

# Industrial Property

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# LEGISLATION

# GENERAL STUDIES

## ITALY

*(Translation)*

### Decrees

concerning the temporary protection of industrial property rights at 14 exhibitions

(Of January 10, February 17, 22, 26, March 9, 10, 1964)<sup>1)</sup>

#### Single Article

Industrial inventions, utility models, designs and trademarks relating to objects appearing at the following exhibitions:

*I<sup>o</sup> Salone delle macchine per i movimenti di terra e per l'edilizia rurale* (Verona, January 16-20, 1964);  
*LXVI<sup>a</sup> Fiera internazionale dell'agricoltura e della zootechnica* (Verona, March 8-16, 1964);  
*XVII<sup>o</sup> Salone della macchina agricola* (Verona, March 8-16, 1964);  
*XVI<sup>a</sup> Fiera campionaria della Sardegna* (Cagliari, March 7-22, 1964);  
*XXVIII<sup>a</sup> Mostra-mercato internazionale de l'artigianato* (Florence, April 24-May 10, 1964);  
*XIX<sup>a</sup> Fiera del Mediterraneo — Campionaria internazionale* (Palermo, May 23-June 7, 1964);  
*I<sup>o</sup> Salone delle arti domestiche* (Turin, March 18-31, 1964);  
*XI<sup>a</sup> Mostra internazionale avicola* (Varese, June 18-22, 1964);  
*XVIII<sup>o</sup> Salone mercato internazionale dell'abbigliamento* (Turin, April 12-19, 1964);  
*XII<sup>a</sup> Fiera di Roma — Campionaria nazionale* (Rome, May 30-June 14, 1964);  
*XXVIII<sup>a</sup> Fiera di Bologna — Campionaria con settori internazionali specializzati* (Bologna, May 18-22, 1964);  
*XVI<sup>a</sup> Fiera di Trieste — Campionaria internazionale* (Trieste, June 21-July 5, 1964);  
*“Settimana della calzatura e del cuoio” — XXVIII<sup>o</sup> Salone internazionale* (Vigevano [Pavie], September 12-20, 1964);  
*XLII<sup>a</sup> Fiera di Padova — Campionaria internazionale* (Padua, June 1-14, 1964)

shall enjoy the temporary protection provided by laws No. 1127 of 29<sup>th</sup> June, 1939<sup>2)</sup>, No. 1411 of 25<sup>th</sup> August, 1940<sup>3)</sup>, No. 929 of 21<sup>st</sup> June, 1942<sup>4)</sup>, and No. 514 of 1<sup>st</sup> July, 1959<sup>5)</sup>.

<sup>1)</sup> Official communication from the Italian Administration.

<sup>2)</sup> See *Prop. ind.*, 1939, p. 124; 1940, p. 84.

<sup>3)</sup> *Ibid.*, 1940, p. 196.

<sup>4)</sup> *Ibid.*, 1942, p. 168.

<sup>5)</sup> *Ibid.*, 1960, p. 23.

## The Regulation of Restraint of Trade in the Industrial Property Laws of EFTA States

By Dr. Fredrik NEUMEYER, Stockholm

*(Second Part) \*)*

A year later, another dispute arose. The Trust Supervisory Council had before it a complaint based on the above mentioned section 14, which allows the supervising authority to intervene directly if it is officially established that unreasonable prices or profit margins prevail. The complaint had been lodged by some Norwegian film-renting offices. It concerned the licence fees which the Danish firm Nordisk Films Kompagni claimed for importing and exhibiting in Norway sound films where the showing incorporated Norwegian patents owned by the said undertaking. Nordisk Films Kompagni enjoyed licence rights in respect of Petersen-Poulsen patents, which enabled sound films to be made noiselessly by using an amplitude process (so-called “noiseless” patents). The same process was patented in Denmark, Sweden and Great Britain. Other processes for making noiseless sound films in Great Britain and the USA were also covered by patents owned by the American firm Radio Corporation of America. All these patents, and others concerned with a number of further technical improvements to the making of sound tracks in the talking film industry were united in an European patent pool, with its headquarters in Paris<sup>43)</sup>.

On May 30, 1938, the Trust Supervisory Council gave its decision on this case. In essence it upheld the opinion expressed by the director of the Supervisory Couucil, who had stated that the Patents Act contained no provision regarding licence fees which a patent-holder can claim from a third party, to whom he voluntarily gives authority to use the patented invention. In other words, the Patents Act leaves it to the parties themselves to agree on the amount of fees to be paid. However, this involves no exception to other laws, notably the Cartels Act. The patent-holder, like any other manufacturer or merchant, was subject to the prohibition contained in section 13 of the Cartels Act to accept or charge “unreasonable” prices or to make unreasonable stipulations in his business relations. In the director’s opinion, it was also possible to intervene by virtue of section 14 (concerning “unreasonable” prices), and also by virtue of sections 6, 16, 17 and 19 to 22<sup>44)</sup>. To permit intervention under section 14, as a preliminary, a grouping or an individual firm must accept or charge unreasonable prices or profit margins;

<sup>\*)</sup> See *Industrial Property*, 1964, p. 32.

<sup>43)</sup> For further details of the creation of this pooling of patents, vide F. Neumeyer, *Patentgemeinschaften und deren Aufbau bei amerikanischen Industrieverbänden* (Pooling of patents and their development in American industrial groupings), Marburg, 1932, pp. 114 *et seq.*, Chap. 5 (The international agreement in sound films).

<sup>44)</sup> Vide R. Knoph, *Åndsretten*, pp. 565 *et seq.*

secondly, competition by other firms in the field concerned must be sufficiently effective. The director of the Council had considered that this second condition was in fact fulfilled. In view of the large number of patents to be considered, it could not be expected that the competition exercised by other firms in the same branch of industry could lower licence fees thought to be too high. Accordingly, it remained to be seen whether the first condition was also fulfilled, i. e. whether the licence fees charged should be deemed too high and unreasonable. The Director of the Council commented on this question as follows:

The inventions involving payment of licence fees are purely supplementary. They represent certain improvements, but contain nothing basic. They do not substantially affect the market value of the film as a whole and therefore do not warrant particularly high licence fees. It is difficult to establish definite criteria by which to judge the fairness of the licence fees claimed. In the present case, the licence fees charged by the American RCA group, which owns patents covering the same kind of inventions, nevertheless provide useful points of comparison. The licences granted by the RCA group cover a whole group of patents and certain technical services. Since July 1, 1936, the RCA group has no longer charged a special fee for distributing and exhibiting its films. It merely charges a flat rate, which is collected when the film is made and as to its amount seems to represent a fair fee. Since, owing to existing patents, a similar protection is provided in the large film-producing countries, the holders of Petersen-Poulsen patents are not justified in charging, in the other, substantially smaller markets, licence fees at a level disproportionate to these latter markets. Nevertheless, the defendant should still retain the right to charge an import and exhibition fee on films equipped according to the process patented in his favour, on condition that the level of such fees is reasonable.

After making a number of comparisons with licence fees charged by other participants in the patent pool, the director of the Supervisory Council concluded that the licence fees collected on importation of and for exhibiting films were not only "unreasonable" (*urimelig*) but also "unfair" (*utilborlig*) and that, consequently, intervention was possible under section 13 of the Cartels Act. The Supervisory Council supported the opinion expressed by the director and unanimously passed the following decision: The licence fee collected on importation of and for exhibiting films incorporating the patent at issue and three other inventions covered by patent applications should not exceed three öre per metre of negative film. Should several copies of the same film be imported and exhibited, a licence fee could be charged only for the first copy. The patent-holder was debarred from demanding, as a condition for the conclusion of a licence agreement for all or some of the patents at issue, the payment of fees also in respect of films not covered by the same patents<sup>45)</sup>.

The authority responsible for supervising cartels has, therefore, manifestly considered itself competent to judge freely on its own discretion as to the fairness of the fees collected

for the grant of licences on patents, such fees being regarded from the same standpoint as the price of any article of trade or any other condition imposed for concluding a transaction, within the meaning of the Cartels Act. In the present case, the comparison with the licence fees charged abroad (in USA and Germany) by other undertakings engaged in the same field of industry provided the authority with a yardstick. The smallness of the market (in Norway) was not regarded as sufficient reason for the patent-holder to charge higher licence fees.

The struggle between the Norwegian patent-holders of noiseless sound-track processes in the talking film industry and the Norwegian film distributors is not thereby ended. The Swedish Aga Baltic Radio AB sued in the Oslo Tribunal (*byrett*) the Norwegian film distributor Metro Goldwyn Mayer A/S, to whom it refused the right to import, hire and exhibit films incorporating Norwegian Patent No. 59755. It asked for the confiscation of these films under section 40 of the Patents Act. The defendant, like several other Norwegian film distributors, had imported and distributed films, the sound-track of which, incorporated the noiseless process covered by the patent. The distributors thought themselves entitled to do this in view of the decision of May 30, 1938, referred to above, according to which, in order to import and exhibit the films in question, the distributors need not pay licence fees exceeding 3 öre per metre of film. However, the patent-holder refused in these circumstances to enter into licensing agreements on this basis with the distributors, preferring to bring the above cited action against the Metro Goldwyn distributing company. He considered that a licensing agreement concluded abroad, i. e. outside Norway, was immune from the decisions taken by the Norwegian Trust Supervisory Council and that the latter was "non-existent" for a foreign patent-holder domiciled abroad. Moreover, sections 8 and 9 of the Patents Act themselves provide the necessary measures to obviate possible abuses arising from the exercise of the rights conferred by the patent. According to their opinion, the Council could not prevent the patent-holder from opposing a use which constitutes an infringement of the patent.

At this stage in the discussion the authority responsible for supervising cartels and trusts again intervened. Before the Trust Supervisory Council the plaintiff contended that the case at issue represented a "trade boycott" (*erhvervsmaessig boikot*) within the meaning of section 21 of the Cartels Act, since the patent-holder refused to grant licences. Under section 21 of the said Cartels Act such a (trade) boycott exists when one or more manufacturers or merchants, in order to regulate conditions of competition, refuse to enter into business relations, on normal terms, with another manufacturer or merchant, or with a consumer. Such a refusal is held to be a boycott measure within the meaning of section 21:

when its object is to limit the number of competitors or when the refusal to enter into business relations is made vis-à-vis an association of consumers or a person who is in business relations with such an association;  
or when the refusal is made vis-à-vis a person who is not a member of a grouping or party to an agreement, or vis-

<sup>45)</sup> Vide *Trustkontrollen*, Oslo, No. 5, 1938, pp. 133 et seq. (pp. 164 et seq.).

