements.
- The participants expressed a need for a survey on the impact of transfer of technology in selected countries, emphasizing transactions which had not come up with expected results in the area of technology transfer.
- There was a consensus on the need to continue and strengthen UNIDO training programmes in the field of technology acquisition among member countries with increased use of available resources in the countries and at the regional and subregional levels.
- The UNIDO Secretariat was requested to continue timely publications on transfer of technology and negotiation issues such as joint ventures, payments in engineering contracts, guarantees and warranties, and sectoral surveys in the field of advanced technologies.
- Participants suggested increasing the content of information exchanged under TIES and enhancing co-operation among TIES members through more intensive use of UNIDO's Service of Special Requests and through direct co-operation among TIES members.
- The participants felt that the Registries should strengthen their role in formulating national economic strategies and industrial policies namely through a close co-operation with the country's R+D sector, thus encouraging the sector to adapt imported technologies, generate local alternative technologies and promote national investment in innovative activities.

456

Compiled by the Technology Group of UNIDO

P.O. Box 300, A-1400 Vienna, Austria

V.87 80256

*Not an official document. For information only.
Opinions expressed in this newsletter do not necessarily reflect the views of UNIDO.*

Furthermore, there was a consensus that TIES meetings were extremely useful since they fostered a feeling of solidarity among Registries and installed a co-operative spirit among the members of the TIES system. TIES had in fact encouraged the creation of Registries in the member countries. It was felt that continuing the practice of regular TIES meetings merited high priority and in this connection, the representative of JUNAC extended an invitation to host the next TIES meeting in 1987 in Lima, Peru.

The meeting also noted with appreciation that through a communication addressed to the UNIDO Secretariat the International Centre for Public Enterprises in Developing Countries had also proposed to host a future TIES meeting at its headquarters in Ljubljana, Yugoslavia.

Finally, the participants also expressed their appreciation of the results of the UNIDO/LES meeting held in Vienna from 5-7 November 1986 and recommended that the dialogue with LES should be continued and intensified.

The results of the TIES meeting made us feel more than rewarded and gave us encouragement to face the challenging tasks ahead with optimism.

May I take this opportunity to wish all our readers the very best of the Season, and may 1987 be kind to us all.

Rolf Kloepzig
Officer-in-Charge
Transfer of Technology Programme Branch
Department for Industrial Promotion,
Consultations and Technology

CONTENTS

	<u>Page</u>
UNIDO NEWS	1
UNIDO/LES meeting, Vienna, 5-7 November 1986	1
Journal of the Licensing Executives Society	2
RECENT LEGISLATION	3
China - Procedures for examination and approval of technology import contracts	3
Brazil	4
TECHNOLOGY ACQUISITION	5
Topics for negotiators	5
REGISTRY NEWS	10
Republic of Korea - country profile	10
Philippines - country profile	11
Colombia - changes in Registry personnel	14
RECENT PUBLICATIONS	14
MEETINGS	14

UNIDO NEWS

UNIDO/LES meeting, Vienna, 5-7 November 1986

At the outset of the meeting it was recognized that, although the Licensing Executives Society (LES) appeared an organization representing 'licensors' and the developing countries/registeries the 'licensees', in reality both sides represented the interests of the licensor and licensee in various ways. Representatives of developing countries noted that they were engaged in promoting the transfer of technology to not only suit the private interests of the parties to the contract, but also national economic and social goals. Participants from registries felt that government intervention was necessary to achieve this and that Governments had a role to play in creating an infrastructure to receive suitable technologies and to encourage their adaptation and modification.

From the viewpoint of licensors of technology, concern was expressed on the ownership of licensed know-how at the termination of the licensing agreement, the issue of confidentiality and the imposition of restraints to the leakage of elements of proprietary technology into the public domain. The distinction between the 'sale of technology' and the 'licensing' of technology was also alluded to. However, it was recognized that developing countries have increasingly moved to legislate that licensees had the right to continuous use of know-how at the normal termination of the agreement. Representatives of developing countries pointed out their various positions in regard to the use of technology whose patents survived the term of the license agreement.

Efficiencies in the transfer of technology depended not only on the laws pertaining to the transfer of technology which were prevalent in one form or another in both developing and developed countries, but also on other legislative instruments created for the protection of technology. It was also recognized that well-protected intellectual property may lead to an increased flow of technology. Members of LES favourably commented on the growing flexibility in the regulation of technology in developing countries as a group. Transfer of technology and software transfers were considered two new important aspects in the matter of technology flows between and among developing and developed countries.

Scarce foreign exchange resources of developing countries have created the condition that Governments monitor and regulate payments for technology. Because of this situation, royalty payments could not be administered under the influence of market forces. The scarce foreign exchange situation also has necessitated the development of a parallel market for foreign exchange. The environment of some developing countries was noted. The parallel market enabled an enterprise to make payments for technology in designated currencies at a rate that was different from the prime or first tier rate. Although developing countries realize the multi-faceted rights, opportunities and protection that were afforded the licensee enterprise, the price of technology remains a key issue. The need to avail of good technology with export potential has however necessitated countries such as the Philippines to create a system of bonus royalties which are available in addition to the royalty rates that would normally be allowed.

There was a clear appreciation of the fact that in information lay the power to negotiate. The timely availability of information to developing countries improves their negotiating position and ensures tant and reciprocal agreements. One of the

crucial functions of information was the creation of awareness and the sensitization of the technology recipient firms and agencies of the merits advanced forms of technology, particularly in fields such as biotechnology and microelectronics. Data bases of various types (technology suppliers, markets, product specification) technology profiles, etc. were constituent parts of an information system. The various instruments forged by UNIDO to assist enterprises in developing countries were elaborated and appreciated.

It was noted that UNIDO had promoted the development of model contracts in several sectors which would be supplementary instruments to aid both licensors and licensees to contract technology.

It was recognized that just as there was a sectoral approach to licensing contracts at UNIDO, LES had also constituted sub-committees to review contractual provisions in fields such as pharmaceuticals, biotechnology and computer software. Notes on these matters were available from UNIDO and LES.

Training in the use of information was an important adjunct to the process of technology transfer. The COMFAR programme of UNIDO was reviewed in relation to determining project feasibility under various simulated conditions.

Information and training on transfer of technology issues would in the view of LES also be enhanced by inviting persons active in licensing to become a member of LES national societies. This membership includes, inter alia, the subscription of the quarterly LES bulletin "LES Nouvelles" and the Technology Transfer Directory.

Biotechnology

The meeting paid considerable attention to the development of the infrastructure, practices and legislation in Canada and the USA for the creation, development, modification and transfer of biological materials, among which were DNA recombinant genes and monoclonal antibodies. The creation of gene repositories was noted and the purposes which lay behind it.

It was also noted that in the field of biotechnology, transfer of technology between industrial corporations was not as prevalent as university-to-industry transfer and the formation of joint ventures between them to exploit laboratory findings. Considerable synergies resulted from such association. The contractual conditions involved in biotechnology licences were noted.

Aspects of the International Centre for Genetic Engineering and Biotechnology (IC-EB) promoted by UNIDO were briefly discussed, including possible modes of transfer of know-how from the Centre to developing country enterprises.

Computer software

The fostering of software transfers between developed and developing countries required a different type of infrastructure than is the case with transfers of conventional technology. Core software technologies would not become available to developing countries, unless mechanisms existed for rapid enforcement of contractual provisions and legal rights including injunctive relief. This was a requirement in consideration of the fast pace of change in the field and the otherwise irretrievable harm done to the legal rights.

It was recognized that software associated with an invention, the object of which was otherwise patentable, was also patentable (in the USA). Much

of software licensing presently takes place through copyright and trade secret agreements. There was considerable discussion, but no clear indication, in the matter of whether a specific law for the protection of copyright was better than a modification of existing copyright law, which was strengthened by a considerable body of case law, and existing international agreements. Aspects of the extension of copyright protection to software in the case of India was commented upon favourably. An exposition was made of the WIPO drafts for the protection of software. A view was expressed that developing countries should give due regard to the special nature of software licensing.

Small and medium enterprises

It has been pointed out that small and medium enterprises in the advanced countries were owners of valuable technology in many fields and were excellent instruments for the transfer of technologies to developing countries. These entrepreneurs were willing to transfer technology to developing countries but ways and means need to be found to ease the flow of this technology to these countries. In this regard agencies in developed and developing countries should co-operate to dismantle rigidities and improve collaborative communications. Other considerations were desirable among which was a stability of the legal and economic environment, well informed licensees and a clear assessment of what the recipient enterprise needs.