- à-vis a regulation or an undertaking subject to the obligation to notify its existence (under this law);
- or vis-à-vis a person who charges other prices than other manufacturers or merchants, or quotes other terms in his business relations;
- or vis-à-vis a person who does not intend to enter into business relations exclusively, or mainly, with an individual manufacturer or merchant or a limited group of manufacturers or merchants<sup>46)</sup>. Section 21, para. 1, of the Act also provides, as a further condition of acknowledging the existence of a prohibited boycott, that the public interest may be endangered.

The plaintiff claimed that, in the case at issue, the licence had been refused, in order to "regulate the conditions of competition" within the meaning of section 21, para. 3 of the Act.

In substantiating this decision, the director of the Trust Supervisory Council pointed out that a boycott could also occur in the circumstances (not allowable) referred to, when an undertaking enjoying a monopoly refuses to enter into business relations with another party. The notion of "regulation of competition" extends to any system of regulation of conditions governing the market, whether it be a matter of groupings or agreements in the form of a cartel, or of a *de facto* monopoly which a single undertaking has acquired on the market. It is immaterial in what form the measures to regulate conditions in the market are made. The existence of a system of regulating competition in the market should be acknowledged as soon as the measure complained of appears as a form of or a component in the regulation of the market, based on restriction of competition. As such must be regarded, more especially, the charging of unreasonable prices or the imposition of unreasonable conditions for concluding a transaction, not being the result of the free play of competition. If the legislator has left the definition of boycott so wide, it is to enable it to cover all refusals which may be regarded as the expression of, or as a factor in, the regulation of conditions of competition, irrespective of whether or not such regulation must be notified to the authority. The legal definition also covers the case of a patent-holder who, by virtue of his monopoly, refuses to grant a licence in some cases, in order by that means to extort unreasonable licence fees. This is certainly so in the case at issue. Patent-holders are also subject to the Cartels Act, just as are manufacturers and merchants. Neither the Patents Act, nor Article 5 of the Paris Convention allow exceptions to this. Accordingly, a patent-holder is bound to grant a licence not only when the conditions for compulsory licenses stated in sections 8 and 9 of the Patents Act are fulfilled, but also when the refusal of a licence would constitute a boycott measure under section 21 of the Cartels Act. In its reasons the decision refers specifically to the same opinion expressed in a parallel context by Knoph. The latter mentions as an example of the unlawful refusal to grant a licence, according to the provisions of the Cartels Act, the case where a patent-holder who grants

licences "to all comers" might exclude a certain individual manufacturer or merchant because he intended to use other brands or products also<sup>47)</sup>. On the other hand, no boycott exists if a patent-holder intends to exploit the invention himself and therefore refuses to grant any licence whatever, or if he intends to transfer only the actual patent itself. This is a suitable means of exercising the rights conferred by the patent, and there is accordingly no call to regard this as a form of boycott<sup>48)</sup>.

In view of the extent and effects of the boycott measures involved in this case, the director of the Trust Supervisory Council commented, in giving his reasons, that the interests of the community were thereby injured, that the terms imposed were unreasonable and, moreover, appeared unfair to Norwegian film distributors and to cinemas. Further, the decision clearly showed that the existence of a violation of section 22, para. 3 of the Cartels Act must be acknowledged; this forbids enforcing the conclusion of exclusive agreements which cannot be concluded in a legal way. This comment made reference to the attitude adopted by the Swedish company Aga Baltic. By bringing an action in the Oslo Tribunal to prohibit the importation and showing of sound films incorporating the patent covering the noiseless sound-track, this Swedish company had endeavoured to enforce the conclusion of an exclusive agreement with the user of the patent in Norway. In giving its decision, the Council commented on the following legal aspects: The Council can do no more than establish, with obligatory effect, whether the measures involved may injure the public interest, and whether it is unfair or unreasonable. The question whether this measure constitutes an economic (trade) boycott or an attempt to enforce the conclusion of an illegal exclusive agreement is one which only the courts are competent to decide. However, since the courts might reach a conclusion different from that of the authority responsible for supervising cartels, and also since a final legal decision would in any case have taken a long time to reach, the director of the Supervisory Council proposed to intervene by virtue of section 14 of the Cartels Act.

Taking its stand on the reasons set forth by the director, the Council on February 15, 1939, gave its verdict on three different counts. As regards the first, it stated that, by refusing to grant to Norwegian film distributors and to owners of cinema halls, on the terms laid down by the Trust Supervisory Council, licences to import and exhibit sound-films patented in Norway, the Nordisk Films Kompagni had been guilty of a violation of section 21 of the Cartels Act. On the second count, he found that the firms Aga Baltic, Nordisk Films Kompagni and Electrical Fono-Films Co. had violated section 22 of the Act by seeking to create an arrangement under which Norwegian film distributors or film exhibitors would have had to obtain their supplies, exclusively or mainly, from films emanating from one of the first-mentioned undertakings. On the third count, the Council made it an offence, by virtue of section 14 of the Act, to demand, for the purpose of importing and exhibiting sound-films incorporating the noiseless showing processes covered by the patents in question, a licence

<sup>46)</sup> The regulations on boycotts were incorporated in the 1953 Prices Act, in section 23 entitled "Refusal to enter into business relations". Detailed comment by Eckhoff and Gjelsvik, *loc. cit.*, pp. 127 *et seq.*

<sup>47)</sup> *Loc. cit.*, p. 569.

<sup>48)</sup> *Loc. cit.*, p. 570.

fee in excess of 3 öre per metre, or to charge a licence fee for each copy after the first one, should several copies of the same film be imported and exhibited. At the same time the Council prohibited making the conclusion of licensing agreements dependent on the conclusion of other agreements covering the patents at issue, or seeking to make the film distributors or owners of cinema exhibition halls pay higher fees than those fixed in the decision, or lastly, disturbing or preventing the activity of such undertakings<sup>49)</sup>.

After the Council had given its decision, on February 15, 1939, the parties concerned entered into negotiations, which in June 1939 resulted in a direct settlement by contract between the patent-holders and the Norwegian distributors. In its decision of February 15 the Council had made provision to allow the application of his decision, if necessary, to be suspended. Thus, on June 29, 1939, it made a new decision which approved and at the same time made public the settlement reached between the parties<sup>50)</sup>. The main content of the latter was that the distributors undertook to pay a single amount of 75,000 Crowns for the use of the patented inventions in the period preceding January 1, 1939, and were to pay after that date a licence fee of an amount, per metre of film, approaching that fixed by the Council in its 1938 decision.

The results of the decisions just mentioned taken by the Cartel Supervisory Council were as follows:

1. it is unreasonable (*urimelig*) and therefore forbidden to make the sale of a product, whether patented or not, dependent on other products being sold at the same time (Council decision of 1936);
2. the fact of a patent-holder charging unduly high patent licence fees is regarded as an unfair condition (*utilboringlig*) and may be modified *ex officio* on conclusion of a transaction (Council decisions of 1938 and 1939).

In the Council's opinion, on the first count the patent-holder had placed himself in a particularly strong position by combining the sale of the patented products with that of non-patented ones. On the second count, the patent-holder was from the outset in a specially strong position owing to the fact that the sound film produced by applying the patent in question constituted at the same time a technical product and an artistic work protected by copyright. This "dual nature" of the film enabled the patent-holder to demand for importing and exhibiting the film a payment the amount of which was determined more by reference to the artistic content of the work than to the patented inventions used to create it. In both cases, therefore, an attempt had been made to give to the monopoly conferred by the patent a content which exceeded its lawful limits. In the second case, the patents had been used to secure profits out of proportion to the actual value of these patents: those concerned had benefited from what is known as an "extortion value" (*utpressningsverdi*)<sup>51)</sup>. The exclusive right, also guaranteed by the

Norwegian Patents Act, enjoyed by the patent-holder to exploit the protected invention (sect. 5) does not extend to enabling this right to be exercised under all circumstances. The patent-holder is also subject to restrictions on contractual freedom provided, for reasons of public interest, by the Norwegian Cartels Act.

The legal conceptions upheld in Norway were obviously similar in their effects to those of the anti-trust legislation in the United States.

From what has just been said it appears quite natural that at the Fifth Nordic Congress for the Protection of Industrial Property held in 1946, at which for the first time in Scandinavia there was to be common discussion of the relations between patent law and cartel legislation, it was the Norwegian representatives who sustained as a reality of legal life the possible conflicts between these two different systems of regulation. At this time, in 1946, there was also an incipient awareness in Europe of the basic features of American anti-trust legislation, and it was realized at the same time what repercussions statutory provisions concerning cartels and monopolies might have on the exclusive rights conferred in the field of industrial property<sup>52)</sup>.

The 1953 Prices Act, briefly referred to at the beginning of this survey, had already been prepared in 1935 by the provisional Norwegian Government, then domiciled in London. At the Fifth Nordic Congress it was realized in Norwegian circles familiar with the question that the provisions of the Prices Act, which at that time was still provisional, should also apply to the exercise of the rights conferred by patents. It was thought that "the amount of licence fees and other conditions to be determined in agreements on patents could be regulated by the Prices Office". How far the Prices Office would intend to go was a question of judgment essentially political in kind<sup>53)</sup>.

In 1936, when the Trust Supervisory Council had to deal with the first-mentioned dispute, the Norwegian Patent Act was being revised<sup>54)</sup>. The object of this revision was clearly to limit, in the interest of the community, the exclusive rights enjoyed by the patent-holder, in particular his right to fix the retail selling price of patented articles. Section 8 of the Patents Act, which regulates cases of confiscation of a patent by the state, was modified at the request of the board of the Norwegian Broadcasting Company, a state institution which, amongst other things, had been responsible for making possible the production in Norway of "popular radio receiving sets". Up to then the state had the right to use (*bruke*) an invention, without authorization by the patent-holder, but against payment of compensation and after a decision by the King (in Council of State); he could then exploit (*utove*) the invention by virtue of the new section 8 of the Supplementary Act of June 12, 1936. That meant that the state had in future the right to import into Norway, without restriction by law, objects protected by a Norwegian patent. The oppor-

<sup>49)</sup> *Trustkontrollen*, No. 2, 1939, pp. 59 *et seq.*; publication of the judgments, *loc. cit.*, pp. 103 *et seq.*

<sup>52)</sup> Vide in particular F. Neumeyer, *Patentkarteller*, Stockholm, 1946.

<sup>50)</sup> *Trustkontrollen*, No. 7, 1939, pp. 343 *et seq.*

<sup>53)</sup> B. Lund, "Patenters Forhold til Kartelllovgivning" (introductory survey submitted to the 5<sup>th</sup> Nordic Congress for the protection of industrial property, Stockholm, on September 28, 1946); published in *NIR*, 1947, pp. 1 *et seq.* (5).

<sup>51)</sup> Vide Ø. Thommessen, "Utnytilelsen av Patentrettigheter under samfundsmaessig Kontroll", published in *NIR*, Stockholm, 1939, pp. 65 *et seq.* (74).

<sup>54)</sup> For situation before the revision of the act: vide B. Wyller, "Om det Offentliges Bruk av Patenter", published in *NIR*, 1937, pp. 10 *et seq.*

tunity to apply the new section 8 of the Patents Act occurred only once, in 1939. The case could not, however, be decided owing to the occupation of Norway in 1941<sup>55)</sup>.

The measures just referred to, which were taken in the thirties by the authorities responsible for supervising trusts against certain patent-holders and their policy in regard to licences may also be envisaged as a result of the new Prices Act of 1953. Section 22 of this act provides that it is prohibited, except with the authority of the Prices Office, to charge or accept compensation (*vederlag*) for the grant of "licences". However, according to Eckhoff-Gjelsvik<sup>56)</sup> and according to the results of the preliminary work on the 1953 act, patents, trade marks, industrial designs or models and similar rights, i. e. licences granted in respect of such rights, do not come within the scope of the prohibition of the act<sup>57)</sup>.

The Prices Office considers officially that agreements concluded by patent-holders or trade mark owners with one or more persons or undertakings concerning the exercise of these exclusive rights fall, in principle, within the sphere of the Prices Act. "If the parties to the agreement jointly accept, demand or fix unfair prices (*urimelige priser*) for the use of a patent or trade mark, or if the conclusion of the transaction is subject, because of the agreement, to other conditions either unfair or manifestly contrary to the public interest, section 18 of the Prices Act will apply. Even if the action adopted by one or the other of the parties to the agreement is not so serious as to fall within the sphere of section 18, it will none the less be possible to intervene as regards the points of the agreement which may give rise to objections, by virtue of section 24 of that act. According to circumstances, the Prices Office may also, under section 23 of the act, forbid the refusal of certain conditions of doing business based on such agreements"<sup>58)</sup>.

The contents of the Norwegian Cartel Register are published. After the year 1957 this publication has been supplemented by additional lists, issued at irregular intervals, which show the position of the Register after July 1, 1957. Only one licensing agreement covering a patent has so far been registered — in 1957. This was a license agreement between a British company and a Norwegian firm covering patents for wooden and metal screws. The agreement contained a clause regarding protection of the home market of the respective party. The Norwegian licensee undertook not to export the products in question, while the British licensor promised not to export to Norway wooden screws and to export no further metal screws as soon as the Norwegian licensee was able to supply the Norwegian market itself<sup>59)</sup>.

No agreement covering the use of an industrial or commercial trade mark has so far been registered in the Norwegian Cartel Register.

<sup>55)</sup> K. O. Berg, "Tvanglicensproblemer" (introductory survey submitted to the 6th Nordic Congress on the protection of industrial property, Copenhagen, on August 31, 1948); published in *NIR*, 1948, pp. 195 et seq. (197).

<sup>56)</sup> *Loc. cit.*, p. 125.

<sup>57)</sup> *Instilling II 1953 til Odeltingen om prisloven*, p. 120.

<sup>58)</sup> Communication to the author from the Prices Office, Oslo, by letter of May 4, 1962.

<sup>59)</sup> Registration No. 2218 published in *Oversikt No. 2 over Registret for Konkurransreguleringer og Storbedrifter*, Pr. 1.7. 1957, Oslo, 1958, p. 152.

### C. Denmark

#### I. Earlier cartel legislation

In 1929 Denmark introduced a law to protect freedom of trade and freedom of industry and labour. The act provided that collective agreements unduly limiting access by an individual to an occupation or to work could be declared null and void in civil law; similarly, any measure of economic or personal persecution (e. g. in the form of a boycott) could be declared unlawful. In 1931 this act was supplemented by a Price Agreements Act. The new act empowered a committee of investigation, on complaint being made, to examine price-fixing arrangements and to notify the courts thereof, with a view to their possible nullification if the prices were manifestly unfair. In 1937 these two acts were replaced by a new Price Arrangements Act. This act for the first time provided for the setting up of a Price Supervisory Council and for a public register for the inscription of arrangements and decisions concerning prices arrived at by individual firms or by certain groupings. Obligation to register covered all arrangements which might exert a decisive influence on conditions of price, production, sale or transport of goods. Further, the Act forbade agreements or provisions which resulted in or might result in the fixing of unfair prices or other restrictions undesirable from the point of view of public interest and of freedom of movement in business. The Price Supervisory Council was to endeavour to put an end, by amicable arrangement, to any situation contrary to law; should it fail, it was itself to give decision. The interested party could appeal to the ordinary courts against the Council's decision. During the second world war a general Prices Act was introduced, incorporating the main provisions of the 1937 act. The exceptional legislation of the war years was, in turn, rescinded and in 1949 there was introduced a Trusts Commission, which for eight years proceeded to carry out investigations into conditions of competition in different sectors of the Danish economy. In 1952 a temporary price arrangements act replaced the war-time legislation and in 1955 was, in turn, replaced by the Monopolies Act now in force.

#### II. The existing Law

The "Act to supervise Monopolies and Restrictions on competition" was adopted on March 31, 1955<sup>60)</sup>. The aim of this Danish Act is to combat abuses. It incorporates the main basis of the provisions of earlier legislation to combat excessive prices. It set up an authority to supervise monopolies and restrictions on competition and to initiate negotiations to end restrictions likely to impose unreasonable prices or conditions, unreasonable hindrances on the free exercise of an occupation or a blatant inequality of conditions in the exercise of an occupation (Art. 11, para. 1). The act, therefore, has a dual purpose. First, it seeks to protect consumers by combatting unreasonable prices or conditions in business and, secondly, to protect manufacturers and merchants by ensuring the free exercise of their occupation.

<sup>60)</sup> Lov Nr. 12 om tilsyn med monopolier og konkurrencebegrænsninger of March 31, 1955; translation in German published in *WuW*, 1955, pp. 660 et seq.

The activity subject to the authority's supervision must exercise or be capable of exercising a substantial influence on conditions of price, production, sale or transport of products (Art. 2, para. 1). The agreements specified must, at its request, be notified to the authority responsible for the supervision of monopolies (Art. 6, para. 1) and are entered by that authority in the public register (Art. 9). Arrangements and decisions subject to supervision under Art. 2 are valid only if they have been notified within the prescribed time (Art. 8). Entry in the Danish Cartel Register of agreements which have been notified and impose restrictions on competition does not mean that such agreements have been approved by the authority (Art. 9, para. 1, phrase 2). Excluded from the provisions of the act are relations on the labour market and certain occupational activities governed by special regulations or authorized by the state (Art. 2, para. 2); such, for instance, is the case with the production and distribution of gas, water and electricity. Further, arrangements, decisions and provisions providing for vertical fixing of minimum prices or minimum profit margins (in retail) are, in accordance with Article 10, valid only after approval by the authority responsible for supervision of monopolies.

According to Danish Cartel Law, it is not the form of the restriction on competition which may warrant intervention by the authority responsible for supervising monopolies, but only the effects which such restriction exercises on market conditions, that is to say, the influence which the arrangement or any other measure monopolistic in character may have on conditions of price, production, sale or transport of goods. The field of application of the act has not been determined in advance but must be determined by the courts. The same applies to agreements subject to registration; the duty to register them does not depend merely on the simple fact that they make provision for price-fixing or for certain conditions of an exclusive nature, quotas or other methods of dividing markets. Nor is the notion of what is or is not reasonable fixed by the act. Article 11, para. 2, provides certain criteria by which to judge the reasonableness of prices<sup>61)</sup>.

In 1956 the 1955 Cartels Act was supplemented by a "Price Supervision Act", which empowers the authority responsible for supervising monopolies to examine the prices charged in certain fixed sectors of the economy, when there is reason to believe that such prices are unreasonable<sup>62)</sup>.

Of the arrangements whose effect is to impose limits on competition it is primarily the exclusive agreements which have so far received the closest examination; in a number of cases they have been annulled, their effects being detrimental to the public interest. This was the case, for instance, with the agreements on the importation of motor-car tyres and with those concerned with trade in wine, cement, pipes and heating equipment. In the field of efforts, to ensure equality of opportunity in the exercise of an occupation, supervision has been concerned especially with discriminations in prices resulting from the granting of special refunds or rebates. The

<sup>61)</sup> As to the concept unreasonable (*orimelig*) in Danish Cartel Law, see Steen Richter, *Monopolloven med Kommentarer*, Copenhagen, 1955, pp. 58 et seq.

<sup>62)</sup> Lov om indseende med priser, May 25, 1956, Article 1, para. 1.

imposition of specified conditions of supply and the question of its legality has frequently, and with varying results, been the subject of negotiations before the authority responsible for supervising monopolies. The prices subject to prior authorization are primarily those for foodstuffs, fuels, bottles, matches, tyres and batteries, as well as certain services, especially those rendered by craftsmen, doctors, lawyers and architects.

### III. Effects on industrial property rights

Since rights of industrial property are not specifically excluded from the application of the Cartels Act, all the provisions mentioned under II, therefore, are applying equally to them. In principle, all agreements on patents or trade marks must be registered if they are such as to affect market conditions by fixing prices, dividing the market or establishing quotas on output or sale. They may be annulled in accordance with Articles 2 and 11 of the Cartels Act, if their effect is to impose unreasonable restriction on competition.

A provisional examination of the activity of the Danish Cartel Supervisory Authority shows that in the field of industrial property problems have arisen mainly in regard to the dividing line between regulation of cartels and legislation on trade marks, especially service (trade) marks (*Faellesmaerken*).