Universities

The increased interest of universities in building bridges with commerce and industry was noted as another potential source of technology for developing countries.

Co-operation between LES, national transfer of technology registries and UNIDO

It was agreed that more intensive co-operation among the groups participating in the meeting, including UNIDO, should be promoted. The following are some of the key recommendations made in this context:

- (1) More information on the legal environment in developing countries and on LES activities should be disseminated in a systematic manner, e.g. through the UNIDO TIES Newsletter.
- (2) A more regular continuation of meetings among heads of registries, LES members and UNIDO representatives should be envisaged, i.e. particularly in combination with TIES meetings.
- (3) Workshops/seminars on computer software and biotechnology licensing agreements should be organized by UNIDO jointly with LES members and representatives of developing countries on a national, regional or subregional basis. In the preparation of such workshops, consideration should be given to topics such as:
 - (a) Basic technology understanding;
 - (b) Structure of agreements;
 - (c) Selected contract clauses.
- (4) Participation in international conferences of LES and visits of LES members to transfer of technology offices should be encouraged as a way of providing a better reciprocal understanding on issues of common interest.

Journal of the Licensing Executives Society

As a result of the UNIDO/LES meeting held in November here at UNIDO in Vienna, we agreed to reprint the table of contents of the Licensing Executives Society's journal LES Nouvelles which appears quarterly. Should any of our readers wish for a copy of any article appearing in the LES Nouvelles, kindly write to Mr. Jack Stuart OH, Editor-in-Chief, 1444 W. 10th Street, Cleveland, Ohio 44113, USA.

Table of contents of LES Nouvelles (September 1986)

Case Study: International Collaboration
Jim Cullen

Technology Transfer in Ireland
Tom Dowling

PRC View of Technology Transfer
Chi Shaojie

Analysis: U.S. Export Regulations
Ralph W. Savage

Sophisticated Brainstorming
Stanley E. Jones and John E. Scigousky

U.S. Patent License Restrictions
Evelyn M. Sommer

Transferring Know-How to LDCs
Michael Burnside

Emphasis on Secrecy a Problem
Donald Kennedy

Block Exemption for R&D
M. Van Empel

Insight Into Andean Pact Licensing
Victor Bentata

News of LES Societies, Licensing

Licensing Bibliography

(December 1986)

CEO's View of Licensing
Robert B. Horton

Licensing - A Means, Not an End
Dr. Douglas E. Olesen

Licensing Into/Out of USSR
Dimitry A. Solovykh and Igor L. Voinov

Licensing Influence in Corporate Strategy
William S. Campbell

Impact of Divestiture at AT&T
William L. Keefauver

Licensing Disincentives in Brazil
Larry W. Evans

Hybrid Trade Secret Licensing
Melvin F. Jager

Equity Joint Ventures in PRC
Christian M. Verbeeck

Irish Government View of Licensing
Fergus O'Brien, T.D.

Effect of South Africa's New Law
Lawrence P. Reyburn

Implementing the Trade-Tariff Act
Alice T. Zalik

Recent Developments in the Law Relating to Licensing

News of LES Societies, Licensing

RECENT LEGISLATION

China

Procedures for examination and approval of technology import contracts

Approved by the State Council on 26 August 1985 and published by the Ministry of Foreign Economic Relations and Trade on 18 September 1985, the full text of the "Procedures for Examination and Approval of Technology Import Contracts" (unofficial translation) has been made available to China Economic News for publication as follows:

Article 1. This set of procedures (hereinafter, the Procedures for short) is formulated in accordance with the provisions of the "Regulations on Administration of Technology Import Contracts of the People's Republic of China".

Article 2. Technology import contracts hereunder listed must be submitted for governmental examination and approval in accordance with the Procedures, regardless of country of origin, source of funds and method of payment:

- (1) Contract for transfer or licensing-in of industrial property rights and technical know-how;
- (2) Contract for technical services, including that of feasibility study or engineering designing entrusted to or in co-operation with foreign enterprises, that of provision of technical services through employing foreign geological exploration or engineering team(s), that of provision of technical services on technical renovation, technology or product design improvement, quality control and enterprise management, etc., but exclusive of that for foreigners to be employed to work in China's enterprises;
- (3) Contract for co-production which involves the transfer of industrial property rights and technical know-how or licensing, but exclusive of that for SKD or CKD operations, and processing with supplied materials or samples;
- (4) Contract for the supply of complete sets of equipment such as plant, workshop or production line, the aim of which is to transfer or license-in industrial property rights and technical know-how as well as provision of technical services;
- (5) Other contracts for the purchase of machinery, equipment or goods which involve the transfer of or licensing-in of industrial property rights and technical know-how as well as provision of technical services, but exclusive of those for the straightforward purchase or leasing of machinery and equipment, or their after-sales provision of technical data, random operation manuals and maintenance instructions or maintenance service in general.

Article 3. For technical import contracts in which technology is acquired from a foreign investor or other foreign party in enterprises owned by foreign interests, and equity and contractual joint

ventures that are established in the People's Republic of China, they must undergo the process of examination and approval according to the Procedures.

For contracts in which the industrial property right or technical know-how concerned is entered as an equity share by foreign investors, they must undergo the process of examination and approval according to the provisions of the "Regulations for the Implementation of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment" and other relevant laws and/or administrative regulations.

Article 4. Technology import contracts are examined and approved respectively in the light of the following conditions:

- (1) Given existing norm stipulations, the contract for an above-norm project, the feasibility study report or equivalent document(s) of which is approved by the State Planning Commission is to be examined and approved by the Ministry of Foreign Economic Relations and Trade. (Generally speaking, norm, above-norm or below-norm refers to the size of a project of a given value; above it or below it on which depends the approval authority of the government department concerned up and down the administrative apparatus. Where, say, a US\$50 million contract has to be vetted by a Central Commission, its provincial or local counterpart is responsible for the approval of, say, US\$5 million worth of orders - Editor's note);
- (2) Given existing norm stipulations, the contract for a below-norm project, the feasibility study report or equivalent document(s) for which is approved by the responsible ministry or administration directly under the jurisdiction of the State Council, is to be examined and approved by the Ministry of Foreign Economic Relations and Trade or the above-mentioned responsible ministry or administration entrusted by the Ministry of Foreign Economic Relations and Trade, which, however, is invested with the overall responsibility to issue the "Approval Certificate for the Technology Import Contract";
- (3) Given existing norm stipulations the contract for a below-norm project for which the feasibility study report or the equivalent document(s) is approved by the provincial, autonomous region or municipality government directly under the jurisdiction of the central Government, special economic zones, coastal open cities and cities which come separately under the national economic plans, is to be examined and approved by the respective Departments (Commissions or Bureaux) of Foreign Economic Relations and Trade. The contract for a project for which the feasibility study report or equivalent document(s) is approved by city or county government is to be examined and approved by the respective Departments (Commissions or Bureaux) of Foreign Economic Relations and Trade of provinces, autonomous regions and municipalities where the organs of the above said cities of countries are located;
- (4) Except those stipulated in (2) of Article 3 of the Procedures, a technology import contract signed by a foreign-owned enterprise, equity joint venture or contractual joint venture or other foreign party is to be examined and approved by the Departments (Commissions or Bureaux) of provinces, autonomous regions, municipalities directly under the jurisdiction

of the central Government, special economic zones, coastal open cities and cities which come separately under the national economic plans where the above-said enterprises are registered.

Article 5. Application for examination and approval of a technology import contract mentioned in the foregoing article must be submitted by the contract recipient to the organs in charge within 30 days from the date of signature along with the documents as listed below:

- (1) Application;
- (2) Contract copy and its Chinese version;
- (3) Certificate referring to the legal status of the contracting parties.

If the organs in charge consider it necessary, the applicant may be asked to submit other documents/data needed for the examination and approval of the contract.

Article 6. After receiving the application, the organs in charge must pay attention to the following points:

- (1) Whether the contents of the contract conform to that of the feasibility study report or the equivalent document(s) approved;
- (2) Whether the essential articles in the contract are as required;
- (3) Whether the property rights of the transferred technology and, where disputes arise over such property rights in the technology transfer, the obligations as well as the solutions thereof are explicitly and reasonably stipulated in the contract;
- (4) Whether there are reasonable stipulations in the contract for the technical level which should be achieved by the transferred technology, including the product quality guarantee, through the application of the said technology;
- (5) Whether the price and the way of payment are reasonable;
- (6) Whether the stipulations in the contract for the contracting parties relating to their rights, responsibilities and obligations are definite, reciprocal and reasonable;
- (7) Whether any preferential taxation commitment is made in the contract without the consent of the Chinese Tax Authority;
- (8) Whether any provision is found in the contract violating the existing laws and regulations of China;
- (9) Whether any provision is found in the contract that constitutes an encroachment of the sovereignty of China.