The Danish Cartel Register includes among its entries a number of exclusive agreement and trade association statutes which cover restrictions on competition, based largely on the common use of service marks. Typical examples are: The demands of the Danish market for watches are covered almost entirely by imports. Most Danish wholesalers of watches are organized in a Danish Watch Wholesalers' Trade Association (Registration No. 332), the retailers in a Watchmakers' Guild with its head office in Copenhagen (Registration No. 1232) and in a Central Association of Danish Watchmakers and Opticians (Registration No. 330). These three organizations have created a common system of regulations known as the "Tempus Regulations", which lays down rules concerning the quality of products and the organization of publicity. The Regulations also provide for the sealing of watches, the permitted extent of guarantees and publicity for watches. Members of the organizations who fail to observe the regulations are debarred from using the service mark "Tempus"<sup>63)</sup>. Moreover, the right to use the trade mark is restricted to members of the two retailers' trade associations, these organizations themselves specifying what watches may bear the service mark. The Regulations also provide for two compulsory contributions by members: a contribution of 3% on all invoices for sales effected (for the benefit of the Association's publicity fund) and a contribution payable by wholesalers of 1% on the nett selling price (for the benefit of the assistance fund of the Guild and the Central Association<sup>64)</sup>. In 1954 a further trade association regulation concerning a service mark on sets of forks and knives was registered (No. 364) representing an exclusive agreement between wholesalers

<sup>63)</sup> Registered under Nos. 331 and 2235.

<sup>64)</sup> *Konkurrencebegrænsninger i dansk erhvervsliv, Trustkommissionens Betaenkninger*, No. 8, 1960, p. 286.

and retailers. The authority responsible for supervision of monopolies gave its opinion on the agreement on the use of this service mark and found that the annulment of the exclusive agreement would have no appreciable practical effect, since the monopoly position concerned was sustained by the Patents Act and the Trade Marks Act. Instead, it was decided that conditions for admission of new members into the association was transferred to the retailer's organization, thus enlarging the number of persons receiving access to the use of the service mark.

Lastly, in 1957 a dispute arose between the Central Association of Danish Iron Hardware Dealers and the Monopoly Supervisory Authority which was to last several years and to have important legal effects on the status of service marks. When the Central Association was placed on the Cartel Register, it transpired that the association had registered as a service mark a mark (represented by an arrow) to distinguish products sold by other firms from those marketed by members of the association. The Authority thought that agreements on the marking of goods concluded between the Association and the various suppliers should be notified for inclusion in the Cartel Register. The Association in turn claimed that the agreements imposed no other restrictions on competition than such as necessarily arose from the nature of a service mark. In its opinion, the Cartel Act did not in those circumstances apply to the agreements. The Authority claimed, on the contrary, that the agreements, in conjunction with all the activities exercised by the Central Association, had or could have a decisive influence on the market in accordance with Article 6, para. 2, phrase 2 of the Cartels Act, and that therefore they should be notified for inclusion in the Register. In August 1960 the Association lodged a complaint concerning its obligation to register the agreements on product marking, and in September 1960 a further complaint regarding its obligation to notify for registration the statutes of the association, as amended. In January 1961 the Appellate Authority, having been seized of these complaints, confirmed the decisions taken by the Monopoly Supervisory Authority. It pointed out, as regards agreements on product marking, that "such agreements should be regarded as one of the factors which, contributed to the activities carried on by the grouping in restraining competition" <sup>65)</sup>.

Even before the dispute on the Iron Hardware Dealers Association service mark arose, the Monopoly Authority, having undertaken an enquiry into the effect of restrictions on competition as a result of using service marks, had in January 1958 approached the Minister of Commerce asking him, should the law on service marks be revised, to adopt a provision enabling registration of a service mark to be annulled if the use of this mark involved, or could potentially involve, the harmful effects mentioned in Article 11 of the Cartels Act. The Authority declared that service marks used by associations of manufacturers or importers to distinguish the products manufactured or imported by them created a monopoly situation vis-à-vis outsiders. This situation, as such,

should not, however, be regarded as an unreasonable restriction on competition. It was only when the association reinforced this monopoly position with additional agreements made with the retailers' associations that outsiders might be hindered in the free exercise of their occupational activity, and that the Authority could then intervene under Articles 11 and 12 of the Cartels Act, without, however, annulling the regulation as such. In the view of the Monopoly Authority, such trade association regulations do not provide consumers with the full protection which service marks should guarantee them. For instance, it does not prevent the buyer being offered products of equal quality, both bearing the service mark or not bearing it, which "appears to be more a cause of deception than a means of informing the public". Accordingly, the Authority proposed a revision of the 1936 Act on service marks. As a result of this proposal, in January 1959, after negotiations with the competent authorities, a revised draft law was presented to the Danish Parliament (*Folketinget*). The draft modified Article 6 by enabling a service mark to be removed from the register and its use prohibited, irrespective whether the mark was registered or not, when it imposed unreasonable restrictions on the free exercise of occupational activity. It must be possible for the removal to be demanded by the Patent Office, by the Monopoly Supervisory Authority or by the Council of Consumers representing the Danish housewives. The draft was rejected by the organizations of commerce, industry and the handicrafts. At the same time, in an open letter to the Minister of Commerce, an eminent Danish jurist, Hardy Andreasen, claimed that the new statutory provision proposed was contrary to the Convention of the Paris Union (Art. 7, b) and to the Danish Constitution. The Danish Foreign Minister denied the claim that the draft law was incompatible with the Convention of the Paris Union, although he could not entirely dispel the idea that the proposed regulation might run counter to the fundamental spirit and ideas of the said Convention and might harm the interests of Danish exporters. An interesting discussion commenced at the same time between Andreasen and Professor W. E. von Eyben. It referred to the way in which the questions under discussion were viewed by the American Federal Trade Commission, the Cartels Office of the Federal Republic of Germany and the Swedish Board of Freedom of Commerce <sup>66)</sup>. In view of the objections raised at various quarters, a new draft of law was submitted, supplementing Article 5 of the Service Marks Act by making it possible for a service mark to be removed by the Minister of Commerce at the request of any interested party, if it was contrary to public interest (*strider mod almene samfundsinteresser*). After much discussion in Parliament, a new service marks act was promulgated on June 2, 1959. Article 5 was worded as shown above and the act was unanimously adopted by the *Folketing*, by 155 votes <sup>67)</sup>. According to the Cartel Supervisory Authority, the expression trade

<sup>65)</sup> *Monopolsynets Årsberetning 1960*, Copenhagen, 1961, pp. 24 et seq. and *Meddelelser fra Monopoltilsynet*, No. 2, 1961, March 28, pp. 38 et seq.

<sup>66)</sup> The discussion had been opened with an article by Prof. von Eyben published in *Festskrift til professor Dr. juris Poul Andersen*, June 12, 1958, pp. 114 et seq.; vide also H. Andreasen, "Konkurrencebegaersning og illoyal konkurrence" published in *Ugeskrift for Retsvaesen*, B, Copenhagen, 1959, pp. 33 et seq. and 253 et seq.; von Eyben (same title), published in *Ugeskrift for Retsvaesen*, B, 1959, pp. 81 et seq., and 1960, B, pp. 73 et seq. and 118 et seq.

<sup>67)</sup> *Fællesmaerketlov* (No. 212) of June 11, 1959.

mark being "contrary to public interest" consecrated by the new Article 5 covers, *inter alia*, cases where effects contrary to other Danish laws are manifested, for instance to the Cartels Act. Thus, the new Article 5 enables service marks whose use causes harmful effects within the meaning of Article 11 of the Cartels Act to be removed from the trade mark register. In this way, legislation in Denmark to combat restrictions on competition has been supplemented by a special enactment in the field of trade mark law<sup>68)</sup>. No similar enactment is found in any trade marks act in the other Nordic countries.

The danger of a clash between patent legislation and acts to protect the free exercise of competition has not hitherto received attention in Danish legal practice, contrary to action taken in regard to trade marks legislation. One reason is probably that the Danish Cartel Register does not yet contain any agreements on patents or patent licences. Equally, attention has not yet been given to agreements on joint research and exchange of know-how; such agreements (as found for instance in the incandescent lamp and cable industries) being of great importance to the economy in general. It is well-known that they often contain provisions on joint exploitation of patents or reciprocal exchange of patents, engineering experience and other information. The Monopoly Authority, in its report for 1959, writes for instance that neither the agreements to exploit patents between two Danish incandescent lamp factories and the Dutch firm Philips Gloeilampen, nor the agreement on patents between Standard Electric A/S and Kristian Kirks Telefonfabriker have been registered<sup>69)</sup>.

In reply to a direct question about this, the Danish Authority stated, in March 1962, that so far it did not have occasion to express an opinion on the relations between patent law and legislation to combat restrictions on competition.

The Danish Patents Act, however, contains since 1936 provisions on the grant of compulsory licences. In 1943 the Danish Supreme Court had occasion for the first time to give an opinion on this point. It stated that the patent-holder could not refuse to grant a licence on the ground that the applicant wishing to make the chemical compound in question would not be able to give it the desired quality and might therefore harm the good reputation which the holder had hitherto enjoyed. The Court held that in Denmark it did not seem impossible to ensure the manufacture of the compound at issue and that the applicant was not "unworthy" to be granted a licence<sup>70)</sup>. At the same period a question of principle arose as to whether the grant of a compulsory licence under Article 23 of the Patents Act was conditioned by the existence of a public interest and whether the wording of the law "in view of all circumstances present" also involved taking into consideration the public interest<sup>71)</sup>.

<sup>68)</sup> In this connection vide *Monopolsynets Årsberetning 1959*, Copenhagen, 1960, pp. 14 *et seq.*

<sup>69)</sup> *Konkurrencebegrænsninger i dansk Erhvervsliv, Trustkommissionens Betaenkninger*, No. 8, Copenhagen, 1960, Chapter 25 ("Elektriske Maskiner og Apparater"), pp. 264, 266.

<sup>70)</sup> *NIR*, 1943, pp. 54 *et seq.*, and *La Propriété Industrielle*, 1945, p. 137.

<sup>71)</sup> An affirmative view was expressed by H. Andreasen, "Er Tildeling af Tvanglicens betinget af tilstedevaerelsen af en offentlig interesse? (Patentlovens, sec. 23)", *NIR*, 1943, pp. 22 *et seq.*; on the other hand,

The draft published in March 1962 of a common Scandinavian law on patents envisages in all Scandinavian countries the possibility of granting compulsory licences when "an exceptionally pressing public interest demands that the use of the invention be made possible"<sup>72)</sup>.

Danish doctrine has not yet penetrated the problems of collision between industrial property rights and the law to protect against restraint of free competition<sup>73)</sup>. Attention has, however, been paid to the questions of an "antitrust character" which can arise by the use of trade marks belonging to exclusive agents of (foreign) manufacturers<sup>74)</sup>.

#### D. United Kingdom

As the birth-place of cartel law as well as of modern legislation on inventors' patents, the United Kingdom has been a guide post in these fields and has inspired judicial thought in all other Anglo-Saxon countries. Ever since the 17<sup>th</sup> century, when the world-famous disputes took place between Darcy and Allin (1602) regarding the monopoly to make playing cards, and between the tailors of Ipswich (1614) concerning freedom to exercise their craft, the various forms of "restraint of trade" have, as a result of decisions made by the statutory courts, generally been forbidden in British commerce and trade, from one century to another. The modern concept of unreasonable restraint of trade was laid down in 1894 in the Nordenfeld case. Some paragraphs from the Statute of Monopolies proclaimed by James I in 1624 drew the attention of the legislature in the then developed countries of Europe and on the newly settled American continent to the questions of law raised by monopolies in industry, trade and in the field of technical inventions. Paragraph 6 of the Statute of Monopolies provides amongst others that an inventor's patent may last for 14 years but is valid only if it is "not contrary to the law nor mischievous to the State by raising prices of commodities at home, or hurt of trade, or generally inconvenient". Thus, there was a very early clear and direct statement of the question of the public interest and of the harmful effects which inventions may have on the economy of a country, especially as regards prices of goods and the exercise of competition among craftsmen or among merchants. A third disadvantage cited by the Statute of Monopolies was that such monopolies would induce craftsmen to sloth and mendicity. Such was the influence of the ideas proclaimed in this document of the 17<sup>th</sup> century that the most recent British patent act, issued in 1949, after 325 years still refers directly to this "ancestral" law (in Sec. 101 defining a patent).

Compared with legislation in former periods, British *patent law* (in its most recent form of the 1949 Patents Act)

J. Møller expressed a negative view in the course of the discussion on problems of compulsory licences at the 6<sup>th</sup> Nordic Congress on the protection of industrial property held in Copenhagen on August 31, 1948, *NIR*, 1948, pp. 195 *et seq.* (208).

<sup>72)</sup> S. Lewin, in a first report, dated April 20, 1961, on the work of the Nordic Patents Committee, *NIR*, 1961, No. 1/2, pp. 16 *et seq.*, and official report *Preliminaer Betenkning angående Nordisk Patentlovgivning*, Oslo, 1962.

<sup>73)</sup> Vide, for instance, Jan Kobbernagel, *Konkurrencens retlige regulering*, vol. I, Copenhagen, 1957, vol. II, 1961, I, pp. 54, 137.

<sup>74)</sup> Vide, for instance, Kobbernagel, *loc. cit.*, vol. II, pp. 34 *et seq.*

even to-day still incorporates, in Sections 37-41, the most detailed system of rules concerning restraint of trade, in connection with patents.

After World War II the British Parliament in 1948, for the first time in modern British history, issued a special act to supervise monopolies and cartels — the *Monopolies and Restrictive Practices (Inquiry and Control) Act*. In 1953 this act was supplemented by the *Monopolies and Restrictive Practices Commission Act*, which set up a cartel authority, and in 1956 by the *Restrictive Trade Practices Act* providing for registration of agreements and setting up a Cartel Tribunal. These developments mean that, in Britain, restraint of trade arising from industrial property rights may to-day be combatted, if necessary, by three different methods: under the general prohibition of restraints which are unreasonable and likely to hinder the exercise of trade ("unreasonable restraint of trade") which has the sanction of Common Law; by virtue of the various prohibitions contained in the Patents Act, and lastly as a result of the enquiries conducted by the authority responsible for supervising cartels and by the Cartel Tribunal. Below we shall review the various methods of supervising patents and of taking legal action against patents, such as they arise from (1) the Patents Act, (2) Common Law, and (3) the Cartels Act.

## I.

The British Patents Act provides a very detailed system of compulsory licences as a legal weapon wherewith to combat abuses liable to arise from the exercise of exclusive patent rights. Section 37, sub-paragraph 2 lists no less than seven different grounds on which any person interested may apply for a compulsory licence. These are:

- (1) that the patented invention, being capable of being commercially worked in the United Kingdom, is not being commercially worked therein or is not being so worked to the fullest extent that is reasonably practicable;
- (2) that a demand for the patented article in the United Kingdom is not being met on reasonable terms, or is being met to a substantial extent by importation;
- (3) that the commercial working of the invention in the United Kingdom is being prevented or hindered by the importation of the patented article;
- (4) that by reason of the refusal of the patentee to grant a licence or licences on reasonable terms:
  - (a) a market for the export of the patented article manufactured in the United Kingdom is not being supplied; or
  - (b) the working or efficient working in the United Kingdom of any other patented invention which makes a substantial contribution to the art is prevented or hindered; or
  - (c) the establishment or development of commercial or industrial activities in the United Kingdom is unfairly prejudiced;
- (5) that by reason of conditions imposed by the patentee upon the grant of licences under the patent, or upon the purchase, hire or use of the patented article or process, the manufacture, use or sale of materials not protected by the patent, or the establishment or development of

commercial or industrial activities in the United Kingdom is unfairly prejudiced.

Further, Section 41 concerning foodstuffs, medicines, surgical instruments and curative devices requires a special form of compulsory licence intended to make such products available for the community "at the lowest price consistent with the patentees' deriving a reasonable advantage from their patent rights". The first dispute of consequence to arise from the application of Section 41 was one between a British plaintiff (British Drug Houses Ltd.) and the American firm Parke Davis & Co. and its British subsidiary. It came before the courts in 1953/54 and was taken on appeal to the House of Lords. The plaintiff obtained a compulsory licence on three patents for certain stages of synthetic manufacture of a non-toxic anti-biotic (chloromycetin) <sup>75)</sup>.

Under Section 37, compulsory licences have been granted in various branches of industry and for various reasons. Thus, for instance, in 1915 a manufacturer of electric lamps applied for a compulsory licence to enable him to manufacture tungsten electric lamp filaments, using patents owned by a cartel for the common exploitation of patents (Tungsten Lamp Association). The cartel had made the grant of a licence conditional on the licensee selling its lamps at a higher price than that charged by the cartel, or on his paying for the filament for these lamps three times the price quoted for export. The grant of a compulsory licence was rejected on the ground that the terms imposed were not unreasonable and not calculated to modify the conditions prevailing in this branch of industry concerned as a whole <sup>76)</sup>. A British manufacturer of printing machinery obtained in 1926 a compulsory licence covering patents of the American Mergenthaler Linotype Co. This company had refused to grant a licence on reasonable terms and thereby "was prejudicing British commerce" <sup>77)</sup>. The courts had to decide in the following year whether the fact of granting a so-called standard licence for radio receivers made by the Marconi Wireless Telegraph Company should be regarded as tantamount to refusal to grant a licence on reasonable terms, since the fee was claimed for each lamp socket installed in the receivers, irrespective of whether the switching patents in question were used or not. The application for grant of a licence was rejected <sup>78)</sup>. In the following year the judge made a similar decision in the case of Löwe Radio Co. Ltd. <sup>79)</sup>. In 1933 the British Cooperative Association was refused the grant of a compulsory licence from the Colombia Gramophone Co. Ltd., which refused to supply its patented products to retail businesses which granted rebates or refunds (of cooperative type) to its members. The Patent Office upheld this refusal, pointing out, first, that the patent did not protect the records in question themselves as products (but only the manufacturing process) and, secondly, that the compulsory licence had been instituted to promote not the sale of goods, but their production <sup>80)</sup>. Other court cases concerning the grant of compulsory licences have

<sup>75)</sup> 70 RPC 88 and 161 (1953) and 71 RPC 169 (1954).

<sup>76)</sup> Robin Electric Lamp Co. Ltd., March 12, 1915, 32 RPC 202.

<sup>77)</sup> Intertype Ltd., July 17, 1926, 43 RPC 305.

<sup>78)</sup> Brownie Wireless Co. Ltd., November 6, 1928, 46 RPC 457.

<sup>79)</sup> June 18, 1929, 46 RPC 479.

<sup>80)</sup> Cooperative Union Ltd., 1933, 50 RPC 164.

been decided, in accordance with Section 27, sub-paragraphs 2a-2d of the former patents act, from the aspect of an "alleged abuse of monopoly rights", for instance in regard to patents covering radio valves or Lithopone colours<sup>81</sup>).

## II

In the United Kingdom conflicts between inventors' rights and Common Law rules designed to suppress the traditional methods of violation of restraint of trade may also arise independently of the provisions of the Patents Act. Thus, for example, agreements covering the assignment by employees of their future inventions to the employer are subject to the relevant rules of Common Law. Such agreements are valid only if they are "reasonable", that is to say, if the restrictions imposed by the agreement do not go beyond the minimum required to protect the interests of the two parties to the agreement and do not harm the interests of the community. As long ago as 1894 a well-known decision had established that a clause of an agreement under which an (independant) inventor who had sold his undertaking for the manufacture of patented guns and ammunition to another contracting party, not to conduct any business activity in that branch for a period of 25 years, was not unreasonable<sup>82</sup>.

(To be continued)

## REPORTS OF INTERNATIONAL ORGANISATIONS

### Note on the Report of the Secretary-General of the United Nations on the Role of Patents in the Transfer of Technology to Under-Developed Countries

#### Contents

- I. Background
- II. Coverage of the Report
- III. Summary and Conclusions of the Report
- IV. Preliminary Comments of BIRPI on the Report

#### I. Background

Under the date of February 14, 1964, the Secretary-General of the United Nations issued his long awaited report on "The Role of Patents in the Transfer of Technology to Under-Developed Countries" (U.N. document E/C.5/52/Rev. 1).

It may be useful to retrace here briefly the steps which led to the publication of this important study.

The study was conducted and the report issued by the Secretary-General of the United Nations in response to Resolution No. 1713 (XVI), adopted by the General Assembly of

<sup>81</sup>) In the matter of applications by James Cathro, 51 RPC 75 *et seq.*, 475 *et seq.* (1934), and in the matter of ... by McKechnie Bros. Ltd., 51 RPC 441 *et seq.*, 461 *et seq.* (1934).