Article 7. The organ in charge must complete its contract examination and approval process within 60 days from the date of receipt of the application:

- (1) Once a contract is approved after examination, the organ in charge shall issue the "Approval Certificate for Technology Import Contract" printed and numbered by the Ministry of Foreign Economic Relations and Trade;

- (2) Once a contract is not approved after examination, the organ in charge shall put forth as soon as possible the reasons thereof and request the recipient signatory party to hold renegotiations with the supplier of the technology and then grant the approval provided that the contract is amended accordingly.

To facilitate approval of the contract, the recipient negotiator may consult the organs in charge of the main contents or certain articles in the contract before or during the renegotiations or requests for pre-examination.

Article 8. After approval of the technology import contract by the Government authorities concerned, all organs in charge shall submit a copy of the "Approval Certificate for Technology Import Contract", as well as the relevant data, to the Ministry of Foreign Economic Relations and Trade for unified registration. The specific requirements for the data to be submitted shall be further notified by the Ministry of Foreign Economic Relations and Trade.

Article 9. The "Approval Certificate for Technology Contract" or a copy thereof must be presented when arranging for a bank guarantee, letter of credit, payment, settlement of exchange accounts, customs clearance, payment of taxes or application for reduction or exemption of taxes or duties during the course of execution of the technology import contract. Unless the said approval certificate is submitted, the bank, customs and tax authorities are not entitled to process or handle the above requests.

Article 10. Where substantive amendment or extension of the contract duration is made during the course of the execution of the technology import contract, re-application for examination and approval shall be made according to the relevant stipulations of the Procedures.

Article 11. The Ministry of Foreign Economic Relations and Trade shall be responsible for interpreting the Procedures.

Article 12. The Procedures shall enter into force from the date of promulgation.

Brazil

We have recently received the texts of recent laws from the National Institute of Industrial Property, Brazilian Ministry of Industry and Commerce, the titles of which are as follows:

1. Normative Act No. 43/INPI, dated 22 September 1980 -
Subject: Provides for the forms which should accompany the processes concerning the transfer of technology.
2. Normative Act No. 053/INPI-13/SEI, dated 12 February 1981 -
Subject: Provides for the procedures for the examination of technology transfer acts and contracts and of patents application in the area of informatics.
3. Normative Act No. 055/INPI, dated 20 August 1981 -
Subject: Provides for a mandatory prior consultation over the acts and contracts of specialized technical assistance when including inspection services and/or assembly supervision, performance tests and the start-up of the equipment operations.

4. Normative Act No. 061/INPI, dated 24 March 1981 -
Subject: Provides for norms concerning license agreements for the use of marks which constitute simple variations of content of earlier registrations or filing and concerning license agreements for the use of marks for an indefinite period of time.
5. Normative Act No. 064/INPI, dated 16 September 1983 -
Subject: Provides for investment in research and investment of venture capital, as a condition for the recording of technology transfer contracts.
6. Normative Act No. 065/INPI, dated 21 October 1983 -
Subject: Provides for the prior survey of patent certificates for purposes of contracting technology abroad.
7. Normative Act No. 068/INPI, dated 5 January 1984 -
Subject: Provides for a prior submission to INPI of invitations for bids by agencies of public administration in the cases as specified.

If any of our readers would like to receive the texts themselves, we shall be glad to supply them upon request. Requests should be addressed to the editor of the TIES Newsletter, c/o UNIDO, Vienna International Centre, P.O. Box 300, Vienna, A-1400, Austria.

TECHNOLOGY ACQUISITION

Topics for negotiators

As mentioned in issue No. 34 of the TIES Newsletter, we will be presenting parts of a paper written by Prof. F. Dessemontet of the University of Lausanne. This second part will cover the topics of antitrust legislation, intellectual property legal protection, international protection and the role of intellectual property protection in developing countries.

A. Antitrust legislation

With a view to protect and promote competition, industrialized countries have developed antitrust laws that have an impact over broad areas of commercial activity, including technology transfer. Although such laws relate to persons and corporations in these countries, or those doing business within their boundaries, developing countries may derive some protection from the fact that technology suppliers in these countries cannot always impose certain unreasonable constraints even in foreign technology transfer. Moreover, third world countries have recently developed a growing awareness concerning governmental intervention in transfer of technology; their policies often consist of introducing a protective regulatory legislation which requires, *inter alia*, a compulsory registration of all transfer of technology agreements and specifies in a more or less general way which conditions of these agreements are considered as not acceptable.

These "non-acceptable" conditions were primarily based on the concept of "restrictive trade practices" as defined by industrialized countries, with the aim of eliminating the more frequent and unfair practices of foreign suppliers of technology.

Antitrust laws apply to contracts which act to restrain trade unreasonably, thus affecting national economic interests, or to arrangements that tend to lessen competition through attempts to create illegal monopoly power (for example, through

corporate acquisitions and mergers, or market divisions). They also aim at preventing technology suppliers from abusing or misusing their monopolistic position in the market resulting from ownership of industrial property rights.

Regulations pertaining to arrangements such as mergers, for example, have no direct effects on technology transfer to developing countries. On the other hand, rules concerning licensing agreements are of particular interest. These rules consider certain restrictive provisions as unlawful.

The main illegal provisions may be briefly summarized as follows:

(a) Tie-ins

A tie-in is a provision under which a licensor forces his licensee to purchase or lease non-patented goods or services as a necessary condition to secure a licence under one or more patents for invention. Such practice is considered as illegal because the patentee or licensor can effectively extend the monopoly of his patent rights beyond its scope, by a condition imposed upon his licensee to commit himself to purchase or lease other goods that are not covered by the patent. However, such provisions could be permissible to the extent that they would be necessary to insure the effectiveness of the licensed technology.

(b) Package licensing provisions

Package licence is an agreement in which the licensee is granted licence under more than one patent. If the licensee is induced to accept further licences which he does not need, this package licensing provision is generally viewed as too restrictive; nevertheless, such a provision could be permissible to the extent that it would be necessary for a technically satisfactory exploitation of the licensed invention.

(c) Total sales royalties

Such a restriction occurs when the licensee is charged royalties on products which are not entirely patented, or for the use of know-how which has entered into the public domain (other than by the fault of the licensee).

(d) Post-expiration royalties

These provisions impose upon a licensee the obligation to pay royalties after the patent in question has expired.

(e) Tie-outs

These provisions tend to prevent a licensee from competing with the licensor by purchasing, using or selling products similar to or in the same category as the products covered by the licensed patent.

(f) Territorial restrictions

The unlawfulness of restrictions pertaining to the territories to which the licensee may export the patented goods has to be decided by taking into account the circumstances of each case. Such provisions should be permissible when the licensor is already selling patented goods in the geographical area where the licensee may not export, or when the licensor has granted to a third party an exclusive licence to sell in that area, for example.

(g) Licensee (estoppel)

Provisions under which a licensee agrees not to attack the validity of the licensed patent are

illegal according to US and EEC antitrust regulations. Furthermore, these restrictions have been declared illegal under common law by the Supreme Court of the USA. Nevertheless, such provision should be valid at least when stipulated in a patent assignment contract in order to impede the assignor from attacking the validity of the patent he has sold and conveyed.

(h) Grant back provisions

In such provisions the licensee is requested to grant back to the licensor either an assignment or an exclusive licence as to any improvement that he makes within the scope of the licensed technology.

(i) Cross-licensing and patent pooling

It may be unacceptable to provide for a network of licences and for the pooling of technical knowledge with the intent to suppress competition and/or to divide the market into exclusive trade areas.

(j) Price fixing provisions

These restrictions consist of the determination of prices, components of prices or discounts for the products made under licence.

(k) Quantity or volume restrictions

A clause requesting the licensee to limit the quantity or volume of production of the licensed product is usually viewed as illegal. On the other hand, a provision under which the licensee has to produce a minimum quantity of the licensed product or to carry out a minimum number of operations exploiting the licensed invention should be valid.

(l) Field of use restrictions

It may be unlawful to charge the licensee with an obligation to restrict his exploitation of the licensed invention to one or more technical fields of application that are covered by the licensed patent. However, such an obligation is not considered as restrictive to competition in the EEC regulations.