<sup>82</sup>) Nordenfeld Gun Co. v. Maxim Nordenfeld (1894) A.C. 535; P. Meinhardt, *Inventions, Patents and Monopoly*, 2nd edition, London, 1950, pp. 148 *et seq.*

the United Nations on December 19, 1961, and reading as follows:

"The General Assembly,

Recalling its resolution 1429 (XIV) of December 5, 1959, on the possibilities of a further expansion of international contacts, as well as an increased exchange of knowledge and experience in the field of applied science and technology,

Taking note of Economic and Social Council resolution 375 (XIII) of September 13, 1951, and of the reports on restrictive business practices prepared by the Secretariat and by the Ad Hoc Committee established under the above-mentioned Council resolution<sup>1</sup>),

Bearing in mind that a United Nations Conference on the Application of Science and Technology for the Benefit of the Less Developed Areas will be convened under Economic and Social Council resolution 834 (XXXII) of August 3, 1961,

Bearing in mind that access to knowledge and experience in the field of applied science and technology is essential to accelerate the economic development of under-developed countries and to enlarge the over-all productivity of their economies,

Realizing that the protection of the rights of the patent-holders both in their country of origin and in foreign countries has contributed to technical research and, therefore, to international and national industrial progress,

Affirming that it is in the best interest of all countries that the international patent system should be applied in such a way as to take fully into account the special needs and requirements of the economic development of under-developed countries, as well as the legitimate claims of patentees,

Requests the Secretary-General, in consultation with appropriate international and national institutions, and with the concurrence of the Governments concerned, to prepare for the Committee for Industrial Development, for the Economic and Social Council, and for the General Assembly at its eighteenth session, and taking into consideration any pertinent discussions which might take place in the United Nations Conference on the Application of Science and Technology for the Benefit of the Less Developed Areas, a report containing:

- (a) A study of the effects of patents on the economy of under-developed countries;
- (b) A survey of patent legislation in selected developed and under-developed countries, with primary emphasis on the treatment given to foreign patents;
- (c) An analysis of the characteristics of the patent legislation of under-developed countries in the light of economic development objectives, taking into account the need for the rapid absorption of new products and technology, and the rise in the productivity level of their economies;
- (d) A recommendation on the advisability of holding an international conference in order to examine the problems regarding the granting, protection and use of patents,

<sup>1</sup>) See Official Records of the Economic and Social Council, Sixteenth Session, Supplement No. 11A (E/2379 and Add. 1); *ibid.*, Supplement No. 11 (E/2380); document E/2443; Official Records of the Economic and Social Council, Nineteenth Session, Supplement No. 3 (E/2671); and *ibid.*, Supplement No. 3A (E/2675).

*taking into consideration the provisions of existing international conventions and the special needs of developing countries, and utilizing the existing machinery of the International Union for the Protection of Industrial Property."*

In view of the broad substantive and geographical coverage of the enquiry, the Secretary-General advised the Economic and Social Council of the United Nations (hereafter referred to as ECOSOC) at its resumed thirty-fourth session in December 1962 that the report could not be completed in time for submission to the third session of the Committee for Industrial Development or the thirty-sixth session of the Council. He accordingly suggested, and ECOSOC accordingly recommended, that the collection and analysis of information should continue during 1963 and that the report should be presented in 1964 to the Committee for Industrial Development, the Economic and Social Council, and the nineteenth session of the General Assembly (see U. N. documents E/3702 and E/SR.1237).

The Committee for Industrial Development at its third session in May 1963 received an Interim Report by the Secretariat (U. N. document E/C.5/35), noted the recommendation of the Council and accordingly decided to defer discussion of the subject until its fourth session in 1964 (see U. N. documents E/3781 and E/C.5/37).

The Preparatory Committee of the United Nations Conference on Trade and Development (hereinafter referred to as UNCTAD) at its second session recognized the importance of patents in facilitating access to technological experience and know-how, when applied in such a way as to take fully into account the special needs and requirements of the economic development of the developing countries. The Committee noted that a study had already been started on the subject as a result of the initiative taken by Brazil in the United Nations. It was suggested by the Committee that this work be expedited so that the study could be brought to the attention of the Conference (see U. N. document E/3799).

The General Assembly of the United Nations, at its eighteenth session noted the above recommendation of ECOSOC, as well as the suggestion incorporated in the above report of the Preparatory Committee of UNCTAD, and requested the Secretary-General of the United Nations to continue with the preparation of the study referred to in sub-paragraphs (a), (b) and (c) of Resolution 1713 (XVI), and to submit it to the United Nations Conference on Trade and Development, as well as to the Committee for Industrial Development, ECOSOC, and the General Assembly, at their 1964 sessions. The General Assembly also recommended that UNCTAD, in the deliberations under item IV of its provisional agenda (Invisible Trade), give serious consideration to the study prepared by the Secretary-General (see Resolution 1935 [XVIII] of December 11, 1963).

General Assembly Resolution 1713 (XVI) had requested the Secretary-General to prepare the report "in consultation with appropriate international and national institutions, and with the concurrence of the governments concerned". Accordingly, the Secretary-General circulated on October 8, 1962, to Governments and interested intergovernmental and non-

governmental organisations, a questionnaire on The Role of Patents in the Transfer of Technology to Under-Developed Countries. The views and information received in reply to this Questionnaire have been fully used in the preparation of the Report.

## II. Coverage of the Report

The Report runs into some 180 pages and consists of two main Parts: the first, entitled "Major Characteristics of Patent Systems", deals with the law of patents; the second, entitled "The Effects of Patents on the Economies of Under-Developed Countries", deals with the economic aspects of the problem.

The economic analysis of the effects of patents on the economies of under-developed countries considers the role of patents in the actual transfer of technology; the role of patents in relation to imports of patented products and processes; and, finally, the role of patents in improving the process of invention and innovation through the indigenous technology of developing countries themselves.

In accordance with the intent of the General Assembly, the study focuses on the problem of the treatment extended to foreign patentees. For this reason, considerable emphasis has been placed upon the international patent system and the extension of patent protection to foreign inventors. The report does not attempt to discuss all the rules pertaining to patents. However, it does cover the major issues. The major part of the survey of national patent legislation, annexed to the Report, is based on a survey prepared, at the request of the Secretary-General, by BIRPI.

General Assembly Resolution 1713 (XVI) also requested that the Secretary-General's report should take "into consideration any pertinent discussions which might take place in the United Nations Conference on the Application of Science and Technology for the Benefit of the Less-Developed Areas". Since the agenda for the Conference did not contain a specific item on the subject of patents, the Conference's papers and discussions did not provide any treatment of the subject. Consequently, the Report does not refer to the discussions of that Conference, but it expresses the view that it may be desirable to communicate the Report to the Advisory Committee on the Application of Science and Technology to Development, set up by the Economic and Social Council under Resolution 980 A (XXXVI) of August 1, 1963, following the Conference, so that it may take its analysis into account in its over-all study of the transfer of technology to developing countries (see U. N. document E/3816).

## III. Summary and Conclusions of the Report

The summary and conclusions of the Report of the United Nations Secretary-General read as follows:

### "A. National Patent Systems

"The chief purpose of the economic and legal analysis undertaken in this study, has been to consider, from the viewpoint of the economically under-developed countries, whether the patent system can play a useful role in encouraging the transfer of technology to developing countries and contribute to their economic development; and whether on

balance this system is a proper vehicle for accommodating the respective interrelated interests involved, i. e., the interest of the inventor in his creation; the social interest of encouraging invention; the consumer interest in enjoying the fruits of the invention upon fair and reasonable conditions, and the national interest in accelerating and promoting the economic development of the country.

“The grant of the patent privilege has been based on two primary legal and social justifications. The first is that patents are private property, i. e. the inventor has the exclusive right in his invention and the patent grant recognizes this right. The other is that they are exclusive privileges for a limited term of years granted by the Government in the public interest to encourage research and invention, to induce inventors to disclose their discoveries instead of keeping them as trade secrets, and to promote economic development by providing an incentive for the investment of capital in new lines of production. It is on this latter rationale that modern patent systems chiefly rely.

“In order to qualify for a patent grant, the product or process must conform to certain legislative criteria of industrial utility, novelty and/or inventiveness. Such statutory criteria of patentability are subject to interpretation and application by national Patent Offices and national courts. The thoroughness with which a Patent Office in practice reviews the patent applications filed with it to determine whether the invention claimed or disclosed therein is patentable depends not only on the controlling legislative provisions, but also on the extent to which the office is adequately staffed to carry out its review functions. Patent Offices of developing countries are likely to have more limited staffs and undertake a more limited review of patent applications than those of some of the more industrialised countries.

“Developing countries in fact can rarely afford the resources of skilled manpower and the costs of a comprehensive Patent Office review procedure such as exists in some industrial countries. For this reason, some of them have been considering the possible harmonization and unification of their national patent systems and, more particularly, the establishment of a joint Patent Office that would have the resources of trained personnel and finance that are necessary for successful patent administration but are not within the capacity of the individual under-developed countries. The first regional Patent Office and uniform patent law of this kind created so far is the African and Malagasy Industrial Property Office established pursuant to an Accord among the fourteen member countries of the African and Malagasy Union.

“In addition to affiliating with a regional Patent Office and pooling their joint research efforts therein, the under-developed countries may consider two alternative methods of meeting the problem posed above. They may dispense with strict standards in the review of patent applications and, following the practice of a number of countries, issue patents of importation, confirmation or revalidation, i. e., patents issued on inventions already patented in another country which are based upon the first corresponding foreign patent issued. Or, they may call on the services of an organization

such as the International Patent Institute of The Hague which examines patent applications submitted by national patent administrations and gives opinions thereon to private persons.

### *“B. International Patent Relations*

“Both in the under-developed countries and in most industrialized countries, but to a larger extent in the former than in the latter, the statistics indicate that, generally speaking, the percentage of patents granted to foreigners is much larger than that granted to nationals. It is therefore significant that the patent laws of most countries make no distinction between domestic and foreign applicants and follow the principle of national treatment, i. e. nationals of a foreign country or others who are domiciled or have an effective industrial or commercial establishment therein are guaranteed equality of treatment with the nationals of the country granting the patent. In a few countries, this principle is qualified by the notion that the foreign country should give reciprocal treatment to the nationals of the home country.

“Of the international treaties and conventions relating to the protection of foreign inventors, the most important is the Convention of the Paris Union for the Protection of Industrial Property, first established in May 1883 \*) and currently adhered to by sixty-one industrialized and under-developed countries. The most important principles underlying the Paris Union are the principle of national treatment, described in the preceding paragraph, and the right of priority, whereby a national of a member country who has filed a patent application in a member country of the Paris Union has a twelve-month priority over any other person for filing an application for the same invention in all other member countries of the Union.

### *“C. Government Regulation of Patent Uses*

“There is an extensive range of national legislation directed against practices that are considered abuses of the national patent system — chiefly *the non-use of patents, restrictive business practices, excessive royalties*. This legislation, on the whole, applies to both the foreign and the domestic owners of the abused patents, although the legislation dealing with the non-exploitation of patents was historically directed primarily against foreign nationals, while exchange controls with respect to the limitation of royalties relate exclusively to foreign patentees.

“Provision for the *revocation or compulsory licensing* of patents which have not been commercially exploited in the country within a prescribed time after the patent has been granted is made in the patent laws both of industrial and under-developed countries. As a historical matter, this legislation was adopted because of concern over the fact that the foreign owners of inventions could, by refusing to exploit the patents covering such inventions, prevent the development of national industries which might give employment to nationals and utilize available national resources. Another important factor was the fear that foreign patentees could, by excluding other producers of the patented articles from

\*) This should, in fact, be March 1883. (Ed.)

the market, be in a position to monopolize the import of such articles into the country and thereby exact higher prices from domestic consumers.

“ There are still in existence, mainly in the case of some under-developed countries, statutes which provide for revocation of a patent where it has not been exploited within usually two years of its issuance, or where its use has been discontinued for more than two years. More recent laws, however, have favoured the less stringent remedy of compulsory licensing of patents under which anyone ready to work an unused patent may compel the patentee to issue him a licence. This trend has been aided by the Convention of the Paris Union under which patent revocation is permissible only if the granting of compulsory licenses does not suffice to prevent abuses resulting from the exercise of patent rights. In the case of the developing countries, there may be administrative advantages in a third method of automatic lapse of patents in the case of non-working beyond a certain period, since this method (unlike revocation or compulsory licensing) would not require government or private initiative to be implemented. By the automatic lapse of the patent, the public becomes possessed of the invention without any preliminary administrative or judicial action; but, on the other hand, this may impair inducement subsequently to work the invention which may be provided by the existence of the patent.

“ Many countries have an administrative requirement that all patentees pay annual or periodic fees, which usually increase with the age of the patent. The size of these payments is considered to be an important factor in bringing about the abandonment of unused patents.

“ In the case of inventions of special interest to the public welfare or security, provisions have been made in many laws to throw their use open to others than the inventor. Thus, in many countries, no patents may be issued for inventions in certain fields (especially food and medicine). In other cases, where patents are issued, provision is made in the public interest for: (a) the compulsory licensing of the patent to the Government or to any other interested party; or (b) the expropriation of the patented invention by the Government. In both cases, there arise issues relating to the compensation of the patentee and the administrative or judicial mechanics and authority for determining such compensation.

“ National policies differ as to the circumstances under which Governments, or persons other than the patentee or his voluntary licensee, may use patented inventions. There also exist national differences as to the nature of the public interest which justifies the compulsory licensing or expropriation of patented inventions, and as to the procedures employed in connexion therewith. The public interest deemed to justify the exclusion from patentability, compulsory licensing or expropriation of patents may relate to such diverse matters as the national defence, public health, improvements in the international balance of trade, development of special resources available in the country or general industrial development.

“ Many countries, mainly those which have reached a certain level of industrialization, have taken legislative, ad-

ministrative or judicial action against *restrictive business practices* that may occur in connexion with patent license and transfer agreements. Such agreements may include clauses prohibiting the licensee from exporting or selling in designated areas; requiring him to use only materials, equipment, personnel supplied by the patentee (‘tie-in’ clauses); fixing the resale prices of wholesalers and retailers and, in some cases, of the manufacturing licensee himself limiting his output; and compelling him to pay royalties for unused patents (‘compulsory package licences’). For some cases (e.g. tie-in clauses), legislation of this type is part of the national patent law, but more usually it constitutes part of the general anti-trust legislation of the country. Since business restrictions of this kind are considered against public policy, it is immaterial whether they appear in patent or in general business agreements, and since, moreover, the effective enforcement of policies against restrictive business practices requires a larger number of trained specialists with adequate investigative powers and appropriate legal sanctions, legislation of a general nature would appear to be a more efficient method of coping with this problem than legislation that is part of the patent law and adds to the duties of a Patent Office.

“ National Governments have sought to cope with the problem of restrictive business practices in international patent license agreements by taking legal action against abuses — at home or abroad — of patents issued by them, or by adhering to treaties dealing with restrictive business practices in international trade. There are at present two multilateral treaties in effect which establish supranational programmes for the prevention and control of restrictive business practices. These are the Paris Treaty of 1951 establishing the European Coal and Steel Community, and the Rome Treaty of 1957 establishing the European Economic Community, both concluded by Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands.

“ In many countries, the terms and conditions of patent assignment or license agreements with foreign patentees are generally subject to governmental review, chiefly from the point of view of their probable effect on domestic private and public interests. One area of potential abuse by a foreign patentee is the charging of an *excessively high royalty or fee*. For this reason, Government review of the terms of agreements between foreign patentees and domestic licensees or assignees is exercised chiefly with a view to the reasonableness of royalties and the transfer abroad of royalty payments. (See the following section for a discussion of the economic aspects of this issue.)

#### “ *D. Economic Effects of Patents*

“ In the development of under-developed countries, the transfer of technology is only one of several essential elements taking its place alongside such other factors as financing, trade and the development of human and natural resources, as well as the development of a country’s indigenous technological resources. Within the purview of this factor of the transfer of technology, itself, moreover, the role of patents is limited by the fact that patented knowledge is only a part of the total technological knowledge which should and does

flow to under-developed countries. This is so partly because much of the technology required by these countries is not at that latest stage of technological advance which is covered by patents. Partly, it is because the under-developed countries lack so much in general know-how and management experience, that the knowledge covered by patents alone is usually not sufficient for the introduction of new products and processes.

“On the other hand, the significance of patents for, and their impact on, under-developed countries may transcend the field of transfer of technology. The patent system will affect under-developed countries also via the import of commodities which are patented products or incorporate patented processes in their production. Finally, the patent system has a relation, not only to the transfer of technology but also to its creation, to the extent to which patents issued to national and resident inventors may promote the development of an indigenous technology.

“As regards foreign patentees, the situation where the national enterprise in the under-developed country will be able to produce the product or work the process covered by the patent without any technical, managerial or financial co-operation from the foreign patentee, or from other foreign sources, is quite exceptional especially in the least developed countries. This is particularly so, in view of the fact that commonly the operation and application of new inventions is not feasible without the benefit of the relevant unpatented technological know-how embodied in formulae, processes and blue-prints, trade secrets, etc.

“Probably the most frequent case in practice will be the one where the national producer in the under-developed country would seek recourse to the technical support and other resources of the foreign patentee. This may be so either because these are not obtainable elsewhere or because the national producer does not have the ability to select and combine the different technological and financial factors needed without the patentee’s help. If the domestic enterprise wants to use the foreign patentee’s technological and management know-how or capital, and cannot obtain these as readily anywhere else, the foreign patentee will look for assurances of a safe and profitable situation. Patent protection in the developing country may or may not have a high place among these profitable conditions or guarantees which he expects. In any case, the fact is that patent protection is actually asked for and expected in a large number of situations, and quite apart from its actual economic significance it may be of psychological importance for the foreign patentee-investor.

“However, the terms and conditions of licensing agreements are legitimately a subject for the concern and control by the Governments of under-developed countries. Of particular concern to them are undue financial sacrifices exacted from the national licensee resulting in balance of payments burdens, and other unduly restrictive features of licensing agreements which diminish the benefits of introducing the patented innovation in the under-developed country.

“There are difficulties in determining what is an excessive balance of payment burden, and the necessary information

cannot be obtained from the available statistics. Moreover, the actual burden which royalty payments to foreigners impose on a country cannot be measured in balance of payment terms alone, but must also be evaluated in terms of the contribution that the technology in question makes to the development of a particular industry within the country and the long-run contribution that it makes to decreasing the country’s dependence on foreign imports and increasing its exports of the product in question.

“Undue financial sacrifices may appear not only in the form of excessive royalties, but also in excessive prices paid for materials or components or for the services of technicians obtained from the patentee, or an undue share of profits or an undue amount of equity transferred to the patentee in return for the use of his patent or for his technical services, unduly high management fees, etc. It will be seen that the financial terms of these agreements are highly complex and their effective control calls for considerable administrative resources and flexibility.

“The handicaps and possible abuses from which under-developed countries may thus suffer in connexion with patent licensing, are basically due to the monopoly of technical knowledge, management knowledge, capital resources and marketing access enjoyed by the firms and economies of the more advanced countries, rather than to the existence of patents as such. The basic problem to tackle for the international community is the one-sided relationship under which the possession of know-how and capital resources are so unequally distributed. The balance of payments burdens resulting from this one-sided relationship are heavy and take many different forms. They have never been fully appreciated, or even properly measured, as compared with the burdens of adverse terms of visible commodity trade of under-developed countries.

“Although the burden of the patent system is most readily apparent in the form of the heavy payments which are made for licensing fees and royalties or profit transfers to foreign patentees, yet frequently a serious burden of the patent system may lie in precisely the opposite form, namely those patents which are not being utilized within an under-developed country although they could be used advantageously in its productive economy. This burden is not measured by the volume of fees and royalties: since the patents are not in fact worked, no fees and royalties are paid. The true burden here lies in the absence of the social and economic benefits which the working of the patented product or process could have meant to the under-developed country and in the inability of the under-developed country to utilize its resources in the fullest and best possible way, in consequence of the non-working of the patent.

“Where, however, the patent could not be economically worked in the country, the burden may result from the higher prices which may have to be paid for the importation of the patented products, as a result of the monopoly position gained by the inventor through the grant of the domestic patent. This, however, will be the case only in so far as the price of the imported product is not already controlled by the patent or market situation in the developed countries

from which the product could be obtained. Conversely even the grant of a domestic patent will not give the inventor a monopoly position in the local market in the case of interchangeable products which are typically manufactured by competing suppliers, each of whom has his own set of patents on processes, components, etc.

"In any case, the effect of higher prices specifically due to patent protection is almost impossible to disentangle from higher prices due to such factors as exclusive know-how, trade secrets, restrictive practices, or the dominant market position of the supplier, all of which are intrinsically unrelated to the patent system. Since patents are thus only one of the factors which may bring about higher prices, the question arises whether measures directly affecting price levels or general anti-trust legislation are not an economically more effective and administratively more feasible technique of coping with the problem, than legislation devoted specifically to the patent system.