The restrictions listed above are examples of restrictive business practices, as defined by the United States, EEC and Japanese antitrust laws. These practices may be divided into two basic categories: per se violations, on the one hand, and practices which may be declared illegal according to the so-called "rule of reason", on the other hand. The first category is constituted by violations which are deemed to be restrictive of competition by themselves (price fixing provisions, for example); the second concerns practices which, according to the circumstances of the case, may be declared illegal after an examination of all aspects and consequences of the arrangement, if they are found to be concretely restrictive of competition, so as to be declared illegal. Field of use restrictions, for example, are not deemed to be restrictive of competition by themselves.

European and Japanese antitrust regulations provide for notification or registration procedures by which licence agreements are submitted for approval. Injured parties or even administrative bodies may be empowered to initiate proceedings in the courts or before trade commissions against offenders, who may be sued for damages or fined. Illegal provisions are null and void, and an additional sanction may consist of the forfeiture of patent right held by an offender.

These antitrust laws are not necessarily applicable to transfers of technology for developing countries, even if it seems legitimate and reasonable that practices which are illegal in industrialized countries be considered as unlawful in developing countries. However, these rules could be used as a pattern when enacting specific regulatory measures in developing countries. They have had an impact in the elaboration of the draft Code of Conduct on Transfer of Technology Agreements, pending for a decade with UNCTAD.

B. Intellectual property legal protection

Intellectual property comprises two main branches: industrial property (patents for inventions, industrial designs, utility models, trade marks, etc.) and copyright in literary, musical and artistic works.

(a) Patents for inventions

An invention is a novel solution of a specific problem in the field of technology. A patent is a document issued by a government office which describes the invention and confers to the holder (patentee) certain exclusive rights for a limited period (generally 15 to 20 years). The patentee receives a legal monopoly, i.e. the right of excluding others from making, using and selling the invented product, technique or process in the national territory where the patent has been issued. The patentee also has property rights over the invention, which he can himself exercise or assign totally or partially to others (sell or license; a license is a contract by which the patent-owner - licensor - grants to another party - licensee - an authorization to use the invention; contrary to what succeeds within a patent assignment, the licensor still remains the holder of the rights deriving from the patent). The "make, use and sell" rights are separate rights, and the patentee has discretion over the extent of the rights he confers on his licensees. A patentee can claim his exclusive use and sale rights to prevent the importation of a patented product, or in some countries to prevent importation of a product made by a patented process.

Patent is a reward for inventor. In developed countries the patent system plays the important role of stimulating inventions of industrial utility. As patents are published their informational content is disclosed, which gives the interested public and enterprises the possibility of further improving it or seeking substitutes. When the patent lapses that technical information enters the public domain and can thus be freely employed by anyone without reference to the patentee.

In the Soviet Union and a few other countries, inventors may apply either for patents or for inventors' certificates. Under the latter, the exclusive right belongs to the State, but the inventor has a right to financial and other rewards.

(b) Trade marks and trade names

A trade mark is a sign which serves to distinguish the goods of an industrial or a commercial enterprise. It is generally necessary for effective protection that a trade mark be registered in a government office. If a trade mark is protected, then no person or enterprise other than its owner may use it - or any trade mark so similar to it that its use would lead to confusion in the minds of the public - at least not on or in connection with goods regarding which such confusion might arise. The protection of a trade mark is

generally not limited in time, provided its registration is periodically renewed and, in many countries, if there is continued utilization. International registration is possible for a limited number of European countries.

Trade marks play an important role in the market-place since they help the consumer distinguish between products of different manufacturers. The principal objective of trade mark legislation is to prevent confusion of merchants and consumers while selecting branded or labelled products and therefore the transfer of the right-of-use of the trade mark to another party is not possible in some countries without the concurrent transfer of the goodwill of the trade mark owner. In a trade mark license, the licensor may stipulate that the licensee's use of the trade mark is subject to supervision of product quality. Such supervision is, in fact, mandatory in the trade mark law of many countries. The objective of the law in requiring supervision is that in the public's view, the licensee's goods should be of the same nature and quality as the goods traditionally identified by the licensor's trade mark.

Trade names serve to distinguish the enterprises themselves. They are generally protected under either a specific legislation or a common law. When a trade name is protected an identical or similar trade name cannot be used by another enterprise.

(c) Appellations of origin, geographic denominations of goods and services

An appellation of origin is the geographical name of a country, region, or locality which serves to designate a product originating therein, the quality and characteristics of which are due exclusively or essentially to the geographical environment, including natural and human factors.

Such appellations shall not be employed to designate goods not originating from the place which the appellation is referring to. Furthermore, sanctions shall be applied in connection with import of goods bearing a false or deceptive indication of source.

(d) Utility models

Utility models are constituted by implements of work or objects to be utilized (or parts of such implements or objects). They are eligible for protection in so far as they are of use for the work or employment for which they are intended, due to a new outline, a new arrangement or a new device, and are industrially applicable ("industry" includes agriculture). Protection is granted by a registration certificate; it is limited in time (generally 5 to 10 years). The owner of such a certificate has the right to preclude any person from carrying out any of the following acts: making, importing, offering for sale, selling and using the utility model, and keeping the latter for the purposes of offering for sale, selling or using.

(e) Industrial designs

An industrial design is the ornamental aspect of a useful article. This ornamental aspect may be constituted by elements which are three-dimensional (shape) or two-dimensional (lines); these elements must not be solely dictated by the function for which the article is intended. To be eligible for protection in a country, industrial designs shall be original or novel and must be registered in a government office. Protection of an industrial design means that it may not be copied or imitated

without the registered owner's authorization and copies or imitations made without such authorization may neither be sold nor imported. Protection is given for a limited period of time (generally 5 to 15 years). International registration is available for some European countries.

(f) Trade secrets, know-how

Know-how should be defined as valuable accumulated knowledge relating to the industrial production of a given line of manufactured goods and wares; it includes tangible materials, such as recipes, formulas, blue sheets, technical records, manuals and instructions for operating a process or controlling the production, etc., as well as intangible information consisting of practical procedures, technical training, etc. Generally speaking, legal protection of know-how is afforded only to certain inventions or innovations that constitute trade secrets; know-how shall be protected only if confidential; in that context, confidentiality means some measure of secrecy and the owner's will to enforce confidentiality rather than absolute secrecy (that is, that nobody else in the world knows about it).

Criminal and civil laws usually provide for the protection of trade secrets. The main difference with patent protection is that while the patent laws grant a monopoly to use the protected techniques vis-à-vis all competitors, the criminal and civil penalties against misappropriation of trade secrets are directed only against the competitors who have used improper means to ferret out or duplicate the know-how, or against unfaithful employees who have unduly used or divulged the trade secrets to unauthorized third parties. In Western countries, secrecy measures are often preferred to patent protection: the latter may be unavailable (unpatentable knowledge); further, inventors may not wish to lay their inventions open for inspection through the publication of patent applications or granted patents and the ensuing registration in computerized data banks; and lastly, protection under secrecy measures may be longer than the patent protection (this may occur if a given knowledge has been kept secret for many decades like the "Coca-Cola" recipe, for example).

Under most licence agreements, the licensor shall disclose the necessary know-how to the licensee. However, as the value of the know-how depends on its confidentiality, the recipient will be requested to hold the disclosed information in secrecy. A secrecy clause is consequently fundamental to know-how licence agreements.

(g) New varieties of plants

The protection of new varieties of plants is granted either in the form of a special title (registration certificate, for example) or a patent (plant patent). It consists of recognizing that the breeder's prior authorization is required for doing any of the following acts in respect of the reproductive or vegetative propagating material of the variety: production for commercial purposes, offering for sale and marketing. Nevertheless, the breeder's authorization is not required for the use of his protected variety as an initial source of variation for the purpose of creating other varieties. Protection is granted for a limited time (15 years, in general).

(h) Copyright

Copyright protects literary and artistic works (works expressed in words, music, pictures, choreography, cinematography), including works of

applied art and technical work, such as drawings, scientific articles and manuals, etc. In many countries furthermore, copyright protection is afforded to computer programmes.

The author of a protected work enjoys a monopoly on the exploitation of his work: in a general way he has the exclusive right to copy or reproduce the work, to perform it in public, to make sound recordings or motion pictures, to broadcast the work, to translate it, etc. In most countries, protection is independent of any formalities; in the USA however, and a few other countries, full protection is conditional upon compliance with certain formalities, such as registration in a government office, payment of fees, or the affixing of a "copyright notice" on published copies.