"The importance of stimulating indigenous innovation and pioneering applications of new technology in under-developed countries at reasonable cost is undoubtedly. Even though it may be true and inevitable that the bulk of the improved technology applied in under-developed countries will be taken from the stock of technological knowledge existing and being created elsewhere in the world (and will thus be transferred rather than newly created), yet this transferred technology will often have to be specifically adapted and adjusted to special local needs and circumstances. The encouragement of national and resident inventors and innovators in under-developed countries is particularly important because of the manifold special risks which attend investment in under-developed countries in any case. In so far as patent grants provide encouragement and protection, they may serve in some measure as an offset to the many risks that national innovators are running and the handicaps they are facing, compared with their counterparts in the industrially more advanced countries.

#### *"E. Conclusions*

"The analysis presented in this report covers the economic, legal and technical implications of the patent system for the economies of under-developed countries. The basic position from which the problem has been approached was that of the United Nations, i. e. that the economic progress of the under-developed countries is a matter of concern not only to themselves, but also to the world community at large, and that — as stated in General Assembly Resolution 1713 (XVI) — 'access to knowledge and experience in the field of applied science and technology is essential to accelerate the economic development of under-developed countries and to enlarge the over-all productivity of their economies'.

"The issue of patents to nationals and residents is one — though not the only — method at the disposal of Governments of under-developed countries for encouraging and rewarding invention and technical progress. The establishment of patent systems in under-developed countries for nationals and residents, moreover, raises no specific problems, subject to the possible need for technical assistance or pooling ar-

rangements in administering such systems, and the general importance of conserving the scarce scientific manpower for directly productive tasks. In this direction, non-examination systems of patent issue may recommend themselves specially to under-developed countries. The possibility of utilizing international resources for the purpose of examination of patent applications from under-developed countries also clearly suggests itself.

"The real issues revolve around the position of the foreign patentee — and it is with these that Resolution 1713 (XVI) on the role of patents in the transfer of technology to under-developed countries is concerned. Where a patent granted to a foreign national is not worked in the under-developed country, there may result artificially high prices of the patented article when imported into the under-developed country, but such high prices may be the result of other factors than the exclusionary monopoly given the patentee. The patent system may thus be an element in the over-all picture of adverse terms of trade for under-developed countries, but its impact is not separably measurable. In this context, it has nothing to do with the balance of payments burden of royalties since no royalties are paid where the patented product is not locally produced. The situation may be eased from the point of view of under-developed countries if the more developed countries operate — as some often do — the patent system in a context of general (especially anti-trust) legislation which serves to reduce or counteract possible misuses of the system for restrictive or price-raising purposes, not only at home but also on operations abroad. The under-developed countries are also in a position to adopt, and many have in fact adopted, measures to control unreasonable prices and other abuses of the patent system.

"Where the patented product or process should be advantageously introduced into the economy of under-developed countries, a number of issues arise. The case where this can be done without the technical co-operation or other resources of the foreign patentee or any other source outside the under-developed country is in practice exceptional; where such a case exists provisions for compulsory working or licensing will deal with the situation if fairly and effectively administered. This will also be the case where the patent can be worked with such additional foreign know-how and resources as can be acquired from third parties or in the open market. The best course of action by the under-developed country will depend on whether it prefers the patentee to come and work his invention himself (possibly in a joint venture with local enterprise) — provided he is willing to do so on acceptable conditions — or whether it prefers the invention to be worked wholly by nationals. There may be sound economic reasons for either preference in given cases. In spheres of production vital to the national interest and the development of special resources, or to public health, limitations on patentability, or provision for limiting the scope of the patent grant by special working or compulsory licensing in the public interest are natural, as is evidenced by the inclusion of such limitations in the legislation of many countries.

"Where the technical services, management experience and perhaps capital resources as well as other connexions of

the foreign patentee himself are essential for the introduction of the patented process in the under-developed country and cannot be procured elsewhere, his minimum terms and conditions will have to be met in one form or other if it is decided to bring the innovation to the under-developed country. In so far as this can be described as a one-sided relationship and may express itself in undue balance of payments burdens on the under-developed country (or else in undue delays in introducing the new technology), such results are not attributable to the patent system as such, nor is the resulting burden properly measured by the patent royalties.

The Governments of the developing countries have a legitimate interest in preventing excessive exploitation of their one-sided technological and financial dependence. One such possible method is the screening and control of license agreements, and avoidance of unduly restrictive features. The world community and the Governments of more developed countries can assist by inducing patentees not to be unduly restrictive in the conditions and terms on which they are willing to spread technology into under-developed countries; a variety of policy measures ranging from domestic compensation of patentees, provision of international funds for this purpose, equivalent investment guarantees and legislation against restrictive practices applying to business operations abroad, could be used for this purpose.

"In its final paragraph, Resolution 1713 (XVI) raises the question of the 'advisability of holding an international conference in order to examine the problems regarding the granting, protection and use of patents'. No views on this question have been expressed by any Governments in their replies to the Secretary-General's inquiry. In fact, as pointed out in the report, the problems arising in connexion with the transfer of technology to developing countries, go much beyond the operation of national patent systems or the conduct of international patent relations, so that a Conference such as that contemplated in the resolution could only deal with part of the issues. More could be done through the adoption at the national level of appropriate legislative and administrative measures along the lines discussed in the Report. In the final analysis, the question of patents can be best seen in the broader context of facilitating the transfer of technology, patented and unpatented, to the developing countries, and enhancing the ability of the latter to adapt and use such foreign technology in the implementation of their development programmes. This may be considered as falling within the scope of inquiry of the Advisory Committee on the Application of Science and Technology to Development, established by Economic Social Council Resolution 980 A (XXXVI), to whose attention the analysis presented in this Report may usefully be drawn."

#### IV. Preliminary Comments of BIRPI on the Report

It is doubtless too soon for BIRPI to make detailed comments on the Report of the Secretary-General of the United Nations. The Report is long and deals with a complex subject. It will have to be studied more carefully and more in detail than has been possible in the short time which has elapsed since its publication.

Nevertheless, a few general observations on the Report's conclusions may already be made and, in view of the fact that UNCTAD is currently studying it, are timely.

The four conclusions of the Report which are of principal interest seem to be the following:

(a) According to the U. N. Report, the issue of patents to nationals is one of the methods at the disposal of under-developed countries for encouraging technical progress, but in establishing patent systems such countries possibly need "technical assistance or pooling arrangements in administering such (their patent) systems" (pp. 20 and 21 of the U. N. Report).

It should be pointed out that BIRPI has an important programme of such technical assistance:

- (i) BIRPI offers *training grants* for officers selected by their Governments for the administration of their patent systems;
- (ii) BIRPI is at the disposal, with a *model law* and other materials, of under-developed countries wishing to adopt patent legislation consistent with their needs;
- (iii) BIRPI is at the disposal of such Governments to give advice on, and assist in the establishment of *regional patent offices* if several countries wish to pool their resources for administering their patent systems.

(b) According to the U. N. Report, possible abuse of patents by foreign patentees to the detriment of the economy of under-developed countries may be prevented by compulsory working and licensing, the limitation of patentability in certain spheres of production vital to national interest, and the screening and control of licence agreements (see pp. 21 and 22 of the U. N. Report).

It should be noted that the model patent law established by BIRPI includes provisions to the effects mentioned above.

(c) According to the U. N. Report, the special interests of under-developed countries could be better served "through the adoption at national level of appropriate legislative and administrative measures" (p. 23 of the U. N. Report) along the lines indicated above than by an international conference.

It should be noted once again that the technical assistance offered by BIRPI is primarily an assistance for measures that each country would take *on the national level*.

(d) Finally, the U. N. Report refers to the question raised in General Assembly Resolution (1713 [XVI]) as to the "advisability of holding an international conference in order to examine the problems regarding the granting, protection and use of patents". The U. N. Report adds that no views on this question have been expressed in the replies of Governments to the Secretary-General's enquiry and that such a conference "could only deal with part of the issues" (U. N. Report, pp. 22 and 23).

It should be noted that, in these circumstances, an international conference on the subject would not seem to serve any useful purpose. If the convocation of such a conference would nevertheless be considered, it should be borne in mind that, as stated in the last

paragraph of Resolution 1713 (XVI), such conference should utilize "the existing machinery of the International Union for the Protection of Industrial Property" (Paris Union).

On the whole, it would seem to follow from the U. N. Report that the problems that under-developed countries may have in connection with patents for inventions are mainly

problems which can be solved by appropriate legislative and administrative measures. Since these measures are of a rather special technical nature, it seems to be the natural solution that under-developed countries should draw on the experience of BIRPI, the only intergovernmental body specialized in patent questions, which, for eighty years, has served Governments in this field.

(A. B.)

## NEWS ITEMS

### Calendar of BIRPI Meetings

Place	Date	Title	Object	Invitations to participate	Observers
Geneva	May 20 to 26, 1964	Administrative Agreement, Working Party	Preparation of the Diplomatic Conference of Stockholm	Czechoslovakia, France, Germany (Fed. Rep.), Hungary, Italy, Japan, Mexico, Sweden, Switzerland, Tunisia, United Kingdom of Great Britain and Northern Ireland, United States of America	—
Bogotá	July 6 to 11, 1964	Latin American Industrial Property Congress	Discussion of industrial property questions of interest to Latin American States	All the States of Latin America	All Member States of the Paris Union outside Latin America
Geneva	September 28 to October 2, 1964	Interunion Coordination Committee	Program and budget of BIRPI	Belgium, Brazil, Czechoslovakia, Denmark, France, Germany (Fed. Rep.), Hungary, India, Italy, Japan, Morocco, Netherlands, Portugal, Rumania, Spain, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland, United States of America, Yugoslavia	All other Member States of the Paris Union or of the Berne Union
Geneva	September 30 and October 1, 1964	Consultative Committee and Conference of Representatives (Paris Union)	Triennial budget of the Paris Union	All Member States of the Paris Union	—
Geneva	October 12 to 16, 1964	Committee of Experts concerning the international classification of industrial designs	Study of an international classification of industrial designs	All Member States of the Paris Union	—

## STATISTICS

### General Statistics of Industrial Property for the year 1962

#### *Corrigenda*

#### IRELAND

In the January 1964 issue of *Industrial Property*, the statistics, on page 19, regarding patent applications and patents granted were inverted; the figures should read as follows:

Principal patents applied for . . . . .	1,089
Additional patents applied for . . . . .	26
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Total	1,115
Principal patents granted . . . . .	443
Additional patents granted . . . . .	4
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Total	447

#### SOUTH AFRICA

In the December 1963 issue of *Industrial Property*, the statistics on page 274 under the heading "Utility Models" should be deleted and inserted under the heading "Designs", on page 275.

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