Copyright protection is limited in time; many countries have adopted, as a general rule, a term of protection which starts at the time of the creation of the work and ends 50 years after the death of the author. A noticeable trend in industrialized European countries is to extend the duration to 70 years thereafter.

C. International protection

The laws of a country relating to intellectual property are concerned only with acts accomplished or committed in the country itself. Consequently, intellectual property protection based on national law is only effective in the country concerned; it is not effective in other countries. Therefore if an inventor desires protection in several countries he should file a patent application in each of them separately.

With a view to securing intellectual property protection in more than one country, many international conventions have been established. Usually these conventions contain three main categories of rules:

- Rules providing that each contracting State must grant the same protection to nationals of the other contracting States as is enjoyed by its own nationals (provisions on national treatment or assimilation);
- Rules simplifying or unifying the application or registration procedures;
- As to substance, common rules which all the contracting States must follow (minimal rights guaranteed by the convention itself).

Further, a sole registration procedure is provided for under some conventions. For example, the ESARIPO patents and the ESARIPO design registrations, granted by the Office of the Industrial Property Organization for English-Speaking Africa (Harare), have effect in five African countries (Ghana, Malawi, Sudan, Uganda, Zimbabwe); in the field of patents, trade marks and industrial designs, the grants and registrations made by the African Intellectual Property Organization (Yaoundé) have effect in 12 French-speaking African countries (Benin, Cameroon, Central African Republic, Chad, Congo, Gabon, Côte d'Ivoire, Burkina Faso, Mauritania, Niger, Senegal and Togo).

Among the most important international agreements it is worth mentioning the Paris Convention for the Protection of Industrial Property of 1883 which deals with patents, trade marks, industrial designs, trade names, indications of source on goods and unfair competition.

The Patent Co-operation Treaty (PCT) of 1970 provides that nationals and residents of any contracting State may apply for protection in other member countries by filing an international application. In the field of trade marks, international registration procedures have been established by the 1891 Madrid Agreement Concerning the International Registration of Marks and the Trade Marks Registration Treaty of 1973. Conventions concerning appellations of origin and geographic denominations have been concluded (Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods of 1891, Lisbon Agreement for the Protection of Appellations of Origin and their International Registration of 1958). An international deposit of industrial designs is provided for by the Hague Agreement Concerning the International Deposit of Industrial Designs of 1925. An international convention for the protection of new varieties of plants was concluded in Paris in 1961. In the field of copyrights, two agreements should be mentioned: the Berne Convention for the Protection of Literary and Artistic Works of 1886, and the Universal Copyright Convention of 1952. According to the Appendix to the Paris Act of the Berne Convention of 1971, developing countries may, under certain conditions, depart from the minimum standards of protection established by the Convention with regard to the right of translation and the right of reproduction.

By laying down common rules and/or establishing international registration procedures, these conventions have contributed to secure intellectual property rights at an international level and therefore to create a climate propitious to investment and technology transfer in industrialized and developing countries alike.

D. Role of intellectual property protection in developing countries

(a) Patent system

Almost all countries of the world have instituted a patent system. The main reasons which explain the establishment of a patent system in developing countries may be summarized as follows.

The patent system is an incentive for research and development. It is a means of rewarding inventors for their innovative activity. The industrialist who has engaged capital in research with a view to developing an invention shall be granted an exclusive right; if not, competitors could use the invention and, being free from research and development costs, produce at a cheaper price; in such a case, inventors or industries would no more engage capital in the development of inventions and it would consequently result in a decrease of innovative activities. Moreover, if the exploitation of an invention is reserved to its inventor, competitors are forced to develop their own inventions so as to remain competitive. The patent system accordingly has a stimulating influence upon the development of inventions. By conferring an exclusive right on the one hand and publishing inventions on the other, the patent system encourages the disclosure of inventions which would otherwise be kept secret. By making technical information available, the patent system avoids a waste of human and financial resources in the duplication of research, fosters intelligent division of labour and provides for possibilities of making further inventions or substitutes.

Thanks to the patent system, inventions fall into the public domain after the patent has lapsed. This would not occur if inventions were held in secrecy.

As patents are published, they constitute by themselves a source of technical information that modern data banks operated on computers make accessible to the world at large.

In technology transfer the licensee enjoys the advantages of the protection afforded by the patent since competitors shall not use the invention. Without exclusivity on the market no industrialist would invest in production facilities and marketing for new products.

The patent system has however been criticized in developing countries. Statistics of industrial property show that most patents in these countries are held by non-residents (generally transnational corporations); furthermore, these patents often remain unexploited in the country itself. In such circumstances the patent system may appear to work in a negative fashion for developing countries since it would mainly serve foreign interests. In particular it is sometimes argued that the patented goods could be imported and sold at an inflated price by the patentee who thanks to his exclusive rights can prevent others from importing these goods. In order to avoid such negative effects of the patent system, some countries have adopted measures within the framework of the Paris Convention.

One of these measures consists in the forfeiture of patents which have not been exploited within the country after the lapse of a certain period of time. As this is a very severe and counter-productive sanction, other means of avoiding misuse of the patent system are preferable. As provided by the Paris Convention, forfeiture has to remain a subsidiary sanction which should be applicable only if milder measures are ineffective.

Some countries have therefore adopted a system of compulsory licences. The owner of the patent may be forced to grant a licence for importation. He would still have the exclusive right to work his patent, but he would not be able to prevent competitors from importing and selling patented goods at a cheaper price. Or more often, non-exclusive, compulsory licences for exploitation within the country are provided for. In such a case, the patentee is forced to allow the State or any other party to work the protected invention if there is insufficient exploitation after a delay of three to four years at least, but he has the right to ask for royalties since his patent is still in force. In the absence of an agreement upon royalties, the conditions of payment due for the compulsory licence are fixed by the court or by the Registrar of Patents. These licences are "non exclusive" because the licensee does not enjoy the monopoly of working the invention: the patentee still has the right to exploit it, and other compulsory licences may be granted to other parties.

Some English-speaking countries have instituted a licence-of-right: through a mention in the Patents Register, the patentee makes known that he shall grant non-exclusive licences. In a few countries, licences-of-right are compulsory for given products (pharmaceuticals, for example).

Another means of ensuring an effective exploitation of the patented inventions is constituted by the suspension of the action for infringement if the owner of the patent has not exploited the invention after the lapse of a certain period of time: in such a case, the patentee cannot prevent others from working the patent as long as he does not exploit it (unless legitimate reasons

justify such absence of exploitation: see for example Article 58 of Annex I of the Agreement Relating to the Creation of an African Intellectual Property Organization of 2 March 1977 - Bangui Agreement); the patentee may file suits against infringement on the strength of the patent as soon as he exploits the invention within the country.

The notion of exploitation has been defined in some countries as manufacturing the patented product, using the patented process or utilizing a patented machine for manufacture by an enterprise located in the country, in an appropriate and reasonable manner. Therefore import may not be constitutive of a sufficient exploitation; furthermore, import is not a legitimate reason which would justify the absence of exploitation.

Moreover, the following situation may be ranked with the absence of exploitation:

- The exploitation is insufficient to satisfy the needs of the market or even to export patented goods abroad;
- The patentee refuses to grant licences under reasonable conditions;
- The patentee imposes excessive conditions for buying, leasing or employing the patented product or process.

In such situations, the patentee may be forced to grant a non-exclusive licence.

However any attempt to dismantle the patent protection any further may result in a decrease of the technology flow to developing countries; it would induce inventors to hold their inventions in secrecy, thus reducing the flow of information about the available technologies. Thanks to the patent system, inventors are guaranteed against misappropriation of the fruits of their research. If such a guarantee were to be insufficient, they could renounce the transfer of the technology they have developed, or altogether to investment, licensing or exportation. Even if technology suppliers sometimes misuse their intellectual property rights, this does not mean that the patent system as a whole is unadapted to developing countries. Moreover, there are often legitimate reasons why a patent is not exploited: lack of the infrastructure necessary to work the invention or profitability requirements which exclude exploitation in every country, for example.

If tailored to suit specific interests of developing countries, the patent system should be an incentive to technology transfer inasmuch as it gives access to technology while securing industrial property rights. Furthermore it helps create a climate favourable to foreign investments.

It has been attempted to revise the Paris Convention with a view to take the interests of developing countries into account. This attempt, however, has failed (Conferences of Geneva and Nairobi, from 1980 to 1984). Among others, controversies about compulsory licences have caused disagreement between industrialized and developing countries. Arguing that the system of non-exclusive compulsory licences is not able to foster the exploitation of patented inventions because the licensee would not be in the best position to redeem his investment (as he does not enjoy a monopoly of working the invention), some African and Asian countries wanted the Convention to consecrate a system of exclusive compulsory licences, which would

give the licensee the right to prevent other parties - including the patentee - from working the invention. On the other hand, Western countries expressed fears against a patent system which would deprive inventors of their rights.

Nevertheless, this failure is not definitive: consultation proceedings have begun with a view to convoking a fifth diplomatic conference.

(b) Others

Trade marks and other distinctive signs serve the interests of producers, merchants and consumers. They facilitate trade by avoiding confusion between similar wares or services. On the consumers' side, they allow the identification of a given product to a certain quality.

Under a trade mark licence, the licensee is authorized to affix the mark to his products, thus taking advantage of the renown of the licensed trade mark.

Utility model legal protection is especially adequate in countries where inventive activity is weak, because the requirements for protection are easier to fulfil than those for patent protection.

Industrial designs serve the interests of manufacturers and craftsmen (textiles, for example). The ornamental aspect of a useful article is of great value since it plays an important role upon the consumer's decision to buy the article. Manufacturers and craftsmen are therefore interested in being protected against copies or imitations.

Copyright protection is an incentive for authors of literary or artistic works. In many countries, moreover, copyright protection is afforded to computer programmes; its importance is accordingly growing. The legal protection of software enhances licensing transactions in that area.

REGISTRY NEWS

Republic of Korea - country profile

I. LEGISLATION *

(A) Foreign investments

1. Laws and regulations in force

Foreign Capital Inducement Act and the Enforcement Decree of the Foreign Capital Inducement Act (1966).

2. Registration

In the event that a foreign national intends to subscribe for the stock or own the shares of a judicial person of the Republic of Korea (including a judicial person under incorporation) or an enterprise carried out by a national of the Republic of Korea, an approval of the Minister of Finance shall be obtained in advance. Accordingly, an application for authorization of foreign investment should be filed with the Ministry.

* Information on the legislative framework related to technology transfer without reproducing the full text of this legislation. With this information it should be possible to interpret the data on technology transfer trends.

3. Scope

The Korean Government, in an effort to maintain an 'open-door policy' on foreign investment and encourage the introduction of foreign capital and advanced technology, has amended the Foreign Capital Inducement Act which is to be effective from 1 July 1984. In accordance with the revised Act, the scope of eligible foreign investment projects is considerably widened, with the exception of some particular projects.

(B) Industrial property

1. Laws and regulations in force

Patent Law, Trade Mark Law, Utility Model Law, and Design Law, the Unfair Competition Prevention Law.

2. Scope 1/

(a) The Korean Patent Law has a few explicit exclusions from patenting. The following sectors are deemed as non-patentable matters:

- Food, drink or fancy eatables;
- Medicine or methods of compounding medicine;
- Materials which may be manufactured by the transformation of atomic nuclei process;
- Material which can be manufactured through chemical processes;
- Use invention according to nature possessed in material *per se*;
- Material which threatens to injure public order, public morality or public health.

(b) The trade mark may be registered except for the following sectors:

- A trade mark which is composed only of a mark indicating a common name of goods in a common manner;
- A trade mark which is in customary use with respect to such goods;
- A trade mark composed only of a mark indicating in a common manner the place of origin, quality, raw material, effect, use, shape, price, or method of manufacture;
- A trade mark composed only of a mark indicating a well-known geographical name, its abbreviation or a map;
- A trade mark composed only of a mark indicating in a common way a common family name or title;
- A trade mark composed only of a mark which is very simple and common;
- A trade mark by which goods of one's own cannot be distinguished from those of another.

(C) Technology transfer

1. Laws and regulations in force

Foreign Capital Inducement Act (Technology inducement)
Engineering Service Promotion Law (Technical service)
The Fair Trade Law.

2. Regulation

Technology inducement for the purpose of importing raw materials or intermediary goods, or using trade marks or utilizing sales effects will not be allowed.

1/ Indication for which sectors trade mark and patent registration are allowed.

3. Scope 2/

The criteria the authority concerned receives when reporting on technology inducement contracts regardless of any industrial sectors, are as follows:

(a) Projects which greatly contribute to the improvement of the balance of international payments;

(b) Projects which contribute to the development of key industries or public utilities;

(c) Projects which contribute to the development of the national economy and social welfare;

(d) Projects that contribute to the development of overseas export markets;

(e) Projects for use in the manufacture of machinery, industrial parts and the development of design industries;

(f) Projects that are deemed unprofitable in terms of time and expenses if they are to be developed at home;

(g) Projects whose marginal effects are deemed certain in terms of production and cost.

4. Restrictive practices 3/

The main restrictive practices to be regulated by the Fair Trade Law are as follows:

(a) Restriction on source of supply of raw materials;

(b) Grantback of improved technology;

(c) Restriction on resale price;

(d) Restriction on dealing in competing goods;

(e) Charging excessive royalty;

(f) Prohibition of parallel imports.

5. Remuneration 4/

There is no restriction in the payment of royalty by law or regulation.

4. Taxation 5/

The newly amended Act enforced from 1 July 1984 states that income tax or corporation tax shall be exempt for five (5) years from the date of acceptance of a report of a contract concerned with regard to the royalties to be acquired by the licensor in accordance with the contents of a technology inducement contract.

II. INSTITUTIONAL ARRANGEMENTS

(A) Competent approval authority

Any person desiring to induce foreign technology into the nation in accordance with the

2/ Reflects the scope of the Registration with regard to type of agreement and sectors (ISIC).

3/ Clauses which are not allowed to appear in contracts by law or legislation.

4/ Technology payments restrictions by law or legislation.

5/ Taxation policies on technology transfer payments.

new Act shall submit a report on the contract to the pertinent government ministry. For instance, machine industry comes under the Ministry of Commerce and Industry, food processing industry under the Ministry of Agriculture and Fishery, and cosmetic and pharmaceutical industry under the Ministry of Health and Social Affairs. In addition, in case of technical service contracts, applicants should get an approval from the Ministry of Science and Technology.

(B) Office staffing

Staff members of each pertinent ministry are mostly government officials consisting of engineers and economists with a professional background.

(C) Co-ordination

In order to check on restrictive business practices of the contract according to the Fair Trade Law, each ministry refers the legal matter to the Office of Fair Trade, Economic Planning Board.

(D) Evaluation 6/

Under the newly revised Act, the Government authority concerned shall evaluate the following matters in order to check on inappropriate technology to be imported as soon as a report is supplied.

1. The technology is intended for use of a simple design or a trade mark;
2. The technology is designed to sell raw materials, parts or components on the domestic market;
3. The technology is the one already developed domestically and designated by the Minister of Science and Technology for protection from the import of similar technology;
4. The technology is low or outdated;
5. The technology contracts includes expressly unfair or restrictive conditions and terms.

Philippines - country profile

I. LEGISLATION

(A) Foreign investments

1. Laws and regulations in force

The laws governing the entry of foreign investment are embodied in the Omnibus Investment Code, as amended by the New Investment Incentives Policy Act. The Code contains, among others, the regulations for the entry of foreign investments and incentives given to preferred areas of activities for domestic, export and agricultural projects. In addition to the provisions under the Code, article 14, sections 5, 8 and 9 of the Philippine Constitution sets forth the limitation on foreign equity participation in such areas as ownership of land, disposition, exploration, development, exploitation, or utilization of natural resources, and operation of public utilities and educational institutions.

6/ Major evaluation criteria should include internal guidelines for royalty rates (plus definition), form of payment preferred, restrictive practices other than those covered by law/regulations, etc.

2. Registration

(a) Part III of the Omnibus Investment Code provides for the treatment of foreign investments not otherwise registered under Book One (Investment and Export Incentives) of the Code and where no incentive for the entry thereof is given by the Philippine Government;

(b) Central Bank Circular No. 365, as amended by Circular No. 1028, requires the registration of the inward remittance of foreign investment to enable the investor to remit dividends and profits out of the Philippines.

3. Scope

Part III of the Omnibus Code regulates the entry of foreign investments into the country where such foreign investments exceed 30 per cent of the outstanding capital. Specifically, it extends different degrees of treatment of foreign investment as follows:

(a) Permitted investments which are 30 per cent or less of the outstanding capital of the enterprises where such investments were made and where no registration but mere reporting to the Board of Investments is required; and

(b) Permissible investment, if the investment made by a non-Philippine national exceeds 30 per cent, and should thus be registered with the Board of Investments.

(B) Industrial property

1. Laws and regulations in force

(1.a) R.A. No. 165 - The Patent Law, as amended, and its Revised Rules of Practice;

(1.b) R.A. No. 166 - The Trade Marks, Trade Names and Unfair Competitions, as amended, and its Revised Rules of Practice;

(1.c) R.A. No. 3134 - The Copyright Law of the Philippines, as amended, and its Revised Rules of Practice.

2. Scope 1/

R.A. 165 creates the Philippine Patent Office which is in charge of approving and registering patent applications. Under the law, any invention of a new and useful machine, manufactured product or substance, process or an improvement of any of the foregoing shall be patentable. Any invention, however, which is contrary to public order or morals, or to public health or welfare, or if it constitutes a mere idea, scientific principle or abstract theorem not embodied in an invention, or any process not directed to the making or improving of a commercial product shall not be patentable. Aside from inventions, letters patent may also be applied for industrial designs and utility models. R.A. 166, on the other hand, provides for the registration and protection of trade marks, trade names and service marks. It also defines unfair competition and false marking. R.A. 3134 sets forth the provisions for the registration and protection of copyrights.

1/ Indication for which sectors trade mark and patent registration are allowed.

(C) Technology transfer

1. Laws and regulations in force

(a) Presidential Decree 1520, section 7;

(b) Rules and regulations to implement the intent and provisions of section 5 of P.D. 1520, October 1978.

2. Regulation

The Technology Transfer Board, created by Decree 1520, shall formulate its rules and regulations, such as requiring registration of technology transfer agreements entered into directly or indirectly with foreign companies or foreign owned companies.

3. Scope 2/

(a) Licence of patents, trade marks, technical know-how, model instruction sheets, formulae, specifications and training of personnel; and

(b) Technical consultancy services.

4. Restrictive practices 3/

(a) Post-expiry restriction in use of technology;

(b) Restrictions in access to improvements;

(c) Grantback;

(d) Restrictions in contesting patent validity;

(e) Restrictions in obtaining competitive technology in a non-exclusive licence;

(f) Tie-in;

(g) Export restrictions;

(h) Limitations on research;

(i) Limitations on the scope, volume or production or the sale or resale of prices of the products manufactured by recipient; and

(j) No warranty or a disclaimer on the suitability, etc.

5. Remuneration 4/

(a) Payments for patent and industrial property rights after expiration or invalidation;

(b) The rate of payment for contracts involving manufacturing or processing technology shall not go beyond the rate established by the Board for the specific technology or industrial right to be transferred. Royalty base commonly used is net sales which is defined as: invoice value based on actual sales minus: (a) trade, quantity or cash discounts and broker's or agent's commission, if any; (b) return credits and allowances; (c) tax, excise or other government charges; and

2/ Reflects the scope of the registration with regard to type of agreement and sectors (ISIC).

3/ Clauses which are not allowed to appear in contracts by law or legislation.

4/ Technology payments restrictions by law or legislation.

(d) freight, insurance and packaging expenses. In some cases, local value added is used as a base, hence, the landed cost of imported raw materials and components is further deducted from sales.

4. Taxation 5/

The licensor is required to shoulder the withholding tax on royalty fees. The Internal Revenue Code provides for a 35 per cent withholding tax on royalty and technical service fee payments except where there is an existing tax treaty between the Government of the Philippines and the Government of the technology supplier in which case the tax rate may be lower.

II. INSTITUTIONAL ARRANGEMENTS

(A) Competent approval authority

Technology Transfer Board
385 Sen. Gil J. Puyat Avenue
Makati, Metro Manila
Tel. 85 64 87 or 818 1831
ext. 282 and 283
Telex: 45555 MIPM
Ms. Lilia R. Bautista

(B) Office staffing

Management 2 (Chairman and Vice-Chairman/
Acting Executive Director)

Evaluation - Engineers 3
Lawyers 1
Economists 5

Study/Evaluation

(C) Competence

Technology Transfer Board is the competent authority for:

1. Formulating technology transfer policies;
2. Issuing rules and regulations for implementing such policies;
3. Establishment or co-ordination mechanism with other government institutions;
4. Screening and approving technology transfer agreements entered into with foreign owned and/or controlled companies.

(D) Co-ordination

Co-ordination through the composition of the Board with:

Ministry of Trade and Industry
National Economic and Development Authority
National Science and Technology Authority
Central Bank of the Philippines
Board of Investments
Technology Resource Centre
Philippines Patent Office

(E) Evaluation 6/

The appraisal takes into account the appropriateness of the technology under

5/ Taxation policies on technology transfer payments.

6/ Major evaluation criteria should include internal guidelines for royalty rates (definition), forms of payment preferred, restrictive practices other than covered by Law/Regulations, etc.

consideration, as well as the reasonableness of the payment in relation to the value of the technology to the technology recipient and the national economy. Minimum royalty provisions are discouraged. Royalties as a percentage of sales are acceptable including payments expressed as lump sum fees. A fixed contract term of five years is allowed with renewals subject to prior Board approval. In addition, training obligation for key personnel of the recipient company is demanded.

TECHNOLOGY TRANSFER BOARD
1985 REPORT OF ACCOMPLISHMENT

A. Highlights

From January to December 1985, the Technology Transfer Board (TTB) acted on sixty-four (64) agreements, sixty-one (61) of which have been conditionally approved, three (3) endorsed to the Central Bank. For the same period, the Board rendered action on forty-two (42) requests for reconsideration. A total of sixty-eight (68) contracts were officially accepted from January to December 1985, while sixty-four (64) agreements have been duly registered after full compliance with conditions imposed by the Board.

B. General assessment

The number of applications processed by the Board in 1985 represents an 11 per cent decrease over the number of agreements acted upon in 1984. A 9 per cent decrease is likewise noted in the number of contracts registered with the TTB after full compliance with its conditions. These decreases, however are not indications that domestic firms have become less conscious of the need to acquire foreign technology. In line with the thrust of the Government to promote a balanced agro-industrial programme, it is forecast that the local agriculture and industry sectors will continue to avail themselves of foreign technology to hasten its growth.

Most of the agreements registered were in the following sectors with the corresponding distribution: electrical supplies, appliances and accessories, 12.5 per cent; pharmaceutical, 10.94 per cent; food, 9.38 per cent; iron and steel, 9.38 per cent; industrial chemicals, 7.81 per cent; metals and metal products, 7.81 per cent.

As of 31 December 1985, the Board officially accepted a total of 768 agreements; the breakdown of subsequent action is:

1. Registration	634
2. Denials	12
3. Endorsements to Central Bank	11
4. Agreements pending with TTB	111
(a) Awaiting compliance of applicant firm's with pre-registration conditions	31
(b) Abandoned agreements	31
(c) Requests for waiver of 60 day/30 day evaluation period	9

The Board acted on 288 requests for reconsideration including the same requests filed more than once. In addition, the Board made 23 endorsements to the Central Bank on the basis of Central Bank referrals to TTB.

Colombia - Changes in Registry personnel

We have recently received information that a few changes in personnel have taken place at the Superintendencia de Industria y Comercio de Colombia. Would the Transfer of Technology Registries kindly take note of the following people they may contact in future:

Ms. Gloria Ortiz de González
Superintendente

Mr. Humberto Cardona Marulanda
Superintendente Segunjio Delegado (E)

Mr. Pedro León Ramírez Tapias
Secretario Técnico, Comité de Regalfas

Miss Luz Myriam Zárate Malagón
Chief, Sección de Regalfas y Tecnología

RECENT PUBLICATIONS

- ID/343 Industry and development. Global report 1986 (ISBN 92-1-106217-9) (86.II.B.5)
- ID/345 Fourth Consultation on the Iron and Steel Industry, Vienna, Austria, (ID/WG.458/17) 9-13 June 1986. Report
- ID/SER.M/18 Industry and development No. 18 (86.II.B.2) (ISBN 92-1-106215-2) (ISSN 0250-7935)
- UNIDO/PC.142 UNIDO's support to the iron and steel sector in developing countries
- UNIDO/PC.145 Expert Group Meeting on the Preparation of Guidelines for the Establishment of Mini-plants on Iron and Steel with Special Emphasis on Africa. Vienna, Austria, 2-5 December 1985. Possible programme of action in the iron and steel sector for developing countries through the mini-plant concept
- UNIDO/PC.147 Expert Group Meeting on Measures to Stimulate Co-operation between the Co-operatives of Developed and the More Industrialized Developing Countries and the Food-processing Industry in Developing Countries. Vienna, Austria, 26-28 May 1986. Report
- UNIDO/IS.481 System of preventive maintenance of capital goods. Sectoral working paper series No. 21
- UNIDO/IS.638 Iron and steel projects in developing countries. Sectoral studies series No. 26
- UNIDO/IS.642 Technological requirements for the machine tool industry in developing countries. Sectoral working paper series No. 51
- UNIDO/IO.630 Fourth Meeting of the Advisory Panel on Preventative Medicine. Ottawa, Canada, 11-12 March 1986. New trends for vaccine production and UNIDO programme on industrial production of biologicals
- UNIDO/IO.631 Fourth Meeting of the Advisory Panel on Preventative Medicine. Ottawa, Canada, 11-12 March 1986. Report

Third Consultation on the Agricultural Machinery Industry (Belgrade, Yugoslavia, 29 September - 3 October 1986)

- ID/WG.462/3/ Rev.1 Guidelines and sample clauses to international contracts for the acquisition, assembly and manufacture of agricultural machinery and spare parts therefor
- ID/WG.462/4 Reference guidelines for establishing multi-purpose agricultural machinery plants
- ID/WG.462/5 Issue paper I. Perspectives of interregional co-operation in the agricultural machinery industry, with emphasis on small- and medium-scale enterprises
- ID/WG.462/6 Issue paper II. Strategies for an integrated development of agriculture with local production of irrigation hardware and other agricultural equipment by small- and medium-scale manufacturers
- ID/WG.462/7 Estrategia internacional para impulsar la industria de la maquinaria agricola e intensificar la mecanización de la agricultura en los países en desarrollo
- ID/WG.462/8 Use of irrigation equipment for agricultural projects and possibilities of local manufacturing in developing countries
- ID/WG.462/9 Perspectives of South-South co-operation in the agricultural machinery industry
- ID/WG.462/10 Strategies for an integrated development of agriculture through local manufacture of machinery and equipment related to water conservation and conveyance, irrigation and drainage by small- and medium-scale manufacturers in Africa

Fourth Consultation on the Iron and Steel Industry (Vienna, Austria, 9-13 June 1986)

- ID/WG.458/17 Report (ID/345)
- High-Level Expert Group Meeting in Preparation of the Second Consultation on the Training of Industrial Manpower (Paris, France, 13-16 January 1986)
- ID/WG.460/3 Context, objectives and preparatory work for the second consultation on the training of industrial manpower

MEETINGS

- 3-23 Nov. Programme for Identification and Promotion of Industrial Investment Projects in Steel-related Industries. (UNIDO Meeting), Tokyo, Japan.
- 1-5 Dec. Programme for Identification and Promotion of Industrial Investment Projects in Steel-related Industries. (UNIDO Meeting), Vienna, Austria.
- 1-4 Dec. Seventh Industrial Forum for West Africa. (UNIDO Meeting), Dakar, Senegal.

1-5 Dec. Second Regional Meeting on Harmonization of Pesticide Registration Requirements. (UNIDO Meeting), Manila, Philippines.

1-12 Dec. UNCITRAL - Working Group on International Contract Practices, 10th session. Vienna, VIC, Conf. Rm. III.

5 Dec. Preparatory Committee on the Establishment of the International Centre for Genetic Engineering and Biotechnology, 9th session. (UNIDO Meeting), Vienna, VIC, Conf. Rm. II.

8-10 Dec. Workshop on the Establishment of a Consultative Group on Solar Energy Research and Application (CGSERA). (UNIDO Meeting), Vienna, VIC, Conf. Rm. VII.

8-12 Dec. First Workshop for Heads of African INTIB focal points on the utilization of personal computers for SUB-networking. (UNIDO Meeting), Dakar, Senegal.

10-12 Dec. Expert Group Meeting on Medicinal Plants and Other Issues - Pharmaceutical Industry. (UNIDO Meeting), Vienna, VIC, Conf. Rm. VII.

5-16 Jan. UNCITRAL - Working Group on International Negotiable Instruments, 15th session. Vienna, VIC, Conf. Rm. III.

12-15 Jan. Regional Meeting on the Leather and Leather Products Industry in Africa. (UNIDO Meeting), Alexandria, Egypt.

19-22 Jan. Second Investors' Forum for Bangladesh. (UNIDO Meeting), Dhaka, Bangladesh.

26-29 Jan. Global Preparatory Meeting for the First Consultation on the Fisheries Industry. (UNIDO Meeting). Mexico City, Mexico.

16-27 Feb. UNCITRAL - Working Group on International Contract Practices. 11th session. New York, USA.

23-27 Feb. Regional Expert Group Meeting in Latin America on Strategies and Policies for Further Processing of Non-ferrous Metals, jointly organized with SELA. (UNIDO Meeting), Caracas, Venezuela.

18-20 March. Meeting of Heads of UNIDO Investment Promotion Services. (UNIDO Meeting), Vienna, VIC, Conf. Rm. VII.

23-26 March. Meeting for the promotion of Joint Venture among Islamic Countries in Selected Less Developed Islamic Countries. (UNIDO Meeting), Istanbul, Turkey.

30 March - 8 April. Chinese Investment Promotion Meeting at the Hanover Fair 1987. (UNIDO Meeting), Hanover, FRG.

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

UNIDO MAILING LIST QUESTIONNAIRE
TIES Newsletter

UNIDO MAILING LIST, INDUSTRIAL INFORMATION SECTION.
P.O. BOX 300, A-1400 VIENNA, AUSTRIA

	Type or print clearly (one letter per box) and leave a space between each word																																															
NAME (underline family name)																																																
TITLE OR POSITION																																																
ORGANIZATION																																																
STREET AND No. (or P.O. Box)																																																
CITY AND STATE OR PROVINCE																																																
COUNTRY																																																

PLEASE DO NOT WRITE IN THESE SPACES

S/A	<input type="checkbox"/>	DISP. CODE	<input type="checkbox"/>	COUNTRY	<input type="checkbox"/>			
CITY	<input type="checkbox"/>							

T TYPE OF ORGANIZATION: Identify below the type of organization to which you belong, checking the box(es) as appropriate (e.g., for a research centre at a university, boxes 20 and 23 would be applicable)

01	UN, specialized agency or other UN body	12	Trade centre or association	23	Research centre/laboratory
02	Other intergovernmental organization	13	Professional association/learned society	24	Library/documentation centre
03	International non-governmental organization	14	Bank or financial institution	25	Information centre
04	UNIDO National Committee	15	Industrial enterprise	26	Publisher
05	Embassy or Mission to UNIDO	16	Public utility	27	Bookseller
06	Government body for development aid	17	Trading concern	28	News agency/press
07	Ministry for industry	18	Engineering organization	29	Radio and television
08	Other governmental department	19	Consultant		
09	Non-governmental aid agency	20	University		
10	Chamber of industry or commerce	21	Vocational or technical institute/school		
11	Manufacturers' association	22	Industrial training or productivity centre		

F FIELD OF INTEREST: Check the appropriate box(es) which reflect your main field(s) of interest.

MANUFACTURING INDUSTRIES - PLANTS, PROCESSES AND PRODUCTS			017	Electrical machinery	030	Industrial legislation			
			018	Transport equipment	031	Industrial property			
			019	Precision instruments	032	Transfer of technology (licensing)			
			020	Agricultural machinery	033	Industrial research and development			
001	Food processing	NON-MANUFACTURING INDUSTRIES AND PROJECTS			034	Standardization			
002	Beverages				035	Industrial organization and administration			
003	Tobacco				036	Industrial co-operatives			
004	Textile and garment				037	Industrial information and documentation			
005	Leather	021	Mining and quarrying						
006	Wood processing	022	Utilities (including power plants)	038	Industrial promotion				
007	Pulp and paper	023	Public services (transport, communications, tourism)	039	Industrial training				
008	Petrochemical and plastics	024	Construction (civil engineering) projects	040	Industrial management				
009	Industrial chemicals and fertilizers	SUPPORTING INDUSTRIAL ACTIVITIES			041	Industrial consulting services			
010	Pharmaceuticals and other chemical products							042	Development of small-scale industries
011	Rubber							043	Industrial estates
012	Non-metallic mineral products and building materials				025	Industrial planning and programming	044	Appropriate technology	
013	Iron and steel	026	Industrial policies						
014	Non-ferrous metal	027	Industrial financing and investment promotion						
015	Fabricated metal products	028	Promotion of export-oriented industries						
016	Machinery	029	Industrial development surveys						

LANGUAGE: Indicate below in which language you wish to receive the NEWSLETTER

ENGLISH FRENCH SPANISH RUSSIAN

